



January 8, 2021

TO: State Association of County Retirement Systems

FROM: Mike Robson, Trent Smith, and Bridget McGowan, Edelstein Gilbert Robson & Smith, LLC

RE: **Legislative Update – January 2020**

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The Legislature was set to return to Sacramento on January 4, 2021. However, given the surge of COVID-19 throughout the state, the Legislature delayed their return until Monday, January 11. Upon their return to Sacramento, legislators will continue introducing bills until February 19, the bill introduction deadline.

It remains to be seen if legislative proceedings will be curtailed by the pandemic in a manner similar to the 2019-2020 legislative session.

In the meantime, the Governor presented the January 2021-22 Budget today. Much of the budget presentation was focused on COVID-19 response (including vaccine distribution), wildfire preparedness and school reopening.

The Governor was proud to announce that the proposed \$227 billion budget included \$34 billion in “resiliency” funds, though it isn’t immediately clear how much of that was new reserves and how much was surplus revenue.

It is clear that the Governor’s priority for using one-time surplus revenue is economic recovery and pandemic response. The proposed budget includes \$14 billion for “economic recovery” investments including \$1.5 billion for electric vehicle investments, \$2.4 billion in direct stimulus payments for individuals, and \$500 million in small business grants among other things. The Governor is proposing that the Legislature adopt \$3.5 billion of this relief as an urgency measure in January. While this requires a 2/3 vote in the Legislature, it means the money would be available immediately rather than at the start of the fiscal year.

Of specific interest to SACRS members, the Governor’s proposed budget includes \$9.5 billion for paying down unfunded retirement liabilities over the next three years, with \$3 billion in additional payments required by Proposition 2 in the 2021-22 budget year.

We will continue to review the budget over the coming weeks and provide more insights as applicable.