

CLEAR ADVOCACY

CLEAR COMMENTARY June 18, 2020



The Non-Budget Budget

While the legislature met their constitutional deadline by overwhelmingly passing a “light” version of the budget on-schedule Monday, a final budget deal continues to be negotiated with Governor Newsom. The budget they passed is simply a working document for ongoing talks with the Newsom administration as the July 1 fiscal year is set to begin. And the passage by June 15 secured lawmaker paychecks (did we say paychecks?), which otherwise would have been forfeited for each day the budget is late under a 2010 proposition.

The budget was approved under the backdrop of a projected \$54 billion deficit caused by the COVID pandemic. The uncertainty of finalizing the budget hinges upon two massive known unknowns:

- How much revenue the state will bring in (the tax deadline was pushed back to July 15).
- How much aid, if any, the federal government will provide.

Here’s the focus of the outstanding issue: both legislators and Newsom assume \$14 billion in federal aid. But the proposals differ on how to close a \$54 billion deficit if federal assistance does not arrive. The governor’s revised budget proposed \$14 billion in trigger cuts if congressional aid is not approved by July 1. Legislative budget writers extended the

deadline to October and plan to tap the state's rainy-day fund and borrowing, limiting cuts to \$7 billion if the aid does not arrive. Let's be clear: \$7 billion is a LOT of money and a potential LOT of pain; those stakeholders currently in "escrow" are desperate to know their fate.

Newsom and legislative leaders will attempt to resolve their outstanding differences by Friday, when the Assembly breaks for summer recess. There are rumors swirling that Assembly members could be called back next week to vote on various budget trailer bills.

As part of the budget passage, the legislature did pass a "revenue" (taxes) trailer bill. Two actions that the administration estimates would increase tax revenues by \$4.4 billion in 2020-21 are:

- **Suspend Net Operating Loss Deductions.** Corporations that have net income over \$1 million would not be allowed to use net operating loss (NOL) deductions to reduce their taxes in 2020, 2021, or 2022.
- **Limit Business Tax Credits.** Businesses may not claim more than \$5 million in tax credits per year in 2020, 2021, and 2022. Tax credits reduce a business's tax bill directly, on a dollar-for-dollar basis. The largest business tax credit is the research and development credit.

A Tough Job, But Somebody is Willing to do it.

Earlier this week Governor Newsom named Will Lightbourne as the new director of the California Department of Health Care Services.

Lightbourne, who headed the state Department of Social Services under former Gov. Jerry Brown, is a well-regarded career administrator who will take over DHCS from Dr. Bradley Gilbert. Dr. Gilbert resigned this month after less than four months on the job. DHCS is a difficult department to manage and made even more difficult by severe budget strains. DHCS manages the state's Medi-Cal program, which serves 14 million people, and is point on the Covid-19 pandemic.

Lightbourne headed Santa Clara County's Social Services Agency before being tapped in 2011 to serve as DSS director. Prior to his position with the state and Santa Clara County, Lightbourne served as director of the San Francisco City and County Human Services Agency from 1996 to 2000. He previously was director of the Santa Cruz County Human Services Department and had held a number of positions with Catholic Charities in San Francisco, including CEO and general director.

He will have his hands full and we wish him well.

Tattoos and Nails

Need to finish up that Bear Flag back tattoo? Friday is your day!

Nail salons, tattoo shops and massage therapists can reopen in some counties by the end of the week. Recently, many counties gave the go-ahead to [gyms, bars, hotels, movie theaters, pro sports venues without fans, and more](#). The re-openings are happening with the backdrop of coronavirus numbers going the wrong way (up) in many counties — especially Los Angeles, where more than half of California’s Covid-19 deaths occurred.

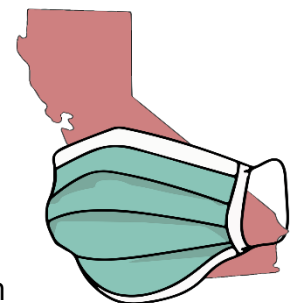


About two-thirds of the California counties that have moved into the advanced “Stage 2” re-opening now have a higher rate of new daily Covid-19 cases than they did the week they attested to the state that they were ready to reopen.

California’s Health and Human Services Secretary has indicated that increases in cases [are likely due to expanded testing program](#), which counts 80,000 tests a month. The positivity rate in the state is heading downward and hospitalizations remain stable.

As many as five county public health officers have resigned after public harassment of their decisions as it relates to the COVID crisis. County health officers occupy a unique position in local government. They’re responsible for overseeing the public health response to disease outbreaks. Every county, and a few cities that run their own public health departments, must designate one. California has provided counties and cities broad authority over the health needs of their individual jurisdictions.

The California Department of Public Health today released updated guidance that requires Californians to wear a face covering in high-risk settings. “Science shows that face coverings and masks work,” said Governor Gavin Newsom. “They are critical to keeping those who are around you safe, keeping businesses open and restarting our economy. California’s strategy to restart the economy and get people back to work will only be successful if people act safely and follow health recommendations.”



What's Another \$100 Million Among Friends?

A California initiative that would impose stricter regulations on dialysis centers has qualified for the November ballot – again.

The measure, backed by SEIU-United Healthcare Workers West, would require the state to approve dialysis clinic closures and mandate that clinics staff a licensed physician during operating hours and report infections to the state.

Two years ago, dialysis provider opponents defeated a similarly labor-sponsored proposal. If one asks, given the pandemic, why on earth will citizens be voting on the regulation of dialysis clinics? The answer can be found here: labor is seeking to impose combat fatigue on the industry until one of the bigger providers consents to open its doors to collective bargaining.

Proponents have until June 25 to decide to move forward on the measure.

The industry ponied up over \$111 million to prevail in 2018. Who knows what the number may be this year?

And Privacy, Two (Point 0)

Retail, tech, and other business trade groups issued sharp criticism of a privacy ballot initiative saying the new costs is unfair for businesses trying to weather the pandemic-caused recession.

“The small business community cannot afford additional costs or confusion as the state begins to reopen our fragile economy,” John Kabateck, of the National Federation of Independent Business, told the Assembly Privacy and Consumer Protection Committee last week.

The initiative set for the November ballot would rewrite California's Consumer Privacy Act, adding other protections for sensitive personal data such as precise geolocation. It would also give Californians the right to correct inaccurate information about them, create a regulatory body to enforce the law and require any legislative changes to further the law's privacy-protective intent.

Opponents contend the timing of the initiative is harmful and expensive to business, noting that final regulations for the California Consumer Privacy Act have yet to take effect.

You go First, We'll go Second

Since the Assembly started back to session several weeks in front of the Senate after the COVID-19 break, the Assembly is commensurately heading for the backyard staycation recess earlier than the Senate. The Assembly will recess June 19; albeit they may be interrupted to pass a handful of budget trailer bills next week. The Senate will work until July 2. Both houses return on July 13 to complete the two-year session on August 31.



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