



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 Mjerczvnski, Assistant Program Budget Manager, at (916) 322-5540.



KEELY MARTIN BOSLER
Director

cc: Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
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