



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY EXECUTIVE

File #: 24-496

Board Meeting Date: 6/25/2024

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

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

Subject: 2024 State and Federal Legislative Update #6-Update on the State Budget for Fiscal Year (FY) 2024-25 and 2024 State and Federal Legislative Sessions

RECOMMENDATION:

Recommendation to:

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

BACKGROUND:

On June 13, 2024, the Legislature passed AB 107, the Budget Act of 2024, its version of the state budget. Earlier in the week both houses also approved SB 154 and SB 167, budget bills suspending minimum education funding guarantees and taxes to support AB 107 spending. AB 107 represents a high-level, consolidated negotiated agreement for the Legislature as leaders continue to meet with the administration to iron out other sticking points (i.e., a \$25 per-hour health care worker minimum wage and MCO tax proceeds) before the June 27, 2024, deadline for the Governor to sign the state budget bill. Budget negotiations are continuing, with budget trailer bills to follow ahead of the beginning of the state's new fiscal year (Monday, July 1) and the Legislature's adjournment for the summer recess (Wednesday, July 3).

AB 107 relies on the following strategies to close a shortfall of approximately \$45 billion in FY 24-25:

- \$5.3 billion in fiscal reserves,
- \$16.6 billion in one-time and ongoing reductions,
- \$14.4 billion in program pauses and shifts, and
- \$5.3 billion in new revenues and borrowing.

The joint legislative budget includes a three-year suspension of corporate net operating loss

deductions and various business tax credits in 2024, one year earlier than the Governor proposed. These higher revenues and larger reductions in programmatic spending (most notably for state prisons) allow for additional expenditures compared to the Governor's budget. Legislative bills are also currently being considered by policy committees in the second house as hundreds of pieces of legislation continue to move through the Legislative process before the start of the summer recess. The Legislature will reconvene on August 5, and the Appropriations Committees, which review bills deemed to have a fiscal impact, will have until August 16 to act on their "Suspense Files." Both houses must pass bills by August 31, and the Governor has until September 30 to sign or veto measures.

June 27, 2024, also marks the last day for the Legislature to approve a measure for the November 5, 2024, ballot. Legislative leadership is considering climate and school facilities bonds, but it is unknown if a final agreement can be reached before the deadline.

On June 1, the Federal Communications Commission (FCC) took formal steps to end the Affordable Connectivity Program (ACP) due to a lack of congressional funding. In response, Democrats and Republicans have introduced dueling bills to reauthorize the FCC's spectrum auctions, which are used as a revenue raiser to pay for broadband internet subsidies.

DISCUSSION:

State Budget Update

Notable differences in the Legislature's budget compared to the Governor's revised May proposal include:

- **VLF Backfill**-Includes \$73.5 million in one-time General Fund to backfill San Mateo, Alpine, and Mono Counties for FY 22-23 VLF shortfall.
- **Public Health**- Rejects the Governor's proposal and maintains \$300M in funding for state and local programs to preserve the Future of Public Health (FoPH) Program.
- **Human Services**- Rejects \$355.3 million in one-time and ongoing cuts to CalWORKs Employment Services single allocation, eligibility administration, and family stabilization. It also modifies eliminating the CalWORKs expanded subsidized employment program and maintains FY 22-23 spending levels. Additionally, it rejects cuts to continue the expansion of In-Home Supportive Services. Finally, the Legislature rejected \$126 million in cuts to the Mental Health and Substance Abuse program and the Family Urgent Response System.
- **Homelessness**- Allocates \$1 billion to the sixth round of the Homeless Housing, Assistance and Prevention (HHAP) Grant.
- **Housing**- Rejects the Governor's January and May Revise proposals to cut \$325 million from the Multifamily Housing Program, reduces the Governor's January budget proposal to cut the Regional Early Action Planning REAP 2.0 by \$300 million to \$50 million, and maintains \$13.7 million for the Housing Navigation and Maintenance program.
- **Victims of Crime Act funding**- Provides \$100 million to backfill lost federal funds for the program.
- **Local Child Support Agencies**- Reduces funding for local agencies by \$10 million in FY 24-25 and ongoing, equating to \$29.4 million in total cuts. The Legislature noted that these funds have historically been unspent.

State Legislative Update

Several bills impacting county operations were not passed by their respective policy committees.

Most notably, **AB 817 (Pacheco-D)**, which would have allowed county advisory subsidiary bodies (i.e., county boards, commissions, and committees) to utilize teleconferencing capabilities without having to notice and make publicly accessible each teleconference location, stalled in the Senate Local Government Committee. While this outcome was not unexpected, the bill's failure to advance represents a setback in the County's efforts to support additional meeting flexibility options for boards and commissions to enhance accessibility and engagement. In a press release, Assemblywoman Pacheco committed to advocating for policies promoting accessibility in the next legislative session.

Additionally, the author withdrew **SB 915 (Cortese-D)**, which would have allowed certain local governments to enact ordinances related to commercial autonomous vehicle operations, from the Assembly Transportation Committee. In May, the bill was amended to eliminate the eligibility for counties to enact local regulations. It increased the criteria only to allow cities with a population of 250,000 or greater to establish local ordinances. The Committee proposed significant amendments to the bill that would have neutralized many of its key regulatory provisions, arguing that local control provisions could give rise to outdated regulatory schemes and offer perverse incentives to over-police this technology. Rather than accept these amendments, the author opted to remove the bill from the Committee's consideration.

The Intergovernmental and Public Affairs (IGPA) continues to track more than 380 bills of interest to the County. The attached 2024 Legislative Activity Report lists the bills monitored this session.

Federal Update

Enacted as part of the 2021 *Infrastructure Investment and Jobs Act* (P.L. 117-58), the ACP is an FCC-administered program designed to help ensure that low-income individuals and families can afford essential broadband service. Specifically, the program provided a discount of up to \$30 per month toward internet service for eligible households and up to \$75 per month for households within high-cost areas.

As the ACP drew to a close, the Biden Administration announced that several internet service providers (ISPs) had committed to offering discounted internet plans (at \$30 or less) to low-income households through the end of the year. More than a dozen companies have agreed to provide the plans to cover roughly 10 million ACP households.

Congressional Democratic supporters of the ACP vowed to provide new funding for the program. Leading the effort is Senator Maria Cantwell (D-WA), chair of the Senate Commerce Science and Transportation Committee and author of S. 420, The Spectrum and National Security Act, which would provide \$7 billion for the ACP. However, plans for the bill's markup were scrapped last week due to Republican opposition, specifically from Senator Ted Cruz (R-TX), who has introduced his spectrum bill (S. 3909) that is considered more industry-friendly and also refrains from spending auction proceeds on a variety of purposes as Cantwell's bill would, such as restoring rural broadband subsidies that ran out last month. The back-and-forth does not bode well for the prospect of reviving the ACP, and with the presidential election fast approaching, any bipartisan action will become even more difficult in the coming months.

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.