



April 29, 2021

TO: Director Elsa Ortiz, President, and
Members of the Board
Michael Hursh, General Manager
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FR: Steve Wallaach
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RE: Legislative Update

Revenues & the Revise: The May Revise to the Governor's January budget is expected to be released by May 14th. While April revenues will likely not hit their target because the tax filing deadline has been extended to May 17th, revenues continue to climb. For the month of March income tax revenues again exceeded projections with monthly revenue climbing \$2.34 billion above projections. Fiscal year to date personal income tax receipts are \$14.39 billion above the January estimate, and sales tax revenues are \$943 million above the January estimate. Total revenues this fiscal year are \$16.69 above projections.

This cash windfall combined with \$26 billion in federal American Plan Funding will result in significant revisions in the May Revise. In addition, both the Senate and Assembly leadership have released their own blueprints for the budget as outlined below. As budget hearings and negotiations gain momentum the details of these ideas will be revealed. In particular the Senate plans identifies an on-going commitment for light-duty zero emission vehicle rebates, but does not specify plans to increase funding for truck and bus rebates through the HVIP program.

Both the Senate and Assembly proposals focus on limiting the negative impacts of the pandemic; providing direct relief to struggling individuals, small businesses, and nonprofits; filling gaps in other stimulus programs; funding infrastructure projects including broadband expansion, clean energy, and the Safe and Affordable Drinking Water program; and augmentation of General Fund investments. Below is an outline of the various pieces of the proposals.

Senate Democrats Budget Priorities: Last week, Senate pro Tem Toni Atkins (San Diego), Chair of the Senate Budget and Fiscal Review Committee Nancy Skinner (Berkeley), and the Chairs of the Senate Budget Subcommittees released the Senate's proposal to, "build a post-pandemic

economy that extends prosperity for Californians and invests resources to address the state's most pressing needs in innovative and equitable ways." The plan capitalizes on the available one-time General Fund surplus as well as federal American Rescue Plan funds. While the details are lacking the following is a summary of part of the Senate Democrat's plan.

Responsible Budgeting: Replenish the rainy-day fund and safety net reserve, pay down Proposition 98 education deferrals, repay special fund loans and unfunded liabilities, and end the practice of including program suspensions in the budget.

Greenhouse Gas Reduction Package

- Craft a Senate Greenhouse Gas Reduction Fund (GGRF) spending plan with renewed targeted focus on actually reduces GHG emissions and prepares California for climate change impacts.
- Buyout the GGRF commitment for the Safe and Affordable Drinking Water program with federal stimulus funds.
- Encourage CalEPA Secretary to follow through on commitments to reduce dependence on Cap-and-Trade as an emissions reductions tool, stabilize (and possibly increase) revenues and reduce or eliminate allowance oversupply and offset abuses.
- Provide greater support to a broad portfolio of effective GHG reduction programs, such as waste diversion/recycling infrastructure, the Low-Income Weatherization Program, replacement of wood burning stoves, and HFC refrigerants.
- Provide up-front funding to help the state reach its goal of 1.5 million ZEVs on the road by 2025, and set it on a path to make ZEVs 100% of in-state sales of new passenger cars and trucks by 2035. This includes: – At least \$500 million (non-bond, non-GGRF) for ZEV fueling and charging infrastructure. – \$175 million (GGRF) per year for three years to support the state's Clean Vehicle Rebate Program (CVRP).

Pollution Reduction Package

- \$1.2 billion in federal stimulus funds for the Safe and Affordable Drinking Water program;
- Focus funding on waste management/recycling programs effective in lowering greenhouse gas emissions;
- Provide funding to encourage the use of less toxic pesticides and a more robust integrated pest management program; and
- Better align the costs of lead abatement and other hazardous waste cleanup using the polluter pays principle.

Homelessness, Housing, & Homeownership

- Homelessness: \$20 billion over five years:
 - Acquisition rehab of multi-family, motels, and board & care to convert to permanent housing;
 - Multi-year support for local governments to assist individuals' transition to permanent housing;
 - Rental assistance; and

- Multi-year flexible funding for homelessness programs serving individuals in programs such as Adult Protective Services, SSI/SSP, CalWORKs, Child Welfare Services, and foster care.
- Housing:
 - Fund the Senate's, "Building Opportunities for All" housing package;
 - Fund innovative approaches to expand and preserve affordable housing;
 - Provide emergency grants to low-income homeowners to avoid foreclosure;
 - Reform and expand the Renters Tax Credit; and
 - Incentivize earthquake retrofit with federal 75% match funds.
- Create a "California Dream for All," first time homebuyer program.

Small Business and Non-Profits

- Provide additional stimulus grants;
- Mitigate the impacts of federal Unemployment Insurance repayments;
- \$70 million in grants;
- \$45 million for Visit California to support tourism; and
- Expand employee hiring and retention tax credits.

Workforce Package: Address pandemic induced economic inequity, expand workforce programs protecting workers, expand High Road Training Partnerships, and increase investments in demand sectors through High Road Partnerships.

Debt Free College: Improve and fill gaps in the Cal Grant Program, expand the Middle-Class Scholarship to all lower and middle income CSU and UC students to replace student debt, and assist Californians with current student debt.

Public Library Package: \$1 billion for public library infrastructure and technology, eliminate library debt, and provide ongoing sustainable funding for public libraries.

State Systems: Systems modernization and improvements at the DMV and Employment Development Department and investment in broadband infrastructure to achieve universal access.

Assembly Budget Blueprint: Assembly Budget Committee Chair, Assemblyman Phil Ting earlier this week released the Assembly Democrats' budget priorities. The Assembly Democrats' plan is consistent with the Senate's plan of replenishing reserves and focusing on easing the impact of the pandemic. While the Senate plan lacked specifics, the Assembly is even less specific by providing a general overview of priority topics, which includes the following:

- Responding to Climate Change
 - •Wildfire prevention
 - •Drought reliance and clean water
 - •Adaption and heat impact project planning

- •Clean transportation programs and infrastructure
- Enhancing environmental justice and increasing access to green spaces
 - Remediate air, water, and ground pollution that impact our most disadvantaged communities
 - Additional parks and urban greening funding
 - Fully-fund active transportation project backlog to expand bicycle use and improve pedestrian safety
- Workforce & Just Transition
 - Affirms a commitment to workers for training, skill development, apprenticeship programs amid California's goals to Build Back Better, good jobs, climate change, and environmental stewardship
 - Provide additional support to small businesses and nonprofits impacted by the pandemic
- Housing is a Human Right
 - Affirms commitment for \$20 billion over the next five years to address tiers of homelessness and create local opportunities, flexibility, and accountability to serve our unhoused population (Project Homekey, HHAPP)
 - Affordable housing
- The California Dream: Homeownership
 - Focuses on homeownership, creating generational wealth through funding for down-payment assistance for first time homebuyers and funding for shovel ready projects that target low-income residents