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MEMORANDUM

To: **Mayor Libby Schaaf**
Council President Rebecca Kaplan and Members of the City Council

From: Townsend Public Affairs, Inc.

Date: May 20, 2019

Subject: **Update of the 2019 State & Federal Budgets**

State Budget

As background, TPA sent the City of Oakland a budget update on May 9th once Governor Newsom unveiled his May Revise budget. The May Revise incorporates changes to the Governor's January budget proposal after taking into account actual state tax revenue and a more accurate financial forecast for the upcoming fiscal years.

The January budget proposal totaled $209.1 billion - the May Revise projects an additional $3.2 billion of revenue. However, the Governor notes that the majority of these revenue funds are largely constitutionally obligated to fund statewide reserves (rainy day fund), debt repayment, and Prop 98 education investments, making the budget surplus levels more or less unchanged. The May Revise also forecasts slower economic growth over the next three years, a decrease from the January forecast of approximately $1.6 billion overall by FY 2022-23.

The Governor highlighted his top budget priorities in his presentation, including additional education investment, expanding access to Medi-Cal for undocumented immigrants, and establishing The Parent's Agenda.

The Legislature has until June 15 to consider the Governor's budget proposal and ultimately vote on a final budget. Budget Committees and Subcommittees will continue to hold hearings related to the budget over the next month, as well as incorporate its own legislative priorities in the budget. Once both the Assembly and Senate have passed their respective budgets, a Budget Conference Committee will be convened to reconcile any differences between the two budgets. Once both chambers pass a budget, it will go to the Governor's desk for approval.

Housing & Homelessness

The changes from January to the May Revise are in large part due to strong advocacy from the Big City Mayor coalition in which Mayor Schaaf and her staff have been deeply involved in since December.

The Big City Mayors group will continue to engage and advocate for maximum flexibility in eligible uses and a streamlined process that releases the money to cities and counties as quickly as possible.

While the Governor's May Revise provides many reasons to be encouraged, there is still more work to be done such as working with aligned advocates in the housing community to continue to shore up support in the Assembly and the Senate to protect the Governor's proposed level and fight to see if it can be increased. Here are the main highlights:

- An additional $150 million for emergency housing shelters and navigation centers, bringing this year's budget total to $650 million. The state's 13 largest cities will receive $275 million, counties will receive $275 million, and Continuums of Care (CoCs) will receive $100 million. The budget notes that funds are contingent on cities and counties submitting regional plans to their CoCs, which must also be approved by the state.

- The Governor's mention of his ongoing communications with cities that the state has sued, and those cities the state has threated to sue, in this year's housing budget negotiations. The Governor said he has heard from cities that are struggling to pay for basic infrastructure such as the maintenance of roads, sidewalks, and streetlights. Some cities have argued that housing investment must come with greater investment in basic infrastructure. As a result of these negotiations, $500 million has been repurposed for the Infill Infrastructure Grant Program to provide gap funding for housing in high-density areas. This grant will be made available through the Department of Housing and Community Development (HCD).

- The alignment of local jurisdiction housing targets to the forthcoming Regional Housing Needs Assessment (RHNA). The budget also mentions that HCD will continue to develop long-term regional housing targets through a new RHNA process by 2022.

Public Safety

- An additional $18 million one-time General Fund payment for the California Violence Intervention and Prevention Grant Program. This grant ($27 million overall) will be available to cities to support services such as community education, diversion programs, outreach to at-risk youth, and violence reduction.
- With regards to the proposed funding to reduce gun violence, this is something with have been working with the Mayor's office on since the beginning of the year and we are building a coalition to increase those funds from what the Governor proposed.

Cap & Trade

- Updates to the Cap and Trade Program. The Governor's January budget proposed $1 billion to support programs that reduce greenhouse gas emissions – the May Revise proposes an additional $251.1 million. Specifically:

  - Transformative Climate Communities – one-time increase of $92 million for carbon neutral housing development.
  - Low Carbon Transportation – one-time increase of $130 million for mitigating diesel pollution. This includes $65 million to replace agriculture diesel equipment, $50 million for zero-emission trucks, transit buses, and freight equipment, and $15 million to help individuals replace high-polluting vehicles with more efficient cars and trucks.
  - Climate Smart Agriculture – one-time increase of $20 million for healthy soils and methane reduction programs.

Emergency Preparedness, Response and Recovery

- $769.6 million in additional funding to enhance the state's fire preparedness, including increased capacity to respond to emergency incidents and increased public safety. The May Revise also makes significant investments in the following areas which will be provided through the budget subcommittee process:

    - $20 million one-time General Fund for a state mission tasking appropriation within the Cal OES budget. In addition, $1.5 million and 12 positions are proposed for Cal OES to coordinate with all state agency responders as a part of effectively managing and monitoring this appropriation given it will be responsible for the distribution of these funds. When state entities are mission tasked, some staffing costs associated with those activities are not absorbable within existing budgets, nor are these costs eligible for the California Disaster Assistance Act or Disaster Response-Emergency Operations Act funding. This proposed state mission tasking appropriation provides a resource to fund state entities for costs incurred when mission tasked, and to fund surge capacity needs of the Statewide Disaster Reserve Corps described below.

    - One-time $518,000 General Fund to reimburse cities, counties and special districts for 2018-19 property tax losses resulting from the 2018 wildfires. This augments the $31.3 million proposed in the 2019-20 Governor's Budget, and subsequently added to the 2018 Budget Act by Chapter 1, Statutes of 2019 (AB 72).

Cannabis

With regards to the cannabis equity increase, that is something we have been working with the City Council on since last year and there is an increase in the budget. Here are more details:

- The May Revision also includes $15 million Cannabis Tax Fund to provide grants to local governments to assist in the creation and administration of equity programs, and to support equitable access to the regulated market for individuals through financial and technical assistance.

- The Governor's Office of Business and Economic Development will administer the grant program on behalf of the Bureau of Cannabis Control. The May Revision includes statutory language to address technical, clean-up issues related to the California Cannabis Appeals Panel statute, streamline provisional licenses, enhance the equity grant program established in Chapter 794, Statutes of 2018 (SB 1294), strengthen administrative penalties for unlicensed cannabis activity, and extend the existing CEQA exemption.

Education/Prop 98 Overview

K-14 Education was a major component of Governor Newsom's May Revision proposal, with state revenues bringing overall Prop 98 funding levels to $81.1 billion in 2019-20. This represents a $389.3 million increase over the January budget proposal and accounts for a slight decline in average daily attendance within the K-12 system.

K-12 School Districts

Under the Governor's May Revision, the K-12 education budget totals approximately $60,564,986,000. Early Childhood Education, Cradle to Career Pathways, and improving support for underserved student populations continues to be a central focus for the Newsom Administration and was heavily focused on during the Governor's press conference. Highlights of the May Revision include:

- $696.2 million in ongoing funding for Special Education, an increase of 21% over prior-year funding
  - May Revise also includes $500,000 one-time non-Prop 98 to increase LEA draw down on Federal funding and improve transition from regional centers to LEAs
- $398 million one-time funding for the creation of a Prop 98 Rainy Day Fund account
- $89.8 million one-time funding for an estimated 4,500 loan assumption payments of up to $20,000 for new teacher recruitment
  - $44.8 million one-time non-Prop 98 for professional development related to inclusive practices, social emotional learning, STEM, and other areas
- $13.9 million ongoing funding for professional development for administrators related to serving diverse student populations
- $15 million one-time funding for Broadband Infrastructure expansion
- $36 million one-time funding for an additional year of the Classified School Employees Summer Assistance Program
- Relevant adjustments for a 3.26 COLA, down from 3.46 in January
- Changes to All Day Kindergarten funding, increasing the state cost-share to 75%

Community Colleges
The California Community College System will receive a total of $10.27 billion in the proposed 2019-20 budget, down $29.2 million from January. The decline is largely due to cost shifts from the COLA calculation. The community college budget remains mostly unchanged from January, with a few key highlights:

- Student Centered Funding Formula – additional year of hold-harmless funding for districts while the Administration continues to evaluate the new formula
- $39.6 million one-time funding for Deferred Maintenance
- Additional $5.2 million ongoing funds for the College Promise initiative

CalSTRS
In addition to the Proposition 98 expenditures proposed by the Governor, January's budget included a $3 billion one-time non-Prop 98 funding payment to the CalSTRS system to provide some immediate relief for school districts for their rising pension costs.

The May Revision adds $150 million more one-time funding to that figure and will reduce the employer contribution rate from 18.13% to 16.7% in 2019-20.

Federal Budget

Federal Budget & Appropriations Overview

- At the federal level, the **budget** is a non-binding, broad outline of spending that is recommended but not required, which is followed by appropriations bills that fund all federal government agencies.
- **Appropriations bills**, which fund the federal government, are traditionally adopted in twelve individual bills pertaining to the various federal departments and agencies. These bills may also advance in the form of a:
    - **Continuing Resolution (CR):** Extension of federal funding for a set amount of time at the same level as previously negotiated
    - **Omnibus:** Full-year funding, all in one bill
    - **Minibus:** Full-year funding, but for several departments at a time
    - **CRomnibus:** Combination CR and omnibus, which negotiates new funding levels for some areas of government and simply extends federal funding at same levels for other areas of government
- In a typical legislative year, Congress begins crafting their annual funding bills after the president submits his proposal in February, followed by appropriation committee hearings in early spring, appropriations bill markups in late spring, floor debate and passage in summer, conference committee negotiations in early fall and final approval by the House and Senate before the September 30 end of the fiscal year.
- However, for the past several years, Congress has been unable to pass all twelve bills in time, and has relied in a series of CRs or omnibus bills.
- An omnibus (and sometimes minibuses) can be unwieldy and under-scrutinized compared to the individual twelve bills, but ultimately, they fund the government in the same way individual appropriation bills would.

FISCAL YEAR 2019 BUDGET AND APPROPRIATIONS

In February, President Trump signed the conference agreement to fund the government through September 30, 2019. Under the bill, the Department of Homeland Security received $1.38 billion for fencing along the southern border. It also funded a retroactive pay raise for federal workers of at least 1.9%, overriding President Trump's federal pay freeze enacted late last year.

FISCAL YEAR 2020 BUDGET AND APPROPRIATIONS

Since the finalization of Fiscal Year 2019 funding, the House and Senate Appropriations Committees has focused on collecting Fiscal Year 2020 appropriations requests from members of Congress in order to inform line item amounts in upcoming appropriations bills. The House has begun committee markups on appropriations bills, which will continue over the next several weeks, followed by bills moving forward to the floor in the coming months. The Senate is slated to begin marking up their versions in mid- to late-June.

Below is a chart that provides an overview of FY 2020 federal funding progress for many of Oakland's priority programs. Our stoplight system works so that <u>green</u> highlights the areas in which the proposed funding level is at or above the level we requested, <u>yellow</u> indicates that one of the two chambers recommended our requested levels, or a minor cut proposed by both chambers, red indicates a significant proposed cut, and **bold** indicates a funding level signed into law by President Trump (none yet).

Housing/Community Development

Program	FY 2019 enacted	FY 2020 President's Request	FY 2020 House	FY 2020 Senate	FY 2020 Enacted
Community Development Block Grant (CDBG)	$3.3 billion	$0	N/A	N/A	N/A
HOME Investment Partnerships	$1.25 billion	$0	N/A	N/A	N/A
Homeless Assistance Grants	$2.64 billion	$2.6 billion	N/A	N/A	N/A
HUD Tenant-Based Rental Assistance	$22.5 billion	$22.2 billion	N/A	N/A	N/A
HUD Project-Based Rental Assistance	$11.74 billion	$12 billion	N/A	N/A	N/A
Economic Development Administration (EDA)	$304 million	$0	$540 million	N/A	N/A

Transportation

Program	FY 2019 enacted	FY 2020 President's Request	FY 2020 House	FY 2020 Senate	FY 2020 Enacted
Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grants	$900 million	$1 billion	N/A	N/A	N/A
Infrastructure For Rebuilding America (INFRA) Grants	$1 billion	$2.035 billion	N/A	N/A	N/A
Federal Transit Administration Capital Investment Program (New Starts)	$2.6 billion	$1.5 billion	N/A	N/A	N/A

Public Safety

Program	FY 2019 enacted	FY 2020 President's Request	FY 2020 House	FY 2020 Senate	FY 2020 Enacted
Community Oriented Policing Services (COPS)***	$225.5 million	$99 million	$323 million	N/A	N/A
Recidivism/Reentry Grants (Second Chance Act)	$87.5 million	$85 million	$80 million	N/A	N/A
Assistance to Firefighters (AFG) Grants	$350 million	$344 million	N/A	N/A	N/A
Staffing for Adequate Fire and Emergency Response (SAFER) Grants	$350 million	$344 million	N/A	N/A	N/A
FEMA Pre-Disaster Mitigation Grant Program	$250 million	$0	N/A	N/A	N/A

*** In response to a lawsuit, COPS has put a hold on several grant programs for the FY18 cycle, including the COPS hiring program. If the hold is not resolved soon, this could affect appropriations for FY20, including prompting a cut while COPS allocates its delayed FY18 and FY19 award funding. While congressional appropriators are not currently factoring this in, we are aware of its ability to change in the near future.

Education

Program	FY 2019 enacted	FY 2020 President's Request	FY 2020 House	FY 2020 Senate	FY 2020 Enacted
Head Start	$10.1 billion	$10.1 billion	N/A	N/A	N/A
Job Training/WIOA	$3.5 billion	$3.25 billion	N/A	N/A	N/A

Environment

Program	FY 2019 enacted	FY 2020 President's Request	FY 2020 House	FY 2020 Senate	FY 2020 Enacted
Brownfields Grants	$87 million	$62 million	$105 million	N/A	N/A

Welfare Assistance

Program	FY 2019 enacted	FY 2020 President's Request	FY 2020 House	FY 2020 Senate	FY 2020 Enacted
Supplemental Nutrition	$73.48 billion	$69.1 billion	N/A	N/A	N/A

Assistance Program (SNAP)					
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	$6.075 billion	$5.8 billion	N/A	N/A	N/A
Community Service Block Grant (CSBG)	$725 million	$0	$796 million	N/A	N/A
Senior Community Service Employment Program	$400 million	$0	$464 million	N/A	N/A

Cannabis

The House Financial Services Subcommittee on Consumer Protection and Financial Institutions recently held a hearing to examine the challenges and solutions regarding access to banking services for cannabis-related businesses (CRBs).

This hearing marks the first step toward advancing the Secure and Fair Enforcement (SAFE) Banking Act, which would provide a safe harbor for financial institutions to serve CRBs. While passage in the House is likely due to the new Democratic majority, the path forward in the Senate remains less certain as it is unclear whether Senate Majority Leader Mitch McConnell would bring this legislation for a floor vote.

As we continue to work with congressional leaders to support advancement of the SAFE Banking Act, here is a summary of the House Financial Services Subcommittee hearing:

- Subcommittee Chairman Gregory Meeks (D-NY) noted the rapid, dramatic shift in the legal treatment of cannabis at the state and federal level and recognized how the federal government has not responded effectively to reflect this new reality.

- Congressman Ed Perlmutter (D-CO), sponsor of the SAFE Banking Act, expressed that improving access to banking services for CRBs would enhance transparency and accountability, and help law enforcement to root out illegal activity.

- California State Treasurer Fiona Ma provided her perspective as a former member of the State's Board of Equalization, where she saw cannabis businesses forced to deliver sales tax revenue in duffle bags filled with cash.

- Major Neill Franklin (Ret.), representing the Law Enforcement Action Partnership, outlined how keeping legitimate businesses from accessing banking services makes communities less safe and facilitates violent crime due to the proliferation of all-cash businesses.

- Representatives from community banks and credit unions explained how they have approached the changing legal landscape for cannabis and how federal banking regulations not only creates risk for CRBs but also for other legitimate businesses that knowingly or unknowingly interact with CRBs.

- Committee Chairwoman Maxine Waters (D-CA) echoed Chairman Meeks' comments and stated that the Majority's witnesses made a strong case for advancing federal legislation like the SAFE Banking Act.

- The Committee's Republican leadership, including Ranking Member Patrick McHenry (R-NC) and Subcommittee Ranking Member Blaine Luetkemeyer (R-MO), emphasized their belief that creating a safe harbor for cannabis business would create further confusion as cannabis is still a Schedule I substance.

New Legislation
In April, Democratic Senator Elizabeth Warren (D-MA) and Republican Senator Cory Gardner (D-NJ) reintroduced a bill that seeks to ensure U.S. states can determine their own best approach to marijuana, according to the lawmakers' joint statement.

This proposal responds to the 2018 Justice Department withdrawal of guidance directing federal authorities away from marijuana law enforcement in states that have legalized cannabis.

The measure would change the Controlled Substances Act so that - as long as states and tribal nations adhere with a "few basic protections" - its provisions wouldn't apply to people who comply with state marijuana laws. The legislation aims to keep states safe from federal overreach when deciding the best approach to marijuana.

Democratic Representative Earl Blumenauer (D-OR) and Republican Representative Dave Joyce (R-OH) have reintroduced a similar bill in the House.

This is one of several cannabis bills that have been introduced in Congress this year. While these bills have more momentum in the House than in past years, they still face hurdles in the Senate where the Republican controlled chamber has been more reluctant to take on marijuana issues.

<u>Immigration</u>
Census Citizenship Question
the Supreme Court heard oral arguments on the issue of adding a citizenship question to the 2020 Census. Based on what we observed, it seems likely that the Supreme Court will side with the Trump Administration and allow the Census to include a citizenship question. The Supreme Court is expected to issue a ruling by June. The Census form will be printed soon after.

This decision is significant, since the census will help determine U.S. elections, congressional seats and federal funding decisions for a decade, and asking questions about citizenship may skew the participation rate. California and other states with high levels of immigrant residents would be particularly affected.

An analysis by census officials found that nearly 6 percent of households with at least one noncitizen, or roughly 6.5 million people, would go uncounted with a citizenship question on the 2020 census.

New Legislation
At the end of March and beginning of April, a group of members of Congress led by Senator Dianne Feinstein (D-CA) and Congressman Ted Lieu (D-CA) introduced a long-awaited bill to fight homelessness.

The bill would:

- Authorize $750 million annually for five years to fund supportive housing models that provide comprehensive services and intensive case management.

- Require a 25 percent match for services and housing from non-federal funds.
- Allow grants to be used for any combination of operations and capital building costs, as long as housing and services requirements are fulfilled.
- Require grantees to track outcomes and report on housing stability and improvements in health and wellbeing, including education of children.

Grant eligibility and requirements:
- Grants may go to local governmental entities consisting of cities, counties, regional collaboratives and tribal governments.
- Services must address issues including mental health; substance use disorders; disabling or other chronic health conditions; educational and job training/employment outcomes; and life skills classes.
- Intensive case management must be provided with a ratio of no greater than 1 case manager to every 20 people served.
- When serving families with children, services available must also include children's behavioral and mental health services, early childhood education, regular and age-appropriate children's programming and activities, child health and nutrition screening and education and parenting classes and support programs.
- Services must also have in place protocol for staff training and best practices to identify and prevent child trafficking, abuse, and neglect.

This bill has been in the works behind the scenes for nearly a year, as members and staff have worked to get buy-in from over 90 individuals and organizations, including mayors, the Child Welfare League of America, Children's Defense Fund, Corporation for Supportive Housing, Mayors and CEOs for U.S. Housing Investment, National Alliance to End Homelessness, and the National Low-Income Housing Coalition.

The coordinated introduction in the House and Senate, the Republican cosponsors, and the influential place Senator Feinstein has on the appropriations committee make this bill one to watch. Any proposal of new investment is difficult to pass Congress; however, it is likely that this bill will continue to move.

<u>Opportunity Zones</u>
Amid uncertainty regarding how Opportunity Zones will work, the Department of Treasury released new guidelines aimed to meet investor wishes. However, some issues remain unresolved, and another round of proposed regulations are likely. A quick summary of the second round of regulations:

1. The rules allow a more flexible timeline to invest cash
2. The rules allow a one-year grace period to sell assets and reinvest the proceeds.
3. The rules provide more clarity around how a business can prove it is conducting enough activity in a zone.

Details on the Proposed Regulations

- The new Treasury regulations clarify that once a fund receives money, it will have six months to buy assets that qualify for the tax breaks. The rules also specify that land and vacant buildings are eligible investments for an opportunity zone fund. This is even more flexibility than was expected.

- The rules provide more clarity for investors who want to set up funds that hold more than one asset. Investors would like to create such funds to reduce the risk of a single bad project wiping out any return.

- The rules also allow investors to get special tax treatment if they've held their stake in the fund for at least 10 years, even if the fund didn't own the asset for a full decade.

- The rules also cleared up an issue investor had criticized concerning how businesses show they're conducting enough activity in a zone. Regulators have wanted to prevent shell companies from exploiting the breaks. To do so, the previous rules required businesses get half of their gross income within their opportunity zone. That would work for an apartment building or a grocery store, but less well for a business hoping to manufacture a product to be sold widely or provide services online. The new rules solve this by allowing funds three different ways to prove they are conducting enough business within the zone based on employee hours, where services are performed or where management is located. Businesses can also appeal their case. That should prompt more funds that invest in operating businesses to get into the marketplace. Until now, most opportunity zone funds have focused on real estate, because there was a clearer path to claim the benefits.

- The proposed rules provided three safe harbors for following a standard implemented by the first round of regulations—namely, that 50 percent of the fund's gross income stem from active business conduct within its opportunity zone. Two of those safe harbors allow businesses to base that 50 percent standard on services performed by employees and independent contractors. One safe harbor relies on the number of hours worked, and the other uses money paid for those services. However, the extent to which the term "independent contractors" should apply is somewhat unclear – resellers could fall into the definition, which could throw off a fund's ability to stay above the 50 percent threshold.

- If a fund isn't just building a property or business from scratch, it has to "substantially improve" the business or property it buys by investing an amount at least equal to the price it paid in the acquisition. This is a relatively easier calculation to make when it comes to real estate as opposed to operating businesses. The proposed rules would require funds to measure this improvement on an asset-by-asset basis, something the IRS acknowledged in the regulatory text would be difficult to quantify for operating businesses with diverse assets. The IRS asked for comments on the decision. Investors are indicating that this can create accounting difficulties.

Other Unsolved Issues

- Some critics say the law is written so loosely it could become a handout to the wealthy, increasing returns on projects they would have pursued anyway. Others say the bulk of investment could go to zones in places like Brooklyn or Portland, Oregon, that have little trouble attracting inflows.

- This round of regulations doesn't impose reporting requirements that would allow the IRS to assess penalties on those who violate the rule. As written, the law imposes a penalty on funds that fail a test of whether at least 90 percent of their assets are held in "qualified opportunity zone property," a classification that comes with its own percentage threshold tests. The regulations said the IRS and Treasury expect to address rules under Section 1400Z-2(f)—the section describing the penalty, along with the information reporting requirements in separate regulations, forms, or publications. This has created uncertainty for investors, who continue to have no clarity on the issue.

- Skeptics of the incentives have said it's unclear who's making investments in opportunity zones and what sorts of projects they're backing. Such data will be important to assessing whether the tax breaks fulfill their intention — to create jobs and economic development in low-income communities -- or end up encouraging investment that may have happened anyway.

Next Steps

- The Treasury Department is soliciting input on the proposed rules through June 16, 2019

- Senators Cory Booker (D-NJ) and Tim Scott (R-SC) plan to introduce legislation requiring the IRS to collect data from tax-break recipients to show how their investments are altering economic conditions in their opportunity zone. Their proposal would require the IRS to compile data about how many funds have been created, what assets they own, how many jobs have been created and how poverty levels have changed. This was originally going to be part of the initial bill but had to be removed for procedural reasons.

<u>Homelessness</u>

New Legislation

Senator Dianne Feinstein and Congressman Ted Lieu introduced a long-awaited bill to fight homelessness. The Mayor and her office have been working with the Senator on this proposal for the last year. This bill does the following:

- Authorizes $750 million annually for five years to fund supportive housing models that provide comprehensive services and intensive case management.
- Requires a 25 percent match for services and housing from non-federal funds.
- Allows grants to be used for any combination of operations and capital building costs, as long as housing and services requirements are fulfilled.
- Requires grantees to track outcomes and report on housing stability and improvements in health and wellbeing, including education of children.

Grant eligibility and requirements:

- Grants may go to local governmental entities consisting of cities, counties, regional collaboratives and tribal governments.
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- When serving families with children, services available must also include children's behavioral and mental health services, early childhood education, regular and age-appropriate children's programming and activities, child health and nutrition screening and education and parenting classes and support programs.
- Services must also have in place protocol for staff training and best practices to identify and prevent child trafficking, abuse, and neglect.

This bill has been in the works behind the scenes for nearly a year, as members and staff have worked to get buy-in from over 90 individuals and organizations, including mayors, the Child Welfare League of America, Children's Defense Fund, Corporation for Supportive Housing, Mayors and CEOs for U.S. Housing Investment, National Alliance to End Homelessness, and the National Low Income Housing Coalition.

The coordinated introduction in the House and Senate, the Republican cosponsors, and the influential place Senator Feinstein has on the appropriations committee make this bill one to watch. Any proposal of new investment is a hard lift these days, but this bill has a lot of momentum.

Hearing
In February, for the first time ever, the House Financial Services Committee recently held a hearing to examine the issue of homelessness and legislative solutions intended to address the ongoing crisis.

Chairwoman Maxine Waters (D-CA) used her first full committee hearing since taking the gavel to set forth her agenda aimed at providing the resources necessary to tackling the issue.

- Chairwoman Waters highlighted her draft legislation, the Ending Homelessness Act of 2019, which would provide more than $13 billion to federal housing and related programs over five years.
- While this legislation may advance through the House Financial Services Committee and the full House under the new Democratic majority, its path through the Senate is much less certain, where bipartisan proposals are much more likely to be able to move forward under the leadership of Majority Leader Mitch McConnell (R-KY).
    - Since its first introduction in 2016, the Ending Homelessness Act has not secured one Republican cosponsor.
    - We continue to work with Senator Feinstein and her staff, who are finalizing draft legislation with bipartisan support to create a grant program that would provide up to $750 million per year to local governments and tribes to fund homelessness and affordable housing initiatives.

While Democratic and Republican representatives may not fully agree on the legislative proposals to address homelessness, Members from both sides of the aisle recognized the issues that communities of all sizes across the country are struggling to address the issues of homelessness and affordable housing.

Most witnesses testified on how coordinated, regional approaches that take local conditions into consideration, rather than national, top-down prescriptions, are more effective in reducing homelessness.

- Witnesses also underscored the Housing First approach and low barriers to shelters as important tools to addressing the issue.
- Advocates called attention to the lessons learned in cutting veteran homelessness in half over the past ten years and it can help inform strategies to support coordination and evidence-based practices for helping the general homeless population.

<u>Civil Forfeiture</u>
In February, the Supreme Court ruled unanimously that the Constitution's prohibition on excessive fines applies to state and local governments, which will limit their abilities to impose fines and seize property. While the Bill of Rights protects against actions of the federal government, the Supreme Court over time has applied it to state and local governments under the due-process clause of the 14th Amendment.

Civil forfeiture has been studied by government and non-governmental organizations for several years. A study by Harvard University and the National Institute of Justice found that some 10 million people owe more than $50 billion as a result of the fines, fees and forfeitures. Further, an ACLU study indicated that, in the 100 cities with the highest proportion of revenue from fines and fees, civil forfeiture, fines, and fees financed between 7 percent and 30 percent of their budgets in 2012.

Because the ruling was on whether this part of the Bill of Rights applies to state and local governments, there are no specific limitations on fines and fees in the ruling. However, the details of what is excessive under the Bill of Rights may be the subject of future lawsuits.