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Strategic and Targeted Policies to Address the COVID-19 Crisis

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PHILANTHROPY CALIFORNIA POLICY SUMMIT

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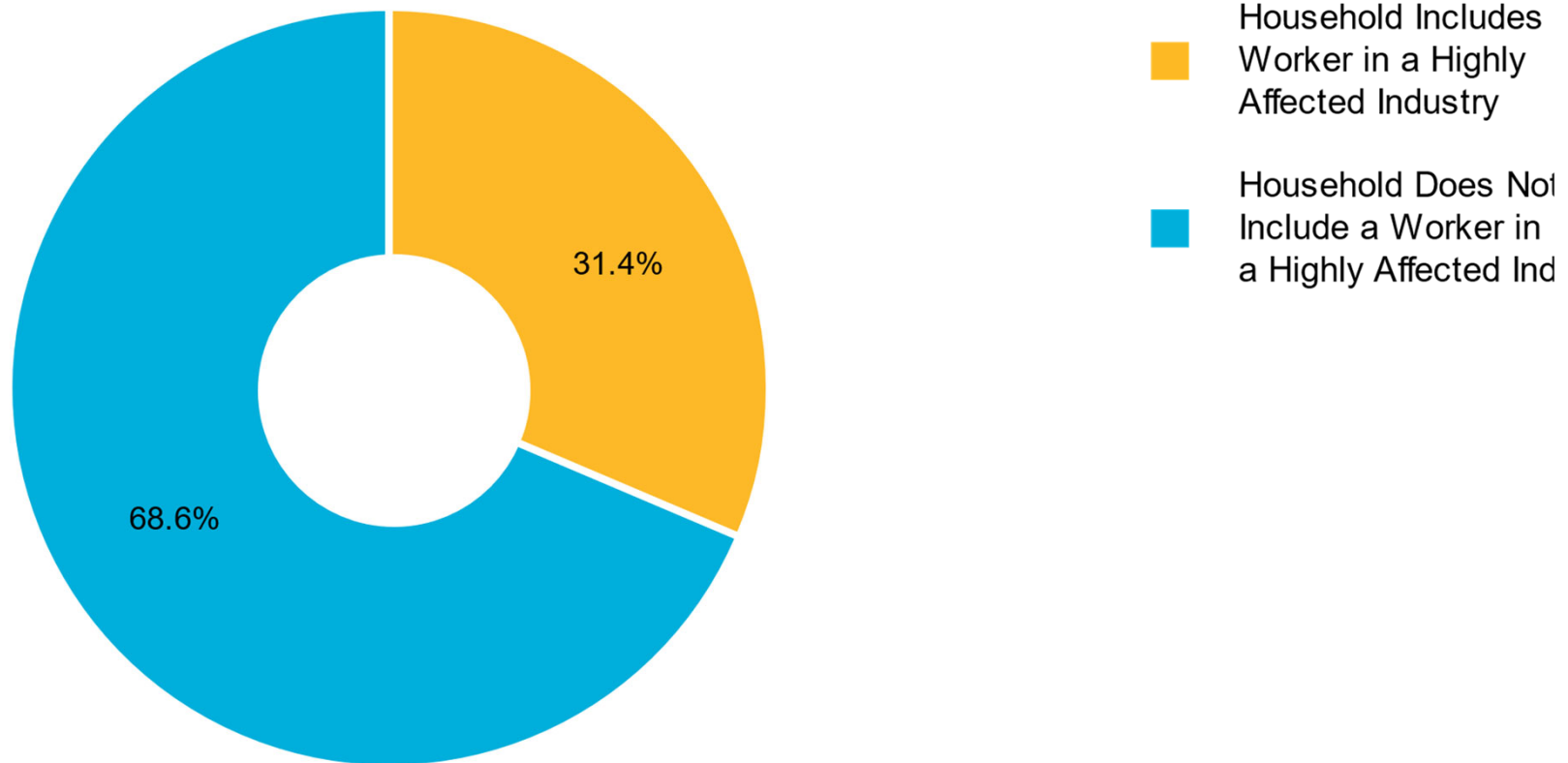
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Who are the Workers and Families Most Affected by the Economic Implications of COVID-19?



Nearly 1 in 3 Californians Live in a Household That Includes a Worker in an Industry Highly Affected by COVID-19 Shutdowns

Share of Californians, 2018



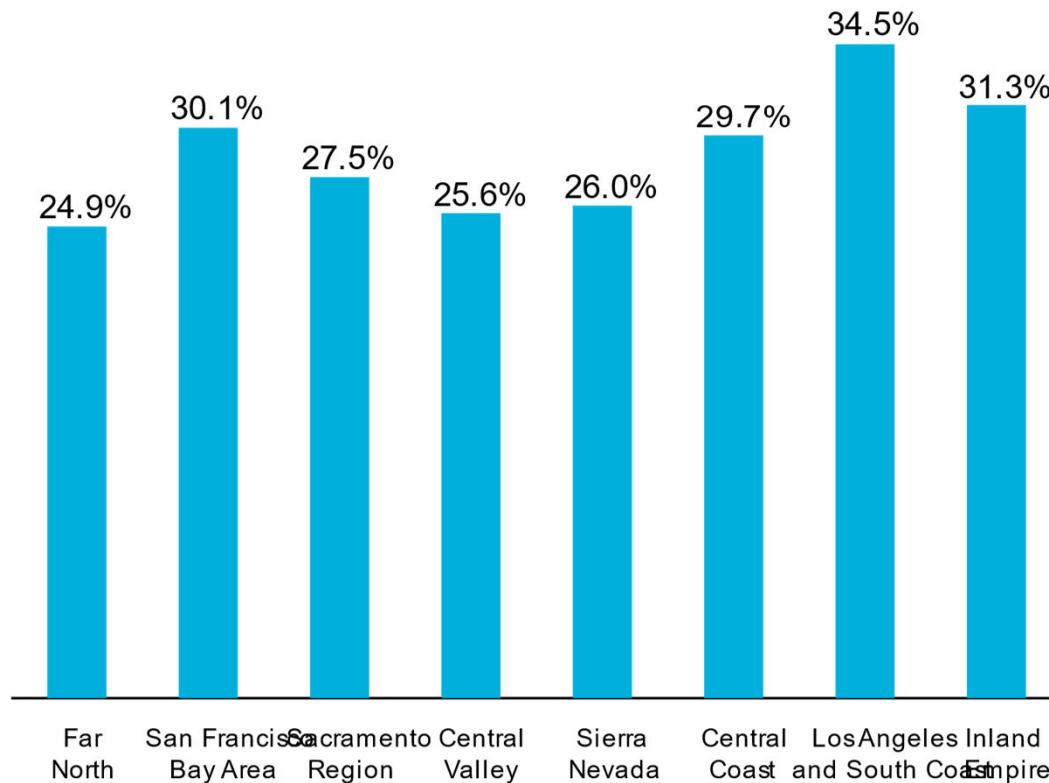
Note: Highly affected industries are defined as industries directly disrupted by business closures and reduced demand due to COVID-19 public health stay-at-home orders, such as retail, restaurants, travel and tourism, arts and entertainment, personal services, and landscaping and building services.

Source: Budget Center analysis of US Census Bureau, American Community Survey public-use microdata for California for 2018, downloaded from IPUMS USA (University of Minnesota, www.ipums.org)



Many Californians Across the State Live With Workers in Industries Highly Affected by the COVID-19 Shutdown

Share of Californians By Region, 2018



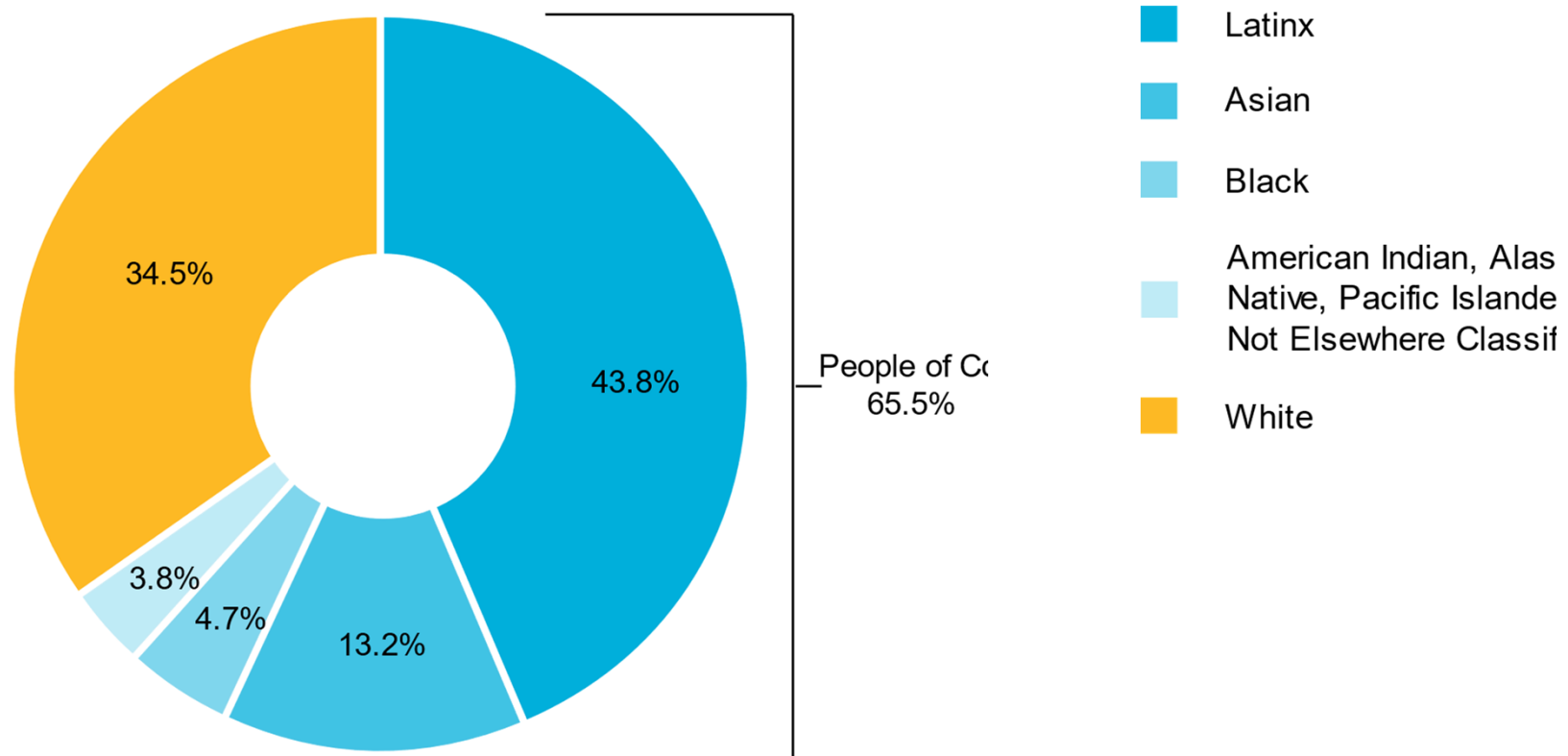
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Source: Budget Center analysis of US Census Bureau, American Community Survey public-use microdata for California for 2018, downloaded from IPUMS USA (University of Minnesota, www.ipums.org)



Nearly 2 in 3 California Workers in Industries Highly Affected by the COVID-19 Economic Shutdown Are People of Color

Share of California Workers in Highly Affected Industries, 2018

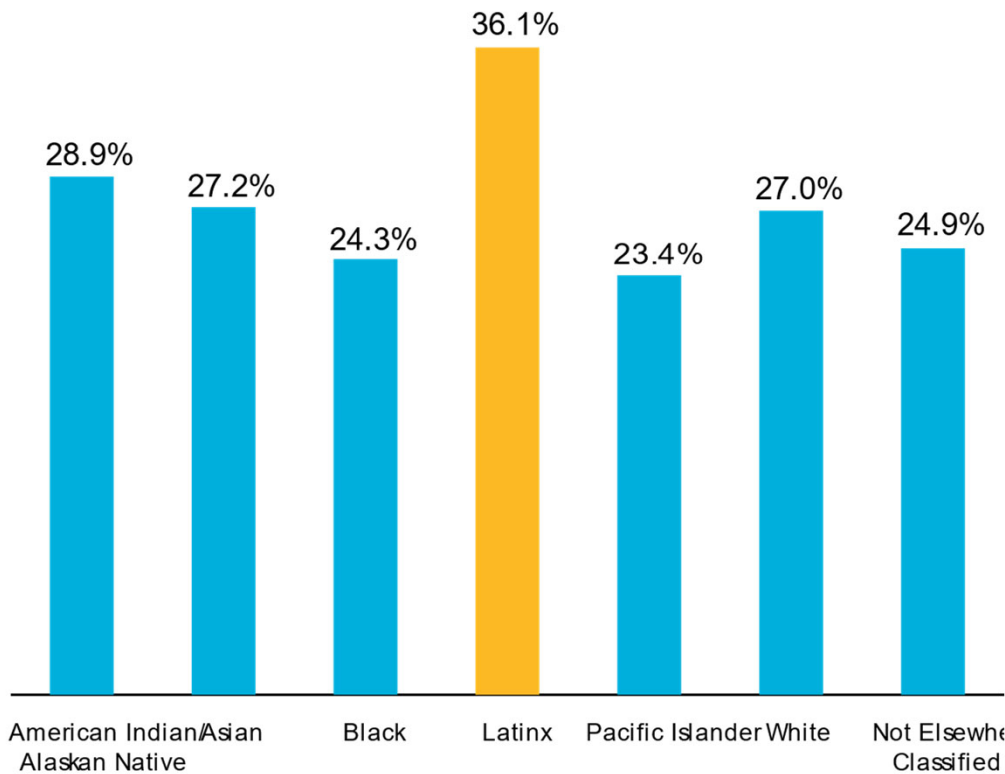


Note: Highly affected industries are defined as industries directly disrupted by business closures and reduced demand due to COVID-19 public health stay-at-home orders, such as retail, restaurants, travel and tourism, arts and entertainment, personal services, and landscaping and building services.

Source: Budget Center analysis of US Census Bureau, American Community Survey public-use microdata for California for 2018, downloaded from IPUMS USA (University of Minnesota, www.ipums.org)



More Than 1 in 3 Latinx Children Live With a Worker in an Industry Highly Affected by the COVID-19 Economic Shutdown Share of California Children, 2018



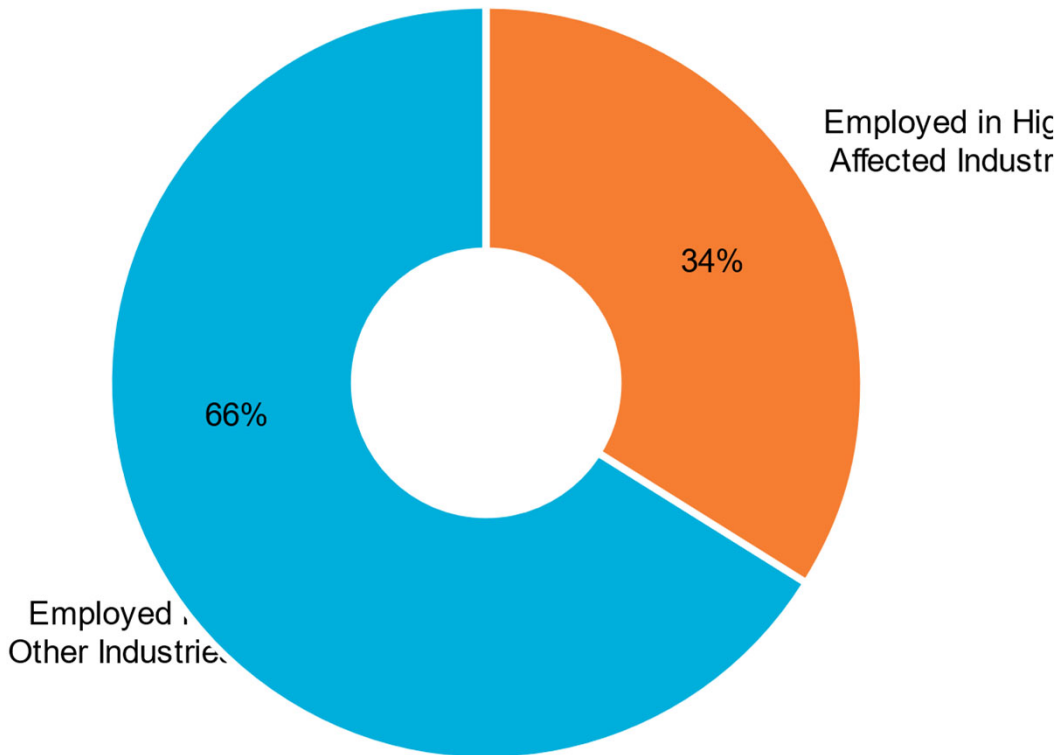
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Source: Budget Center analysis of US Census Bureau, American Community Survey public-use microdata for California for 2018, downloaded from IPUMS USA (University of Minnesota, www.ipums.org)



1 in 3 Undocumented Workers in California Is Employed in an Industry Highly Affected by the COVID-19 Economic Shutdown

Estimated Share of Undocumented Workers, 2018



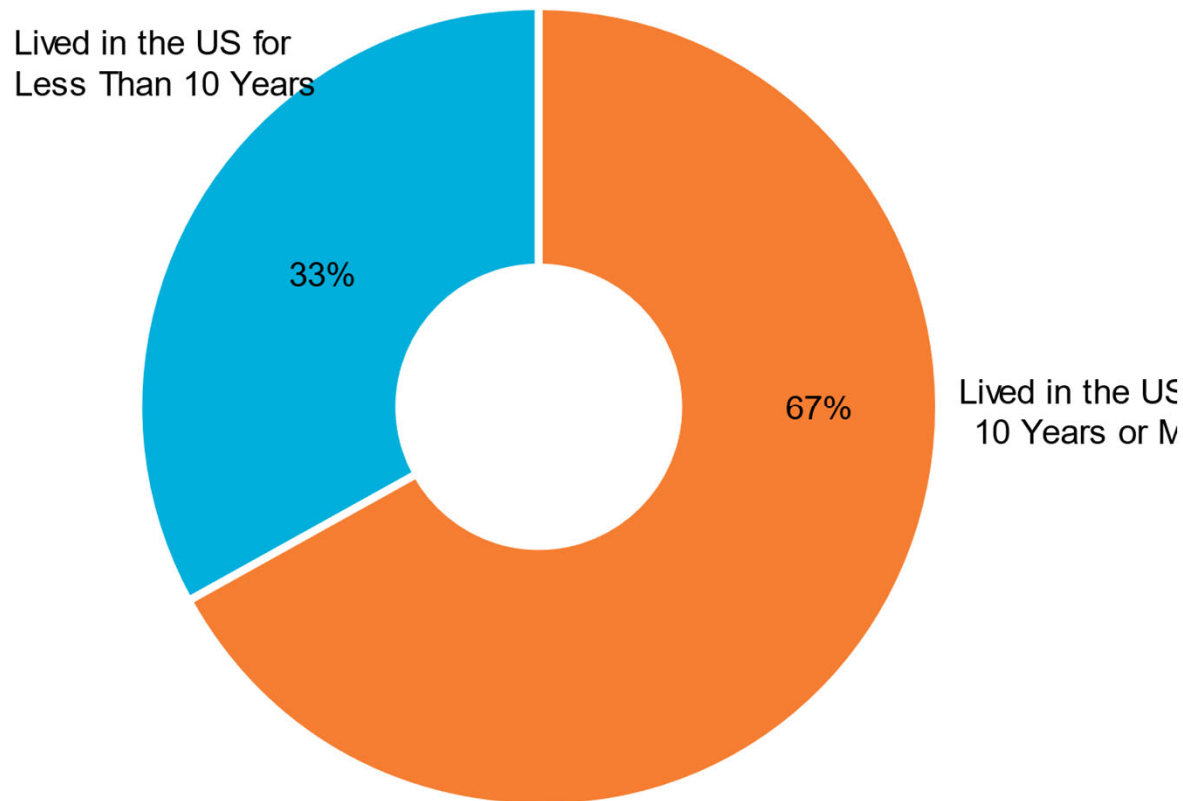
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Source: Budget Center analysis of US Census Bureau, American Community Survey public-use microdata downloaded from IPUMS USA (University of Minnesota, www.ipums.org), with immigration status imputed using methods developed for the California Poverty Measure, a joint project of the Public Policy Institute of California and the Stanford Center on Poverty and Inequality



2 in 3 Californians Who Are Undocumented Have Lived in the US for a Decade or Longer

Estimated Share of Undocumented Californians, 2018

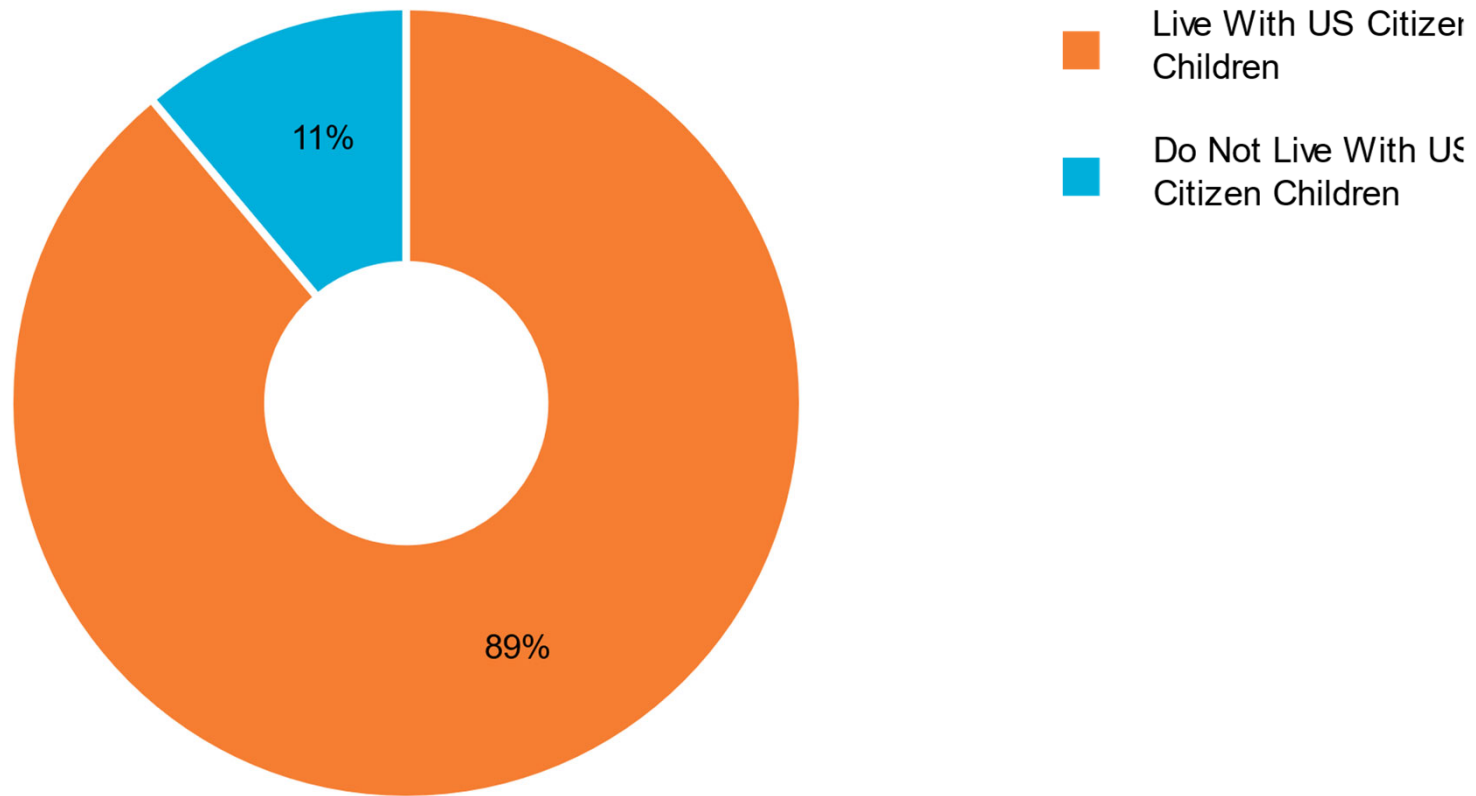


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Nearly 9 in 10 Undocumented Californians Who Are Parents Live With US Citizen Children

Estimated Share of Undocumented Parents, 2018



Source: Budget Center analysis of US Census Bureau, American Community Survey public-use microdata downloaded from IPUMS USA (University of Minnesota, www.ipums.org), with immigration status imputed using methods developed for the California Poverty Measure, a joint project of the Public Policy Institute of California and the Stanford Center on Poverty and Inequality



Federal Fiscal Relief, Gaps, and State Responses



Federal Fiscal Relief: Three Packages

- **Coronavirus Preparedness and Response Supplemental Appropriations Act 3/6:** \$8.3 billion for federal, state, local, and community public health response efforts and loans for small businesses.
- **Families First Coronavirus Response Act (FFCRA) 3/18:** \$200 billion for paid sick and family leave protections, food assistance, and administrative support for states.
- **Coronavirus Aid, Relief, and Economic Security (CARES) Act 3/27:** \$2 trillion in one-time cash rebates, unemployment benefits, loans for small businesses, direct funding for states-local-tribal governments, and array of additional supports.



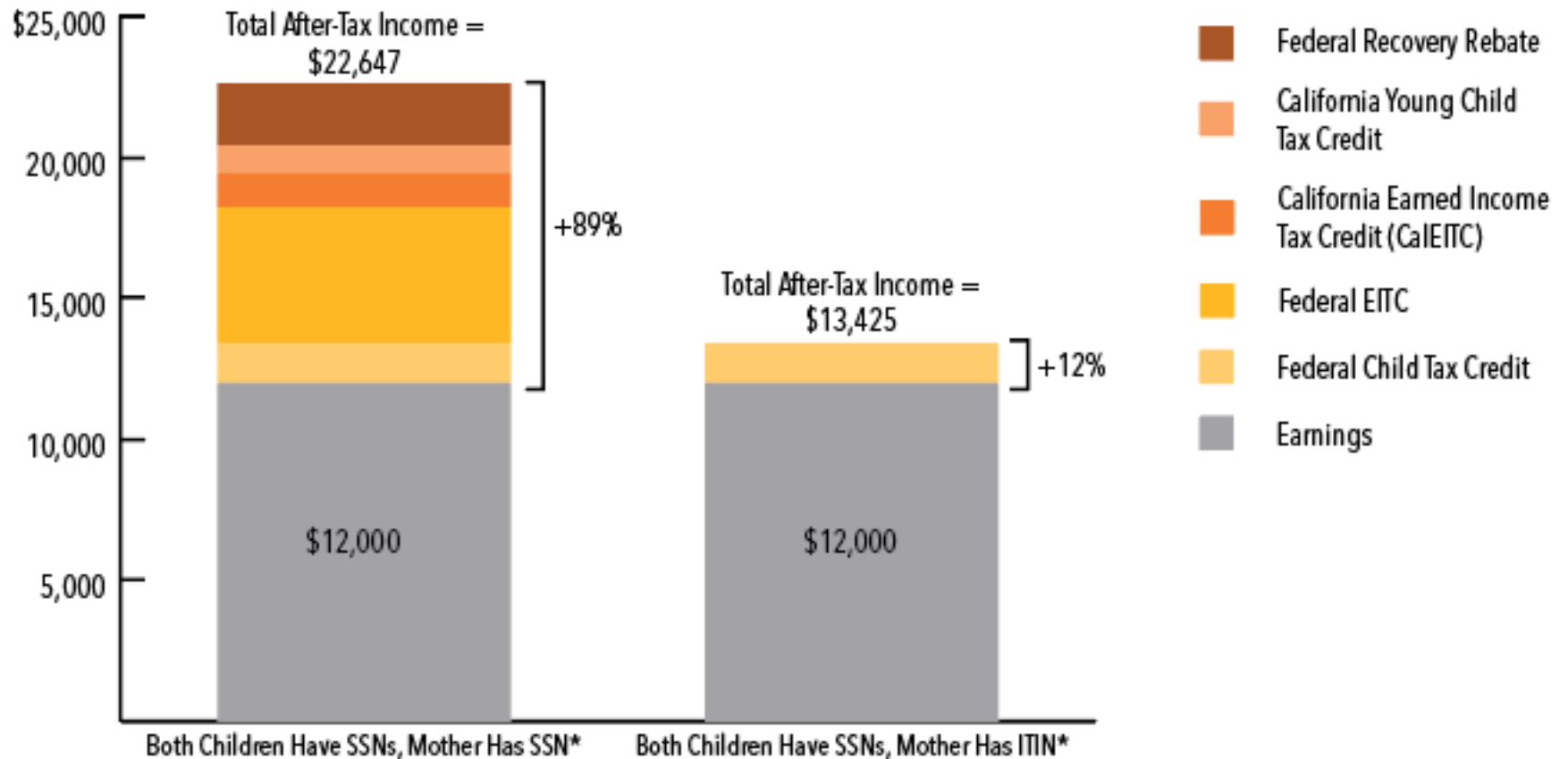
Recovery Rebates

- One-time cash payments of \$1,200 per adult (\$2,400 for married couples) and \$500 per dependent child under age 17.
 - Individuals must have income of \$75,000 or less.
 - Heads of households must have incomes of \$112,500 or less.
 - Married couples must have incomes of \$150,000 or less.
- **Caught in the Gap:**
 - Undocumented individuals and their households.
 - People who didn't file their taxes in 2018 or 2019 (non-filers).
- **Closing the Gap – State Responses:**
 - State and philanthropy providing \$125 million in one-time cash assistance for undocumented households.
 - State should include ITIN-filers in the CalEITC.



Exclusion of Many Immigrants and Their Children From Federal Recovery Rebates Makes Tax System More Unjust

Two Children Whose Mother Worked Part-Time at the State Minimum Wage in 2019



* SSN = Social Security Number valid for work. ITIN = Individual Taxpayer Identification Number. Note: Analysis assumes both children have SSNs. "After-tax income" means income after filing taxes. These families do not owe any state or federal income tax so they receive the full value of the tax credits they qualify for as tax refunds.
 Source: Budget Center analysis of CARES Act, PL 116-136 (2020), Section 17052 of the California Revenue and Taxation Code, and Section 32 of Title 26 of the Internal Revenue Code



Unemployment Insurance

- Emergency unemployment assistance for people who lose work due to COVID-19 related circumstances.
 - Federal provision of \$600 weekly on top of state UI through 7/31/20 (CA average is \$330 weekly).
 - Extends the number of weeks workers can receive benefits (39 total weeks in CA).
- **Caught in the Gap:**
 - People without work authorization (undocumented workers).
- **Closing the Gap – State Responses:**
 - The state could create a wage replacement fund that provides payments to undocumented workers.



Paid Leave

- Federal provision of temporary additional paid leave.
 - 80 hours of paid sick time for workers to care for themselves or another individual.
 - Up to 12 weeks of job-protected family and medical leave if workers must stay home due to school or child care closures.
- **Caught in the Gap:**
 - Employees of firms with 500 or more employees, excluded from the federal relief – 44% of the CA workforce.
- **Closing the Gap – State Responses:**
 - Governor issued an executive order requiring 2 weeks of leave for food sector workers.
 - Other sectors still not covered.



Child Care

- Federal relief provides \$3.5 billion in funding through the Child Care Development Block Grant (CCDBG) - \$350 million to CA.
 - Supports child care assistance for essential workers, payments to child care providers, and sanitization of facilities.
 - \$750 million for Head Start programs.
- **Caught in the Gap:**
 - Many child care providers are closed or closing permanently.
- **Closing the Gap – State Responses:**
 - Governor issued executive order suspending restrictions on state-subsidized child care programs.
 - State may need to direct provision of care; make existing facilities grants available for operating costs.



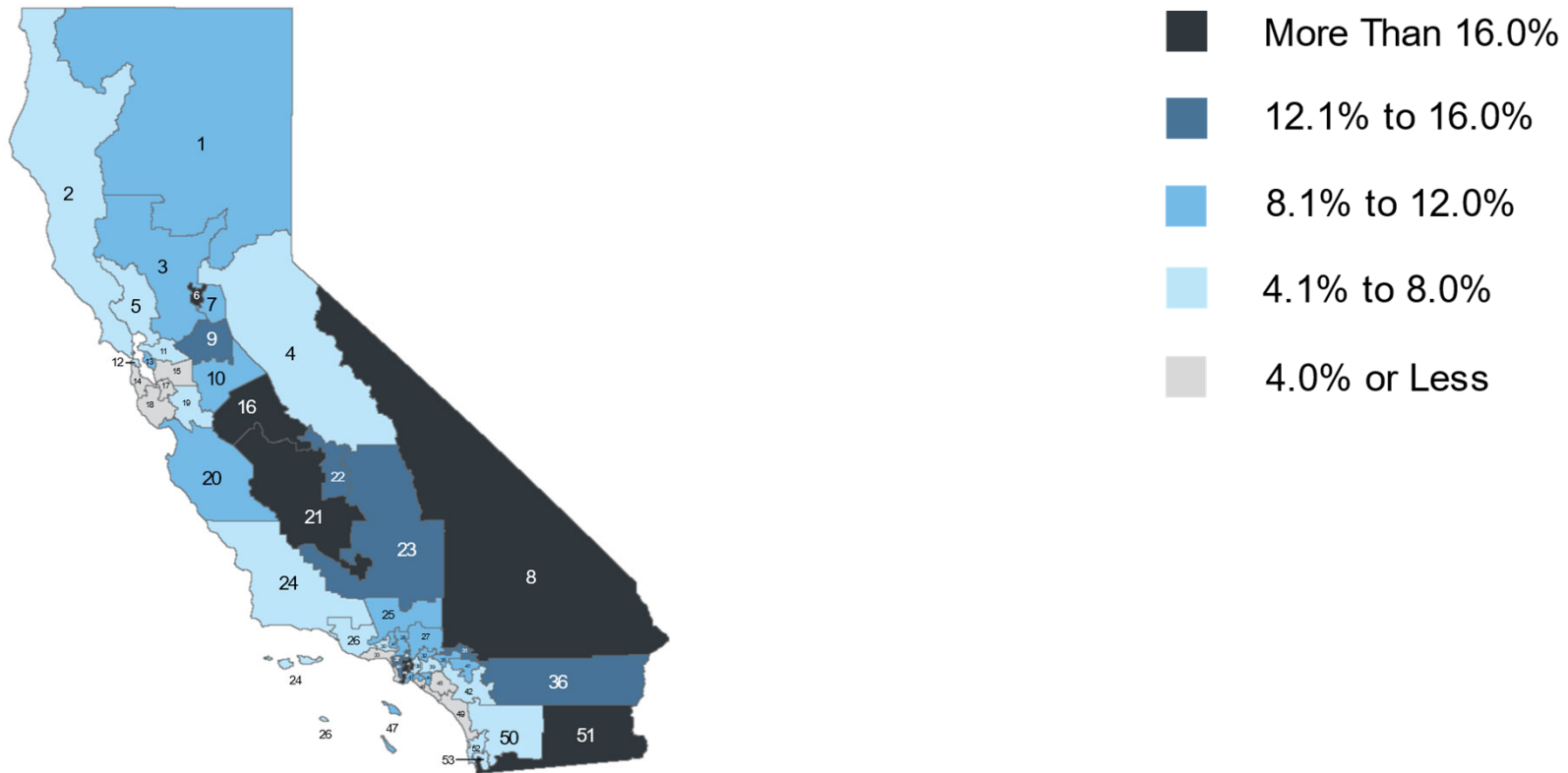
Food and Nutrition Assistance

- Federal Relief
 - Suspends (SNAP/CalFresh) time limits for single adults under 50 without children.
 - Allows states to provide temporary (SNAP/CalFresh) benefits up to the maximum benefit level; administrative flexibility.
 - More than \$1 billion for WIC, food banks, and meals for older adults, people with disabilities, and their caregivers.
- **Caught in the Gap:**
 - Relief fails to meet level of demand due to the crisis.
- **Closing the Gap – Federal and State Responses:**
 - State should focus on ensuring participation.
 - Additional federal relief needed.



Californians Across All Congressional Districts Need CalFresh, and That's Only Expected to Increase

Estimated CalFresh Participation as a Share of the Population, 2019



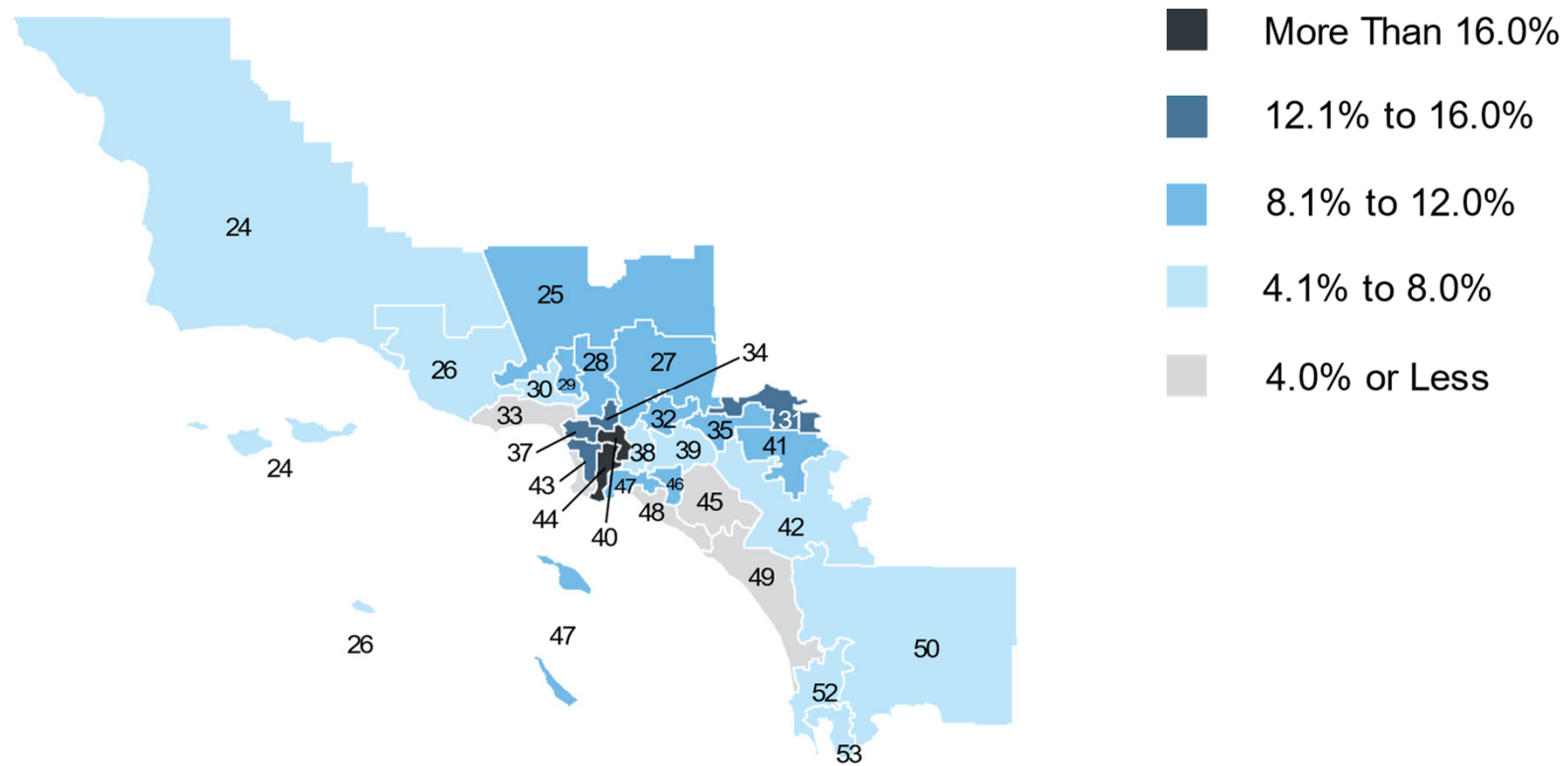
Note: Congressional district estimates are based on zip code-level data of CalFresh recipients. Data are for individuals receiving federal SNAP benefits and do not reflect individuals receiving state-funded assistance through the California Food Assistance Program.

Source: Budget Center analysis of data from the Department of Social Services and US Census Bureau, American Community Survey.



Californians Across All Congressional Districts Need CalFresh, and That's Only Expected to Increase

Estimated CalFresh Participation as a Share of the Population (L.A. Region), 2019



Note: Congressional district estimates are based on zip code-level data of CalFresh recipients. Data are for individuals receiving federal SNAP benefits and do not reflect individuals receiving state-funded assistance through the California Food Assistance Program.

Source: Budget Center analysis of data from the Department of Social Services and US Census Bureau, American Community Survey



Housing and Homelessness

- Federal Relief
 - Temporary eviction protections for renters in housing secured by federally-backed mortgages.
 - \$3.3 billion for subsidized housing programs (vouchers).
 - \$4 billion in grants for cities to address homelessness.
 - \$900 million for Low Income Home Energy Assistance (LIHEAP).
- **Caught in the Gap:**
 - The need far exceeds the additional federal relief.
- **Closing the Gap – Federal and State Responses:**
 - State should provide emergency funding for local governments and continuum of care programs.
 - Additional federal relief needed.



Relief for State, Local, and Tribal Governments

- Federal Relief
 - \$150 billion **Coronavirus Relief Fund**: \$15.5 billion to CA – over \$9 billion to state, approx. \$6 billion to local, \$500 million tribal.
 - **Medi-Cal**: Federal increase in share of costs (FMAP) by 6.2%.
 - \$30 billion for an **Education Stabilization Fund** for K-12 education and higher education, based on Title 1/Pell students.
 - \$5 billion for the Community Development Block Grant (CDGB).
- **Caught in the Gap**: The need far exceeds the federal relief to date.
- **Closing the Gap**:
 - Additional federal fiscal relief is being debated in Congress as part of a 4th package under consideration this week.



Relief for Small Businesses, Nonprofits, and Self-Employed

- Federal Relief
 - \$349 billion **Paycheck Protection Program** – loans that can be forgiven if businesses retain employees and payroll for 8 weeks.
 - \$17 billion in subsidies for payments on other SBA loans.
 - \$10 billion for **Economic Injury Disaster Loan** program to provide grants to small businesses **and** other types of businesses.
 - **Employee Retention Tax Credit**: Payroll tax credit for employers whose operations are suspended due to COVID-19.
- **Caught in the Gap**: The need far exceeds the federal relief to date.
- **Closing the Gap**:
 - Additional relief is being debated in Congress as part of a 4th package under consideration this week.



Other Provisions and Tax Code Changes in Federal Fiscal Relief Packages

- Charitable contributions
 - Sets maximum of \$300 for charitable gifts for non-itemizers as an incentive for giving.
 - Raises adjusted gross income (AGI) limits on individual and corporate donors, also as an incentive for giving.
- Tax cuts for businesses
 - Increases allowance for pass-through businesses to offset losses against other income – primarily benefits millionaires.
 - Eases restrictions on Net Operating Losses (NOL) carrybacks and interest deductions.
 - These restrictions had previously been included in the federal Tax Cuts and Jobs Act (TCJA) of 2017.



What Happens Next? Future Federal Fiscal Relief and The State Budget Process



What Happens Next?

Future Federal Fiscal Relief

- U.S. Congress returns to session the week of April 20th with plans for 4th relief package. Deliberations include options for:
 - Additional small business assistance,
 - More aid for state and local governments,
 - Increasing food assistance benefits (SNAP),
 - More housing and homelessness assistance.
- Aid to state and local governments could take different forms:
 - Direct aid for public health responses,
 - Grants through existing programs (infrastructure, housing, etc.),
 - Additional increase in federal cost coverage (FMAP) for Medicaid (Medi-Cal).



What Happens Next?

The State Budget Process

- Governor to issue May Revision to proposed budget by May 14.
- Governor and LAO recommend the Legislature enact a “workload budget” by June 15 (constitutional deadline).
- The state will have a clearer picture of revenue estimates in July due to delayed federal and state tax filing deadlines.
- The Governor and Legislature would revise the budget in the late summer, most likely to address revenue shortfalls.
- Outstanding issues: public health response needs, use of rainy day funds, minimum wage increase, other...to be continued.





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