



Special Legislative Update ■ May 8, 2020

LAO Predicts a Not-Quite-as-Large State Budget Deficit

The Legislative Analyst's Office (LAO) released its "2020-21 State Budget: California's Spring Fiscal Outlook" [report](#) today, discussing two possible economic scenarios for the state: a U-shaped recession and an L-shaped recession. In both scenarios, the LAO's estimate of the state's budget deficit is markedly lower than that projected by the Department of Finance.

Under the U-shaped recession, in which the economy would begin to see meaningful recovery this summer (gains in both personal income and employment), the LAO suggests that the state would have to manage an \$18 billion budget problem. In this scenario, economic activity would remain below pre-recession levels well into 2021, but the recovery would pick up pace beginning in the second half of 2021. The LAO suggests that this scenario is supported by positive pre-pandemic economic indicators, including household borrowing that was much lower than it was leading into the Great Recession and lack of signs of major overheating in key assets, like stocks during the dot-com recession. These factors would indicate that Californians may be in a better position to weather the downturn, and the economy may be poised to rebound more quickly once the pandemic has subsided.

Under an L-shaped recession scenario, in which the economy would remain in a significant downturn well into 2021, the state would face a budget deficit problem estimated at \$31 billion. In this scenario, gradual recovery would begin in the second half of 2021, but the economy would not return to pre-recession levels until at least 2023. The factors that would drive an L-shaped recession would include a second spike of virus that would require an additional round of public health restrictions, keep those that have become unemployed out of the workforce for an extended period of time, and/or force businesses into bankruptcy due to the shutdown or an inability to adapt their operations to allow for social distancing.

It is especially important to note that the methodology used for developing a budget deficit by the Department of Finance and the Legislative Analyst's Office differ significantly. The Administration's estimate is substantially larger than the higher range of the LAO because the Administration is making a comparison to gross changes in the budget's bottom line, while the LAO's estimates include the net effects of current law.

The LAO concludes with recommendations that the Legislature use a mix of the tools at its disposal to address the state's budget problem, including using reserves, reducing expenditures, increasing revenues, and shifting costs. However, the LAO also notes that ongoing solutions will be required to bring the budget into structural alignment. The LAO also suggests that the Legislature mitigate actions that could worsen the public health crisis or compound personal economic challenges faced by Californians. Finally, the LAO recommends that the Legislature begin making difficult choices in June, as delaying action could increase the size of the budget problem and make some solutions more difficult to implement.

Governor Newsom Calls for All-Mail November Election

Today, Governor Gavin Newsom signed Executive Order [N-64-20](#), requiring each county's elections official to send vote-by-mail ballots for the November 3, 2020 General Election to all registered voters, while maintaining some option for in-person voting opportunities. Citing the likely need to maintain some level of social distancing during the fall months, as well as the need for county elections officials to begin planning, the Governor indicated that he will continue to work with the Legislature and Secretary of State to determine how requirements for in-person voting opportunities and other details of the November election will be implemented, while preserving public health and giving county elections officials needed flexibility. Specifically, the Governor notes that, if by May 30, 2020 counties do not yet have clarity for in-person voting opportunities and other details, it may be necessary to issue a further executive order addressing these issues.

The Governor's announcement comes on the heels of a separate [announcement](#) from Senator Tom Umberg and Assembly Member Marc Berman – chairs of the Senate and Assembly Elections Committees, respectively – about their pursuit of a legislative package to ensure a safe and fair November election, including the following:

- Mail-in ballot for all voters (see Assembly Member Berman's [AB 860](#))
- Safe in-person voting options
- Appropriate voting locations and staffing
- Adequate PPE and cleaning supplies
- Ballot drop-off locations
- Voter education campaign
- Flexibility to modify on a case-by-case basis

Neither the Governor's Executive Order nor the announcement from the Elections Committee chairs includes a mention of costs of implementing the election changes, which could be considerable.

New Executive Order Addresses Assorted Deadline Extensions Needed to Accommodate Impacts of Pandemic

The Governor released Executive Order [N-63-20](#) this afternoon addressing a potpourri of governmental functions, which will do all of the following:

- Extend deadlines for certification requirements for public school project inspectors who previously passed an initial evaluation, as well as Certified Access Specialists who ensure compliance with disability access in properties and businesses.
- Give the State Fire Marshal 60 days to publish lists of building materials, requirements and registration renewals for flame-retardant fabrics and applications.
- Extend for 60 days the expiration dates for notaries public whose commissions are set to expire. The order also makes it clear that notaries public can use an expired Department of Motor Vehicle driver's license or identification card to confirm identification, consistent with prior action that extended expiration dates for driver's licenses and identification cards.
- Allow retired peace officers to temporarily be reemployed for up to a year if they left the agency in good standing.
- Authorize remote reporting under the Sex Offender Registration Act consistent with state public health guidance. This will help facilitate reporting that otherwise may not be occurring or not occurring in a manner that protects law enforcement personnel and registrants.
- Extend by 60 days certain procedural deadlines of the Department of Industrial Relations, including the deadline for workers to file wage claims with the Labor Commissioner; the deadline for employers to appeal Cal/OSHA citations; and the deadline for Workers' Compensation Administrative Law Judges to issue decisions.

LAO Post on State Corrections Actions

In a [post](#) today as part of a series of articles exploring various impacts of the pandemic, the LAO discusses the challenges that COVID-19 has presented to the state corrections system given the congregate settings where inmates are housed and staff work. The Department of Corrections and Rehabilitation updates confirmed cases among staff and inmates [here](#); as of yesterday, there has been one inmate death; 447 confirmed cases among inmates; and 169 confirmed cases among staff at both adult and juvenile facilities. The post also discusses various federal and state actions taken in response to COVID-19 within the state's detention facilities.

Judicial Council Releases Summary of 2019 Court-Related Legislation

Today, the Judicial Council [issued](#) its annual summary of legislation affecting the judicial branch. The 2019 resource includes a description of newly enacted laws affecting the judicial branch, organized by major categories (e.g., civil, criminal, and juvenile), a report of new or expanded crimes, and a numeric index of all legislation contained within the summary.

Department of Health Care Services Updates

The Centers for Medicare & Medicaid Services (CMS) granted approval of the Department of Health Care Services' (DHCS) request for multiple Section 1135 flexibilities related to Medicaid and the Children's Health Insurance Program (CHIP), including:

- Extending pre-existing authorizations;
- Accommodating circumstances that require relocation to an alternative setting to ensure the continuation of needed home and community-based services (HCBS);

- Temporarily waiving written consent under HCBS programs and permitting documented verbal consent as an alternative.

DHCS also published additional and/or updated guidance for providers, beneficiaries and the public related to the COVID-19 emergency, including:

- Updated: [Program of All-inclusive Care for the Elderly \(PACE\) – COVID-19 Flexibilities](#)
- Updated: [Presumptive Eligibility for COVID-19](#)
- Updated: [Fee-for-Service Pharmacy: Benefit Reminders and Clarifications](#)