



AUGUST 22, 2024

INFORMATION ACTION

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 Resiliency

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 is committed to advocating for policy initiatives that advance the well-being and development of California's youngest residents. To achieve this, it is essential that our policy agenda remains closely aligned with First 5 California's North Star and Audacious Goal. Our support extends to policy focused on Adverse Childhood Experiences (ACEs), childcare and development, education, healthcare, social services and welfare, infrastructure and public services, equity and inclusion, as well as regulatory and legal matters.

To that end, F5CA staff will present an update on the 2023–2024 State Legislative Session, highlighting key bills of interest to F5CA, along with the Fiscal Year (FY) 2024–2025 State Budget. Additionally, staff will introduce F5CA's new federal advocacy contractor, who will provide an update on federal policy developments.

FY 2024–2025 STATE BUDGET

The Budget Act of 2024 includes \$211.5 billion of General Fund (GF) spending, \$86.4 billion of spending from other state funds, and \$153 billion from federal funds flowing through the state treasury.

The agreement “balances” the budgets for FY 2024–25 and 2025–26, closing projected budget deficits of roughly \$45 billion in 2024–25, and \$30 billion in 2025–26.

The May Revision included withdrawals from the Public School System Stabilization Account – approximately \$8.4 billion – to maintain predictable support for local educational agencies and community college districts.

To achieve a balanced budget, the final budget agreement implemented several tax suspensions and reductions, as well as a total drawdown of the Safety Net Reserve.

While reducing some of the fund sweeps included in the Governor’s May Revise proposal, the Legislature did agree with many of the Governor’s proposals to sweep unused and unallocated funds from Health and Human Services programs. However, the legislature was also able to preserve all or a portion of funds for several Health and Human Service programs.

Child Care: The May Revision included the delay of the \$550 million investment for the California Preschool, Transitional Kindergarten (TK), and Full-Day Facilities Grant Program (FDK Program which resulted in a revenue gain of \$489 million in FY 2024–25 and \$951 million in 2025–26). The May Revision also adopted a delay of \$10 million for the Preschool Inclusion Grant Program.

The budget includes the following childcare investments:

- Grows the state-subsidized childcare system by over 200,000 new children served.
- Fully funds all 11,000 awarded expansion slots from existing childcare appropriations and provides a GF offset for new ongoing \$48 million federal fund award, in addition to the May Revision offset proposals.
- Restores \$100 million for the Inclusive Early Education Expansion Program.
- Expands California State Preschool Program eligibility to children ages 24 to 35 months, until 2027.

Health and Human Services:

- Includes funding to implement 0-5 continuous Medi-Cal eligibility, effective January 1, 2026.
- Reappropriates \$1 million of expenditure authority from the Mental Health Services Fund, previously authorized in the 2021 Budget Act, until June 30, 2026, to support the Mental Health Wellness Program.
- Requires CDPH to develop a system for online shopping and food delivery for eligible recipients of California Special Supplemental Nutrition Food Program for Women, Infants and Children (WIC).

NORTH STAR/ AUDACIOUS GOAL BILLS

Complete Bill List Available in Attachments.

- AB 1895 (Weber): Public health: maternity ward closures. Requires hospitals to notify state health agencies if they anticipate challenges that may lead to the closure of maternity wards and mandates a community impact assessment before such closures. *Position: Support. Current Status: Senate Committee on Appropriations – Do Pass.*
- AB 2319 (Wilson): California Dignity in Pregnancy and Childbirth Act. Expands implicit bias training requirements for healthcare providers involved in perinatal care, emphasizing the recognition of intersecting identities and associated biases. *Position: Support. Current Status: Senate Committee on Appropriations – Amend and Do Pass as Amended.*
- SB 1112 (Menjivar): Medi-Cal: families with subsidized childcare. Requires Medi-Cal managed care plans and childcare agencies to enter agreements to improve coordination of services for families receiving childcare subsidies, ensuring that children from prenatal to age five who need further services after screening are referred for additional assessment and intervention at no cost to the parents. *Position: Support. Current Status: Assembly Committee on Appropriations – Amend and Do Pass as Amended.*
- AB 2123 (Papan): Disability compensation: paid family leave. Removes an unnecessary barrier for individuals seeking to access the Paid Family Benefits they pay for, by allowing individuals to take care of their loved ones without having to use up their vacation time. *Position: Support. Current Status: Active, Ordered to Third Reading.*
- SB 1090 (Durazo): Unemployment insurance: disability and paid family leave: claim administration. Provides working families with more timely access to Paid Family Leave and State Disability Insurance benefits by allowing workers to apply for these benefits prior to the start of their leaves. *Position: Support. Current Status: Assembly Committee on Appropriations – Amend and Do Pass as Amended.*
- AB 1967 (Jackson): Food Insecurity Officer. Creates a Food Insecurity Officer within the State Department of Social Services to coordinate efforts to address food insecurity across state agencies. *Position: Support. Current Status: Senate Committee on Appropriations – Held under submission.*
- SB 1126 (Min): Child Abuse and Neglect. Amends the definition of "child abuse or neglect" to clarify that a child witnessing domestic violence or being present during a domestic violence incident does not automatically require a mandated reporter to file a report. *Position: Monitoring. Current Status: Senate – Ordered to inactive file on request of Senator Min.*

FEDERAL UPDATE

The House and Senate are out **until September 9th**. When Congress returns, it will have less than three weeks to pass a continuing resolution to fund the government before the current fiscal year ends. The length of this short-term funding bill has not yet been agreed to but is expected to run through early December. Congressional leadership is currently confident that a shutdown can be avoided.

Before leaving, the U.S. Senate Appropriations Committee approved their FY25 Labor, Health and Human Services, and Education, and Related Agencies (LHHS) appropriations bills, including a \$2.3 billion increase over last year — \$1.6 billion for Child Care and Development Block Grants and \$700 million for Head Start.

Sustained annual increases to federal investments in early childhood education are critical to tackling the childcare crisis that is holding back families, businesses, and our economy. In contrast, the partisan House Appropriations Committee's proposed plan for FY25 funding for LHHS includes a cut of \$24.6 billion, or 11 percent, below the fiscal year 2024 level.

SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION

The State and Federal Legislative and Budget Update is a standing item for Commission Meeting discussion.

ATTACHMENTS

- A. Budget Act of 2024 Memo
- B. First 5 California Legislative Report
- C. First 5 California North Star and Audacious Goal Bill Report