



2021-22 Governor's Budget

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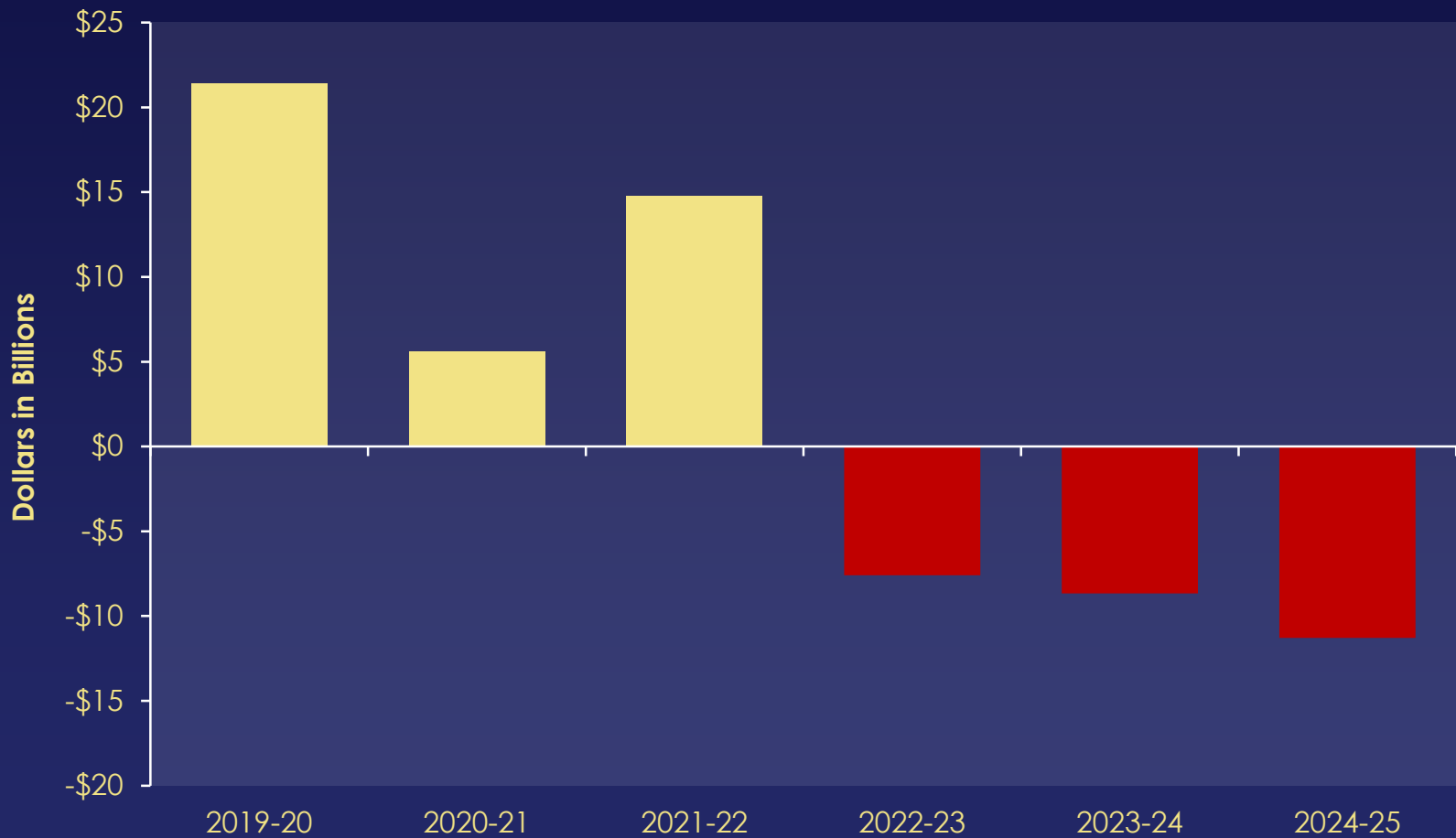
California's Economic Outlook

- Revenues have dramatically improved
 - \$158B (up \$29B from 2020 Budget Act)
- 8.2% unemployment rate, down from 16.4%
 - However, 4M Californians still receiving UI benefits
 - Less than half of jobs lost since Feb recovered

Budget Structure

- Total expenditures—\$227B (\$165B General Fund)
- One-time surplus—\$1.5B
- Building budgetary resiliency
 - Total reserves—\$22B
 - Additional state retirement liabilities paid—\$3B (about \$6.5B over the next 3 years)
 - Scheduled program suspensions delayed—\$2B
- Out-year operating deficits

Budget Projects Surplus, But Future Shortfalls Projected



Recession's Impacts

- Improved revenue picture attributable to:
 - Less severe economic downturn than expected
 - Unequal spread of wage losses
 - Strong stock market performance
- Disproportionate impacts on low-income individuals/families
- Budget supports direct COVID-19 response costs, immediate relief for individuals and businesses, and job creation to expedite recovery

COVID-19 Direct Response Cost Estimates

Budget prioritizes emergency response (over \$4B)

- Vaccines
- Testing
- Contact tracing
- Food banks
- Community engagement
- State operations—corrections and rehabilitations

Immediate Budget Action

Safely Reopen Schools and Immediately Provide Relief to Individuals and Small Businesses

- Safely Reopen Schools (\$2B)—Prioritize in-person instruction
- Golden State Stimulus (\$2.4B)—One-time \$600 tax refund to low-income households
- Small Business Grants (\$575M)
- Fee Waivers (\$70M)
- \$2.6B federal relief funds and eviction moratorium extension

Budget Prioritizes Job Creation to Expedite Recovery

- California Jobs Initiative [\$778M total/of which \$388M is being requested for Early Action (EA)]
 - CalCompetes credits and grants (\$430M)
 - Small business tax credits, grants/micro-grants, loans (\$247.5M)
 - Alternative energy sales tax exclusion (\$100M)
- Infill infrastructure grants (\$500M/\$250M EA)—
projects leading to long-term housing development.

More Job Creation

- Zero-emission vehicles package (\$1.5B/~~\$239M~~ EA)
 - \$1B securitization of future vehicle registration fees for construction of charging stations
 - \$465M for incentives to improve access to ZEV
- Wildfire and forest resiliency package (\$1B/~~\$323M~~ EA)—for projects that mitigate wildfire risks
 - Forest management
 - Secure fuel breaks
 - Home hardening

Workforce Development

- Improving linkages between higher education institutions and employers (\$250M)
- Higher Education (\$78M)
 - Apprenticeship and work-based learning opportunities
- High Roads Training Programs (\$25M EA)
 - Construction, Forestry and Agriculture, Healthcare Trade and Logistics, IT
 - Resulting in 2,200 jobs

Education—Proposition 98

- Proposition 98 funding (\$85.8B)—highest level ever
- Cost of living adjustment (\$2B)—fully funds LCFF target levels
- Majority of K-12 deferrals paid (\$9.2B)—of \$12.9B
- Additional non-Proposition 98 General Fund investments (\$3.4B)
 - Supplemental payment—\$2.3B
 - Retirement contribution rate buy down—\$1.1B

Extended Learning Time

- \$4.6B to address pandemic's impacts on student learning
- Targeted interventions—such as community learning hubs, summer school programs, and before and after school wrap around services
- **Request early action** to allow time for districts to plan for these interventions

Higher Education

- California Community Colleges (\$111M cost of living adj)
 - Emergency financial aid (\$250M)
 - Basic needs support (\$100M)
- CSU and UC (3% base increase)
 - CSU:\$200M ongoing/\$225 one-time
 - UC: \$136M ongoing/\$225M one-time
 - Both segments must maintain resident undergrad tuition/fees at current levels and reduce equity gaps
- Financial Aid (\$35M)—9,000 additional Competitive Cal Grants

Homelessness

- \$1.75B in grants to local jurisdictions to acquire housing
 - \$750M/\$250M EA—housing for people experiencing homelessness (Homekey)
 - \$750M—housing to expand community continuum of care treatment resources for those with acute behavioral health needs
 - \$250M—housing for vulnerable seniors, such as Adult Residential Care Facilities/Residential Care Facilities for the Elderly

Health

- Continue to support health care affordability—
Office of Healthcare Affordability
- Student mental health (\$450M)
- CalAIM (\$1.1B)—transform delivery system to better connect Medi-Cal beneficiaries to services they need
- Incompetent to Stand Trial (IST) (\$233M)—streamline services to felony ISTs at local level to drive improved outcomes for those with serious mental illness

Climate and Environmental Protection

- Cap and Trade Plan (\$1.4B/\$624M EA)—advance state's priorities on environmental justice, clean air, and water
- Toxic Sites Clean Up (\$331M)—accelerate clean up of contaminated properties in impacted communities using health-based criteria
- Integrated Pest Management (\$38M)—facilitate transition away from harmful pesticides
 - Replaces flat-fee mill assessment on pesticides sales with tiered assessment based on toxicity