



April 23, 2020

INFORMATION ITEM

SUBJECT: STATE AND FEDERAL BUDGET AND LEGISLATIVE UPDATE

Strategic Plan Priority Area: Child Health

Goal: All children thrive by achieving optimal health prenatal through age 5.

Strategic Plan Priority Area: Child Development

Goal: All children birth through age 5 have high-quality, nurturing environments that ensure their learning readiness.

Strategic Plan Priority Area: Family Functioning

Goal: All families have the knowledge, skills, and resources to support their children's optimal development.

SUMMARY OF THE ISSUE

First 5 California (F5CA) staff will provide an update on California's 2020 legislative session, the state and federal response to COVID-19, as well as F5CA engagement and priorities.

BACKGROUND OF KEY ISSUES

2020 California State Legislative Session

The 2020 legislative session began like any other year. However, as COVID-19 swept the state, the nation, and the world, it quickly changed course. On March 7, Governor Gavin Newsom declared a State of Emergency for California, following numerous emergency declarations at local levels and the confirmed coronavirus cases in the state. On March 16, Governor Newsom requested emergency legislation to fight COVID-19. Due to the State of Emergency, the state's 72-hour print rule was waived, and the Legislature passed a budget package containing funding of up to \$1 billion to respond to the current pandemic. The Legislature then passed a resolution to adjourn from March 20 through April 13. Since that time, the Legislature again postponed its scheduled return to May 4. Committee hearings also have been postponed until further notice, with the exception of COVID-19-specific hearings.

When the Legislature ultimately reconvenes, an in-person quorum must be established in the Assembly and Senate to take legislative action. The Legislature can modify the legislative calendar, with the exception the June 15 deadline to pass the state budget and the August 31 adjournment deadline. The Legislature and Governor have the authority to initiate a special session on a particular topic and expedite legislation related to the special session. At any time, the Senate pro Tempore and Assembly Speaker can recall the houses to vote on emergency measures.

Upon the Legislature's return, Senate pro Tempore Atkins has asked Senate policy committee chairs to prioritize and limit the number of bills as they focus on the response to COVID-19. Two newly formed Senate Subcommittees will focus on both the state's COVID-19 response and funding related to the pandemic, as well as California's pandemic emergency response and recommendations for future preparedness.

State Budget Action

The Department of Finance has submitted a budget letter informing departments of revisions to the Spring Finance Letter and May Revision process as communicated in previous budget letters. Due to rapidly deteriorating economic conditions resulting from the coronavirus crisis, the Department of Finance now anticipates potentially significant corresponding reductions to expected revenues. The impact on revenues could be immediate, affecting Fiscal Year (FY) 2019–20, and will undoubtedly produce impacts for upcoming FY 2020–21 and beyond.

As a result, the Department of Finance will now reevaluate all budget changes within the context of a workload budget, based on the merits of each proposal, and any changes will ultimately be subject to the availability of funding. This includes all Spring Finance Letter requests, all potential adjustments to be included in the May Revision, as well as previously approved adjustments incorporated in the Governor's January Budget. Decisions on all adjustments will be reflected in the Governor's 2020–21 May Revision.

State Response to COVID-19

On March 17, Governor Newsom signed the following legislation into law in response to the COVID-19 pandemic:

SB 89 Budget Bill

- Appropriates \$500 million from the General Fund for purposes related to the COVID-19 Proclamation of Emergency. A 72-hour written notice to the Joint
- Legislative Budget Committee (JLBC) is required before allocating any expenditures from this appropriation.
- Allows the appropriation to be increased in \$50 million increments up to a total not to exceed \$1 billion, with a 72-hour notice to the JLBC.

- Expected expenditures include, but are not limited to:
 - Leasing and activating two hospitals
 - Providing hotel beds for people experiencing homelessness
 - Supporting local governments to reduce the spread of COVID-19 in the homeless population
 - Acquiring hospital and public health surge equipment
 - Assisting hospitals, nursing homes, and other facilities in managing the crisis
 - Cleaning of child care facilities so they remain open
 - Funding In-Home Support Services/Adult Protective Services strike teams to support senior isolation
- Appropriates \$84 million for Camp Fire tree removal cleanup costs. This wildfire emergency-related action has been expected to be part of any “early budget action,” but is not related to the COVID-19 crisis.

SB 117 Education Trailer Bill

Provides statutory changes needed to implement the Governor’s Executive Order on education, specifically:

- Appropriates \$100 million Proposition 98 General Fund for local educational agencies (LEAs) to purchase protective equipment and supplies and labor related to cleaning school sites.
- The funding will be allocated by average daily attendance (ADA). School sites will receive no less than \$250.
- Makes a variety of statutory changes to ensure that LEAs continue to receive funding for a full school year, regardless of closures due to COVID-19. This includes apportionments made based on ADA, funding for the Afterschool Education and Safety Program, and the waiver of penalties related to instructional days and minute requirements. Also provides time extensions for student assessments and a variety of other educational needs.
- Provides that attendance and reporting requirements for payment of child care and development programs, including California State Preschool, General Child Care, CalWORKS child care, and Alternative Payment Programs, are waived for agencies complying with Executive Orders and pursuant to guidance provided by the

Superintendent of Public Instruction (SPI).

On April 4, Governor Newsom signed an Executive Order to provide expanded access to child care for essential workers as part of the state's COVID-19 response. The Order allows the California Department of Education and California Department of Social Services the flexibility to waive certain programmatic and administrative requirements in response to the COVID-19 pandemic. The waivers focus on current eligibility and enrollment priorities that prevent child care and afterschool programs from serving children of essential infrastructure workers, and they allow eligibility for child care to prioritize essential workers, including health care professionals, emergency response personnel, law enforcement, and grocery workers.

On April 10, the Governor announced the release of \$100 million from the funding appropriated in SB 89 to support child care services for essential workers and vulnerable populations, consistent with the directive of his Executive Order. Of the funding, \$50 million will go to the California Department of Education to be used to pay for up to 20,000 limited-term additional state-subsidized slots for child care. The other \$50 million will be provided to the Department to ensure child care centers, facilities, and family provider homes are safe and clean for the children and families they are serving by reimbursing them for the purchase of gloves, face coverings, cleaning supplies, and other labor related to cleaning in accordance with federal and state public health and safety guidelines.

Federal Response to COVID-19

With the size, scope, and scale of the coronavirus crisis continuing to evolve each day, the White House and Congress have been rapidly pushing forward a series of legislative relief packages to address the mounting need for support for individuals, small businesses, and other impacted communities.

An overview of the federal response to the COVID-19 health crisis and recession is provided below.

Federal COVID-19 Response Packages

To address the effects of the COVID-19 health crisis, Congress has thus far passed

three coronavirus response packages:

- Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (H.R. 6074), signed into law on March 6, 2020
- Families First Coronavirus Response Act (H.R. 6201), signed into law on March 18, 2020
- Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 478), signed into law on March 27, 2020

In these packages, Congress has provided funding and support for critical programs such as the Supplemental Nutrition Assistance Program (SNAP), paid leave, unemployment insurance, and direct payments to individuals.

While these bills provide an unprecedented level of support to workers, families, and small businesses during this crisis, funding for education, including early care and education, is woefully insufficient. Current COVID-19 funding for the Child Care and Development Block Grant (CCDBG) stands at \$3.5 billion. Advocates are asking for lawmakers to appropriate an additional \$50 billion to meet the critical need this pandemic has created.

Additionally, corrections are needed to ensure provisions such as unemployment insurance, COVID-19 testing and treatment, and direct payments to individuals apply to undocumented immigrant communities.

Provisions in COVID-19 Response Laws

Children and Families

- \$6.3 billion to the Administration for Children and Families, which includes:
 - **CCDBG:** \$3.5 billion in grants to states for immediate assistance to child care providers to prevent them from going out of business and to otherwise support child care for families, including for healthcare workers, first responders, and others playing critical roles during this crisis.
 - **Head Start:** \$750 million for grants to all Head Start programs to help them respond to the coronavirus-related needs of children and families, including making up for lost learning time.
 - **Community Services Block Grant:** \$1 billion in direct funding to local community-based organizations to provide a wide range of social services and emergency assistance for those who need it most.
 - **Child Welfare Services:** \$45 million for grants to states to support the child welfare needs of families during this crisis, and to help keep families together.

Nutrition

- **SNAP:**
 - \$15.5 billion funding boost
 - States can alter their SNAP programs to provide direct aid to households with children eligible for free or reduced-price school meals if a school is closed for at least five consecutive days because of the coronavirus

- The bill would waive federal work requirements for SNAP eligibility
- States could request emergency allotments of food aid to support increased participation in SNAP
- **Child Nutrition Programs:** \$8.8 billion
- **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):**
 - \$500 million in emergency funding
 - Provides states flexibility to waive certain administrative requirements for recipients
- **Emergency food aid to food banks:**
 - \$400 million for the Commodity Assistance Program for The Emergency Food Assistance Program (TEFAP)
 - An additional \$450 million for food banks through TEFAP

Paid Leave and Income Supports

- **Paid Leave:**
 - **Emergency sick leave:** Employers with fewer than 500 workers and government entities are required to provide employees with up to 10 days of paid sick time to self-quarantine, get tested for coronavirus, and/or care for family members with COVID-19.
 - **Emergency leave:** Private sector employers with fewer than 500 workers and government entities are required to provide employees who can't work or telework because their child's school, day care, or child care is closed with 12 weeks leave, of which the first 14 days are unpaid, then paid at 2/3 regular pay.
 - **Employer tax credits:** Payroll tax credits are provided to employers to cover paid leave.
- **Direct payments:** Provides checks to many Americans who fall below a certain income threshold. \$1,200 per adult and \$500 per child will be provided to individuals making \$75,000 a year or less, or married couples making \$150,000 or less. Checks phase out for those above the threshold and are unavailable for individuals with incomes above \$99,000.
- **Unemployment insurance:** Provides an increase to unemployment insurance, including for furloughed employees of small businesses. Workers can receive an additional \$600 a week for four months, on top of what state unemployment

programs pay. Eligibility is extended to the self-employed and workers in the “gig economy” (e.g., independent contractors, freelancers).

Education

- **State and local school systems and higher education institutions:** \$30.75 billion for emergency support grants to continue to provide educational services to students and support the ongoing functionality of school districts and institutions.
 - **Higher education:** \$14.3 billion, of which \$12.4 billion is split between emergency grants to students and money to colleges “for expenses directly related to coronavirus and the disruption of campus operations.” \$1 billion will be targeted to historically black colleges and universities and tribal colleges. \$300 million is provided to the U.S. Education Department to support colleges most affected by the coronavirus.
 - **K–12 schools:** Approximately \$13.2 billion will be distributed to states based on the federal Title I formula, of which 90 percent is distributed to school districts; the remainder is used for states to distribute for emergency assistance. States have considerable discretion to use the money to mitigate the impact from the pandemic for activities authorized under federal education laws, as well as funding internet connectivity and computers for distance learning.
 - **Hardest hit areas:** \$3 billion for governors to spend on child care, early education, K–12, or higher education in those areas hit hardest by the coronavirus.

It is estimated that California will receive a total of \$3.75 billion in education funds.

Upcoming Federal Response and Stimulus Packages

The federal response to the coronavirus has evolved hourly. Both Democrats and Republicans have identified the need to shore up small business loans as a critical priority to address in the short-term. House and Senate Democratic leadership have gone several steps further in their proposal – the *Interim Emergency COVID-19 Relief Act* – introduced on April 9, and want additional resources for states and local governments, health care, and SNAP expansions. At this time, negotiations continue. Relevant provisions of the *Interim Emergency COVID-19 Relief Act* are provided below.

Nutrition

- Provides a 15 percent benefit increase for all SNAP recipients.
- Increases the minimum benefit to \$30 for a two-person household (currently \$16).
- Prohibits the Administration from implementing SNAP rules on Able-Bodied Adults Without Dependents, Broad-Based Categorical Eligibility, and application of the

Standards Utility Allowance.

- The provision waives time limits/work requirements for two years.
- The provision provides flexibility for states to waive certain SNAP reporting and administrative requirements.

State and Local Government Support

Provides \$150 billion in new fiscal relief to states, tribes, and localities, broken down as follows:

- \$65.45 billion for states, including Washington D.C., based on population, with a small-state minimum of \$500 million per state.
- \$53.55 billion of the fund is allocated to localities based on the Community Development Block Grant formula.
- \$20 billion for states based on their share of the national infection rate according to the most recent Centers for Disease Control and Prevention (CDC) tracking data.
- \$8 billion for Tribes
- \$3 billion for territories

Small Business and Paycheck Protection Program

Provides \$250 billion in new funding for small businesses and nonprofits, broken down as follows:

- \$125 billion for the Paycheck Protection Program (PPP)
- \$45 billion for small community-based lenders (community development financial institutions, minority depository institutions, certified development corporations, microlenders), and small banks and credit unions with less than \$10 billion in consolidated assets
- \$15 billion for community banks and credit unions with less than \$50 billion in consolidated assets, and also for community-based lenders
- \$50 billion for the Small Business Administration's (SBA) Economic Injury Disaster Loans (to support up to \$300 billion in direct lending)
- \$15 billion for SBA's Emergency Economic Disaster Grant Program

The proposal also includes fixes to the PPP, including streamlining the application process.

First 5 California Engagement and Priorities

F5CA is engaging in COVID-19 response advocacy at both the state and federal levels alongside its state and federal advocacy partners to support the families on the front lines of this crisis along with the child care providers who make their work possible. As we know, families are not experiencing the effects of this pandemic in silos. In addition to engagement around the critical need for child care, F5CA continues to engage in and support the work of state and national coalitions around paid family leave and home visiting, as well as early literacy, acknowledging the need for a whole child/whole family approach in supporting California families through this crisis.

- **Child Care:** The COVID-19 health crisis and resulting economic crisis presents an unprecedented challenge for childcare providers and early childhood programs. There is both a critical demand for child care for essential workers and a lack of cleaning supplies, diapers, wipes, formula, and other essential supplies needed to care for young children. Many childcare providers have been forced to close their doors, and it is unclear whether they will have the resources to reopen when the health crisis subsides and the recession continues. Given the critical need for child care as well as the deep gaps in our childcare infrastructure this pandemic is highlighting, the Early Care and Education (ECE) Coalition, of which F5CA is a member and a funder, has shifted its budget ask and general advocacy strategy to support the immediate needs of families and providers. F5CA continues to look for ways to expedite support on the ground, including providing additional flexibility to counties for the use of F5CA funds, funding critical supplies to keep childcare providers safe and operating, and partnering with other state and local agencies and organizations to pool resources, data, and contacts to leverage and amplify key partnerships and investments.
- **Paid Family Leave:** Paid sick leave, paid school closure leave, and paid family leave are essential to ensuring the safety and economic security of working Californians. Given the need and urgency for leave created by this pandemic, the California Work and Families Coalition, including F5CA, is working with the Administration and Legislature to determine opportunities to expand job-protected paid family leave to more families, including fewer criteria and eligibility requirements, to help families through these challenging times.
- **Wrap-around Supports, including Home Visiting:** With the current guideline around “shelter in place” and social distancing, many home visiting programs throughout the country have been suspended due to the criteria that home visits are “in-person.” It is imperative that families are able to access crucial wrap-around supports, including virtual home visiting, during this time of stress and isolation. F5CA is engaged in conversations on this matter with state partners – the California Department of Public Health and the California Department of Social Services – as well as federal partners and the Health Resources & Services Administration, to

develop guidance on virtual home visiting definitions, presumptive eligibility, emergency response, and to increase telehealth benefits to families.

- **Early literacy:** Governor Newsom and State Superintendent of Public Instruction Tony Thurmond have directed that students will not be returning to school before the fall. Given this reality, it is critically important F5CA continue its efforts to increase the number of books low-income children have in their homes and engage families on the importance of reading for strong cognitive development. F5CA has developed a proposal to fund and administer a book distribution and family engagement program beginning in FY 2020–21.

SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION

The Legislative Update is a standing item for Commission discussion.

ATTACHMENTS

None.