



ASSEMBLY MEMBER

Kansen Chu 朱感生

DISTRICT 25

AB 398

**COVID-19 Local Government and
School Recovery and Relief Act**

Bill Version: May 27, 2020

SUMMARY

AB 398 will provide needed financial relief to counties, cities and schools in the wake of the COVID-19 pandemic. To raise revenue, this bill will impose a tax on large businesses in California, at the rate of \$275 per employee. The California Department of Tax and Fee Administration will administer and deposit all tax revenues into the COVID-19 Local Government and School Recovery and Relief Act, and funds will be distributed to counties, cities and schools based on the proportion of employees of large businesses in the area.

BACKGROUND

The COVID-19 pandemic has had a widespread impact around the world. Hundreds of thousands have lost their lives and many are financially struggling due to this pandemic. In May of 2020, over 4 million people had filed for unemployment over the course of seven weeks. COVID-19 and the resulting stay at home orders have led us into what is being called the COVID-19 recession. As Californians are struggling, the recession is reducing revenues available to government to provide the services people need. According to analysis by the League of California Cities, California cities are projecting a nearly \$7 billion general revenue shortfall over the next two fiscal years. If the stay-at-home order keeps extending, this shortfall will grow by billions. About 90 percent of cities projected that these shortfalls will impact core city services including, police, fire department, transportation and schools, according to the League of California Cities. California is facing a \$54.3 million deficit due to COVID-19, which is the state's worst budget gap since the Great Recession. Now more than ever, California governments and schools need funding in order to continue to provide these essential services to their residents

PROBLEM

Due to the pandemic continuing to ravage the economy, funding for core city services are being cut and will continue to be cut even further if the federal government does not provide additional relief for states. The Department of Finance projected a potential \$19 billion hit to funding for public schools from the January projection due to loss in tax revenue.

The loss of state funding for K-12 public schools has already caused school districts to layoff dozens of employees which is causing the unemployment rate to increase even further. California received 4.5 million unemployment claims since mid-March, which includes the layoff of teachers and staff from schools. The layoff of teachers and staff are impacting the students' education. Schools have spent the last 3 months adapting to providing education virtually without time to prepare. This is resulting in learning loss and exacerbating existing inequities in and achievement gaps for communities of color and disadvantaged communities. As the recession hits school funding, the Legislature needs creative revenue streams to ensure schools have the resources they need to provide students with a quality education and services.

STAFF CONTACT

Katelin Van Deynze

(916) 319-2025

Katelin.VanDeynze@asm.ca.gov

Local governments employ a majority of teachers and first responders. In response to the COVID-19 pandemic, local governments need the funds to avoid laying off workers and the workers most needed to respond to the public health crisis and provide services to Californians experiencing the impacts of the recession. Local governments receive about 35-40% of revenue from state governments that now are facing a budget crisis due to the pandemic. Therefore, providing funds for local governments and schools is imperative to continuing to provide the essential resources to residents.

SOLUTION

With AB 398, California counties, cities and schools will receive funding to continue to provide essential services to their residents. We must invest in our community services in order to ensure this recession does not further exacerbate inequities and communities have the resources to address those inequities. To do so, this bill would require businesses in California with more than 500 employees to pay an annual fee of \$275 per employee. The revenue from the annual fee will be deposited in the COVID-19 Local Government and School Recovery and Relief Act Fund and distributed to local governments in proportion to the employees of a large business in their jurisdiction.

STAFF CONTACT

Katelin Van Deynze

(916) 319-2025

Katelin.VanDeynze@asm.ca.gov