

2021 Legislative Action Days

May 12-13, 2021

Agenda



- Welcome and Opening Remarks
- Introduction and Overview
- Latest on State Budget (May Revise)
- Cal Cities State Budget Ask
- American Rescue Plan Guidance Overview

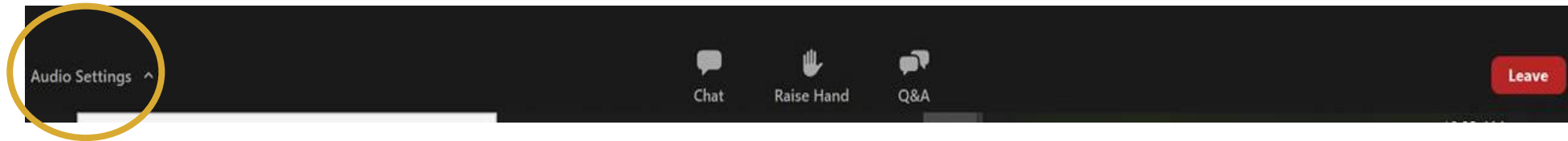
Welcome and Opening Remarks



Cheryl Viegas Walker, President
League of California Cities
Mayor, El Centro

Housekeeping notes for attendees

1. Please make sure your audio is connected. You should have been prompted to connect your audio when joining the webinar, but you can confirm by clicking the audio settings on your tool bar.

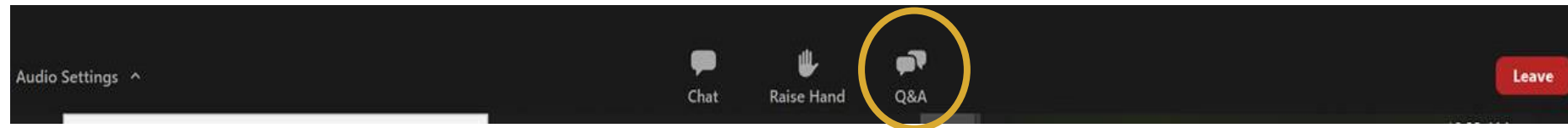


2. All attendees have been muted upon entry.

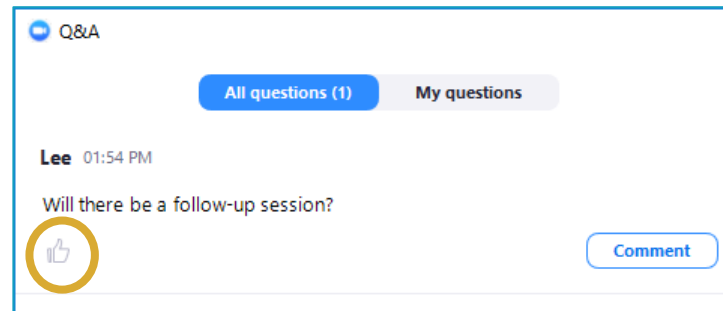
3. This webinar is being recorded.

How to ask a question

To write in a question, select the 'Q&A' button on your tool bar.



You can also “up vote” other attendees’ questions if you have the same question. This will help speakers prioritize questions during the Q&A portion of the presentation.





May Revise Preview

Nick Romo,
Legislative Representative
Revenue and Taxation

State Budget Pandemic Rollercoaster

June 2020: Projected and budgeted for a \$54 billion deficit in FY 2020-2021

Jan. 2021: Projected \$15 billion windfall

April 2021: State windfall grows to \$25 billion

May 2021: State windfall grows to \$38 billion in current year

May 2021: Projected windfall of \$75 billion through FY 2021-2022

May 2021: State will receive \$26 billion from American Rescue Plan

- Driven by robust personal income, corporation, and capital gains tax revenues (state sources)
- State sales tax revenues steady growth

State Legislature “Build Back Boldly” Plan

Limit ongoing negative impacts of COVID-19 crisis:

- ***Fill gaps in other federal stimulus programs to assist local governments***, schools, universities, and other programs.
- Assist economically impacted Californians: rent, mortgage, utilities, student debt.
- Address mental health challenges for students, workforce, and families.
- Provide additional direct stimulus relief to struggling Californians and small businesses/nonprofits.
- Fund critical and eligible infrastructure projects, including broadband expansion, clean energy, and the Safe and Affordable Drinking Water program.

Governor's \$100 billion California Comeback Plan

\$12 billion to tackle the homelessness crisis, including:

- A massive expansion of Homekey, investing **\$8.75 billion**.
- Aims to end family homelessness within five years through a new **\$3.5 billion** investment in homeless prevention, housing and rental support.

Specifically, the plan will invest in solutions to homelessness, including:

- **\$7 billion** for additional Homekey acquisitions.
- **\$1.75 billion** to build thousands of affordable homes.
- **\$447 million** to address student homelessness at UC, CSU, and CCC.
- **\$150 million** to stabilize and rehouse Project Roomkey clients.

Governor's \$100 billion California Comeback Plan

Ending Family Homelessness: The Governor's plan seeks to end family homelessness within five years by investing **\$3.5 billion** in new rental support, housing, and shelter resources.

- **\$1.85 billion** in new housing for homeless families.
- **\$1.60 billion** in rental support and homeless prevention for families.
- **\$40 million** in grants to local governments.

Preventing Youth Homelessness

The Governor aims to provide stable housing for thousands of transitional aged youth experiencing homelessness or at-risk of homelessness by targeting resources through Homekey and supporting various youth-focused grant programs.

Governor's \$100 billion California Comeback Plan

Encampment Strategy

- **\$50 million** in targeted programs and grants to local governments to assist people in moving out of unsafe, unhealthy encampments and into safer, more stable housing.

Clean and Transform California Communities

- **\$1.5 billion investment** to clean up California's roadways and transform public spaces.

New Approaches, More Accountability

- Stronger accountability to ensure money is being well-spent. This starts with a deep-dive assessment of all state and local homeless spending across all of California.

Governor's \$100 billion California Comeback Plan

\$12 Billion for Golden State Stimulus Checks

- \$600 payments to all taxpayers who make up to \$75,000 a year and did not receive a first payment.
- Additional \$500 in direct payments to families with dependents.
- Additional \$500 in direct payments to undocumented families.

\$5.2 Billion for Rent Relief

- Expanded state rent relief program: direct relief to low-income renters to cover their back-rent and their prospective rent.

\$2 Billion for Unpaid Water and Electricity Bills

- Funds directly to investor- and publicly-owned utilities to pay past-due water and electricity bills.

Governor's \$100 billion California Comeback Plan

\$5.1 billion Water Infrastructure and Drought Response

- \$1.3 billion for drinking water and wastewater infrastructure
- \$150 million for groundwater cleanup and water recycling projects
- \$300 million for Sustainable Groundwater Management Act (SGMA) implementation
- \$200 million for water conveyance improvements
- \$27 million for emergency and permanent solutions to drinking water drought emergencies
- \$220 million for the Salton Sea area
- \$300 million for Drought Relief and Urban Water Management Grants
- \$140 million for flood risk reduction projects

Gann Limit – State Appropriation Limit

Gann Limit

- **Proposition 4** of 1979 restricts state appropriations to inflation-adjusted per-person government spending at 1979 levels.
- Currently estimated at \$16 billion above limit (first time since 1980s).
- Must provide rebates to taxpayers and increase education funding amongst other excluded purposes. Such as:
 - State Capital Outlay Projects
 - **Direct and Flexible Aid to Local Governments**



Cal Cities State Budget Ask

Commit \$10 billion in the State Budget to help cities recover from the pandemic

The League of California Cities urges the State to **commit at least \$10 billion for cities** in the 2021-22 State Budget to help cities recover from the pandemic, bolster investment towards meaningful solutions to homelessness, improve housing affordability, and advance critical infrastructure.

\$2 billion in direct and flexible state aid to cities to address local budget gaps left by the American Rescue Plan Coronavirus State and Local Fiscal Recovery Fund.

Commit \$10 billion in the State Budget to help cities recover from the pandemic

\$5 billion for homelessness and housing solutions to support cities in their efforts towards ending homelessness and increasing the construction of housing that is affordable to all Californians. Key programs include:

- Homekey
- Homeless Housing, Assistance and Prevention
- **Homeless Emergency Aid Program**
- Infill Infrastructure Grant Program
- Low-Income Housing Tax Credit Program

Commit \$10 billion in the State Budget to help cities recover from the pandemic

\$3 billion for broadband infrastructure to support expansion and related infrastructure upgrades in unserved and underserved communities to help cities catalyze projects statewide. Includes:

- Middle mile network buildout to underserved areas
- Programs to increase adoption, including devices, digital skills training, and language access

\$225 million to help fund mandates **to divert organic waste from landfills.**

Includes:

- Developing edible food recovery programs
- Procuring recovered organic waste products
- Providing education and outreach



American Rescue Plan Guidance Update



Program Overview

Interim Treasury Guidance (“Interim Final Rule”) released on May 10

- [Reference Guide](#)
- [Frequently Asked Questions](#)
- [Fact Sheet](#)

Metropolitan City Allocations

- Includes all cities with populations above 50,000 (including cities that participate in a CDBG Consortium).
- [Allocation amounts](#) released on May 10, 2021

Non-Entitlement City (NEUs) Allocations and Receiving Funds

- Includes all cities with populations under 50,000.
- Still awaiting US Treasury allocations and instructions for receiving funds – “sometime next week” (as of May 12, 2021).
- Funds will be received by cities through the California Department of Finance and State Controller.
 - 30- to 60-day timeframe from date Department of Finance receives funds.
- State cannot restrict or condition the use of funds beyond Treasury guidance.

[US Treasury Non-Entitlement Local Government Page](#)

Program Overview

Receiving Funds (Entitlement Cities)

[Treasury Submission Portal \(Open NOW\)](#)

- Jurisdiction name, taxpayer ID number, DUNS Number, and address
- Authorized representative name, title, and email
- Contact person name, title, phone, and email
- Funds transfer information, including recipient's financial institution, address, phone, and routing number and account number
- Completed certification document (to be signed by the authorized representative)

[U.S. Treasury Funding Request Page](#)

Eligible Uses

- **Support public health expenditures** by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff.
- **Address negative economic impacts** caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector.
- **Replace lost public sector revenue** using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.

Eligible Uses

- **Provide premium pay** for essential workers (includes retrospective pay), offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors.
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Expenditure Framework

Assess Eligibility for Projects and Services Not Specifically Allowed

- Identify the harmful effect of COVID-19 the activity will address.
- Assess the casual or compounding connection.
- Assess the disproportionate impact on distressed sectors or populations.
- Determine how to prove the expenditure produces the expected outcome.

General Revenues

- Definition of “general revenue” aligned with Census Bureau’s definition of “General Revenue from Own Sources.”
- Includes intergovernmental transfers from the State (ex. SB 1 road funding); toll revenues, rents, royalties, fines, charges, and fees.
- Excludes federal aid, proceeds from debt issuances or investments, revenues from utilities or insurance trusts, and refunds.

Lost Revenue

Calculating Revenue Loss

- In calculating revenue loss, examine general revenue in the aggregate, rather than a source-by-source basis.
- Treasury Guidance outlines “4-step” calculation for determining revenue loss and thus the amount available from your allocation to support operations and services (beyond other allowable uses).
- Loss is calculated, beginning with the last full fiscal year (FY 2018-2019), based on what could have been expected to occur in absence of the pandemic.
 - Either at a 4.1% annual growth *or* the average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, **whichever is higher.**
 - Guidance contains formula and example.
- Loss can be re-calculated throughout the program (2026).

Prohibited Expenditures

- “Extraordinary” payments into a pension fund
 - Exempts normal payroll contributions for eligible employees (ex. public health and safety employees).
 - Does not appear to interfere with other scheduled pension fund contributions (non-rescue plan funds) such as annual unfunded liability contributions or contributions to 115 trusts.
- Federal Match Requirements
- Rainy Day Funds, Financial Reserves, Payment of Debt, or Settlements

Webinar Announcement

Coronavirus State and Local Fiscal Recovery Funds: U.S. Department of the Treasury Guidance

- Wednesday, May 19 • 1:00-2:00 p.m.
- Registration can be completed here:
https://zoom.us/webinar/register/WN_Vyu9zfR6RN63vAXvhiSzaw

Questions?

Closing Remarks



Carolyn Coleman, Executive Director and CEO
League of California Cities

Coming Soon!

A horizontal banner with a blue-to-yellow gradient background. It features a silhouette of a speaker at a podium on the left and a group of audience members on the right, all set against a background of a city skyline.

Speaker Series



Thank you!