

COMMITTEE MEMBERS  
 JIM NIELSEN, VICE CHAIR  
 ANNA M. CABALLERO  
 DAVE CORTESE  
 BRIAN DAHLE  
 MARIA ELENA DURAZO  
 SUSAN TALAMANTES EGGMAN  
 SHANNON GROVE  
 JOHN LAIRD  
 MIKE MCGUIRE  
 MELISSA A. MELENDEZ  
 DAVE MIN  
 JOSH NEWMAN  
 ROSILICIE OCHOA BOGH  
 DR. RICHARD PAN  
 RICHARD D. ROTH  
 HENRY I. STERN  
 BOB WIECKOWSKI

**CALIFORNIA STATE SENATE**  
 COMMITTEE ON BUDGET AND FISCAL REVIEW

STATE CAPITOL – ROOM 5019  
 SACRAMENTO, CA 95814



STAFF DIRECTOR  
 JOE STEPHENSHAW  
 DEPUTY STAFF DIRECTOR  
 ELISA WYNNE

CONSULTANTS  
 NORA BRACKBILL  
 CHRISTOPHER FRANCIS  
 JAMES HACKER  
 ANITA LEE  
 SCOTT OGUS  
 RENITA POLK  
 JOANNE ROY  
 YONG SALAS

COMMITTEE SECRETARY  
 SANDY PEREZ  
 COMMITTEE ASSISTANT  
 SAMUEL LANCHESTER

(916) 651-4103  
 FAX (916) 668-7004

*Nancy Skinner, Chair*

**Agenda**

*February 18, 2021*

*Upon Adjournment of Session - State Capitol – Senate Chamber*

<b><u>BILL</u></b>	<b><u>AUTHOR</u></b>	<b><u>SUBJECT</u></b>
1. AB 85	Committee on Budget	Budget Act of 2020
2. AB 80	Burke	Paycheck Protection Program
3. AB 81	Ting	General Federal Relief and Cleanup
4. AB 82	Ting	Memorandum of Understanding
5. AB 83	Committee on Budget	Small Business Licensing Fee Exemptions
6. AB 88	Committee on Budget	Golden State Stimulus

Informational

<b><u>BILL</u></b>	<b><u>AUTHOR</u></b>	<b><u>SUBJECT</u></b>
SB 87	Caballero and Min	Small Business Grants

---

# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair

2021 - 2022 Regular

---

**Bill No:** AB 85 **Hearing Date:** February 18, 2021  
**Author:** Committee on Budget  
**Version:** February 17, 2021 As amended  
**Urgency:** No **Fiscal:** No  
**Consultant:** Joe Stephenshaw

**Subject:** Budget Act 2020

**Summary:** This bill is a Budget Bill Jr. associated with the Budget Act of 2020.

**Proposed Law:** This bill includes various budget bill amendments, including:

- 1) **California State Preschool Program.** Includes an increase of \$5.3 million (\$3.4 million in Proposition 98 General Fund and \$1.9 million in non-Proposition 98 General Fund) to extend family fee waivers for the California State Preschool Program through June 30, 2021. Similar actions are proposed for other child care programs in separate proposed trailer bill legislation.
- 2) **Higher Education and CalFresh.** The budget provides the University of California \$650,000 General Fund one-time, California State University \$1.3 million General Fund one-time, California Community College's \$3.1 million Proposition 98 General Fund one-time, and Chico State's Center for Healthy Communities \$1.3 million General Fund one-time to support campus outreach efforts to increase student applications in the CalFresh program. Funds may be used to create outreach materials, host events, support equipment needs, and application assistance, including hiring staff and student workers.
- 3) **California Community Colleges Emergency Student Aid.** The budget provides \$100 million one-time Proposition 98 General Fund to provide CCC students with emergency financial aid to low-income students. In order to qualify for the emergency aid, students must be enrolled at least half-time, demonstrate financial need, and have at least a 2.0 grade point average.
- 4) **California Community Colleges Recruitment and Retention.** The budget provides \$20 million one-time Proposition 98 General Fund to the Chancellor of the California Community Colleges to support efforts to increase student retention rates and enrollment by engaging with former and current CCC students who have withdrawn or considering withdrawing from college due to COVID-19. This funding may also be used to recruit students to enroll in CCC. The Chancellor's Office may use up to 10 percent for statewide recruitment and retention efforts.
- 5) **Asian American Studies Center.** \$1.4 million for the Asian American Studies Center at the University of California Los Angeles campus. This funding shall support the Stop Asian American Pacific Islander Hate website; the COVID-19 Multilingual Resources website; analysis and research associated with hate

incidents experienced by Asian Pacific Islander communities; and policy research projects on COVID-19-related challenges directly impacting Asian Pacific Islander communities.

- 6) **Golden State Stimulus Administration.** The budget includes \$163,000 for administration costs and \$500,000 for automation costs at the Department of Social Services related to the Golden State Stimulus Grants.
- 7) **Golden State Stimulus Grants.** The budget includes \$243.2 million for grant payments to CalWORKs families, and \$750 million for grant payments to SSI/SSP and California Assistance Program for Immigrants (CAPI) beneficiaries.
- 8) **CalWORKs Eligibility.** The budget includes \$242.3 million to disregard pandemic unemployment compensation from being considered as income for CalWORKs eligibility.
- 9) **Higher Education and CalFresh.** The budget includes a total of \$28.8 million for county administration costs to help enroll newly eligible college students into the CalFresh program due to federal changes.
- 10) **Food and Diaper Banks.** The budget includes \$30 million for emergency food assistance at food banks and \$5 million for diaper banks.
- 11) **Housing for the Harvest.** The budget includes \$24 million to support the Housing for the Harvest program to help farmworkers quarantine after exposure to COVID-19.
- 12) **Fee Waivers for Licensees of the Department of Alcoholic Beverage Control.** Appropriates \$90 million General Fund to the Alcoholic Beverage Control Fund to backfill revenues as a result of fee waivers for licensees.
- 13) **Clean-up to authorize the transfer of funds under the Secretary of State.** Authorizes the use of existing funds to cover the costs of voter education and outreach costs obligated to prevent, prepare for, and respond to the coronavirus during the November 3, 2020 election cycle.
- 14) **Control Section 11.95.** Amends Budget Control Section 11.95 to give the Department of Finance (DOF) the authority to allocate or adjust spending authority for funding the state receives from the federal Coronavirus Response and Relief Supplemental Appropriations Act for testing, contact tracing, food assistance, and vaccine distribution. It requires DOF to provide the Joint Legislative Budget Committee with a 10-day notification prior to making any allocation or adjustment.

**Fiscal Effect:** The appropriations provided for in this bill have a net impact of approximately \$1.4 billion General Fund and \$123 million Proposition 98 General Fund.

**Support:** None on file.

**Opposed:** None on file.

-- END --

---

# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair  
2021 - 2022 Regular

---

**Bill No:** AB 80 **Hearing Date:** February 18, 2021  
**Author:** Burke  
**Version:** February 17, 2021 As amended  
**Urgency:** Yes **Fiscal:** Yes  
**Consultant:** Joe Stephenshaw

**Subject:** Income Taxes: Federal CARES Act: Tax Deductions

**Summary:** This is the Paycheck Protection Program (PPP) business expense deduction trailer bill.

**Background:** The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump on March 27, 2020. The CARES Act provided over \$2 trillion in economic relief and included many provisions to help Americans with the economic impacts of the COVID-19 pandemic. One of the items included in the Act is the Paycheck Protection Program (PPP), which provides small businesses loans that can be forgiven under specified circumstances. The CARES Act also expanded access to Economic Injury Disaster Loans (EIDL) and established an emergency grant to allow EIDL applicants to request loan advances and targeted advanced loans. Like the PPP loans, some of these EIDL advances may be forgiven under certain circumstances. The CARES Act allowed loan amounts that were forgiven under the PPP or EIDL programs to be excluded from gross income.

The Consolidated Appropriations Act was passed by Congress and signed into law by President Trump on December 28, 2020. The Consolidated Appropriations Act added additional forgivable PPP loans. This federal bill also allowed businesses the ability to deduct business expenses that were paid for using forgiven PPP or EIDL funds.

Generally, all income is included in taxable income unless specifically excluded. When a lender cancels a borrower's debt, federal and state law generally treats the amount of debt cancelled as income that is taxable to the borrower in the year it is forgiven. Taxpayers do not include borrowed funds in income in the year they receive the loan proceeds because of the obligation to repay the loan; the taxpayer is financially no better off because the loan must be repaid. When lenders reduce the repayable amount, the taxpayer realizes a gain in his or her financial situation because a portion of the loan proceeds already received and not previously taxed need not be repaid, thereby increasing the taxpayer's net worth.

In AB 1577 (Burke), Chapter 39, Statutes of 2020, the Legislature conformed to federal law and allowed PPP loans that were forgiven under the CARES Act to be excluded from taxable income for California taxpayers. AB 1577 also denied the business expense deduction for those expenses that were paid for using forgiven PPP loan funds.

When debt is forgiven, the Internal Revenue Code (IRC) stipulates that taxpayers must reduce seven tax attributes in the following order, net operating loss from any business, general business credit carryover, alternative minimum tax credit, capital loss, the cost basis of property, passive activity loss, and foreign tax credit carryover. Additionally, in some cases, partnership basis adjustments may occur as a result of forgiven debt. However, the consolidated Appropriations Act specified that none of these tax basis attributes need be adjusted as a result of forgiven PPP or EIDL funds.

**Proposed Law:**

- 1) Expands the existing forgiven PPP loan income exclusion to allow loans provided under the most recent Consolidated Appropriations Act of 2021 to be excluded from income for California taxpayers.
- 2) Allows loans that were forgiven as an “advance grant amount” under the Economic Injury Disaster Loan (EIDL) program to be excluded from income for California taxpayers.
- 3) Allows businesses to deduct up to \$150,000 of business expenses that were paid for using forgiven PPP or EIDL funds.
- 4) Similar to the federal treatment, this bill would not require businesses to adjust their tax attributes as a result of forgiven PPP or EIDL funds. However, this bill specifies that net operating loss carryover that was created as a result of the business deductions that were paid for using forgiven PPP or EIDL funds would be limited to \$150,000 and no additional carryover is allowed.

**Fiscal Effect:** By allowing the additional income exclusion for forgiven EIDL funds and additional PPP loans authorized under the most recent federal act and allowing businesses to deduct up to \$150,000 of business expenses that were paid for using forgiven PPP or EIDL funds, this bill is estimated to cost approximately \$50 million in 2020-21 fiscal year, \$1.1 billion in 2021-22 fiscal year and \$600 million in 2022-23 fiscal year with an aggregate cost of approximately \$2 billion over six fiscal years.

**Support:** None on file.

**Opposed:** None on file.

-- END --

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW  
**Senator Nancy Skinner, Chair**  
**2021 - 2022 Regular**

---

**Bill No:** AB 81 **Hearing Date:** February 18, 2021  
**Author:** Committee on Budget  
**Version:** February 17, 2021 As amended  
**Urgency:** No **Fiscal:** No  
**Consultant:** Anita Lee

**Subject:** General Government

**Summary:** This is the general government trailer bill that implements changes associated with the 2020 Budget.

**Proposed Law:**

- 1) **Federal-State Extended Unemployment Compensation (Fed-Ed).** This bill provides conformity to the federal Continued Assistance Act to authorize the state to waive the 13-week waiting period to trigger “off” Fed-Ed, and retroactively includes the additional weeks of benefits provided under the Continued Assistance Act when determining whether the state has activated the extended benefits. Under the Federal Families First Coronavirus Response Act, the additional Fed-Ed benefits are 100 percent federally funded.
- 2) **COVID-19 Tenant Relief Act Clean Up.** This bill makes a variety of technical and conforming changes to the COVID-19 Tenant Relief Act, including corrections to dates cited in the original bill and clarifying that landlords that participate in the program receive 80 percent of back rent due, rather than “up to” 80 percent.
- 3) **CalWORKs Eligibility.** This bill includes language to disregard pandemic unemployment compensation from being considered as income for CalWORKs eligibility.
- 4) **Earned Income Tax Credit.** This bill appropriates \$5 million General Fund to the Franchise Tax Board to conduct outreach for the Golden State Stimulus.

**Fiscal Effect:** \$5 million General Fund and continuous appropriation associated with unemployment benefit payments.

**Support:** None on file.

**Opposed:** None on file.

-- END --

---

# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair  
2021 - 2022 Regular

---

**Bill No:** AB 82 **Hearing Date:** February 18, 2021  
**Author:** Committee on Budget  
**Version:** February 17, 2021 As amended  
**Urgency:** No **Fiscal:** No  
**Consultant:** Anita Lee

**Subject:** Memoranda of Understanding

**Summary:** This bill makes necessary statutory changes to implement the Memorandum of Understanding (MOU) between the state and Child Care Providers United. The bill makes necessary changes to implement an addendum to the MOU between the state and nine state bargaining units, represented by the Service Employees International Union, Local 1000 (SEIU) and the state. Specifically, this bill ratifies the addendum entered between the state employer and the following Bargaining Units:

Service Employees International Union, Local 1000 (SEIU 1000)

- BU 1: Professional, Administrative, Financial and Staff Services
- BU 3: Professional Educators and Librarians
- BU 4: Office and Allied
- BU 11: Engineering and Scientific Technicians
- BU 14: Printing and Allied Trades
- BU 15: Allied Services
- BU 17: Registered Nurses
- BU 20: Medical and Social Services
- BU 21: Educational Consultants and Library

**Background:**

- 1) Existing law establishes the Ralph C. Dills Act, which requires the state to collectively bargain with the exclusive representatives of employee groups (i.e., bargaining units) - regarding wages and working conditions, and to define negotiated agreements in MOUs.
- 2) Existing law establishes the California Department of Human Resources (CalHR) as the official representative of the Governor in all matters related to collective bargaining with state employees.
- 3) Existing law requires that any MOU between the state and an exclusive representative be ratified by the Legislature.
- 4) Under the current state of emergency, all state departments were required to identify five percent of employees that could be redirected to contact tracing program.

- 5) Pursuant to subdivision (c)(1) of Provision 8 of Item 9800-001-0001 of the 2020 Budget Act, this addendum requires legislative action before implementation because the agreement results in a net cost greater than \$1 million.
- 6) Existing law grants collective bargaining rights to childcare providers in the state, and allows them to negotiate with the State on matter related to recruitment, retention, and training. Existing law also requires the Department of Human Resources to meet and confer in good faith regarding on all matter within the scope of representation with representatives. Existing law also requires that any MOU between the state and the representatives be ratified and approved by the Legislature.

**Proposed Law:** This bill is a budget trailer bill within the overall 2020-21 budget package necessary to implement actions related to bargaining agreements. On September 30, 2020, an addendum was reached, between the State and the Service Employees International Union, Local 1000 (State Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21) regarding employees that have been assigned to assist with contact tracing.

- 1) This bill implements the provisions of the addendum regarding SEIU Local 1000 employees that have been assigned to assist with contract tracing.
- 2) This bill provides \$1.8 million for bilingual pay, assuming all eligible employees are not already receiving it, and nine months of out of class pay for employees in classifications lower than Staff Services Analyst. According to the Department of Finance, these costs will be absorbed by the original departments of the employees.

This bill also implements various budget actions related to child care and child care bargaining.

- 3) The bill appropriates \$400.3 million federal Coronavirus Response and Relief Supplemental Act (CRRSA) funds, as follows:
  - \$244 million for stipends for child care providers (including State Preschool) that accept state subsidies. Stipends will be \$525 per eligible enrolled child.
  - \$80 million to provide more than 8,000 children of essential workers access to subsidized child care, through June 30, 2022.
  - \$76 million to extend the care of children on temporary subsidies through June 30, 2022.
  - \$250,000 for administrative costs to ensure expedient allocation of funding and slots to providers and families.
  - An increase in paid non-operational days for child care providers that accept state vouchers, from 24 to 40 days. These additional days will allow providers that experience multiple closures due to COVID-19 to better sustain their business during these difficult times and protect the fragile statewide system of care. These additional non-operational days will be paid for with unused child care funds provided in the 2020 Budget Act.



- 4) CalHR and the Child Care Providers United - California (CCPU); reached a Tentative Agreement/MOU to address COVID relief funding that included \$144 million of the stipend funds and the increase in paid non-operational days described in the above child care augmentations. This agreement is effective through June 30, 2022.
- 5) This bill appropriates \$110 million in one-time federal Coronavirus Aid, Relief, and Economic Security (CARES) Act Child Care and Development Block Grant funds to be allocated for the waiver of family fees for families not receiving in-person childcare through June 31, 2021, and to support providers for additional costs related to serving school-aged children and extend emergency child care vouchers and makes technical amendments to specify the source of federal funds.

**Fiscal Effect:** \$1.8 million (\$817,000 General Fund) for SEIU Local 1000 addendum, and \$654.3 million in federal funds (\$400.3 million from CRSSA).

**Support:** None on file.

**Opposed:** None on file.

**-- END --**

---

# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair  
2021 - 2022 Regular

---

**Bill No:** AB 83 **Hearing Date:** February 18, 2021  
**Author:** Committee on Budget  
**Version:** February 17, 2021 As amended  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Yong Salas

**Subject:** Budget Act of 2021

**Summary:** This trailer bill makes statutory changes related to licensing fee waivers necessary to implement the Budget Act of 2020.

**Background:** This bill makes the following statutory changes:

- 1) *Fee Waivers for Licensees of the State Board of Barbering and Cosmetology.* The Board will be prohibited from seeking to collect, and licensees will be exempt from paying, renewal fees for licenses expiring on or after January 1, 2021 and before January 1, 2023. If a licensee pays their renewal fee, the board would be prohibited from collecting the renewal fee for the subsequent renewal period. These provisions would be repealed on January 1, 2025.
- 2) *Appropriation to Backfill the Barbering and Cosmetology Fund.* Appropriates \$25.6 million General Fund to the Barbering and Cosmetology Contingent Fund to be used by the State Board of Barbering and Cosmetology to backfill revenues as a result of fee waivers for licensees.
- 3) *Fee Waivers for Licensees of the Department of Alcoholic Beverage Control.* Authorizes the department to waive license renewal fees, as defined, for licenses that expire between March 1, 2021, and February 28, 2023, inclusive. The bill would provide that the waiver of license renewal fees apply only to specified license types that were active, as defined by the department in its guidelines, between March 1, 2020, and December 31, 2020, inclusive.

**Fiscal Effect:** This bill appropriates \$25.6 million General Fund to the Barbering and Cosmetology Contingent Fund.

**Support:** None on file.

**Opposed:** None on file.

-- END --

---

# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair  
2021 - 2022 Regular

---

**Bill No:** AB 88 **Hearing Date:** February 18, 2021  
**Author:** Committee on Budget  
**Version:** February 17, 2021 As amended  
**Urgency:** No **Fiscal:** No  
**Consultant:** Joe Stephenshaw and Nora Brackbill

**Subject:** Golden State Stimulus

**Summary:** This is the Golden State Stimulus trailer bill that provides \$600 in direct relief to millions of low-income Californians who qualify for the California Earned Income Tax Credit (CalEITC) or are recipients of other specific benefit programs.

**Background:** The recession caused by the COVID-19 pandemic disproportionately impacted low-income jobs and exacerbated existing economic inequality in California<sup>1</sup>. As of October 2020, employment rates for high-wage workers (>\$60,000) had returned to pre-pandemic levels, while employment rates for low-wage workers (<\$27,000) were down almost 30 percent<sup>2</sup>. Many Californians have reported food and housing insecurities and difficulty in paying for usual household expenses<sup>3</sup>.

Two direct stimulus payments have been provided by the federal government. The March CARES Act package included \$1,200 per adult and \$500 per child under 17 for individuals whose income was less than \$75,000, and a reduced benefit up to incomes of \$99,000. The December aid package included an additional \$600 per adult and up to \$600 for each qualifying child. The initial payment kept an estimated eight million Americans out of poverty<sup>4,5</sup>. The Biden administration has proposed an additional stimulus payment of \$1,400.

The Golden State Stimulus targets low-income Californians using pre-defined populations: taxpayers who claim the CalEITC or file using a federal Individual Taxpayer Identification Number (ITIN) and have income less than \$75,000, California Work Opportunity and Responsibility to Kids Act (CalWORKs) recipients, and Supplemental Security Income/State Supplemental Program (SSI/SSP) or Cash Assistance Program for Aged, Blind, and Disabled Legal Immigrants (CAPI) recipients.

CalEITC was established in 2015 to provide low-income Californians, especially those with children, with an additional tax refund. For the 2019 tax year, Californians with annual incomes up to \$30,000 were eligible, and 3.8 million CalEITC tax returns were filed. CalEITC was expanded to filers that use an ITIN for the first time in the 2020 tax year, and an estimated 215,000 ITIN-filers will claim it.

---

<sup>1</sup> <https://www.ppic.org/wp-content/uploads/incoming-inequality-and-economic-opportunity-in-california-december-2020.pdf>

<sup>2</sup> <https://www.tracktherecovery.org/>

<sup>3</sup> <https://www.census.gov/data-tools/demo/hhp/#/?measures=EXR&mapAreaSelector=st&barChartAreaSelector=st>

<sup>4</sup> <https://www.urban.org/research/publication/using-cash-payments-reduce-poverty>

<sup>5</sup> <https://www.nber.org/papers/w27729>

CalWORKs is a public assistance program that provides cash aid and services to eligible families that have a child(ren) in the home. To qualify for CalWORKs, families must include one or more children who are either citizens or lawful permanent residents and generally must fall below certain income requirements specified in state law (roughly equal to about 80 percent of the federal poverty level for most families, although this varies somewhat by family size and region of the state). According to the Legislative Analyst's Office, in 2019-20, a family of three could earn up to \$1,453 per month and still qualify for CalWORKs assistance. That year, about 385,000 families (containing about 950,000 individuals) received CalWORKs assistance.

The SSI/SSP program provides cash grants to low-income aged, blind, and disabled individuals. The state's General Fund provides the SSP portion of the grant while federal funds pay for the SSI portion of the grant. The CAPI program provides a monthly cash grant to legal immigrants who are aged, blind, or disabled who meet SSI/SSP eligibility requirements, but who are not otherwise eligible to receive SSI/SSP due to their immigration status.

#### **Proposed Law:**

##### **Golden State Stimulus**

1. Directs the Controller to make a one-time Golden State Stimulus tax refund payment in the applicable amount to each qualified recipient, as follows:
  - a. \$600 for a qualified recipient who is an eligible individual for the CalEITC who filed a California individual income tax return for the taxable year beginning on or after January 1, 2020, and before January 1, 2021, who has been allowed a CalEITC for that taxable year by November 15, 2021, and is a California resident on the date the Controller issues the payment.
  - b. \$600 for a qualified recipient who 1) filed a California individual income tax return on or before October 15, 2021, for the taxable year beginning on or after January 1 2020, and before January 1, 2021, 2) include on their return either their ITIN, or, if married, the ITIN number of their spouse 3) reported California adjusted gross income of \$75,000 or less, and 4) is a California resident on the date the Controller issues the payment.
  - c. \$1,200 for a qualified recipient who satisfies the requirements of both a and b.
2. Specifies that a qualified recipient does not include an individual who 1) is eligible for the CalEITC but does not have a qualifying child, 2) files their California individual income tax return using the single filing status, as specified, and 3) is either deceased or is incarcerated, as specified, on the date the Controller would issue the payment.

3. Specifies that in the case a qualified recipient that files a joint return with their spouse, the qualified recipient and their spouse shall be considered one qualified recipient for the purposes of this section.
4. Specifies that the payment authorized by this section shall not be a refund or overpayment of income taxes, as specified.
5. Directs the Franchise Tax Board to provide return information to the Controller to allow the Controller to make payments pursuant to this section.
6. Creates the Golden State Stimulus Emergency Fund within the State Treasury and continuously appropriates from the fund to the Controller an amount necessary for the purpose of the Controller making Golden State Stimulus tax refund payments, pursuant to the provisions of this bill, to help low-income Californians.
7. Authorizes the Controller to transfer funds to the Golden State Stimulus Emergency Fund, as specified, and directs that any unused money remaining in the fund shall be transferred to the General Fund by June 1, 2024.
8. Specifies that, to the extent there is no conflict with federal law, the payments authorized pursuant to this bill shall not be taken into account as income for the purposes of determining the eligibility for benefits of assistance of the amount or extent of benefits or assistance under any state or local program not covered by, as specified.

#### **Golden State Grant Program**

9. Directs the State Department of Social Services to make a one-time grant payment in the amount of \$600 to each person who is one of the following on the operative date of this section:
  - a. An assistance unit as defined in Section 11450.16 of the Welfare and Institutions Code under the California Work Opportunity and Responsibility to Kids Act.
  - b. A recipient of benefits provided under the Cash Assistance Program for Aged, Blind, and Disabled Legal Immigrants, as specified.
  - c. A recipient of benefits under the Supplemental Security Income/State Supplemental Program, as specified.
10. Specifies that the receipt of a payment under this section shall be treated in the same manner as the federal EITC for purposes of determining eligibility to receive benefits, as specified.
11. Specifies that the receipt of a payment under this section shall not be taken into account as income, and shall not account as resources for a period of 12 months from receipt, for purposes of determining eligibility of that individual, or any other

individual, for the benefits or assistance, or amount or extent of benefits or assistance, under any state or local program, as specified.

12. Specifies that, pursuant to Section 18941 of the Welfare and Institutions Code, a recipient eligible to receive a grant payment under either the criteria listed in 9a and 9b of this analysis, shall not receive the grant payment unless the department is able to issue the grant payments under both.

**Other Provisions**

13. Exempts contracts or grants awarded pursuant to this bill from the Public Contract Code, State Contracting Manual, and personal services contracting requirements, as specified.
14. Allows for the Department of Finance to determine an amount to be appropriated to the State Controller's Office for the costs associated with processing and disbursing the tax refund payments. The Controller must submit a detailed schedule of costs directly related to the activities required by this bill.
15. Specifies that the Controller shall not offset delinquent accounts against the payment authorized pursuant to Section 8150 of the Welfare and Institutions Code (Those who received the EITC for the 2020 taxable year and ITIN filers for the 2020 taxable year with California adjusted gross income of less than \$75,000).
16. Exclusively for 2021, extends, from May 1<sup>st</sup> to May 7<sup>th</sup>, the date by which the Department of Finance must transmit to each city and each county an estimate of the percentage change in the population of the city or the county.
17. Deletes Article 3 (commencing with Section 12350) of Chapter 4 of Part 2 of Division 3 of Title 2 of the Government Code, which required the Franchise Tax Board, in consultation with the Treasurer and the Department of Finance to develop a comprehensive plan for a California Economic Improvement Tax Voucher Program.
18. Adds a Legislative finding and declaration related to EITC eligibility.
19. Includes Legislative findings and declarations that, for the purposes of complying with Section 41 of the Revenue and Taxation Code, 1) the purpose of the tax expenditure allowed, as specified, is to provide financial relief for low-income Californians who may have been adversely impacted by the economic disruptions resulting from the COVID-19 emergency and 2) in order to provide information on this tax expenditure, the Franchise Tax Board shall, in consultation with the Controller, prepare a written report, by April 1, 2022, that shall include the number of eligible individuals issued a payment, as specified.

20. Includes a Legislative finding and declaration that the stimulus payments and grant payments serve the public purpose of providing financial relief for low-income Californians who may have been adversely impacted by the economic disruptions resulting from the COVID-19 emergency, and do not constitute a gift of public funds, as specified.

**Fiscal Effect:** In total this bill will have a net General Fund impact of approximately \$3.7 billion to provide GSS payments and grants in the current fiscal year, including: 1) \$2.3 billion to provide the \$600 additional tax rebate for all CalEITC recipients for the 2020 tax year, 2) \$470 million to provide the \$600 tax rebate for all ITIN tax filers up to \$75,000 of income, 3) \$243 million to provide the \$600 additional grant for families enrolled in CalWORKs, and 4) \$750 million to provide the \$600 additional grant for individuals enrolled in SSI or CAPI.

**Support:** None on file.

**Opposed:** None on file.

**Comments:** Approximately 5.7 million low-income households in California will benefit from \$600 stimulus payments provided for in this bill. Additionally, ITIN filers who also qualify for the EITC for the 2020 tax year will receive \$1,200.

ITIN-filers are typically excluded from federal aid, even though many are essential workers or work in industries hit hard by COVID-19<sup>6</sup>. The March CARES Act excluded families if any member filed using an ITIN, which also prevented millions of spouses and children who are U.S. citizens or permanent resident immigrants from receiving the initial stimulus payment. Some of those families became eligible in the December federal aid package and could receive the initial payment retroactively. However, families where both parents use ITINs are still ineligible for both payments, which has also prevented stimulus support from reaching more than two million U.S. citizen and legal-immigrant children nationwide<sup>7</sup>. A family of four where both parents use ITINs missed out on \$5,800 in federal stimulus payments. The stimulus provided for in this bill will provide much needed assistance to low-income Californians who have disproportionately been impacted by the COVID-19 pandemic, including recognition of the fact that many low-income Californians have not been eligible for the majority of federal direct relief that has been provided.

-- END --

---

<sup>6</sup> <https://calbudgetcenter.org/resources/about-2-in-3-immigrant-workers-excluded-from-the-caleitc-are-covid-19-essential-workers/>

<sup>7</sup> <https://www.migrationpolicy.org/news/cares-act-excluded-citizens-immigrants-now-covered>

---

# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair  
2021 - 2022 Regular

---

**Bill No:** SB 87 **Hearing Date:** February 18, 2021  
**Author:** Caballero and Min  
**Version:** February 17, 2021 As amended  
**Urgency:** No **Fiscal:** No  
**Consultant:** Nora Brackbill

**Subject:** California Small Business COVID-19 Relief Grant Program: Income Tax: gross income: exclusion: small business grants.

**Summary:** This trailer bill establishes the California Small Business COVID-19 Relief Grant Program within CalOSBA to assist qualified small businesses affected by COVID-19 through the administration of grants. This bill appropriates \$2.075 billion to fund the program, including \$50 million for nonprofit cultural institutions.

**Background:** Small businesses have been disproportionately affected by the COVID-19 pandemic and the related health and safety restrictions, with hundreds of thousands of businesses permanently shuttered and many more on unstable financial footing<sup>1</sup>. Compared to this time last year, small business revenue in California is down more than 30 percent, with the hardest hit sector, leisure and hospitality, down over 70 percent<sup>2</sup>.

*Existing and Proposed Federal Aid.* There are a number of related federal aid programs:

- The primary source of federal small business aid is the Paycheck Protection Program (PPP), which provides forgivable, low-interest loans to businesses with fewer than 500 employees. As of August 2020, 623,360 California businesses had received a total of \$69 billion in PPP loans (average loan size \$110,000)<sup>3</sup>. The program tied loan forgiveness to maintaining payroll and specified that businesses must use the majority of funds on payroll expenses within a period of a few months. The program recently reopened with additional funding. Businesses are now able to apply for a second loan and some changes were made to help smaller businesses.
- The Economic Injury Disaster Loans (EIDL) Advance program provided grants of up to \$10,000 but ran out of funding in July 2020<sup>4</sup>. The December federal aid package included another \$20 billion for a Targeted EIDL Advance program, which focuses on applicants located in low-income communities who demonstrate at least a 30 percent drop in gross receipts.
- The December federal aid package includes \$15 billion for Shuttered Venue Operators grants to live venues, independent movie theaters, and other cultural institutions with fixed-seating theaters.

---

<sup>1</sup> [https://www.brookings.edu/wp-content/uploads/2020/09/PP\\_Hamilton\\_Final.pdf](https://www.brookings.edu/wp-content/uploads/2020/09/PP_Hamilton_Final.pdf)

<sup>2</sup> <https://tracktherecovery.org/>

<sup>3</sup> <https://home.treasury.gov/system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf>

<sup>4</sup> <https://www.sba.gov/article/2020/jul/11/sba-provided-20-billion-small-businesses-non-profits-through-economic-injury-disaster-loan-advance>



- The relief package proposed by the new federal administration includes \$15 billion to support more than one million small businesses through a grant program, but it is not clear what will end up in the final package.

Despite this, many small businesses are still in need of aid. More than 40 percent of California small businesses reported needing financial assistance or additional capital in the next six months<sup>5</sup>. The focus on payroll expenses through PPP was challenging for businesses who have significant other expenses such as rent. PPP loans also only covered a few months of payroll, and we are approaching a year of COVID-related closures and restrictions.

**Existing State Aid.** Executive Order No. E 20/21-182 allocated \$500 million from the Disaster Response-Emergency Operations Account to fund the COVID-19 Relief Grant Program, in order to provide financial relief to small businesses suffering from the economic impacts of the COVID-19 pandemic. The program was administered by the California Office of Small Business Advocate (CalOSBA) within the Governor's Office of Business and Economic Development, also known as GO-Biz. CalOSBA used five percent of this funding to contract with a Community Development Financial Institution (CDFI) to administer the program. The second and final application round of this program recently closed, and all of the money will be distributed by April 1, 2021.

**Proposed Law:** This bill formally establishes and expands the California Small Business COVID-19 Relief Grant Program, based on the initial grant program described above. This program would provide grants of up to \$25,000 to qualified small businesses and nonprofits with up to \$2.5 million annual gross revenue, and to eligible nonprofit cultural institutions with no limitation on annual gross revenue.

The bill specifies that grants would be allocated across at least four rounds: one closed round using the existing applicants from Rounds 1 and 2 of the previous COVID-19 Relief Grant Program (described above), one round for the eligible nonprofit cultural institutions (described below), and at least two open rounds for all qualified small businesses. Grant amounts scale with annual gross revenue (based on 2019): \$5 thousand for revenue up to \$100,000, \$15,000 for revenue between \$100,000 and \$1 million, and \$25,000 for revenue over \$1 million.

1. *Eligible Businesses.* The bill specifies eligibility criteria for small businesses and nonprofits, including that they must:
  - have more than \$1,000 and less than \$2.5 million in annual gross revenue
  - have been in operation by June 1, 2019
  - have been impacted by COVID-19 and the related health and safety restrictions
  - be open or have a plan to reopen when allowed
  - provide specified documentation
  - have a physical presence in California
  - be the franchise or location with the highest revenue

---

<sup>5</sup> <https://portal.census.gov/pulse/data/#data>

Ineligible businesses include certain political and financial industries and businesses that are unlawful under federal, state or local law, among other restrictions.

2. *Priority.* The bill specifies criteria for how grants would be prioritized:
  - Geographic distribution based on current statewide COVID-19 restrictions
  - Impacted industries, including but not limited to educational services, accommodation and food services, transportation, personal services, and arts, entertainment and recreation, specified by their North American Industry Classification System (NAICS) codes
  - Impacted nonprofit mission services, including but not limited to emergency food provisions, emergency housing stability, childcare, and workforce development
  - Underserved business groups such as businesses owned by women, minorities or veterans or businesses located in rural and low-wealth communities
  - Disadvantaged communities as indicated by socioeconomic factors such as unemployment rates, among others
3. *Eligible Uses.* Grant funds must be used for costs resulting from the COVID-19 pandemic, such as employee expenses, working capital and overhead including rent, and costs associated with health and safety restrictions such as purchasing PPE. Funds cannot be used to cover costs already covered by other relief or grant programs.
4. *Cultural Institutions.* This bill sets aside \$50 million for eligible nonprofit cultural institutions. These are defined as registered 501(c)(3) entities in specific industries that meet the criteria for an eligible business as outlined above, except with no limitation on annual gross revenue. The bill specifies eligible industries based on NAICS codes, including performing arts companies, museums, and zoos, among others. For this set aside, grants would be prioritized based on the percentage decline in revenue between Q2 and Q3 of 2019 and Q2 and Q3 of 2020. Small nonprofit cultural institutions (with annual gross revenue less than \$2.5 million) would be eligible to apply for both this set aside and the main program. However, they could only receive one grant and would have to apply to both programs separately.
5. *Program Administration.* This bill allows CalOSBA to contract with a fiscal agent to carry out the program at a rate of up to five percent of the program funds, consistent with the previous grant program. In order to achieve equitable awareness and distribution of grants, this bill requires CalOSBA and/or the fiscal agent to work with partners across the state to conduct marketing and outreach for a minimum of three weeks prior to each application round, and to provide technical assistance in multiple languages. CalOSBA must also post preliminary information online within seven business days and final information online within 45 business days of the close of each application period, including breakdowns by race and ethnicity, women- and veteran-ownership, and geography.
6. *Tax Exemption.* This bill would exclude grants distributed through either the previous grant program or this grant program from gross income for state taxes

for tax years 2020-2029. It provides regulatory authority to the Franchise Tax Board to implement this exclusion, exempt from the Administrative Procedure Act. The bill would also authorize the board to audit and/or recapture grants.

7. *Definitions:* This bill includes various definitions including, but not limited to, the following:
- a) “Applicant” means any California taxpayer, including, but not limited to, an individual, corporation, nonprofit organization, cooperative, or partnership, who submits an application for the program.
  - b) “California Small Business COVID-19 Relief Grant Program” or “program” means the grant program established in Section 12100.83.
  - c) “CalOSBA” or “office” means the Office of the Small Business Advocate within the Governor’s Office of Business and Economic Development.
  - d) “Director” means the Director of the Office of the Small Business Advocate.
  - e) “Fiscal agent” means a California-based Community Development Financial Institution (CDFI) capable of online and mobile application development, customer support, document validation, impact analysis, grant agreements, and awards disbursement, as well as marketing, engagement, and strategic partnerships with a network of CDFIs and nonprofits for implementation.

**Fiscal Effect:** This bill appropriates \$2.075 billion from the General Fund to the Golden State Stimulus Fund to GO-Biz in order to administer the California Small Business COVID-19 Relief Grant Program. \$50 million of that amount is set aside for nonprofit cultural institutions. Up to five percent of these funds may be used for administrative fees.

**Support:** None on file.

**Opposed:** None on file.

**Comments:** Anticipated demand. CalOSBA received over 300,000 applications requesting a total of over \$4 billion in the first round of the COVID-19 Relief Grant Program alone. Thus, even an appropriation of \$2.075 billion will not meet the full scale of the problem.

*Businesses need additional and continued support.* These grants will help some businesses in the short-term. However, even businesses that receive these grants, or receive aid through other programs, will need sustained support to continue operating. The grants proposed here are small compared to the magnitude of the revenue losses suffered in the past year, particularly for the larger businesses and the large nonprofit cultural institutions. In addition, large businesses across many sectors were excluded from this program but may also need financial assistance. The Legislature should consider additional ways to support California’s businesses, especially as we face continued health and safety restrictions and shifting economic conditions moving forward.

*Continued coordination with federal assistance.* The Legislature should continue to consider how state funds can best complement evolving federal aid programs, and how to target businesses that may be left out.

*Large administrative costs and limited transparency and oversight.* CalOSBA contracted with a fiscal agent to run the initial grant program. This enabled grant funding to get out impressively fast in what seems to be an equitable way with low fraud and waste, which would be difficult for the state to replicate on its own. This arrangement comes with administrative costs that, although a reasonable percentage of the total funds, are sizable, especially as the program scales. In addition, the fiscal agent has considerable freedom to rank and select grantees within the overall guidance of the program, which has led to some confusion about the selection criteria. However, this bill more clearly specifies the selection criteria and includes additional reporting requirements after each round of grants to ensure target businesses are being served.

**-- END --**