

CLEAR ADVOCACY

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CLEAR COMMENTARY

May 28, 2020



Come On Down!

While Monday was Memorial Day, Tuesday was Popcorn Day, when all those connected to the Capitol turned their collective eyes (and screens) to the Assembly floor to spectate the first hearing of the committee of the whole of the Assembly in 25 years, when the Orange County bankruptcy declaration required massive legislative response.

Tuesday's committee of the whole was to review the governor's proposed May Revision of the state budget, post COVID-19. Assembly called the Governor's Department of Finance Director and the Director of the Legislative Analyst's Office to come on down and address every question posed by members of the Assembly.

Recall the state is experiencing a roughly \$54 billion deficit post COVID-19. The governor's budget proposal depends much on federal support, but even so, is replete with reductions and cuts that six months ago were unimaginable. If federal support does not arrive, the budget contains massive trigger cuts.

"Lukewarm" would be a kind understatement to the Assembly's review. All members fully masked, the lengthy hearing provided the entire assembly the opportunity to voice their

issues, questions, and concerns about the myriad hardships proposed and go on record to their constituents for going to bat.

Productive? The outcome will be the arbiter. Necessary? Given the historically unprecedented process the legislature faces in discharging what is largely their most important function, the state budget, we would suggest the answer is a firm yes, especially on process. We'll leave all other considerations aside.

The truncated budget process provided limited opportunity for public discussion and the committee of the whole provided the opportunity for all to...discuss. Budget subcommittees are done. The full committees will conclude their work next week. And then the Governor and two leaders negotiate a final budget and each house pass the budget prior to June 15 – most likely June 11/12. Whether a budget conference committee, the historic public vehicle for budget resolution and passage, is convened remains to be seen.

There could be additional trailer bills after passage of the budget and possible more budget adjustments in August after tax receipts are counted and any further federal funding received.

The budget in a word: grumpy.

But Wait! There's More!

The state Senate is bypassing public discussion in favor of breaking from the governor's plan and today Senate Democrats proposed an alternate approach, which would avoid further (and many proposed) cuts—particularly health care— regardless of federal support. How? By drawing more on reserves and relying further on deferrals and assumptions to reconcile the shortfall.

For those of you (and us) who have been through budget deficits before, we know the term “deferrals and assumptions” is a wonderfully useful budget accounting instrument, largely unused in recent, surplus-rich budgets. Call it the Swiss Army knife to avoid cuts.

Rather than detail the Senate's plan (which we have previously referred to as “innovative”) we will close on this note: the governor has his plan. The Assembly will have theirs. The Senate is parachuting in with a completely different approach, and the three will find a compromise by the budget deadline.

And oh yes, the majority of incumbent legislators have not had to deal with a budget deficit. So, there's that.

Mullets No More

Neither the Tiger King, nor John Daly in his prime, nor Billy Ray Cyrus, nor others could make a mullet look good. We know we didn't, either.

So, the Governor did us all a big, fat solid this week by opening 47 of the state's 58 counties to – yes – haircuts and salon services. This was the day after Newsom posted on Twitter his young children cutting his own mullet-ish hair. Our guess is after the camera was shut off a concierge stylist stepped in to even out the home haircut. This will mark stage three of the loosening of California's stay-at-home order.

The haircut announcement came a day after Newsom said churches and retail can open with significant precautions.

Eleven counties will not be opening barbershops and salons because they have either decided they are not ready or have not met the metric for stage three openings.

Next week, the Governor said gyms may start reopening. But next week is a lifetime away. In the meantime, be on the lookout for fresh haircuts and normal hair color.

Note we said normal, not natural.

Expensive Employer Bill Shelved

[AB 1107 \(Chu\)](#) would raise unemployment payments by \$600 weekly, costing employers as much as \$40 billion over the next 10 years.

Did we say "would raise"? Sorry. "Would have raised."

AB 1107 was at the top of the Cal Chamber job killer list. This week the bill was gutted, amended and now has nothing to do with unemployment insurance costs. The bill number remains but the substance doesn't. And at present, there are no bills to increase unemployment insurance costs for employers, but we will keep an eye on the budget process just in case.

Um, No. Don't Do That.

Don't price gouge.

Yesterday the Senate Judiciary committee approved [SB 1196 \(Umberg\)](#), which would build on current anti-price gouging during emergencies. Recall the governor issued an anti price gouging executive order at the start of the pandemic that bans businesses and individuals

from raising prices on essential items by more than 10% from what they had sold for 9; 2/4/2020, or charging greater than a 50% markup on previously unsold goods. The EL is set to expire on September 4th.

SB 1196 would include pandemics on the list of disasters under which California's existing price gouging statute kicks in upon declaration of a state of emergency. It would also codify the 50% mark up limit on sellers of new items. The 10% cap on goods previously for sale was already state law for other types of emergencies. Different from the executive order and embedded in the bill is a provision that would allow prosecutors to file felony charges against sellers who make at least \$10,000 or more on items deemed to be in violation of price gouging laws.

Sharks Like Shutdowns

One of us is a recovering deep sea kayak fisherman. While it was spectacularly fun, too many close encounters with great white sharks (while seated on a 12' piece of plastic) in the Monterey Bay ended this activity.

Northern Monterey Bay is well established as a breeding ground for great whites (commonly referred to as "The Landlord" by those frequenting the water) and in the two plus months of shutdown, which also shut down most sport fishing and beach activities (minus morning or evening surfing) in California, the local great white shark population has become especially visible and curious as human water activities largely ceased. One encounter ended tragically for a surfer at Manresa beach, who was fatally attacked about two weeks ago. Local commercial fishermen report a spike in Landlord sightings and in the increasing boldness displayed by the sharks.

There's seemingly no limit to the unexpected impact of the shutdown. Regardless, we're very pleased to be fishing from a boat or the beach rather than from a twelve foot piece of plastic.

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