



December 17, 2020

Honorable Nancy Skinner, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Phil Ting, Chair
Assembly Budget Committee

Honorable Anthony Portantino, Chair
Senate Appropriations Committee

Honorable Lorena Gonzalez, Chair
Assembly Appropriations Committee

Disaster Response-Emergency Operations Account Request—Increased Funding for the California Rebuilding Fund and Funding to Support a New COVID-19 Relief Grant for Small Businesses

Pursuant to the provisions of Government Code section 8690.6, the following report is respectfully submitted.

Government Code section 8690.6 makes Disaster Response-Emergency Operations Account (DREOA) funds available, upon allocation by the Director of the Department of Finance, to state agencies for disaster response operation costs incurred as a result of a proclamation by the Governor of a state emergency.

On March 4, 2020, as part of the state's response to address the global COVID-19 outbreak, Governor Newsom declared a State of Emergency to make additional resources available, formalize emergency actions already underway across multiple state agencies and departments, and help the state prepare for broader spread of COVID-19.

Despite federal stimulus and small business efforts to pivot, adapt to new health and safety guidance, and shift to online sales where feasible, many small businesses continue to face enormous risks to their survival. With California's COVID-19 cases rising and county re-openings being scaled back, small businesses will face even more restrictive limits on their operations. This will result in revenue decreases, closures, and more lost jobs and higher unemployment across the state.

In recognition of the need to act as expeditiously as possible to support small businesses, Finance will immediately transfer \$512.5 million from the General Fund to DREOA. Of that amount, \$12.5 million will be used to increase funding for the California Rebuilding Fund (Fund). The Fund provides funding to Community Development Financial Institutions (CDFIs) to leverage private capital to support small business. Funds are awarded through a third-party to CDFIs through a traditional loan application. The additional funding will allow the Fund to be fully capitalized and will help the third-party

raise \$125 million to make more low-interest loans to small businesses with less access to loans from traditional banking institutions.

The remaining \$500 million will be used to fund a COVID-19 Relief Grant administered by the Governor's Office of Business and Economic Development, California Office of the Small Business Advocate, for small businesses that have been impacted by COVID-19 and the health and safety restrictions. The funds will be awarded to selected intermediaries with established networks of CDFIs to distribute relief through grants of up to \$25,000, to underserved micro and small businesses throughout the state by early 2021. Non-profit organizations will also be eligible for the grants. The grant program is anticipated to provide an additional boost to expand efforts by local governments to support small businesses ahead of further action by the federal government. The intermediaries will be required to demonstrate capacity for regional and local implementation to guarantee all geographies can access the grants.

Please call John Fitzpatrick, Principal Program Budget Analyst, at (916) 455-8913 if you have any questions.

KEELY MARTIN BOSLER

Director

By:

A handwritten signature in black ink, appearing to read "Erika Li", with a stylized flourish at the end.

ERIKA LI

Chief Deputy Director

cc: On following page

cc: Honorable Wendy Carrillo, Chair, Assembly Budget Subcommittee No. 4
Honorable Anna M. Caballero, Chair, Senate Budget and Fiscal Review
Subcommittee No. 4
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Vince Fong, Vice Chair, Assembly Budget Committee
Gabriel Petek, Legislative Analyst (3)
Joe Stephenshaw, Staff Director, Senate Budget and Fiscal Review Committee
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
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Chris Dombrowski, Director (A), Governor's Office of Business and Economic
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Isabel Guzman, Director, Office of the Small Business Advocate
Scott Wu, Executive Director, California Infrastructure and Economic Development
Bank
Jenifer Henneke, Budget Officer and Administrative Manager, Governor's Office of
Business and Economic Development