



Agenda Report

Fullerton City Council

MEETING DATE: JUNE 2, 2020

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: KENNETH A. DOMER, CITY MANAGER

PREPARED BY: ANTONIA GRAHAM, DEPUTY CITY MANAGER

SUBJECT: MONTHLY LEGISLATIVE UPDATE

SUMMARY

A summary of recent legislative updates as provided by Townsend Public Affairs (TPA). These updates include the most recent State and Federal COVID related legislation and funding opportunities.

RECOMMENDATION

1. Receive and file Monthly Legislative Update report and direct Staff accordingly.
2. Authorize Mayor to sign letter requesting CARES funding from the State.
3. Authorize Mayor to sign letter advocating for pension reform with CalPERS.
4. Authorize Mayor to sign letter of support for Assembly Bill 2959 (Calderon) Solid Waste: Byproducts from the processing of food or beverages.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Public Safety
- Infrastructure and City Assets.

FISCAL IMPACT

None.

BACKGROUND

The City's Legislative Platform serves as the policy document that communicates supportive or opposing advocacy of legislation having potential to impact the City of Fullerton. The City's Legislative Platform is reviewed by the City Council annually and is based upon three Guiding Principles:

1. Preserve Local Control
2. Promote Fiscal Stability
3. Support Funding Opportunities.

The Legislative Platform reflects the version adopted by the City Council on February 19, 2019 and contains Policy Statements organized into the following categories:

- Administration
- Economic Development
- Air Quality
- Building
- Natural Hazards
- Solid Waste and Recycling
- Water Quality and Water Supply
- California Environmental Quality Act
- Land Use Planning and Housing
- Libraries
- Parks and Recreation
- Human Resources and Risk Management
- Public Safety
- Police
- Fire and Emergency Medical Services
- Public Works.

Following City Council's adoption, TPA transmitted the City's 2019 Legislative Platform to the City's Federal and State representatives to provide them with guidelines to follow as they monitor relevant legislation and grant funding opportunities for the City of Fullerton. In addition, TPA provides monthly legislative updates to City Council on state legislation, federal legislation, funding opportunities and other political issues of importance to the City of Fullerton. Recently the Legislative Subcommittee reconvened their monthly meetings.

DISCUSSION

State Legislative Update

On May 4, 2020, the State Assembly reconvened to consider a limited number of bills. On May 11, 2020 the State Senate reopened in Sacramento, bringing together the full legislature under one roof for the first time since mid-March. The Assembly and Senate had a busy May and will have a busy June with bills, budget and coronavirus issues. While public witnesses are limited by social distancing and calling in, many bills were almost automatically approved to Committee debate, most notably Assembly Bill 3213, an Assemblywoman Luz Rivas (D-Arleta) sponsored bill that will push forward new high-speed rail priorities. Normally, dozens attend the Transportation Committee meetings and only 15 people were present. The focus of the Legislature for the remainder of the session will remain on COVID-19, housing and wildfire resiliency and of course, the biggest item on the horizon for the Legislature is the 2020-21 State budget, which is expected to be debated on more than usual due to the shortfalls coming from the effects of the coronavirus and state lockdown. The budget must be pass by midnight on June 15, 2020.

Below is a summary of the major COVID-19 actions taken by the State Administration in April:

- **April 2 – Water Shutoffs.** Governor Newsom signed an executive order that will restrict water shutoffs to homes and small businesses while the State responds to the COVID-19 pandemic.
- **April 4 – Testing.** The Governor created a COVID-19 testing task force, a public-private collaboration that works with stakeholders to boost testing capacity.
- **April 9 – Unemployment Benefits.** The State began implementing the federal benefit of \$600 per week on top of the weekly benefit received by California workers as part of the new Pandemic Additional Compensation (PAC) initiated by the CARES Act.
- **April 14 – Roadmap for Reopening.** Governor Newsom outlined the six indicators California will consider before modifying the stay-at-home order.
- **April 15 – Unemployment Assistance.** The State Employment Development Department implemented a new process for those applying for Pandemic Unemployment Assistance, including the self-employed and independent contractors.
- **April 17 – Economic Recovery Task Force established by Governor Newsom**
- **April 23 – Stimulus Paychecks.** Governor Newsom issued an executive order to stop debt collectors from garnishing COVID-19 related financial assistance.
- **April 24 – Senior Meal Program.** The State launched a program that enlists community restaurants to prepare and deliver meals to older Californians who are isolating at home during the stay at home order.

The biggest topic for the State Legislature will be the 2020-21 budget. On May 14, 2020, the Governor released the May Revise of his 2020-21 budget. This represented a dramatic change from the Governor's January budget, as it reflects the impact that the coronavirus pandemic has had on the State's economy, as well as the increased demand for many services that the State offers. The full impact of the pandemic has led to projected deficit of \$54 billion, with an out-year structural deficit of \$45 billion per year. The deficit materialized in the last three months, as the State has seen a 22.3% reduction in state revenues generated from sales tax, personal income tax and corporate taxes.

The May Revise proposal contains \$133.9 billion in General Fund spending. This represents a reduction in General Fund spending of \$12.5 billion, or a 9.4% decrease, from the current budget year. The budget proposal addresses the projected \$54.3 billion budget deficit by utilizing the following strategies:

- **Cancelled Expansions and Other Reductions (\$8.4 billion):** The May Revise cancels \$6.1 billion in program expansions and spending increases by canceling / reducing a number of one-time spending items that were included in the 2019 state budget. The May Revise also redirects \$2.4 billion in extraordinary payments to CalPERS to temporarily offset the State's CalPERS obligations in 2020-21 and 2021-22.
- **Reserves (\$8.8 billion):** The May Revises proposes to draw down the State's Rainy Day Fund over the next three years, including \$7.8 billion from the Rainy Day Fund, \$524 million from the Public School System Stabilization Account and \$450 million from the Safety Net Reserve in FY 2020-21.
- **Borrowing / Transfers / Deferrals (\$10.4 billion):** The May Revise includes \$4.1 billion in borrowing and transfers from special funds, as well as additional funding deferrals that will free up \$6.3 billion in funding for use in FY 2020-21.
- **New Revenues (\$4.4 billion):** The May Revise proposes to generate \$4.4 billion in new revenue by temporarily suspending net operating losses and temporarily limits the amount of tax credits that a taxpayer can use to \$5 million in any given tax year.
- **Federal Funds (\$8.3 billion):** The May Revise reflects an \$8.3 billion General Fund savings by utilizing funds that have been provided by the Federal Government, in response to the coronavirus, in lieu of General Fund dollars for qualifying expenditures.
- **Triggered Spending Reductions (\$14.0 billion):** The May Revise contains \$14 billion in reductions to base programs and employee compensation, which will be triggered if the State does not receive additional funding from a federal Phase 4 stimulus bill.

While acknowledging that the State needs to deal with the massive budget deficit, as a result of the coronavirus, the Governor indicated that the May Revise still works to protect the Core Values of Public Education, Public Health, Public Safety and supporting those facing the greatest hardships.

To deal with the reduced level of revenue that will flow to schools (Propositions 98 funding levels) the Governor has proposed revising CalPERS / CalSTRS contributions from school districts. The same provision has NOT been considered for local governments struggling from devastating revenue losses.

Assembly Bill 2959 (Calderon) Solid Waste: Byproducts from the processing of food or beverages

In addition to the State legislative update, the City's franchise hauler (Republic) has requested that the City take a support position on AB 2959 (Calderon) and sign on to a coalition letter. This bill cleans up language and provides clarification to Public Resources Code Section 40059.4, this section of the Code was adopted as AB 3036 (Cooley). The basic purpose of this measure is to enable farm-to-farm transfers of agricultural byproducts from a grower of food processor to another farmer, for use as animal feed and that this limited and narrow practice may occur outside of an exclusive solid waste franchise agreement. The creation of AB 3036 was not intended to apply to agricultural byproducts generated at a Costco, a grocery store or caterers and restaurants. Unfortunately, the provisions in AB 3036 have been misinterpreted by several business in a manner that attempts to violate local franchise agreements. This bill is important to Republic and the City because it clarifies the provisions with AB 3036 and offers a legislative fix for which industrial generators of food scraps may send their food byproducts to animal feed, while also clearly stating that grocery stores and restaurants are not industrial generators and are not exempt from local franchise agreements.

Federal Legislative Update

Congress has been in recess for most of April but continued to remain engaged on mitigating the economic and financial impacts of the pandemic. During the month, Congress introduced and finalized an additional economic stimulus package, H.R. 266, commonly referred to as **Phase 3.5**, designed to bridge the funding gap for Small Business Administration loan programs as well as allocate additional funds for hospitals and testing.

On May 15, 2020, the House of Representatives passed the HEROES Act with a vote mostly (but not entirely) along party lines. This \$3 trillion relief package was not drafted with Republican input, so it will need extensive changes before the Republican-controlled Senate will take it up. As of May 26, 2020, Majority Leader McConnell told Republican senators that expanded unemployment benefits will not be in a "Phase 4" bill package. Several GOP senators are calling for action on a new relief package in June, although leadership thinks June is optimistic. Senate Health, Education, Labor and Pensions Chairman Lamar Alexander (R-TN) said that Republican senators won't agree on a new stimulus package without addressing liability for reopening colleges and businesses.

Staff will continue to monitor Federal, State and regional legislative updates in addition to funding opportunities for the City. The next Legislative Subcommittee is tentatively scheduled for the end of June 2020.

Attachments:

- Attachment 1 – Townsend Public Affairs – April 2020 Update Report and Appropriations Limit Chart
- Attachment 2 – Townsend Public Affairs – April 2020 Advocacy Tracking Matrix
- Attachment 3 – Assembly Bill 2929 (Calderon)
- Attachment 4 – Draft Letter to Governor COVID-19
- Attachment 5 – Draft Letter to Governor on CalPERS