



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY EXECUTIVE

File #: 24-367

Board Meeting Date: 5/21/2024

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Executive
Connie Juarez-Diroll, Chief Legislative Officer

Subject: State and Federal Legislative Update #5-Update on the Governor's Revised State Budget for Fiscal Year (FY) 2024-25 and 2024 State and Federal Legislative Sessions

RECOMMENDATION:

Recommendation to:

- A) Accept this update on the Governor's FY 2024-25 State Budget Proposal, and
- B) Accept an informational report on the 2024 State and Federal Legislative sessions.

BACKGROUND:

On May 10, 2024, Governor Newsom released his revised budget proposal for the 2024-25 fiscal year. Based on updates from April tax collections, the May revision anticipates a \$27.6 billion deficit for Fiscal Year 24-25, an increase of \$7 billion from January. The Governor's proposal relies on the following budgetary strategies to close the shortfall:

- \$4.2 billion in fiscal reserves,
- \$3 billion in various efficiency measures in state administration,
- \$15.2 billion in one-time and ongoing reductions,
- \$14.8 billion in program pauses and shifts, and
- \$7.5 billion in new revenues and borrowing.

In the coming weeks, the Assembly and Senate budget subcommittees will convene to review the Governor's updated proposal and adopt a unified legislative version to negotiate with the administration. The Senate and Assembly must pass a balanced budget bill for the 2024-25 fiscal year on or before June 15, 2024. The Governor will have until June 27, 2024, to approve the budget bill.

Initial policy and fiscal committee hearings have wrapped up as the State Legislature nears the session's halfway point. On May 16, 2024, fiscal committees in the State Assembly and Senate held

hearings for more than 1,200 bills deemed to have a budgetary impact on the "Suspense File." Several measures of significant importance to local government have qualified for the November 5 general election. These measures, which have met the June 27, 2024, deadline for eligibility, will directly impact County operations and the community we serve.

In Washington, D.C., House lawmakers overwhelmingly rejected an attempt to oust Speaker Mike Johnson (R-La.) and the Senate passed a bicameral Federal Aviation Administration bill.

DISCUSSION:

State Budget Update

In addition to the \$27.6 billion deficit for the current fiscal year, the Governor's revised budget anticipates \$28.4 billion in deficits for FY 25-26. Due to volatile state revenues depending on income taxes from high-income earners and capital gains, this year's revenue forecast is a dramatic departure from the \$97.5 billion surplus in the 22-23 state budget. The Governor's revised budget proposal includes widespread reductions to County program areas, including notable cuts to health, human services, and homelessness programs. While the Legislature will negotiate to prevent some cuts to specific programs, any shifts would require redirecting funds away from alternative programs. The Department of Finance will provide additional details about these proposals in the coming weeks.

The Governor's proposal includes the following reductions:

Health

- \$300.9 million- **Healthcare workforce initiatives**, including community health workers, nursing, social work, Song-Brown residencies, Health Professions Career Opportunity Programs, and California Medicine Scholars Program.
- \$450.7 million- **Behavioral Health Continuum Infrastructure Program.**
- \$132.5 million- **Behavioral Health Bridge Housing Program.**
- \$300 million- **Public Health Funding.**
- \$72.3 million- **Children and Youth Behavioral Health Initiative.**
- \$280 million- **Equity and Practice Transformation Payments to Providers** for quality, health equity, and primary care infrastructure.
- \$10.5 million- **Medication Assisted Treatment Programs** for substance use disorders.

Human Services

- \$47.1 million- **CalWORKs Home Visiting Program.**
- \$126.6- **CalWORKs Mental Health and Substance Abuse Services.**
- \$272 million- **CalWORKs Employment Services.**
- \$94.7 million- **In-Home Supportive Services for Undocumented Individuals.**
- \$60 million- **In-Home Supportive Services** back-up providers and career pathways initiatives.
- \$489 million- **Child Care Slots** pause at the current level in FY 24-25 and FY 25-26.
- \$50 million- **Child Welfare Services** for caregiver approvals.
- \$40 million- **Adult Protective Services** expansions and training.
- \$80 million- **Bringing Families Home**
- \$65 million- **Home Safe**
- \$25 million- **Housing and Disability Advocacy Program.**

Housing

- \$260 million- **Homeless Housing, Assistance and Prevention (HHAP)** in round five supplemental grant funding.
- \$75 million- **Multifamily Housing Program** reductions that would zero out funding for this program.
- \$127.5- **Adaptive Reuse** that would zero out funding for this program.
- \$236.5 million- **Foreclosure Intervention Housing Preservation Program** that would zero out funding for this program.

Environment & Sustainability

- \$1.7 billion- **Cap and Trade Fund Shifts** to the General fund from programs towards clean energy, transit programs, and zero-emission fleets.
- \$50 million- **Outdoor Equity Grants.**
- \$136 million- **Vulnerable Community Toxic Clean-up.**
- \$45 million- **Habitat Conservation Fund.**

Public Safety

- \$4.4 million- **Post-Release Supervision.**
- \$54.1 million- **Adult Reentry Grants.**

Public Works & Infrastructure

- \$300 million- **Active Transportation.**
- \$350 million- **Grade Separations.**
- \$200 million- **Broadband Last Mile** deferment to 2027.

In-lieu Vehicle Licensing Fee (VLF)

The Governor's updated May budget excludes reimbursement for San Mateo County's FY 22-23 VLF shortfall of \$70 million, \$41 million of which is the County's allocation. Historically, the State has made counties and cities whole by reimbursing VLF shortfalls through the State budget. The County Executive Office, in partnership with our cities, is continuing to advocate strongly for full reimbursement, working closely with the County's state delegation.

State Legislative Update

While final determinations were yet to be available as of the production date of this report, bills held by the Legislative Appropriations Committees are effectively dead for this legislative year, and those passed out by the Committee can continue through the process. All bills must pass out of their House of Origin before May 24, 2024. The next monthly legislative update will provide a comprehensive list of the bills the IGPA is actively tracking that have moved to the second house.

To date, the following notable legislative propositions with potential impacts on local governments have qualified for the November 5, 2024, general election:

Measure	Subject	Summary
ACA 1	Voter requirements for local special taxes to fund housing and public infrastructure	Allows a city, county, or special district, with 55% voter approval, to pass a bond or impose certain special taxes to fund projects for affordable housing, permanent supportive housing, or public infrastructure.
ACA 13	Voter requirements for initiatives that require voter supermajority	Requires an initiative constitutional amendment to comply with any increased voter approval threshold it seeks to impose on future ballot measures. It also guarantees the ability of local governments to submit advisory questions to voters.
SCA 2	Approval of public housing projects	Repeals Article 34 of the California Constitution, which requires publicly-funded affordable housing projects to be approved by a majority of voters in a city or county.

On April 29, 2024, the California State Association of Counties (CSAC) Board of Directors adopted support positions on ACA 1 and ACA 13.

However, in March 2022, they also opposed the Taxpayer Protection and Government Accountability Act, a competing proposal. Backed by the California Business Roundtable, the measure seeks to limit voters' ability to pass proposed local special taxes by raising the vote requirement to 2/3rds and eliminating advisory questions that would direct how general taxes are spent from the same ballot as any proposed tax. In addition, the measure requires the Legislature to approve any new fees imposed by state administrative entities and could invalidate recently enacted local taxes that do not meet specific criteria. Lastly, the measure expands the definition of "taxes" to include specific regulatory fees, broadening the application of tax approval requirements. On May 8, 2024, the California State Supreme Court heard arguments regarding its constitutionality and whether the measure should appear on the November ballot. Governor Newsom, Democratic legislative leaders, and local government officials want the high court to declare that the measure is not a constitutional amendment, as claimed by the sponsors, but rather a constitutional revision that cannot be placed before voters via initiative petition.

The Legislature and Governor have ramped up discussions regarding other potential climate, housing, or school facility bond measures that may be added to an already crowded November 2024 ballot.

The Intergovernmental and Public Affairs (IGPA) continues to track more than 380 bills of interest to the County and has submitted 13 advocacy letters as of the writing of this report. The attached 2024 Legislative Activity Report lists the bills tracked this session.

Federal Update

By a vote of 359-43, the House overwhelmingly voted to table Rep. Marjorie Taylor Greene's attempt

to oust Speaker Mike Johnson on May 8, 2024. Greene, who has said that Johnson is a “Democratic speaker” and is upset about a floor compromise on 2024 appropriations legislation, initially introduced the measure weeks ago, leading to speculation of if and when she would make her move. The House's actions appear to underscore a desire to avoid the chaos of last October when Kevin McCarthy became the first speaker ever removed from office under a motion to vacate. For his part, Speaker Johnson has said he appreciates the show of confidence from his colleagues and that he intends to do what he was elected to do.

Finally, on May 9, the Senate passed a bicameral Federal Aviation Administration bill that would reauthorize the agency through 2028 and cleared a short-term extension of current authority to give the House time to act when it returns to the nation’s capital without a lapse in agency funding. The legislation would increase funding for the Airport Improvement Program (AIP), which provides federal support for local airport construction and safety-related projects. The AIP is currently funded at \$3.35 billion; the bicameral agreement would boost funding to \$4 billion annually.

EQUITY IMPACT:

The County's 2024 Legislative program supports policies that further or enhance equity goals in addressing the needs of underserved, disadvantaged, or marginalized residents.