

Governor Newsom's 2021-2022 Budget – Highlights - 1/8/2021

The 2021-2022 budget presented this am is \$227 billion with \$21 billion in reserves. Strangely enough while many Californians are unemployed, because of our high income earners, we have a onetime budget surplus of \$15 billion, the LAO states the onetime windfall is likely \$26 billion, available for this year only.

California tends to depend on high income earners because of the progressive tax structure, resulting in \$74.4 billion in tax revenue. Those making over \$60,000 who can work from home are contrasted with those making less than \$27,000 who account for the unemployment rate which has gone from 16.4% in May to 8.2% currently.

His five “early action proposals” are:

1. Vaccinations against COVID 19 – focusing on getting people vaccinated; \$4.4 billion is for COVID relief - \$2 billion for testing; \$473 million for contact tracing and \$372 for vaccines; much of the money will come from the federal government and an emergency fund so he doesn't need legislative approval

2. Safely reopening schools – schools will receive a “record investment of \$85.5 billion”; \$2 billion to help schools transition to in person learning; \$4.6 billion to help students recover from the impacts of the epidemic and \$400 million for school based mental health services; \$2 billion will cover COVID testing, ventilation and PPE; the youngest children will be brought back first TK-2nd grade

3. Supporting small businesses - \$4 billion will create jobs and help them recover from the downturn due to COVID, \$575 million in small business grants will be made available, also fee waiver in the amount of \$71 million

4. Putting money in people's pockets - \$12 -\$13 minimum wage took effect January 1st; state will give \$600 million stimulus payments for those making less than \$30,000/year – the Golden State Stimulus which is \$2.3 billion
Approximately 4 million will be eligible for this payment; the federal funds provide \$600 for those making less than \$75,000. Additionally the CA Earned Income Tax Credit will benefit those making less than \$30,000. This will also extend the eviction moratorium.

5. Wildfire preparedness – adding \$1 billion to address emergency response and funding to support 30 new fire crews - \$143.3 million, \$48 million for Black Hawk helicopters and large air tankers, \$39 million for LiDAR remote sensing and \$17.3 million to enhance the earthquake early warning system

Health Services

The Governor is committed to reducing health care costs, lowering prescription prices and expanding telehealth capability. He is proposing 2 new offices: Health Care Affordability, legislation needed; and Medi-cal Innovation.

The former office will address provider consolidation, regional disparities and develop cost targets for all sectors. The later office will support long term care innovation.

\$94.8 million is proposed for telehealth services to maintain and expand the issues authorized during COVID19. CalAIM – will be budgeted at \$1.1 billion, this strategy will transform the state’s Medi-cal program in an effort to improve outcomes and reduce costs.

Mental Health Investments - \$400 million for school based needs:

- ACES screening, suicide investments, wellness/early intervention
- \$202 million for residential facilities and \$500 million for substance abuse

COVID19:

- \$4.4 billion for emergency response
- \$2 billion for testing
- \$473 million for contact tracing
- \$372m for vaccines
- Feds will provide \$1.78 billion for testing and tracing
- \$350 million for vaccines

Climate Change Action

\$1.5 billion to address zero emission goals by 2035 and 2045, address climate innovation and \$300 million for environmental justice issues.

Education

In addition to the \$85.8 billion:

- \$4.6 billion for extended learning to include summer schools, before and after school programs

Teacher preparation to include:

- \$250 million for teacher training
- \$100m for the Golden State Teacher Grant program
- \$100 m for expanding the teacher residency program
- \$25 million for classified employers to gain credentialing

Special Education:

- \$1.5 billion over the last 2 years and \$545 million ongoing
- \$300 million additional for infants, toddlers and preschoolers

Master Plan on Early Learning – Parents’ Agenda

- \$250 million in grants for early TK
- \$200 million for infrastructure
- \$50 million for professional development
- \$44 million ongoing for child care
- \$1 billion from the feds for early childhood and head start

Higher Education – expect \$2.9 million from the feds:

- CCC - \$250 million for financial aid
- \$100 million for basic needs/food/housing

\$30 million for mental health services

UC - \$361 million with \$136 million ongoing and \$225 million one time no fee increases this year

CSU - \$425 million new funding, \$200 million going and \$225 million one time.

Workforce Development - \$353 million

\$250 million to develop better linkages to higher ed and gainful employment

CA jobs initiative - \$750 million – combination of tax credits, micro-grants and loans to boost job creation

Economic Recovery - \$4.5 billion to focus on recovery and job creation

Aid to Job creators - \$430 million for Cal Competes

\$100 million for main street hiring tax credit

\$100 million loan guarantee

\$100 million for sales tax exclusion

\$35 million for CA Dream Fund – starting own business grants of \$10,000

Housing and Homelessness- \$1.75 billion

Project Homekey - \$750 million to assist local governments to buy hotels and motels to house homeless

\$750 for grants to counties to buy and rehab land and buildings to expand behavioral health treatment

\$250 million for seniors to buy and rehab board and care homes

The Governor stated his budget may have surpassed the “Gann limit” – this is the limit on the amount of tax money state and local governments including school districts can legally spend. This was an initiative passed in 1979. When the limit is passed, the state has to return money to the tax payer and schools. However, as the Governor develops the May revise, the Gann limit may not be an issue.

This budget will be dissected by the legislature and it will be revised in May based on the April income tax receipts. The legislature returns on Monday and they have until June 15th to submit their budget to the Governor.