
MEMORANDUM

To: City of Beaumont
From: Townsend Public Affairs
Date: May 1, 2020
Subject: Legislative Report for the City of Beaumont

State Legislative Update

In April, the Governor continued his efforts on responding daily to the COVID-19 crisis. Governor Newsom has been holding daily press briefings to update the public on the status of COVID-19 cases and executive actions taken in response to the pandemic. In the month of April, the Governor has signed 17 Executive Orders and has introduced several initiatives to help the State respond to the crisis. Governor Newsom also unveiled six indicators that the Administration would be monitoring, evaluating, advancing in order to re-open the State's economy. However, the Governor has not yet provided a date for when the stay-at-home order will be lifted.

While the Legislature was not in session in April, Assembly and Senate leadership has been coordinating the details for the remainder of the legislative session. Speaker of the Assembly Anthony Rendon has announced that the Assembly will be returning to the Capitol on Monday, May 4 to consider a limited number of bills. However, citing increasing medical and logistical concerns, Senate Pro Tempore Toni Atkins has announced that the Senate is targeting a return date of May 11. No floor sessions have been scheduled, and most of the legislator's attention will be on passing a limited number bills out of their policy committees.

Legislative offices have also been alerted by both the Speaker and the Senate Pro Tempore that the number of bills remaining in the legislative session are going to be significantly reduced. Legislators have been asked to only advance bills that are essential in passing this year so that the focus of the Legislature for the remainder of the session can remain on COVID-19, housing, and wildfire resiliency. Committee hearings are set to resume on Monday, May 4. It is expected that policy committees will only hold one hearing each to consider the paired down number of bills.

Below are the upcoming tentative dates for the Legislature.

May 4: Assembly scheduled to reconvene
May 11: Senate scheduled to reconvene
June 15: Budget must be passed by Midnight

Governor's COVID-19 Action Summary

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

- **April 24: Senior Meal Program.** The State is launching a program that will enlist community restaurants to prepare and deliver meals to older Californians who are isolating at home during California's stay at home order.
- **April 23: Stimulus Paychecks.** Governor Newsom issued an executive order to stop debt collectors from garnishing COVID-19-related financial assistance.
- **April 17: Economic Recovery Task Force.** Governor Newsom established a state task force on Business and Jobs Recovery to chart a path forward on recovery in the wake of COVID-19.
- **April 15: Unemployment Assistance:** The State Employment Development Department is implementing a new process for those applying for Pandemic Unemployment Assistance, including the self-employed and independent contractors.
- **April 14: Roadmap for Re-Opening.** Governor Newsom outlined six indicators California will consider before modifying the stay-at-home-order and other COVID-19 interventions.
- **April 9: Unemployment Benefits:** The state will begin implementing new federal benefit payments of \$600 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 4: Testing.** The Governor created a COVID-19 testing task force, a public-private collaboration that will work with stakeholders to rapidly boost testing capacity.
- **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.

Assembly and Senate Budget Hearings

In April, the Assembly and Senate Budget Subcommittees held hearings to discuss the State's fiscal status and recent COVID-19 spending. The Assembly Budget Subcommittee held its hearing on April 20, and the Senate Budget Subcommittee held its hearing on April 16.

During the hearings, presentations were provided from the Legislative Analyst's Office (LAO), the Department of Finance (DOF) and the California Budget and Policy Center. The panels pointed to an anticipated \$35 billion State revenue shortfall in the first year of the pandemic, and additional \$85 billion in subsequent years.

The LAO recommended preliminary spending with a modified baseline budget in mind, focusing only on existing safety-net programs, necessary expenditures surrounding COVID-19, and inflation. In January, DOF anticipated a recession scenario with revenue losses of up to \$70 billion over a 3-year period with the unemployment peak anticipated at 9.1 percent.

The panel expected \$7 billion in State expenditures for COVID-19 in 2020, plus additional caseload expenditures for critical safety-net programs. The panel also stated that the \$2.2 trillion federal stimulus bill is not enough and reiterated that the Governor has requested another \$1 trillion for State and local governments.

Another relevant point of discussion was the potential for the Legislature to examine state-imposed mandate relief for local governments during the pandemic. The panel stated that additional research will be needed on which mandates could be lifted. The Legislature could also potentially fund or eliminate certain mandates on behalf of local governments.

There were several questions about the federal funds that would be directed to California and how those would be allocated. The Administration indicated that they would be addressing many of these issues, as well as addressing the ongoing financial needs of state agencies on the front lines of the coronavirus response, in the upcoming May Revise.

DOF stated that the Newsom Administration is aware of the issue related to smaller cities not receiving direct federal aid and is working with the White House to secure direct funding for cities under 500,000 in next federal relief package (Phase 4).

LAO Reports on COVID-19

The LAO released two relevant reports this month on COVID-19. Below is a summary of these two reports:

April 20 – “State Funding Actions Related to COVID-19”

The report highlights the recent legislative and administrative action to allocate state funds in response to the COVID-19 public health emergency. As a reminder, the Legislature passed two funding measures in March (SB 89 and SB 117) that allows the Newsom Administration to access and use up to \$1.1 billion in emergency funding. The report also notes the Governor’s action to transfer \$1.3 billion from the Special Fund for Economic Uncertainties to the Disaster Response Emergency Operations Account (DREOA). These funds can be used during a state of emergency.

Additionally, on April 1, the Governor issued an executive order to transfer funds from other state funds in order to spend more on the State’s COVID-19 response, as needed. The LAO states that most of these costs will be eligible for federal reimbursement due to President Trump’s disaster declaration. Under these conditions, the Federal Emergency Management Agency (FEMA) can reimburse states costs up to 75 percent for expenditures associated with the disaster.

April 28 – “Federal COVID-19-Related Funding to California”

This report describes the process by which federal stimulus funding is allocated to state and local governments, private entities, and individuals. The LAO includes the Coronavirus Preparedness and Response Act (Phase 1), the Families First Coronavirus Response Act (Phase 2), and the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Phase 3) in its analysis. The analysis says that some of the funding that flows to State government agencies can also indirectly flow to local governments, but the report does not describe that process in detail.

Of note, the report shows that allocations directly to cities comes primarily from the CARES Act (Phase 3) through the following funding streams:

- Coronavirus Relief Fund to respond to the public health emergency (cities with populations over 500,000)
- Supplemental funding for HIV/AIDS grants
- Expanded grant funding for community behavioral health clinics
- Homelessness funding
- Community development to revitalize neighborhoods (Community Development Block Grants)
- Criminal justice funding to respond to COVID-19 (Department of Justice Grants)
- Emergency preparedness and response activities (FEMA)

The LAO estimates the total amount of these funds to be approximately \$7.7 billion, however this figure is subject to change based on statewide costs not yet calculated.

Development Impact Fee Update

Earlier this year, several State lawmakers introduced legislation that would significantly affect the process that cities use for development impact fees. Impact fees and other development fees have historically been a source of funding for local governments, and legislative changes to adjust impact fee levels could potentially reduce city revenue. Throughout the year, TPA has been working diligently on this issue to communicate the local government perspective to key lawmakers, including the following:

- 1) The Senate Pro Tempore's office
- 2) The Assembly Speaker's office
- 3) The Senate Governance and Finance Committee
- 4) The Assembly Local Government Committee
- 5) The Assembly and Senate Housing Committees
- 6) Authors of impact fee legislation, specifically Assemblymember Tim Grayson (D-Concord)

Through these negotiations, TPA has learned that the Assembly Housing Committee is unlikely to move forward with development impact fee legislation this year. Moving forward, the Speaker's Office, as well as the Assembly and Senate Local Government Committees, have expressed concerns regarding prioritizing impact fee legislation in the current economic climate.

TPA will continue to advocate on behalf of the City and ensure that cities' revenue will not be impacted by impact fee legislation in light of COVID-19.

CalRecycle Organics Recycling Regulations (SB 1383, Lara)

The California Department of Resources Recycling and Recovery (CalRecycle) has recently opened another 30-day review period for the revised draft of their SB 1383 (Lara, 2016) regulations. As a reminder, SB 1383 establishes aggressive State targets to achieve a 50 percent reduction in the level of the statewide disposal of organic waste compared to the 2014 level by 2020 and a 75 percent reduction by 2025. The bill also directed CalRecycle to establish a set of criteria and regulations to guide the State to this new directive. The entire regulatory framework can be found on CalRecycle's Short-Lived Climate Pollutants (SLCP) webpage and TPA can provide copies to the City on request. Written comments are due by May 20, 2020.

Furthermore, Senator Brian Dahle (R-Redding) has introduced SB 1191 that adds further clarity to the law surrounding good faith efforts made by cities. Specifically, CalRecycle has the authority to fine jurisdictions that are not in compliance with the new regulations. However, in other

rulemaking processes, CalRecycle has provide a good faith effort clause that allows the Agency to provide leniency if jurisdictions are making progress toward their goal. SB 1191 would further codify this provision to give jurisdictions more flexibility.

Federal Legislative Update

In April, the health and economic impacts of COVID-19 dominated the federal landscape as Congress and nearly every federal department focused on controlling the detrimental effects of the pandemic. Positive test cases and deaths due to the virus skyrocketed in April, and state and local stay-at-home orders continued to put strains on businesses and workers nationwide.

Congress was in recess for most of the month but continued to remain engaged on mitigating the economic and financial impacts of the COVID-19 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. Phase 3.5 passed unanimously in the Senate and by a vote of 388-5 in the House. The Senate is currently scheduled to return to session on May 4, but the House will continue to remain in recess after Speaker Nancy Pelosi consulted with the House Physician about fears of members contracting and spreading COVID-19.

Coronavirus Aid Packages

Phase 3.5 is a stopgap bill that serves as a bridge until a larger, broader package can be negotiated by Congress. The latest emergency relief package provides \$484 billion in additional funding, including \$310 billion for the Paycheck Protection Program (PPP) to help businesses with fewer than 500 employees obtain loans that can assist with expenses such as payroll and benefits.

Of this, the SBA must guarantee \$30 billion for loans made by Insured Depository Institutions or Credit Unions that have assets between \$10 billion and \$50 billion, and \$30 billion for loans made by Community Financial Institutions, Small Insured Depository Institutions, and Credit Unions with assets less than \$10 billion or community lenders such as community development financial institutions and minority depository institutions. The bill defines Community Financial Institutions as minority depository institutions, certified development companies, microloan intermediaries, and State or Federal Credit Unions. Lastly, Phase 3.5 also included \$75 billion for health care providers to cover COVID-19 expenses and lost revenue and \$25 billion to develop mass testing.

Negotiations for a broader “Phase 4” package are already underway. Passage of any new legislation will likely not occur until both chambers return from recess. House Speaker Nancy Pelosi (D-CA) indicated that House Democrats would craft their own Phase 4 bill to be considered after the chamber returns from its break. Speaker Pelosi also undertook the same efforts during Phase 3 negotiations. Speaker Pelosi discussed the possibility of including \$500 billion for state and local governments under 500,000 in population, increases in Medicaid funding to states, and provisions helping fund voting by mail in the November elections.

In a reverse course from his previous comments, Senate Majority Leader Mitch McConnell (R-KY) recently stated his doubts that the next coronavirus spending bill will provide funding for local governments. However, McConnell also said that he will insist on provisions protecting employers from employee lawsuits over contracting coronavirus at work. This is likely going to be a

negotiation point for Democrats, who object to the idea of creating new limitations on employee protections during the pandemic.

White House Releases Guidance to Re-Open the Nation

This month, the Trump Administration issued guidance entitled “Opening Up America Again” which outlines certain criteria States should meet before a phased re-opening. The criteria include States showing downward trends in COVID-19 cases and hospital cases, as well as the ability to provide adequate COVID-19 testing.

To begin implementing the guidelines, states must first meet eligibility criteria that includes downward trajectories of COVID-19 cases within a 14-day period or downward trajectories of positive tests as a percent of total tests within a 14-day period. Additionally, states should be able to show that hospitals are adequately prepared to handle influxes in COVID-19 patient increases.

If this criterion is met, states, could then enter Phase One, which would allow large venues like restaurants, movie theaters, sporting venues and places of worship to reopen if they operate under social distancing protocols. Under Phase 2, schools and activities like day care centers and camps could reopen and nonessential travel could resume. Visits to senior care facilities and hospitals, however, would remain prohibited.

Finally, under Phase 3, large venues could operate under less stringent social distancing protocols, gyms could open with strict sanitation protocols, and bars could operate with increases in standing room occupancy. The guidelines do not suggest any reopening dates, and President Trump acknowledged that it would be a gradual process.

Coronavirus Relief Fund Guidance

The Treasury Department released guidance for state and local governments with populations over 500,000 on how to utilize the \$150 billion Coronavirus Release Fund, including information on how they may disperse those funds to local governments. This funding was approved as part of the Phase 3 Stimulus Package. Treasury’s Guidance indicates that Fund payments must be used for actions taken in response to the public health emergency. Such expenditures may be for direct response actions. For example, expenditures such as addressing medical or public health needs, or “second-order effects,” such as economic support for those suffering from employment or business disruptions due to business closures would be permissible. The Treasury guidance also indicated that Fund payments cannot be used to fill any shortfalls in revenues, but that grantees can subgrant to other local public agencies in their jurisdiction.

SBA Guidance

The Small Business Administration published new guidance on the Paycheck Protection Program. The new guidance restricts publicly traded companies from accessing the next round of funding. The guidance also puts pressure on large companies to return funds already received, or not apply in the first place. Approximately 150 public companies received nearly \$600 million in loans from the \$350 billion program.

Federal Reserve Municipal Loans

The Federal Reserve announced it would open its Municipal Liquidity Facility (MLF) to cities with at least 250,000 residents and counties with at least 500,000. The program was previously limited

to cities of 1 million residents or more and counties of at least 2 million, cutting off some of the municipalities hit hardest by COVID-19. This comes after the Federal Government previously announced it would purchase \$500 billion in debt from city and county governments through the MLF as part of an additional \$2.3 trillion in emergency loans.

U.S. Census

The U.S. Census Bureau is pushing to delay deadlines for delivering its decennial count of U.S. residents due to the coronavirus pandemic. The agency hopes to postpone field operations until June 1, moving the deadline to finish the count to October 31. Census Bureau Director Steven Dillingham and Commerce Secretary Wilbur Ross indicated they wanted to move the deadline for delivering the tally of state populations from the end of this year to April 2021 and the deadline for giving states data for redistricting from the end of March 2021 to the end of July 2021. Such a change would require congressional approval. Congresswoman Carolyn B. Maloney (D-NY), chairwoman of the House Oversight Committee, expressed that the committee would consider the request, but she needed additional data from the Trump Administration.