



December 20, 2021

TO: Director Elsa Ortiz, President, and
Members of the Board
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RE: Legislative Update

Reconvene: The Legislature returns on January 3rd. The start of the second half of session is always busy as all two-year bills must be out of their house of origin by January 31st. This will also be the first test for scheduling hearings with limited space as the legislature begins the session in the new swing space. While floor sessions and some hearings will be held in the Capitol, several hearings will be held in the swing space building and in the Legislative Office Building. As a result of fewer hearing rooms, the Senate is expected to schedule most budget subcommittee hearings in February to reduce scheduling demands during policy committee deadlines in March and April. This session will require a new pair of shoes.

Turnover: With term limits and redistricting, many legislators are moving on to new offices and opportunities. While the new district lines are not final yet, the draft lines will create some chaos as several sitting legislators are combined into new districts with other sitting members. Once the new district lines are set, some members will be forced to move into new districts, and others may move on to new opportunities.

In addition, several members are moving on. Assemblyman Kevin Mullin is seeking to replace Congresswoman Jackie Spear, who is retiring. While Senator Henry Stern is in the middle of his second term, he has announced plans to run for the Los Angeles Board of Supervisors. Assemblyman Ed Chau has been appointed to the Los Angeles County Superior Court, Assemblyman Jim Frazier has resigned effective at the end of December, and Assemblywoman Lorena Gonzalez is expected to resign in January to head the California Labor Federation. Each of these vacancies will require a special election. Lastly, Assemblyman Bill Quirk and Assemblyman Jose Medina both announced that they will not seek re-election. Assemblyman Quirk has been a valuable advocate for AC Transit and will be missed.

Budget: While the Governor’s budget proposal will not be released until January 10th, the LAO’s forecast of another banner revenue year has spurred both the Senate and Assembly Budget Committees to release a general outline of their respective budget priorities. A detailed outlined of priorities is expected to be released early next year.

As a result of continued growing state revenues, the LAO is projecting a net surplus of \$31 billion for the 2022-23 fiscal year. Retail sales have doubled in growth in 2021, stock prices have doubled since the pandemic low in Spring 2020, and major firms are posting historically high earnings. Due to this unexpected revenue growth, the Legislature will need to allocate roughly \$14 billion to meet the constitutional requirement under State Appropriations Limit (SAL) by reducing taxes, spending more on excluded purposes like infrastructure, or making additional payment to schools and community colleges.

The [Senate’s Key Values](#) document was a preview of their detailed Senate budget priorities to be released early next year. Below are their high-level areas of focus.

Sustain Progress: Build upon reserves, pay down debt and retirement liabilities, use one-time funding for one-time purposes, maintain existing priorities that promote equity, and expand oversight and accountability.

Strengthen Equity/Meet Gann Limit Requirements

- Maximize infrastructure investments;
- Build on targeted tax relief programs for families;
- Ensure ongoing commitments can be made to health, safety net, and higher education programs; and
- Consider reforms to modernize the Gann Limit.

Build a More Equitable Economy

- Support childcare, small businesses, and the essential workforce;
- Support aging Californians;
- Improve public health, mental health, and health access and affordability;
- Balance public safety and justice;
- Address housing challenges;
- Boost infrastructure including transportation, education, broadband, and climate/disaster resiliency;
- Protect school budgets;
- Improve higher education quality, affordability, and accessibility;
- Enhance climate, environment, and resource protection; and
- Strengthen wildfire mitigation and response.

The [Assembly Budget Blueprint](#) reviewed actions taken in the 2021-22 budget and prioritized the following for 2022:

- Implementation of 2021 investments including climate resilience, wildfires, broadband, and behavioral health.
- Addressing the State Appropriations (Gann) limit.
- Increased funding for education, particularly as it relates to mental health and learning loss.

- Ensuring homelessness and affordable housing funding are providing additional permanent and temporary housing.
- Oversight of the Employment Development Department's progress in implementing improvements.
- Preventing tenant evictions.
- Funding wildfire prevention and climate investments promptly.
- Improve public health infrastructure.
- Accountability measures for CalAIM and the Children and Youth Behavioral Health initiatives.
- Address disparities and needs in the child welfare and foster care system.
- Drought response and water resilience funding to the most vulnerable communities.
- Broadband access to inaccessible communities.
- Scrutinize prison operations and restore independent oversight in the Office of the Inspector General.
- Promote the creation of living wage jobs.
- Fund the Department of Toxic Substances Control to ensure resources to clean toxic sites.
- Major infrastructure investments:
 - \$10 billion for school facilities; *\$10 billion for transportation projects including transit infrastructure*; more affordable housing and homelessness prevention; modernize courthouses, and leverage federal infrastructure funds.
 - Create an ongoing funding stream for supportive housing of indigent adults.
 - Bolster enrollment growth at UC and CSU.
 - Attract new workers to health care, education, and childcare occupations.
 - Increase access to Medi-Cal, CalFresh, and CalWORKs through program simplification and expanded eligibility.
 - More resources for violence and suicide prevention.
 - Focus on providing second chances for formerly-incarcerated individuals.

CAPTI Implementation: On December 2nd, CalSTA held a short webinar on its plan to implement the Climate Action Plan for Transportation Infrastructure (CAPTI). Since the webinar experienced technical difficulties, the presentation only lasted about 30 minutes and there were no questions asked. However, CalSTA has posted the presentation slides and recording of the webinar on its [website](#).

The most significant transition will be how highway expansion projects are reviewed. While CAPTI will take into consideration the regional needs of a project, consideration of congestion relief will no longer be the default consideration but take into consideration climate and health impacts and access to alternative modes of transportation. This new perspective was used in the development of the RTIP and the new TIRCP guidelines. Additional opportunities to discuss CAPTI implementation include upcoming meetings of the new SB 1 Equity Focused Workshop on December 16th, the Sustainable Rural Transportation Convening, and the development of Regional Transportation Plan guideline updates.

Cleared for Circulation: A new initiative was cleared for circulation that will restrict the ability to impose or increase state or local taxes. Titled the Taxpayer Protection and Government Accountability Act, the proponents must collect 997,139 valid signatures by June 6, 2022, to qualify for the November ballot. This Constitutional amendment would make the following changes:

- Expands the definition of a tax to include some charges that state and local governments treat as fees or other charges.
- Requires voter approval of all state taxes to include majority voter approval in addition to the current 2/3 approval by both the Senate and Assembly.
- All local government tax increases must be approved by a 2/3 vote of the legislative body before being placed on the ballot for voter approval. In addition, all local government proposed taxes and local initiatives that increase taxes must be placed on a regularly scheduled general election. If an emergency has been declared, then the tax proposal can be placed on a special election ballot.
- The measure requires all increases in state or local fees must be approved by a 2/3 vote of each house, or local governing body. Fee increases could no longer be increased by administrative action, and the measure would allow fees to be overturned via a referendum. Any fee approved between October 1, 2021, and the effective date of this measure would be nullified unless it fulfills the requirements of this measure.
- While the measure allows building permit fees to be exempt, the measure specifically excludes the imposition of any property development permit fee related to vehicle miles traveled. The imposition of a vehicle miles traveled fee may only be imposed if the voters have approved a countywide vehicle miles traveled fee that is equally applied to all “drivers” in the county.