



January 23, 2020

ACTION ITEM

SUBJECT: STATE AND FEDERAL BUDGET AND LEGISLATIVE UPDATE

Strategic Plan Priority Area: Child Health

Goal: All children thrive by achieving optimal health prenatal through age 5.

Strategic Plan Priority Area: Child Development

Goal: All children birth through age 5 have high-quality, nurturing environments that ensure their learning readiness.

Strategic Plan Priority Area: Family Functioning

Goal: All families have the knowledge, skills, and resources to support their children's optimal development.

SUMMARY OF THE ISSUE

First 5 California (F5CA) staff will provide an update on year two of the 2019–20 State Legislative Session, including initial F5CA bills of interest, and the release of the Governor's 2020–21 Proposed Budget. Staff also will provide a federal policy update.

RECOMMENDATION

F5CA staff is not requesting action at this time.

BACKGROUND OF KEY ISSUES

2020–21 Children's Policy Agenda

The 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 – Resilient Families and Communities, Child Health, and Early Learning – as well as Revenue.

2020 California State Legislative Session

With the launch of the 2020 legislative season, several bills of interest to F5CA and consistent with the Children's Policy Agenda have been introduced and are outlined in F5CA's 2020 Legislative Bills of Interest (see Attachment B). Attachment B is a list of all state legislation introduced and amended by January 13, 2020, in the two-year regular session, that matched the policy agenda. Bills listed as "Level 1" are legislation determined by staff to be consistent with the Policy Agenda and requiring Legislative Advisory Committee (LAC) consideration for an active position. Bills listed as "Level 2" and "Level 3" 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 testimony in legislative hearings consistent with the Commission position.

The Legislative Women's Caucus continues to cite early learning and family-friendly policies as priorities for the caucus' bipartisan and bicameral work. Additionally, the Early Childhood Policy Council convened by the Governor will begin meeting in early 2020 to advise the creation of a Master Plan for Early Learning and Care to guide the state's early childhood investments. 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. In this vein, the First 5 Network will be hosting its annual advocacy day on April 21, 2020 – please save the date!

Of the early bill introductions, F5CA staff is tracking the following legislation introduced in the legislative session (as of January 13, 2020):

Resilient Families and Communities

ACR 140 (Stone) would designate the month of January 2020 as Positive Parenting Awareness Month in California.

ACR 145 (Bauer-Kahan) would proclaim January 23, 2020 as Maternal Health Awareness Day.

SB 796 (Leyva) would require a certificated or classified school employee who exhausts all available sick leave and continues to be absent from duties on account of illness or accident, for an additional period of five school months, to receive the employee's full salary during those five months.

Early Learning

AB 1914 (O'Donnell) would establish the Supporting Inclusive Practices project, to be administered by the State Department of Education through the provision of grant funds, to department-designated lead local agencies to increase opportunities for pupils with disabilities to meaningfully participate in general education.

Revenue

SB 793 (Hill) would prohibit a tobacco retailer from selling, offering for sale, or possessing with the intent to sell or offer for sale, a flavored tobacco product.

The following two-year bills were introduced in year one of the 2019–20 legislative session and will continue to be tracked by F5CA staff:

Resilient Families and Communities

AB 22 (Burke) would declare that it is the policy of the state that every child and family have the right to housing, which includes homelessness prevention, emergency accommodations, and permanent housing.

AB 24 (Buke) would, under the Personal Income Tax Law, allow a qualified taxpayer a Targeted Child Tax Credit in an amount equal to the difference between the qualified taxpayer's net resources and a specified percentage of the poverty threshold.

AB 196 (Gonzalez) would increase the wage replacement rate for calculating Paid Family Leave benefits from the 60 to 70 percent provided currently to 100 percent, subject to an annually adjusted maximum benefit amount.

AB 1593 (Reyes) would expand the California Earned Income Tax Credit to cover taxpayers and qualifying children with a federal individual taxpayer identification number instead of a social security number.

SB 26 (Caballero) would make the state Child and Dependent Care Expenses Tax Credit refundable.

Child Health

AB 66 (Gonzalez) would extend the tax exemption for the sale of, or the storage, use, or other consumption of, diapers for infants, toddlers, and children until January 1, 2027.

AB 898 (Wicks) would require the California Health and Human Services Agency, under the oversight of the Secretary of California Health and Human Services or their designee, to convene the Children's Behavioral Health Action Team to maximize the Medi-Cal program's investment in the social, emotional, and developmental health and well-being of children in California who receive health care through the Medi-Cal program.

SB 66 (Atkins) would allow Medi-Cal to reimburse Federally Qualified Health Clinics and Rural Health Clinics for two services rendered on the same day at the same location, when a patient receives a medical and mental health or dental visit.

SB 406 (Pan) would delete the requirement that a plan comply with the requirement to cover preventive health services without cost sharing to the extent required by federal law, and would instead require a group or individual health care service plan contract to,

at a minimum, provide coverage for specified preventive services without any cost-sharing requirements for those preventive services.

Early Learning

AB 6 (Reyes) would create the Interagency Workgroup and the Quality Improvement Workgroup within the California Department of Education to review early learning and care program coordination and quality.

AB 15 (Nazarian) would establish the Children’s Savings Account Program, under the administration of the Scholarshare Investment Board, for the purposes of expanding access to higher education through savings.

AB 123 (McCarty) would expand eligibility for State Preschool programs, increase the reimbursement rate for State Preschool and require a portion of the increase to be used to increase the pay of teachers with a baccalaureate degree, require State Preschool lead teachers to hold a baccalaureate degree by July 1, 2028, and establish a program to provide financial support to early childhood education workers pursuing a baccalaureate degree.

AB 1684 (Maienschein) would require the California Department of Education to develop and implement a statewide professional learning infrastructure to provide evidence-based support to educators in teaching reading and literacy across grades and across the content areas identified in the state’s English Language Arts/English Language Development Framework.

SB 2 (Glazer) would require the creation of a statewide data system to track individual students’ progress from preschool through college and into the workforce.

Revenue

AB 1001 (Ting) would update the composition and duties of local planning councils and provide that they shall collect local input to facilitate local decision-making regarding early childhood education services and also develop and implement a strategic plan and investment priorities.

ACA 2 (Nazarian) would authorize the Legislature to vest all powers, duties, and responsibilities in a single state tax agency or separately in multiple state tax agencies. The measure would deem the California Department of Tax and Fee Administration and the office of Tax Appeals to be state tax agencies and vest in these entities specified powers, duties, and responsibilities currently vested in the State Board of Equalization.

First 5 California Sponsored Legislation

AB 125 (McCarty) and SB 174 (Leyva), co-sponsored by the Child Care Resource Center (CCRC) and EveryChild California, would establish a single regionalized state reimbursement rate system—called The Child Care Stabilization Formula—for childcare, preschool, and early learning services. The methodology for this formula is

based on the recommendations of the rate reform workgroup convened by F5CA last year.

AB 125 and SB 174 remain alive as two-year bills in their second houses. F5CA staff and the co-sponsors will be working with the Administration and the authors to determine how the bills interact with the Governor's Master Plan for Early Learning and Care process, and how best to move forward.

SB 135 (Jackson), co-sponsored by Legal Aid at Work and the California Employment Lawyers Association, would expand state family leave job protections and create parity between bonding and sick leave eligibility in California. This bill also would expand the definition of family members for the purpose of caregiving to include a grandparent, grandchild, sibling, parent-in-law, child-in-law, or "designated person," to allow for diverse caregiving needs and multigenerational families.

SB 135 remains alive as a two-year bill on the Senate Floor. In light of the Governor's bold Budget proposal for universal state family leave job protections, F5CA staff and the co-sponsors are currently in conversations with Governor's Office and the author to incorporate the policies of SB 135 into the proposal's trailer bill language.

AB 1256 (Bonta) would authorize a learning readiness tool for California. While F5CA will still be convening a stakeholder meeting to learn about existing learning readiness initiatives being implemented in the state and nationally, to respect the Master Plan for Early Learning and Care process and allow time for the Master Plan team to deliberate this very issue, F5CA staff and the author have made the decision to not move this legislation forward this year.

The legislative deadline is February 21, 2020, for new legislation to be introduced.

Governor's 2020–21 Proposed Budget

On January 10, 2020, Governor Newsom introduced his proposed \$222.2 billion budget for Fiscal Year 2020–21. Building on the 2019–20 Budget Act, the January Budget proposal makes further progress in many areas of the Governor's "Parents Agenda."

Below is an overview of proposed Budget items of interest to First 5 California and its Strategic Plan.

Early Learning

- **Department of Early Childhood Development** – The Budget proposes to establish the Department of Early Childhood Development under the California Health and Human Services Agency (CHHS) effective July 1, 2021, to promote a unified early childhood system that improves program integration and coordination with other major programs serving young children. The Department of Education will continue to administer the State Preschool Program. The Budget includes \$8.5 million General Fund to establish a transition team at CHHS and will support staffing at the Department of Human Resources, CHHS, and the Department of Social Services to carry out child care collective bargaining activities.

- **CalWORKs Stages 2 and 3 Child Care** – A net increase of \$53.8 million non-Proposition 98 General Fund to reflect changes in CalWORKs child care cases, specifically a reduction in projected caseload in Stage 2 offset by an increase in projected caseload in Stage 3. Total costs for Stage 2 and 3 are \$588 million and \$583.1 million, respectively.
- **General Child Care Slots** – An additional \$10.3 million from the Cannabis Fund for an increase of 621 General Child Care slots and \$50 million ongoing funding from the Cannabis Fund to support over 3,000 General Child Care slots previously funded with General Fund.
- **Universal Preschool** – An increase of \$31.9 million in 2020–21 and \$127 million ongoing non-Proposition 98 General Fund to support an additional 10,000 State Preschool slots at non-local educational agencies beginning April 1, 2021.
- **Full-day Kindergarten and Preschool Facilities Expansion** – The 2018 and 2019 Budget Acts included a total of \$400 million one-time non-Proposition 98 General Fund for eligible school districts to construct new, or retrofit existing, facilities to expand access to full-day kindergarten programs. Of this amount, roughly \$300 million remains available to support the goal of converting existing part-day kindergarten programs to full-day programs. The Budget proposes dedicating a portion of these funds to support the construction of preschool facilities that increase access to early education for young children on school campuses.
- **Inclusive Early Education Expansion Program** – The 2018 and 2019 Budget Acts included a total of \$177 million to support the Inclusive Early Education Expansion Program, which provides funding to local educational agencies to construct or modify preschool facilities to serve students with exceptional needs or severe disabilities. The Budget includes an additional \$75 million Proposition 98 General Fund to further support this program.
- **The Public Preschool, K-12, and College Health and Safety Bond Act of 2020** – AB 48 (O’Donnell, 2019) placed a \$15 billion general obligation bond – the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 – on the March 3, 2020 ballot for consideration by the voters. AB 48 authorizes school districts to use facilities grant funding to support the construction and modernization of school district-operated preschool facilities located on school campuses. If the Act is approved, the Administration will propose statute authorizing the State Allocation Board to provide a new construction or modernization per-pupil grant enhancement to local educational agencies proposing to construct or modernize facilities to expand preschool programs on school campuses. Participants would be required to use the applicable facility to expand the number of preschool students served by the local educational agency consistent with current preschool staffing standards.

Resilient Families and Communities

- **Paid Family Leave** – The Budget takes additional steps to increase the use of Paid Family Leave benefits by including statutory changes to provide universal job

protection for California workers who access Paid Family Leave. The Budget also provides resources to support small businesses whose employees will now be able to access Paid Family Leave.

- **CalWORKs Grant Increase** – The Budget reflects a 3.1 percent increase to CalWORKs Maximum Aid Payment levels, effective October 1, 2020, which is estimated to cost \$73.6 million in 2020–21 and \$98.1 million in 2021–22. These increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccounts of the Local Revenue Fund.
- **CalWORKs Child Support Payments** – Effective January 1, 2022, child support payments passed through to CalWORKs families will be increased from the current \$50 to \$100 for a family with one child and \$200 for a family with two or more children.
- **Cal Grant Access Awards for Student Parents** – An increase of \$21.6 million General Fund to reflect an increase in the number of estimated recipients in 2020–21.

Child Health

- **Medi-Cal Healthier California for All Initiative** – The Budget includes \$695 million (\$348 million General Fund), growing to \$1.4 billion (\$695 million General Fund) in 2021–22 and 2022–23 for the Department of Health Care Services to implement the Medi-Cal Healthier California for All initiative (formerly known as CalAIM, or the California Advancing and Innovating Medi-Cal initiative), effective January 1, 2021. This investment will provide for enhanced care management and in lieu of services, necessary infrastructure to expand whole person care approaches statewide, and build upon existing dental initiatives. Beginning in 2023–24, the Administration proposes to phase out infrastructure funding, resulting in ongoing cost of \$790 million (\$395 million General Fund). In addition, the Administration plans to submit a proposal in the spring for the state operations component of implementing the new Medi-Cal Healthier California for All initiative. The Budget includes a placeholder of \$40 million (\$20 million General Fund) for these costs.

In alignment with the Medi-Cal Healthier California for All initiative, the Budget includes \$45.1 million General Fund in 2020–21 and \$42 million General Fund in 2021–22 for the Department of Health Care Services to implement a Behavioral Health Quality Improvement Program. This will provide funding to county-operated community mental health and substance use disorder systems to incentivize system changes and process improvements that will help counties prepare for opportunities through the Medi-Cal Healthier California for All initiative. Improvements include enhanced data-sharing capability for care coordination and establishing the foundational elements of value-based payment such as data collection, performance measurement, and reporting.

- **ACEs Cross-Sector Training Program** – The Budget includes \$10 million one-time General Fund for the development of an adverse childhood experiences cross-sector training program that will be accredited by the Office of the Surgeon General,

as well as a statewide adverse childhood experiences public awareness campaign. The Surgeon General will engage leading experts and consultants to develop a series of trauma-informed trainings specific to key sectors, including early childhood, education, government, and law enforcement. These trainings will incorporate the latest evidence on trauma-informed and trauma-sensitive responses and will be made available statewide.

- **Reforming the Mental Health Services Act (Prop 63)** – Highlighting the \$500 million in unspent county reserves, the Administration will introduce a proposal in the 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.

K-12

- **Proposition 98** – The Proposition 98 funding for K-12 schools and community colleges for 2020–21 is \$84 billion – an all-time high. When combined with more than \$819 million in settle-up payments for prior fiscal years, the Budget proposes an increased investment of \$3.8 billion in schools and community colleges.
- **Educator Recruitment and Professional Development** – To expand and increase the preparedness of the state’s public K-12 teacher and administrator workforce, especially in the state’s low-income schools, the Budget allocates approximately \$900 million in one-time funds.
- **Special Education** – The Budget proposes a three-phase, multi-year process to improve special education finance, services, and student outcomes, including \$250 million ongoing Proposition 98 General fund for school districts to increase or improve services based on the number of preschool-age children with disabilities the district serves, \$500,000 one-time Proposition 98 General Fund for a study of the current SELPA governance and accountability structure, \$600,000 one-time Proposition 98 General Fund for two workgroups to study improved accountability for special education service delivery and student outcomes, and \$4 million one-time Proposition 98 General Fund for dyslexia research, training, and a statewide conference.
- **Community Schools** – The Budget proposes \$300 million one-time Proposition 98 General Fund to establish Community School grants for local educational agencies supporting innovative community school models.
- **School Nutrition** – To improve the quality of subsidized school meals and encourage participation in the state and federal school nutrition program, the Budget proposes \$60 million Proposition 98 General Fund to increase funding for school nutrition. Additionally, the Budget proposes \$10 million Proposition 98 General Fund to provide training for school food service workers to promote healthier and more nutritious meals.

- **Cost-of-Living Adjustments** – An increase of \$122.4 million Proposition 98 General Fund to reflect a 2.29 percent cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, State Preschool, and Youth in Foster Care.

Other

- **Vaping Tax** – In order to address the rapidly increasing youth use of potent nicotine-based vaping products, the Budget proposes a new vaping tax based on nicotine content. The new tax will begin on January 1, 2021 and will be \$2 for each 40 milligrams of nicotine in the product, equivalent to the tax on a pack of cigarettes. The new tax will be in addition to all existing taxes on E-Cigarettes, which are presently taxed as tobacco products under state law. Revenues from the new tax are expected to be \$32 million in 2020–21, will be deposited into a new special fund, and will be used for administration, enforcement, youth prevention, and health care workforce programs. In addition to the tax, the Administration will support a statewide ban of all flavored nicotine products as of January 1, 2021.

While there was much to celebrate in the January budget, there is still a great deal of work to be done. With 1.8 million eligible children not able to access care, California needs to see significant increases in child care access, especially for infants and toddlers. California also has seen minimal rate increases for providers in recent years. The state continues to use the 2016 Regional Market Rate survey to determine reimbursement rates for many providers, which means they are being reimbursed at a rate that does not only keep up with inflation but is inadequate to run their programs effectively. Reforming California’s reimbursement rate structure is essential to building an early childhood system that works for everyone – children, families, and providers. The Administration has indicated that rate reform will be looked at as part of the Master Plan for Early Learning and Care process. In addition to this crucial early childhood system infrastructure, F5CA will continue to advocate for increasing book distribution to low-income families in California, a critical tool in promoting early literacy and language development.

The Governor’s budget plan will now move to the state Legislature, which will vet the proposal. In May, the Governor will revise his budget proposal based on updated revenue and policy forecasts, and the Legislature will finalize their recommended spending plans.

Federal Policy Update

Fiscal Year (FY) 2020 Appropriations and Budget

On December 21, 2019, President Trump signed the FY20 Labor, Health and Human Services, Education, and Related Agencies appropriations bill into law. The bill provides increased support in many of the program areas of interest to F5CA, including the following:

- **Child Care and Development Block Grant (CCDBG):** increase of \$550 million from \$5.276 billion in FY19 to \$5.826 billion in FY20.
- **Head Start:** increase of \$550 million from \$10.063 billion in FY19 to \$10.613 billion in FY20.
- **Preschool Development Grant (PDG):** increase of \$25 million from \$250 million in FY19 to \$275 million in FY20. *Note: California successfully received a PDG from this new funding.*
- **IDEA Part C:** increase of \$7 million from \$470 million in FY19 to \$477 million in FY20.
- **IDEA 619 preschool:** increase of \$3 million from \$391 million in FY19 to \$394 million in FY20.

The final appropriations bill also includes a provision that will raise the age for legal tobacco purchases, including e-cigarettes and vaporizers, from 18 to 21.

Federal Rulemaking

SNAP Rule Tightens Work Requirements

On December 4, 2019, the U.S. Department of Agriculture finalized regulations designed to make access to the Supplemental Nutrition Assistance Program (SNAP) more difficult for able bodied adults without dependents. The new rule is expected to eliminate SNAP benefits for as many as 688,000 adults.

Currently, SNAP limits adults to three months of benefits in a three-year period unless they meet the 20 working hours per week requirement. States, however, have the authority to waive that requirement in areas with high unemployment. The new rule would limit states' flexibility to waive this requirement, cutting basic food assistance to hundreds of thousands of individuals who struggle to find steady, full-time work.

This final rule will increase hardship, forcing individuals to choose between eating and paying for other necessities, like housing and medicine. Litigation is expected to block, or slow down, the new rule from going into effect.

Two additional revisions to SNAP are pending, including revisions to categorical eligibility.

Federal Legislation

- **The Funding Early Intervention is the Right IDEA Act (H.R. 4107)** – Representatives Mark DeSaulnier and Rodney Davis introduced The Funding Early Intervention is the Right IDEA Act (H.R. 4107) on July 30, 2019. The bill proposes to significantly increase funding for Part C early intervention and Section 619 preschool

services of IDEA over ten years. The bill complements the IDEA Full Funding Act (H.R. 1878), which provides funding for special education K-12.

- **Paid Family Leave** – Paid family leave is experiencing bipartisan support in Washington. This is evidenced by the recent passage of legislation providing 12 weeks of paid family leave for federal employees.

In December 2019, The White House convened a paid family leave summit with lawmakers and business leaders, signaling White House support for the issue. While there are significant differences among proposals, particularly with regards to how to pay for the leave, this bipartisan support provides advocates with an opportunity to shape the conversation.

- **Paid Family Leave for Federal Employees** – In December 2019, lawmakers passed a provision requiring 12 weeks of paid parental leave for all federal employees. The provision, included in the National Defense Authorization Act, applies to the 2.1 million civilian workers employed by the federal government.
- **The Family Act (H.R.1185 and S.463)** – The Family Act would provide Americans up to 12 weeks of paid leave at 66 percent of their monthly wages. The proposal builds on an existing law, the Family and Medical Leave Act of 1993, which offers only unpaid leave. This law would institute a kind of family leave insurance, structured much like unemployment insurance. The funds would come from employee and employer payroll contributions of two-tenths of 1 percent, or approximately \$2.00 per week for a typical worker.
- **The Advancing Support for Working Families Act (H.R.5296 and S.2976)** – The Advancing Support for Working Families Act would let workers advance \$5,000 of the Child Tax Credit (CTC) to compensate for some of the wages they would lose when taking parental leave. The proposal is essentially a loan; workers would repay the advanced CTC dollars by taking a \$500 reduction in their CTC for the next ten years. Under this bill, workers pay for their own leave; neither employers nor the federal government pays anything.

First 5s Advocate for Early Childhood Priorities in Washington, D.C.

In November 2019, representatives from F5CA, the First 5 Association, and First 5 LA travelled to Washington, D.C. to meet with Members of Congress and early childhood partners. First 5s provided updates on early childhood priorities in California and discussed policies that affect children and families across the state, including Paid Family Leave, Head Start, immigration, and IDEA Part C.

The First 5 delegation met with the following congressional offices: Chairman of the House Education and Labor Committee Bobby Scott, Senator Dianne Feinstein, Congressman Jimmy Gomez, Congressman Joshua Harder, Congresswoman Judy Chu, Senator Kamala Harris, Congressman Mark DeSaulnier, Congressman Mark Takano, Speaker Nancy Pelosi, and Congresswoman Nanette Barragán.

SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION

The Legislative Update is a standing item for Commission discussion.

ATTACHMENTS

A. 2020–21 Children’s Policy Agenda

B. Legislative Bills of Interest