

MEMORANDUM

To: The Honorable Greer Stone and Members of the Palo Alto City Council
CC: Ed Shikada, City Manager
 Chantal Cotton Gaines, Deputy City Manager

From: Townsend Public Affairs
 Christopher Townsend, President
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Date: July 22, 2024

Subject: State and Federal Legislative Updates

Townsend Public Affairs, Inc. (TPA) has prepared this report for the City of Palo Alto to provide a summary of State and Federal efforts, highlight the current status of the legislative process, and identify various pieces of legislation that may be of interest to the City.

State Legislative Update

As of July 22, the State Legislature is nearing the final stretch of the 2023-2024 legislative session, following the passage of several key milestones, including the second house policy committee deadline on July 3. Upon the Legislature’s return from summer recess on August 5, lawmakers will have until August 31 to complete all legislative activities before adjournment. The Governor will have until September 30 to sign or veto measures that are passed to his desk for final action.

The return from Summer Recess on August 5 will feature Appropriations Committee hearings for both houses – both with immense bill agendas to consider. Following the first week of Appropriations Committee hearings, lawmakers will also need to move any financially significant bills through a second suspense file before they can move to the floor for final votes.

Key legislative trends from the 2024 legislative session include serial theft prevention proposals, modifications to future cycles of the Regional Housing Needs Determination/Allocation process, labor and contracting requirements, and climate resiliency improvements.

The following chart details priority legislation and corresponding city positions:

| Measure | Author | Topic | Status | Summary | Position |
|-------------------------|----------------------------|---|---|--|------------|
| AB 1725 | McCarty, D | Law enforcement settlements and judgments: reporting. | 06/17/2024 - In committee: Referred to suspense file. | Requires municipalities to annually post on their internet websites specified information relating to settlements and judgments of \$50,000 or more resulting from allegations of improper police conduct. | Monitoring |

| Measure | Author | Topic | Status | Summary | Position |
|-------------------------|----------------------------------|--|---|--|------------|
| AB 1779 | Irwin, D | Theft: jurisdiction. | 07/01/2024 - Read second time. Ordered to third reading. | Allows consolidation of specified theft charges, as well as associated offenses, occurring in different counties into a single trial if the district attorneys in all involved jurisdictions agree and expands jurisdiction for charging theft and receiving stolen property, | Monitoring |
| AB 1820 | Schiavo, D | Housing development projects: applications: fees and exactions. | 07/03/2024 - From committee: Do pass and re-refer to Com. on APPR. (Ayes 9. Noes 0.) | Requires local agencies to provide developers with more information on fees and exactions at various stages of the housing development approval process. | Monitoring |
| AB 1886 | Alvarez, D | Housing Element Law: substantial compliance: Housing Accountability Act. | 07/01/2024 – Referred to Appropriations Committee | Clarifies that a housing element or amendment is not considered substantially compliant with housing element law until the local agency has adopted a housing element that the Department of Housing and Community Development (HCD) has determined is in substantial compliance with housing element law, | Monitoring |
| AB 1893 | Wicks, D | Housing Accountability Act: housing disapprovals: required local findings. | 07/03/2024 - From committee: Do pass and re-refer to Com. on APPR. (Ayes 5. Noes 1.) (July 3). Re-referred to Com. on APPR. | Expands the scope of actions that constitute disapproval of a housing project under the Housing Accountability Act and revises the standards a project must meet in order to qualify for the “builder’s remedy.” | Monitoring |
| AB 1960 | Rivas, Robert, D | Sentencing enhancements: property loss. | 07/01/2024 - Read second time. Ordered to third reading. | Creates, until January 1, 2030, new sentencing enhancements of one, two, three, or four years respectively for taking, damaging or destroying any property in the commission or attempted commission of a felony or commission of a felony violation of receiving stolen property, if the loss or property value exceeds \$50,000, \$200,000, \$1,000,000, or \$3,000,000. | Monitoring |
| AB 2023 | Quirk-Silva, D | Housing element: inventory of land: rebuttable presumptions. | 07/03/2024 - Referred to Appropriations Committee | Creates a rebuttable presumption that a local government’s housing element or amendment is invalid if the Department of Housing and Community Development found that the housing element or amendment is not substantially in compliance with housing element law and makes various changes to the housing element process. | Monitoring |

| Measure | Author | Topic | Status | Summary | Position |
|-------------------------|-----------------------------------|---|--|--|------------|
| AB 2236 | Bauer-Kahan, D | Solid waste: reusable grocery bags: standards: plastic film prohibition. | 07/03/2024 - Referred to Appropriations Committee | Eliminates the exemption of thicker plastic film bags from the state's single-use bag ban. Specifies the requirements for reusable bags and paper bags to be eligible for distribution and sale at stores. Stipulates that only paper bags are permitted to be sold at point of sale. | Monitoring |
| AB 2243 | Wicks, D | Affordable Housing and High Road Jobs Act of 2022: objective standards and affordability and site criteria. | 07/03/2024 - Referred to Appropriations Committee | Amends the language of the Affordable Housing and High Road Jobs Act of 2022 (AB 2011, Wicks). These amendments facilitate implementation of AB 2011 by expanding its geographic applicability and clarifying aspects of the law that are subject to interpretation. | Monitoring |
| AB 2309 | Muratsuchi, D | City attorney: state law: misdemeanor. | 07/03/2024 - Referred to Appropriations Committee | Authorizes any city attorney of a general law city limited authority to prosecute misdemeanors committed within the city under specified circumstances if the legislative body of a city passes or an ordinance granting the prosecutorial authority to the city attorney. | Monitoring |
| AB 2485 | Carrillo, Juan, D | Regional housing need: determination. | 07/03/2024 - Referred to Appropriations Committee | Requires HCD to publish on its website the data sources, analyses, and methodology to be used by the department to determine the RHND, including specified assumptions and factors used in and applied to the DOF projections and engagement process with the COGs, prior to finalization of the RHND. Additionally requires HCD to convene an advisory panel to advise on its PHND methodologies. | Support |
| AB 2493 | Zbur, D | Crimes: shoplifting. | 07/01/2024 - Read second time. Ordered to third reading. | Authorizes a peace officer to arrest for a shoplifting not in their presence and makes other changes related to retail theft. | Support |
| AB 2561 | McKinnor, D | Local public employees: vacant positions. | 07/03/2024 - Referred to Appropriations Committee | Requires each public agency with high vacancy rates to (1) meet and confer with the representative of the recognized employee organization, as specified, about substantive strategies to fill vacancies and (2) hold a public hearing about vacancy rates and obstacles to hiring as well as their strategies to fill vacancies. | Monitoring |

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| AB 2580 | Wicks, D | Historical resources. | 07/02/2024 - Read second time. Ordered to third reading. | Requires a local government to provide specified information about historic designations, and how they affect its ability to meet its housing needs, in its housing element and Annual Progress Report (APR). | Monitoring |
| AB 2631 | Fong, Mike, D | Local agencies: ethics training. | 07/02/2024 - Referred to Appropriations Committee | Requires the Fair Political Practices Commission (FPPC) to provide an ethics training course to local officials. | Monitoring |
| AB 2729 | Patterson, Joe, R | Residential fees and charges. | 07/03/2024 - Referred to Appropriations Committee | Limits a local agency's ability to collect impact fees prior to final inspection or certificate of occupancy, and makes other changes to the impact fee collection process. | Monitoring |
| AB 3093 | Ward, D | Land use: housing element: streamlined multifamily housing. | 07/03/2024 - Referred to Appropriations Committee | Creates two new income categories, Acutely Low Income (ALI) and Extremely Low Income (ELI), in the Regional Housing Needs Allocation (RHNA) process and throughout Housing Element law. | Monitoring |
| AB 3116 | Garcia, D | Housing development: density bonuses: student housing developments. | 06/26/2024 - Referred to Appropriations Committee | Revises and recasts the existing density bonus law benefits applicable to student housing developments. | Monitoring |
| SB 721 | Becker, D | General plan: annual report: suite-style student housing quarters. | 07/01/2024 - Referred to Appropriations Committee | Adds to the list of information local governments must provide in their Annual Progress Report (APR) by April 1 of each year the number of new and demolished suite-style student housing quarters by income category thus far in the housing element cycle, as determined by the Department of Housing and Community Development (HCD). | Monitoring |
| SB 903 | Skinner, D | Environmental health: product safety: PFAS | 5/16/24 – Dead. Failed in Appropriations Committee | Prohibits a person from distributing, selling, or offering for sale in the state a product that contains intentionally added per- or poly-fluoroalkyl substances (PFAS) unless the use of PFAS is currently unavoidable, as defined. This bill would authorize the Department of Toxic Substances Control (DTSC) to establish regulations to administer the prohibition. | Support |

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| SB 905 | Wiener, D | Crimes: theft from a vehicle. | 07/01/2024 - Ordered to third reading. | Creates a new alternate felony-misdemeanor for any person who forcibly enters a vehicle, with the intent to commit a theft or any felony therein. | Monitor |
| SB 915 | Cortese, D | Local government: autonomous vehicle service. | 07/02/24 – Dead. Failed in transportation committee | Authorizes cities to enact ordinances to protect public health, safety, and welfare as it relates to autonomous vehicle (AV) services within that jurisdiction. | Support |
| SB 937 | Wiener, D | Development projects: permits and other entitlements: fees and charges. | 06/27/2024 - Referred to Appropriations Committee | Extends development entitlements for certain housing development projects by two years and places certain restrictions on the fees and charges a local agency may impose on these projects. | Monitoring |
| SB 982 | Wahab, D | Crimes: organized theft. | 07/01/2024 - Ordered to third reading. | Eliminates the sunset date for the crime of organized retail theft and for the existence of a taskforce established by the California Highway Patrol to analyze organized retail theft and vehicle burglary and to assist local law enforcement in counties identified as having elevated property crime. | Monitoring |
| SB 1037 | Wiener, D | Planning and zoning: housing element: enforcement. | 07/03/2024 - Ordered to third reading. | requires the imposition of civil penalties against a local agency in any action brought by the Attorney General (AG) to enforce housing element law or any state law that requires a local agency to ministerially approve a planning or permitting application related to a housing development project. | Monitoring |
| SB 1144 | Skinner, D | Marketplaces: online marketplaces. | 07/01/2024 - Ordered to third reading. | Expands existing provisions requiring online marketplaces to collect certain information from high-volume third-party sellers and extends the authority to enforce these provisions to the district attorney in any county, a city attorney in any city, or a county counsel in any county. | Monitoring |
| SB 1193 | Menjivar, D | Airports: leaded aviation gasoline. | 06/27/2024 - Referred to Appropriations Committee | Prohibits an airport operator or aviation retail establishment from selling, distributing, or otherwise making available leaded aviation gasoline (avgas) to consumers on or after January 1, 2031, in compliance with specified federal law. | Support |

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| SB 1210 | Skinner, D | New housing construction: electrical, gas, sewer, and water service: service connection information. | 06/26/2024 - Referred to Appropriations Committee | Requires electrical, gas, sewer, and water service utilities – both public and private – to post fee schedules and estimated timeframes for new service connections and capacity upgrades needed to connect new housing construction projects. Exempts certain utilities from the requirements of the bill due to a showing of hardship. | Monitoring |
| SB 1211 | Skinner, D | Land use: accessory dwelling units: ministerial approval. | 06/26/2024 - Referred to Appropriations Committee | Increases the allowable number of detached accessory dwelling units (ADUs) eligible for ministerial permitting on lots with an existing multifamily development. | Monitoring |
| SB 1243 | Dodd, D | Campaign contributions: agency officers. | 07/01/2024 - Ordered to third reading. | Makes various changes to a state law commonly referred to as the "Levine Act" that restricts campaign contributions to agency elected officials from entities with business before the agency involving a license, permit, or other entitlement for use, including raising the threshold for campaign contributions regulated by the Act from \$250 to \$1,000. | Monitoring |

State Budget Update

Following the adoption of the preliminary Budget Act, in late June, Governor Newsom, Senate President pro-Tempore Mike McGuire, and Speaker Robert Rivas announced their agreement on a proposed 2024-25 California state budget plan. In addition to the proposed agreement, the Legislature released 19 budget-related bills, which have been adopted by the Legislature and signed into law by the Governor prior to their departure for the summer recess.

The 2024-25 state budget plan includes **\$211.5 billion** of General Fund spending, \$86.4 billion of spending from other state funds, and \$153 billion from federal funds flowing through the state treasury. The budget agreement addresses the \$28 billion budget deficit that remained after the early actions that were taken this session. The budget largely uses the same structure that was approved through the budget bill that was adopted by the Legislature previously to include a three-year suspension of medium-sized and large businesses' use of net operating loss (NOL) deductions and tax credits starting in 2024, one year earlier than the Governor's May Revision proposal, as well as Proposition 98 deferrals from previous budget years. These actions provided additional resources for the 2024-25 state budget, which is used to offset many of the program cuts that were proposed by the Administration as part of the January Budget Proposal and May Revise.

Key highlights from the 19-bill package include the following:

- TK-12 spending is estimated at \$136 billion in 2024-25 from all funding sources, with per pupil funding growing to over \$24,000 from all sources, including about \$18,400 per student from Proposition 98 sources.

- Funding is restored to the Multifamily Housing Program and the Regional Early Action Planning 2.0 Program, and \$1 billion (one-time General Fund support) is provided in 2024-25 for the next round of the local Homeless Housing, Assistance and Prevention (HHAP) Grant Program.
- The budget plan rejects most cuts to core programs, including CalWORKs, foster care, and In-Home Supportive Services.
- The state budget plan largely maintains the level of climate and transportation spending as the Governor’s proposed budget and preserves roughly \$45 billion of the original \$54 billion climate package.
 - This is possible largely by adopting a 5-year Greenhouse Gas Reduction Fund plan that shifts \$5.2 billion from the General Fund to the Greenhouse Gas Reduction Fund.
- Key legislative priorities were preserved in part, including funding for sustainable agriculture, water recycling, active transportation, equitable building decarbonization, offshore wind infrastructure, and extreme heat and community resilience.
- Both the University of California and California State University will receive 5 percent ongoing base increases in 2024-25, allowing campuses to accommodate California enrollment growth this fall.
 - Both segments will receive a small one-time cut in 2024-25, and they face deferred funding in 2025-26, which will allow both segments more time to adjust to lower-than-expected funding in the future.

The Budget aims to balance the budget in the 2024-25 fiscal year, as well as the 2025-26 fiscal year, but it will leave projected budget deficits beginning in 2026-27. To help offset future issues, the Legislature is working with the Administration on proposals that would create a new temporary holding account for projected budget surpluses to ensure that a portion of the future surpluses materialize and create greater certainty about budgetary conditions. Additionally, the Legislature noted it will work with the Administration to place a constitutional amendment on a future state ballot (likely the 2026 statewide primary ballot) to expand the rainy day fund's maximum size and exclude certain state reserve deposits from the Gann limit.

Grade Separation Budget Funding Agreement

Throughout the 2024 State Budget Process and strategies to mitigate the projected budget deficit, the Governor proposed eliminating funding allocated to various programs. This included the elimination of \$114 million designated for grade separation projects in the Bay Area. In 2022, the Budget Act allocated \$113,790,000 from the Transit and Intercity Rail Capital Program (TIRCP) for critical grade separation initiatives in Burlingame, Mountain View, and Palo Alto.

The City of Palo Alto was specifically awarded \$23.79 million for the Connecting Palo Alto project, which focuses on grade separation at Churchill Avenue, Meadow Drive, and Charleston Road. This funding is essential for progressing the engineering design phase and leveraging federal funding for future stages. The Federal Railroad Administration (FRA) Railroad Crossing Elimination (RCE) Program award supports development activities across three key locations in

Palo Alto. Without the TIRCP funding, the City's ability to secure future federal funds and maintain the project's competitive edge would be compromised.

In response to the proposed funding cuts, the City, TPA, and other stakeholders worked to craft budget trailer bill language (contained within AB/SB 173) that requires transportation funding agencies to coordinate and identify available funding in state transportation programs to supplement the funds eliminated under the TIRCP and other grade separation programs. The funding plan is required to be finalized by April 30, 2025, and will prioritize and directly allocate funding to projects that are at risk of losing or failing to secure federal and local funding commitments, or that are at risk of approved project delays.

The language will work to ensure that funding needs are met prior to any impacts on project delivery. TPA will continue to work with the Administration, the Legislature, and transportation funding agencies to chart a path forward for the receipt of previously awarded funding via the TIRCP program for the Connecting Palo Alto project.

FEDERAL UPDATES

Congressionally Directed Spending Submittal

The City/TPA team worked in partnership to draft, fine-tune, and submit a congressionally directed spending request for two projects:

1. Funding to Complete the Fire Station No. 4 Project
2. Palo Alto Intermodal Station (on behalf of Valley Transportation Authority)

Both projects were determined to meet the required criteria to be eligible for federal community project request funding, including that they were shovel-ready and near completion, and had previous state and local community support.

Congresswoman Eshoo put forward the Fire Station No. 4 project funding in the amount of \$3,000,000. Her office did not choose the Palo Alto Intermodal Station as a priority project. Following her selection of the project and advocacy with federal appropriators, the House Transportation Housing and Urban Development (THUD) Committee included the request in its markup of the appropriations package for **\$1,250,000**. This funding amount is reflective of bipartisan negotiations, budget topline numbers, and requests among all 50 states. It is anticipated that this funding will remain stabilized as the FY 25 Federal Appropriations process continues. TPA advocates will continue to advocate for its inclusion in subsequent appropriations process actions and will monitor the progress of the Senate.

Federal Appropriations Updates

The Senate Appropriations Committee advanced their first three FY2025 funding bills during the week of July 15. The Agriculture-FDA, Legislative Branch, and Military Construction-VA bills all received unanimous votes. Additionally, the committee adopted top-line allocations for all 12 funding bills. Because the Senate is advancing legislation unanimously, the bills are likely to pass on the Senate floor.

The Agriculture-FDA package would increase funding for the Special Supplemental Nutrition Program for Women, Infants, and Children to \$7.7 billion. Senate Appropriations Chair Patty Murray championed an \$83 million increase to housing rental assistance, to \$1.7 billion. Veterans

Affairs medical care would see a decrease to \$112.6 billion, down from \$121 billion in FY2024. The Democratic committee summary noted that the FY2025 figure will be augmented by money previously approved for the Cost of War Toxic Exposures Fund. Chair Patty Murray and Vice Chair Susan Collins agreed to add billions in emergency funding: \$13.5 billion for nondefense and nearly \$21 billion for defense. The White House has called for the replenishment of the FEMA emergency fund, which would be addressed in this package.

The House is continuing its work on the appropriations process as well. During the week of July 15, the Legislative Branch funding bill failed on the House floor due to policy riders attached to the spending package. Following the House's return, the legislative body will vote on Energy and Water, Financial Services, Agriculture-FDA, and Interior-Environment on July 22. It is likely that all appropriations packages will be approved by both chambers during the lame-duck session after the election.

Supreme Court Rules Cities Can Enforce Homeless Encampment Laws

On June 28, the Supreme Court [ruled](#) on *The City of Grants Pass v. Oregon* case, stating that cities may enforce laws restricting homeless encampments on sidewalks and other public property. In a 6-3 decision, the Supreme Court ruled it is not a "cruel and unusual" 8th Amendment violation punishment for city officials to forbid homeless people from sleeping on the streets or in parks. This decision removes legal uncertainties regarding local homeless ordinances. Local governments will now be permitted to uphold or enact local ordinances related to homeless populations and encampments.

Historically, since 2018, judicial rulings from the United States Ninth Circuit Court of Appeals held that it was unconstitutional to enforce anti-camping laws against people who had no home and nowhere to sleep. Local government officials have stated those rulings led to the growth of tent encampments in most cities on the West Coast, and as such, they joined an appeal to the Supreme Court seeking to clarify their authority over public property. Governor Gavin Newsom supports the Supreme Court's decision, as he previously filed an amicus brief to overrule the Ninth Circuit's decision. Other civil rights organizations have expressed their disappointment in the decision, iterating that the criminalization of homelessness will work against alleviating its root causes and could concentrate populations into low-income communities.

Supreme Court Overturns Chevron Doctrine

On June 28, the Supreme Court ruled 6-3 to overrule their landmark 1984 decision in the *Chevron v. Natural Resources Defense Council* case, which gave rise to the doctrine known as the *Chevron* doctrine. The *Chevron* Doctrine instructed courts to defer to a federal agency's interpretation of ambiguous or unclear statutes. For example, if Congress has not directly addressed the question at the center of a dispute, a court was required to uphold the agency's interpretation of the statute, if it was reasonable.

The ruling came from one of two cases challenging a rule by the National Marine Fisheries Service that required the herring industry to bear the costs of government observers on fishing boats. Under the current ruling, regulatory decisions may face increased scrutiny and litigation, as courts will now have a more active role in interpreting ambiguous statutes without deferring to agency expertise. The most significant impact of this ruling can be seen in environmental, technology, and health policy, where federal agencies used old statutes to regulate current problems. Chief Justice John Roberts clarified that the decision does not call into question prior cases that relied on the *Chevron* decision.

Looking Ahead: Tax Policy Set to Consume Capitol Hill in 2025

In 2025, the 2017 Tax Cuts and Jobs Act expires, providing an opportunity to shape tax policy for the rest of the decade. Lawmakers are already positioning themselves to be influential during the debate. In April, House Ways and Means Committee Republicans announced a set of Tax Teams established to draft their priorities and create legislative solutions ahead of the pivotal year.

The House Ways and Means Committee Tax Teams are comprised of Republican Committee members with each team assigned specific areas of tax policy for review. Portfolio areas include American Manufacturing, Working Families, American Workforce, Main Street, New Economy, Rural America, Community Development, Supply Chains, U.S. Innovation, and Global Competitiveness. There has not been a formal announcement for Democrats, but that is susceptible to change after the November elections.

Tax legislation is shaping up to be the biggest priority, aside from annual spending bills, in the 119th Congress. Popular tax legislation that passed either the House or Senate, but did not become law, will be on the table for discussion next year. Popular tax legislation that is anticipated to be relevant next year include:

- State and Local Tax provisions (SALT)
- [H.R. 7024](#) Tax Relief for American Families and Workers Act of 2024
- [S. 3673](#) Affordable Housing and Homeownership Protection Act of 2024.
- [H.R. 5863](#) Federal Disaster Tax Relief Act

It is anticipated that the future tax package will be comprehensive, with everything on the negotiating table.