



## Special Legislative Update ■ May 12, 2020

### Senate Democrats Release Planned Budget Approach, Economic Recovery Proposals

In a [press conference](#) this morning, Senate President pro Tem Toni Atkins [outlined](#) the Senate Democrats' guiding principles for upcoming budget negotiations and two proposals to assist in the state's economic recovery.

First, the Senate will prioritize a responsible budget that is balanced through 2021-22. Using budget tools at its disposal (see slide 4 at the previous link), the Senate will also advocate for significant assistance from the federal government to achieve this goal. The second principle is to avoid actions that worsen the economy, including making major program reductions. The state has an opportunity to reduce the magnitude and length of the economic downturn if it (1) can avoid tax increases to the middle class and (2) preserve safety net services and realigned programs.

To provide assistance to renters and landlords, the Senate proposes a fund to stabilize the rental market by offering rental assistance paired with landlord relief. Essentially, the state would enter into a three-way contract with renters and landlords. Renters would receive immediate rent relief for unpaid rent and secure eviction protections. Renters would have to commit to repaying their past-due rental amounts over a ten-year period, interest-free, beginning in 2024. Landlords would receive tax credits for the amounts of foregone rent that may be used during the ten-year period starting in 2024. These tax credits would be transferable, allowing for a secondary market to buy the credits for immediate cash.

Finally, the Senate proposes a \$25 billion Economic Recovery Fund to fund investments in the California economy, including things like small business and worker assistance, green economy investments, multi-year commitment to address homelessness, wildfire prevention response, and local government relief, among others. Under the program, the state would incentivize pre-payment of state income taxes of approximately \$3 billion per year for tax years 2024 through 2033. Participating taxpayers would receive vouchers for those years at a moderately reduced amount; vouchers would be fully transferable to again allow for a secondary market to buy the vouchers for immediate cash. The idea is to move revenues that would otherwise be paid in better economic times to now when revenues are so desperately needed.

Today's announcement sets out a framework for fast and furious budget negotiations after the release of the May Revision on Thursday.

UCC issued the following statement after the Senate released its budget plan today:

*In the midst of an unprecedented public health and economic crisis, the Urban Counties of California (UCC) greatly appreciates the Senate Democrats' commitment to a budget that responsibly manages the shortfall, while avoiding additional harm to the state's recovery and doing right by our most vulnerable populations. Urban counties are on the front lines of the COVID response and we will need support from the state and federal government to continue our efforts to ensure the public's health and safety. Creative approaches like the Senate's plan and the Administration's elevating the state's needs to Congress are necessary to get to recovery. We look forward to continuing in partnership with the state and federal government as we work together on budget solutions that protect our communities.*

### **UCC and CSAC Publish FAQ on 2011 Realignment During Period of Revenue Decline**

UCC and CSAC worked jointly to issue a frequently asked questions (FAQ) document (attached) that seeks to provide answers about how the provisions of Proposition 30 (2012) and the 2011 Realignment fiscal structure work together, with a particular focus on implications of year-over-year revenue declines. These questions are especially important today given the expected sharp drop in the two funding sources that support the broad array of programs realigned in 2011. Updated 2011 Realignment revenue projections will be released on Thursday as part of the Governor's May Revision.

### **Governor Makes Announcements About Testing and County Variance Efforts**

At his noon press update today, Governor Newsom offered the following updates:

- The state has conducted more than 1 million diagnostic tests statewide, with the pace of testing accelerating significantly over the last month. Daily testing is now averaging approximately 35,000. The Governor pointed out how critical robust testing capacity is to the roadmap to recovery and re-opening.
- At the time of this writing, four counties – Butte, El Dorado, Nevada and Placer – have successfully completed the self-certification process and meet the readiness criteria needed to accelerate their progress through Stage 2 of the re-opening process. The Governor also reported that additional counties would likely follow; the Administration is in various stages of conversation and technical assistance with more than 25 counties pursuing the county variance.
- Additional guidance is being given regarding sectors and activities that will be opened in Stage 2. The Governor announced today, for example, the office workplaces may now reopen if a telework option is not feasible and appropriate public health modifications can be assured.
- The state has also established a new 24-hour "Medi-Nurse" line (877-409-9052) available for Medi-Cal patients without a health plan (fee for service) and uninsured Californians.

Patients can call the line with COVID-19 concerns or for any other general medical issue. Insured individuals may use the telehealth zip code finder to on the state's resource [website](#) to access their health insurance plan's telehealth and nurse help.

The state continually updates its guidance, COVID-19 data, and relevant resources on its [covid19.ca.gov](https://www.covid19.ca.gov) website.

#### JLBC Responds to Newsom Administration Request for COVID-19 Expenditures

In response to two recent expenditure requests from the Newsom Administration, Joint Legislative Budget Committee Chair Senator Holly Mitchell has responded with requests for more information from the Administration. Regarding a request for funding for a contact tracing program that utilizes data management platforms to integrate with the state's disease surveillance system, Senator Mitchell [requested](#) additional information to ensure that the state's contact tracing effort includes safeguards of "our right to privacy and the need for transparency." Senator Mitchell further requested a detailed list of information that includes contract provisions that discuss how personal information can be shared, descriptions of safeguards against data breaches, and assurances that immigrants' information will not be disclosed.

In a second [response](#) to a request for additional resources to reimburse counties who are housing more inmates since state prisons have halted intake of new prisoners, Senator Mitchell seeks additional information from the Administration regarding what measures corrections officials are taking to protect staff and inmates from a COVID-19 outbreak.