CSAC BUDGET ACTION BULLETIN
CALIFORNIA STATE ASSOCIATION OF COUNTIES

FY 2021-22 July Budget Updates
July 16, 2021

TO: CSAC Board of Directors
County Administrative Officers
CSAC Corporate Partners

FROM: Graham Knaus, CSAC Executive Director
Darby Kernan, CSAC Deputy Executive Director, Legislative Services

RE: **July Budget Updates for FY 2021-22**

The Legislature has settled into a schedule of introducing new budget trailer bills on weekends, along with a new bill amending the budget, then hearing them in budget committees and passing them as the week progresses. The new additions are of particular importance to counties, as detailed below. Previous Budget Action Bulletins can be found on CSAC's website.

Now on their summer recess, the Legislature will not reconvene until August 16, at which point they will have four weeks to pass any remaining bills—including more budget bills and budget amendments—before adjourning for the year. Summer recess is an ideal time to meet with your legislators in their districts, either to establish or strengthen a relationship or to bend their ear on an important issue.

If you would like to receive the Budget Action Bulletin electronically, please e-mail Amanda Yang, CSAC Senior Legislative Assistant, at ayang@counties.org.

Homelessness

Homelessness Trailer Bill Provisions Approved by Legislature

The Legislature passed the housing trailer bill AB 140 (Committee on Budget) prior to adjourning for summer recess this week. The trailer bill consists of a number of negotiated homelessness provisions which included a historic investment of $2 billion in flexible homelessness funding for local governments over the next two years.

Flexible homelessness funding has been, and continues to be, a top CSAC budget priority. These investments demonstrate the state and local partnership needed to combat homelessness throughout California and provides counties with additional tools to develop and expand locally driven programs and services for the homeless and at risk of homelessness population. CSAC, the Urban Counties of California, and the Rural County Representatives of California submitted a letter of support as the trailer bill heads to the Governor's desk. The items below represent the key homelessness provisions from the trailer bill.

Homeless Housing, Assistance and Prevention Grant Program

The trailer bill expands on the Homeless Housing, Assistance and Prevention (HHAP) Grant Program created through trailer bill AB 101 in fiscal year 2019-20. The $2 billion in funding for FY 2021-22 and 2022-23 will be used for rounds three and four of HHAP. Allocations for each round will use the same formula as prior HHAP rounds which relies on a county's proportionate share of the total homeless population of the region serviced by the continuum of care (CoC) within which the county is located. Population will be based on the 2019 homeless point-in-time count for round three and the most recent homeless point-in-time count for round four. The bill specifically provides:

- $224 million to counties (40 percent cap for any single county).
- $240 million to CoCs (40 percent cap for any CoC).
- $336 million to large cities with populations over 300,000 (45 percent cap for any single city).
- $180 million for bonus funds available to cities, counties and CoCs.

In addition to the four designated funding pots the measure describes the parameters for applicants to apply for grants, the Homeless Coordinating and Financing Council's (HCFC) approval process, and reporting requirements. The statutory language passed by the Legislatures also reflects discussions related to prioritizing outcome goals and accountability measures. Each applicant will be required to provide outcome goals in consultation with HCFC. AB 140 provides the framework for the creation of the outcome goals and their evaluation. The $180 million for bonus funds are available for grant recipients who meet those goals. More program details and guidelines will be issued by HCFC.

Project Homekey

The trailer bill also includes statutory changes to facilitate the additional round of Project Homekey funds included in the final 2021-22 Budget. As a reminder, a total of $1.45 billion was included for additional Project Homekey applications and further details on the application process will emerge in the coming weeks. The statutory framework is consistent with the Governor's proposal that has been highlighted is previous CSAC communication.

Encampment Resolution Funding Program

The Encampment Resolution Funding program created in the trailer bill is a competitive grant program for cities, counties and CoCs to support encampment resolution and the transition of individuals into housing. Prioritization for funding will be given to applicants with encampments of 50 or more individuals, the ability to show cross-system collaboration and innovation, and issued to a diverse set of communities including rural, suburban and urban. An application with program guidelines will be available no later than October 31, 2021.

The Family Homeless Challenge Grants and Technical Assistance Program

The trailer bill outlines the framework for the $40 million in one-time funding for the Family Homeless Challenge Grants and Technical Assistance Program. The program is created to fund city, county and CoC efforts to accelerate, expand and develop solutions that target ending family homelessness. Seventy five percent of the funding ($30 million) will be distributed in two rounds of grants to local governments, another 20 percent ($8 million) will be set aside for local government technical assistance. An application with program guidelines will be available no later than March 1, 2022.

Agriculture, Environment and Natural Resources

Recycling Pilot Programs Extended and Expanded

The FY 2021-22 budget extends the sunset date of the beverage container recycling pilot program from January 1, 2023, to January 1, 2027, and increases the number of pilot projects from five to ten with the maximum number of operating years from three to five. These programs are designed to give local governments and partners flexibility in their recycling programs, and to inform the state CalRecycle department about alternatives to the uniform statewide programs.

Drought Contract Relief

As part of greater funding opportunities for drought-related grant and support programs, the budget provides some guidelines for the declaration of a drought scenario. Separate from an emergency declaration, the drought scenario provides temporary flexibility, until January 1, 2024, and ties to state and local assistance funding in the budget. The eligible interim relief covers hauled water, temporary community water tanks, bottled water, water vending machines, emergency water interties, new wells or rehabilitation of existing wells, construction of connections to adjacent water systems, recycled water projects, or other projects that provide immediate drought response, and fish and wildlife protection. A drought scenario may be called by the Governor or State Water Board with notice to the Legislature and relevant state emergency and natural resources agencies.

Water Debt Arrearages—Including Wastewater

As part of a $1 billion federal relief program, the budget gives guidance to the State Water Board on how to distribute relief funding to reduce customer water bills as a result of the COVID 19 pandemic, and to support local water agencies. This funding covers water debt from residential and commercial customers accrued between March 4, 2020, and June 15, 2021, if that customer is 60 days or more behind on their payments. For counties that maintain wastewater systems, if there are excess funds after the initial disbursement period which lasts through January 2022, the remaining funds are required to cover wastewater debt with disbursement beginning no later than February 1, 2022.

UC Cooperative Extension Restored

Counties and partners across the state pushed hard for restoration of the University of California (UC) Cooperative Extension program through the UC Agriculture and Natural (UC ANR) Resources division. The budget not only restores the UC ANR's budget to pre-COVID levels of FY 2019-20, but adds a five percent increase plus an additional $32 million in ongoing funding, bringing the total state budget to $107.9 million. This budget increase is transformational and will allow the program to expand and serve local partners statewide.

Update on Cannabis Consolidation and Regulations

CSAC initially opposed provisions of the cannabis trailer bill legislation that would consolidate the various state agency functions into a single entity due to additional requirements posed on local governments included in this bill. Specifically, certain provisions would not have allowed the full range of commonplace mechanisms utilized by lead agencies to meet the state's CEQA obligations for cannabis licensure. After negotiations with the Legislature and Administration, the coalition of counties and cities moved to a neutral position as concerns regarding CEQA requirements for future renewals of provisional commercial cannabis licenses. Provisions in the legislation now allow for the varied CEQA processes utilized by local jurisdictions and provide further clarity regarding the environmental review expectations for provisional license renewals.

Government Finance and Administration

Broadband

In a significant victory for counties and our coalition allies, the Legislature passed SB 156, which provides for a historic $6 billion investment in broadband infrastructure. CSAC organized and led a coalition of dozens of organizations in promoting and supporting the bill, including local government, schools, hospitals, economic development, labor, civil rights, upward mobility, disability rights, and many more.

The bill will benefit residents across the state, connecting millions of families and businesses by providing $2 billion for last-mile network construction in both rural and urban centers of California ($1 billion each). Within those designations, the funds will be allocated by the number of unserved and underserved residents, ensuring the funds flow where they are needed most.

Last mile investment dollars will be even better leveraged by the $3.25 billion earmarked to construct a statewide open-access middle mile network, an essential first step towards increasing connectivity and affordability for all by making it easier for more internet providers to provide faster, cheaper service throughout the state. This is especially important for the nearly 15 million Californians who live in a broadband monopoly.

An additional $750 million will act as a loan loss reserve specifically designed to leverage even greater broadband infrastructure investments by local governments, tribal governments, and non-profits.

This legislation utilizes billions in one-time federal funds to provide a permanent benefit by building broadband infrastructure throughout every region of the state.

SB 156 also makes a number of important reforms to the California Advanced Services Fund (CASF), through which last-mile subsidies are allocated, to level the playing field for counties, nonprofits, tribal governments, and smaller broadband providers.

Counties will continue to work with the Legislature, the Administration, and our many coalition allies over the summer and fall to pass legislation that will ensure affordable access for all.

Health and Human Services

HEALTH

AB 133 Health and Behavioral Health Trailer Bills

The legislature passed the single Health budget trailer bill, AB 133 yesterday. While the main budget bill (AB 128, passed by the Legislature on June 14 and signed by the Governor on June 28) outlined the Legislature's plan to fund local public health jurisdictions, public hospitals, and implement the Governor's ambitious proposal for behavioral health infrastructure and children and youth aged 25 and under, it provided few details. Subsequently, the Legislature included $3 million for a local public health needs study and $300 million for public hospitals in SB 129, which was passed by the Legislature on June 28 and signed by the Governor on July 12. AB 133 provides additional details on the Governor's centerpiece behavioral health proposals and the state's plan for handling the felony Incompetent to Stand Trial (IST) waitlist.

Incompetent to Stand Trail Waitlist
The Department of State Hospitals (DSH)has struggled with a growing and unconstitutional wait list for felony defendants who are deemed incompetent to stand trial (IST). Under the recent June 15 *Stiavetti v. Clendenin* decision, the wait time for admission into a state hospital must be less than 28 days.

The Governor's May Revision proposed increasing DSH capacity, but also halting intake of county conservatees into state hospitals to create more room for the IST population. The Legislature rejected that proposal, and counties subsequently engaged in nearly two months of negotiations with the state in search of viable solutions to reducing the 1,600-person IST wait list. During that time, SB 129 dedicated $255 million (and up to $75 million more upon approval) to allow DSH to contract for additional capacity in the community.

AB 133 includes additional language to create a state-led IST Solutions Workgroup tasked with identifying short, medium, and long-term solutions for complying with *Stiavetti*. A report is due by November 30 on short-term solutions that can be achieved by April 1, 2022, medium-term solutions that can be achieved by January 10, 2023, and long-term solutions that can be achieved by January 10 of 2024 and 2025.

If the waitlist is not in compliance by December 31, 2024, DSH may discontinue admissions of county conservatees, impose a three-year discharge plan whereby felony IST individuals are sent back to the counties regardless of local readiness, and charge 150 percent of the daily bed rate for any patient not transferred to a county.

The health trailer bill also authorizes DSH to contract with local facilities for bed space and strikes an important requirement for DSH to notify conservators when any conservatees are transferred to another facility. Current IST diversion programs will continue as planned and new placements/programs must be additive.

CSAC will continue to engage on this issue and play a key role in the IST Solutions Workgroup to ensure safe placements for all felony IST and conserved individuals.

Behavioral Health Infrastructure Continuum Program
The budget bill signed by the Governor on June 28, SB 129, included $443,499,000 for the Governor's Behavioral Health Continuum Infrastructure Program until June 30, 2026. Of that amount, $150 million is earmarked to support mobile crisis infrastructure, $100 million for justice-involved initiatives through 2024, $30 million for a Population Health Management service only if legislation is enacted that clarifies its implementation, and $4.6 million for interoperability or data exchange purposes.

The health trailer bill passed yesterday, AB 133, fleshes out some of the details for the infrastructure program, including that it will be administered through competitive grants to construct, acquire, or rehabilitate behavioral health facilities. The grant program requires matching funds or real property, cannot supplant current funding or programs, and any facility or beds created must operate for at least 30 years. It also requires a letter of support from a county or city in which a facility is proposed, and 95 percent of the costs of the project must be covered with public or philanthropic funds. The trailer bill also includes some language waiving some California Environmental Quality Act (CEQA) and relaxing contracting standards.
While AB 133 provides the above details, a great deal of technical and implementation details remain to be hashed out by the Department of Health Care Services, which will administer the Behavioral Health Continuum Infrastructure Program.

Children and Youth Behavioral Health Initiative
The second budget bill, SB 129, provided funding for the Governor's Children and Youth Behavioral Health Initiative, including $27.5 million for county-school behavioral health partnerships and $5.5 million for qualifying Medi-Cal managed care plans to implement school interventions. Millions more is earmarked for other youth behavioral health efforts led by health plans, schools, counties, and community based organizations for Californians aged 0 to 25.

AB 133 provides additional details for the Children and Youth Behavioral Health Initiative, including grants to:

- Provide youth services in rural, urban, and suburban areas and different age cohorts.
- Build youth behavioral capacity and workforce.
- Address behavioral health disparities for youth.
- Develop data sharing practices for prevention and treatment purposes.
- Create an app-based behavioral health services and supports platform to provide behavioral health screenings, online supports, and referrals and direct services to users.

The bill also places a strong emphasis on school-based behavioral health activities and requires health plans to cover school-linked behavioral health services. It also requires a new workgroup to develop and select evidence-based interventions for improving youth behavioral health.
As with the infrastructure proposal above, a great deal of technical and implementation details must be settled to implement the Children and Youth Behavioral Health Initiative.

HUMAN SERVICES

Human Services Trailer Bills
There are human services provisions in three trailer bills that became available this week and were passed by the Legislature yesterday. These include the human services trailer bill (AB

135/SB 135), the child welfare trailer bill (AB 153/SB 153) and the early care and education trailer bill (AB 131/SB 131). Many of the provisions of these bills were already settled and described in the CSAC June 28 BAB. However, there are a few key items described below that CSAC continued to engage on and that further details became available once the trailer bills were in print.

In-Home Supportive Services (IHSS)

IHSS Collective Bargaining Tools

The human services trailer bill (AB 135/SB 135) includes the CSAC-sponsored proposal to maintain the existing sharing ratio of 35% county/65% state for local wage increases up to the cap. This means that the sharing ratio will no longer flip on January 1, 2022, but will continue forward as it currently operates. In addition, AB 135/SB 135 includes language to maintain the ten percent over three years tool that allows counties to secure state participation above the cap. The bill does contain the final language changes that CSAC asked for to make it clear that all counties are able to use the tool two times for three-year periods that begin on or after January 1, 2022, no matter how many times a county has utilized the tool prior to that date.

Counties were facing significant uncertainty for IHSS collective bargaining with the changes that were set to occur on January 1, 2022. CSAC is pleased and grateful to the Governor and the Legislature for the adoption of this sponsored budget proposal that will help sustain the significant progress on IHSS collective bargaining that has been achieved in recent years.

Collective Bargaining Fiscal Penalty

AB 135/SB 135 includes the IHSS fiscal penalty proposal that CSAC and counties have opposed. This means that a county without a collective bargaining agreement could be subject to a 1991 Realignment withholding, but only if certain conditions are met. The conditions are the same and the penalty language is nearly identical to the 2019 penalty provision, with the penalty amount now being at seven percent. With a strong county advocacy effort, CSAC was able to prevent the penalty from being an ongoing penalty and keep it as a one-time penalty, which is significantly better.

The language reenacts the IHSS mediation and fact finding process as of October 1, 2021. A county could then be subject to the withholding only if all of the following four conditions are met: (1) A county and provider union have completed the full IHSS mediation and factfinding process; (2) the factfinding panel has issued recommended settlement terms that are more favorable to the union; (3) the county has an expired IHSS collective bargaining agreement; and (4) the county and union have not reached an agreement within 90 days after the release of the factfinding recommendations. For any county that has already gone through mediation and factfinding with recommended settlement terms issued prior to June 30, 2021, the county will have 90 days to reach an agreement or the withholding will occur on October 1, 2021.

The amount of the withholding will be equivalent to seven percent of a county's 2020-21 IHSS MOE. The withholding will occur through an adjustment to the county's Social Services Realignment base. The Social Services Realignment base will be restored by the amount of the withholding in the next fiscal year. The Public Employment Relations Board is required to notify the county, the provider union, the Department of Finance, and the State Controller of any withholding.

Child Welfare and Foster Care

Complex Care Needs for Foster Youth

AB 153/SB 153 includes provisions related to increasing the services and supports that are available to those foster youth with complex needs. The final language contains provisions from AB 808, a bill that was sponsored by the County Welfare Directors Association, as well as priorities of the Legislature related to out-of-state placements. CSAC has been engaged on this issue for a number of years and action was accelerated by the announcement from last December that the California Department of Social Services was bringing youth home from out-of-state facilities.

This bill would establish the Children's Crisis Continuum Pilot Program. It would be a five-year pilot that would require the creation of several types of crisis stabilization and residential programs, intensive services foster care homes with integrated mental health services, and community based support services that would be available 24/7. The child welfare trailer bill also requires the California Health and Human Services Agency to submit a plan to develop the services that are needed for those youth whom counties had difficulty providing services and securing placements. Finally, AB 153/SB 153 prohibits the placement of youth in out-of-state residential facilities as of July 1, 2021, but provides a one-year exemption if certain conditions are met.

Housing, Land Use, and Transportation

Housing

The Legislature passed the housing trailer bill, AB 140 (Committee on Budget), which invests in various programs to help address the affordable housing crisis across the state. The bill funds key county priorities though additional rounds of regional housing implementation and planning grants and infill infrastructure grants. Specifically, AB 140 would establish the Regional Early Action Planning Grants Program of 2021 to provide regions with $600 million in funding for transformative housing and infrastructure planning and implementation activities. The bill also authorizes $250 million for the Infill Infrastructure Grant Program.

AB 140 exempts housing projects receiving federal American Rescue Plan Act funding from certain requirements under Article XXXIV of the California Constitution, authorizes loans to be made through the Housing Rehabilitation Loan Fund, establishes the Excess Sites Local Government Matching Grants Program, and establishes the Foreclosure Intervention Housing Preservation Program.

Regional Early Action Planning Grants Program of 2021
AB 140 establishes the Regional Early Action Planning Grants Program of 2021 to be developed and administered by the California Department of Housing and Community Development (HCD), in collaboration with the Office of Planning and Research, the Strategic Growth Council, and the State Air Resources Board. The Budget Act of 2021 allocates $600 million to the program for regional agencies to make grants to cities and counties for transformative planning and housing implementation activities.

$510 million will be allocated to Metropolitan Planning Organizations (MPO) with maximum amounts based on each region's share of the state's population. Two additional pots of $30 million each are set aside for a statewide competitive program and a separate competitive program for regions located outside of an MPO. Five percent of the total funding will be available for administration and technical assistance.

Regional agencies will be responsible for determining the use of funds and suballocations within their boundaries in a manner that appropriately addresses their unique housing, land use, transportation, climate change, equity, and other planning priorities in compliance with eligible uses of these funds, which include:

- Providing local agencies with technical assistance, planning, temporary staffing, or consultant needs associated with updating local planning and zoning documents and other actions that accelerate infill housing production.
- Accelerating infill development, through rezoning, updating plans and ordinances, and revamping permitting process to ease housing development.
- Completing environmental clearance to eliminate the need for project-specific review for infill development.
- Establishing and funding an affordable housing catalyst fund, trust fund, or revolving loan fund for location efficient projects.
- Performing infrastructure planning and investing in upgrading infrastructure, including for sewers, water systems, transit, roads, or other public facilities necessary to enable reduction in per capita vehicle miles traveled, including accelerating housing production.
- Encouraging multimodal transportation, including adopting vision-zero policies, developing and implement bicycle and pedestrian infrastructure plans.
- Shifting travel behavior through reduced driving, including studying and implementing road pricing and establishing local vehicle miles traveled impact fees or mitigation banks.

- Accelerating infill housing production near jobs, transit, and resources.
- Increasing transit ridership through seamless transit systems, multimodal access plans, and planning for additional housing near transit.

Until December 31, 2022, the bill authorizes eligible entities to request an allocation of funds by submitting applications that explain how the proposed uses would meet the definition of transformative planning and implementation activities and how the proposed uses would implement and achieve the housing goals leading to a reduction of vehicle miles traveled. AB 140 authorizes HCD to make any remaining unallocated funds, after December 31, 2022, available on a competitive basis.

Entities that receive funding would be required to submit an annual report to HCD and make it publicly available online. By June 30, 2025, recipients of an allocation of funding would be required to submit a final report on the use of those funds to HCD, which would post the information online. It would also require recipients of funds to:

- Post, make available and update, land use maps and vehicle miles traveled generation maps produced in the development of their adopted sustainable communities strategy.
- Collaborate, and share progress, templates, and best practices with HCD and fellow recipients in implementation of funds.
- Expend implementation funds no later than June 30, 2024.

Infill Infrastructure Grant Program
AB 140 authorizes HCD to expend $250 million for the Infill Infrastructure Grant Program based on the framework from AB 101 (Committee on Budget, 2019). It allocates $160 million of those funds for selected capital improvement projects for large jurisdictions under the program. Consistent with a request from CSAC, RCRC, and the California Coalition for Rural Housing, the bill makes $90 million available for over-the-counter grants for capital improvement projects for counties under 250,000 population and the cities located within those counties. This portion of the bill also includes a flexible definition of infill to facilitate projects in small and rural jurisdictions.

Leasing State-Owned Property for Housing
AB 140 requires that at least 20 percent of housing units developed pursuant to current law allowing the state to lease property for housing purposes, be made available for the term of the lease to, and occupied by, lower-income households and very low-income households. It authorizes the California Department of Housing and Community Development (HCD) to prescribe alternative minimum percentage requirements in each income category. AB 140 also authorizes the California Department of General Services to permit commercial development on property leased if HCD determines that it is necessary to provide benefits to the community.

Finally, the bill authorizes HCD to permit phased development or to sell property or portions of a property leased to a lessee for the purposes of affordable homeownership.

Excluding Housing Projects Receiving ARPA Funds from Article XXXIV Requirements
AB 140 exempts new housing projects receiving funding from the Coronavirus State Fiscal Recovery Fund established by the federal American Rescue Plan of 2021 from the definition of "low-rent housing project" included in Article XXXIV of the California Constitution, which prohibits development, construction, or acquisition of a "low-rent housing project" absent a majority vote of the jurisdiction's electorate.

Housing Rehabilitation Loan Fund
The Budget Act of 2021 allocates $300 million for preservation of existing affordable housing. AB 140 authorizes HCD to make loans or grants available through the Housing Rehabilitation Loan Fund to rehabilitate, capitalize operating subsidy reserves for, and extend the long-term affordability of HCD-funded housing projects that meet any of the following criteria:

- Have affordability restriction that has expired.
- Have affordability restriction with a remaining term of less than 5 years.
- Are at risk of conversion.

Excess Sites Local Government Matching Grants Program
AB 140 establishes the Excess Sites Local Government Matching Grants Program to be administered by the California Department of Housing and Community Development. The bill removes language that requires state leasing to receive the approval of the governing body of any concerned local agency. It requires HCD to allocate grants of up to $10 million to develop partners selected under Executive Order N-06-19. This Executive Order authorized the Department of General Services (DGS) to dispose of surplus state property, required the DGS to create a digitized inventory of all excess state-owned parcels, and required DGS, in consultation with the Department of Housing and Community Development, to issue requests for proposals on individual parcels and accept proposals from certain developers of affordable housing.

AB 140 requires HCD to award grant funding based on several factors, including the value of the local government contribution and the creation of new permanent housing. It also authorizes a selected developer and a local government to submit a joint application that includes information on the local government's contribution and a commitment and strategy from the local government to support the developer. The bill limits the total amount of funding awarded under the program to $30 million and would require HCD to set aside up to five percent of appropriated for program administration.

Foreclosure Intervention Housing Preservation Program
AB 140 creates the Foreclosure Intervention Housing Preservation Program to be administered by HCD. The Budget Act of 2021 includes $500 million in funding for the program, which would be intended to preserve affordable housing and promote resident ownership or nonprofit organization ownership of residential property.

The bill requires HCD to provide eligible borrowers loans and grants to pay the acquisition costs and associated transaction costs of property purchased through a trustee's sale, as specified, subject to a pre foreclosure intervention sale or subject to a foreclosure risk intervention sale.

Any funds that remain uncommitted or are returned as of December 31, 2025 would be made available for purposes of the Housing Preservation Program. AB 140 requires that loan principal and interest payments be deposited into the Housing and Rehabilitation Loan Fund to be used for loans or grants to pay for repairs, maintenance, or improvements on properties acquired pursuant to the program.

Transportation
CSAC anticipates that the Governor will sign AB 149 (Committee on Budget), the transportation budget trailer bill, by the July 16 deadline for him to take action. This trailer bill includes limited relief for city and county maintenance of effort (MOE) requirements from SB 1 (Beall, 2017) sought by CSAC. Specifically, due to the impacts of the COVID-19 pandemic, AB 149 waives the MOE requirement for 2019-20, and in 2020-21 and 2021-22, allows each local agency's SB 1 MOE to be prorated downward based on reductions in taxable sales from 2018-19 to 2020-21 and 2021-22, respectively. For 2021-22, a jurisdiction where Transient Occupancy Tax (TOT) revenue exceeds Sales and Use Tax revenue may petition the Controller to use TOT as the basis for the MOE reduction calculation. No city or county's MOE will be increased pursuant to these provisions.

Separately, the Legislature and Governor continue to negotiate on transportation budget investments, including allocation of Proposition 1A (2008) bond funding to the High-Speed Rail project. Several one-time General Fund allocations to transportation grant programs in the Budget Act of 2021 appear to be contingent on the resolution of this debate, as these appropriations in SB 129 (Committee on Budget) include language requiring adoption of authorizing legislation by October 11, 2021. Specifically, one-time investments through the Transit and Intercity Rail Capital Program, as well as $500 million in local active transportation grants and $400 million split evenly between state and local transportation climate adaptation grants are all contingent upon adoption of future trailer bill language.