



May 21, 2020

To: Legislative and Communications Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: State Legislative Status Report

Overview

An update is provided on California's response to the novel coronavirus pandemic. Information is provided on the Governor's Task Force on Business and Jobs Recovery. An update is given on the Orange County Transportation's Authority's advocacy efforts. A verbal update will be provided on the Governor's May Revision.

Recommendation

Receive and file as an information item.

Discussion

State Response Novel Coronavirus (COVID-19) Pandemic

On April 28, 2020, Governor Gavin Newsom unveiled a four-staged approach to reopening various sectors in California. The first stage is categorized as safety and preparedness. The second stage includes reopening of lower risk workplaces such as retail, manufacturing, logistics, and offices that have not been able to otherwise telework. The third stage incorporates higher risk workplaces such as hair salons, places of worship, and movie theaters. The final stage will be the end of the Stay-at-Home Order, which was directed in Executive Order N-33-20. On May 7, 2020, the State released guidance relating to the reopening of some lower risk workplaces outlined in stage two, which would include curbside retail as well as their immediate supply chain partners. Guidance was also released on May 7, 2020, addressing transit operations, office workspaces, and construction best practices. This guidance includes information on safety and risk management plans, employee safety and prevention training, individual employee testing and screening measures, cleaning and disinfection protocols, and physical distancing protocols. Orange County Transportation Authority (OCTA) staff have been and will continue to work to ensure the agency is consistent with these recommendations.

As part of the Administration's response to the COVID-19 pandemic, Governor Newsom signed Executive Order N-62-20 on May 6, 2020, which expands workers' compensation benefits for workers who contract COVID-19 during the Stay-at-Home Order by creating a rebuttable presumption that workers who contract COVID-19 on the job are eligible for such relief. In order to receive this benefit, there must be a positive test or confirmed diagnosis of COVID-19 within 14 days of performing labor at their place of work and will be effective from March 19, 2020, through July 4, 2020. Employers will be granted a 30-day window for rebuttal and investigation. It is expected that the Department of Industrial Relations will have forthcoming guidance related to this order. OCTA staff is coordinating with other transit agencies within the State on the implications of this order and implementation.

For the first time since the State Legislature recessed, the Senate and Assembly each held virtual budget subcommittee hearings to begin informing an unprecedented state budget process amidst the COVID-19 pandemic. The California Department of Finance (DOF) previously announced that it will operate using a baseline budget and has also directed state agencies to immediately reduce spending. Currently, the DOF is working on revenue projections to inform changes in the Governor's May Revise but will lack specifics since the tax deadline has been extended. It is highly anticipated that while the Legislature will move forward with the traditional May Revise and Constitutionally prescribed June budget deadline, there will be budget adjustments in August, or a potential special session later in the year, to account for revised revenue projections. The DOF estimates roughly \$7 billion will be spent for the COVID-19 pandemic response, to which they expect the Federal Emergency Management Agency will reimburse a significant portion. In addition, while the State is better positioned to weather the budget uncertainty, given the approximately \$17.5 billion it has in reserves, it is unlikely that this will be enough to sustain the revenue loss impacts. The Legislative Analyst's Office (LAO) stated that California has entered into a recession and will see significant decreases in revenue across the board that will likely extend for multiple budget cycles.

Legislators in both committees were primarily concerned with the lack of communication between them and the Governor's office on expenditures being made from the \$1 billion appropriation the Legislature made through SB 89 (Chapter 2, Statutes of 2020), including the procurement and distribution process of personal protective equipment. Members also raised questions and sought details regarding the \$1 billion BYD contract the State executed to secure 200 million N95 masks. On May 6, 2020, Governor Newsom stated that he has asked staff to accelerate the process of releasing the contract.

On April 27, 2020, the Assembly Budget Subcommittee Number 6 on Budget Process, Oversight, and Program held an additional informational hearing on

COVID-19 Recovery and Economic Stimulus. Panelists again gave an update on various state actions and their continued efforts to anticipate budgetary impacts. Legislative Analyst, Gabe Petek, stated that California's economy is expected to drop by ten percent in terms of gross domestic product; however, unemployment is expected to decrease much more significantly. Additionally, the LAO has projected that revenues will drop by \$35 billion, which is approximately one-quarter of the State's general fund. Several California transit agencies, including the OCTA, were able to communicate key priorities at this hearing, such as concerns about the expected decline in sales and gas tax revenue, importance of public transit in moving essential workers, and the role transportation can play in a potential state economic stimulus. On May 7, 2020 the DOF released an updated budget memo indicating revenue declines created by the COVID-19 pandemic will result in a \$54.3 billion budget deficit, which is 37 percent of General Fund spending authorized in the 2019 Budget Act and nearly three and a half times the revised balance in the Rainy Day Fund of \$16 billion. Other items of note in this budget memo include a projected decrease of sales and use taxes by 27.2 percent and a projected unemployment rate of 18 percent.

On May 6, 2020, the Senate held a Special Committee on Pandemic Emergency Response specifically focusing on testing and contact tracing during the COVID-19 pandemic. This committee has been charged with reviewing the State's response to the COVID-19 pandemic and will continue to meet throughout the coming months to ensure the State is well-positioned to respond quickly and appropriately by making policy recommendations. Orange County delegation members on this committee include Senator Pat Bates (R-Laguna Hills) and Senator Tom Umberg (D-Santa Ana).

The State Assembly reconvened on May 4, 2020 to begin in-person committee hearings while the State Senate returned on May 11, 2020. On May 6, 2020 the Legislature released various changes to their legislative calendar. A copy of the revised legislative calendar for the State Assembly is included as Attachment A and for the State Senate is included as Attachment B. The Constitutionally defined deadlines including adjournment and the budget remain unchanged. In order to have an expedient policy committee process, several committee chairs are limiting the amount of bills they are hearing.

Governor's Task Force on Business and Jobs Recovery

Given the significant economic uncertainty moving forward, the Governor announced the formation of a Task Force on Business and Jobs Recovery (Task Force), co-chaired by the Governor's Chief of Staff, Ann O'Leary, and environmentalist and businessman, Tom Steyer. The Task Force includes representatives from industries such as business, labor, healthcare, and senior members from the State Legislature as well as former California Governors. The entire membership of this committee is included as Attachment C. The Task

Force has been charged with developing actions the government and business can take for the State to recover from the pandemic impacts and will meet through the remainder of the year. Most recently, they contributed to organizing the four-staged approach on how to reopen California's businesses, schools, and childcare centers.

On April 24, several members of the Legislature sent a letter to Ann O'Leary and Tom Steyer as co-chairs of the Task Force, recommending three core areas the Task Force should focus their efforts. A copy of the letter is included as Attachment D. The first area is to leverage all available sources of funding, which includes suggestions like augmenting climate resilience bond proposals and renewing federal assistance for state and local governments, joint powers authorities, transportation agencies, special districts and businesses through state financing authorities like the Infrastructure Bank. The second area concentrates on job creation and project delivery through reducing barriers to entry. Examples include permitting and procurement challenges for the electric vehicle supply chain and impediments to construction for pre-approved, shovel-ready projects like transit-oriented affordable housing. The third, and final, area advocates for ensuring a just recovery through keeping workers employed with a livable wage and benefits, support for small businesses, expanding the social safety net, and utilizing state benefits to target efforts in disadvantaged communities.

Update on Orange County Transportation Authority Advocacy Efforts

OCTA continues to provide input to stakeholders and state delegation members to ensure transportation is at the table as the State responds to the COVID-19 pandemic. In particular, OCTA has been working closely with the California Transit Association (CTA) to coordinate a detailed assessment of current and projected challenges. These points were organized into a letter that was sent to the Legislature, discussing statutory and regulatory relief measures to support transit agencies. A copy of this letter is included as Attachment E. On April 16, 2020, OCTA sent a letter to each of Orange County's State legislative delegation members to communicate its support of the CTA's priorities, which included re-evaluating the distribution of Local Transportation Fund revenues to transit agencies, authorizing the use of Low Carbon Transit Operations Program, and State of Good Repair funding to support all operating and capital expenses associated with COVID-19 relief, and postponing the implementation of the California Air Resources Board's Innovative Clean Transit regulation. This letter is included as Attachment F.

Governor's May Revise

On May 14, 2020, the Governor is expected to release his proposed May Revise for the Fiscal Year 2020-21 State budget. Staff will provide a verbal update on the proposal at the Legislative and Communications Committee meeting.

Summary

An update is provided on California's response to the novel coronavirus pandemic. An overview is provided on the Governor's Task Force on Business and Jobs Recovery. An update is given on the Orange County Transportation's Authority's advocacy efforts. Updates are also provided on the legislative calendar and budget process.

Attachments

- A. 2020 Tentative Assembly Legislative Calendar
- B. 2020 Tentative Senate Legislative Calendar
- C. Governor's Task Force on Business and Jobs Recovery
- D. Letter to Ann O'Leary, Chief of Staff, and Tom Steyer, Co-Chair, Task Force on Business and Jobs Recovery, dated April 24, 2020
- E. Letter from California Transit Association to the Honorable Gavin Newsom, Governor, State of California, the Honorable Anthony Rendon, Speaker, California State Assembly, and the Honorable Toni Atkins, President Pro Tempore, California State Senate, dated April 7, 2020, re: Statutory and Administrative/Regulatory Relief Measures to Support Transit Agencies
- F. Letter from Steve Jones, Chairman, Orange County Transportation Authority, to the Honorable Pat Bates, California State Assembly, dated April 16, 2020, re: Statutory and Administrative/Regulatory Relief Measures to Support Transit Agencies
- G. Orange County Transportation Authority Legislative Matrix

Prepared by:

Alexis Leicht
Associate Government Relations Representative,
Government Relations
(714) 560-5475

Approved by:

Lance M. Larson
Executive Director,
Government Relations
(714) 560-5908