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# 2020-21 May Revision & Families in California

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VIRTUAL ADVOCACY DAY

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# California is Facing a Projected \$54 Billion Shortfall in the Current Fiscal Year and the Next

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In response to the challenges resulting from the COVID-19 crisis, the Governor's revised budget proposes a multi-pronged strategy to close the state's budget shortfall:

- Creating new revenues (\$4.4 billion)
- Canceling or reducing spending (\$8.4 billion)
- Using available federal funds (\$8.3 billion)
- Drawing down reserves (\$8.6 billion)
- Internal borrowing, transfers, and deferrals (\$10.4 billion)
- Triggers cuts if additional fiscal relief is not provided (\$14 billion)



# Trigger Cuts, Reduced Funding, and Inaction Would Hit Families With Low Incomes Hard

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- Nearly \$7 billion in triggers cuts for K-12 schools and the Local Control Funding formula.
- More than \$1 billion in trigger cuts and reduced funding for early care and education in the May Revision, including a 10% cut to provider payment rates.
- \$100 million cut to after-school programs
- Reduced funding for CalWORKs supportive services by \$850 million, but maintains grant increases from prior year
- Maintains CalEITC and the Young Child Tax Credit, but doesn't extend tax credits to those filing with a federally issued Individual Tax Identification Number (ITIN)



# Federal Response to the COVID-19 Pandemic

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- The Families First Coronavirus Response Act provided \$200 billion for paid family leave, food assistance, and other items
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided the largest amount of fiscal relief to date – approximately \$2 trillion.
- Heroes Act could provide \$540 billion in fiscal aid for states via a Coronavirus State Fiscal Relief Fund to counteract the virus' impact on state and tribal finances.



# Increasing Revenue Could Help Close Budget Shortfalls and Mitigate Harm to Children and Families

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- Raise the corporate tax rate
- Limit tax credits expenditures that primarily benefit corporations and high income households
- Increase tax rates for very high income households
- Institute a tax on wealth





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