Advocacy Update

Receive and File

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**Attachments:** No

1. **Issue:**  
An update on federal and state legislative activities.

2. **Recommendation:**  
None, this item is for information only.

3. **Background/Analysis:**  
On April 24, 2020, the President signed the fourth federal relief bill, the “Paycheck Protection Program and Health Care Enhancement Act”. The Senate returned to Capitol Hill on Monday, May 4, 2020. The House could return as early as Monday, May 11, 2020, or it might wait until it is time to vote on the next round of coronavirus relief legislation.

In Sacramento, the State Assembly officially reconvened in the state capitol on May 4, 2020 and the State Senate will return on May 11, 2020.

4. **Discussion/Analysis:**  
The most recent federal relief bill provides $484 billion in aid, including doubling the allocation to Emergency Economic Injury Disaster Loan (EIDL) grants from $10 billion to $20 billion and expanding eligibility to clarify that small farms and ranches with fewer than 500 employees are eligible for the grants (however there continues to be difficulties for them to access the funds). Other components include an additional $310 billion to prop up the Paycheck Protection Program, $60 billion in loans and grants for economic disaster assistance, $75 billion for hospitals, and $25 billion for coronavirus testing. It has been called an interim bill, or bill 3.5, as Congress works on potentially passing a larger relief bill.

The pandemic has forced the state legislature to alter their standard calendar and practice for both policy bills and the budget process. Policy committees in the Assembly will only hold one hearing, or no hearings, and the policy committees in the Senate will significantly reduce the number of hearings they hold. The number of bills moving forward is significantly less than that introduced through February this year as most legislators chose not to move forward with many of their bills.

May 1 was the original deadline for all policy bills to pass out of policy committees in their house of origin. That deadline, and the majority of future deadlines, has been pushed back to accommodate the unexpected...
recess. The Assembly will hold policy committees though May 22 and the Senate will hold policy committees through May 29. Bills with any cost to the state will then move to the Appropriations Committees, before a floor vote, likely in June. The previous May 29 House of Origin deadline, the deadline for the Assembly to vote Assembly bills off of the Floor and the Senate to vote Senate bills out of the Senate, was moved to June 19 in the Assembly and June 26 in the Senate. The deadline for the legislature to pass the state budget is a Constitutional deadline and remains at June 15.

The governor is expected to release a revised budget proposal, the May Revise, by May 14. This budget will look very different from his January budget and will reflect the Department of Finance’s (DOF) May Fiscal Update. DOF made the following predictions:

- The 2020 unemployment rate will be 18 percent.
  - Earlier this year statewide unemployment was 3.9 percent.
  - Unemployment during the Great Recession peaked at 12 percent.
- State personal income will fall by nearly 9 percent on an annual basis in 2020.
- Permits for new housing construction statewide will drop by more than 21 percent in 2020.

DOF identified significant losses in expected state revenues. Personal Income Tax, Sales and Use Tax, and Corporation Tax, the three main sources of General Fund revenue, are all expected to each drop more than 20 percent compared to January projections. These projected declines, along with the expected increases in COVID related expenditures, will result in an overall $54.3 billion budget deficit, $13.4 billion occurring in the current fiscal year and $40.9 billion occurring in the 2020-2021 fiscal year.

The Legislative Analyst’s Office (LAO) predicts slightly different numbers in its *Spring Fiscal Outlook* report. The nonpartisan fiscal and policy advisor to the legislature estimates that the initial deficit will be in the range of $18 billion - $31 billion, based on its two recession scenario assumptions. It also expects the state to face deficits through at least fiscal year 2023-2024.

According to the LAO, the report projects different deficit numbers than DOF due to the use of different assumptions, including DOF assuming lower revenues, continuation of the governor’s budget discretionary proposals, and unchanged levels of Proposition 98 education spending.

The legislature is required to pass a state budget by June 15. Due to the extension of the tax deadline from April 15 to July 15, it is likely that the governor and legislature will reevaluate the state budget in August.

5. Fiscal Impact/Grant Information:
SACOG’s advocacy activities and lobbying contract are paid for through member dues.

6. This staff report aligns with the following SACOG Work Plan Objectives:

**Goal 3 : Vibrant Places**