



January 12th, 2024

TO: State Association of County Retirement Systems

FROM: Edelstein Gilbert Robson & Smith, LLC

RE: **Legislative Update – January 2024**

On January 3rd, the Legislature reconvened from fall recess to gavel in a new session. The overarching story thus far is the Governor's budget proposal, which he released on January 10th. Following the Legislative Analyst Office (LAO) outlook of a projected \$68 billion deficit, the Governor offered a more optimistic number of \$38 billion. Regardless of the number, the deficit is massive and will require a concerted effort to balance the budget. While we are still reviewing the proposal, we have summarized the main takeaways below.

In general, the Governor painted a rosier picture of California's economy than what was presented in the LAO report. His team is assuming \$15 billion more in tax revenues than the LAO due to the Governor's belief in the resilience of the economy and less concern about an impending recession. The broad points of the Governor's plan to close the deficit include the following:

- **Utilize \$13.1 billion** from the budget safety net reserve accounts.
- **Cut \$8.5 billion** from existing programs and services, including climate, housing, and education, and legislative requests.
- **Delay \$5.1 billion** worth of spending.
- **Defer another \$2.1 billion** to 2025-26, including about \$500 million in additional funding for University of California and California State University.
- **Shift \$3.4 billion** of General Fund spending other pots of money that funded through special funds or taxes, such as the Greenhouse Gas Reduction Fund.
- **Borrow \$5.7 billion** from special funds to support the tax on health care providers.

Many Democrats will be concerned with the billions of dollars in delay, deferrals, and shifts, especially those that impact spending on climate change. The Republicans will argue that the budget is ignoring the reality that the state is spending more than it takes in.



While we are uncertain in the difference between delaying and deferring spending, we are concerned that the Governor and Legislature are hoping this proposed budget avoids the hard debate over larger cuts and buys enough time for the economy to recover and that tax revenues rebound for the May Revision to this proposed budget. If not, then the debate in late Spring will be more contentious and there will be less time to debate solutions.

Of particular interest to members of SACRS is that despite lower revenues, the Governor proposes to utilize budget reserves to make a \$885 million supplemental payment to CalPERS beyond what is statutorily required to pay down long-term unfunded liability. He proposed making a similar payment of \$375 million to pay down state retiree health benefits.

Legislation

With the Legislature back, new bills for 2024 are being introduced and bills that did not pass the House of Origin in 2023 are being debated and voted on in January. New bills for 2024 must be introduced by February 16, while the holdover (two-year) bills must pass the House of Origin by January 31.

Of specific interest to SACRS in 2023 were bills dealing with the Brown Act Open Meeting Law and remote participation to meetings by members of local boards and commissions. In 2023, bills in this subject area found a roadblock in the Assembly Local Government Committee.

One of those bills, AB 817 by Assemblymember Pacheco, is a two-year bill that was heard by the Assembly Local Government Committee on January 10. This bill would authorize subsidiary bodies to use alternative teleconferencing provisions, namely by lifting the requirement that a legislative body provide a physical location from which the public may attend or comment, indefinitely and without a declaration of emergency.

The bill passed the committee and may signal an opening for similar Brown Act bills in the coming year.