



California Legislative Update – March 2021

Things are starting to pick up steam in Sacramento and we will be reporting regularly as legislation and related actions unfolds. Please feel free to contact me with any questions.
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Although the state Capitol remains quiet with only one staffer permitted in the building per legislator, the legislative session has resumed with its usual rigor. Meetings with legislators and staff via teleconference continue, newly introduced legislation is being analyzed, budget hearings began on an expedited timeline. The Department of Finance is slowly releasing trailer bill language clarifying some of the Administration's January budget proposal, and the Legislative Analyst's staff is busy making recommendations about how the Legislature should respond to it.

February 19 was the bill introduction deadline, and so far, there seems to be a disproportionate number of spot bills – measures without substantive changes to current law used as placeholders until substantive language is drafted. In total, **1,564 Assembly bills have been introduced and 815 Senate bills**. Policy committee hearings are slowly ramping up and the Senate waived the requirement that legislation be in print for 30 days prior to be heard in policy committees, which further expedites hearings.

Revenues

Governor Gavin Newsom announced on TikTok and [twitter](#) in February that the State has \$10.3 billion in additional revenues that were not included in the governor's January budget proposal. The additional funding is the result of tax revenues exceeding projections by \$2.6 billion in December and \$7.7 billion in January. The Department of Finance will include the new revenues in their May Revision, however, in the meantime, the governor stated that the additional funding will allow the State to direct additional funding to small businesses, vaccine administration, public schools, and reserves. The Legislature will also consider the new revenues as they review the governor's budget and their own priorities.

Early Action Budget Agreement

Governor Newsom [signed](#) the negotiated early action agreement on February 23 contained in the following package of bills.

AB 85 (Committee on Budget) Budget Act of 2020, amends the 2020 Budget Act appropriating approximately \$1.4 billion General Fund and \$123 million Proposition 98 funding:

- Golden State Stimulus Grants
 - \$163,000 for administration costs and \$500,000 for automation costs at the Department of Social Services;
 - \$243.2 million for grant payments to CalWORKs families; and
 - \$750 million for grant payments to SSI/SSP and California Assistance Program for Immigrants beneficiaries.

- \$242.3 million to disregard pandemic unemployment compensation from being considered as income for CalWORKs eligibility.
- CalFresh Outreach
 - \$28.8 million (\$11.8 million General Fund) for CalFresh county administration and outreach costs associated with the temporary federal expansion of eligibility to higher education students;
 - \$650,000 General Fund to the University of California;
 - \$1.3 million General Fund to California State University;
 - \$3.1 million Prop 98 funding California Community Colleges; and
 - \$1 million General Fund to Chico State’s Center for Healthy Communities.
- \$30 million for emergency food assistance at food banks and \$5 million for diaper banks.
- \$24 million to support the Housing for the Harvest program to help farmworkers quarantine after exposure to COVID-19.
- \$90 million General Fund to the Alcoholic Beverage Control Fund to backfill revenues as a result of fee waivers for licensees.
- Education
 - \$5.3 million (\$1.9 million General Fund, \$3.4 million Prop 98) to extend family fee waivers for the California State Preschool Program through June 30, 2021;
 - \$100 million Prop 98 funding to provide low-income community college students with emergency financial aid;
 - \$20 million Prop 98 funding to support student retention and enrollment at California Community Colleges; and
 - \$1.4 million for the Asian American Studies Center at the University of California Los Angeles campus.

AB 85 also contains language allowing \$23 million allocated in the 2020-21 Budget Act dedicated to counties for voter education and outreach to be used for a contract awarded by the Secretary of State.

Additionally, the measure amends existing budget control language to allow the Department of Finance to allocate federal funds provided to the State as a result of federal legislation passed between December 26, 2020 and December 31, 2020 for COVID-19 public health emergency expenses including testing, contact tracing, food assistance, and vaccinations.

[AB 81](#) (Ting) COVID-19 relief, includes the following provisions:

- Appropriates \$5 million General Fund to the Franchise Tax Board to conduct outreach for the Golden State Stimulus.
- Changes to [SB 91](#) (Chapter 2, Statutes of 2021), the Tenant Relief Act, clarifying that local rent repayment plans can have repayment schedules through August 31, 2022; instances where courts may reduce damages awarded for COVID-19 rental debt; that most actions to collect rental debt are stayed until August 1, 2021; and that landlords that participate in the program receive 80 percent of back rent due, rather than “up to” 80 percent.
- Clarifies that the State’s participation in Federal-State Unemployment Insurance Extended Benefits applies to the federal Continued Assistance Act, which continued funding this program until March 14, 2021.
- Includes language to disregard pandemic unemployment compensation from being considered as income for CalWORKs eligibility.

[AB 82 \(Ting\) COVID-19 pandemic emergency: contact tracing: childcare, appropriates \\$1.8 million \(\\$817,000 General Fund\) in employee compensation related to an MOU with labor, and \\$654.3 million in federal funds:](#)

- Child Care: \$400.3 million in one-time federal Coronavirus Response and Relief Supplemental Act funds:
 - \$244 million for one-time provider pandemic relief stipend of \$525 per child enrolled in a subsidized child care program to all subsidized childcare providers.
 - \$80 million to expand child care alternative payment voucher access to new essential workers.
 - \$76 million to extend child care alternative payment vouchers for essential workers.
 - \$2 million for administration costs for the Department of Education and Department of Social Services.
 - An increase in paid non-operational days for child care providers that accept state vouchers, from 24 to 40 days.
- Child Care Providers United: AB 82 reflects a tentative agreement appropriating \$110 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds:
 - \$80 million for emergency child care allocated to extend and expand emergency child care as well as address agency over-earnings for school age children now on distance learning and requiring care during school hours; and
 - \$30 million to pay providers the cost of lost fees while families are on distance learning.

[SB 94 \(Skinner\) Alcoholic beverage control: barbering and cosmetology: license renewal fees: waiver, exempts Board of Barbering and Cosmetology licensees from paying license renewal fees and authorizes the Department of Alcoholic Beverage Control to issue renewal fee waivers to certain licensees. Appropriates \\$25.6 million from the General Fund to the Barbering and Contingent Fund to be used to backfill revenues related to the license renewal fee waivers.](#)

[SB 87 \(Caballero\) California Small Business COVID-19 Relief Grant Program: income tax: gross income: exclusion: small business grants, appropriates \\$2.075 billion from the General Fund to the Golden State Stimulus Emergency Fund and establishes the California Small Business COVID-19 Relief Grant Program.](#)

[AB 88 \(Committee on Budget\) One-time stimulus payment: delinquent accounts: Earned Income Tax Credit: statements, the Golden State Stimulus trailer bill, provides \\$3.7 billion in direct relief to millions of low-income Californians:](#)

- \$2.3 billion to provide \$600 additional tax rebate for all CalEITC recipients for the 2020 tax year.
- \$470 million to provide the \$600 tax rebate for all ITIN tax filers up to \$75,000 of income.
- \$243 million to provide the \$600 additional grant for families enrolled in CalWORKs.
- \$750 million to provide the \$600 additional grant for individuals enrolled in Supplemental Security Income/State Supplemental Program (SSI/SSP) or Cash Assistance Program for Aged, Blind, and Disabled Legal Immigrants (CAPI).

Approximately 5.7 million low-income households will benefit from the \$600 stimulus payments provided in AB 88.

Eviction Moratorium and State Rental Assistance Program

Governor Newsom signed [SB 89](#) and [SB 91](#) extending the State's eviction moratorium, establishing a State Rental Assistance Program, and appropriating the federal funding needed to implement the State Rental Assistance Program January 29.



SB 91 extends, until June 30, 2021, the eviction moratorium established by [AB 3088](#) (Chapter 37, Statutes of 2020). Under SB 91, a renter can avoid eviction until July 1, 2021 by paying 25% of their rent obligation, either on a month-to-month basis or in one lump sum. Additionally, the legislation establishes a rental assistance program to be administered by the Department of Housing and Community Development (HCD).

The State Rental Assistance Program assists renters by offering their landlord 80% of their unpaid rental debt accumulated between April 1, 2020 and March 31, 2021, conditioned on the landlord's agreement that it be considered payment in full. If a landlord declines to participate in the rental assistance program, an eligible renter may apply for rental arrears assistance which will be limited to compensation of 25% of the eligible household's unpaid rental debt between April 1, 2020 and March 31, 2021. Paying a landlord 25% of the rental debt would prevent eviction until July 1, 2021. The program is funded using federal dollars.

Under the program, HCD will provide \$150 million to counties with a population of less than 200,000, allocated based on proportional share of population from the 2019 federal census data; and the remainder of the state allocation (after the costs of state administration) will be distributed to eligible localities with a population of 200,000 or greater, based on their proportional share of the population from the 2019 federal census data.

- A municipality with a population greater than 500,000 shall receive their funding as a block grant from the State to be implemented locally.
- A local government with a population of 499,999 or less, but greater than 200,000 may request an allocation of block grant funds if they attest and HCD agrees that they have established a program consistent with the requirements of the legislation.
- Localities with populations below 200,000, or those who opted to not receive their funds as a block grant from the State, will receive their allocation of funding administered by a statewide program implementer – a vendor who will manage and distribute emergency rental assistance resources.

COVID-19 Federal Spending

California State Auditor Elaine Howle released a [report](#) on the State's management of federal Coronavirus Relief Funds (CRF). The report evaluates both the division of funds between municipalities as well as state oversight of the funding to ensure compliance with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. We anticipate the report is likely to be the subject of budget discussions in the coming months as lawmakers vie for limited state funds for their districts. The following are the top-level takeaways from the report.

- The CARES Act provided \$15.3 billion to California for expenses incurred due to the public health emergency. \$5.8 billion of that funding was allocated directly to cities and counties with populations greater than 500,000.
- \$9.5 billion was allocated directly to the State and appropriated as follows:
 - \$4.5 billion to K-12 Education and Community Colleges for learning loss mitigation;
 - \$550 million to the Department of Housing and Community Development (HCD) for emergency housing for homeless individuals and families;
 - \$1.3 billion to counties to address public health and safety needs due to COVID-19;
 - \$500 million to cities to address increased homelessness due to COVID-19 economic impacts and for additional public safety services; and
 - \$2.7 billion to the State General Fund to reimburse COVID-19-related expenditures.
- Smaller counties received significantly less funding per person than the State's 16 largest counties. In making the recommendation for allocations, the Department of Finance stated that it believed there was a higher spread of COVID-19 in the 16 larger counties due to population density. The State Auditor



contends that Department of Public Health data doesn't support that assertion and that the needs of many small counties were at least the same if not greater than the needs of large counties.

- \$650 million went to 42 counties that did not receive federal funds directly, providing them with \$102 per capita.
- \$650 million was appropriated to the 16 large counties that had already directly received funding. The large counties initially received \$174 per person from the U.S. Treasury, then that amount increased to at least \$190 per person after they received the additional state allocation.
- The State Auditor believes that a more equitable distribution proposal would have been to allocate \$1.1 billion to the 42 smaller counties and the remaining \$200 million across all counties on a per-person basis, which would have resulted in all counties receiving \$179 per person. The Department of Finance pointed out that although they can make recommendations regarding allocations, the Legislature and governor make the ultimate decisions regarding appropriations.
- In terms of funding oversight, the California Department of Education, the Board of Governors of the California Community Colleges, and HCD were responsible for overseeing and managing funds directed to them. The Department of Public Health was charged with ensuring that counties adhered to the public health directives required to receive funding, and the Governor's Office of Emergency Services (Cal OES) was charged with ensuring the same of cities.
- The State Auditor found that Cal OES did not consistently evaluate the 476 cities' adherence to State public health orders, reporting that only two cities passed resolutions inconsistent with the State's health orders – Atwater and Coalinga.
- Moving forward, the State Auditor recommends the following:
 - The Department of Finance should ensure equitable treatment of local governments by proposing a method to the Legislature to provide equitable funding to counties on a per-person basis or other basis that treats counties fairly.
 - The Department of Finance should continue to implement a monitoring plan already underway to evaluate whether expenditures comply with the CARES Act, preventing the return of CRF funds to the federal government.
 - A formal process should be utilized to evaluate all cities' adherence to requirements of the funding.

LAO Analysis of Homelessness and Housing Proposals

The Legislative Analyst's Office (LAO) released its [analysis](#) of the governor's homelessness and housing proposals which are being reviewed and heard by the appropriate budget subcommittees. The LAO's overarching message to the Legislature is that a long-term strategy is needed to address homelessness and housing, and that strategy could better guide programmatic investments as compared to the administration's proposed one-time solutions.

Homelessness

The LAO recommends that the Legislature identify goals, solutions that align with those goals, set clear state and local responsibilities, identify a state governance structure, establish a funding strategy, and develop rigorous oversight mechanisms to address the State's homelessness crisis. The governor's homelessness proposals focus on the acquisition and rehabilitation of properties using one-time resources, however, ongoing funding for supportive services and maintenance would need to be provided by local governments.

Project Roomkey/Homekey: Project Roomkey was established to address immediate housing needs during the pandemic. The State partnered with local governments to lease hotels and motels to provide housing to



vulnerable individuals experiencing homelessness that were at risk of contracting COVID-19. In total, \$112 million was allocated to Project Roomkey, securing 14,000 rooms (70% of which are occupied), and providing short-term housing for 23,000 people in 42 counties.

The Homekey Program expands on Project Roomkey by providing funding to local public entities to purchase and rehabilitate property for housing units, including hotels, motels, vacant apartment buildings, and other buildings. Those buildings are then converted into interim or permanent long-term housing for homeless individuals. \$800 million in one-time funding has already been granted for the Homekey Program through 94 awards to local entities, with the expectation that approximately 6,000 units will be produced. So far under Homekey, the average statewide cost per housing unit is \$124,000 and the average local match is \$24,000, making the average total cost per unit \$148,000.

The governor is proposing \$750 million General Fund (\$250 million proposed for early action) to continue the Homekey Program. In evaluating this proposal, the LAO suggests that the Legislature consider the following:

- Does the Administration have a list of properties ready for purchase and renovation?
- Would early action allow homeless individuals to move in earlier than they otherwise would?
- The Department of Housing and Community Development (HCD) could be instructed to change evaluation criteria for applications to align with the Legislature's priorities.
- Local entities' capacity to fund new ongoing costs is unclear, and there is no plan for preserving units in the long-term.
- The expansion of Homekey is proposed without first assessing whether the original allocation proved successful. How would HCD assess the program and inform the Legislature of needed changes?
- How will the acquisitions of new facilities in the three major homelessness proposals coordinate?

Board and Care Facilities: Adult Residential Facilities and Residential Care Facilities for the Elderly (board and care facilities) are generally privately owned residential facilities that serve adults and seniors who cannot live safely on their own. As of 2019, there were more than 12,000 facilities across the State serving more than 190,000 residents. The governor is proposing \$250 million General Fund for the acquisition and rehabilitation of board and care facilities with an emphasis on seniors who are experiencing homelessness or are at risk of homelessness. The Department of Social Services would administer the program allocating funding directly to local governments similar to the Homekey Program where the purchase of Residential Care Facilities for the Elderly is already allowed. In evaluating this proposal, the LAO suggests that the Legislature consider the following:

- How is this proposal fundamentally different than Homekey?
- Without aggregated data available about why facilities close or what happens to residents when facilities close, assessing the impact of closures and the effectiveness of the administration's proposal is difficult.
- How would funding be targeted to prevent closures and increase capacity?
- What role do board and care facilities play in addressing homelessness?
- Who is this proposal intended to serve – Project Roomkey participants or adults and seniors in need of residential care?
- Will acquisitions be targeted in particular counties or regions?
- Who would own and operate new facilities?
- What level of accountability would be placed on facilities that receive funding?

Behavioral Health: The governor is proposing \$750 million General Fund to provide grants to counties for the acquisition and rehabilitation of properties to expand behavioral health treatment resources. The administration estimates that the proposal will produce 5,000 beds to treat persons with behavioral health disorders. The LAO



finds that the expansion of county behavioral health capacity is likely warranted, however asks some questions regarding details of the proposal:

- How would resources be targeted to address homelessness?
- How would local governments fund ongoing costs not included in the proposal?
- How would the local match requirement impact county participation?

Housing

In concept, the LAO finds that the governor's housing proposals have the potential to help the State meet housing production goals. The administration's housing investments are primarily one-time solutions, focused on expanding resources for existing housing programs. Also included in the governor's budget are resources to boost local compliance with housing production goals.

Infill Infrastructure Grant (IIG) Program: Governor Newsom is proposing \$500 million one-time General Fund (\$250 million for early action), for housing-related infrastructure focused on projects with a high percentage of environmental remediation costs. Additionally, the administration proposes to make it easier for smaller jurisdictions to qualify for funding and to extend the liquidation date for IIG funding provided in 2019 on a case-by-case basis, from June 30, 2023 to June 30, 2025. The LAO provided the following questions to the Legislature:

- Does the administration have a list of local entities ready to participate?
- Would early action allow housing development projects to move forward that otherwise would not?
- Does the need to extend the liquidation period indicate locals do not currently have capacity for additional projects?
- Would additional resources spur housing development in communities most in need of additional housing?
- The governor has also proposed \$300 million in one-time General Fund to investigate and remediate brownfields for the Department of Toxic Substances Control. How would environmental remediation efforts be coordinated with state entities responsible for oversight of toxic substances?

Tax Credits: In addition to the \$100 million annually that the State makes available for housing tax credits, the governor's budget proposes \$500 million for tax credits to builders of rental housing affordable to low-income households. Up to \$200 million would be available for the development of mixed-income housing projects. As the State has authorized \$1 billion in low-income housing tax credits over the last two fiscal years, the LAO suggests the Legislature direct the administration to provide an update on the status of the awarded tax credits, the number of units produced, and information on the statewide distribution of housing anticipated due to the tax credits.

Housing Law Assistance & Enforcement: The governor's proposal provides \$4.3 million General Fund (\$3.8 million ongoing) to expand HCD's enforcement of state housing laws by assisting local jurisdictions with housing element compliance. The intent of the proposal is to facilitate affordable housing production through monitoring, technical assistance, and enforcement of current laws. In addition, the governor proposes \$2.2 million General Fund (\$1.7 million ongoing) and eight positions for the Department of Fair Employment and Housing to support compliance with fair housing laws. The LAO recommends the Legislature ask the administration the following questions regarding this proposal:

- What are HCD's current practices related to oversight and enforcement of state housing law?
- How would resources supplement current efforts?
- How would HCD prioritize assistance and enforcement resources?
- How would HCD determine when to elevate enforcement action to the State Attorney General's Office?
- How would HCD keep the Legislature informed of tracking and monitoring compliance?