



2021-22 Governor's Budget

January 2021

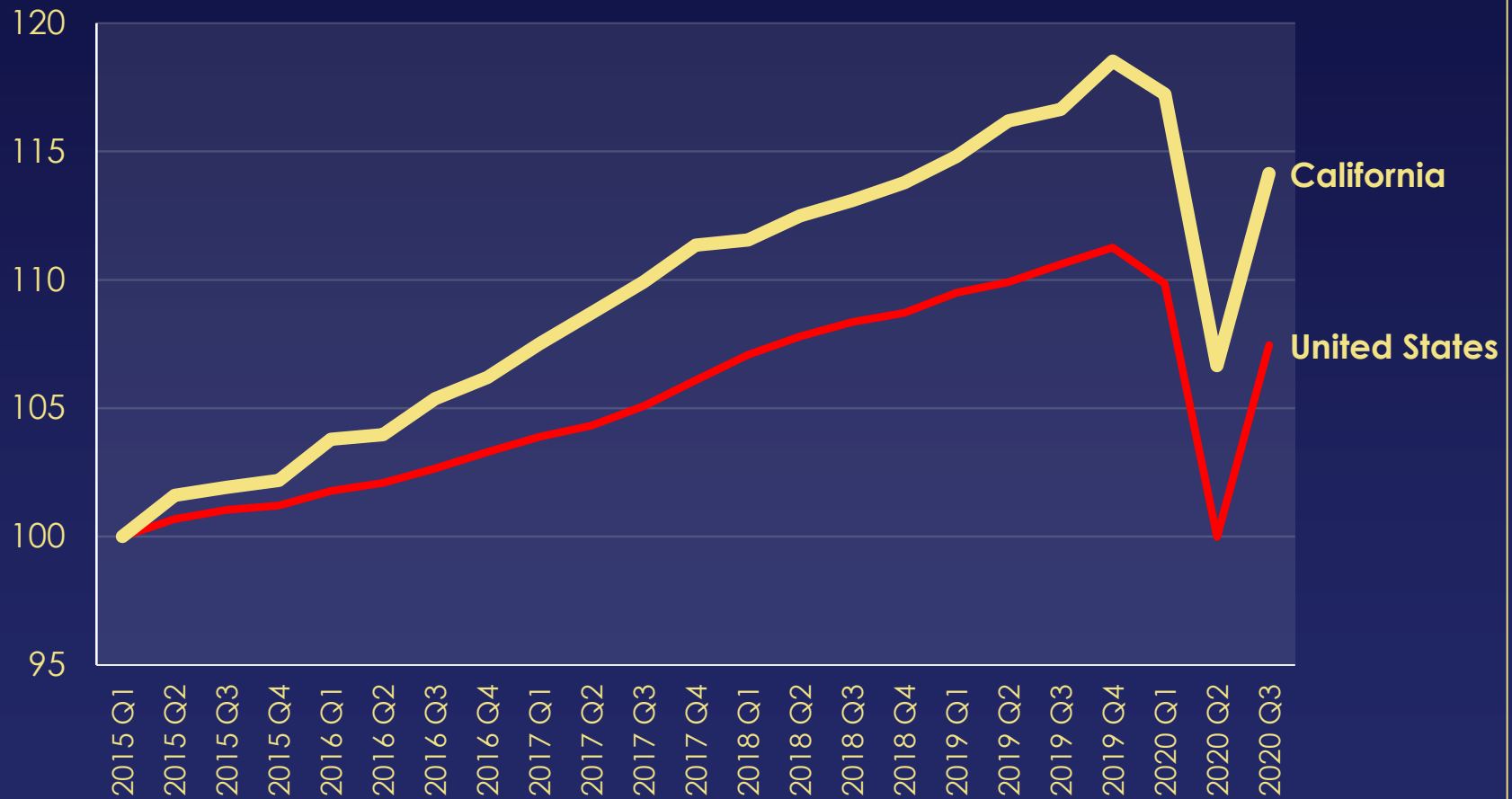
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California's Economic Outlook

- Revenues have dramatically improved
 - \$158B (up \$29B from 2020 Budget Act)
- CA GDP largely recovered from a 31.5% drop (Q2 to Q3, back to 2019 levels)
- 8.2% unemployment rate
 - 4M Californians still receiving UI benefits
 - 1.4M fewer Californians employed than in Feb

U.S. and California Real GDP



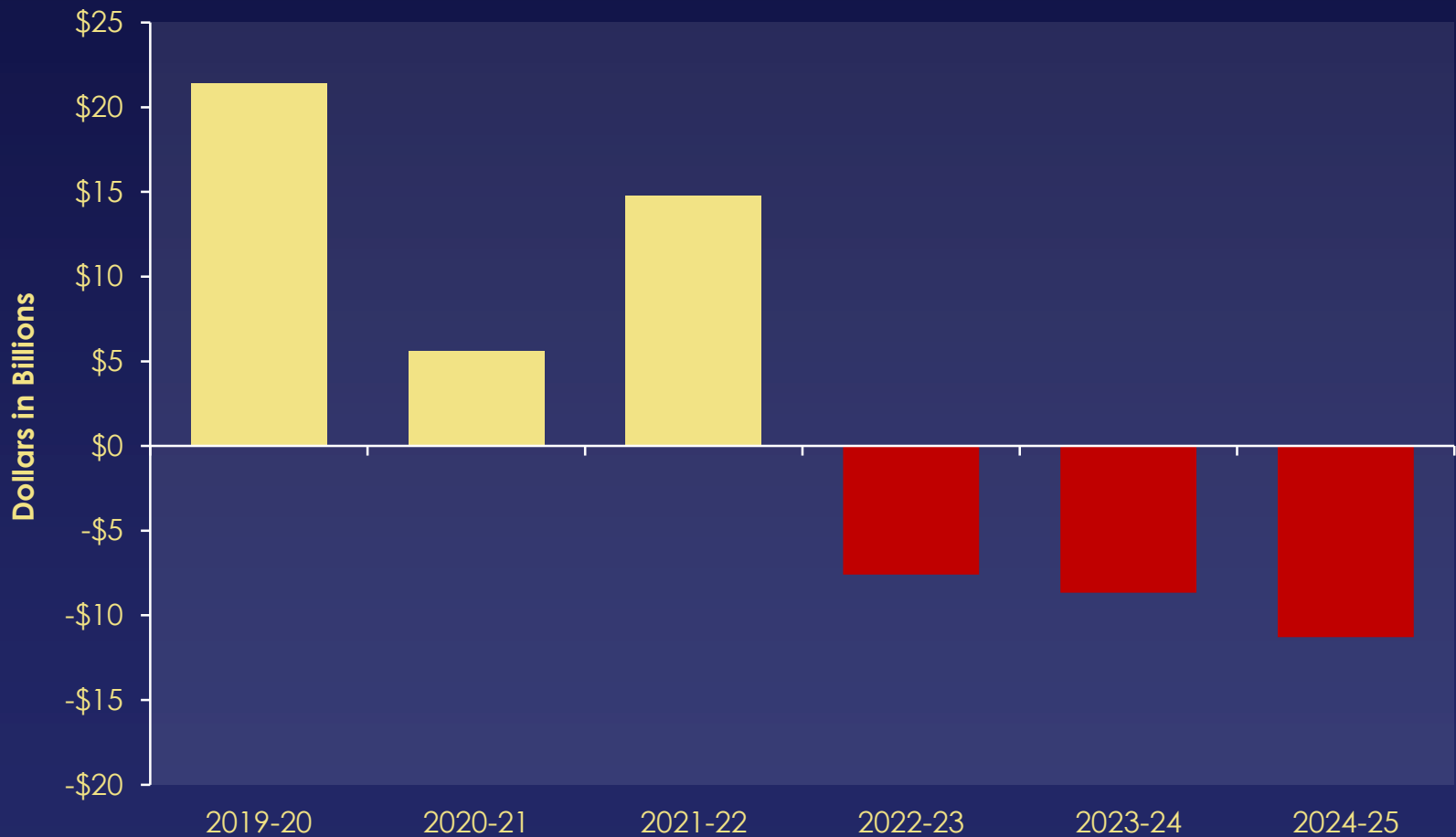
Budget Structure

- Total expenditures—\$227B
 - General Fund—\$165B
- Total reserves—\$22B
- One-time surplus—\$15B
- Additional state retirement liabilities paid—\$3B
(about \$6.5B over the next 3 years)
- Scheduled program suspensions delayed—\$2B

Improved Revenues

- Improved revenue picture attributable to:
 - Less severe economic downturn than expected
 - Unequal spread of wage losses
 - Strong stock market performance

Budget Projects Surplus, But Future Shortfalls Projected



COVID-19 Direct Response

Budget prioritizes emergency response (over \$4B)

- Testing
- Contact tracing
- Vaccines
- Food banks
- Community engagement

Immediate Budget Action

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

- 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)
 - 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)—projects leading to long-term housing development

More Job Creation

- Zero-emission vehicles package (\$1.5B)—
construction of charging stations and incentives to improve access to ZEV
- Wildfire and forest resiliency package (\$1B)—
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
- Labor apprenticeship programs (\$25M)

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)—\$3.7B remain
- Additional non-Proposition 98 General Fund (\$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, and extended school days
- 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

- Homekey Expansion—\$1.75B in grants to local jurisdictions to acquire housing
 - \$750M—housing for people experiencing homelessness
 - \$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

- Health quality and affordability—Office of Healthcare Affordability
- Student mental health (\$400M)
- CalAIM (\$1.1B)—transform delivery system for Medi-Cal beneficiaries

Climate and Environmental Protection

- Cap and Trade Plan (\$1.4B)—advances state’s priorities on environmental justice, clean air, and water
- Toxic site clean up (\$331M)—accelerate the clean up of contaminated properties in impacted communities using health-based criteria
- Integrated Pest Management (\$38m)—to facilitate transition away from harmful pesticides
 - Replace flat-fee mill assessment on pesticides sales with a risk-based tiered assessment based on toxicity

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- There are additional proposals for early action not part of this package