



July 21, 2020

TO: Director Joe Wallace, President, and
Members of the Board
Michael Hursh, General Manager
Beverly Greene, Executive Director, External Affairs, Marketing & Communications

FR: Steve Wallauch
Platinum Advisors

RE: Legislative Update

Extended Break: The legislature's abbreviated summer recess got a little longer. Due to the spike in COVID-19 cases, and an outbreak within the Capitol, both the Senate and Assembly agreed to push back their summer recess return date from July 13th to July 27th. As of today, the July 27th return looks certain, because both houses have released a schedule for committee hearings starting next week.

Since the legislative session must end at midnight August 31st, it will be a challenge to conduct all the hearings. While the number of active bills has been reduced, all second house policy committee hearings, fiscal committees, and floor debates must be held within the few weeks remaining. The social distancing requirements for hearings has limited each house to a maximum of four committee hearings each day. While there is no mandate to reduce the number of bills, the pressure is on to further scale back nonessential legislation. Speaker Rendon has encouraged committee chairs to reduce the number of bills to no more than 12 in each committee. There are currently only 540 Assembly bills alive in the Senate and 200 Senate bills in the Assembly.

June Revenues: The Department of Finance released its July Budget Bulletin which calculates June revenues are \$1.05 billion above the forecast for 2019-20 fiscal year total of \$1.08 above the estimate. In addition, sales tax revenue was up by \$662 million above the June forecast. With the tax deadline on July 15th, there is hope income tax receipts will produce a surplus sufficient to defer budget cuts and provide relief to the COVID 19 recession.

Legislation:

Mutual Aid: AB 2730 has been amended to remove provisions requiring transit operators to enter into agreements with neighboring operators to provide transit and paratransit services to evacuate individuals during an emergency. The bill continues to require neighboring counties to enter into agreements to borrow emergency management and transportation services in the event of an emergency. Therefore, transit operators will still be involved in the planning and response, but in a manner within the existing chain of command, and does not duplicate existing mutual aid agreements.

Revenue Bonds: Senator Beall gutted and amended SB 1351 this week to create a financing option for projects in the SHOPP. The bill would allow for a portion of the SB 1 vehicle license fee revenue that is dedicated for SHOPP projects to be used to securitize revenue bonds. The bond revenue would be used to accelerate the delivery of SHOPP projects. The bill authorizes the CTC to select projects on an as needed basis and based on a request from Caltrans. SB 1351 also includes several other technical provisions related to the ability issue revenue bonds. SB 1351 is currently in the Assembly Transportation Committee – a hearing date has not been set yet.

Sustainable Communities Plan: Another gut and amend by Senator Beall is SB 147. This measure makes several changes to the procedural process that MPO's are required to follow when drafting and adopting an update to its Sustainable Communities Strategy. Overall, the changes clarify that the public hearing and meeting process can be conducted digitally or via a conference call. In addition, SB 147 reduces from two informational meetings held in each county to one meeting in each county, and it reduces from at least 3 hearings on the draft sustainable communities strategy to 2 hearings.

Ballot Measures: *The November ballot will contain 12 propositions, including the following propositions:*

Proposition 15: This initiative would increase funding for schools, community colleges, and local governments by requiring that commercial and industrial real property be taxed based on current market value. Prop 15 exempts residential properties; agricultural properties; and owners of commercial and industrial properties with combined value of \$3 million or less. It also exempts small businesses from personal property tax and for other businesses, exempts \$500,000 worth of personal property. The LAO and Department of Finance estimate fiscal impact on state and local governments to include an increase in annual property tax revenues of \$7.5 billion to \$12 billion in most years. After backfilling state income tax losses related to the measure and paying for county administrative costs, the remaining \$6.5 billion to \$11.5 billion would be allocated to schools (40 percent) and other local governments (60 percent).

Proposition 16: This proposition was placed on the ballot by the legislature via ACA 5 (Weber). Prop 16 asks the voters of California to vote on permitting the use of race, gender, and ethnic diversity as factors (but not decisive factors) in college admissions, government hiring, and government contracting. This constitutional amendment would essentially repeal Prop 209.

Proposition 19: Prop 19 is another proposition placed on the ballot by the legislature. If approved by the voters, it would enact the "Home Protection for Seniors, Severely Disabled, Families, Wildfire and Natural Disasters Act." This proposition would allow property tax base year value transfers for replacement properties without regard to the replacement property's location or value. It also repeals and replaces with new limits the parent-child, grandparent-grandchild exclusion from change in ownership. The Director of Finance is directed to determine any state-accrued revenues and savings resulting from these changes; and allocates 75% of that amount for fire suppression staffing and 15% to reimburse eligible local agencies that incur a net revenue loss from this measure's provisions.