

The background of the slide is a photograph of several people sitting at a table, looking at and writing on documents. The image is slightly blurred, focusing on the hands and papers. A large blue rounded rectangle is overlaid on the left side of the image, containing the text.

Presenters:

Nicolas Romo

Legislative Representative
League of California Cities

Michael Coleman

League Fiscal Policy Advisor
CaliforniaCityFinance.com

Polling Question #1

The Ghost of 2020 Past (Jan-March)

The Outlook in January 2020

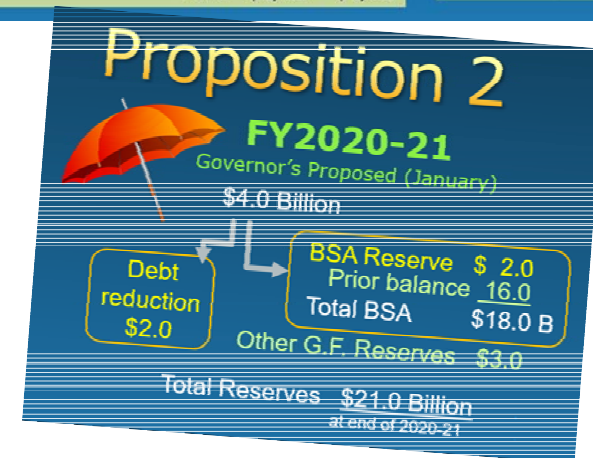
- ✓ State Budget in Good Condition
- ✓ Record Level of Reserves

Possibilities:

- ✓ Proposals for new Housing and Homelessness Funding
- ✓ Ongoing push for Local Zoning and Fee Reforms (SB 50)
- ✓ Heightened Concern for Emergency Preparedness and Response
- ✓ Push to strengthen Local Gov't Economic Development Tools

Concerns:

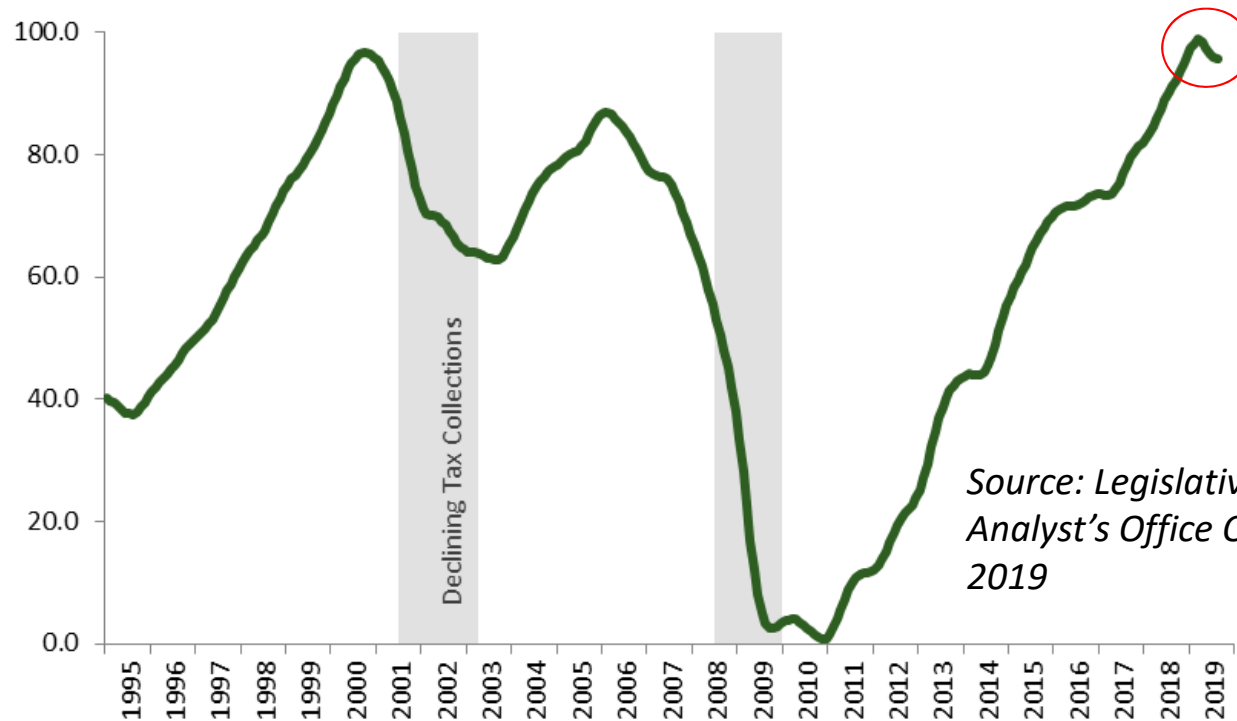
- ✓ Rising Pension Costs
- ✓ Potential Recession on the Horizon



The Outlook in January 2020

State Fiscal Health Index

Index ranging from 0 (historical low) to 100 (historical high)



Source: Legislative Analyst's Office October 2019

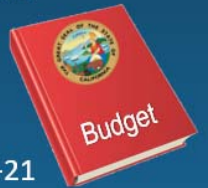
What Just Happened!?

State and Local Budget Hits

- State: \$54 billion projected shortfall
- Cal Cities: \$7 billion projected shortfall
- COVID-19 response costs grew
- Unemployment and claims rose
- Sporadic public health orders
- Business closures
- Evictions and foreclosures

California's Budget

- May 2020 Governor's May Revision:
\$54 billion shortfall
from January proposed budget
 - ✓ \$41 billion lower revenues
 - -\$9B in CY2019-20 ... -\$32B in BY2020-21
 - -\$33B Persn Inc Tax, -\$10B Sales Tax, -\$5B Corp Tax
 - ✓ \$ 7 billion caseload increases
 - health & human services
 - ✓ \$ 6 billion other costs,
 - mostly COVID-19



Polling Question #2

COVID-19 Halts State Capitol

Number of California Legislative Bills Heard by Month and Year

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	18	60	864	1776	1925	1053	877	809	310	0	0	7
2018	226	44	403	2062	1894	1886	46	1605	0	5	0	0
2019	15	71	892	2370	1894	1442	690	1339	123	0	0	13
2020	250	18	208	90	487	732	307	833	0	7	0	0

Source : leginfo.legislature.ca.gov

K.J. Hogue, crb@library.ca.gov, Nov 2020

Nevertheless, We Persisted – Bills Signed into Law

- ✓ Protection for local revenues
- ✓ Social media protections for local officials – AB 992 (Mullin)
- ✓ New laws for independent contracting (Business-to-business exemption) – AB 2257 (Gonzalez)
- ✓ Expanded employee benefits (Protected leave, expanded COVID-19 presumptions) – SB 1383 (Jackson) & AB 685 (Reyes)
- ✓ Cities received state funding via CARES Act – SB 74 (Mitchell)

Utility Users Tax

SB 1441 (McGuire) Local Prepaid Mobile Telephony Services Collection Act. Chapter 179, Statutes of 2020

This measure extends operation of the local prepaid Mobile Telephony Services Act until January 1, 2026, supporting the collection of utility users taxes imposed by local governments on retail sales of prepaid wireless products and services.

Fees

**SB 1386 (Moorlach) Local Government. Assessments, Fees, and Charges. Water. Hydrants.
Chapter 240, Statutes of 2020**

This measure finds and declares that fire hydrants are part of the system of public improvements included in the definition of “water” for purposes of the Proposition 218 of 1996.

Investments

SB 998 (Moorlach) Local Government. Investments. **Chapter 235, Statutes of 2020**

This measure increases the commercial paper limit for cities and special districts that have more than \$100 million in investment assets from 25 percent to 40 percent of their total surplus funds and allows local agencies to invest in securities backed or issued by the federal government that could result in zero or negative interest accrual if held to maturity during a period of negative market interest rates.

This measure also prohibits cities from investing more than 10 percent of their commercial part and medium-term investments in any single issuer.

Housing Finance

AB 434 (Daly) Housing Financing Programs. Uniform Procedures. Chapter 192, Statutes of 2020

This measure aligns six rental housing programs with the Multifamily Housing Program, to enable the state Department of Housing and Community Development to implement a single application and scoring system for making coordinated awards under all seven programs, starting on January 1, 2022.

Landlord–Tenant Protection

AB 3088 (Chiu) Tenancy. Rental Payment Default. Mortgage Forbearance.
State of Emergency. COVID-19.

Chapter 37, Statutes of 2020 (Urgency)

This measure establishes a moratorium on evictions for non-payment of rent due to COVID-19 financial hardship.

This measure prohibits eligible tenants from being evicted for failure to pay rent or other charge accrued between March 1, 2020 and January 31, 2021, if they pay 25 percent of the amount owed for the latter period by January 31, 2021.

Tenants who fail to pay this 25 percent can be evicted beginning on **February 1, 2021.**

Parking Lot Worship

AB 1851 (Wicks) Religious Institution Affiliated Housing Development Projects. Parking Requirements. Chapter 196, Statutes of 2020

This measure prohibits a local agency from requiring the replacement of religious-use parking spaces as part of an affordable housing development;

This measure also prohibits a local agency from denying a housing development project proposed by a religious institution solely on the basis that the project will reduce the total number of parking spaces available at the place of worship provided that the total reduction does not exceed 50 percent of existing parking spaces.

Discriminatory Calls to Law Enforcement

AB 1775 (Jones-Sawyer) False Reports and Harassment. Chapter 327, Statutes of 2020

This measure increases the penalties for knowingly using the 911 emergency system for the purpose of harassing another based on perceived characteristics of a protected class. This measure allows for civil action against persons who make false police reports or claims, regardless of discriminatory motive, and classifies blatantly false reports to law enforcement as a form of intimidation.

COVID-19 Employer Response

AB 685 (Reyes) COVID-19. Imminent Hazard to Employees.
Exposure. Notification. Serious Violations.
Chapter 84, Statutes of 2020

This measure requires that if an employer or representative of the employer receives a notice of potential exposure to COVID-19, the employer must take a prescribed set of actions within one business day of the notice of potential exposure.

Protected Leave

SB 1383 (Jackson) Unlawful Employment Practice. California Family Rights Act. Chapter 86, Statutes of 2020

This measure expands the California Family Rights Act to make it an unlawful employment practice for any employer with five or more employees to refuse to grant a request by an employee to take up to 12 workweeks of unpaid protected leave during any 12-month period to bond with a new child of the employee or to care for themselves or a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner.

The measure also requires an employer who employs both parents of a child to grant leave to each employee.

Social Media

AB 992 (Mullin) Open Meetings. Local Agencies. Social Media. **Chapter 89, Statutes of 2020**

This measure provides that a member of a legislative body covered by the Brown Act may engage in separate conversations or communications outside of a meeting authorized by this act with any other person using an internet-based social media platform.

The communications may be to answer questions, provide information to the public, or to solicit information from the public regarding a matter that is within the subject matter jurisdiction of the legislative body, provided that a majority of the members do not use the internet-based social media platform to discuss among themselves, business of a specific nature that is within the subject matter jurisdiction of the legislative body.

Independent Contracting

AB 2257 (Gonzalez) Worker Classification. Employees and Independent Contractors. Occupations. Professional Services. Chapter 344, Statutes of 2020 (Urgency)

This measure provides that public agencies may engage in *bona fide* business to business relationships without having the contracted business be classified as employees under the AB 5 (2019) employment test.

The Budget Bill

SB 74 (Mitchell) Budget Act of 2020. **Chapter 6, Statutes of 2020 (Urgency)**

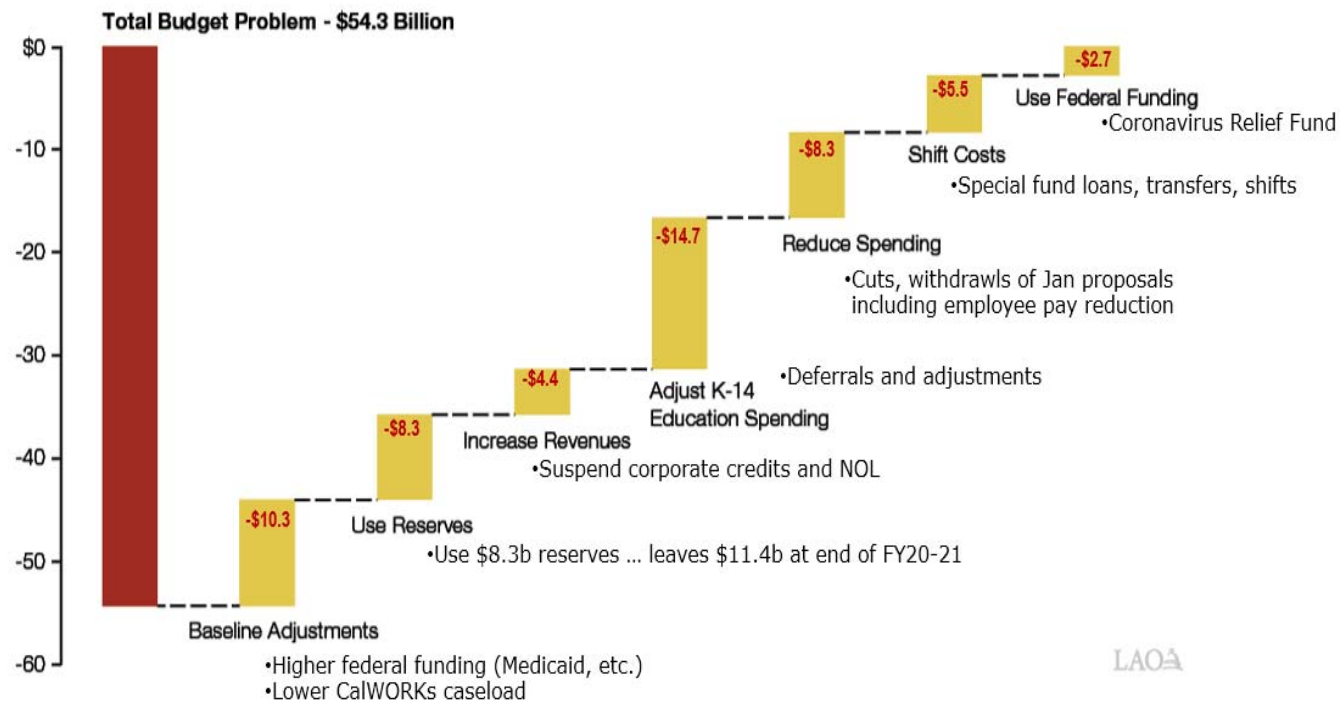
This measure is the 2020 Budget Act. Notable for local governments, this measure includes the following provisions:

- \$500 million to cities from the State's share of the federal Coronavirus Relief Fund. Nearly all funds have been distributed;
- \$300 million to the Homeless Coordinating and Financing Council; and
- \$550 million through the Department of Housing and Community Development for acquisition or acquisition and rehabilitation of motels, hotels, or hostels;

California State Budget 2020-21

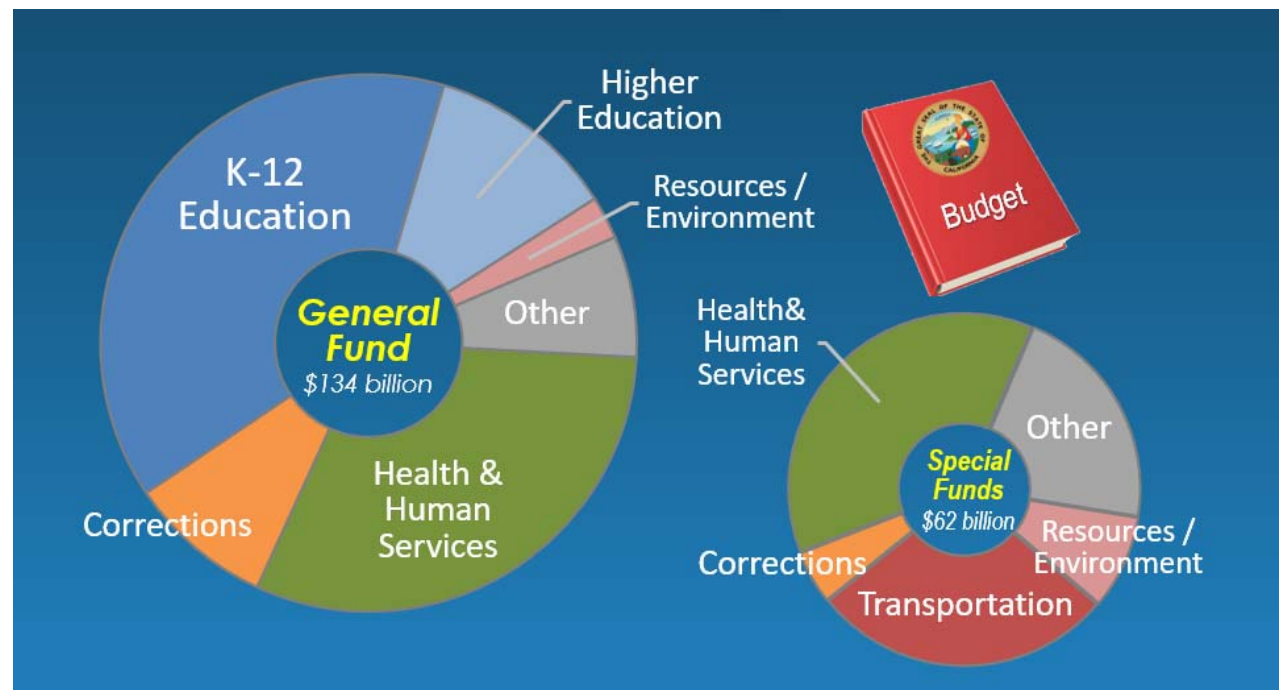
- ✓ Cuts of some proposed new initiatives in housing and environment
- ... but no attempts to raid core local revenues or shift costs.

How the Budget Addresses a \$54.3 Billion Budget Problem
(In Billions)



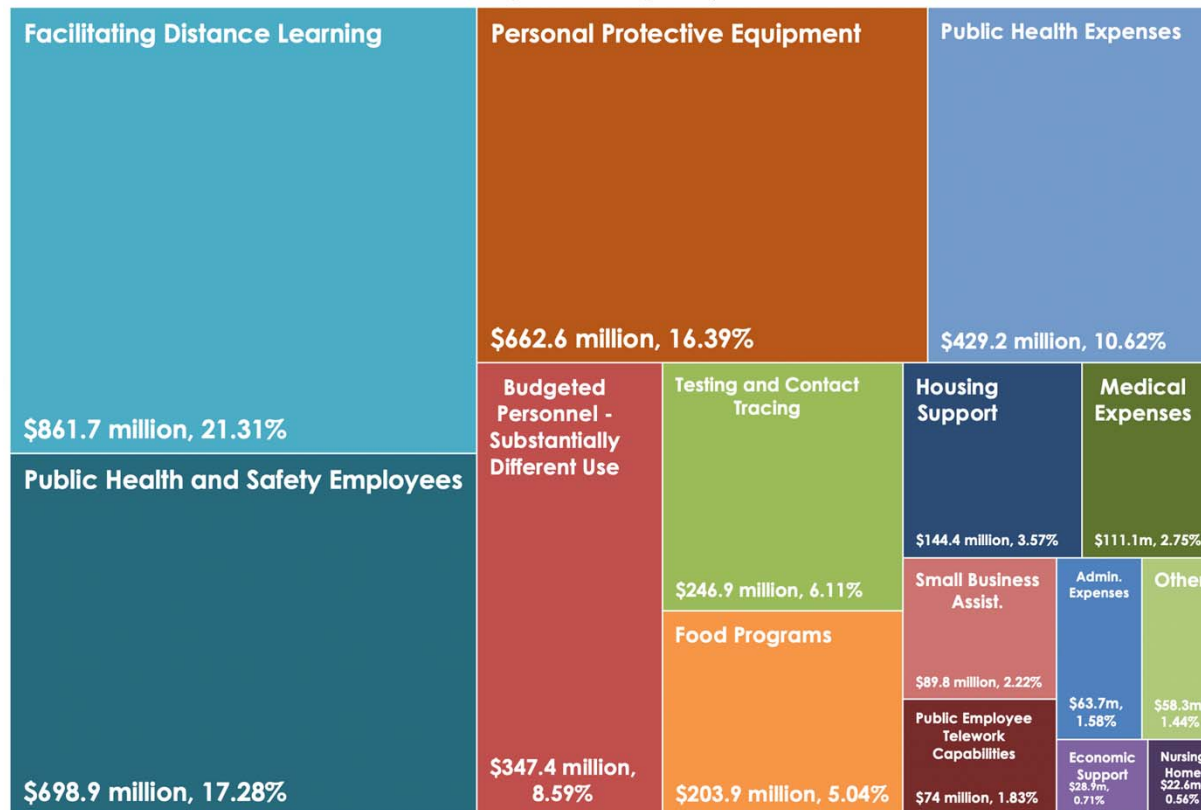
California State Budget 2020-21

- ✓ Constitutional local revenue protections are strong.
- ✓ State budget is managing with reserves, cuts, and revenues ... that are coming in better than forecast.



Spending CARES Act in California

\$4 Billion in Expenditures by Category
(excludes obligations)



What to Expect In 2021

Polling Question #3

New State Capitol?



**New Legislative
Delegation Sworn in
on December 7th**

New State Capitol?



Best seats in the house?

Ballot Measure Backlash

- Proposition 15 (Split Roll)- **Failed**
- Proposition 16 (Affirmative Action) - **Failed**
- Proposition 19 (Property Tax Portability) – **Passed**
- Proposition 20 (Criminal Justice Reform) – **Failed**
- Proposition 21 (Rent Control) – **Failed**
- Proposition 22 (Independent Contracting) - **Passed**

2021 Capitol Outlook for Local Governments (2020 Redux)

- Capitol Tension – Assembly, Senate, and Governor
- Cities, counties, special districts & schools continue push for budget relief (direct assistance) from the state and federal government
- Housing funding, zoning, and development fees in focus (SB 50, SB 1120)
- Combatting homelessness and eviction/foreclosure protections will be urgent priorities
- Policing reforms back on the table
- Wildfire response
- Progressive tax proposals revived – wealth taxes, head taxes, cannabis
- Tax exemptions and credits will be enticing to legislators
- Another crack at restoring property-tax-in-lieu-of-VLF for annexations

Polling Question #4

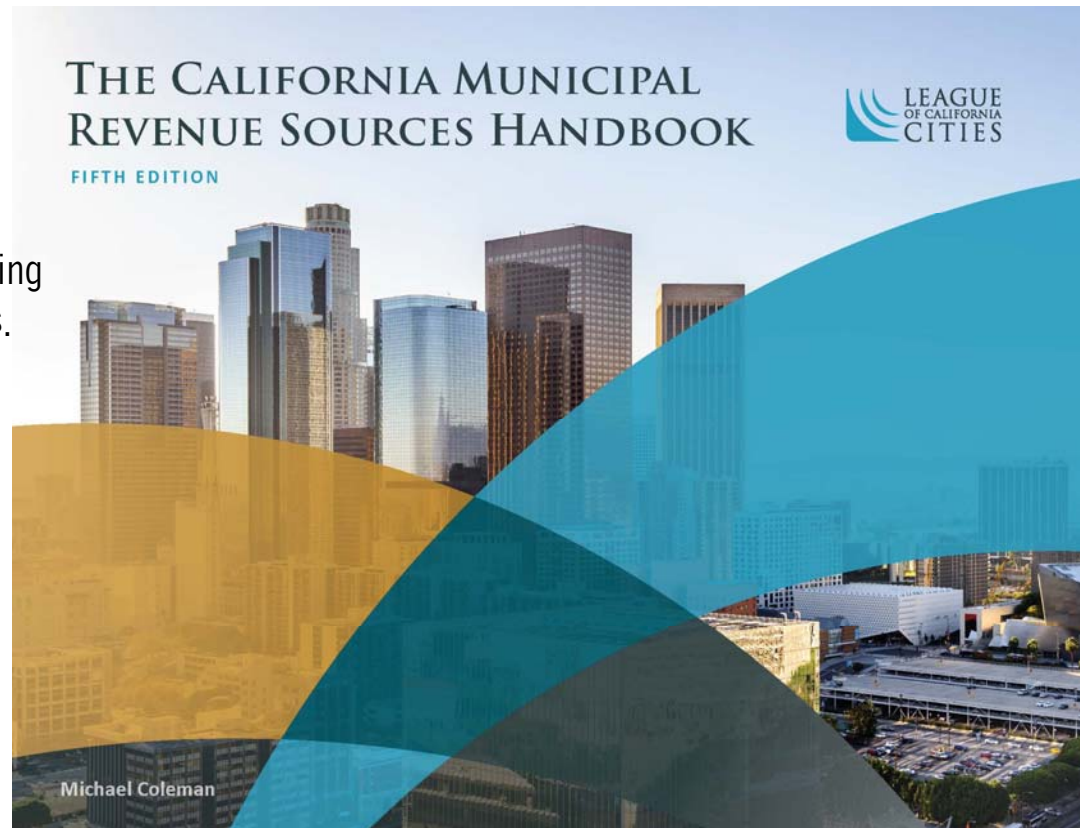
You Need This ...

An essential resource for anyone involved in local government finance in California.

Up-to-date information on local fees, taxes, charges and intergovernmental revenue for local governments including laws, court decisions, state tax rates, allocation formulas.

- ✓ Data and charts
- ✓ Relevant history and issues
- ✓ Legal references
- ✓ Definitions of terms
- ✓ Capital financing and cost recovery
- ✓ Detailed guidance for calculating a Gann Appropriations Limit

<https://www.cacities.org/publications>



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