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October 7, 2020

Ms. Keely Martin Bosler, Director
Department of Finance
Room 1145, State Capitol
Sacramento, California 95814

Dear Ms. Bosler:

In a letter dated September 28, 2020, you notified the Joint Legislative Budget Committee (JLBC), pursuant to Control Section 11.90 of the Budget Act of 2020, of your intention to increase the Multifamily Housing Program appropriation for the Homekey initiative by up to \$200,000,000.

Specifically, the request will add an additional \$200 million from the federal Coronavirus Relief Fund (CRF), part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, to the \$550 million that the JLBC approved on July 21, 2020 for the Department of Housing and Community Development's (HCD) Homekey program. The additional resources will allow HCD to provide funding to some of the applications that the department waitlisted.

Control Section 11.90 of the Budget Act allocated a total of \$9.5 billion in federal funds from the CRF. The federal government requires CRF funds to be expended by December 30, 2020 otherwise any remaining funding will revert back to the federal government. Of the \$9.5 billion, \$2.7 billion was allocated to offset state emergency response costs and programs that received General Fund. The Administration is proposing to redirect up to \$200 million from the approved spending plan of General Fund offsets. This is a significant change that did not involve or receive approval from the Senate or Assembly Budget Committees.

I do not take this change in the spending plan lightly.

In a letter sent to the JLBC on, October 5, 2020, the Legislative Analyst's Office (LAO) raised concerns about the lack of legislative involvement and believes the reallocation of funds is premature. The LAO letter specifically states that "the State Constitution entrusts the legislative branch with the power of appropriation. As such, we have serious concerns about the precedent set by such a proposal, both in the context of the Section 11.90 process and more broadly." In addition, the LAO argues that "it is too early to know whether the full offset will be achieved or not."

Given the severity of the COVID-19 crisis, there are innumerable programs that serve vulnerable families and individuals that are in need of additional funding therefore we do not want to return any of the funds and are very cognizant of the spending deadline established by the federal government. Had the Legislature known that there was \$200 million in funding available to respond to the pandemic, in addition to addressing homelessness, we may have identified some other funding priorities.

For example, food insecurity has grown since the onset of the pandemic. According to the Center for Care Innovations, "food insecurity is surging and food banks are struggling to meet the need." An allocation of \$75 million to California's foodbanks would help address the increased requests for assistance and provide additional resources as the holidays approach and demand historically increases.

Child care providers have also faced major challenges in responding to COVID-19. According to a July 2020 report from the University of California, Berkeley, "the COVID-19 pandemic is having a devastating economic and human impact on California child care centers, forcing hundreds of them to close while others remain open at the risk of illness to both children and staff." Since most of California's schools remain closed, child care providers are now having to assist school-aged children with distance learning. Care of these children is driving family care providers over budget and threatening the disenrollment of foster care children who are in the Child Care Bridge program. Additional threatened disenrollment would target essential worker families who were added during the pandemic. Enacted trailer bill language requires these families to be funded through October and then transitioned into regular subsidized slots this fall, however that funding is being diverted to care for the school-age children who remain in child care due to the school closures. An additional \$100 million would help offset some of these costs and help support a system that is providing a critical service to our essential workers and other working parents.

An additional \$125 million of one-time funding for the State Supplementary Payment (SSP) program would increase a monthly grant for a recipient by approximately \$100. The cash assistance would help some of our most vulnerable low-income seniors and people with disabilities pay for housing, food, and other necessities.

Renters who have seen a reduction or loss in their income have experienced significant financial hardship due to COVID-19. Many cities, counties, and non-profits have setup programs to prevent additional homelessness by helping low-income and unemployed tenants with rental

assistance. Providing \$100 million in grants to these programs will help some COVID-19 impacted tenants pay the 25% of rents they are required to pay under AB 3088 so that they can remain housed and protected from eviction.

The state has invested in the Diaper Bank Program over the past couple of years. An additional investment of \$12.5 million would help provide diapers to low-income families with toddlers or infants at a time when unemployment is extremely high and families are struggling to pay for basic necessities.

I appreciate the need to act quickly and decisively when responding to the COVID-19 pandemic, but we have encouraged the Administration to work with the Legislature on COVID-19 investments and allocations. We believe California is best served when the executive branch and legislative branch work together in partnership.

Since March, the Legislature has repeatedly called for the Executive Branch to collaborate with the Legislature on COVID-19 response. But time and time again, the Legislature has been put in the position of simply giving a yes or no answer to the Governor's priorities. We once again renew that request and now insist the views of the Legislative budget committees be reflected in any COVID-19 response and other state emergencies spending. If not, we will follow this letter's example and make concurrence with any future Administration proposals contingent upon the inclusion of priorities from the budget committees of the Legislature.

Therefore, I will concur with the Administration's request to redirect up to \$200 million from the CRF for Homekey under the condition that the Administration submits – pursuant to Section 11.90 or other established processes – and upon concurrence, implements requests of at least an equal amount from the \$2.7 billion for General Fund offsets or any other funding source that goes toward the legislative budget committees' priorities outlined above.

I look forward to receiving future Section 11.90 notifications that include allocations in support of the budget priorities outlined in this letter.

Sincerely,



Holly J. Mitchell
Chair

cc: Members of the Joint Legislative Budget Committee