



Special Legislative Update ■ April 2, 2020

Governor Newsom Announces New Plan to Defer Sales Taxes to Assist Small Business

Today, Governor Newsom announced today that he has directed the California Department of Tax and Fee Administration (CDTFA) to provide assistance to the state's small businesses, including allowing qualified businesses (with sales of \$5 million or less) to defer remittance of their sales and use taxes for up to one year to July 2021. The state estimates that about 300,000 filers will be eligible for deferral of up to \$50,000 at an estimated total cost of \$3 billion. This action is in addition to the Governor's previous executive order authorizing retailers who file returns of less than \$1 million to receive an additional three months to file their return, until July 31, 2020. Keep in mind that sales taxes provide a significant source of general purpose revenue for cities and counties, fund both 1991 and 2011 Realignments, and provide revenues for a number of local priorities, including transportation.

Since there is no associated Executive Order, there are a number of questions about the scope and process associated with this new plan. The local government associations and affiliated organizations will undoubtedly be working through the details with the CDTFA, Department of Finance (DOF), and the Legislature.

The Governor also announced that he has directed \$50 million from the SB 89 approved expenditures for micro-loans at the California Infrastructure and Economic Development Bank (or I-Bank) for loan guarantees to small business to eliminate barriers to capital for those individuals who do not qualify for federal funds, including low wealth and undocumented immigrant communities.

Another Executive Order to Facilitate Expenditures from the Reserve

Last night, Governor Newsom signed Executive Order [N-41-20](#) to facilitate expenditures from the state's Disaster Response-Emergency Operations Account (DREOA), a subaccount of the Special Fund for Economic Uncertainties (the state's regular reserve fund), as well as any other legally available fund to help with the COVID-19 response.

In March, the Governor directed the transfer of \$1.3 billion from the Special Fund for Economic Uncertainties to the DREOA subaccount in preparation to pay for costs of the state's COVID-19

response. With this transfer and the \$99 million available balance, the DREOA fund now totals \$1.4 billion.

And Another Executive Order... Protecting Californians from Water Shut-offs

Governor Newsom signed Executive Order [N-42-20](#) today, suspending the authority of water systems to discontinue residential water service and requiring reconnection of any residential service that has been disconnected starting March 4. The order further requires that commercial water service for those businesses that are considered part of “critical infrastructure” to be maintained. The Governor directs the State Water Resources Control Board to develop best practices to address non-payment or reduced payments, ensure continuity of service, and provide support to those water systems facing financial distress.

California Health Corps Update

At the noon press conference today, the Governor noted that over 70,000 people have submitted online applications for the California Health Corps since the website became operational on Monday.

Guidance Released on Cloth Face Coverings

The California Department of Public Health issued [guidance](#) last night on the use of cloth face coverings by the general public. The guidance *does not* recommend the use of cloth face coverings by the general public when outside the home. The state continues to recommend frequent hand washing; avoiding touching eyes, nose, and mouth with unwashed hands; avoiding sick people; physical distancing; and staying home. The state’s guidance says, in part, that while “[t]here may be a benefit to reducing asymptomatic transmission and reinforcing physical distancing from the use of face coverings,” face coverings may increase risk of exposure if users reduce the other strong defenses against transmission.

November 2020 Ballot Update: Split Roll Backers Submit Signatures

Supporters of a new “split roll” ballot measure say that they will submit 1.7 million signatures to qualify the measure for the November ballot. The campaign needs to collect 997,139 signatures by mid-April to qualify. Recall that the split roll measure seeks to refine and replace another measure seeking voter approval for a split roll. The measure calls for reassessment of commercial and industrial properties valued at over \$3 million, with exceptions for agricultural and open space properties.