



April 28, 2020

TO: Director Joe Wallace, President, and
Members of the Board
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FR: Steve Wallauch
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RE: Legislative Update

Reconvening: The Assembly is scheduled to resume session on May 4th, and the House has already scheduled floor sessions and tentatively scheduled policy committee hearings. As of today, the Senate has also scheduled floor session for May 4th, which is a departure from previous plans to not return until May 18th. No word yet on the Senate schedule for policy committees. With hearing deadlines already passed, rules will be changed to accommodate this compressed schedule. Meeting the deadlines is only made possible by legislators electing to drop/postpone most of their legislative priorities. Instead of nearly 3,000 bills winding their way through the legislature, there will be only 600-700 bills heard in policy committees.

The Assembly is planning for one or two policy hearings per day. The committee hearings will be held in either the large hearing room, 4202, or in the Assembly Chambers. Policy committees will begin on May 4th and run through May 20th. Assembly Appropriations will likely hold only two hearings in early June. Given the fiscal outlook, the expectation is most bills will be held on their respective Suspense Files. Assembly Transportation Committee will be the first policy committee to meet on May 4th, and it will likely only be setting 6 to 10 bills on its agenda, as compared to over 100 bills it would hear in a typical year.

Unlike in the Senate where members were asked to prioritize their legislative packages, Assembly committee chairs have been given the power to determine what bills will and will not be heard in their respective committees. Once lawmakers return to the Capitol, it is anticipated that the physical presence of staff and the public in the Capitol will be extremely limited. Members of the public will be pre-screened by a health professional before being permitted to enter the Capitol, everyone must wear a mask, and strict social distancing protocols will be observed. Visiting legislative offices will likely be prohibited. The hearing process will also rely on conference calls for public testimony; however, it is unclear if one speaker in support and one in opposition will be allowed to speak in person.

May Revise: Governor Newsom is preparing the required May Revise that will be released by May 15th. It will paint a grim picture. The Department of Finance has issued guidance to all state departments informing them that all aspects of the January budget will be reconsidered in preparation of a bare bones June budget that will be revisited in August. In addition, Assembly Budget Committee chairman, Phil Ting, sent a memo to members stating that “When we convene we will no longer be able to consider new priorities and ideas from stakeholders, advocates, and members, with the exception of COVID-19 related costs, wildfire prevention, and homeless funding.” In addition, the Assembly will likely defer all deliberations on special fund programs, such as cap & trade auction revenue, until later in the session.

April is normally the largest revenue month for income tax receipts. The forecast for April 2020 pegged income tax revenues at \$18.4 billion. However, with the filing deadline extended to July 15th, April receipts have totaled only \$4.8 billion so far. Once a complete picture on revenue is known in July, an August Revise will be issued, and the budget will be adjusted accordingly. Since this income tax based on 2019 income, it is expected to increase as the July deadline approaches, but stock market volatility could take a toll. Other state revenues will be hit hard with the economy on lock down. Sales tax revenue at the state and local level is expected to drop by 40% in the short term, and sales tax revenue from diesel fuel sales, a major source of transit operating funds, will also take a big hit. It has been rumored that the Legislative Analyst’s Office is estimating a 20-40% hit to overall state revenues.

DOF Update: The Department of Finance provided the Legislature with an interim fiscal update on April 10th, stating that the pandemic is expected to result in a recession.

- Finance is anticipating that, in consideration of the 2.7 million unemployment requests already, California may experience unemployment numbers higher than the Great Recession in the coming months.
- They are estimating emergency expenditures beyond the \$1 billion already allocated to total about \$7 billion in 2020, however significant federal reimbursement is also expected.
- Finance is preparing for significant caseload increases in Medi-Cal, CalWORKs, and other social services.
- Cash flow is sufficient through the end of the current fiscal year, however, because of the fluid nature of the situation, the governor authorized the State Controller to open and transfer funds to the General Cash Revolving Fund. This allows the State to issue Revenue Anticipation Warrants (external cash borrowing beyond a single fiscal year) if necessary.

Economic Recovery Task Force: April 17th, Governor Newsom named a new economic recovery [task force team](#) to be jointly chaired by former presidential candidate Tom Steyer and the governor’s chief of staff Ann O’Leary. The task force will meet twice monthly and focus on determining actions government and businesses can take to help the State recover from the COVID-19 recession. The team includes a broad range of people including all four living former California State governors. Steyer was also named the governor’s new chief adviser on business and jobs recovery.

COVID-19 Spending: The Senate Republican Caucus created a [webpage](#) outlining state spending on COVID-19 thus far. [SB 89, Chapter 2, Statutes of 2020](#), amended the 2019-20 Budget Act, appropriating \$500 million from the General Fund and authorizing additional appropriations in increments of \$50 million up to a total of \$1 billion to address the COVID-19 emergency. The process includes the Department of Finance (DOF) sending letters to the Senate and Assembly Budget and Appropriations Chairmen notifying them of appropriations. Senator Holly Mitchell (D-Los Angeles) the Chair of the Joint Legislative Budget Committee then responds to the Department of Finance letters expressing support, concerns, or asking questions of the Administration. As of April 13th, a total of \$999.4 million has been appropriated:

LEGISLATION

Transit District Law: Assemblyman Bill Quirk has introduced AB 2777 at the request of AC Transit. This measure contains several changes and revisions to AC Transit's authorizing statute in order to modernize and streamline the District's governance and operations. However, given the direction from leadership for members to reevaluate their legislative program and proceed only with urgent items, AB 2777 will be significantly scaled back, and the deleted items will be revisited next year.

Given the impact of the COVID-19 crisis and the shelter in place order, it was decided to limit the content of AB 2777 to updating AC Transit's elections codes to allow for board candidates to pay a fee in lieu of collecting nomination signatures. These changes have become a little more extensive than anticipated, but AC Transit's General Counsel and Legislative Counsel's Office have been discussing these revisions. Once the language is amended into AB 2777, the bill will be heard by the Assembly Local Government Committee on May 12th. At this time an urgency clause will not be added until later in the process based on concerns that less than 54 members will be present on the Assembly Floor due to COVID concerns.

In addition, our office has been in contact with the Secretary of State's Office regarding the impact the shelter in place order might have on the ability to collect signatures for the November 2020 ballot. Secretary of States office is exploring what other local entities might face similar obstacles, and the possibility of an executive order suspending or reducing the signature requirement for this year.