



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 21-383

Board Meeting Date: 5/18/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

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

Subject: 2021 State and Federal Legislative Update #3

RECOMMENDATION:

Accept this informational report on the 2021 State and Federal legislative sessions.

BACKGROUND:

Over the past several weeks, policy committees in the California State Legislature have heard hundreds of bills. April 30th was the deadline for bills with a fiscal impact to pass their relevant policy committees and May 7th was the deadline for the remaining “non-fiscal” bills to pass out of policy committees. Later this month, bills will face the Appropriations Committee deadline where hundreds of bills will be considered based on their estimated price tag.

On April 28, 2021, President Joe Biden delivered his first address to a joint session of Congress unveiling the *American Families Plan*, a \$1.8 trillion package to fund Democratic priorities.

DISCUSSION:

2021 State Update

Legislative Update-Efforts seeking to make permanent Governor Newsom’s March 2020 Executive Order accessibility changes to local legislative bodies public meetings are underway. **AB 339 (Lee)** would make several changes to the Brown Act, including requiring county boards of supervisors and city councils in jurisdictions over 250,000 people to provide access to public meetings via telephone or internet. The California State Association of Counties, the Urban Counties of California, and other local agencies associations advocated on behalf of local government agencies to narrow the scope of the bill. The original bill would have applied to all public boards, commissions, and agencies governed by the Brown Act, required live translation services, closed captioning, and two-way internet operability. Although the bill has been narrowed, debate remains over how and why the proposed public access requirements would only apply to cities and counties and not the State Legislature or other State bodies.

The Legislature is also considering a slew of bills aimed at decreasing the amount of plastic waste consumed by our State and increasing the amount of plastic waste that is recycled. Some of the most notable bills in this area include:

- **SB 54 (Allen)** would require manufacturers to ensure that single-use, disposable packaging and food service ware are recyclable or compostable. Local government groups are supportive of the bill's concept, citing their current lack of control over which waste products they are responsible for managing and disposing.
- **SB 343 (Allen)** would tighten the requirements around the permissible use of the "chasing arrows" recycling symbol and when claims regarding recyclability can be made. The bill aims to limit the confusion consumers face when determining how to dispose of plastic waste, as many items bearing the "chasing arrows" symbol are not actually recyclable.
- **AB 1276 (Carrillo)** would prohibit the distribution of single-use plastic food accessories and food service ware distributed by food facilities or third-party food delivery platforms.

As we brace for another wildfire season, the Legislature is considering the following bills that would bolster regional wildfire planning strategies:

- **AB 9 (Wood)** would establish the Regional Forest and Fire Capacity Program to create a new regional approach to collaboratively planned strategies for wildfire risk reduction project development.
- **SB 12 (McGuire)** would impose certain fire hazard planning responsibilities on local governments and would incorporate fire hazard planning into regional housing needs allocation objectives and methodology.

Details on bills tracked by the County Manager's Office and letters of support or opposition can be found in the attached 2021 Legislative Activity Report.

State Budget Action-In the run up to the release of the Governor's May Revision on May 14, which is expected to include a large budget surplus due to higher than anticipated tax revenues and new federal stimulus monies (a staggering \$75.7 billion reported at the time of the writing of this update), the Senate and Assembly Democrats released their budget priorities for 2021-22 and beyond. Titled the "*Build Back Boldly*" and *Assembly Budget Blueprint*, respectively, the plans seek to build a "post-pandemic economy that extends prosperity for Californians." Key element of the Senate plan include: universal access to early care and education for children ages 0 to 3, including making a significant investment for up to an additional 200,000 childcare slots for working families; \$20 billion over five-years to address homelessness and housing affordability; \$5 billion over five-years to bolster wildfire prevention efforts; \$3.4 billion in spending to address water supply needs; and financial support for small businesses and non-profits through stimulus grants and other supports. Similarly, highlights of the Assembly's plan include: maintaining COVID-19 response in public health, schools, among vulnerable populations, and workforce safety; support for homelessness efforts; expansion of early care and education; and retraining programs for laid off workers.

The release of the May Revision starts the clock in the state budget development process. The final budget is due to the Governor by the constitutional deadline of June 15 and must be signed into law by July 1. A full analysis of the impacts of the May Revision to the County will be provided to your Board later in the month.

2021 Federal Update

American Families Plan (AFP)-includes \$1.8 trillion in investments and tax credits for families and children over the next decade. Of that funding, \$800 billion is proposed for tax credits; \$511 billion for education, \$225 billion for childcare, \$225 billion to help provide paid leave, and \$45 billion for expanded nutrition benefits.

The following are key elements of the plan of interest to local governments:

- **Universal Pre-School**-\$200 billion to provide free universal pre-school for all three- and four-year-olds. The plan would be in partnership with states and focus on high-need areas.
- **Childcare**-\$225 billion to increase the supply of high-quality, affordable childcare. Funding would expand direct support to families to ensure that low- and middle-income families spend no more than seven percent of their income on childcare, and that the childcare they access is of high-quality.
- **Nutrition Programs**-\$45 billion to expand nutrition benefits for low-income children by increasing access to the summer meals program and expanding free school lunch meals for children in high-poverty school districts. The plan would also make individuals convicted of drug offenses eligible for SNAP benefits after their incarceration.
- **Tax Credits**-would extend key tax cuts included in the *American Rescue Plan Act (ARPA)* that benefit lower- and middle-income workers and families, including the Child Tax Credit, the Earned Income Tax Credit, and the Child and Dependent Care Tax Credit. It also would extend the expanded health insurance tax credits that were included in ARPA.

To pay for the measure, President Biden would increase taxes on the wealthiest one percent of Americans. Among other things, the plan would restore the top personal income tax rate to 39.6 percent (up from 37 percent) for those earning more than \$400,000 a year. It also would tax capital gains at the same rate for people earning \$1 million or more and end a capital gains tax break on inheritances, as well as “carried interest” tax break utilized by fund managers. According to the administration, these tax code changes would raise \$1.15 trillion over the next ten years and would be fully paid for over 15 years.

The AFP is unlikely to garner significant bipartisan support in Congress given the proposed tax increases. Even if 50 Senate Democrats come together in support of the package, passing the AFP by a simple majority in that chamber would require the majority to use the budget reconciliation process-meaning any final legislation would need to meet specific and complex budgetary requirements. Ongoing efforts to negotiate a bipartisan infrastructure package could further complicate or delay negotiations around the AFP.

Senate Republicans American Jobs Plan Counteroffer

On April 22, senior Senate Republicans unveiled the framework of a five-year, \$568 billion infrastructure proposal, which will serve as a counteroffer to President Biden’s eight-year, \$2.25 trillion *American Jobs Plan*. Unlike the president’s plan, the GOP alternative focuses more on traditional infrastructure. Specifically, the proposal would dedicate \$299 billion to roads and bridges-more than double what was proposed under the *American Rescue Plan*-\$61 billion to transit, \$44 billion to airports, \$20 billion to rail, and \$17 billion to ports. It also would invest \$65 billion into broadband, \$35 billion into drinking water and wastewater projects, and \$14 billion into water storage. The Republican plan includes few specifics on how their proposal would be paid for. Democrats are divided on the proposal with some viewing it as an opening bid and others calling it a nonstarter. Looking ahead, it is unclear if Democrats will choose to engage with their colleagues across the aisle or if they will attempt to go at it alone via the budget reconciliations process.

U.S. Treasury Releases Allocations and Guidance for Coronavirus State and Local Fiscal Recovery Funds

(CSFRF)-On May 10, 2021, the U.S. Department of Treasury announced the allocation of \$350 billion in emergency funding to state and local governments set forth in the American Rescue Plan Act (ARPA) of 2021. Under the new CSFRF allocations, the State of California will receive approximately **\$27 billion** in new funding and the County of San Mateo **\$148,897.819** million. The County’s largest cities (i.e., entitlement cities) will receive CSFRF funding in the following amounts: Daly City (\$25,255,343), Redwood City (\$18,483,063), City of San Mateo (\$19,274,312), and South San Francisco (\$12,278,941). In addition, the County’s smallest cities (i.e., non-entitlement cities) will be receiving federal CSFRF funding through the State. Funding amounts were not available as of the writing of this update.

Local governments are scheduled to receive these funds in two tranches, the first half in May 2021, and the second half 12 months after the initial allocation. The deadline to obligate funds is December 31, 2024.

In releasing guidance on the use of the funds, the Treasury Department outlined the program’s funding objectives to be: 1) support for urgent COVID-19 response efforts to continue to decrease spread of the COVID-19 virus and bringing the pandemic under control; 2) replacement of lost public sector revenue to strengthen support for vital public services and help retain jobs; 3) support for immediate stabilization of households and businesses; 4) addressing systemic public health and economic challenges that have contributed to the unequal impact of the pandemic. Furthermore, the Treasury Department guidelines also outline the use of the funds to be: support for public health response, replacement of public sector revenue losses, water and sewer infrastructure, addressing the negative economic impacts of the pandemic on workers, families, small businesses, and impacted industries, premium pay for essential workers, and broadband and infrastructure. Ineligible uses of the funding include changes that reduce net tax revenue and extraordinary payments into local government pension funds, among other restrictions. The County Manager’s Office is closely monitoring the eligible uses of the CSFRF funds at both the state and County levels and will provide more information to your Board at future Board meetings.

U.S. Treasury Releases Allocations and Guidance for Emergency Rental Assistance (ERA 2)

-On May 7, 2021, the Biden Administration announced the allocation of the additional \$21.6 billion provided under the ARPA for Emergency Rental Assistance (ERA 2), including \$2.5 billion in targeted assistance to the highest-need areas. Along with the allocations, the U.S. Treasury Department released updated Frequently Asked Questions (FAQs) for the federal Emergency Rental Assistance Program. The new guidance provides enhanced flexibilities for local government grantees as they work to deliver assistance to renters and keep residents stably housed.

New key policies and clarifications included in the guidance include: 1) direct assistance to renters first and immediately when landlords do not accept payment; 2) income verification flexibility using any reasonable fact-specific proxy; 3) requiring grantees to prohibit landlords that receive ERA funds from evicting a tenant for non-payment of rent during the

period covered by assistance; 3) not more than 15 percent of the amount paid to a grantee be used for administrative costs attributable to providing financial assistance, housing stability services to eligible households and other affordable rental housing and eviction prevention activities; and 4) an 18-month household assistance cap under both ERA 1 and ERA 2.

Under ERA 2, San Mateo is scheduled to receive a total allocation of **\$26,760,023** in funding (\$18,033,884 based on county size and \$8,726,139 in high-needs allocation funding).

Community Project Funding Request for FFY 2022-The County Manager's Office and Project Development Unit (PDU) are pleased to report that their **\$500,000** funding request for the new Maple Street Navigation Center has been advanced by Congresswoman Jackie Speier to the House Appropriations Committee. If approved, the funding would be used to purchase Furniture, Fixtures and Equipment (FFE) for the new 200-250 bed homeless center facility in Redwood City. The County's request was selected through a competitive application and vetting process to ensure compliance with Appropriation Committee guidelines, community support, benefit to constituents, and valuable use of taxpayer funds. As a next step, the County's request will be considered by the House Committee on Appropriations for possible funding in FFY 2022.