

Date: August 10, 2021

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager 

Subject: **State FY 22 Adopted Budget**

Over the past month, Governor Newsom and the State Legislature have finalized the foundation for the State's FY 22 Adopted Budget (Adopted Budget). The Adopted Budget was enacted on June 28, 2021, and significant funding details have been outlined through budget trailer bills in subsequent weeks. Of the total \$262.6 billion Adopted Budget, \$196.4 billion is General Fund, with a record projected surplus of \$75.7 billion, including historic revenues and federal relief. As detailed in a [June 17, 2021 memorandum](#), the State Appropriations Limit (commonly referred to as the "Gann Limit") has been exceeded for only the second time in California's history, requiring certain revenues to be returned to taxpayers through direct payments and education spending. The surplus will also help expand the Rainy Day Fund to \$15.8 billion and the Proposition 98 Reserve to \$4.5 billion.

The purpose of this memorandum is to outline how certain provisions of the Adopted Budget impact the City of Long Beach (City). Most importantly, the Adopted Budget includes direct allocations to Long Beach (denoted by bullet points) for one-time funding projects, rental assistance, homeless services, public health, and economic recovery to help manage the challenges of the COVID-19 pandemic.

Long Beach Impacts

District Project Funding

Due to the State's historic revenue surplus, the Adopted Budget incorporates more than \$1 billion in one-time investments for local communities across California. Legislators had an unprecedented opportunity to submit budget requests for funding to support district projects. Senator Lena Gonzalez and Assemblymember Patrick O'Donnell submitted budget requests and were able to secure almost \$25 million for Long Beach projects, including existing City priorities and new projects that were requested by the individual Legislators that met their interests. Long Beach City College (LBCC) is also expecting more than \$35 million for construction projects, bringing the total for Long Beach projects to nearly \$60 million:

- **\$8.5 million** for MacArthur Park rehabilitation
- **\$5 million** for the Center for Inclusive Business and Workforce Development in partnership with Centro CHA
- **\$4.3 million** for a walking trail along the San Gabriel River to the Pacific Ocean
- **\$3.3 million** for open space around the Los Angeles River
- **\$1.2 million** for El Dorado Regional Park youth softball and baseball fields

- **\$1 million** for The Children’s Clinic Family Health and Wellness site in Cambodia Town
- **\$850,000** for Bixby Park improvements
- **\$20.6 million** for construction of a music/theatre complex at LBCC Liberal Arts Campus
- **\$14.8 million** for construction at the LBCC Pacific Coast Campus

Rental Assistance and Affordable Housing

In January 2021, the Governor signed Senate Bill 91 (SB 91) to establish a rental assistance program funded by \$2.6 billion from federal COVID-19 relief resources. The initial round of the Emergency Rental Assistance Program (ERAP) offered funding for up to 80 percent of arrears for lower-income renters at risk of homelessness. The Adopted Budget includes another \$2.6 billion from the American Rescue Plan Act for a second round of ERAP, in addition to \$2 billion for utilities. The State has also expanded program eligibility to reimburse landlords and utility agencies up to 100 percent of arrears, and extended the eviction moratorium through September 30, 2021. The City expects to receive the following direct allocation for the [Long Beach ERAP](#):

- **\$13 million** for the second round of ERAP, bringing total rental assistance funding in Long Beach over the past year to approximately \$70 million.

The Adopted Budget also invests \$10.3 billion in affordable housing to increase construction of residential units and additional resources to incentivize homeownership. A total of \$100 million will advance homeownership through the California Dream for All Program, awarding low- and moderate-income first-time homebuyers, especially individuals burdened with additional student debt, up to 45 percent for home mortgage relief or to alleviate compounded student debt and home mortgage debt burden.

The Adopted Budget establishes a \$30 million Excess Sites Local Government Matching Grants Program to award one-time funding to developers to expedite development on State-owned property and match local government contributions. For long-term housing stability, the Adopted Budget dedicates \$80 million of American Rescue Plan Act funds over three years to fund legal aid services for renters and homeowners to avoid eviction and foreclosure, respectively.

Furthermore, the Adopted Budget extends the Infill Infrastructure Grant Program from January 1, 2023 to January 1, 2026. Of the program’s FY 22 \$250 million investment, \$160 million will be for selected large jurisdiction capital improvements and \$90 million for small jurisdictions.

Homelessness

Alongside these investments in housing, the Adopted Budget provides a record \$12 billion for homeless services and prevention over the next two years. Most important, the City

advocated for ongoing, flexible funding for homeless services, which were not originally included in the Governor's May Revision. With the support of the Legislature, the Adopted Budget includes \$2 billion for local governments and Continuums of Care (CoC) through Rounds 3 and 4 of the Homeless Housing, Assistance and Prevention Program (HHAP). In addition to these direct allocations, funding will be available to jurisdictions that meet accountability goals to address homelessness. Through HHAP, the City is estimated to receive:

- **\$8.6 million** annually in FY 22 and FY 23.

Also part of this funding, the Adopted Budget includes almost \$6 billion to create more than 42,000 housing units through Project Homekey for people experiencing homelessness. Similar to last year, the City will be able to compete for grant opportunities through this program for critical projects that provide permanent affordable and transitional housing. Another \$150 million will support participants in Project Roomkey hotels and motels through the COVID-19 pandemic.

This funding provides \$50.6 million for the Encampment Resolution Funding Program to assist cities, counties, and CoCs in ensuring the safety and wellness of people experiencing homelessness in encampments. The Housing and Disability Income Advocacy Program will receive \$100 million to increase participation among homeless persons with disabilities who may be eligible for disability benefits programs. The State will also oversee a new \$40 million Family Homelessness Challenge Grants and Technical Assistance Program to provide one-time grants and technical assistance to local jurisdictions for the purpose of addressing and ending family homelessness.

Public Health

For several years, the City has advocated for ongoing, structural State funding to support health jurisdictions and our local health department. In response to the challenges brought on by the COVID-19 pandemic, the Legislature successfully incorporated in the Adopted Budget \$300 million per year starting in FY 23 to bolster public health infrastructure and workforce. While specific allocations have not been determined, the City expects to receive recurring funding through this effort.

Additionally, the Adopted Budget invests \$3.2 million for the California Department of Public Health (CDPH) to establish an equity dashboard, based upon the annual CDPH reporting on health disparities adopted by the Legislature. The Adopted Budget also expands eligibility for public health service benefits. Monthly payments for those living on Supplemental Security Income/State Supplementary Payment (SSI/SSP) will increase, and CalWORKs beneficiaries will receive higher monthly stipends with additional assistance during pregnancy. All income-eligible California residents who are 50-plus years of age will now receive Medi-Cal regardless of immigration status.

Economic Inclusion

The Adopted Budget includes the largest economic recovery package in the State's history. Under the Gann Limit mentioned above, the Adopted Budget returns excess revenues via \$600 stimulus checks to taxpayers earning between \$30,000 and \$75,000 and another \$500 in payments to families with children. Additionally, the Adopted Budget increased the [Small Business COVID-19 Relief Grant Program](#) by \$1.5 billion in funding to small businesses and community organizations. A total of \$150 million will support the California Venues Grant Program to provide small businesses tax credits for hiring people experiencing homelessness and another \$50 million for grants supporting micro-businesses. Combined with appropriations earlier this year, this totals nearly \$15 billion in relief for families and small businesses.

For digital inclusion, the Adopted Budget includes \$6 billion over a multi-year period to support broadband infrastructure and improved access to broadband services throughout California. This program includes \$3.25 billion for middle-mile infrastructure in unserved communities. Another \$2 billion will be split between urban and rural jurisdictions for last-mile broadband projects, with no county receiving less than \$5 million. The remaining \$750 million will go towards building or expanding existing public networks.

The City also anticipates receiving direct allocations for youth workforce and cannabis equity. The Adopted Budget includes \$150 million directly to large cities on a per capita basis to administer grants to cities and counties for youth employment opportunities that advance economic recovery. The Big City Mayors coalition worked closely with the Governor's Office to incorporate funds for youth workforce development. While specific allocation amounts have not been determined yet, Long Beach will receive significant direct funding through this opportunity. Furthermore, for cannabis equity, 17 jurisdictions, including Long Beach, will get funding to assist transitioning from a provisional license to an annual license process, and the City will receive:

- **\$4 million** for the City's Cannabis Social Equity Program.

Using one-time federal COVID-19 relief funds, the Adopted Budget provides \$250 million for the State Lands Commission to distribute to California's 11 public ports to address the impacts of the pandemic. Specific funding amounts are based on eligible expenditures during the 2020 calendar year, including costs incurred for pandemic response, revenue impacts, and premium pay for eligible workers. The Port of Long Beach is listed as an eligible recipient of these funds.

The City will also be eligible to apply for various economic inclusion grants, such as the California Guaranteed Income Pilot Program. This \$35 million program will support local governments' administration of guaranteed income pilot programs and projects, such as the City's Guaranteed Income Pilot Program detailed in a [July 7, 2021 memorandum](#). The State funding is focused on California residents who age out of the extended foster care program, as well as pregnant individuals. Other programs of interest in the Adopted Budget include \$40 million for the Outdoor Equity Grants Program and \$565 million for

local assistance from the Greenhouse Gas Reduction Fund distributed by the State Air Resources Board.

Transportation

Staff regularly coordinate with State elected representatives and the California Department of Transportation (Caltrans) on clean-up efforts along State rights-of-way, as discussed in a [May 11, 2021 memorandum](#). The Adopted Budget establishes a \$1.1 billion Clean California Program to clean and beautify streets and roads, parks, pathways, and other public spaces. The City will be able to apply for up to \$5 million through the Clean California Local Grant Program of 2021. Additionally, funding may be available for Caltrans to contract with the City and other partners for litter abatement activities.

In September 2020, the Governor issued an [executive order](#) requiring all new passenger vehicles to be zero-emission by 2035 and medium- and heavy-duty vehicles to be zero-emission by 2045. Significant investments in zero-emission vehicle (ZEV) infrastructure are necessary to achieve the State's current goals. The Adopted Budget includes \$2.7 billion in 2021-22, and \$3.9 billion over three years, for a variety of ZEV programs, including multi-year investments in drayage trucks, transit buses, and school buses, as well as \$500 million for ZEV infrastructure and \$525 million for the Clean Vehicle Rebate Project.

Education

The Adopted Budget includes record-setting investments in public education, increasing annual per-pupil spending to about \$21,000. K-12 educational investments include a phased-in establishment of universal transitional kindergarten, expanded after-school and summer learning opportunities, \$396 million in ongoing Proposition 98 General Fund to increase the statewide base rate for the special education funding formula, and a Universal School Meals Program in FY 23.

Higher education budgets also anticipate new allocations to restore FY 21 shortfalls. The Adopted Budget includes a 5 percent ongoing funding increase for the University of California and California State University (CSU). The CSU system will receive \$325 million for deferred maintenance and infrastructure projects, \$13 million of which will go to California State University, Long Beach. Additionally, the Adopted Budget includes \$2 billion for new higher education facilities of housing and expansion.

Next Steps

The State's FY 22 Budget was effective July 1, 2021, and updates to the Adopted Budget are likely to continue through the Legislative year. While the Adopted Budget includes most of the high-level spending categories, many programmatic details continue to be fleshed out through budget trailer bills. Staff will provide pertinent updates regarding funding to the City as information becomes available.

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If you have any questions, please contact Tyler Bonanno-Curley, Manager of Government Affairs, at (562) 570-5715 or Tyler.Curley@longbeach.gov.

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