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LEAGUE OF
**CALIFORNIA
CITIES**

Strengthening California Cities
through Advocacy and Education

2022 State Budget and Legislative Update

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2022 Action Agenda



1. Secure funding to increase the supply and affordability of housing and reform state housing laws to retain local authority.



2. Attain investments to strengthen and sustain critical infrastructure.



3. Secure increased funding and resources to prevent homelessness and assist individuals experiencing homelessness.



4. Strengthen disaster preparedness, resiliency, and recovery from climate change impacts through improved collaboration and resources.

Legislature Kicks into High Gear

- Nearly 1,000 new bills have been introduced since Jan. 3rd.
- Several hundred are still “spot bills”.
- Dozens of bills focused on limiting or overriding local decision making with regard to land use.
- Policy Committees and Budget Subcommittees are meeting daily.
- Revenue projects continue to climb.
- Wild card – 27 Assembly Members have left or will not return next year.
- Election year.

Our State Legislature

In California, the legislative body is called the State Legislature and is divided into two houses (bicameral) - the State Assembly and the State Senate.

There are 40 members of the State Senate and 80 members of the State Assembly, for a total of 120 legislators.

Assembly Members are elected or re-elected every two years, and one-half of Senators are elected or re-elected every two years. Term limits apply.



Our State Legislature

The Assembly has 33 standing committees, the Senate has 22. They range from agriculture to labor, public employment and retirement, and everything in between!

Both houses have budget subcommittees and a litany of special, select, joint and other committees.

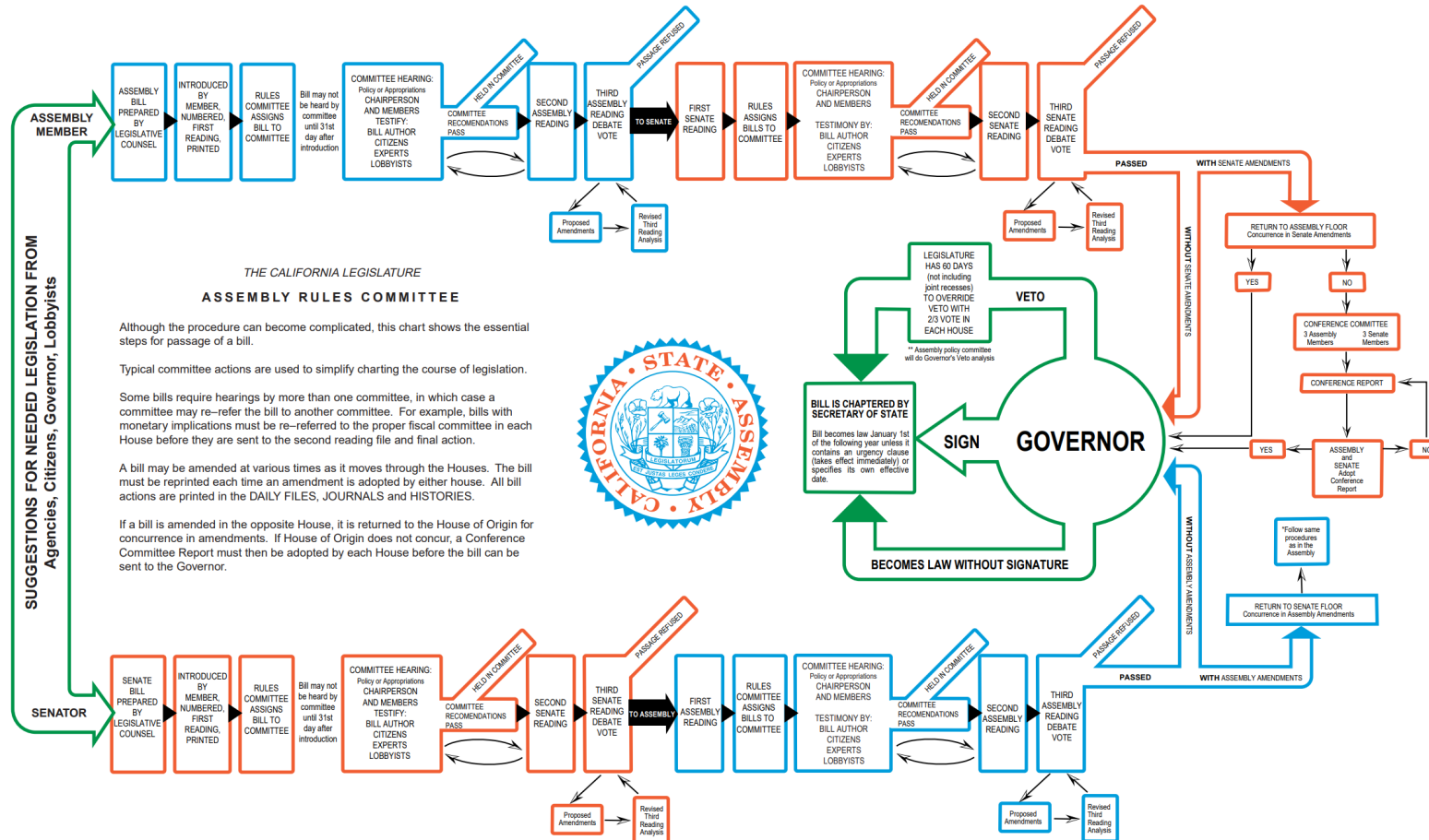
Committees play a critical role in the fate of a bill and how it is analyzed.



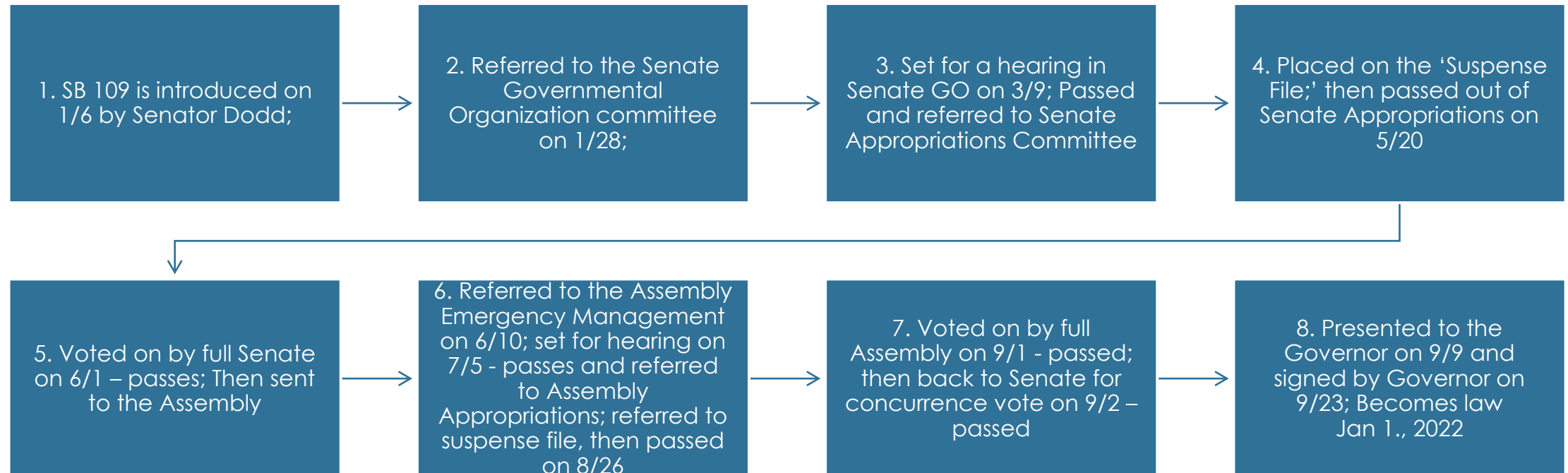
How Does a Bill Become a Law in California?

THE LIFE CYCLE OF LEGISLATION

From Idea into Law



'Typical' Process for a Bill – SB 109 (Dodd, 2021)



10 Tips for Cities Lobbying the California Legislature

1. Become engaged in the state level political process by appointing a legislative liaison within your city to track key legislation and work with your regional public affairs manager. Visit the Cal Cities regional division webpage to locate contact information for your regional public affairs manager.
2. Use Cal Cities as a resource. Visit the Cal Cities advocacy page to access Cal Cities priority bills, city sample support and opposition letters, legislative contacts, and use our online bill search feature to track bills' progress.
3. Read and subscribe to the Cal Cities Advocate, Cal Cities' online newsletter, to stay current on important legislation and stories.
4. Develop relationships with your Senate and Assembly representatives as well as their Capitol and district office staff. Make sure to look up who your local state elected official is.
5. Get to know members of your local press and educate them on legislative issues affecting your city.

10 Tips for Cities Lobbying the California Legislature

6. Understand how state decisions impact your city's budget by attending Cal Cities educational conferences, policy committee meetings, and regional division events.
7. Build networks and collaborate with other stakeholders, such as non-profits, businesses, or your county, in your community on key legislative issues.
8. Organize an internal process within your city for developing and proposing changes to both state and federal laws that will help your city.
9. Adopt local policies on legislation that enable your city to react quickly to the legislative process and respond to Cal Cities action alerts.
10. Write letters on legislation featured in the Cal Cities Advocate. City sample support and opposition letters can be found using the Cal Cities bill search feature and entering the bill number or bill author.

Budget Overview

- **\$286 billion budget** follows through on previous commitments.
- Projected \$45.7 billion surplus: **\$20.6 billion for discretionary purposes.**
- Prioritizes COVID-19, climate change, homelessness, the cost of living, and keeping our streets safe.
- Many investments of interest for cities are one-time investments or expansions of existing programs.
 - Ongoing state funding and sustained financial partnership is crucial for cities to address California's biggest challenges.

Community Services

2022-23 budget proposal largely follows through on the prior budget's homelessness commitments.

- **Homelessness:** \$8 billion
- **Childcare:** \$5.8 billion for childcare programs
- **Parks:** \$756.9 million for the Department of Parks and Recreation

Environmental Quality

2022-23 budget proposal largely follows through on the prior budget's climate commitments.

- **Wildfires:** \$1.2 billion, over two years
- **Drought:** \$750 million
- **Water Infrastructure, Federal Dollars:** \$3.725 billion over the next five years
- **Extreme Heat:** \$175 million
- **Coastal Issues:** \$400 million
- **Climate Resilience:** \$325 million
- **Clean Energy:** \$2 billion over the next two years
- **Circular Economy:** \$65 million

Governance, Transparency, and Labor Relations

2022-23 budget proposal continues to focus on COVID-19 response and recovery.

- **Pandemic Response:**
 - \$1.4 billion in early action to maintain and expand COVID-19 mitigation efforts
 - \$1.3 billion for 2022-23 to continue COVID-19 mitigation efforts
- **Unemployment Insurance Debt:** \$3 billion General Fund over two years to pay down a portion of the debt
- **Unfunded Pension Liabilities:** \$3.5 billion supplemental payment to CalPERS for the state plan

Housing, Community, and Economic Development

2022-23 budget proposal builds off last year's commitments.

- **Infill Infrastructure Grant Program:** \$500 million over two years
- **Affordable Housing and Sustainable Communities Program:** \$300 million over two years
- **Expand Affordable Housing on State Excess Land:** \$100 million over two years
- **Low-Income Housing Tax Credit Program:** \$500 million

Public Safety Budget

2022-23 budget proposal outlines resource allocations to combat organized retail theft, increase emergency preparedness and response, and address the State's cannabis tax structure.

- **Organized Retail Theft:** \$285 million over three years
- **Firefighting:** \$248.4 million
- **California Office of Emergency Services:** \$2 billion
- **9-8-8:** \$7.5 million one-time and a commitment of \$6 million ongoing
- **Cannabis Tax Reform**

Revenue and Taxation

Over \$6 billion in state tax revenue impacts proposed.

- Eliminates the usage limits of net operating losses (NOLs).
- Maintains the State and Local Tax (SALT) deduction workaround through a passthrough entity tax; makes statutory changes to improve access by various entities.
- Proposes to pause the annual gas tax inflation adjustment. The Administration intends to hold local revenues harmless.
- Provides tax liability flexibility for working families.

Transportation, Communications, and Public Works

2022-23 budget proposal seeks to strengthen the state's position to meet zero-emission targets.

- **State Highway Operations:** \$21.8 billion for the next five years
- **Federal Infrastructure Funding:** \$14 billion additional funding over next five years
- **SB 1 Indexing:** Suspended
- **General Fund:** \$9.1 billion over the next two years
 - High-speed rail: \$4.2 billion
 - Transit and rail: \$3.5 billion
 - Active transportation: \$750 million
- **Zero-Emission Vehicles:** \$6.1 billion
- **Supply Chain:** \$2.3 billion

Key Legislative Proposals: Housing and Land Use

SB 1466 (Stern) Affordable Housing and Community Development Investment Program

This measure would create a local-State partnership to provide up to \$2 billion annually to fund State approved affordable housing, infrastructure, and economic development projects that also support State policies to reduce greenhouse gas emissions, expand transit oriented development (TOD), address poverty, and revitalize neighborhoods.

Key Legislative Proposals: Housing and Land Use

SB 897 (Wieckowski) Accessory Dwelling Units

This measure would make numerous changes to existing ADU law. Most notably, SB 897 would require local governments to allow ADUs to be constructed with a height of up to 25 feet.

Key Legislative Proposals: Housing and Land Use

SB 1067 (Portantino)/AB 2097 (Friedman) Parking Requirements

These two measures would significantly restrict parking requirements within one half mile of public transit. Public transit is defined as 1) a high-quality transit corridor with 15 minute headways; 2) major transit stop – ferry terminal, rapid transit stop, or the intersection of multiple major bus routes with 15 minute headways.

Key Legislative Proposals: Housing and Land Use

SB 1369 (Wieckowski) Adaptive Reuse. By-Right

This measure would require local jurisdictions to approve “adaptive reuse projects” by right in all areas regardless of the zoning of the site.

“Adaptive reuse project” means any commercial, public, industrial, or office building or structure that has 25-percent occupancy or less, which is converted into a housing development project. “Adaptive reuse project” does not include a project to convert an industrial building that is adjacent to active industrial uses on three or more sides of the building.

Key Legislative Proposals: Housing and Land Use

AB 2179 (Grayson) Impact Fee Deferral

This measure would prohibit a noncompliant local agency that imposes any fees or charges on a housing development from requiring the payment of those fees or charges until 20 years from the date of the final inspection, or the date the certificate of occupancy is issued. Essentially, the local agency must pay the fees upfront and the developer will pay them back in 20 years.

Key Legislative Proposals: Housing and Land Use

AB 2179 (Grayson) Impact Fee Deferral

A “noncompliant local agency” means a local agency that did not meet its regional housing needs during the most recently completed regional housing needs assessment cycle; and for the current regional housing needs assessment cycle, the local agency meets either of the following:

(A) The local agency has not submitted its latest production report to the department by the deadline

(B) The local agency has submitted its latest production report to the department by the deadline and that production report reflects that there were fewer units of low- or moderate-income housing issued building permits than were required for the regional housing needs assessment cycle for that reporting period.

Key Legislative Proposals: Housing and Land Use

AB 1748 (Seyarto) Surplus Lands Act

This measure would exempt the following from the Surplus Lands Act:

- Land that is zoned for a density of up to 30 residential units and that is owned by a city or county that satisfies either of the following requirements:
 - The annual progress report submitted by the city or county demonstrates:
 - The total number of housing units built within the city or county meets or exceeds the total overall number of housing units needed to meet the city's or county's share of regional housing need, regardless of income category, in the immediately preceding or current housing element cycle.

Key Legislative Proposals: Housing and Land Use

AB 1748 (Seyarto) Surplus Lands Act

This measure would exempt the following from the Surplus Lands Act:

- The annual progress report submitted by the city or county demonstrates:
 - The city or county is making proportionate progress towards meeting its share of regional housing need for each income category on an annual basis for the current housing element cycle.

Key Legislative Proposals: Housing and Land Use

AB 1748 (Seyarto) Surplus Lands Act

- The city or county has been designated as prohousing by the Department of Housing and Community Development pursuant to Section 65589.9.

Key Legislative Proposals: Housing and Land Use

AB 1945 (Aguiar-Curry) Affordable Disaster Housing Revolving Development and Acquisition Program

This measure would, upon appropriation by the Legislature, establish the Affordable Disaster Housing Revolving Development and Acquisition Program. This program would expedite relief funding for the development or preservation of affordable housing in the state's declared disaster areas.

Community Development Financial Institutions (CDFIs) would provide short-term loans—including loans to local agencies—with favorable terms and conditions until federal assistance arrives. Federal funds would then be used to repay the short-term assistance.

Key Legislative Proposals: Housing and Land Use

AB 2053 (Lee) Social Housing

This measure would enact the Social Housing Act and would create the California Housing Authority, as an independent state body, the mission of which would be to produce and acquire social housing developments for the purpose of eliminating the gap between housing production and regional housing needs assessment targets.

Key Legislative Proposals: Housing and Land Use

AB 2063 (Berman) Density Bonus

This measure would prohibit affordable housing impact fees, including inclusionary zoning fees, in-lieu fees, and public benefit fees, from being imposed on a housing development's density bonus units.

Key Legislative Proposals: Housing and Land Use

AB 2234 (Rivas, R) Planning. Housing. Post-entitlement Phase Permit

This measure would, no later than January 1, 2024, require a public agency to allow post-entitlement phase permits to be applied for, completed, and stored through a publicly available process on its internet website. Until the public agency has established this process on its internet website, it shall accept applications for permits and any related documentation by electronic mail.

Key Legislative Proposals: Housing and Land Use

AB 2295 (Bloom) School Property. Housing

This measure would, notwithstanding any inconsistent provision of a city's or county's general plan, specific plan, zoning ordinance, or regulation, require that a qualified housing development on land owned by a local educational agency be an authorized use if the housing development complies with certain conditions.

Key Legislative Proposals: Housing and Land Use

AB 2428 (Ramos) Impact Fees

This measure would require a local agency to expend fees collected to defray the cost of public facilities related to the development project within 5 years of the charge. Any fees for improvements that are collected and that are not expended within this period shall be returned to the applicant.

Key Legislative Proposals: Housing and Land Use

AB 2536 (Grayson) Connection and Capacity Charges. Studies

This measure would impose new standards and practices for determining the reasonable cost of providing sewer and water service. Additionally, before the adoption of a fee or capacity charge, a study to support the estimate of the reasonable cost of providing the service shall be adopted.

Key Legislative Proposals: Housing and Land Use

AB 2705 (Quirk-Silva) Very High Fire Hazard Severity Zones

This measure would prohibit a city or county from approving a discretionary entitlement that would result in a new residential development project being located within a very high fire hazard severity zone, unless the city or county finds that the residential development project will meet new standards intended to address wildfire risks.

Important Upcoming Events

- Webinar: 2022 Legislative Briefing – Bill Introduction, March 24th
9:30am-11:30am
- City Leaders Summit: May 11-13, 2022, Sacramento, CA

THANK YOU

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