



January 26, 2017

<p><b>SUBJECT</b></p> <p><b>STATE AND FEDERAL BUDGET AND LEGISLATIVE UPDATE</b></p> <p><b>Strategic Priority Area 3. Public Will and Investment:</b> Build public engagement in, investment in, and support of the optimal well-being and development of children prenatal through age 5, their families, and communities.</p> <p><b>Goal 3.2. Legislative Engagement and Leadership:</b> Advocate for and influence policy change, both directly and in partnership with First 5 county commissions and other allies, from the local to federal levels that increase investments to improve conditions for children prenatal through age 5 and their families.</p>	<p><input checked="" type="checkbox"/> Action</p> <p><input type="checkbox"/> Information</p>
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**SUMMARY OF THE ISSUE**

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First 5 California (F5CA) staff will provide an update on the revised F5CA Children’s Policy Agenda, the launch of the 2017–18 State Legislative Session, the release of the Governor’s 2017–18 Proposed Budget, and initial F5CA “Level 1” Priority Bills of Interest for the 2017–18 Legislative Session.

Staff also will provide an overview of planned federal policy engagement in 2017.

**RECOMMENDATION**

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F5CA staff is not requesting action at this time.

**BACKGROUND OF KEY ISSUES**

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**2017–18 Children’s Policy Agenda Revised**

On January 10, 2017, the F5CA Legislative Advisory Committee (LAC) convened and advised F5CA staff on revisions to the 2016 Children’s State Policy Agenda to reflect F5CA’s expanded state and federal policy advocacy agenda for the 2017–18 State

Legislative Session and its 2017 joint federal advocacy efforts with the First 5 Association and First 5 Los Angeles.

The revised Children’s Policy Agenda (see Attachment A) is a framework for prioritizing the Commission’s involvement in state and federal legislative advocacy as well as administrative advocacy. The Children’s Policy Agenda continues to prioritize the three policy areas highlighted in F5CA’s Strategic Plan — Child Health, Early Learning, and Strong and Engaged Families and Communities — as well as Revenue.

## **2017 California State Legislative Session**

With the launch of the 2017 legislative season, many bills of interest to F5CA and consistent with the Children’s Policy Agenda have already been introduced and are outlined in our 2017 Legislative Bills of Interest (see Attachment B). Attachment B is a list of all state legislation introduced and amended by January 17, 2017, in the two-year regular session that matched the revised policy agenda. Bills listed as “Level 1” are legislation determined by staff to be consistent with the Policy Agenda and requiring LAC consideration for an active position. Bills listed as “Level 2” are being tracked passively by F5CA staff and may be considered by the LAC for an active position in the future if amendments to the bills’ content better align with the Policy Agenda. All legislation and budget positions recommended by the Committee are adopted by the Executive Director and will be tracked by staff for public letters and public testimony in legislative hearings consistent with the Commission position.

The Legislative Women’s Caucus continues to cite early learning as a priority for the caucus’ bipartisan and bicameral work, and Assembly Speaker Rendon’s Blue Ribbon Commission on Early Learning is expected to convene as early as this February. The combination of these two leadership spotlights promises another interesting year in the world of early childhood education on both the fiscal and policy fronts.

Of the early bill introductions, F5CA’s LAC advised F5CA staff to take support positions on the following legislation:

### *Child Health*

**AB 15 (Maienschein)** would increase the Denti-Cal provider reimbursement rate for specified dental care procedures.

**SB 18 (Pan)** would codify and expand a Bill of Rights for Children and Youth in California.

### *Early Learning*

**AB 60 (Santiago and Gonzalez)** would modernize the family eligibility levels for all state subsidized child care programs, including CalWORKs Stages and California State Preschool Program.

**SB 63 (Jackson)** would expand federal unpaid parental leave protections in California to include all employers with 20 or more employees in a 75-mile radius.

## **Governor's 2017–18 Proposed Budget**

On January 10, 2017, Governor Brown introduced his Proposed Budget for the 2017–18 Fiscal Year. The Governor's Budget recommends California prepare for a revenue forecast reduction of \$5.8 billion over a three-year period, and an estimated \$1.6 billion annual shortfall. The General Fund shortfall for the budget year is projected to be \$241 million. The Budget would achieve these reductions through 1) lowering the Proposition 98 guarantee to the minimum guarantee level for the prior and current years; 2) eliminating or repurposing one-time budget funds; and 3) halting previous out-year spending increase agreements, including increases for child care. The Budget proposes total spending of \$125.1 billion, including \$71.2 billion General Fund and \$51.4 billion Proposition 98 General Fund spending.

The 2016–17 Budget Act included a multiple year agreement between the Administration and the Legislature to increase early childhood education access and per-child funding rates totaling over \$500 million when fully phased in over four years. These substantial increases are to be implemented as minimum wage increases in future years. Specifically, the 2016–17 Budget Act increased child care provider reimbursement rates and added an additional 2,959 California State Preschool Program slots in the first year of the multi-year deal.

For the multi-year early childhood education deal, the Governor's Budget includes augmentations of \$87.9 million General Fund and \$23.5 million Proposition 98 General Fund to reflect full-year costs of 2016–17 Budget Act adjustments and increased costs of care in the CalWORKs Stage 2 and Stage 3 child care programs. And while further increases were intended in 2017–18 as part of the deal, the Budget proposes "pausing" additional augmentations until 2018–19. The Budget also does not extend the Cost of Living Adjustment to child care programs.

In addition to the fiscal proposals in the Governor's Budget for early childhood education, a number of policy proposals are included. While proposal details are still pending, the Budget recommends a number of administrative streamlining actions and several proposals intended to ease the blending of school district-run California State Preschool Program and Transitional Kindergarten classrooms. F5CA staff will review these policy proposals once details are released.

The Governor's Budget also included a forecast of 2017–18 tobacco tax revenues for Proposition 10 purposes, with projections of a 17 to 18 percent decline due to the successful passage of Proposition 56's new \$2.00 per pack cigarette tax. F5CA staff are in discussions with the Department of Finance about the initial impacts of the new tax and the Board of Equalization's backfill calculations, and are discussing follow-up with the First 5 Association. More details will be discussed in the Financial Update Item.

## **First 5 California 2017 Budget Priorities**

At the January 10, 2017, LAC Meeting, the Committee advised F5CA staff to approve budget priorities for 2017 in line with the Early Childhood Education Coalition's 2017 priorities. The LAC again placed priority on reminding state leadership of the enormous

remaining child care access gap that affects an estimated 1.2 million eligible children and the role of quality child care in reducing childhood poverty. The LAC advised F5CA staff to prioritize 1) the enactment of the 2016–17 multiple year budget deal to increase child care reimbursement rates to keep pace with new minimum wage increases and the cost of care; 2) the modernization of child care eligibility rates and policies; and 3) the expansion of investments in quality and access funding increases, with an emphasis on access for children ages 0 to 3. F5CA staff will work with the Early Childhood Education Coalition on these priorities in the coming budget debates.

### **SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION**

The Legislative Update is a standing item for Commission discussion.

### **ATTACHMENTS**

- A. 2017–18 Children’s Policy Agenda
- B. 2017 Legislative Bills of Interest, Priority Level 1 and 2 Bills