

The First 5 Association
FY 2020-21 State Budget: Overview & Early Analysis
Updated: January 10, 2020

Governor Newsom announced his [2020-21 State Budget today](#). Emphasizing many of the themes of his inaugural budget, the Governor introduced a \$222 billion state budget that expanded services to tackle homelessness and address affordability across CA.

Again, Early Childhood had its own section of the budget, signaling the importance and focus on children's issues and on advancing the Governor's "Parents Agenda". The Governor continues to use his framework from last year to expand children's service through the lens of:

- 1) Expanding early access for children to educational and health care services, including those with ACEs;
- 2) Promoting two-generational approaches that invest in parents so they can invest more in their children; and
- 3) Easing the financial pressures that parents face daily so they can escape the cycle of poverty.

Below is an overview of the state budget across the four pillars of our policy agenda: Quality Early Learning, Family Resiliency, Comprehensive Health and Development, and System Sustainability and Scale. All commentary and early analysis can be found in *italics*.

A key proposal in the Governor's budget was the creation of the **Department of Early Childhood Development** under the CA Health and Human Services Agency (CHHS), effective July 1, 2021. The goal of this department is to promote a unified, quality, and affordable child under a single system of state administration and to reduce agency silos – *see listed program purview below*. The CA Department of Education (CDE) will continue to administer the California State Preschool Program (CSPP) and the State Board of Education, and will work in concert with the Department of Early Childhood Development.

Department of Early Childhood Development:

- Early Childhood Policy Council
- CalWORKs child care (all stages)
- Voucher-based programs
- Direct contract programs
- Head Start and Early Head Start
- Emergency child care bridge program (for foster children)
- Child care quality programs

The budget includes **\$8.5 million from the General Fund** to establish a transition team at CHHS and will support staffing to carry out the child care collective bargaining activities (AB 378, Limon).

NOTE: *There are many questions related to this restructuring proposal. We are analyzing the intent of this proposal and what how this would translate to in terms of implementation. We are interested in hearing your feedback on this new department, and we will keep you informed as more details are released.*

I. Quality Early Learning

Master Plan for Early Learning and Care (MPELC)

The Governor emphasized his 2019 investments and intended direction through the MPELC, citing the charge to develop a long-term strategic plan to provide a roadmap towards universal preschool and a comprehensive, quality, and affordable child care system. Final recommendations are due October 1, 2020.

Expanded Access:

Building on investments in the 2019 budget, the Governor proposes to expand child care access through the following efforts:

- **\$53.8 million** increase in General Fund to **CalWORKs Stage 2 and Stage 3**
- **\$50 million** in ongoing funding from the Cannabis Fund (Prop 64) to support over 3,000 General Child Care slots, and an additional **\$10.3 million** for 621 General Child Care slots. This budget also continues to dedicate \$80 million from the Cannabis Fund towards the Alternative Payment Program. **In total, this Budget dedicates \$140 million from Cannabis Funding towards increased child care access.**
- **\$31.9 million** in 2020-21 and \$127 million ongoing non-Prop 98 funds to support an additional **10,000 CSPP** slots at non-local educational agencies, beginning April 1, 2021.

Facilities:

The Governor proposes three ways to expand early learning and care facilities:

- Allowing more flexibility for the \$300 million that remains from last year's budget to expand full-day kindergarten. The Budget proposes dedicating a portion of these funds to support the **construction of preschool facilities on school campuses**, although actual dollar figures have not yet been released.
- Adding **\$75 million** of Prop 98 to expand the **Inclusive Early Education Expansion Program**, which provides funding to local educational agencies to construct or modify preschool facilities to serve student with exceptional needs.
- If the **\$15 billion Public Preschool, K-12, and College Health and Safety Bond Act** passes on March 3rd, the Administration will propose a statute to create a per-pupil grant enhancement for local education agencies that aim to expand preschool programs on school campuses.

II. Family Resiliency

Paid Family Leave:

The Administration has vocally set its goal of expanding Paid Family Leave to six months for two parents to bond with a new child. The 2019 Budget Act expanded the Paid Family Leave benefit duration from six to eight weeks.

This year's Budget builds on this expansion by proposing to provide universal job protection to all employees who pay into the PFL fund. This means that small business owners, regardless of the number

of employees, must offer job-protected leave. This move will also enable more employees who pay into the fund to access it.

First 5 California has led in this area of our policy work. They shared a number of sample [social media posts](#) to help promote PFL and this new policy change. We anticipate that additional PFL proposals will move forward this year with announcement of the PFL Taskforce and their recommendations on how to expand the program to six months.

III. Comprehensive Health & Development

Behavioral Health

The Budget makes strides in enhancing and integrating behavioral health supports with physical wellbeing. These initiatives, many of which are currently underway, include:

- Establishment of a **Behavioral Health Taskforce** at the Health and Human Services Agency, which will bring together relevant departments, consumers, counties, health plans, providers and other stakeholder to identify ways to improve the quality of care and system coordination.
- Renaming the CalAIM initiative the **Healthier CA for All Initiative**, which aims to improve Medi-Cal services, including behavioral health benefits.
- **Reforming the Mental Health Services Act (Prop 63)**. Highlighting the \$500 million in unspent county reserves, the Governor intends to introduce a proposal later this spring to focus the Act on: 1) people with mental illness who are also experiencing homelessness; 2) people involved in the criminal justice system; and 3) early intervention for youth.

The Association intends to work closely on the Prop 63 effort and emphasize that primary prevention needs to start as early as possible, and encourage the same two-generational approach emphasized throughout the Governor's Parents Agenda.

Office of the Surgeon General:

\$10 million in one-time funding to develop a cross-sector training program for **ACES**, and for a public awareness program, around trauma-informed and trauma-sensitive responses, for specific sectors including early childhood, education, government and law enforcement. This will build upon the ACES Aware Campaign that recently launched.

A Focus on Implementation of 2019-20 Budget:

The 2019 State Budget substantially increased funding for **home visiting, developmental screening, and Black Infant Health (BIH)**. While no additional investments were proposed, this budget maintains the commitment to implementing those programs and focusing on integrating early childhood health and wellness in the state's broader Medi-Cal reform efforts.

IV. Sustainability & Scale

New Vaping Tax:

To address increased youth vaping habits, the budget proposes a new nicotine content-based e-cigarette tax. The new vaping tax is scheduled to take effect on January 1, 2021, and will be \$2 for each 40 milligrams of nicotine in the product. Best estimates indicate that this could generate around \$32 million in funding annually, which will be deposited into a new special fund to be used for administration, enforcement, youth prevention, and health care workforce programs.

This proposal builds upon the Governor's Executive Order issued last summer, which directed CDTFA to study a new taxation methodology for vaping products. The Association, alongside First 5 CA, [submitted a letter](#) in response to the Executive Order, urging the Administration to apply our Prop 10 equivalency to any new taxes. We will be engaging closely on this effort.

Lastly, it is worth noting that the Governor will push to ban flavored vaping products, an effort that is also currently being championed by Senator Jerry Hill through SB 793.

Prop 10:

The budget includes projections for cigarette tax revenues and tobacco consumption. These projections are based on projected per capita consumption of cigarettes, population growth, and the impact from the higher smoking age as well as the increased prices due to Proposition 56. Revenue estimates for other tobacco products, which now include electronic cigarettes, also reflect recent law changes.

Total tax-paid packs of cigarettes sold in 2018-19 were 624 million. In 2020-21, tax-paid packs of cigarettes sold are forecast to decline to 585 million. The chart below provides the projected revenues for all existing tobacco taxes, including Prop 10.

Tobacco Tax Revenue
(Dollars in Millions)

	2018-19 Actual	2019-20 Forecast	2020-21 Forecast
General Fund	\$61.9	\$59.9	\$58.0
Cigarette and Tobacco Products Surtax Fund	\$225.4	\$222.4	\$220.6
Breast Cancer Fund	\$12.4	\$12.0	\$11.6
California Children and Families First Trust Fund	\$349.8	\$341.0	\$333.3
California Healthcare, Research and Prevention Tobacco Tax Act of 2016	\$1,402.8	\$1,369.6	\$1,338.3
Total	\$2,052.2	\$2,004.9	\$1,961.8