

# California Fiscal Focus

A Monthly Report from State Controller Betty T. Yee

April 2020

## Controller Yee Highlights State's Economic Impact and Resources Amidst COVID-19 Pandemic

As chief fiscal officer for the world's fifth-largest economy, State Controller Betty T. Yee is closely tracking the fast-growing impacts of the global pandemic of novel coronavirus, known as COVID-19. While the State Controller's team is adjusting workplace procedures in alignment with federal and state directives, the office continues to be fully operational. Dedicated staff are maintaining critical state operations including accounting, reporting, and auditing functions; payments for state payroll, retirement rolls, Medi-Cal, income tax refunds, vendors, and local governments; payroll and leave accounting for state, state court, and California State University employees; and much more.

With the duration of this public health emergency unknown, economic uncertainty will significantly affect California's near-term economic outlook. The fiscal prudence of recent years [put the state on strong footing](#) heading into this crisis, with nearly \$20 billion in budget reserves including the Rainy Day Fund approved by voters in 2014. However, the unprecedented surge in unemployment, business losses, and public health needs is quickly draining state and local resources.

In March, the Legislature and governor enacted fast and flexible emergency appropriations for critical needs. The rainy day is here, and state and federal efforts are under way to assist people and businesses in a struggling economy.

### Assistance for Individuals

In the two-week period ending March 28, nearly 10 million Americans filed for unemployment benefits – more than a million of them in California. Governor Gavin Newsom [waived the normal one-week waiting period](#) for filing for unemployment insurance, which offer payments of up to \$450 per week.

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act signed March 27 will add \$600 to each unemployment payment through July 31. The Act also will tack on 13 weeks of federally funded benefits once the standard 26 weeks of state unemployment are exhausted, as well as making 39 weeks of benefits available to many who normally would not qualify, such as the self-employed. Under the CARES Act, most adults in the U.S. can expect to receive a federal

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stimulus check. A single person with an adjusted gross income (AGI) up to \$75,000 on the most recent of their 2018 or 2019 tax return should receive \$1,200, as will head of household filers who earned up to \$112,500. Married couples qualify for \$2,400 up to an AGI of \$150,000. Check values go down for every \$100 of additional income, topping out at \$99,000 for a single and \$218,000 for a married couple. Another \$500 will be added for every child 16 and under.

**Tax Deadline Extensions and Other Relief**

As chair of the California Franchise Tax Board, Controller Yee announced the [deadline to file returns and pay taxes](#) on 2019 income is extended to July 15 in conformity with the Internal Revenue Service. The July 15 deadline also applies to first- and second-quarter estimated payments, 2020 LLC taxes and fees, and 2020 non-wage withholding payments. Taxpayers will have the same extension to protest a proposed tax assessment or appeal a Notice of Action.

The [California Department of Tax and Fee Administration](#) granted business taxpayers who file a return of less than \$1 million three additional months to file until July 31. Higher-value return deadlines will be decided individually.

The California State Association of Counties and the California Association of County Treasurers and Tax Collectors [pledged to use all existing authority](#) to cancel penalties and interest for property owners unable to pay their property taxes on time due to circumstances due to COVID-19. They cautioned nonpayment by those who can afford to pay “will tip local governments into insolvency.” Those whose finances have not been affected should pay as scheduled. Property tax questions should be directed to [the treasurer-tax collector](#) in the county where the property is located.

The CARES Act creates a refundable Employee Retention Tax Credit allowing a business to apply half of employees’ wages – up to \$10,000 per worker – against employment taxes. To be eligible, the business must be at least partially suspended by government order due to COVID-19 during the quarter for which the credit is claimed, or gross receipts for the quarter are less than

50 percent of those from the year prior (eligibility ends when gross receipts rebound to 80 percent of the same quarter from the year before). For employers with more than 100 employees, qualified wages must have been paid to employees while not providing services due to a government-ordered COVID-19 shutdown. Other federal tax relief for business affected by COVID-19 includes:

- Increasing the carryback of net operating losses of the previous five years;
- Delaying payment of the employer share of social security taxes; and
- Enabling businesses to write off interior building improvements immediately, rather than depreciating them over 39 years.

**More Aid for Businesses, Nonprofits, and Governments**

The \$2.2 trillion CARES Act aims to help businesses, nonprofits, and governments mitigate financial impacts of COVID-19. The Act makes \$454 billion available for loans, loan guarantees, and other investments made to provide liquidity to businesses and municipalities struggling due to the dramatic change in circumstances. Several key rules apply to businesses for the duration of the loan and 12 months after repayment including a moratorium on stock buybacks, caps on executive compensation and severance pay, and majority establishment in the United States. Small businesses may apply for the [Paycheck Protection Program](#), a loan to keep workers on payroll which is forgivable if criteria are met.

Many existing state programs stand ready to offer support. The Governor’s Office of Business and Economic Development (GO-Biz) is the go-to state office for small business. California’s [small-business support centers](#) help owners figure out which loans are best for them, develop resiliency strategies, and find other resources.

The California Infrastructure and Economic Development Bank (IBank) offers [loan programs](#) for businesses affected by disasters. As a unit within GO-Biz, IBank serves businesses with up to 750 employees. The Disaster Relief Loan Guarantee Program provides loan guarantees of up to \$1 million for small-business borrowers in declared

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## More Faces of the Unsheltered: Survivors of Violent Crimes

As California grapples with a crisis of homelessness, magnified by the growing threat of COVID-19, much of the focus has been on mental illness and addiction. Controller Yee also is shining light on another sizable portion of the homeless population – adults and children who have survived domestic violence and sexual assault.

In 2019, a one-night count of the unhoused in California found more than 151,000 people living in shelters, cars, or outdoors. This represents more than a quarter of the nation’s homeless population. In 2018, 10 percent of respondents reported surviving domestic violence.

Sexual assault and domestic violence happens across the spectrums of gender, sexual orientation, culture, religion, race, ethnicity, and economic background. While many people do flee violent relationships, there are countless others who risk their lives to keep a roof over their heads.

A large majority of survivors are women and children. According to the National Institutes of Health, women who experience intimate-partner violence are four times more likely to report housing insecurity. Along with physical abuse, survivors often endure emotional and financial control at the hands of their abusers and lack the independent finances to obtain housing.

Reliable funding is urgently needed to address this often-overlooked portion of the homeless population. Violence-prevention budgeting often prioritizes public safety and social services. In one day in 2018, more than 6,900 survivors in California received social services, while another 688 requests went unfulfilled. According to the National Network to End Domestic Violence, 81 percent of those unmet needs were for housing.

“Housing first” is a popular model [showing success](#) in places like Columbus, Ohio, and Salt Lake City, Utah. The concept: Get people into permanent homes with no strings attached, which gives them the platform to pursue other goals from securing employment to recovering from health challenges. Studies show the model costs less per consumer per year than a typical shelter program.

In 2016, eight California organizations from El Cajon to San Jose joined forces on a pilot Domestic Violence



Housing First (DVHF) program focused on three pillars:

- Mobile advocacy by people trained in trauma-informed practice, focused on needs identified by survivors;
- Flexible funding assistance targeted directly at housing needs or issues related to housing stability; and
- Proactive engagement with housing providers, service providers, and community members.

By the end of the pilot program, 100 percent of participants had secured stable housing, and the vast majority reported they learned ways to plan for their safety and felt more hopeful about the future.

Planning for a long-term DVHF program would require a consistent funding source, while most programs for survivors of intimate-partner violence depend on philanthropic donations and pass-through grant funding that is doled out on a year-by-year basis. The bulk of state funding for survivors of domestic violence housing and related services passes through the California Office of Emergency Services; a smaller portion goes to the state’s Department of Housing and Community Development.

Sexual assault prevention and related services often are overlooked or disconnected from conversations about needs for safe shelter. The [California Partnership to End Domestic Violence](#), the [California Coalition Against Sexual Assault](#), and other advocates are seeking reliable funding for emergency and transitional housing, listing it

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disaster areas, while the Jump Start Loan Program loans from \$500 to \$10,000 to low-wealth entrepreneurs in declared disaster and emergency areas. For businesses with up to 500 employees, [California Capital Access Program](#) is a loan-loss reserve program administered by the California Pollution Control Financing Authority that may provide up to full coverage on losses as a result of certain loan defaults. The U.S. Small Business Administration (SBA) Economic Injury Disaster Loan Program offers [disaster assistance](#) to the entire state of California. SBA is [hiring to fill disaster response jobs](#).

**Housing Protections**

The threat of COVID-19 has only intensified the need to ensure all Californians have a place to call home, [a top priority of Controller Yee](#). To this end, the governor and Legislature quickly approved \$500 million for emergency funding for activities related to the COVID-19 response.

Governor Newsom's March 18 executive order directed \$150 million of these funds to be used to reduce the risk of the COVID-19 virus to homeless Californians. The State Controller's Office already has made the initial \$100 million disbursement to local governments to house those most at risk. The governor has ordered another \$50 million of emergency funds to purchase trailers and secure hotel and motel rooms to homeless individuals. Hoteliers can benefit from the lease of these unused

rooms during a time of greatly decreased travel.

The governor has banned the enforcement of eviction orders for renters affected by COVID-19 through May, while the federal government announced a moratorium on evictions of homeowners with federally backed mortgages. Most large banks, credit unions, and servicers have committed to a 90-day grace period for mortgage payments, no foreclosures for 60 days, and other relief.

The CARES Act provides more than \$15 billion to address housing and homelessness through Emergency Solutions Grants, Community Development Block Grants, rental assistance vouchers, and several other programs. More than 10 percent of these funds are expected to be allocated to California's state and local governments. Most California cities and counties indicate they will use these funds to build shelters or repurpose buildings to immediately shelter homeless residents.

**Opportunities to Help**

Medical and behavioral health care providers and administrators, medical residents, and nursing students are urged to register for the [California Health Corps](#) to help maintain adequate staffing levels. The governor's office is working to [connect volunteers](#) with opportunities to fill critical needs in their communities, from meal delivery to blood donation. The state also hopes to identify businesses or organizations equipped to [contribute key items in short supply](#).

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alongside prevention as a top priority.

State Senator Susan Rubio (D-Baldwin Park), a survivor of domestic violence, is pushing to expand the definition of domestic violence to include coercive control and deprivation of liberty – elements of an abusive relationship that can prevent a person from pursuing safe shelter and rebuilding their life. She also has authored Senate Bill 1088 to in order to augment the homelessness funding dedicated to sheltering survivors of domestic violence and sexual assault.

Controller Yee looks forward to working with Senator Rubio on this important issue, recognizing the COVID-19 health emergency has heightened attention on those experiencing domestic violence and sexual assault who face more challenging obstacles in seeking help and leaving unsafe living arrangements.

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