

---

**MEMORANDUM**

---

**To:** City of Fullerton

**From:** Townsend Public Affairs

**Date:** April 2, 2019

**Subject:** Monthly Report for the City of Fullerton — March 2019

---

Legislative Platform	Topic	Specific Activity	Status
<b>FUNDING</b>			
Support Funding Opportunities Support opportunities that allow the City to compete for its fair share of regional, state and federal funding.	Funding Opportunities	TPA worked with the City Legislative delegation to provide them with City priority projects to be considered for legislative directed funding.	TPA continues to identify funding opportunities for the City through competitive grants as well as legislative directed funding.
<b>LEGISLATION</b>			
Legislative Action	Pending Legislation	February saw the introduction of 2,576 bills. Approximately half of those are spot bills that were amended throughout the month of March. TPA worked with staff to identify key bills of interest and to provide updates and draft letters of support.	TPA has provided timely updates on several state and federal issues of importance to the City including sales tax measures, water tax legislation and the Governor's budget trailer bill on housing.

**State Political Update**

Throughout the month of March, legislators have been focused on passing bills out of their policy committees before their upcoming deadlines. Several bills have taken their first round of amendments in order to be passed onto their respective appropriations committees or onto the Assembly and Senate Floor. Key policy topics that have been discussed thus far this legislative session include homelessness, water quality, climate change adaptation, and education.

Below is a list of key upcoming deadlines in the Legislature:

**April 11** – Spring Recess begins

**April 22** – Legislature reconvenes from Spring Recess

**April 26** – Last day for policy committees to hear and report fiscal bills to fiscal committees

**May 3** – Last day for policy committees to hear and report non-fiscal bills to the floor

### Economic Update

In March, the California Department of Finance released its second economic update of 2019. The report analyzes economic data from January - February 2019 as the report runs about one-two months behind the month in question.

In January, California added 3,000 nonfarm jobs, well below the average of 29,000 since the current employment expansion began several months ago. Year-over year payrolls expanded by 1.4 percent in California compared to 1.9 percent in the nation.

Preliminary General Fund agency cash for the first seven months of the fiscal year is \$2.218 billion below the 2019-20 Governor's budget forecast of \$85.150 billion. Revenues for February 2019 were 128 million above the Governor's budget, due in large part to a surge in corporate tax revenues. Since the Federal tax law changes enacted in December 2017, the pattern of state estimated payments has changed with higher revenues in April expected to partially offset the lower revenues in December and January.

The next month will be crucial for the tax revenues of the State, as a large percentage of people defer to paying their taxes until the last minute. We will have a clearer sense of what the Governor's May Revise Budget will look like after the tax season is concluded in April.

### Federal Legislative Update

In March, the White House published the President's Budget request, which effectively kicks off the Fiscal Year 2020 appropriations season. The House and Senate Appropriations Committees are collecting appropriations requests from members of Congress in order to inform line item amounts in upcoming appropriations bills. It is expected that there will be committee hearings on the budget over the next several weeks, followed by markups and bills moving forward to the floor in the coming months.

### President's Budget Request

On March 18, President Trump released his full budget proposal. As a reminder, the House and Senate will propose their own funding levels for each federal program. In years past, most of the cuts or eliminations proposed by the President were not included in the final funding bills. However, it is important to see where the Administration is starting, which can indicate the presidential appetite for signing off on a significantly different funding bill down the road.

Major cuts proposed in the President's Budget request include the following:

- Department of Commerce
  - Economic Development Administration
  - National Oceanic and Atmospheric Administration Grants and Education

- Department of Energy
  - Advanced Research Projects
  - Department of Energy Loan and Loan Guarantee Programs
- Department of Health and Human Services
  - Community Services Block Grant
  - Low Income Home Energy Assistance Program
- Department of Housing and Urban Development
  - Choice Neighborhoods
  - Community Development Block Grant
  - HOME Investment Partnerships Program
  - Self-Help and Assisted Homeownership Opportunity Program Account
- Department of the Interior
  - National Wildlife Refuge Fund
- Department of Labor
  - Senior Community Service Employment Program
- Other Independent Agencies
  - Institute of Museum and Library Services
  - National Endowment for the Arts
  - National Endowment for the Humanities

*Proposed Major Funding Reductions:*

- Department of Homeland Security
  - Federal Emergency Management Agency State and Local Grants/Training
  - Flood Hazard Mapping and Risk Analysis Program
- Department of Housing and Urban Development
  - Rental Assistance Programs
- Department of Justice
  - COPS Hiring Program
- Department of Transportation
  - Capital Investment Grants (New Starts)
- Environmental Protection Agency
  - Categorical Grants

TPA will continue to follow up with more information as we have it and will keep you updated on the status of your priority programs.

## **City of Fullerton Legislative Priorities**

### **Housing**

***Legislative Platform: Policy Statements – California Environmental Quality Act (CEQA)***

- *Support measures and reforms which streamline the CEQA process for the development of housing and mixed-use infill projects that support transit.*
- *Support housing measures that promote the development and enhancement of safe and affordable housing and accessible housing within the City for all economic segments of the population, while still retaining local control.*

On March 11, the Department of Finance posted its proposed budget trailer bill language related to housing. The language contains the following:

- Establishes the **Local Government Planning Support Grants Program** to provide grants for planning activities to enable jurisdictions to meet new short-term housing goals and rewards for milestones.
  - Creates a 3-year annualized housing allocation to be achieved in calendar years 2020 and 2021, with no annual targets lower than current RHNA goals.
  - \$250 million will be split equally between distribution to regions/counties and cities. In the case of cities, funding will be based on population, with \$750,000 available to cities over 200,000, \$275,000 for cities between 60,000 and 200,000, and \$150,000 for cities under 60,000).
  - A NOFA will be issued by August 15, 2019, with cities eligible to apply for funding by December 31, 2019, and regions eligible to apply by December 31, 2020.
- Establishes the Production and Process Improvement Reward Program for regions and counties (and cities through these agencies) that have demonstrated progress toward increased housing production.
  - \$500 million is available based on a region or county's share of annual housing targets.
  - Jurisdictions must have compliant housing elements and have submitted all annual and other progress reports.
- Directs the Department of Housing and Community Development (HCD), in cooperation with the Office of Planning and Research and the State Transportation Agency, by December 31, 2022 and after a stakeholder participation process, to propose linking transportation and other non-housing funding to a new RHNA process.
  - Beginning July 1, 2023, the Controller may withhold a jurisdiction's Road Maintenance and Rehabilitation Account (SB 1) funds if they do not have a compliant housing element or have not zoned or entitled for its annual housing goals.
  - By May 1, 2023, and then annually, HCD will report to the Controller a list of cities and counties with funds to be withheld.

Many Members of the Legislature have been outspoken against the Governor's proposal to withhold transportation funding from local agencies who don't meet their housing targets. The efforts to first approve Senate Bill 1 and then to defeat Proposition 6 were largely successful due to the support of local agencies identifying needs and then moving quickly to put those funds into projects. Budget committees will be considering the Governor's proposal over the coming weeks.

### **Public Works**

#### *Legislative Platform: Public Works*

- *Oppose any further funding for the California High Speed Rail project and to see if that funding can be used to fix our roads and infrastructure instead.*

### **Cap and Trade**

In February, the California Air Resources Board (CARB) conducted their first Cap and Trade auction of 2019 and the first since Governor Gavin Newsom took office. For the eighth auction in a row, all available emission credits were sold. The State expects to receive over \$850 million from the February 2019 auction. Revenues generated from the Cap and Trade program currently go toward the Brown Administration's High-Speed Rail project, various transportation improvements, affordable housing, and sustainable community programs. 40 percent of the revenues are available for future appropriation for projects that will reduce greenhouse gas emissions. Governor Newsom has already announced his desire to slow down the High-Speed Rail project as currently planned and focus on completing the Bakersfield to Merced segment. It is anticipated that this could result in the Governor redirecting some of the annual \$250 million in Cap and Trade funding to other public transportation purposes. It is anticipated that the May Budget Revision may introduce an updated expenditure plan of Greenhouse Gas Reduction Funds that will shift the conversation toward these new priorities.

The next Cap and Trade auction will occur in May 2019.

### **Economic Development**

#### *Legislative Platform: Economic Development*

- *Support efforts to allow cities to recapture true values of redevelopment and successor agency funds.*

### **Tax Increment Financing and Related Proposals**

The Legislature has been working for a number of years on various tools to replace former redevelopment, including Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities. The following bills are additional options being considered this year related to redevelopment and tax increment financing, as well as tools for existing programs:

#### *Senate Bill 5 (Beall/McGuire) – Affordable Housing and Community Development Investment Program*

SB 5 creates the Affordable Housing and Community Development Investment Program (Program). The bill establishes an application process, eligible uses for the funds made available by the bill, a process for distributing funds, project requirements, and accountability measures. Specifically, this bill:

- Allows various local agencies to apply for the Program, either individually or jointly
- Requires an applicant to submit a plan to the Affordable Housing and Community Development Committee made up of several State officials.

- Requires the plan submitted by the applicant to the Committee to include various types of information about the projects and community outreach.
- Allows the Committee to approve \$200 million in plans in the first year, increasing in \$200 million increments each year for five years until reaching \$1 billion after five years—over nine years, the total can reach \$2 billion.
- Requires at least 50 percent of funding to be used on the construction of affordable housing.
- Directs the county auditor to reduce the amount of property tax revenue the applicant would otherwise have contributed to the county's Education Revenue Augmentation Fund (ERAF).
- Gives the Department of Finance the ability to recalculate the Proposition 98 guarantee so that schools receive the same amount of funding they would have absent this Program.

*Assembly Bill 11 (Chiu) – Community Redevelopment Law of 2019*

AB 11 allows a city or county to form an Affordable Housing and Infrastructure Agency to fund projects. Specifically, this bill requires agencies to:

- Create a resolution of intention, which includes a preliminary project plan along with an extensive amount of other required actions and analysis before the Strategic Growth Council (SGC) may approve agency formation.
- An agency may not be formed if it will result in a negative state fiscal impact, to be determined by the State Controller, and must promote statewide greenhouse gas reduction goals.
- The SCG shall ensure that the projects proposed in the resolution of intention equitably represent rural, suburban, and urban communities, and that establishing the agency would not result in an inequitable geographic distribution of agencies throughout the state.
- Submit an annual report and a final report of any audit undertaken by any other local, state, or federal government entity, to its governing body and to the State Controller and the Department of Housing and Community Development.
- Report the total number of housing units the agency assisted in creating or maintained.

*Senate Bill 128 (Beall) – Enhanced infrastructure financing districts: bonds: issuance*

SB 128 repeals the 55 percent voter approval requirement for an EIFD to issue bonds after the EIFD board approves the bond issuance. In its place, SB 128 requires the EIFD board to approve a bond before it can issue the bond.

*ACA 1 (Aguiar-Curry) – Local government financing: affordable housing and public infrastructure: voter approval*

ACA 1 proposes amendments to the California Constitution to allow a city, county, or special district, with 55 percent voter approval, to incur bonded indebtedness or impose specified special taxes to fund projects for affordable housing, permanent supportive housing, or public infrastructure.

## **Administration: Sales Tax**

### *Legislative Platform: Administration*

- *Support local sales and use tax reform to create an equitable distribution structure that appropriately captures and allocates online sales tax.*

### **Sales Tax Legislation**

In late June 2018, the Supreme Court overturned a 1992 Supreme Court decision which opens the door for states to require out-of-state retailers to collect sales tax on transactions to in-state residents (*Wayfair v. South Dakota*). As a result, the California Department of Tax and Fee Administration (CDTFA) issued a notice in December 2018, implementing *Wayfair*, using the same standards as the South Dakota statute.

Under the implementation, retailers with sales of more than \$100,000 in California, or who entered into 200 or more transactions in the state, in the current or previous calendar year, must register as retailers with CDTFA, as well as collect and remit the use tax, effective April 1, 2019. The implementation notice states that the requirement is not retroactive.

A bill introduced this year, AB 147 (Burke), replaces the threshold in the CDTFA notice to instead apply to all out-of-state retailers who have more than \$500,000 in sales in the current or previous calendar year. The change should ease the compliance burden for smaller out-of-state retailers who now face a myriad of sales tax requirements in the various states where they sell goods due to *Wayfair* and allow CDTFA to focus its compliance efforts on larger sellers, at the cost of some revenue. The measure's marketplace facilitator provisions seek to make tax collection easier for consumers, out-of-state retailers, and CDTFA by shifting tax collection responsibilities from the tens of thousands of out-of-state retailers located around the world onto online marketplaces where consumers buy things.

Last year, Senator Glazer introduced Senate Constitutional Amendment (SCA) 20, which proposed to amend the California Constitution to provide that for purposes of allocating the Bradley-Burns share of the sales and use tax, the retail sale of tangible personal property transacted online is consummated at the point of delivery to the purchaser's address, or to any address designated by the purchaser.

This year, there are two other measures that relate to the issue of taxes from online retailers and agreements with local agencies:

*SB 531 (Glazer) – Local agencies: retailers*

SB 531 would prohibits, on or after January 1, 2020, a local agency from entering into any form of agreement that would result, directly or indirectly, in the payment, transfer, diversion, or rebate of Bradley-Burns local tax revenues to any retailer in exchange for the retailer locating a warehouse, sales center, or fulfillment center within the territorial jurisdiction of the local agency if the warehouse, sales center, or fulfillment center would generate revenue for the local agency under the Bradley-Burns Uniform Local Sales and Use Tax Law.

*ACA 13 (Obernolte) – Local sales taxes: online sales*

ACA was introduced on March 28, ACA 13 is identical to last year's SCA 20, changing the distribution of sales taxes based on point of delivery instead of point of sale.

### **Administration: Local Control and Efficiencies**

#### *Legislative Platform: Administration*

- *Support legislation that facilitates the ability of local government to share resources to increase efficiencies and decrease costs, including local efforts to address regional management of public safety personnel.*

*AB 510 (Cooley) – Local government records: destruction of records*

Would exempt the head of a department of a county or city, or the head of a special district from the State's current 1-year recording retention requirements if the county, city, or special district adopts a records retention policy governing recordings of routine video monitoring and recordings of telephone and radio communications. This legislation is aimed at alleviating some of the records retention requirements for local agencies, special districts and jurisdictions which have become a considerable cost burden over the last several years. *This law intends to uphold the transparency of local government while also modernizing current law to allow cities to only retain information of particular relevance. This legislation has become a two year bill and will continue to be debated over the next several months to be re-considered by the Legislature in 2020.*

*AB 816 (Quirk-Silva) – California Flexible Housing Subsidy Pool Program*

Would establish the California Flexible Housing Subsidy Pool Program within the Department of Housing and Community Development for the purpose of making grants available to applicants, defined to include a city, county, city and county, or continuum of care, for eligible activities including, among other things, rental assistance, operating subsidies in new and existing affordable or supportive housing units, and specified outreach services. The bill would continuously appropriate \$450,000,000 from the General Fund every fiscal year to the department for purposes of the program and set forth how these funds must be allocated. **Will be heard in Assembly Housing and Community Development on April 24.**

### **Cannabis/Public Safety**



*Legislative Platform: Land Use Planning and Housing*

- Monitor local, state and federal actions related to medical and recreational marijuana regulatory changes.

*Legislative Platform: Police*

- Support local control for the regulation of cultivation, storage, manufacture, transport and use of medicinal and recreational marijuana and monitor legislative and administration activity to create a regulatory structure for medical and adult use.

In March, Members of Congress in the House and Senate reintroduced the “Marijuana Justice Act,” which would end the federal prohibition on cannabis. Below are some quick facts about the bill:

- This bill was originally introduced in 2017 with the same sponsors.
- Senator Cory Booker (D-NJ) will sponsor the legislation in the Senate.
  - Senate cosponsors include Senators Ron Wyden (D-OR), Kirsten Gillibrand (D-NY), Bernie Sanders (D-VT), Kamala Harris (D-CA), Jeff Merkley (D-OR), Elizabeth Warren (D-MA), and Michael Bennet (D-CO).
- Congresswoman Barbara Lee (D-CA) and Congressman Ro Khanna (D-CA) will sponsor the legislation in the House.
- The bill would make marijuana legal at the federal level and automatically expunge records of people who have served federal time for marijuana use and possession.
- Five of the bill’s currently-announced sponsors and cosponsors are currently running for the Democratic presidential nomination.

Though the bill would have a long way to go until passage with opposition from Senate leadership all but assured, the widespread cosponsorship by Democratic presidential candidates is a significant indication that cannabis legalization will continue to be discussed in national policy conversations.

### **Land Use Planning and Supply**

*Legislative Platform: Land Use Planning and Supply*

- Support local control over the licensure and regulation of alcoholism or drug abuse recovery or treatment facilities.

### **Sober Living Home Legislation**

A group of bills has been introduced in the 2019-2020 Legislative Session that attempt to address sober living homes. It is important to remember that comprehensive reform for sober living homes would require changes to the Federal Americans with Disabilities Act (ADA) and the Federal Fair Housing Act (FFHA). Below is an update on the bills that have been introduced at the State level to address sober living homes:

*AB 136 (Quirk-Silva) – Alcoholism and drug programs: residential recovery and treatment ombudsperson: pilot program*

Would establish the office of the State Ombudsperson for Substance Abuse Recovery and Treatment as a one-year pilot program. The bill would require this established office to work in concert with counties to collaborate in investigations of complaints received by the counties against alcoholism or drug abuse recovery or treatment facilities and recovery residences. **AB 136 is currently in the Assembly Health Committee.**

#### *AB 1779 (Daly) - Recovery residences*

AB 1779 would require the California Department of Health Care Services (DHCS) to adopt best practices for operating recovery housing, including suggested minimum standards for operating recovery housing. Currently, the “Best Practices for Operating Recovery Housing (BPORH)” are being developed by United States Department of Health and Human Services. Until the BPORH are distributed, the DHCS will be required to adopt the most recent standards approved by the National Alliance for Recovery Residences (NARR) as the minimum standards necessary for the owners or operators of recovery housing to receive state funding. **AB 1779 will be heard in the Assembly Health Committee on April 9.**

In March, Congressman Harley Rouda conducted a line of questioning about sober living homes in a hearing on the Trump Administration's Response to the Drug Crisis in the House Committee on Oversight and Reform.

Congressman Rouda spoke firmly on the issue, imparting how important it is to stop the facilities acting in bad faith, and explained that the result of bad actors creates and exacerbates homelessness and crime.

Congressman Rouda also questioned James Carroll, Director of the Office of National Drug Control Policy, about whether opioid commission recommendations on this subject have been implemented. Director Carroll indicated that they are in the process of doing so, and that this aligned with the SUPPORT Act provision from Congresswoman Chu that requires the Department of Health and Human Services to publish best practices for operators of housing facilities and draft model laws that will allow states to create better leverage to combat sober living homes operating in bad faith.

### **Water Quality and Water Supply**

#### *Legislative Platform: Water Quality and Water Supply*

- Support the enhancement of a reliable and sustainable water supply for California as well as measures that improve water quality in the region.

#### *Legislative Platform: Administration*

- Support local government action, rather than the imposition of state, federal or regional mandates upon local governments, as well as federal mandates placed on the state.

TPA has been closely monitoring legislation for the last two years regarding taxes on urban water system users and fees on the agricultural and dairy industry. Legislation introduced last year by

Senator Monning, SB 623, would have added these fees and taxes to help pay for safe drinking water projects in the State's most severely disadvantaged communities. This bill failed to advance, even with attempts to include it as part of a budget trailer bill.

In 2019, Senator Monning introduced SB 200, which would establish the Safe and Affordable Drinking Water Fund to be administered by the State Water Resources Control Board and to be used to secure access to safe drinking water for all Californians. While SB 200 provides a continuous appropriation to fund activities, so far, the bill does not yet identify the revenue source for the funding. On March 20, SB 200 (Monning) was approved by the Senate Environmental Quality Committee.

In his 2019-2020 January Budget, Governor Newsom also proposes to establish the Safe and Affordable Drinking Water program to increase access to safe drinking water for Californians. Similar to Governor Brown's proposal last year and SB 623, the program would provide certain local water agencies—particularly ones in disadvantaged communities—with grants, loans, contracts, or services to help support their operations and maintenance costs.

This funding would be supported by new charges proposed by the Governor on water system ratepayers (roughly \$1 per residential meter per month), fertilizer sales, and certain agricultural entities. In total, the Administration estimates that the various proposed charges would generate roughly \$110 million to \$140 million annually when fully implemented. Charges on fertilizer and agricultural entities would sunset 15 years after they go into effect.

In late March, Assembly Member Eduardo Garcia amended his AB 217 to add language regarding a tax on water and solution to the safe drinking water problems in some of the most disadvantaged communities across the state. Specifically, AB 217 takes an all-encompassing approach to the issue, and brings funding sources together from the agricultural industry (similar to SB 623), a \$200 million/year appropriation from the General Fund for the next 5 years, and (future amendments will come forward) a \$ 0.50 drinking water tax on urban water system customers per month.

It is still unclear what the final vehicle for a water tax will be, however these recent amendments show Assembly Member Eduardo Garcia's intention to be a part of the conversation. AB 217 passed the Assembly Environmental Safety and Toxic Materials Committee on a party line vote of 6-3.