



City Council Supplemental Report

CITY OF
**PALO
ALTO**

From: Ed Shikada, City Manager

Meeting Date: January 22, 2024

Item Number: 13

Report #:2401-2525

TITLE

Item 13 Supplemental Report: Update, Discussion, and Potential Direction regarding State and Federal Legislation

RECOMMENDATION

Townsend Public Affairs compiled the **Attachment A** memo including an overview of the new Legislative Session to date as well as what is to come. This memo is included as a supplemental memo in order to include an overview of the Governor's Budget which was released January 10th.

ATTACHMENTS

Attachment A: Townsend Public Affairs (TPA) State and Federal Updates January Memo

APPROVED BY:

Ed Shikada, City Manager

M E M O R A N D U M

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
Niccolo De Luca, Vice President
Ben Goldeen, Federal Advocacy Manager
Alex Gibbs, Grants Manager
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Date: January 18, 2024

Subject: January 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 January 3, the State Legislature has reconvened for the second year of the 2023-24 legislative session following the interim recess. This period is particularly crucial for bills marked as "2-Year Bills" from the previous session, as authors have until the end of the month to push for their progression.

Top-of-mind issues for members encompass housing affordability, climate change initiatives, disaster preparedness, and education reforms. During the initial weeks, over 100 new measures have been introduced, showcasing comprehensive policy proposals through press releases, spot bills, and intent bills acting as placeholders for future amendments.

Prominent legislative trends include the governance of artificial intelligence deployment, Proposition 47 reform and theft prevention, and firearm safety. The influx of new bills will persist until the February 18 deadline for bill introduction, marking the final opportunity for new bill vehicles. Throughout the session, members retain the flexibility to amend or perform a "gut and amend" strategy, transforming existing bills into entirely new policies, provided they adhere to the 72-hour in-print rule.

Anticipations suggest that the Legislature will align with recent trends, introducing close to 2,000 new proposals in the ongoing session.

Priority Legislation for the City of Palo Alto

The following measures provide a snapshot of newly introduced bills that align with City priorities. Please note this list is not comprehensive nor does it provide an overview of the universe of new bills for the 2024 legislative session, because the majority of new bill introductions will happen

closer to the February 18 deadline. Additionally, some of the measures included are in “spot” or “intent” form, meaning they lack substantive language indicating specific provisions for their implementation. TPA will continue to update the Council on new and amended measures as they are introduced.

BILL	SUMMARY/STATUS	CITY IMPACT	POSITION/ RECOMMENDATION
AB 1779 (Irwin)	This bill would no longer limit the jurisdictional rules for theft crimes to criminal actions brought by the Attorney General, which would allow for the cross-jurisdictional prosecution of theft crimes that occur in more than one location. <i>Status: Pending Policy Committee Referral</i>	The City’s legislative guidelines support additional tools for law enforcement to prevent and prosecute theft crimes. This bill would allow for additional enforcement tools to hold people accountable for prolonged, multi-jurisdictional theft crimes.	Recommendation: Monitor
AB 1820 (Schiavo)	Authorizes a developer that submits a preliminary application for a housing development project to request a preliminary fee and exaction estimate, to which a local government has up to 10 business days to comply. <i>Status: Pending Policy Committee Referral</i>	The City’s legislative guidelines advocate for the preservation of local discretion in the assessment, collection, and usage of development fees. This measure could lead to onerous reporting requirements that could burden staff and interfere with local planning activities.	Recommendation: Monitor
SB 925 (Wiener)	States the intent of the Legislature to enact subsequent legislation to authorize the Metropolitan Transportation Commission (MTC) to propose a revenue measure to the voters in its jurisdiction to fund the operation, expansion, and transformation of the San Francisco Bay area’s public transportation system, as well as other transportation improvements. <i>Status: Pending Substantive Language and Policy Committee Referral</i>	The City and residents are serviced by the MTC public transit network. A new revenue measure to fund this transportation network could impact City residents and the quality of public transit options; it could also have financial implications for all Bay Area residents. .	Recommendation: Monitor
SB 926 (Wahab)	Requires the State Transportation Agency to develop a plan to consolidate all transit agencies that are located within the geographic jurisdiction of the Metropolitan Transportation Commission. <i>Status: Pending Substantive Language and Policy Committee Referral</i>	The City and residents are serviced by the MTC public transit network; the consolidation of all transit agencies would impact City residents and could potentially change the quality of public transit options.	Recommendation: Monitor

State Budget Update

On Wednesday, January 10, Governor Newsom adhered to constitutional deadlines by unveiling his preliminary 2024-25 State Budget proposal, revealing a projected budget shortfall of approximately \$37.9 billion. Governor Newsom attributed this deficit to two primary factors: a substantial stock market decline in 2022 impacting revenues and an unprecedented delay in critical income tax collections.

Notably, the Governor's shortfall estimate contrasts significantly with the Legislative Analyst's Office (LAO) projection of a \$68 billion deficit in December. The LAO, responsible for an independent assessment of California's budget, often diverges from the Department of Finance in projections, with the \$30 billion difference hinging on assumptions about revenues and expenditures.

To address the anticipated deficit, Governor Newsom's budget proposal employs several strategies. These include drawing \$13.1 billion from state reserve accounts and employing deferrals, borrowing, clawbacks, and fund shifts to cover the remaining \$24.8 billion gap. Across various accounts, the proposed budget maintains stability in funding allocations or implements incremental reductions without introducing new funding. At this time, there have been no proposed reductions to programs Palo Alto is participating in.

While the budget proposal outlines spending reductions and deferrals, it is crucial to recognize that the budget situation will evolve over the next few months before enactment. The Governor's proposal will undergo updates in May, reflecting changes in tax returns, inflationary pressures, and federal monetary policy, potentially leading to additional spending cuts or the restoration of spending programs.

Looking ahead, late January sees the initiation of the Legislature's budget subcommittees hearings, tasked with reviewing and recommending changes to the proposed budget. Following these hearings and negotiations between the Governor and the Legislature, a revised budget must be presented by May 14, aligned with updated revenue estimates. The Legislature's deadline to pass a balanced budget is June 15, and the Governor must approve the final 2024-25 spending plan before the new budget year commences on July 1.

Despite the predicted deficit, TPA advocates are working with City staff to identify priority projects to present the City's legislative delegation, should district request funding opportunities arise.

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 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.

Congresswoman Eshoo put forward the project in the amount of \$850,000. The request was included in the Transportation, Housing and Urban Development (THUD) appropriations bill, which is pending approval via the passage of the comprehensive federal appropriations package.

TPA advocates are in the process of meeting with City staff to identify funding priorities for the upcoming FY 2025 congressional spending requests process.

Federal Appropriations Updates

During the week of January 8, congressional leaders announced they reached an agreement on top-line funding levels for Fiscal Year 2024 appropriations, which projected optimism that

Congress could fully fund the government for an entire fiscal year. However, Capitol Hill sources have indicated that Congress is likely to consider and vote on another continuing resolution (CR), which will extend current funding levels until March 1 and March 8. This will allow negotiators more time to finish and vote on appropriations bills, which in turn will impact the final date for the passage of fiscal year 2024 congressional spending requests into law.

The agreement set overall spending at \$1.6 trillion, with \$886 billion for defense, and the remaining \$776 billion for all other discretionary government agencies and programs. To achieve the agreement, Senate Majority Leader Chuck Schumer compromised by amending previous agreements made through the Fiscal Responsibility Act negotiations to raise the debt ceiling in May 2023. Speaker Johnson published a letter on January 7 applauding that he secured “hard-fought concessions” to secure votes for passage. The concessions cut \$16 billion in IRS and COVID relief funds. These cuts were scheduled to be made in next year’s spending package but were expedited into FY24 under the agreement. This still is not enough for House Freedom Caucus members to release pressure on Speaker Johnson.

The focus of Congress has now shifted to passing a short-term clean resolution into early March to ensure the government does not shutdown. Majority Leader Schumer filed for a cloture vote on Thursday to begin the process of extension. Four of the bills are set to expire on January 19, with the remaining eight expiring on February 2. If the Schumer-Johnson agreement holds, leadership will need to finalize the twelve annual appropriations bills utilizing the top line spending amount.