



Date: July 12, 2019  
To: Mayor and Members of the City Council  
From: Patrick H. West, City Manager *T.H.W.*  
Subject: **State FY 20 Adopted Budget**

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### **Introduction**

On June 27, 2019, the Governor approved the State's FY 20 budget. With a healthy surplus, the \$214 billion budget focuses on improving the economic outlook for low-income and immigrant families. In general, the budget increases funding for, and access to, healthcare for low-income and immigrant communities, eliminates sales tax on feminine hygiene and baby products for two-years, and extends the State's earned income tax credit for another year. Most applicable to local governments, the budget includes several one-time investments intended to spur housing production as a means of addressing California's housing crisis.

### **Long Beach Impacts**

With respect to cities, the State's FY 20 budget is most impactful to the areas of housing and homelessness.

### ***Housing***

The State will allocate \$750 million in one-time funds to local governments, in hopes that this type of investment will increase housing production.

- Of this amount, \$250 million will be allocated to a new Local Government Planning Support Grants Program for planning activities to accelerate housing production and facilitate implementation of Regional Housing Needs Assessment (RHNA).
  - \$125 million is available to cities and counties for rezoning, completing environmental clearance to eliminate the need for project-specific review, establishing Workforce Housing Opportunity Zone, and performing infrastructure planning, including for sewers, water systems, transit, roads or other public facilities necessary to support new housing and new residents to meet the sixth RHNA cycle. Funding allocations to cities from this source will be based on population. Cities may submit a request for funding until July 1, 2020. Long Beach is eligible for a maximum of \$750,000.
  - \$125 million is for other regional entities, including Council of Governments (COG) and metropolitan planning organizations, to devise an improved methodology for distribution of the 6<sup>th</sup> RHNA cycle, regional housing studies, and provide technical assistance to update local planning documents. In the Long Beach region, this funding will be allocated to the Southern California Association of Governments (SCAG).

- The remaining \$500 million is an investment of Proposition 1B funds in an existing Infill Infrastructure Grant Program administered by the Department of Housing and Community Development (HCD). Long Beach will not be eligible for this funding due to its population of more than 250,000.

New to the State's budget is \$20 million for non-profit service organizations to assist with landlord-tenant disputes, including counseling, renter education programs, and preventing evictions.

### ***Homelessness***

The Housing Assistance Program (HAP), known as the Homeless Emergency Aid Program (HEAP) in FY 19, has been allocated \$650 million in FY 20 one-time funding. The focus of the FY 20 investment is on siting homeless services and building emergency shelters, navigation centers, and supportive housing. On June 24, 2019, the City sent a letter to Governor Newsom and legislators to advocate for a significant portion of funding to support Continuums of Care (CoC). The following week, the budget, signed by Governor Newsom, provided the following allocations of the HAP funds:

- \$275 million will be designated for cities, or a city and a county, that have a population of more than 300,000; this represents the largest 13 cities in California.
- \$200 million will be available to CoCs.
- \$175 million will be available to counties.

The City, inclusive of our CoC, will be submitting applications for this funding. All awards will be based on the applicant's proportionate share of the State's total homeless population, based on the 2019 Point-in-Time Count.

### ***Transportation***

The Governor's January Budget and May Revision proposed to make significant changes to the Regional Housing Needs Assessment, including linking SB 1 transportation funding to compliance with housing elements law, zoning, and entitlements. The City expressed grave concerns with this policy proposal, and the State Legislature vehemently opposed it. As a result, the proposal to connect SB 1 transportation funds to RHNA compliance was not included in the adopted FY 20 State budget.

### ***911 System Modernization***

The FY 20 State budget notably implements a new \$0.80 fee per telephone line on all phone bills, per billing cycle, beginning January 1, 2020. The purpose of this new fee is to support funding for modernizing California's 911 system. This fee will replace the percentage rate surcharge on all telephone lines, which has varied across telephone plans, and has not garnered sufficient revenue to cover modernization efforts.

The California Governor's Office of Emergency (CalOES) will be responsible for implementing the modernized 911 System, Next Gen 911. Local governments and local 911 call centers will not directly receive new funding from the new \$0.80 fee. The new fee will be dedicated to support

existing State 911 costs in addition to establishing Next Gen 911, which will include the following features:

- Allow agencies to re-route 911 calls to one another.
- Support seamless text-to-911 delivery.
- Increase system resiliency to withstand natural and human-caused disasters with improved location accuracy.

### ***Cap and Trade***

The State Cap-and-Trade Program will continue to support programs relating to reducing greenhouse gas emissions. However, in FY 20, a large majority of funds will be allocated for clean drinking water initiatives throughout California. The Governor's May Revision proposed to levy a new tax to allocate \$168 million to support capital water projects across the State. The Legislature opposed a new tax. As a compromise, the Governor and the Legislature agreed to allocate nearly \$150 million from the State's Cap-and-Trade Program in the FY 20 State budget to help address clean water issues, including providing funding for drinking water to areas affected by disasters.

### ***Paid Family Leave***

The FY 20 State budget extends Paid Family Leave benefits from six weeks to eight weeks for all workers who pay into California State Disability Insurance (SDI). As a Charter City, City of Long Beach employees do not contribute to SDI and, therefore, neither the City nor the City's employees will be affected by this extension.

### ***Menstrual Products and Diapers Sales Tax Exemption***

The State's FY 20 budget also exempts from January 1, 2020 to December 31, 2021, diapers and menstrual products from State and local sales tax. Total State and local revenue losses are projected to be \$38 million in FY 20 and \$76 million for the following full fiscal years thereafter.

### ***Rainy Day Fund***

In addition to the expenditures described above, the State will continue to invest in California's Rainy Day Fund, depositing about \$5 billion in FY 20 and bringing the total fund balance to \$19 billion.

### **Next Steps**

The State's FY 20 budget became effective July 1, 2019 and will extend through June 30, 2020.

If you have any questions, please contact Diana Tang, Manager of Government Affairs, at 562-570-6506 or [Diana.Tang@longbeach.gov](mailto:Diana.Tang@longbeach.gov).

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