



Special Legislative Update ■ March 18, 2020

A note to our readers:

During this unprecedented time, an abundance of information is being transmitted. As we assess the content and frequency of our updates, we are very mindful of the risk of oversaturation and are weighing that risk against communicating only the most time-sensitive and relevant information you may need. For the foreseeable future, we will issue updates no more often than once daily – unless circumstances dictate differently – and less frequently when possible. Thank you for your understanding and know that we always welcome your feedback! We continue to send our appreciation for all that you are doing individually and collectively to respond to this public health crisis.

LAO Warns of State Budget Trouble Ahead

Legislative Analyst Gabriel Patek released a fiscal perspective [report](#), “COVID-19 and California’s Evolving Fiscal Outlook,” earlier today to lay out the potential impact of the pandemic on the state’s fiscal health. To be clear, California will surely feel the economic impact of this public health emergency, as the volatile financial markets and the reduction in economic activity will require the Administration and the Legislature to reassess their budget priorities. We summarize his perspective in more detail below.

Volatile Financial Markets Mean Lower Capital Gains: The state’s personal income tax structure makes it especially reliant on taxes associated with capital gains, which are difficult to predict even in a period of normal economic activity. (It’s why we track IPOs (initial public offerings) and watch the stock market particularly closely.) The Governor’s proposed budget anticipated that the S&P 500 stock index would remain flat through the end of 2019 and beginning of 2020 with a gradual appreciation after that. As the market is now well below the Governor’s estimates, the LAO anticipates capital gains tax revenues will be significantly below budget estimates.

COVID-19 Response Brings Economic Activity to a Halt: The sudden and dramatic pull back from economic activity across a number of service sectors means that the likelihood of a recession has increased. Patek outlines an optimistic scenario in which the economy experiences a sharp, but short-lived downturn lasting one to two months, and the economy rebounds as quickly as it fell (aided by monetary and federal fiscal stimulus, of course). A more pessimistic scenario would be one in which supply chains remain disrupted and lending is curtailed due to concerns about market risk. It’s of course difficult to predict the impact at this point in time, but the LAO points out

that the state's fiscal health will depend largely on the type of recession and recovery the state experiences.

California's Strong Fiscal Position Helps: Because the state entered 2020 in such a strong fiscal position, the LAO notes that California is better situated to weather the pandemic and economic crisis.

Logistical Impacts: The LAO notes that the timing of the COVID outbreak – in between the Governor's proposed budget and May Revision (and so close to tax time!) – puts significant uncertainty into the state budgeting process. April revenues assist the state in refining its budget estimates and better plan for the coming fiscal year. The extended tax filing dates will further complicate the task of estimating revenues in preparation for adoption of a state budget in June. The LAO suggests that the Legislature may wish to budget in a more incremental manner; perhaps adopting a workload budget initially to buy time to better assess the state's fiscal capacity. Additionally, the Legislature may need to prioritize recovery from the public health and economic impacts of the COVID outbreak, potentially while dealing with a budget problem in 2020-21.

Newsom Announces Emergency Homeless Aid, New Executive Order

Governor Newsom announced this afternoon that he has taken emergency action to (1) provide aid to local governments and (2) implement emergency protective measures to mitigate the spread of COVID-19 among the homeless population. The first allocation from the \$500 million authorized in [SB 89](#) will be \$100 million to local governments for shelter support and emergency housing for the homeless and \$50 million to purchase travel trailers and lease rooms in hotels, motels, and other facilities in partnership with cities and counties.

The Governor also signed Executive Order [N-32-20](#) providing flexibility to local governments to spend their emergency homeless funding on immediate solutions tailored to combatting COVID-19 and its impacts on the homeless population. The Governor also waived certain regulatory barriers for any shelter or facilities built with this emergency funding.

The California Health and Human Services Agency has issued official [public health guidance](#) to homeless service providers statewide about social distancing in shelters, access to hygiene supplies, health screening protocols, and isolation protocols for people with COVID-19 or experiencing symptoms.

The state has immediately procured 1,309 travel trailers from FEMA and private vendors to provide quarantine capacity for those with COVID-19 or experiencing symptoms. These trailers will be deployed to California's largest population centers.

The state has provided counties with a tailored list of hotels and motels that are potentially available to lease for the next several months. The state is offering to contact hotels and negotiate leases, if a county requests that assistance. In total, the state has identified over 950 hotels across 53 counties that are potentially eligible for participation in the state's leasing program.

In this announcement, the Governor also clarified that Monday's [Executive Order](#) that authorizes local governments to halt evictions for renters and homeowners, slows foreclosures, and protects against utility shutoffs was intended to ensure that low-income Californians do not lose their homes as a result of eviction related to a loss of income or sickness due to COVID-19. The Governor *"hopes to see other local efforts to protect renters, low-income homeowners, and small businesses, following the leadership of local jurisdictions such as Los Angeles, San Francisco, Sacramento, and San Jose, which have already implemented or are working towards local measures.*

Additional Executive Order on Human Services Programs, Open Meeting Requirements

Governor Newsom issued another Executive Order [N-29-20](#) this morning that addresses two separate issues: (1) continued eligibility for public assistance and (2) public meetings, including the Bailey-Keene Act and Brown Act.

The first part of the order suspends eligibility redeterminations for 90 days (until June 17) for several public programs, including Medi-Cal, CalFresh, CalWORKs, Cash Assistance Program for Immigrants, California Food Assistance Program, and In-Home Supportive Services. Additionally, the order suspends the 48-month time clock for CalWORKs recipients until June 17, 2020.

The second part of the order withdraws Executive Order N-25-20 (March 12, 2020) and replaces it with today's order, which specifically addresses public meetings via teleconferencing. The order also suspends several provisions around teleconferencing, including noticing, posting of agendas, and in-person quorums. There are also provisions around accessibility requirements and notice requirements.

New Online COVID-19 Resources Available

The state has launched a one-stop [website](#) for information on the COVID-19 outbreak, including links to services and information as well as a [toolkit](#) that offers videos and social media messages to get the word out on available resources. Additionally, CSAC has developed an interactive [map](#) that tracks individual counties' responses to the pandemic, including emergency declarations and shelter-in-place orders. Finally, the Governor has been providing daily updates via [Facebook](#) Live, should you be interested in watching these broadcasts in real time.