Memo

To: First 5 LA Board of Commissioners

From: First 5 LA Public Policy and Government Affairs Department

Date: June 26, 2020

Subject: **2020-2021 STATE BUDGET AGREEMENT**

On June 22, 2020, the Legislature and Governor Newsom reached agreement on the 2020-2021 state budget. The final budget projects a $202.1 billion spending plan that includes $130.9 billion in general funds and draws down $7.1 billion from the state’s reserves (rainy-day fund) to fill a $54.3 billion budget gap. The COVID-19 pandemic has dramatically altered California’s economic landscape and outlook, and as such, how the state prioritizes investments in publicly funded systems of support. However, the Legislature reconsidered many of budget reductions aligned with early childhood development priorities proposed by the May Revise. The final approved budget largely adopts the Legislature’s proposals, helping to prevent many of the steep cuts proposed by the Newsom Administration in May.

Governor Newsom and legislative leaders are continuing to call for Congressional action on additional funding for state and local governments to support this budget. The Coronavirus Aid, Relief and Economic Security Act (CARES Act), passed by Congress and signed into law in early April, provided the states with $150 billion of dollars in direct support. However, the funding that California received for state and local funding did not prove sufficient to cover the COVID 19-related budgetary shortfalls facing California and states throughout the country. Despite this, Congress has not passed any further relief measures. Due to the uncertainty of receiving additional funds, leaders in California agreed to include certain “trigger cuts” in the approved budget, which will occur if more federal money does not materialize. Depending on the total amount provided, receiving further stimulus from Congress would avert some or all trigger cuts. The final California budget determined an October 15, 2020 deadline for federal funds to avert the proposed trigger cuts.

Funding for the **Early Childhood Policy Council** (ECPC), which has been tasked to advise in the formation and implementation of the Governor’s Master Plan for Early Childhood Development, was reduced to $2.2 million across FY 2020-21 and 2021-22.

The budget allocates $9.259 million in one-time Child Care Development Block Grant (CCDBG) quality set-aside funds for a **Child Care Data System**, as part of the Cradle to Career data system, which aims to integrate statewide provider and recipient information for the state’s subsidized early learning and care programs.
Prior to the onset of COVID-19, the governor’s January budget proposal included $8.5 million to create the Department of Early Childhood Development. The final budget, though, eliminates this proposed department and instead provides $2.278 million to transfer all child development programs currently administered by the Department of Education to the Department of Social Services, with the exception of the California State Preschool Program.

**Key highlights of the Final 2020-21 Budget Agreement related to First 5 LA’s priorities include:**

**Children have high quality early care and education experiences before kindergarten**

- Rejects the May Revise’s proposed 10 percent cut to reimbursement rates for providers offering care through the Alternative Payment (AP) program, General Child Care, and the California State Preschool Program.
- Allows $50 million in Essential Worker Child Care vouchers provided through SB 89, emergency legislation the California legislature passed in March in response to the COVID-19 pandemic, to rollover into FY 2020-21.
- Provides $300 million in anticipated CCDBG funds to support additional access to child care for families, and support provider infrastructure needs, re-opening grants and stipends. However, this appropriation is a “trigger cut,” and as such, is subject to California receiving further federal aid: absent Congressional action, the $300 million in funding will not go into effect.
- Adopts a $300 million federal “Child Care Trigger” for anticipated CCDBG funds to support additional access to child care, infrastructure and re-opening grants, and provider stipends if additional federal funding is not received. The trigger intends to serve as a guardrail guiding the use of future, assumed federal investment.
- Utilizes $53.3 million in new federal CCDBG funds to expand child care access. This funding is part of the on-going CCDBG funding the state receives.
- Adopts the May Revision’s proposed preschool expansion reductions of $159.4 million in planned California State Preschool Program funding, which will eliminate 20,000 new full-day/full-year seats that otherwise would have provided families with more access to early learning programs starting in April 2020, and then again 2021.
- Adopts May Revision proposal to reduce funding to the school-based California State Preschool Program by $130 million in on-going Proposition 98 funds.
- Eliminates multiyear investments in child care, including $300 million in unspent Kindergarten facility grants, $235 million to update or construct new facilities, and $195 million for workforce development, provided by the 2019-2020 state budget.

California received $350 million in federal CCDBG funding through the CARES Act. The state budget appropriates this money as follows:

- $62.5 million for one-time child care provider stipends that intend to address any economic challenges during the pandemic.
- $62.5 million to extend the hold harmless provision until FY 2020-21 for providers who face a decline in revenue for COVID-related reasons.
$73 million for one-time essential worker child care vouchers through the Alternative Payment Program. These vouchers will prioritize income-eligible children, children of essential workers, and students with special needs.

$8 million to waive family fees in state-subsidized programs are through June 30, 2020. This will allow families whose income has been disrupted by COVID-19 to continue receiving child care.

**Children receive early developmental supports and services, and are safe from abuse, neglect, and other trauma**

- The governor’s May Revise proposed repurposing a total of $1.2 billion in Proposition 56 funding to pay for increased Medi-Cal enrollment resulting from COVID-19. The finalized budget, though, rejects this and instead utilizes Proposition 56 funding for its intended purpose of increasing access to health care services and programs. As such, the approved budget appropriates $20.8 million in Proposition 56 funding for supplemental payments that will increase the rate of developmental screenings in the state, and $7.6 million to support the screening of Adverse Childhood Experiences (ACEs). Developmental screens identify emerging developmental delays in children, and as a result are crucial to ensuring families can optimize their child’s development. Without prompt identification, for example, delays can go undiagnosed and persist, making them much more difficult for the child to overcome. ACEs screens help identify past adversity and allow care providers to craft more effective treatments for responding to abuse, trauma and neglect.

**Families optimize their child’s development**

- Delays a planned $30 million expansion of the CalWORKs Home Visiting Program until 2021. This one-time delay in additional funding is unlikely to disrupt the supports any family currently enrolled in the program receives, but it could prevent new families from receiving home visits.
- The finalized budget increases funding for the state’s Black Infant Health program by $4.5 million, despite a proposal in the May Revise to cut this expansion. Bolstering the Black Infant Health program will help address unacceptably high levels of maternal and infant mortality in California. It also aligns with First 5 LA’s advocacy for health equity and will support our African American Infant and Maternal Mortality work.
- Originally a budget item but now a policy bill, California is seeking to extend pregnancy and birth disability protections to eligible workers at companies with just five employees. Previously, employees could take time off to bond with a new baby only if they worked for a company with at least 20 employees. To be eligible for PFL benefits, families must have welcomed a new child within the previous year, have paid into the State Disability Insurance fund in the past 5 to 18 months, and not taken the maximum 8 weeks of PFL in the past year.
- Provides $42 million to expand the California Earned Income Tax Credit (Cal EITC), which provides a $1,000 credit to working families with children under than age of 6-years old that earn incomes below $30,000/yr. This program is a powerful and direct tool for fighting childhood poverty, and the approved budget even expands Cal EITC eligibility to low-
income families who file taxes with Individual Taxpayer Identification Numbers (ITIN). Immigrant families who file with ITINs because they do not have social security numbers would not otherwise be able to utilize Cal EITC.

- Preserves a total of $60 million in funding, to be spent over two-years and approved in last year’s budget, for a community health navigator program that launched in March. This program assists Medi-Cal beneficiaries in finding adequate and high-quality health care resources, but the May Revise had proposed cutting it.

- Indefinitely delays the timeline of implementing California Advancing and Innovating Medi-Cal (CalAIM) reforms. CalAIM intended to improve Medi-Cal systems and provide more families with wrap-around services, and First 5 LA previously provided feedback calling for the prioritization of children and families health and wellbeing. However, the governor’s May Revise requested the delay of CalAIM due to the state’s newly difficult financial situation, and the Legislature approved this.

- The finalized state budget provides funding for the statewide Value-Based Payment program, which the May Revise had proposed cutting. This program intends to support improved health outcomes by incentivizing quality and supportive care.

Priorities aligned with First 5 LA’s long-term systems outcomes, LA County regional priorities, and Best Start Community Change agendas

- Maintains a $15 million investment from the January proposal for the California Newcomer Education and Well-Being Project (CalNEW), which will assist school districts, including Los Angeles Unified School District (LAUSD), in improving outcomes for refugee and unaccompanied undocumented minor students.

- Provides $50 million in funding to maintain the California Emergency Food Assistance Program, and $112 million to reimburse school districts for providing school meals during the pandemic and summer months. Food banks and school meal distribution have been instrumental in supporting Los Angeles County families as they mitigate food insecurity throughout the COVID-19 crisis.

- Utilizes $550 million from the CARES Act to support Project Roomkey, and the efforts of cities to acquire housing for individuals experiencing homelessness due to COVID-19. This money will also provide for increased housing production after the pandemic. The final budget also includes an additional $1.8 billion for counties and cities to use for homelessness, public health, public safety and other pandemic-related programs and services.

- Appropriates $10.3 million to the Childhood Lead Poisoning Prevention Fund, to increase interventions and activities designed to reduce children’s exposure to lead. Lead poisoning in Southeast Los Angeles, for example, has been of high concern to local communities in the aftermath of the Exide plant contamination.

- Spends $6.1 million to improve park facilities in disadvantaged communities and expand access to state parks in urban areas.

- The proposed nicotine content-based E-cigarette tax (Vaping Tax) has been deferred to allow for inclusive stakeholder engagement and process around policy implications, and to ensure respect for the voter-approved disbursement structure established by Proposition 56. The proposal was introduced in January and is expected to generate up
to $32 million in its first year for administration, enforcement, youth prevention, and healthcare workforce programs.

The state budget will go into effect at the start of California’s new fiscal year on July 1. However, the absence of additional federal funding for state and local governments could trigger cuts to certain programs and services. Specifically, while allocations not subject to triggers will go into effect next week, the potential for further state budget revisions exists based on those trigger cuts. The House of Representatives passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act in May, which would appropriate a total of $1 trillion to states if adopted. First 5 LA’s federal advocacy strategy currently focuses heavily on educating policymakers of the essential infrastructure of child serving systems. This work, done in coalition with national and state partners, builds consensus and drives momentum for additional state and local relief funding to support children and families in California.