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## FISCAL REPORT

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### Assembly Budget Committee Chair Details Possible Changes to 2020–21 Assembly Budget Process



**BY KYLE HYLAND**

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With legislative leadership announcing late last week that the Legislature is extending its recess to Monday, May 4, 2020, (see “[Legislature Extends Recess to May 4](#)” in the current *Fiscal Report*) it is clear that the Legislature will need to make changes to the 2020 state budget process in order to approve the 2020–21 State Budget Act by the June 15 constitutional deadline.

On Monday, April 6, Assembly Budget Committee Chair Phil Ting (D–San Francisco) released a [memo](#) detailing how the budget process in the Assembly is likely to change due to the current environment under COVID-19, including the following three significant changes that will likely occur this year:

- **Workload Budget**—The Assembly now expects that Governor Gavin Newsom’s May Revision will become a “workload” budget that reflects current year (2019–20) spending and service levels (see “[DOF Planning for Workload Budget in 2020–21](#)” in the March 2020 *Fiscal Report*). This means that the new proposals and investments from the Governor’s January State Budget blueprint will not be vetted in Assembly budget subcommittees since they are not likely to be included in the Governor’s revised Budget proposal. The memo also makes it clear that when the Assembly reconvenes, they will not be considering any new investments or priorities except for COVID-19 related costs, wildfire prevention, and homelessness funding. The Assembly may also need to revisit some reductions to existing programs depending on the state’s fiscal condition.
- **August Revision**—Last month the Franchise Tax Board announced that they were postponing the 2019 tax filing and payment deadlines from April 15 to July 15, meaning the state will not have a complete picture of its current year revenues until later in the summer. For this reason, the Assembly expects to revisit the 2020–21 State Budget in August. The memo states that this second round of budget deliberations will allow the Legislature to consider issues that they couldn’t discuss by the June 15 constitutional deadline, including issues related to the COVID-19 recovery. If current economic conditions persist, which is likely, then it’s possible that the Legislature will also consider ongoing reductions to existing programs at that this time.
- **2020 Budget Promises**—The memo also addresses that the small ongoing surplus that the state was expecting at the beginning of the 2020 Budget process is no longer a possibility due to COVID-19. Despite not being able to invest in new programs and the increasing possibility

that the state may need to reduce funding to existing programs in order to balance the budget, the Assembly expresses optimism that California is in much better shape to weather a recession than at any other time in the state's history.

The details of the memo are not surprising considering that the economic impact of COVID-19 is being felt in real time. The silver lining in all of this is that the state currently has about \$17.5 billion in reserves, including \$16.5 billion in the Budget Stabilization Account, which can be accessed upon a fiscal emergency declaration by the Governor (see "[Legislative Analyst's Office Releases Report on Reserve Balances](#)" in the current *Fiscal Report*).

We will update you if there are any formal changes made to the 2020 budget process as lawmakers continue to grapple with how to construct the 2020–21 State Budget during these uncertain economic times.