



October 15, 2020

Honorable Holly Mitchell, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Phil Ting, Chair
Assembly Budget Committee

Honorable Anthony Portantino, Chair
Senate Appropriations Committee

Honorable Lorena Gonzalez, Chair
Assembly Appropriations Committee

Section 8.28—Potential Budget Restorations

Earlier this year, the Legislature passed and the Governor signed a budget responding to the COVID-19 pandemic and the ensuing global economic crisis, a framework that protected core state government functions—emergency response, education, public health and safety and support for small businesses and individuals hurt by the pandemic—in the face of historic, COVID-19-induced revenue shortfalls.

Nearly every state and municipal government across the country is dealing with similar budget challenges. Economists, business leaders and political leaders from across the ideological spectrum and representing every corner of our country have urged the federal government to pass relief to help shoulder these burdens. States shouldn't be forced to face these global economic headwinds on their own.

As part of a balanced approach to close a budget gap of \$54.3 billion, the 2020 Budget Act included \$11.1 billion in reductions and deferrals in several General Fund programs, and also provided for their full restoration if at least \$14 billion in federal funds were received by October 15, 2020. The Budget Act further provided that if between \$2 billion and \$14 billion were received by this date, the reductions and deferrals would be partially restored.

But, since passage of the 2020 Budget Act, the federal government has failed to advance any additional economic stimulus package for struggling workers and businesses, nor have they agreed to any relief for state and local governments. While the House of Representatives passed the HEROES Act earlier this summer, which if enacted would allow for California's budget reductions to be restored in full, the Senate has not acted on a further relief measure to this point. And while Federal Reserve Chairman Powell testified last week that too little additional federal support will lead to a weak recovery and create unnecessary hardship for households and businesses, the Trump Administration has been unwilling to finalize negotiations on any economic relief measure in the near term.

Control Section 8.28, Chapter 7, Statutes of 2020, requires written notification to the Joint Legislative Budget Committee if the Director of Finance determines that sufficient federal funds have been made available by federal legislation enacted to provide additional funding to the state for the 2019-20 or 2020-21 fiscal years. Although the

provisions of the Control Section have not been met and notification is not required, this letter is respectfully submitted to the Committee to provide notice that as of October 15, 2020, the federal government has not enacted federal legislation to provide additional federal funding to the state that would trigger either full or partial restoration of funding pursuant to subdivision (b) of Control Section 8.28.

We will continue to monitor and report on federal developments, and the Governor will continue his ongoing efforts in support of additional federal funding. If you have any questions or need additional information regarding this matter, please contact Lisa Mierczynski, Assistant Program Budget Manager, at (916) 322-5540.



KEELY MARTIN BOSLER
Director

Attachment

cc: Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee
Gabriel Petek, Legislative Analyst (3)
Joe Stephenshaw, Staff Director, Senate Budget and Fiscal Review Committee
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Senate President pro Tempore's Office (2)
Christian Griffith, Chief Consultant, Assembly Budget Committee
Cyndi Hillery, Budget Director, Assembly Republican Caucus, Office of Policy and Budget
Jayme Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office
Alex Khan, Chief Consultant, Assembly Republican Leader's Office
Jason Sisney, Assembly Speaker's Office (2)
Mark McKenzie, Staff Director, Senate Appropriations Committee
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee

Triggers at 2020 Budget Act

Department	Trigger Action	2020-21 (Dollars in Millions)
Education	Eliminate Proposition 98 K-14 Payment Deferral	6,554.2
Judicial Branch	Restore Judicial Branch Budget Reduction	150.0
Department of Housing and Community Development	Restore Moderate-Income Housing Production Early Reversion	45.0
Department of Housing and Community Development	Restore Infill Infrastructure Grant Program of 2019 Early Reversion	203.0
Department of Child Support Services	Revert Local Child Support Agency Funding Methodology to 2018 Levels	46.4
University of California	Restore UC 10 Percent Reduction	338.0
University of California	Restore UCOP 10 Percent Reduction	34.0
University of California	Restore UC Other Reduction	90.4
University of California	Restore UCOP Other Reduction	9.2
Hastings College of the Law	Restore Hastings 10 Percent Reduction	1.5
Hastings College of the Law	Restore Hastings Other Reduction	0.4
California State University	Restore CSU 10 percent Reduction	398.1
California State University	Restore CSU Other Reduction	100.0
Student Aid Commission	Restore Golden State Teacher Grant Program	88.4
Various Departments	Restore Employee Compensation Bargaining Reductions	1,892.4
Control Section 03.92	Eliminate Borrowing from Special Funds related to Employee Compensation Savings	936.0
Local Government Financing	Provide Additional County Realignment Backfill	250.0

Total

\$11,137.1