

Assembly Committee on Jobs, Economic Development, and the Economy

Summary of Selected 2020-21 May Revision Budget Proposals Based on an Initial Review

The May Revision budget presents an **expenditure plan of \$202.2 billion** with **\$133.9 in General Fund** expenditures. For comparison, this represents a 5.47% decrease from 2019-20 budget expenditures. The Governor's January proposed budget provided **\$222 billion** with **\$153 billion in General Fund** expenditures.

In April 2020, Governor Newsom established the Task Force on Business and Jobs Recovery, an 80-member group of leaders from business, labor, and the non-profit sector, tasked with the development of recommendations on how economic recovery can be expedited. The May Revision Budget proposal restates the Administration's commitment to taking additional actions, informed by the Legislature, the Task Force, and other stakeholders to support a safe, swift, and equitable economic recovery.

Below is a summary prepared by the JEDE Committee of key economic, community, and workforce development items included in the California Governor's May Revision budget for 2020-21.

Economic Recovery: California's Small Businesses and Entrepreneurs

"Given [small businesses] crucial role the California economy, the May Revision proposes increased funding to support the recovery of this sector in the near- and long-term." (Governor May Revision Summary page 26)

- Maintains the Governor's January Budget proposal to waive the **\$800 minimum franchise tax** for small and medium size business during their first year of business creation. *(Governor May Revision Summary page 26)*
- Maintains the Governor's January Budget proposal to extend the carryover period for film credits awarded under Program 2.0 from 6 years to 9 years. *(Governor May Revision Summary page 157)*
- Increases from **\$50 million** to \$100 million the moneys available to operate the **Small Business Disaster Loan Guarantee Program**. This program is intended to fill gaps in available federal assistance to small business. The initial \$50 million was made available through a State Disaster Fund transfer. *"This increase will be leveraged to access existing private lending capacity and philanthropic funding to increase the funds available to provide necessary capital to restart California small businesses."* *(Governor May Revision Summary page 26)*
- Maintains the third year of a five-year commitment to provide **\$20 million** General Fund annually through a **\$17 million Small Business Technical Assistance Expansion Program** and a **\$3 million Capital Infusion Program**. These moneys support one-on-one business counseling and other direct services to owners of small businesses. *(Governor May Revision Summary page 27)*
- Retains the **\$10 million** one-time General Fund for the establishment of the Entrepreneurship Pathways Grant Program to provide training and business startup supports for targeted low-income populations, including immigrants, regardless of immigration status, and refugees. *(Governor May Revision Summary page 116)*
- Retains the **\$1 million** one-time General Fund for a pilot project to support small businesses that **extend Paid Family Leave** benefits to their employees. *(Governor May Revision Summary page 115)*

- Retains the **\$758,000** ongoing General Fund proposed in the Governor’s January Budget to provide four permanent positions to the **California Business Investment Program**, administered through the GO-Biz, to bring business and economic development to Inland and Northern California. In the January Budget, the proposal was to specifically support the Regions Rise Together initiative in the Central Valley, Central Coast, Inland Empire, and North Coast. It is unclear whether the purpose of the funding changed. *(Governor May Revision Summary page 27)*
- Commits the Administration to using the **Office of Digital Innovation** to assist agencies and departments to **rethink how to deliver more government services online**. The administration will build on the lessons learned through establishing the COVID19.ca.gov website to build a new CA.gov website. *(Governor May Revision Summary page 118)*
- Retains **\$2 million** one-time General Fund to support the **Fresno Developing the Region’s Inclusive and Vibrant Economy (DRIVE)** initiative’s **Fresno-Merced Food Innovation Corridor concept**. The Governor’s January Budget proposed \$33 million for this program, as well as, \$17 million one-time General Fund to support Fresno Integrated K-16 Education Collaborative’s work on educational pathways that improve social and economic mobility in the greater Fresno region. *(Governor May Revision Summary page 58)*

Economic Recovery: California’s Current and Future Workforce

“The Administration is [still] considering options to support job creation including: assistance to help spur the recovery of small businesses and the jobs they create, support for increased housing affordability and availability, and investments in human and physical infrastructure. Any investments and actions will focus on equity, shared prosperity and long-term growth.” (Governor May Revision Summary page 27)

- Retains 2019-20 **program eligibility for the CalWORKs program**, California’s version of the federal Temporary Assistance for Needy Families (TANF) program. The average monthly CalWORKs caseload is estimated to be approximately 724,000 families in 2020-21, reflecting a 102% increase from initial budget projections due to the COVID-19 pandemic. *(Governor May Revision Summary page 64)*
- Increases **TANF Block Grant** awards to counties by **\$82.3 million** General Fund to facilitate enrollment in the CalWORKs program and services to beneficiaries. *(Governor May Revision Summary page 64)*
- States the Governor’s **commitment to work with colleges and universities** to allow more students to **access training and education through distance learning**, and to provide opportunities for non-traditional students who are working and parenting to **complete coursework at their own pace and after hours**. *(Governor May Revision Summary page 27)*
- Commits **Caltrans to accelerating projects** to achieve cost savings, support the creation of new jobs in the transportation sector, and improve roads. *(Governor May Revision Summary page 28)*
- Retains **Earned Income Tax Credit (EITC)** at **\$1 billion** General Fund. The 2019 Budget Act substantially expanded the EITC (\$400 million to \$1 billion). The enhanced credit provided over one million additional households with eligibility, bringing the total number of households receiving the credit to three million. *(Governor May Revision Summary page 31)*
- Reduces support for the **CCC Strong Workforce Program** by **\$135.6 million** Proposition 98 General Fund. *(Governor May Revision Summary page 54)*
- Eliminates the **\$83.2 million** Proposition 98 General Fund, of which \$40.4 million was one-time, for support of apprenticeship programs, the California Apprenticeship Initiative, and work-based learning

models. This initiative could be implemented should sufficient federal funding be provided. (*Governor May Revision Summary page 54*)

- Retains the **\$30 million** General Fund for increased resources to protect employees and address the **misclassification of employees**. (*Governor May Revision Summary page 31*)
- Maintains **\$46 million** General Fund to continue implementation of the **Benefit Systems Modernization Project**. The May Revision acknowledges the problems caused by the state's legacy unemployment insurance system when unemployed workers and independent contractors tried to access federal funds set aside under the CARES Act to provide them with supplemental Unemployment Insurance and Pandemic Unemployment Assistance payments. (*Governor May Revision Summary page 114*)
- Maintains the **\$2.4 million** one-time General Fund proposal from the Governor's January Budget to initiate the reorganization within the Labor and Workforce Development Agency and establish a new **Department of Better Jobs and Higher Wages**. The department will be comprised of the California Workforce Development Board, the Employment Training Panel, Workforce Services Branch and Labor Market Information Division, which are currently in the Employment Development Department, and the Division of Apprenticeship Standards currently in the Department of Industrial Relations. The 2020-21 funding pays for the executive staff of the proposed new agency. (*Governor May Revision Summary page 115*)
- Maintains the Governor's January Budget proposal to enforce compliance with **AB 5**, including **\$17.5 million** for the Department of Industrial Relations, **\$3.4 million** for the Employment Development Department, and **\$780,000** for the Department of Justice. (*Governor May Revision Summary page 116*)

Raising Tax Revenues and Limiting Tax Off-Sets

- **Limits the authority** of a taxpayer to apply more than **\$5 million in total tax incentives** in any single tax year during the current and two future tax years (2020, 2021, and 2022). The Administration has said that budget trailer bill language will be proposed to **extend applicable carryover** limitations to reflect the three-year limitation. (*Governor May Revision Summary page 163*)
- **Suspends the authority** of a medium or large business taxpayer to include a **Net Operating Loss** benefit within the calculation of their tax liability in the current and two future tax years (2020, 2021, and 2022). (*Governor May Revision Summary page 163*)
- Maintains the January Budget proposal to **establish a 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. (*Governor May Revision Summary page 164*)
- Requires **used car dealers remit sales tax** to the Department of Motor Vehicles with the registration fees. (*Governor May Revision Summary page 157*)

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