



California Association for Local Economic Development

California 2020-21 Budget Update: Economic Development

Approved State Budget Includes Local Assistance, Homelessness Funding, and Some Economic Development Augmentations

Late last week, the Legislature and Governor reached an agreement on the 2020-21 state budget. This budget relies heavily on state reserves, deferrals of payments to K-12 education, minimizing state pension contributions, revenue claw backs from prior budget years, and expectations of up to \$14 billion in additional federal funding. Additional budgetary adjustments are expected when state income tax receipts become available, and some identified cuts will be reduced if more federal assistance is provided.

Despite the state's financial difficulties, the budget agreement includes significant assistance for local agencies, affordable housing, and homelessness programs. Minor changes to state economic development tools are also included. Highlights include:

- o \$1.289 billion to counties and \$500 million to cities in federal CARES Act funding to offset COVID-related fiscal impacts.
- o \$750 million to counties to support increasing costs of state realigned programs, which can increase to \$1 billion if additional federal funds are made available.
- o \$550 million in federal CARES Act Funding, and \$50 million General Fund to acquire permanent housing for homeless individuals.
- o \$300 million for cities and counties to combat homelessness.
- o \$500 million in affordable housing tax credits.
- o Adding new economic development tools including a "SEED" program to assist immigrant entrepreneurs, and expanding funding and flexibility for I Bank programs.

Key budget provisions mentioned in this article are contained in:

- SB 74—The 2020 Budget Act, passed June 15
- AB 89—Amendments to the 2020 Budget Act; reflects final negotiations
- AB 83—Housing Trailer Bill
- AB 82—General Government Trailer Bill
- AB 78—I Bank Trailer Bill
- AB 93—Earned Income Tax Credit Trailer Bill

For legislative analyses of the Budget Act and all trailer bills see:

[Assembly Budget Committee Floor Report](#) (June 22)

[Trailer Bill Analysis Packet](#) (June 22)

Local Agency Assistance



California Association for Local Economic Development

- Allocates federal CARES Act funding to local governments—\$500 million to cities and \$1.289 billion to counties—to be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic. Funding is contingent on adherence to federal guidance and the state's stay-at-home orders and will be released upon jurisdictions' certification of both. Related allocation details include:
 - *Cities* – Provides \$225 million directly to cities over 300,000 population that did not already receive direct CARES Act allocations as a result of their size. Provides \$275 million directly to all other cities with populations less than 300,000, with a minimum allocation of \$50,000.
 - *Counties* – Allocates \$1.289 billion of its CARES Act funding directly to counties based on population size to address the public health, behavioral health, and other health and human services needs that have arisen as a result of the COVID-19 pandemic.
- Allocates \$750 million in General Funds to counties to address deficits associated with the county administration of state realigned programs. This amount could be augmented by an additional \$250 million if sufficient additional federal funding to states is made available. Receipt by counties of these amounts is contingent on their adherence to state and federal health compliance orders and guidelines in response to the COVID-19 public health emergency.
- Allocates \$50 million in support to local community power resiliency activities and planning to address potential power outages.

Housing and Homelessness Funding

- Appropriates \$550 million in federal CARES funding, and \$50 million in General Funds to the Multifamily Housing Program to be dispersed as grants to purchase or rehabilitate housing for homeless individuals which may include, hotels, motels, hostels, apartments, homes, and other facilities. Projects funded under this section are exempt from further review under the California Environmental Quality Act if they meet numerous specified conditions, including using a skilled and trained workforce and paying workers prevailing wages. The CEQA exemption is limited to projects where an initial application is submitted to a local agency prior to April 30, 2021.
- Allocates \$300 million on state General Fund dollars to local governments to fund “Round 2” of the Homeless Housing, Assistance, and Prevention Program. The funding will be allocated as follows:
 - \$90 million to local continuums of care programs, based on the 2019 homeless point-in-time count, with no more than 40 percent allocated to a single continuum of care.
 - \$130 million to cities, including a city and a county, with populations exceeding 300,000 people based on the 2019 homeless point-in-time count. No more than 45 percent may be allocated to any city.
 - \$80 million to counties based on the 2019 homeless point-in-time count, with no more than 40 percent allocated to a single county.



California Association for Local Economic Development

- o Extensive additional conditions are attached to the allocation of Round 2 funds, including, completing a comprehensive application packet, compliance with Housing First principles, using at least 8 percent of funding for homeless youth, and not supplanting local homeless housing prevention and assistance funds.
- o Appropriates \$500 million in annual housing tax credits, and requires the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee to adopt regulations, rules, or guidelines to align the programs to increase production and contain costs.
- o Allocates \$300 million to California Housing Finance Agency (CHFA) for housing counseling and mortgage assistance to homeowners affected by COVID, and \$31 million to the Judicial Council for legal aid assistance.
- o Reverts to the General Fund \$703 million in affordable housing funding that was previously appropriated in prior budgets. Provides for the restoration of up to \$45 million for moderate income housing, and \$203 million in infill infrastructure grants if additional federal funds are made available. AB 89 Trailer Bill.
- o Extends the deadline for local agencies to apply for \$125 million in local housing planning assistance funds for the sixth housing element planning cycle (allocated in the 2019-20 budget) from July 1, 2020 to January 31, 2021.
- o Requires all local government recipients of housing planning assistance funds, derived from revenues deposited in 2018 into the Building Homes and Jobs Trust Fund, to encumber those funds by December 31, 2020, and expend them no later than December 31, 2023.
- o Provides that the Housing Navigator Program, funded by an \$8 million allocation to counties to assist homeless youths 18-25 secure and maintain housing, will be suspended on December 31, 2021, if the Department of Finance determines state revenues are insufficient based upon a specified formula.

Housing-Related Policy Items:

- o Authorizes a local government agency to reduce its housing element zoning obligations (on a one-for-one basis) to account for hotel, motel, and hostel units acquired to house homeless individuals, and spaces in a mobilehome park reserved for lower income households, that are supported with committed assistance by the local government agency.
- o Exempts nonprofit agencies owning, operating, or maintaining a park or camping area under temporary, permanent, or emergency use, as determined by local enabling ordinance, from compliance with the requirements of the Special Occupancy Parks Act.
- o Authorizes the Department of General Services to agree to exchange state property for local government property for the purposes of building affordable housing.
- o Exempts lodging or dwelling units rehabilitated with federal CARES Act funding from the definition of “low rent housing project” under Article 34 of the California Constitution.

Economic Development Items

I Bank:

- Allocates \$75 million to the Small Business Expansion Fund, which provides loan guarantees for small business lending. (Assembly staff indicate that an additional \$50



California Association for Local Economic Development

million in federal CARES Act funding was also allocated for this purpose. However, at the time of this writing, it remains unclear where it is located in the budget).

- Creates the “Climate Catalyst Revolving Loan Fund” at the I Bank. Funds from this account can be used to assist governmental, private, and tribal entities with financing a project. A “climate catalyst project” is defined to include any building, structure, equipment, infrastructure, or other improvement within California, or financing the general needs of any sponsor or participating party for operations or activities within California that are consistent with, and intended to, further California’s climate goals. Deposits into the fund are limited to those by private entities and governmental entities other than the state.
- Expands options for the I Bank to provide financing assistance to small businesses (which are currently limited to only programs administered by the I Bank or provided under contract with small business financial development corporations) to now include the I Bank providing assistance in conjunction with financial companies or financial institutions, or in direct or indirect participation with special purpose entities established for small business finance. Further authorizes the I Bank to establish any and all programs necessary to directly or indirectly assist small businesses obtain capital.
- Provides additional flexibility to the I Bank to purchase bonds issued by sponsors by removing the existing individual caps on total outstanding bonds for public development facilities (\$5 billion) and rate reduction (\$10 billion), and instead allows for a combined cap of \$15 billion.

Workforce Development:

- Creates the “SEED” Initiative (Social Entrepreneurs for Economic Development) program, administered by the California Workforce Development Board, focused on supporting entrepreneurial activities to start and grow small businesses by individuals of limited English proficiency regardless of immigration status. Eligible uses of SEED funds include, but are not limited to, the development and implementation of an immigrant entrepreneurship training curriculum; microgrants and technical assistance to support small business development aimed at addressing a social problem or meeting a community need; community education and outreach about SEED; program evaluation; and program administration. This program will be implemented through nonprofit community-based organizations.
- Encourages community colleges to develop a “short term work force training program” defined as a 4 to 12-week program with a proven employer partner designed for targeted reskilling and upskilling that results in job placement. This proposal is contained in SB 116 (Budget). This bill passed the Assembly on June 26th and passed in the Senate on June 29th.

Miscellaneous:

- Appropriates additional funding to GO-Biz to support four additional positions to further business and economic development in Northern and Inland California. While the



California Association for Local Economic Development

budget documents do not detail this proposal, GO-Biz staff informed CALED the funding was included within a larger appropriation in the budget.

- Expands eligibility to access California's Earned Income Tax Credit (EITC) beyond individuals with social security numbers to include those with a federal individual taxpayer identification number. In 2019, the EITC was expanded from \$400 million to \$1 billion, assisting three million households. This measure expands the reach of this credit further to reach more households.
- Waives the existing \$800 tax for new California businesses for three years: 2021-2023. These provisions are in AB 85 which was passed on June 15.
- Authorizes additional weeks of unemployment benefits for individuals that have exhausted the standard timeframe as authorized by federal law.
- Delays the effective date of the Beverage Service Training Act, which requires all alcohol beverage servers to complete specified training, from July 1, 2021 to July 1, 2022.
- Adds a definition of "unserved household" for the purposes of moneys received under the federal Rural Digital Opportunity fund through a cross reference to standards established in two specified Federal Communications Commission rulings issued in January and February, 2020.
- Allocates \$2.8 million to the Public Utilities Commission for broadband expansion.
- Provides \$40.3 million to assist financially struggling fairs.
- Transfers the Seismic Safety Commission to the Office of Emergency Services.

Next Steps

More to come. Expect additional proposed federal and state resources and policies to address COVID-related economic challenges in the coming months. CALED will keep its members informed of developments and engage where necessary.