



2020-21 Budget: May Revision

May 26, 2020

California's Economic Outlook in January



Unemployment at record lows



118 months of consecutive job growth



1 out of 7 new U.S. jobs in California



5th largest economy in the world

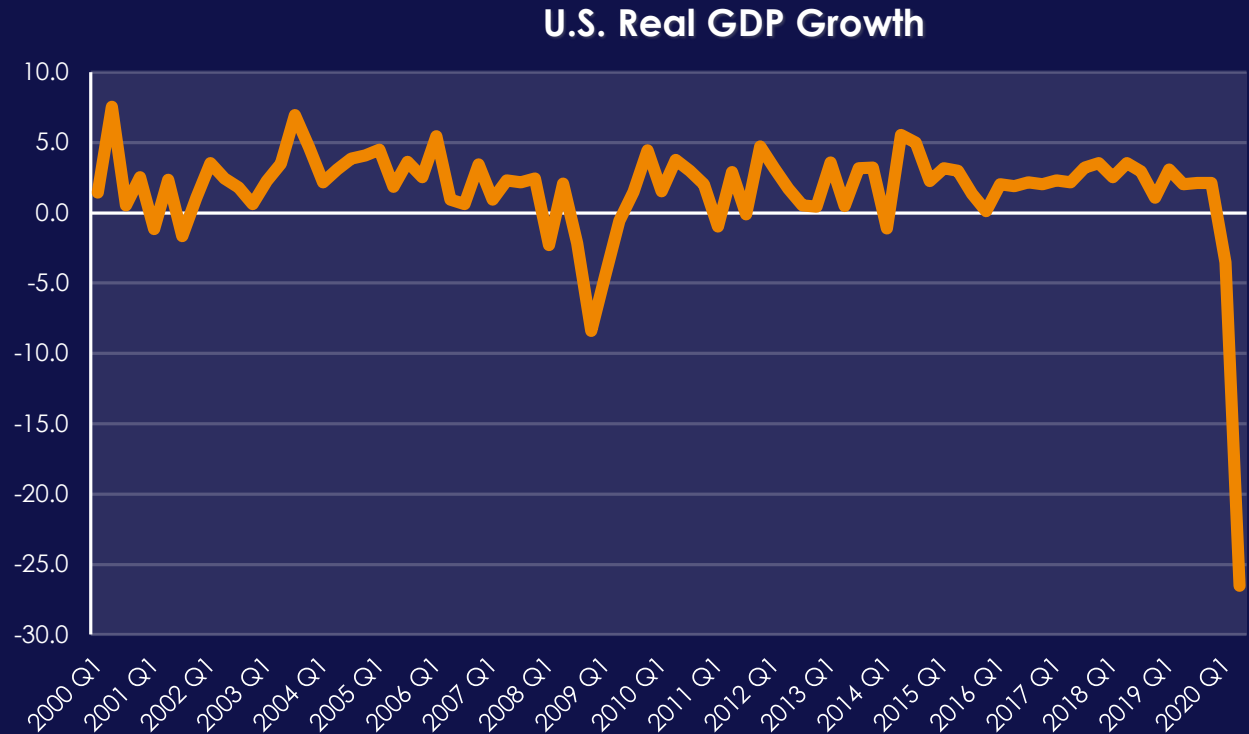


Projected surplus and record reserves

U.S. in Recession Due to COVID-19

COVID-19 recession projected to be **worse than Great Recession**

U.S. GDP is projected to **decrease by 26.5%** in spring of 2020



Source: U.S. Bureau of Economic Analysis; CA Department of Finance, May Revision Forecast

COVID-19 Recession Revenue Drop

May Revision Baseline Estimates:

- 2018-19 **\$0.7 billion**
- 2019-20 **-\$9.7 billion**
- 2020-21 **-\$32.2 billion**

- **Total Revenue Drop -\$41.2 billion**

Protecting California's Core Values



Public Education



Public Health



Public Safety



People hit hardest by COVID-19

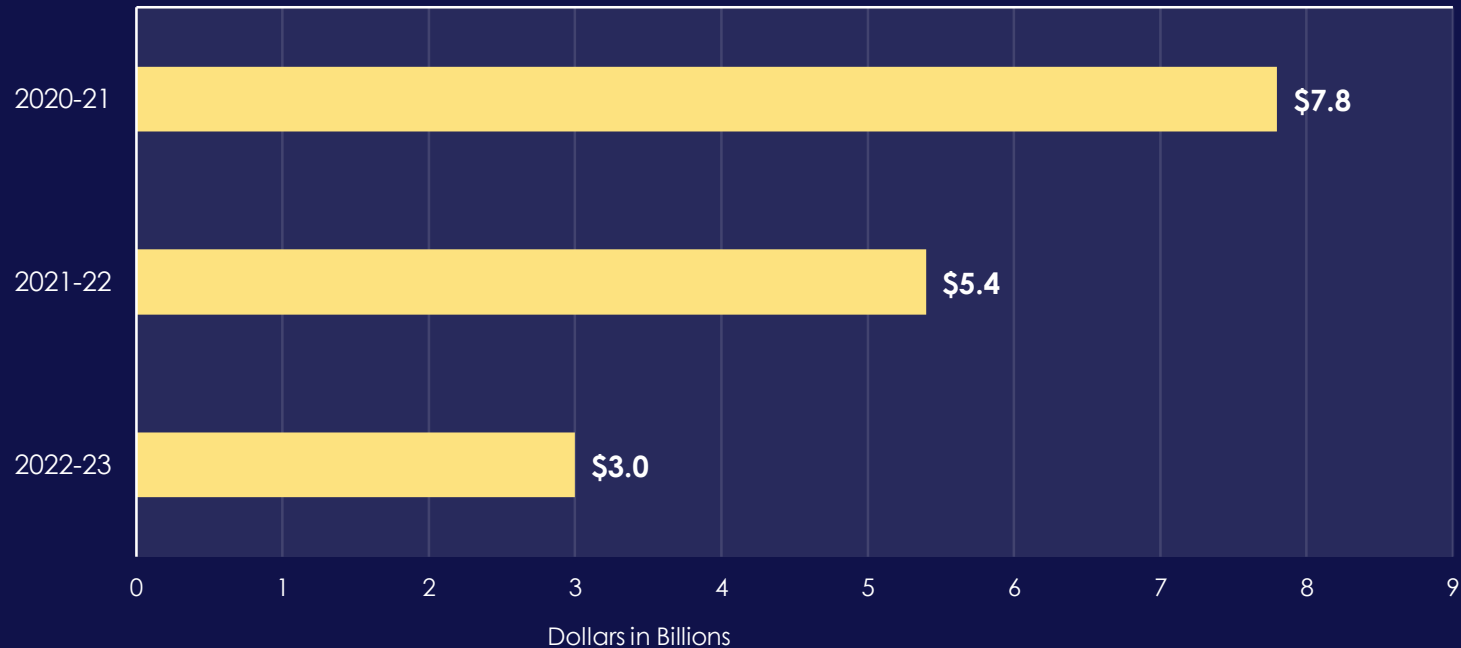
The May Revision Proposes Balanced Solutions

(dollars in billions)

Cancelled Expansions & Other Reductions	\$8.4
Reserves	8.8
Borrowing/Transfers/Deferrals	10.4
New Revenues	4.4
Federal Funds	8.3
Triggers	14.0
Total	\$54.3

Use Rainy Day Fund

Utilize \$16.2 billion Rainy Day fund over three fiscal years



Federal Funding Allocations

\$9.9 billion for State Directed COVID-19 Relief Funds

- \$4.4 billion for K-12 students
- \$3.8 billion for public health and safety, emergency response, and families hit hardest
- \$1.3 billion for county public health, behavioral health, and other health and human services
- \$450 million for city homelessness and public safety

School Funding Formula to Decline \$19 billion

- **May Revision mitigates decline:**
 - Temporary revenue proposals - \$1.8 billion
 - Federal funds - \$4.4 billion
 - Revised CalPERS/CalSTRS contributions - \$1.2 billion
 - New funding obligation for schools (1.5 percent of revenues)
 - Public School Reserve - \$524 million
 - Deferrals - \$5.3 billion

Enhancing Government Efficiency

- Nearly all state operations will be reduced
- Rethink office space, shrink state real estate portfolio
- More services online and greater efficiencies

Supporting Job Creation, Economic Recovery, and Opportunity

May Revision includes:

- \$100 million for Small Business Loans
- Tax cut to support New Small Businesses

Additional efforts to include:

- Small business recovery
- Increased housing
- Increased investments in human and physical infrastructure

Deficits Will Remain

Operating Deficit Through 2023-24



Federal Support is Essential

The COVID-19 Recession has dwarfed California's prudent fiscal planning

Federal funding is essential to maintain core services of government

California has requested \$1 trillion in federal relief for all states and local governments