

Assembly
California Legislature



ASSEMBLY COMMITTEE ON BUDGET

PHILIP Y. TING, CHAIR
ASSEMBLYMEMBER, NINETEENTH DISTRICT

CHIEF CONSULTANT
CHRISTIAN GRIFFITH
DEPUTY CHIEF CONSULTANT
NICOLE VAZQUEZ
COMMITTEE SECRETARIES
IRENE VILLARRUZ
MARCO RODRIGUEZ
JUAN CERVANTES
CONSULTANTS
FARRA BRACHT
SUSAN CHAN
KATIE HARDEMAN
JENNIFER KIM
ANDREA MARGOLIS
MARK MARTIN
GENEVIEVE MORELOS

The 2020-21 budget in California will have to adjust to the realities of the impact of COVID-19 on our State. The immediate needs in response to the disaster force us to pause important work and priorities that predated the pandemic. And once the State begins to recover, we will have to adapt to a very different budget process in the Assembly. This memo provides an update on what the Committee's process might look like, going forward.

When we reconvene, we will have less money and less time to adopt a balanced budget. We know that as a result of the crisis, the State will see our revenues decline, even as we must increase spending to protect Californians. We will not be able to assess the full damage to our State's economy and our revenues until August, at the earliest. In addition, we must find a way to include the public in our deliberations - which, depending on when we return, may be condensed into a few short weeks.

This new reality will likely result in the following changes to the 2020 budget process:

- **June 15 Baseline Budget:** We expect the Governor's May Revision to become a "workload" budget that reflects 2019-20, or current, service levels. This means that if subcommittees were to meet right now, almost all new January 2020 budget proposals would not be heard. When we reconvene, we will no longer be able to consider new priorities and ideas from stakeholders, advocates and Members, with the exception of COVID-19 related costs, wildfire prevention, and homelessness funding. We may even need to revisit some reductions to existing state programs at that time, given the State's fiscal condition. Subcommittees will be directed to only agendaize items necessary to build this baseline budget, or items providing direct oversight of disaster response and recovery spending. The Assembly will also likely defer all deliberations on special fund programs, like those receiving Greenhouse Gas Reduction Funds, until after June 15.

- “August Revision”: With the delay in personal income tax receipts to July 15, we expect that we will not have a complete picture of our revenues until August. As a result, we expect to revisit the budget after June 15. This second round of budget deliberations will allow us to consider issues we will not have time to discuss in May and June, especially new issues related to recovery from the COVID-19 pandemic. Given the initial projections of the virus’s impact on the economy, it is possible the State will need to consider sizable ongoing reductions to major programs during this time. Therefore, Subcommittees will not likely be able to revisit proposals for new investments put forward by Members, the administration, advocates, and the public prior to this public health emergency.
- Deferring the Promises of 2020: When the 2020 budget process began, the State was expecting a small ongoing surplus that offered us a chance to expand additional services to Californians. While that is likely no longer possible this fiscal year, we are in better shape to address the expected recession compared to any other point in the State’s history. While we may face one or more difficult fiscal years ahead, the prudent decisions we made since the Great Recession will help us avoid the lingering structural budget problems that plagued the State before 2012. We may have some difficult choices in the coming months, but we will be able to return to the stability, optimism, and innovation that characterized the State budget over the last eight years if we remain responsible.

Thank you for your attention to this memo. As the situation evolves over the coming weeks, we will continue to update you on our thinking and planning about how to best move forward.