



DISTRIBUTION DATE: June 7, 2022

MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Erin Roseman
Director of Finance

SUBJECT: State and Federal Budgetary
Action Quarterly Report

DATE: June 6, 2022

City Administrator
Approval

Jun 7, 2022

INFORMATION

As a continued best practice, the Finance Department will publish a quarterly informational report for the City Council on new developments from Townsend Public Affairs (*Attachment A*) relating to the Federal and State budgetary actions and their potential impact on the City of Oakland.

Provided in *Attachment A* are pertinent highlights of Governor Newsom's May Revision of his budget proposal for the 2022-2023 fiscal year.

For questions regarding this report, please contact Erin Roseman, Director of Finance, at (510) 238-2026.

Respectfully submitted,

ERIN ROSEMAN
Director of Finance, Finance Department

Attachment (1):

A: Townsend Report

MEMORANDUM

To: Council President Nikki Fortunato Bas and Members of the Oakland City Council
CC: Edward Reiskin, City Administrator

From: Christopher Townsend, President, Townsend Public Affairs, Inc.
Niccolo De Luca, Vice President
Andres Ramirez, Senior Associate
Carly Shelby, Legislative Associate

Date: May 23, 2022

Subject: State Budget Update/May 2022

Townsend Public Affairs, Inc. (TPA) has prepared this report for the City of Oakland to provide a summary of the Governor's May Revise Budget proposal and to discuss the current status and efforts relating to the 2022/2023 State Budget.

On May 13th, Governor Newsom released the May Revision of his budget proposal for the 2022-2023 fiscal year. The "May Revise" edition of the budget framework reflects revised revenue and expenditure estimates for both the current and budget years and allows the Administration and the Legislature to reconcile and reconfigure spending plans appropriately.

In total, the updated spending plan includes \$300.7 billion in total spending, reflecting a 5% increase from January's total spending plan of \$286 billion. In the spirit of fiscal prudence, Governor Newsom iterated that 99% of new programs included in the May Revise would utilize one-time spending formulas because ongoing programs can be difficult to fund in the long-term.

He also announced that the state had a \$97 billion-dollar projected surplus – up over \$50 billion dollars from January's projected surplus of \$45.7 billion. To put this into perspective, it was just 20 years ago that the state's entire budget hit \$100 billion for the first time. Now, the surplus is almost that much, in an over \$300 billion spending plan. Of the \$97 billion surplus, \$49.2 billion is marked for discretionary use.

Regarding the state's reserve accounts, the Governor announced the May revise projects a total of \$37.1 in total reserves, broken down into the following accounts:

- \$23.3 Billion in the Rainy-Day Fund,
- \$9.5 billion in the School Stabilization Reserve,
- \$3.4 billion in the Operating Reserve; and
- \$900 million in the Safety Net Reserve.

While January's proposed budget framework focused on addressing what Governor Newsom referred to as "California's five existential threats" which included addressing the COVID-19 crisis and investments in climate resiliency, the rising cost of living, homelessness, and public safety, the May Revise focused on the issues of the rising cost of living, infrastructure investments, and climate resiliency.

As global inflation and war in Europe drive up costs across the country, the Governor is proposing an \$18.1 billion inflation relief package to get money back into the pockets of Californians and bring down costs for families. The package includes an additional \$2.7 billion in rental relief and utility bill assistance, \$400 rebates to offset the rising cost of gas, stipends to nursing and hospital staff, family fee waivers for childcare, and more.

In addition to the inflation relief package, another top spending adjustment was made to the Climate resiliency package, which the Governor now touts as comprising \$47.1 billion in total spending. The May Revise built upon recent investments and proposed increasing funding for drought mitigation, wildfire and forest protection, and energy storage and capacity.

The Legislature started conducting Budget Committee hearings to receive a broad overview of the Governor's proposals. These hearings provide the Legislature an opportunity to work with the Administration to incorporate legislative priorities into the budget. Additionally, the Administration will continue to develop and release budget trailer bill language over the coming weeks, which will contain details on how the various budget proposals would be implemented.

Below is a high-level overview of proposed expenditures, organized by issue area:

Inflation Relief Package (\$18.1 billion total new investments)

- \$11.5 billion: Tax Refunds
- \$2.7 billion: Emergency Rental Assistance (Bringing total amount of dispersed rental assistance to \$8.1 billion)
- \$1.4 Billion: Helping people pay utility bills
 - \$1.2 billion for electricity
 - \$200 million for water
- \$933 million: Health care worker retention stipends
 - \$1,500 payments to hospital and nursing home staff
- \$750 million: Free Public Transit for three months
- \$439 million: 12 month pause on diesel tax
- \$304 million: Middle class health care subsidies
- \$157 million: Fee waivers for childcare (savings up to \$595 per month)

Housing and Homelessness

- \$500 million: Adaptive re-use projects: Converting malls and office buildings into housing
- \$500 million in Encampment Clean Up Grants
- \$500 million: Crisis Response/Interim Housing (i.e., Tiny Homes)
- \$125 million: Additional Homekey funds
- \$3 million: Transitional housing to youth discharged from CDCR's Division of Juvenile Justice by the Board of Juvenile Hearings in 2022-23
- HHAP funding: No additional funds, however, pursuant to 2021 budget allocations, \$1 billion is currently available for 2022-23. The Governor wishes to see tangible "accountability data" revealing effective use of funds to extend HHAP allocations in future budget cycles.

Public Safety

Building off January Investments, the May Revise includes an additional \$193 million in Spending for the following programs:

- Fentanyl task force at DOJ
- Combatting cartel fentanyl trafficking
- Victim's services
- Officer wellness
- Child sex trafficking/exploitation

- Missing and murdered indigenous persons
- Nonprofit security grants

CARE Court:

- \$65 million: State and courts support
- Other resources: \$11.6 billion per year: Existing behavioral health funding
- Realignment funding, MediCal, MHSA, etc.
- \$4.5 billion: mental health beds (from previous budget cycles)

Climate Resiliency:

- Total Commitment: \$47.1 billion
 - 2021-22 Budget investments: \$15.1 billion:
 - January budget framework: \$22.5 billion
 - May: Additional \$9.5 Billion

Climate Resiliency (Drought: \$1.3 billion in new proposed spending):

- Total \$7.2 billion
 - \$5.2 billion: 2021-22
 - \$750 million: January
 - \$1.3 billion: May
- \$1.3 billion in additional May Revise funds for the following projects:
 - \$533 million: Drought Relief projects, food assistance for farmworkers
 - \$530 million: Water recycling, groundwater cleanup, clean water projects
 - \$280 million: habitat/nature-based solutions to address drought impacts on fish and wildlife, habitat, and water resilience projects
 - \$187 million: agricultural and water conservation practices

Climate Resiliency (Wildfire and Forest Protection: \$233 million in new proposed spending)

- \$1.5 billion: 2021-22
- \$1.2 billion + \$648 million: January
- \$233 million: May
- \$233 million in additional May Revise funds for the following projects:
 - \$104 million: Fire crews – CA Conservation Corps and Military
 - \$83 million: 2022 Fire Season Augmentation
 - \$37 million: Mission Operations Support
 - \$9 million: Air Attack Staffing

Climate Resiliency (Energy: \$8 billion included in new spending in the May Revise)

- \$5.2 billion: Strategic Electricity Reliability Reserve
- \$1.2 billion: Energy bill supports (utility arrearages)
- \$970 Million: Accelerate renewable energy development – residential solar and storage systems
- \$225 million: New Electricity transmission, including from Salton Sea

Transportation:

- \$500 million: Active Transportation Program
- \$750 million: incentive grants to transit and rail agencies to provide free transit for Californians for three months
- \$50 million (annually): To Caltrans to administer and implement the state and local transportation funding provided by the IIJA
- \$144 million: Add 626 positions to Caltrans to provide engineering and design support associated with the increased project workload

Education:

- \$8 billion: flexible block grant
- \$2.1 billion: declining enrollment support
- \$2.1 billion: LCFF base increase
- \$1.1 billion: LCFF COLA (6.56%)
- \$1.5 billion: Community schools
- \$1.8 billion: School facilities
- \$1.8 billion: Deferred maintenance
- New Statewide Degree completion goal: 70%

Jobs/Economy

- \$2.1 billion: Grow and Relocate to California
 - \$1.05 billion: Clean Energy Grants (over a 4-year period)
 - \$1.02 Billion: Cal Compensates tax credits and grants (over 5-year period)
 - \$45 million: sales tax exemptions (over 3 years)
- \$500 million in small business grants
- \$450 in conformity expansion
- \$439 million: Diesel sales tax pause
- \$75 million: supporting agricultural businesses impacted by drought conditions

Reproductive health

- \$125 million: \$68 million in January, plus an additional \$57 million in May
 - \$40 million: Uncompensated care fund
 - \$15 million: CA reproductive Justice and Freedom Fund
 - \$2 million: Research and Public information

We will continue to provide ongoing updates to the City leadership team and continue to push and fight for the City's identified priorities.

