

# TOWNSEND

PUBLIC AFFAIRS

EST TPA 1998

---

## MEMORANDUM

---

**To:** Mayor Libby Schaaf  
Council President Lynette Gibson McElhaney and Members of the City Council

**From:** Townsend Public Affairs, Inc.

**Date:** June 9, 2016

**Subject:** Ongoing update of the 2016-2017 State & Federal Budgets

---

The purpose of this memo from Townsend Public Affairs, Inc. (TPA) is to provide the City of Oakland with updates regarding Governor Brown's Proposed Budget for 2016-17, released on January 7, 2016, and President Obama's Budget, released on February 9, 2016.

### State Budget

The Assembly and Senate Budget Subcommittees finished hearings on various proposals within the budget, leading up to the beginning of the Assembly/Senate Budget Conference Committee last Thursday. The differences between the Assembly and Senate versions of the budget bill are worked out in the conference committee, which is made up of members from each house. After review and negotiation, the conference committee submits a single version of the budget bill to both houses. The Senate and Assembly each vote on this final version before it is sent to the Governor. The legislature is mandated by law to pass a budget by June 15<sup>th</sup>.

### Housing

One of the most talked about items in this year's budget is the Governor's By Right housing proposal. As we have briefed the City, in a further effort to reduce the costs of housing by accelerating the time that it takes to build, the Administration is proposing trailer bill language that would require ministerial "by-right" land use entitlement provisions for multifamily infill housing developments that include an affordable housing component.

Under the proposal, a local government could not require a conditional use permit, planned unit development permit or other discretionary review or approval for qualifying developments, provided they are consistent with general plan and zoning requirements and are subject to mitigating measures to address environmental harm, where appropriate. Under the proposal, a qualifying project would be one that contains at least a 10% affordability component, if located in a transit priority area, or otherwise must have a 20% affordability component if in an urban area.

Last week during the Budget Conference Committee Senator Leno, the Senate Budget Chair, expressed his concern that the By Right matter is being discussed in the context of the budget, and not through the Legislature as a policy discussion. If the By Right language is taken out of the budget, there is a strong likelihood that funding for affordable housing would fail to move forward. However, the Governor may still preserve elements of the Senates homelessness package, which

---

**Southern California Office** • 1401 Dove Street • Suite 330 • Newport Beach, CA 92660 • Phone (949) 399-9050 • Fax (949) 476-8215

**Northern California Office** • 300 Frank Ogawa Pl. • Suite 204 • Oakland, CA 94612 • Phone (510) 835-9050 • Fax (510) 835-9030

**State Capitol Office** • 925 L Street • Suite 1404 • Sacramento, CA 95814 • Phone (916) 447-4086 • Fax (916) 444-2063

**Federal Government Office** • 611 Pennsylvania Avenue SE • #331 • Washington, DC • Phone (202) 744-2926

would include \$267 million in spending in the 2017 fiscal year. Needless to say, next week is crucial and we may see drastic changes to the status of these components.

### **Cap and Trade**

The Assembly Cap and Trade expenditure plan recognizes that details for Cap and Trade will be subject to negotiation in the final budget package. The final focus may include a greater emphasis on:

- Clean Vehicle Rebates;
- Energy Efficiency;
- Transportation and Transit;
- Redirect \$100 million to the Active Transportation program for bike and ped improves; and
- Identify certain grade separation projects for funding within the one-time \$400 million for Transit and Intercity Rail Capital Program funding.

Recently, there is some concern for the consistency and stability of this funding source. May's cap and trade auction generated less than 2 percent of its anticipated revenue due to a complex set of market conditions. We will track how this affects the Governor's spending plan over the coming weeks.

### **Transportation**

The Assembly is proposing to shift the Governor's proposed transportation funding and reform package back to the policy process and remove those provisions from the budget package. Unfortunately, this isn't a good sign that the needed 2/3<sup>rd</sup> votes would be accounted for to approve the package.

### **Public Safety**

The Assembly is also proposing to include the following items in the budget to enhance public safety efforts within the state, and we will track their progress through the budgetary process. The Assembly proposes to:

- Provide \$10 million to support grants for community groups providing services (including housing) to human trafficking victims;
- Include \$20 million for municipal police departments to increase positive outcomes between city police and the homeless community, persons with mental health needs, and high-risk youth populations;
- Authorize \$50 million in grants to provide 1-time resources to community providers focused on homelessness, human trafficking, and domestic violence;
- Include a \$20 million grant program for local governments experiencing spikes in violent crime to promote safer communities;
- Provide \$5 million to purchase naloxone kits for nonprofits and governmental entities (law enforcement/first responders) to be used to reduce the rate of fatal drug overdose caused by prescription analgesics and other drugs; and
- Approve \$2 million to reimburse local law enforcement agencies for specified costs associated with outfitting officers with body cameras.

### **Seismic safety**

We want to update you on our efforts to create a seismic funding program via the State budget. For the past few months we have been working with Assembly Member Adrin Nazarian to create a new funding program to give residential and commercial property owners the opportunity to access state funds for the specific use of retrofitting their buildings. This includes addressing 'soft stories', anchoring residential and building foundation, bracing cripple walls, and other CIP related upgrades.

The goals of this effort are threefold:

1. To help retain the existing housing stock, especially at a time of high pressure on housing;
2. To avoid displacement of tenants, especially the ones living in older housing; and
3. To protect the health and safety of our residents.

**We have succeeded in getting the Assembly to propose a \$20 million dollar appropriation for initial seed funds, and sustain the expansion of the program as loan repayments are made.** Specifically, funding will be appropriated to the State Treasurer's CalCAP program, which encourages banks and other financial institutions to make loans that fall outside of most banks' conventional underwriting standards. Essentially, this program will help property owners without much capital or access to capital to make these much needed improvements. Our work continues as we need to secure support in the Senate and then the Governor. However, we would like to thank Council Member Kalb and the Mayor's office for all of their work and support on this effort!

### **Federal Budget**

Both chambers of Congress maintained busy schedules leading up to the Memorial Day recess. Making headlines in Washington was the House's failed attempt to pass its \$37.4 billion Energy & Water appropriations bill. In a continuation of last week's controversy over LGBT amendments, the bill failed on a vote of 112-305, with 130 Republicans joining 175 Democrats. Speaker Paul Ryan (R-WI) accused Democrats of sabotaging the bill by successfully pursuing an amendment to uphold an executive order barring federal funds for contractors without LGBT protections for their workers; Subsequently, Speaker Ryan ended up voting against the overall bill.

The House was able to pass its Energy Policy Modernization Act of 2016 (S. 2012) on a vote of 241-178. However, the bipartisan Senate-passed version was first amended by adding dozens of House-passed bills relating to energy, natural resources and lands, many of which are highly controversial. Speaker Ryan and Minority Leader Pelosi (D-CA) named House Conferees for the bill. If the controversial House additions survive the conference, Senate passage is unlikely.

### **Defense Bills Moving Forward**

Senate Leader McConnell (R-KY) has indicated that the Senate will consider the Defense Authorization bill after it returns from recess, with the intention of moving to the Defense Appropriations bill shortly after. Minority Leader Harry Reid (D-NV) has said that Democrats will oppose this plan if funding for defense programs is increased without also allowing for an increase in non-defense discretionary programs.

### **Appropriations Process**

In response to two weeks of difficult LGBT votes for moderate Republicans, Speaker Ryan and House Appropriations Committee Chairman Hal Rogers (R-KY) are considering rule changes that would make it more difficult to propose floor amendments to spending bills. This is the first crack in Ryan's promise for "open amendment" processes for spending bills on the House floor. On the Democratic side, Appropriations Ranking Member Nita Lowey (D-NY) says she expects an Omnibus or Continuing Resolution to carry spending forward into the new Fiscal Year, given Republican difficulties in passing the Energy & Water bill.

### **Budget Initiatives**

Both chambers also continue their quest to reform the budgeting process. The House Budget Committee held its first hearing aimed at revamping the 1974 Congressional Budget Act. On the Senate side, Senator Mike Lee (R-UT) introduced a bill to require that the President draft a separate annual budget for regulations. Sen. Lee's legislation would introduce caps for regulatory spending.

### **Senate Appropriations**

The Senate Appropriations Committee easily passed its \$574.5 billion Defense Appropriations bill, setting-up a fight with the House regarding the Overseas Contingency Operations (OCO) "war

fund" account. The House bill siphons money away from the OCO to fund base requirements, and would leave the account empty by April 2017. The White House has issued a veto threat of the House's bill.

The Homeland Security Subcommittee also passed its \$48.1 billion spending bill, including a \$215 million bump for the Transportation Security Agency. The TSA has been in the headlines recently for disrupting air travel with long security lines.

### **House Appropriations**

The full appropriations committee passed its Commerce-Justice-Science FY2017 spending bill, as well as its FY2017 Transportation-HUD spending bill. Both bills received small bump-ups in spending, with the CJS bill coming in \$56 billion, and Transportation-HUD at \$58.1 billion.

The Financial Services subcommittee approved its \$21.7 billion FY2017 spending bill, recommending \$236 million in cuts to the IRS despite audit rates having reached historic lows. The bill also prevents funds from being used to implement the Affordable Care Act, a provision that will almost certainly draw a veto threat from the President. The Interior-Environment subcommittee also approved its FY 2017 spending bill, including controversial policy riders to block the Administration from implementing greenhouse-gas rules for power plants and methane rules for oil and gas plants, and the clean water rule.

### **Looking Ahead...**

The Senate looking to pass its Defense Authorization bill and House Republicans continue seek a strategy to prevent Democratic appropriations amendments aimed at requiring protections for LGBT employees of federal contractors. The House is also expected to move forward with a bill to assist Puerto Rico in restructuring its \$72 billion debt; it remains unclear whether there are enough votes to pass the legislation, despite its support from both Speaker Ryan and Minority Leader Nancy Pelosi (D-CA).

On the appropriations front, the House and Senate are prepared to begin a conference negotiation on legislation to fund the President's Zika request. The conference will also include Military-Construction and Veterans Affairs appropriations, and may include Transportation-HUD appropriations. The Senate Appropriations Labor-HHS Subcommittee will markup its FY2017 bill this week, which may set the stage for a battle regarding the White House's recent executive action regarding transgender access to school bathrooms.

With that, please let us know if you have any questions or need additional information.