
MEMORANDUM

To: Council Members Kou, Lythcott-Haims, and Tanaka
(Policy and Services Committee)

cc: Ed Shikada, City Manager; Chantal Cotton Gaines, Deputy City Manager

From: Townsend Public Affairs
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Date: March 22, 2024

Subject: State and Federal Legislative Updates

Townsend Public Affairs, Inc. (TPA) has prepared this report for the City of Palo Alto's Policy and Services Committee 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 Updates

The State Legislature convened the second year of the 2023-2024 legislative session on January 3, 2024. Since then, the Legislature has introduced a total of 2,124 bills before the bill introduction deadline of February 16. Of the total bills introduced, there were 619 Senate Bills and 1,505 Assembly bills. This total is comparable to previous legislative sessions, which typically hover around 2,000- 2,200 bill introductions total.

Following this bill introduction milestone, the months of March and April will continue to be focused on policy committee hearings, which serve as the first filter for the consideration of the practical impacts of proposed legislation. The first house policy committee process is a critical time to suggest policy amendments to bills before they move on to their appropriations Committee for consideration of their fiscal impact (if there is one) and the floor for consideration from the entire legislative body. Notable trends that have emerged during the 2024 Legislative Session include development impact fee transparency and delays, organized theft prevention, utility rate affordability, and autonomous and active transportation reforms, among others.

Priority Legislation for the City of Palo Alto

1. Bills With City Positions

The following chart provides an overview of bills with pending positions taken as of March 22, 2024.

BILL	SUMMARY/STATUS	CITY IMPACT	POSITION
SB 1193 (Menjivar)	Phases out the sale and use of leaded airplane fuel at airports in California <i>Status: Pending consideration from the Senate Environmental Safety and Toxic Materials Committee</i>	This bill is likely to result in airplane emissions and health impacts associated with the flight paths over the City, which aligns with the City's Legislative Guidelines.	City Position: Support

2. *Bills With Recommended Action*

The following chart features four measures that TPA advocates have identified at this time with recommendations for the City to take a formal position on. Based on the existing legislative guidelines, the City could take these positions through Mayoral review pending Council consideration and approval.

BILL	SUMMARY / STATUS	CITY IMPACT	RECOMMENDATION
SB 1210 (Skinner)	Prohibits utility hook-up fees from exceeding 1% of the reported building permit value of the unit for new housing construction. <i>Status: Pending consideration from the Senate Energy, Utilities, and Communications Committee.</i>	If passed, this bill could negatively impact local utility revenues and could impact service quality long-term.	Recommendation: Oppose
AB 2485 (Carrillo)	Enhances transparency in HCD's regional housing needs calculation process by creating an advisory panel and requiring the publication of methodologies used on HCD's website. <i>Status: Pending consideration from the Assembly Housing Committee.</i>	For future RHNA cycles, this bill would increase transparency for how HCD calculates its regional housing needs numbers, which could offer the City more clarity moving forward.	Recommendation: Support
SB 903 (Skinner)	Beginning 2030, prohibits the manufacture, distribution, or sale of any product that contains intentionally added PFAS. Requires the Department of Toxic Substances Control to include on its website products that meet criteria for unavoidable use and requires them to be reassessed regularly. <i>Status: Pending consideration from the Senate Environmental Quality Committee.</i>	If passed, this bill could work to reduce the presence of "forever chemicals" in public water supplies, thus increasing public health and alleviating costs and resources associated with its remediation.	Recommendation: Support
SB 915 (Cortese)	Grants local authority over the operations and regulations for autonomous self-driving vehicles. <i>Status: Pending consideration from Senate Local Government Committee.</i>	Given the presence of self-driving vehicles in the City and the Bay Area, this bill would offer the city more local control over the operations of these vehicles to protect the public's safety.	Recommendation: Support

3. Notable bills with Recommendations to Monitor Progress

The following chart encompasses priority legislation TPA advocates are monitoring on behalf of the City (in addition to the bills listed in the previous tables). Any positions shared beyond "Monitoring" is as of this moment based on current TPA advocates recommendations and are subject to change, pending a review of each bill's impact on the City. Should the City Council or staff note any additional pieces of legislation to incorporate into this chart, TPA advocates will gladly accommodate.

BILL	SUMMARY	POSITION
Energy and Utilities		
<u>AB 2037 (Papan)</u>	Grants county sealers jurisdiction over publicly-operated electric vehicle (EV) charger to test all weight and measuring devices. Authorizes county sealers to charge a "registration fee" to cities they service.	Monitoring
<u>AB 2427 (McCarthy)</u>	Requires GO-Biz's Zero-Emission Vehicle Market Development Office to develop a model permitting checklist, model zoning ordinances, and best practices for permit costs and permit review timelines to help local governments permit curbside charging stations as part of the office's development of the Electric Vehicle Charging Station Permitting Guidebook or any subsequent updates. The bill would also require the office to consult with local governments, electric vehicle service providers, and utilities while developing the above-described materials.	Monitoring
<u>AB 2601 (Ramos)</u>	Requires that energy-efficient appliances provided pursuant to the Energy Savings Assistance Program shall only replace natural gas appliances with electric appliances.	Monitoring
<u>AB 2619 (Connolly)</u>	Repeals the CPUC net energy metering 3.0 (NEM 3.0) ruling that cut incentives for customers to install solar and would restore the previous net energy metering incentives/market.	Monitoring
<u>AB 3011 (Bains)</u>	Provides that any electrical rate schedule that imposes rates on vulnerable customers (senior citizens, medically or economically vulnerable, etc.) above baseline rates during any hour where the temperature is above 90 degrees Fahrenheit for the duration of the hour is considered an unreasonable hardship.	Monitoring
Environmental Quality		
<u>AB 2346 (Lee)</u>	Authorizes local jurisdictions to be credited for the procurement of recovered organic waste products through an agreement with a direct service provider and would allow the direct service provider agreement to include the procurement of recovered organic waste products on a prospective or retrospective basis as long as the purchase of those products occurs during the year for which the local jurisdiction seeks credit. The bill also allows local governments to count investments made for the expansion of capacity of compostable materials into their procurement targets.	Monitoring

BILL	SUMMARY	POSITION
Governance and Transparency		
<u>AB 2032 (Addis)</u>	Existing law establishes Brown Act remote teleconferencing allowances for local agency officials and limits them to no more than 3 consecutive months or 20% of the regular meetings for the local agency within a calendar year, or more than 2 meetings if the legislative body regularly meets fewer than 10 times per calendar year. This bill would revise those limits, instead prohibiting such participation for more than a specified number of meetings per year, based on how frequently the legislative body regularly meets.	Monitoring
<u>SB 1032 (Seyarto)</u>	Allows local agencies additional time to respond to PRA requests during a state of emergency.	Monitoring
Homelessness		
<u>AB 2338 (Jones-Sawyer)</u>	Requires the Governor to appoint a Statewide Homelessness Coordinator to serve as the lead person for ending homelessness in California. The Coordinator would be tasked with identifying a local leader in each local government throughout the state to collaborate on homeless solutions.	Monitoring
<u>SB 1011 (Jones)</u>	Prohibits unhoused individuals from loitering on public property, so long as peace officers provide them with 72 hours of notice and resources related to available services and housing.	Monitoring
Housing and Land Use		
<u>AB 1889 (Friedman)</u>	Requires local governments to incorporate a wildlife connectivity plan into the next update or amendment to its general plan beginning after January 1, 2025	Monitoring
<u>AB 1886 (Alvarez)</u>	Clarifies that the builder's remedy is applicable to cities and counties that have not received official certification of housing element compliance from HCD. Additionally creates a rebuttable presumption of the validity of HCD's findings as to whether an adopted element or amendment complies with housing law.	Monitoring
<u>AB 2243 (Wicks)</u>	Makes various changes to the objective standards and affordability and site criteria applicable to an affordable housing development or mixed-income housing development subject to the streamlined, ministerial review process under AB 2011 (Statutes of 2023)	Monitoring
<u>AB 2430 (Alvarez)</u>	Prohibits local governments from charging monitoring fees on developments that include a 100% affordability component for lower income households and have received a density bonus. Additionally, the bill phases out all monitoring fees on existing properties that meet these standards beginning 2025.	Monitoring
<u>AB 2553 (Friedman)</u>	Revises zoning standards by which a local government may impose a vehicular traffic impact fee from a "transit station" to a "major transit stop," thus narrowing the applicability of sites eligible for the imposition of those fees. The bill further modifies the definition of what constitutes a major transit stop to increase the frequency of service intervals from 15 to 20 minutes.	Monitoring
<u>AB 2584 (Lee)</u>	Prevents institutional investors that own more than 1,000 single-family homes from purchasing additional properties and converting them into rentals.	Monitoring
<u>AB 3057 (Wilson)</u>	exempts from CEQA the adoption of an ordinance by a city or county to provide for the creation of junior accessory dwelling units in single-family residential zones.	Monitoring

BILL	SUMMARY	POSITION
<u>SB 1211 (Skinner)</u>	Streamlines the development of ADUs on properties with multifamily housing. (In spot form, lacks substantive language)	Monitoring
<u>SB 1212 (Skinner)</u>	Bars hedge funds and other corporate investment entities from buying single-family homes in California.	Monitoring
Labor Relations and Retirement		
<u>AB 2561 (McKinnor)</u>	Requires each public agency with bargaining unit vacancy rates exceeding 10% for more than 90 days within the past 180 days to meet and confer with a representative of the recognized employee organization to produce, publish, and implement a plan consisting of specified components to fill all vacant positions within the subsequent 180 days.	Monitoring
<u>SB 1116 (Portantino)</u>	Allows striking workers to collect unemployment insurance benefits after two weeks.	Monitoring
Public Safety		
<u>AB 2309 (Muratsuchi)</u>	Authorizes the city attorney of any general law city or chartered city to prosecute any misdemeanor committed within the city arising out of violation of state law without the consent of the district attorney.	Monitoring
<u>AB 2574 (Alvarez)</u>	Codifies existing case law from 2019, which determined that unlicensed recovery homes operating as part of a licensed treatment facility located elsewhere may be considered unlawful business use within a residential zone.	Monitoring
<u>SB 22 (Umberg)</u>	Proposes Proposition 47 reforms including aggregating theft amounts to amount to grant theft felony, adding enhancements for organized theft crimes, includes enhancements for the trafficking and furnishing of fentanyl, among other provisions.	Monitoring
<u>SB 905 (Wiener)</u>	Removes hurdles to prosecutors holding auto burglars accountable by removing the requirement that a victim prove a vehicle was locked in order to establish a crime.	Monitoring
Revenue and Taxation		
<u>AB 2488 (Ting)</u>	Authorizes a local government to designate one or more downtown revitalization and economic recovery financing districts for the purpose of financing office-to-residential conversion projects with incremental tax revenues generated by office-to-residential conversion projects within the district.	Monitoring
<u>AB 2813 (Aguiar-Curry)</u>	Makes statutory changes to ACA 1 which will appear on the November 2024 ballot to lower the voter threshold for the passage of general obligation bonds from 2/3 to 55%. This bill modifies the allowable uses of funds generated via bonds to include affordable housing programs. Further, the bill specifies that special taxes are limited to a useful life of at least 15 years or 5 years if the funds are used for public safety purposes. The bill also specifies that a local government may commit revenues to projects or programs administered by nonprofit organizations for affordable or permanent supportive housing programs.	Monitoring

BILL	SUMMARY	POSITION
SB 955 (Seyarto)	Requires the Office of Planning and Research, upon appropriation by the Legislature, to establish the Infrastructure Gap-Fund Program to provide grants to assist local agencies in developing and constructing infrastructure projects.	Monitoring
Transportation		
AB 2744 (McCarty)	Beginning on January 1, 2025, prohibits the addition of a right-turn or travel lane within 20 feet of a marked or unmarked crosswalk where there is not already a dedicated and marked right-turn or travel lane, and prohibits vehicles from using this 20-foot area for right turns unless the area is already marked as a dedicated right-turn lane before January 1, 2025.	Monitoring
SB 1031 (Wiener)	Authorizes Bay Area voters to consider a measure to fund climate-friendly transportation investments in the San Francisco Bay Area as early as 2026. requires a minimum of \$750 million in revenues from a future Bay Area transportation measure to be annually allocated to public transportation operations and regional transit coordination initiatives directly related to operations spending,	Monitoring

State Budget Update

State lawmakers this year are focused on mediating the issues associated with an anticipated budget deficit. Following the release of the Governor’s January Budget Proposal which outlined a spending plan to absorb the impacts of a \$38 billion deficit, the nonpartisan Legislative Analyst’s Office (LAO) did its own update to State Revenues and projected deficit. The LAO reports a revised budget shortfall of \$73 billion which is \$15 billion more than was previously forecasted in December. These numbers contrast significantly with the Governor’s budget proposal, mostly due to anticipations surrounding revenue returns.

The LAO said that the actual budget shortfall will depend on a variety of factors, such as mandatory Proposition 98 spending on schools and community colleges. To mitigate the impacts of this anticipated shortfall, the LAO suggests that lawmakers find “new budget solutions” to ensure a balanced budget for the 2024-25 fiscal year. The LAO said solutions could include increasing revenue, reducing either – or both – one-time and ongoing spending, and exploring the possibility of cost shifts or dipping into reserves.

Lawmakers are exploring a number of proposed avenues to temporarily cut one-time spending to manage the issue, totaling \$16 billion. Categories of cuts include business and labor, criminal justice, education, health and human services, housing and homelessness, resources and environment, and transportation.

Looking forward, the budget process will continue to unfold with the introduction of April tax receipts, which could change the deficit picture. The Department of Finance emphasizes that the State is still forecasted to see more than \$51 billion in income and corporate tax receipts. The State’s progressive taxing structure oftentimes leads to a boom and bust cycle with most revenues tied to the performance of high-income earners. This creates volatile budget cycles, which can change within a matter of months depending on revenue returns.

The Legislature is in the process of creating a counter-budget proposal which will kick off negotiations between both houses and the Governor's office. The next few weeks will feature budget committee hearings and additional insights into the Legislature's spending and saving priorities.

FEDERAL UPDATES

Update on Congressionally Directed Spending Submittal

The City/TPA team worked in partnership to draft, fine-tune, and submit a congressionally directed spending request for infrastructure funding to help redevelop the Buena Vista Mobile Home Park. The Park, a locally significant affordable housing resource, is in desperate need of sustainable redevelopment, including 100% electrification. An award would assist the predominantly Latinx and very low-income residents who call it home. This application was in partnership with the Santa Clara County Housing Authority and was submitted to Senator Padilla, Senator Feinstein, and Congresswoman Eshoo.

On March 9, the President signed the first tranche of Appropriations Bills into law, which included the earmark for the Buena Vista Mobile Home Park in the amount of \$850,000. The funding is expected to be delivered to the Santa Clara County Housing Authority within the next few weeks.

Looking forward, the TPA team has completed an application for funding from the FY 2025 congressionally directed spending request process to Senator Butler for the Fire Station #4 Replacement Project in the amount of \$3 million. TPA will replicate this application to put forward for Senator Padilla and Congresswoman Eshoo as well.

Federal Budget Update

On March 22, congressional leaders reached an agreement with the White House on a package of funding bills, finally bringing the Fiscal Year 2024 federal government funding debate to a close. The deal includes roughly \$1.2 trillion in funding for key federal departments. These include the Departments of:

- Defense
- Homeland Security
- State
- Treasury
- Labor
- Health and Human Services
- Education

In a true sign of compromise, leaders from both political parties claimed legislative victories as part of the agreement. Congressional Republicans are touting a boost in migrant detention beds from 34,000 to 42,000, a pay increase for US troops, cuts to diversity programs and the Pentagon's climate change program, and a six percent cut to foreign aid. Democrats are celebrating 12,000 new visas for Afghan migrants, as well as increases to Title I education funding, Head Start, cancer research, and Alzheimer's research.

Additionally, this latest package would boost funding for the Defense and Homeland Security departments and provide a 5.2% pay raise for troops. State-Foreign Operations funding would be

reduced by six percent from Fiscal Year 2023 levels; other agencies, such as the Education Department, would also be cut. The bill also includes funding for the construction of a new FBI headquarters.

The agreement, which had been held up in recent weeks over Homeland Security funding, would expand detention facilities for migrants but doesn't include sweeping border policy changes Republicans sought.

Other policy riders included in the package are a measure that bans US embassies from displaying LGBTQ+ Pride flags, block funding for the United Nations Relief and Works Agency, prohibits the government from banning gas stoves, and provides 12,000 new visas for Afghans who helped the US during the Afghanistan War. The longstanding Hyde Amendment, which restricts funds for most abortions, is maintained, while other Republican-backed abortion restrictions were omitted.

Finally, the measure rescinds about \$20 billion in tax enforcement funds for the IRS provided by Democrats' 2022 tax, health, and climate law.

Congress will now immediately turn its attention toward funding for Fiscal Year 2025.