



**The First 5 Association**  
**FY 2020-21 State Budget Negotiated Package Overview**  
*Updated: June 24, 2020*

On June 22<sup>nd</sup>, the Governor, Senate President pro Tempore Atkins, and Speaker Rendon announced they had reached a negotiated budget deal for the FY 2020-21 state budget. The final budget package looks similar to the Legislature’s previously approved budget.

Overall, the budget avoids many deep cuts proposed in the May Revision in the face of a \$54 billion budget deficit. Using revenue deferrals, lower caseload projections (based on LAO numbers), and reserve funding, the state budget largely sidesteps the draconian cuts that were considered just weeks ago.

The architecture of the budget is still based on the receiving \$14 billion in federal funds using a “trigger up” approach, meaning funding will be restored and/or augmented should federal funding materialize by October 15, 2020 – *additional detail is provided in full chart on page 6.*

Both the Assembly and the Senate are poised to pass the budget by Friday, June 26<sup>th</sup>, and we anticipate the Governor to sign soon after.

Below is an overview of the key elements of the budget pertaining to our First 5 Policy Agenda. Commentary and critical next steps can be found in *Blue Italics*.

**I. Quality Early Learning:**

The cuts to child care proposed in the May Revision would have devastated the field. Recognizing its essential nature to economic recovery, the legislature made child care a top priority for preservation in the overall budget negotiations. This is reflected in the early learning package that keeps spending levels largely the same as last fiscal year. Specifically, the budget does the following:

- **Preserves provider reimbursement rates** at their current levels and rejects 10% cut to the Regional Market Rate and Standard Reimbursement Rate.
- **Holds harmless** all state-subsidized child care programs if open in FY 20-21. For direct-contactors, reimbursement will be based on enrollment (not attendance) for in-person and distance learning, even if closed due to staff quarantine or school site closure. For Alternative Payment and CalWORKS providers, the hold harmless is applied through fiscal year at certificated need.
- **Adds new spaces:** \$53.3 million in new federal CCDBG funds towards Alternative Payment Programs (CAPP) for approximately 5,600 new and ongoing spaces. Additionally, the budget

includes \$73 million for one-time essential worker child care vouchers via CAPP (from federal CARES funding). Lastly, the budget allows for rollover of the \$50 million (from SB 89 emergency COVID-19 state funding) for Essential Worker Child Care voucher, which was announced in April.

- Provides additional supports for providers and families from CARES Funding, including: **\$125 million for one-time stipends for subsidized child care providers offering care during COVID-19** (\$62.5 million for AP and CalWORKs providers and \$62.5 million for all children enrolled regardless of attendance); **\$8 million to extend the family fee waivers** through the end of this fiscal year.
- **Plans for up to \$300 million of additional federal CCDBG monies** aimed to increase access, offer re-opening grants, and provide workforce stipends.
- **Provides additional infrastructure supports:** the budget also includes funding for an early childhood education data system, as part of the Cradle to Career data effort (\$9.3 million from CCDBG quality set-aside); and appropriates \$13.4 million in one-time federal Preschool Development Grant funds to Health and Human Services.

**Reductions:** This budget is not without reductions and hardship, and will limit the vision of building out early childhood systems of care. Most reductions are unappropriated monies that had not reached the field. Specifically the budget:

- Reduces full-day/ full-year California State Preschool Program (CSPP) investments by \$159.4 million (for 2020 and 2021), and school-based CSPP investments by an additional \$130 million from Prop 98 funding.
- Eliminates \$300 million in unspent full-day Kindergarten facilities grants
- Eliminates \$245 million in grants to renovate and construct ECE facilities
- Eliminates \$195 million for workforce development
- Eliminates \$10 million to improve CDE's early education data system
- Reduces \$2.2 million for the Early Childhood Policy Council
- Reduces \$35.9 million to adjust CalWORKS Stage 2 and 3 caseloads

**Child Care Moved to Social Services.** Lastly, the budget moves forward with transferring child care services, with the exception of CSPP, to the Department of Social Services. The budget appropriates \$2.3 million to assist in the transfer and creates the position of Deputy Director of Child Development to be appointed by the Governor. The transfer will apply to the following programs:

- Alternative Payment Programs

- Migrant Alternative Payments Programs
- CalWORKs Stage 2 and 3 (Stage 1 is already housed at CDSS)
- General child care and development programs
- Migrant child care and development programs
- Child care and development services for children with severe disabilities
- Child and Adult Care Food Program
- Lead agency for the Child Care and Development Fund, Child Care and Development Fund State Plan Early Learning and Care Infrastructure Grant Program
- Early Learning and Care Workforce Development Grants
- Head Start and Early Head Start
- Resource & Referral Agencies
- Local Planning Councils
- CA Child Care Initiative Project
- Quality Improvement projects (including Quality Counts CA)
- Child Development Management Information Systems

The trailer bill includes language that directs the Department of Finance and the Early Childhood Policy Council to submit a plan to the legislature before March 31, 2021 describing how the department will perform a number of functions, including: making child care program more integrated and connected to CSPP, TK, and elementary school; ensuring families have comprehensive information about their choices for comprehensive supports (including child care); improving state-level reporting through cradle-to-career, interagency data systems; among other activities.

*The Association never took a position on the transfer of child care or its policy predecessor as introduced in January as the “Department of Early Childhood Development”. We will be watching this very closely and will be participating in these discussion ahead, especially as they pertain to quality improvement efforts and linkages to other systems of care for children and families. Additionally, we are eager to hear from commissions and your child care colleagues on this topic.*

## II. Comprehensive Health & Development

Many of the proposed trigger cuts to health and development services were avoided. Specifically, the budget:

- **Prop 56 Provider Payments:** Preserves the Prop 56-funded supplemental payments until July 1, 2021, at which time the rates will be suspended unless otherwise specified. Notably, the rates apply to:
  - Developmental screenings - \$20.8 million
  - ACEs Screenings - \$7.6 million
  - ACEs provider training - \$21 million
  - Physician and dentist loan repayment program - \$297.8 million
  - Physician services - \$389 million
  - Dental services- \$183.8 million
- **Maternal Mental Health:** Restores \$34.3 million to implement the extension of pregnancy-only Medi-Cal coverage for up to 12 months after delivery for patients diagnosed with a maternal mental health condition.
- **County MHSA:** Provides counties with flexibility around community services and supports for the Mental Health Services Act (MHSA, Prop 63). Additionally, the budget suspends the reversion of unspent funds for 2019 and 2020 and ensures access to county reserves.
- **Supports for Children with Special Needs:** Preserves supplemental rate increases for developmental services providers, inclusive of the **Early Start program**. Further, Regional Centers will remain whole and avoid a \$55 million ongoing budget cut as proposed in the May Revise. Lastly, the Governor, in both the May Revise and through the negotiated budget package, preserves budget expansion to support **special education services** through a \$645 million increase in Prop 98 funding.

### Reductions:

- **CalAIM:** Withdraws many of the expansion and innovation efforts around Medi-Cal, and a few efforts that were part of the larger California Advancing and Innovating in Medi-Cal (CalAIM) initiative. Specifically, the budget includes delayed implementation of the Behavioral Health Quality Improvement Program and withdrawal of \$347 million for enhanced care management benefits and incentives as part of the in-lieu-of services provisions of CalAIM.

## III. Family Resiliency:

Recognizing the stress and great need for safety net services, many core systems around families were preserved, and even expanded. Notably:

- **EITC Expansion to ITIN Filers with Children Under Age 6:** The CalEITC program was significantly bolstered under the 2019 state budget with the creation of the state's Young Child Tax Credit (YCTC). These expansions will continue by allowing tax filers using an Individual Taxpayer

Identification Number (ITIN), rather than a social security number, with children under age 6 to qualify for EITC and YCTC. Advocates were hoping the expansion would apply to all ITIN filers, and the legislature includes language in hopes expanding eligibility in future years.

- **Universal Job Protected Leave:** Adopts January Budget proposal to extend Paid Family Leave job protections to all workers currently eligible for program, and extend pregnancy/birth disability job protections to all workers currently eligible. Implementation of this law is set to take effect on January 1, 2021 to allow small business with adequate time to comply and implement the measure.

*Note, while in the budget, the universal job protection proposal is having a difficult time gaining support in the legislature. It may move through trailer bill or via a legislative vehicle (SB 1383). Additional support and outreach to lawmakers on this proposal will be needed to ensure its success.*

- **Black Infant Health:** Preserves the Black Infant Health program and rejects the \$4.5 million cut proposed in the May Revise.

#### **Reductions:**

- **Home Visiting:** Reduces the CalWORKS Home Visiting Program by \$30 million in one-time cut, and restores funding in FY 2021-22. The cut is not expected to impact families currently receiving home visiting services.

#### **IV. Sustainability & Scale:**

The Nicotine-Based Vaping Tax “vape tax” was ultimately deferred and will be addressed this summer. Late last week, there was a push to include the vape tax in the final budget. However, negotiations around fund allocation and taxation structure (based of nicotine content vs. an additional excise tax) will continue in the weeks ahead.

*The Association continues to fight for our fair Prop 10 equivalency (of 14.8 %) of the Vape Tax, regardless of how funding from the tax is generated. We have been working closely with CSAC and CHEAC (county administrator of Prop 99 programs) to deliver this message as clear as possible.*

*Additionally, Senator Caballero (D-Salinas) has emerged as our First 5 champion on this effort. We will continue to work with her staff on the measure and will be asking commissions to contact their lawmakers to keep this issue front and center and to elevate the need for prevention funding, like Prop 10.*

## Federal Funding “Trigger Up” Restorations:

### **Cuts and Deferrals To Be Restored with Future Federal Funding**

Pursuant to Section 8.28 of the Budget Bill, as amended, if the state receives an additional \$14 billion of flexible federal funding by October 15, 2020, the following restorations and funding actions would occur with one-time federal funds:

- \$150 million restoration for the judicial branch budget.
- \$45 million restoration for moderate-income housing production funding.
- \$203 million restoration of the infill infrastructure grant program at the Department of Housing and Community Development.
- \$46 million restoration to child support administration funding.
- \$5.8 billion reduction in payment deferrals to K-12 schools.
- \$791 million reduction in payment deferrals to community colleges.
- \$472 million restoration for the University of California budget.
- \$500 million restoration for the California State University budget.
- \$88 million restoration for the Golden State Teacher Grant Program at the Student Aid Commission.
- \$250 million addition to the budget's \$750 million General Fund “backfill” to offset counties’ recent loss of realignment sales tax funding.
- \$2.8 billion deposit to the newly created Employee Compensation Reduction Offset Fund to be used to offset employee compensation reductions in this budget package.

If the federal funding is more than \$2 billion but less than \$14 billion, the amount above \$2 billion shall be proportionally allocated among the items listed above.