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# California Budget Perspective 2019-20

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CHRIS HOENE, EXECUTIVE DIRECTOR

A PRESENTATION TO:

"CALIFORNIA FOR ALL: WHAT'S IN GOVERNOR  
NEWSOM'S FIRST PROPOSED BUDGET?"

NORTHERN CALIFORNIA GRANTMAKERS

SAN FRANCISCO, MARCH 5, 2019

# Key Elements of the Governor's Proposed Budget



# The Governor's Proposed Budget: Top Lines

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- Assumes about \$20 billion in discretionary resources to be allocated in 2019-20.
- Places heavy emphasis on reducing debt and building up state reserves.
- Includes various types of one-time funding across budget.
- Proposes a series of investments in key services intended to address affordability and help Californians advance economically, including early childhood development, health care, housing, education, and public assistance (EITC, CalWORKs).



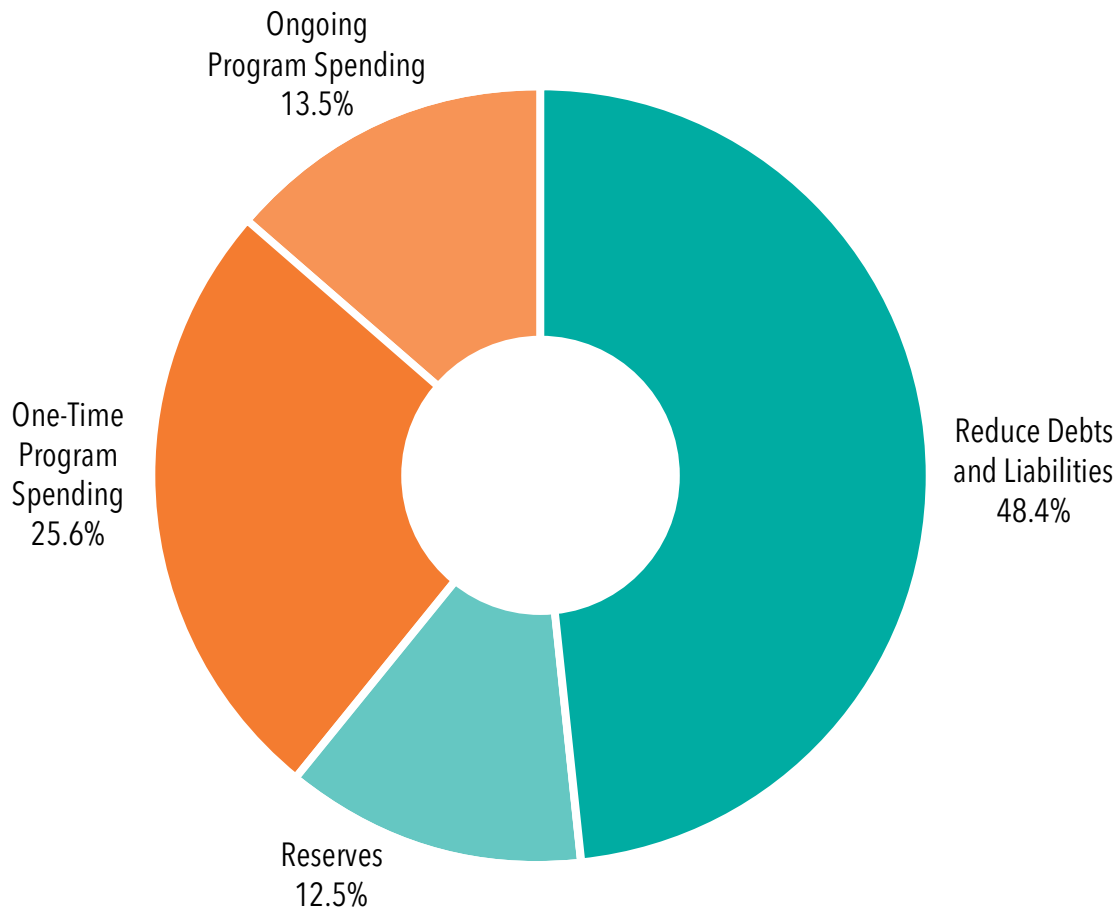
**Governor's budget assumes the state has about \$20 billion in "discretionary resources" to allocate in the budget process.**

**These are resources that are available after taking into account various factors, such as constitutional spending mandates, caseload increases, and the cost of new legislation.**



# Governor Proposes to Use More Than 60% of Discretionary Resources to Reduce Debt and Build Reserves

Total Discretionary Resources Projected as of the Proposed 2019-20 Budget = \$20.1 Billion\*



\* This amount reflects a downward adjustment of \$475 million to account for an error in the Governor's proposed 2019-20 budget that was identified by the Legislative Analyst's Office. Source: Legislative Analyst's Office

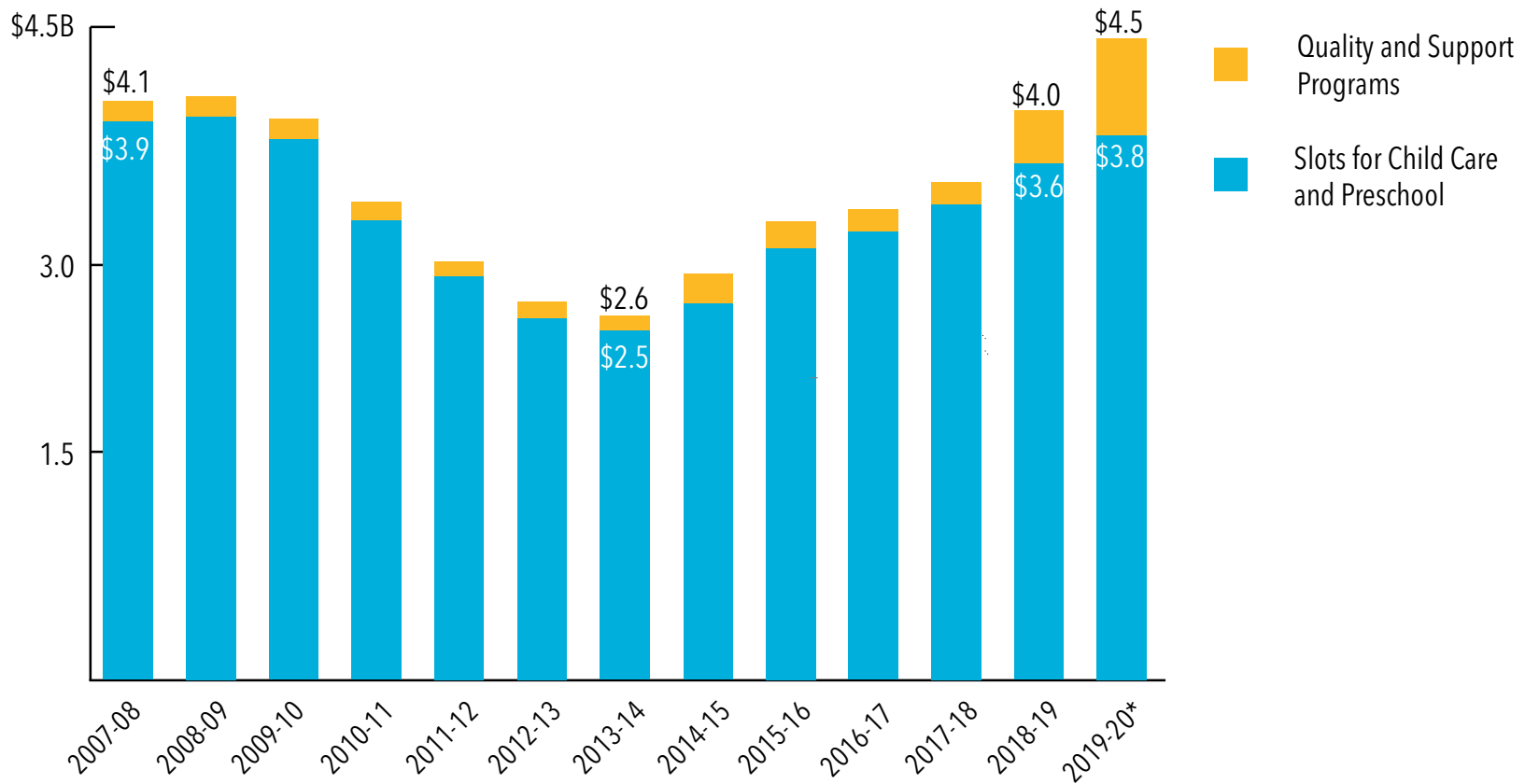


# **Proposed budget includes a significant down payment for California's subsidized child care and development system.**

**The Governor proposes \$490 million in one-time funding for child care infrastructure and workforce development grants along with \$125 million to add 10,000 full-day, full-year California State Preschool Program slots.**



# Total Funding for Subsidized Child Care and Preschool in California (Billions), Inflation-Adjusted



\* Proposed.

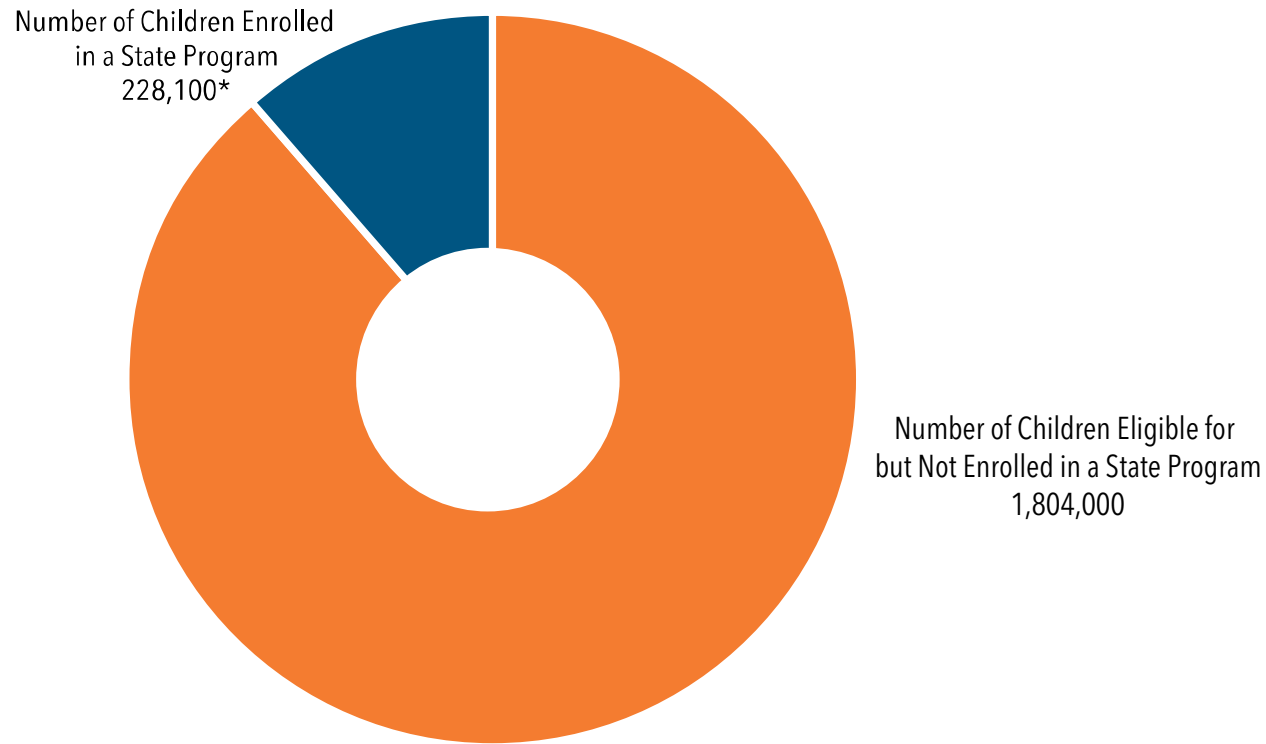
Note: Figures reflect the enacted budget each year except for 2008-09, which reflects the revised budget as of February 2009. Figures include federal and state funds for slots as well as for quality and support programs and are in 2019-20 dollars. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten.

Source: California Department of Education and Department of Finance



# Eight Out of Nine Children Eligible for Subsidized Child Care Did Not Receive Services From Full-Day, Full-Year Programs in 2017

Estimated Number of California Children Eligible for Subsidized Child Care = 2,032,000



\* Enrollment is for children from birth through age 12 in October 2017, except for California Community College CalWORKs Stage Two, which reflects a Department of Finance estimate for the 2017-18 fiscal year. Includes children enrolled in the full-day California State Preschool Program (CSPP). Excludes children enrolled in the part-day CSPP or the Handicapped Child Care Program. Source: California Department of Education, Department of Finance, Department of Social Services, and Budget Center analysis of US Census Bureau, American Community Survey data





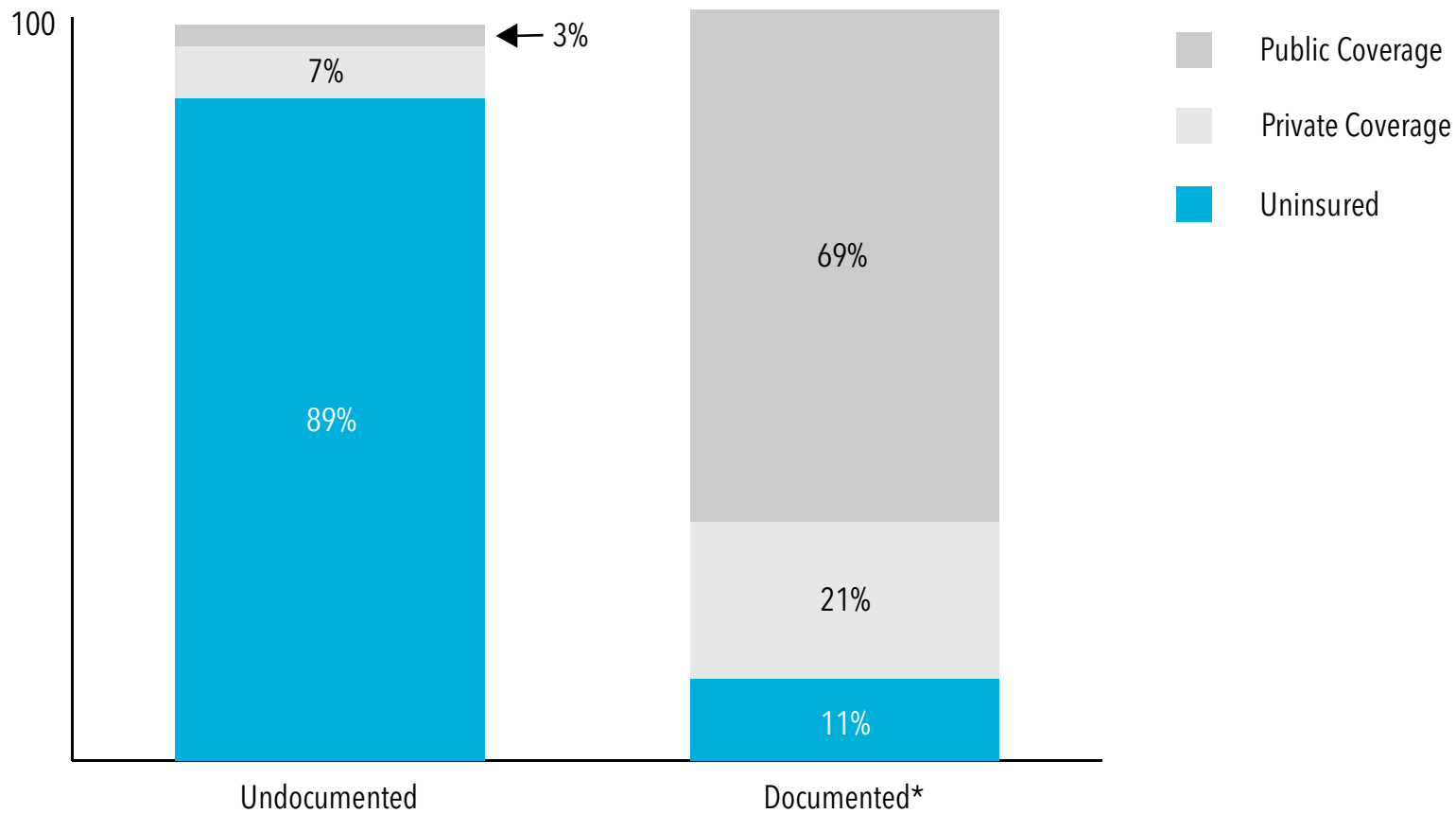
**Governor proposes to expand full-scope Medi-Cal coverage to undocumented adults ages 19 to 25.**

**Governor also calls for creating new state subsidies to lower the cost of health insurance for Californians with incomes between 250% and 600% of the poverty line.**



# Nearly 9 in 10 Undocumented Adults With Low Incomes Lack Health Coverage

Health Insurance Status of California Adults With Low Incomes, Ages 19 to 64, 2016-2017



\* Includes US-born citizens, naturalized citizens, and legal permanent residents.  
Note: "Low income" is defined as having an income at or below 138% of the federal poverty line. Figures do not sum to 100 due to rounding.  
Source: UCLA Center for Health Policy Research



# **The Governor's budget proposes a multi-pronged state level approach to housing affordability**

**Proposals include regulatory changes, one-time planning and incentive funding, and an ongoing expansion of tax credits that help finance affordable housing development**



# The Governor Proposes to Significantly Expand the State Role in Housing

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- The state would develop new short-term goals and revamp the process for setting long-term housing goals; the Governor's proposal includes \$750 million one-time to support local efforts to meet goals.
- The state would play a more active role in reviewing local housing plans and enforcing housing goals and production.
- The budget proposes to link housing production to certain transportation funds and other sources to incentivize local governments to demonstrate progress in meeting goals.
- Excess state property would be made available for affordable housing projects.



# Housing Proposals Also Include Expansion of Tax Credit and Loan Programs

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- The Governor proposes to expand the Low Income Housing Tax Credit (LIHTC) program to support housing development; \$500 million ongoing.
- \$500 million one-time to support construction of housing for moderate-income households through the existing Mixed Income Loan Program.
- The Governor proposes aligning the use of tools to encourage investment in affordable housing in distressed areas – Enhanced Infrastructure Finance Districts (EIFDs) and Opportunity Zones (Ozs).
  - Would eliminate a 55% voter approval requirement for EIFDs to issue bonds to fund projects.



# **Governor proposes to significantly expand the California Earned Income Tax Credit (CalEITC).**

**The proposal would extend the credit to 400,000 additional tax filers as well as increase the size of the credit for many filers, paid for by conforming to some elements of the 2017 federal tax bill.**



# The Governor Proposes to Significantly Expand the CalEITC

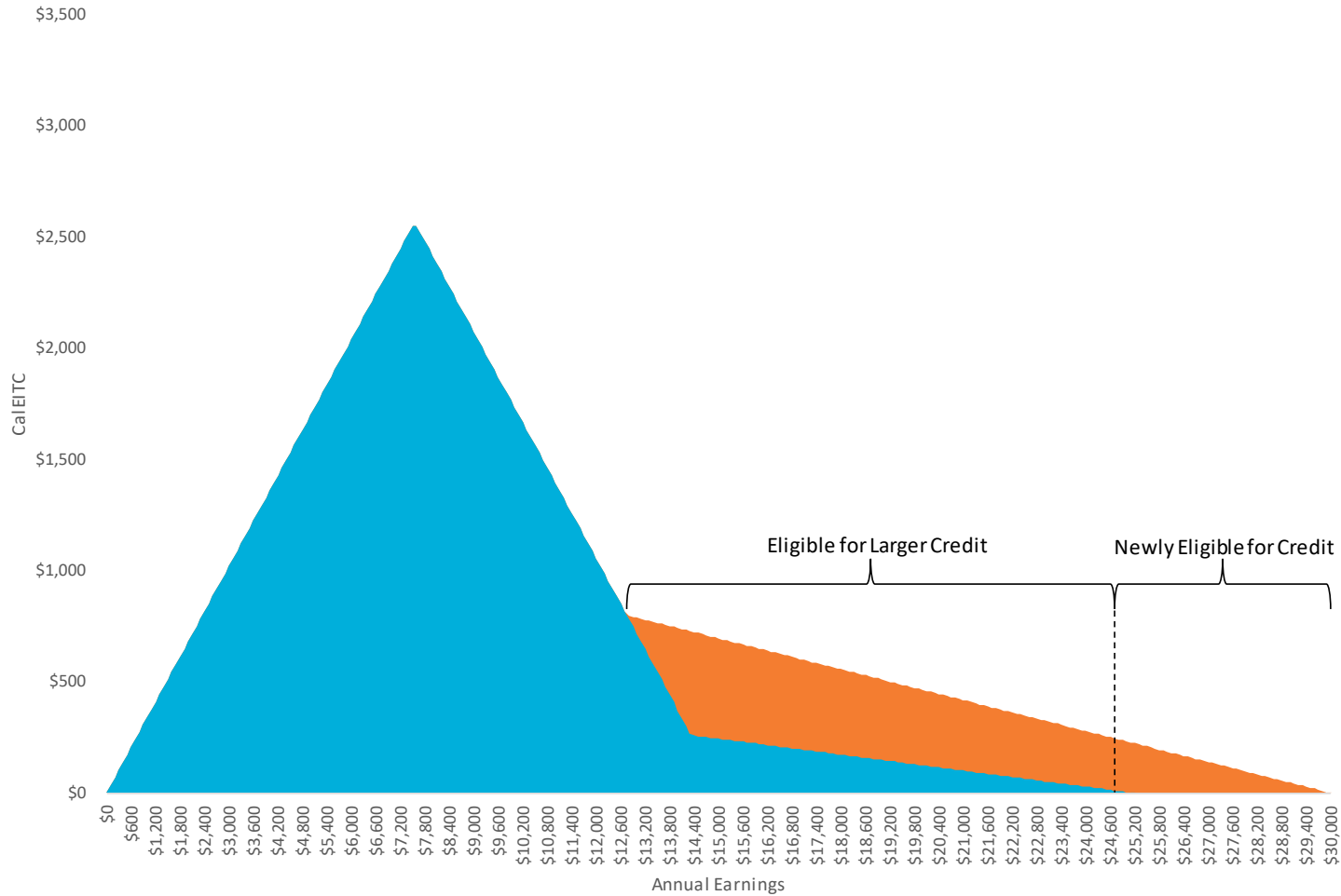
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- The maximum annual income to qualify for the CalEITC would increase to \$30,000 – roughly equal to full-time, year-round earnings at a \$15 hourly wage, which will be the state minimum wage as soon as 2022.
- Families and individuals who are currently eligible for small credits would see their credit increase substantially.
- Families with at least one child under age 6 and earnings up to \$28,000 would qualify for an additional \$500. This would be on top of the increased CalEITC for families who currently qualify for small credits.



# Proposed Budget Would Extend the CalEITC to More People and Increase the Size of the Credit

## Proposed CalEITC for Parents With Two Children, Tax Year 2018



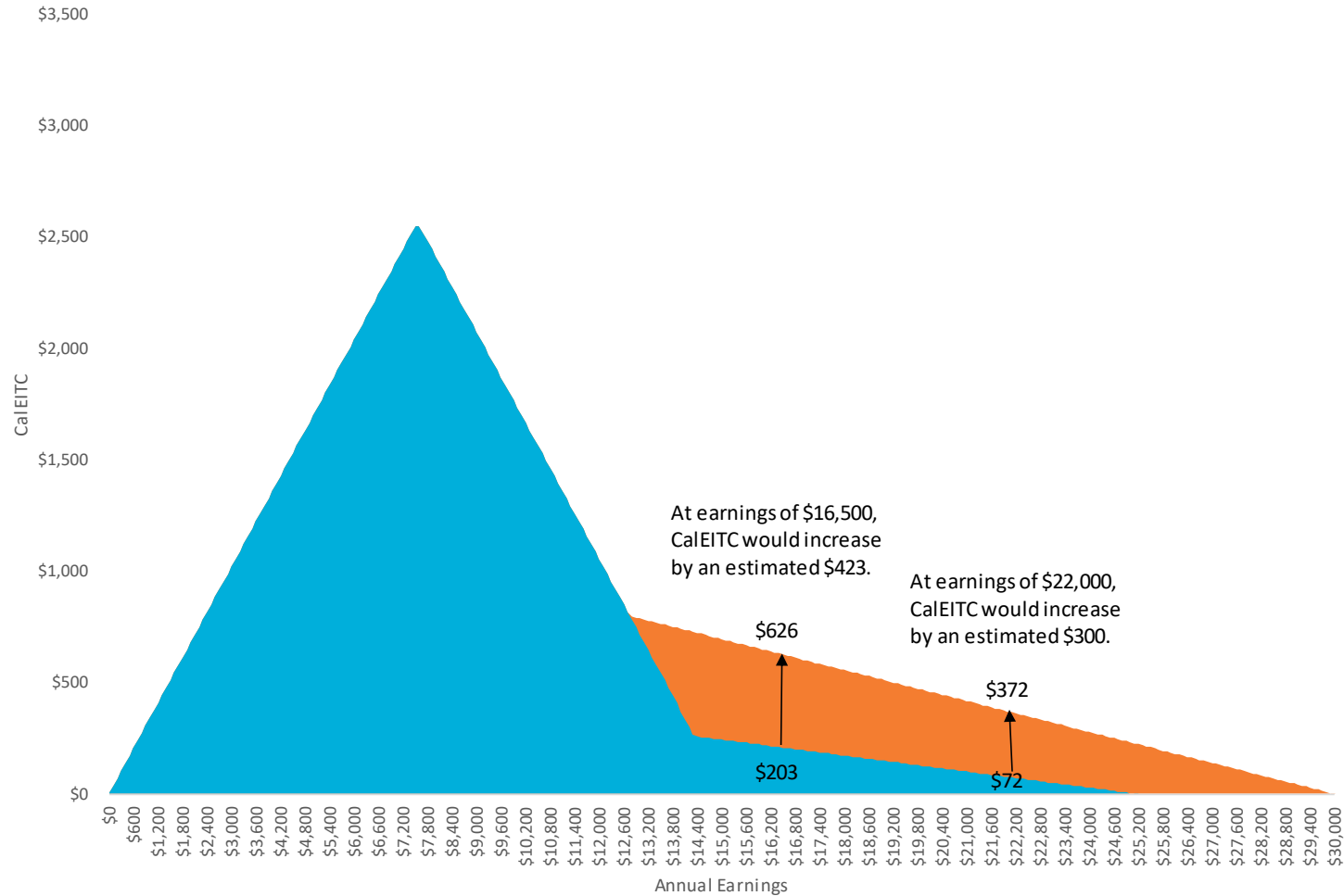
■ Proposed CalEITC  
 (No Children Under Age 6)
 ■ Current Law CalEITC





# Proposed Budget Would Increase the Size of the CalEITC for Many Who Currently Qualify for Small Credits

## Proposed CalEITC for Parents With Two Children, Tax Year 2018

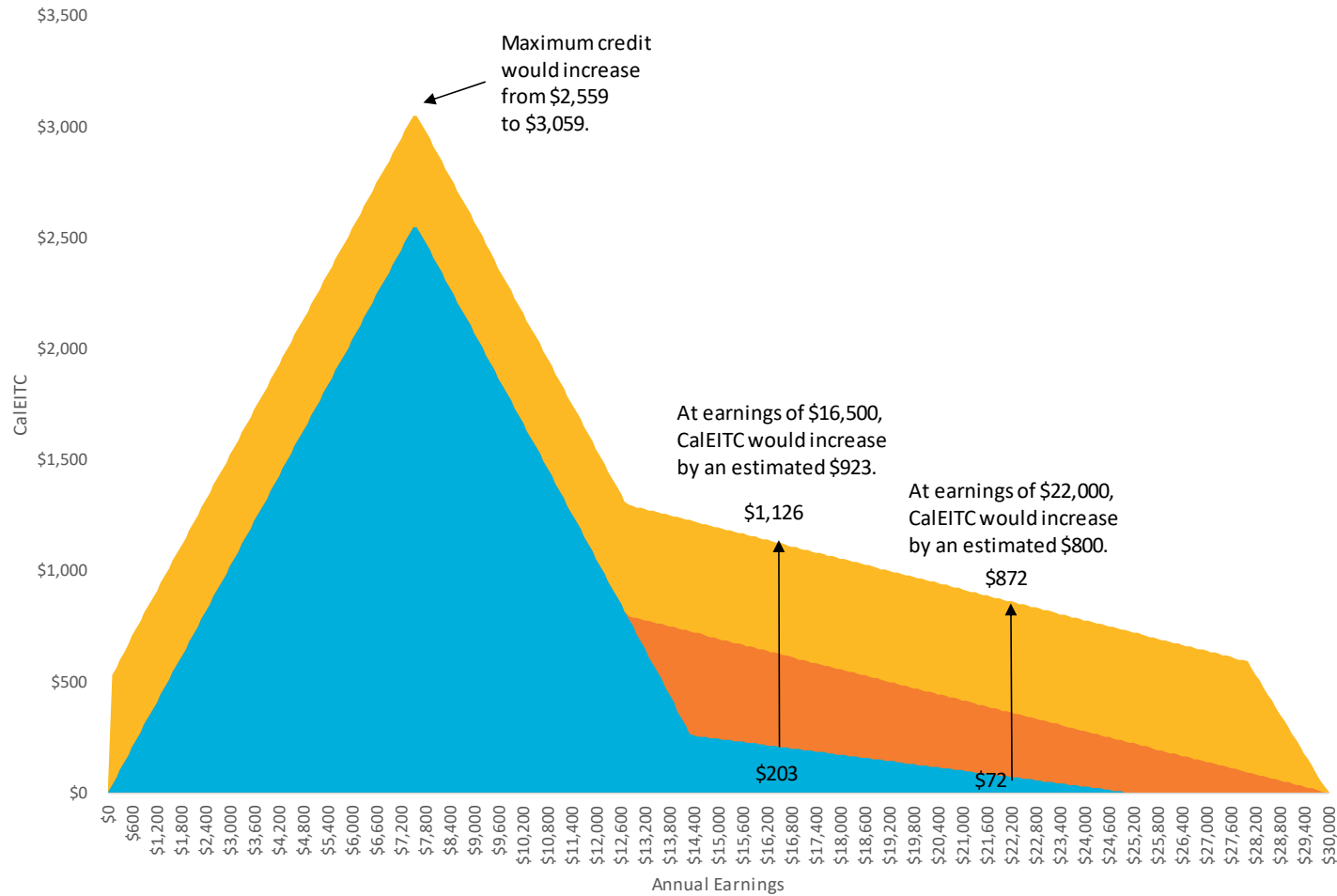


Proposed CalEITC (No Children Under Age 6)      Current Law CalEITC



# Proposed Budget Would Provide an Additional \$500 to Families With At Least One Child Under Age 6

## Proposed CalEITC for Parents With Two Children, Tax Year 2018



■ Proposed CalEITC (At Least One Child Under Age 6)
 ■ Proposed CalEITC (No Children Under Age 6)
 ■ Current Law CalEITC



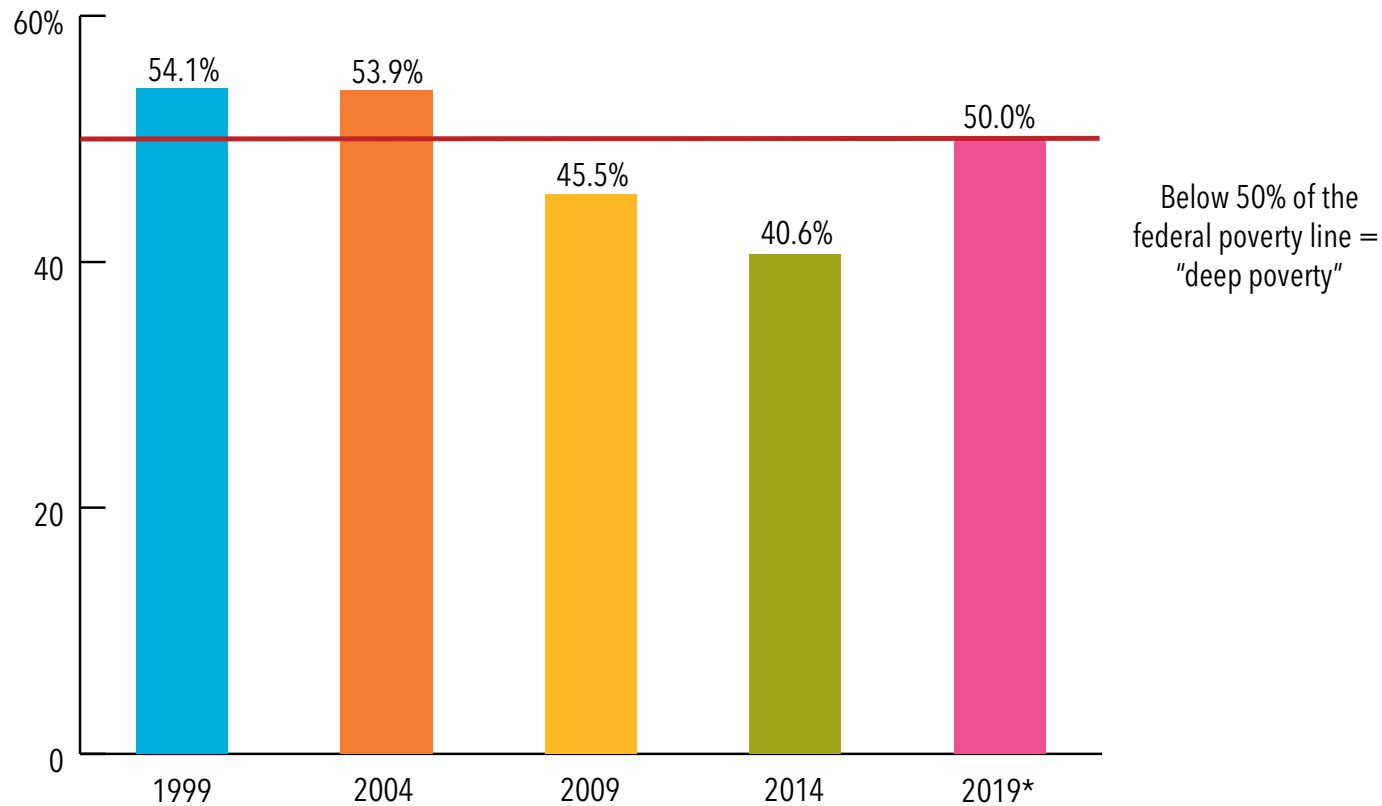
# **Governor proposes significant increase to CalWORKs grants to raise them to deep-poverty threshold.**

**The maximum grant for a family of three has been below the deep-poverty level (50% of the federal poverty line) for the past 11 years.**



# The Governor Proposes Returning CalWORKs Grants to the Deep-Poverty Line for the First Time in Over a Decade

## Monthly Maximum Grant for a Family of Three as a Percentage of the Federal Poverty Line



\* Reflects the Governor's proposal to increase the maximum CalWORKs grant by 13.1%, effective October 1, 2019.

Note: Grants are for high-cost counties in October of each year.

Source: Budget Center analysis of Department of Finance, Department of Social Services, US Department of Health and Human Services, and US Social Security Administration data

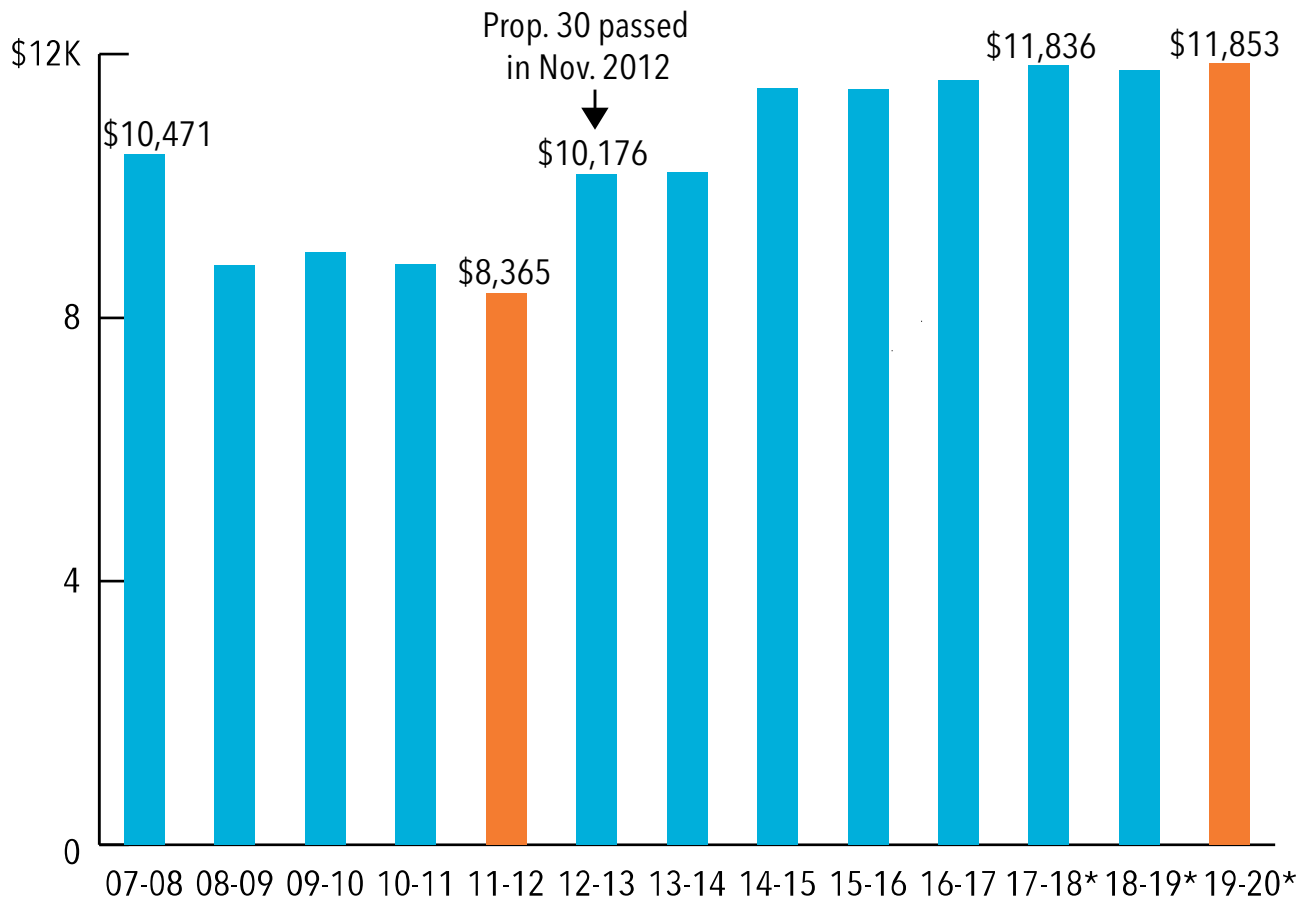


**Proposed budget reflects increases in funding for K-12 education and continues support for the Local Control Funding Formula.**



# Spending Per Student Would Be Nearly \$3,500 Higher Than in 2011-12, but Similar to Recent Years' Levels

K-12 Proposition 98 Spending Per Pupil, Inflation-Adjusted



\* 2017-18 and 2018-19 estimated and 2019-20 proposed.

Note: Figures reflect 2019-20 dollars and exclude spending for adult education, preschool, and child care. Prop. 98 spending reflects both state General Fund and local property tax dollars.

Source: Legislative Analyst's Office



**Budget proposal includes increased funding for community colleges, CSU, UC, and student aid.**



# Governor's Budget Proposal Increases Support for Higher Education

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- Provides \$40 million ongoing for a second year of tuition-free college for first-time, full-time students at California Community Colleges (CCCs).
- Increases ongoing funding for the CSU by \$300 million.
- Increases ongoing funding for the UC by \$240 million.
- Provides increases for the Cal Grant Program:
  - \$122 million ongoing to support students with dependent children attending CCCs, CSU, and UC.
  - \$10 million ongoing to support students who attend college more than a year after high school graduation.





**Governor's budget commits resources to address the impact of federal actions on immigration.**



# Support for Immigration Services Included in the Governor's Budget Proposal

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- Proposes new immigration rapid response funding to address the humanitarian crisis at the border resulting from federal actions.
- Provides continued funding for legal services to assist with applications for DACA, naturalization, deportation defense, and other remedies.
  - Includes funding to support legal services for undocumented students and their families on the campuses of the CSU and Community Colleges.
- Extends Medi-Cal eligibility to undocumented adults ages 18 to 25.



# Other Core Elements of Governor's Proposed 2019-20 State Budget

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- Corrections and Juvenile Justice:
  - Anticipates ending use of out-of-state correctional facilities by June 2019.
  - Shifts responsibility for justice-involved youth to state health and human services agency.
- Increases support (\$50 million one-time) to boost participation in the 2020 Census.
- Proposes additional investments in disaster preparedness, response, and recovery.

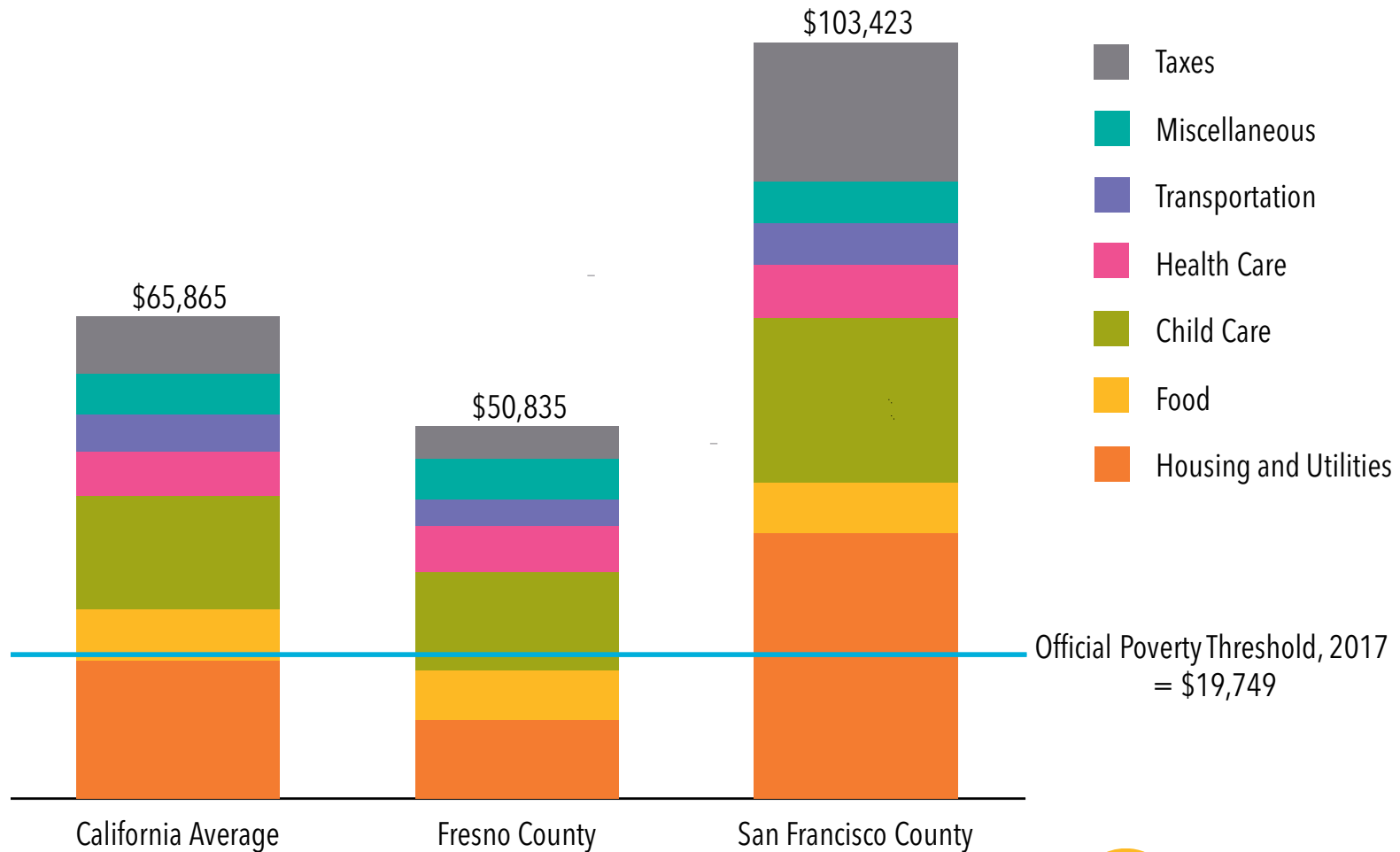


**In total, the Governor's proposed budget seeks a series of down payments on affordability in California**



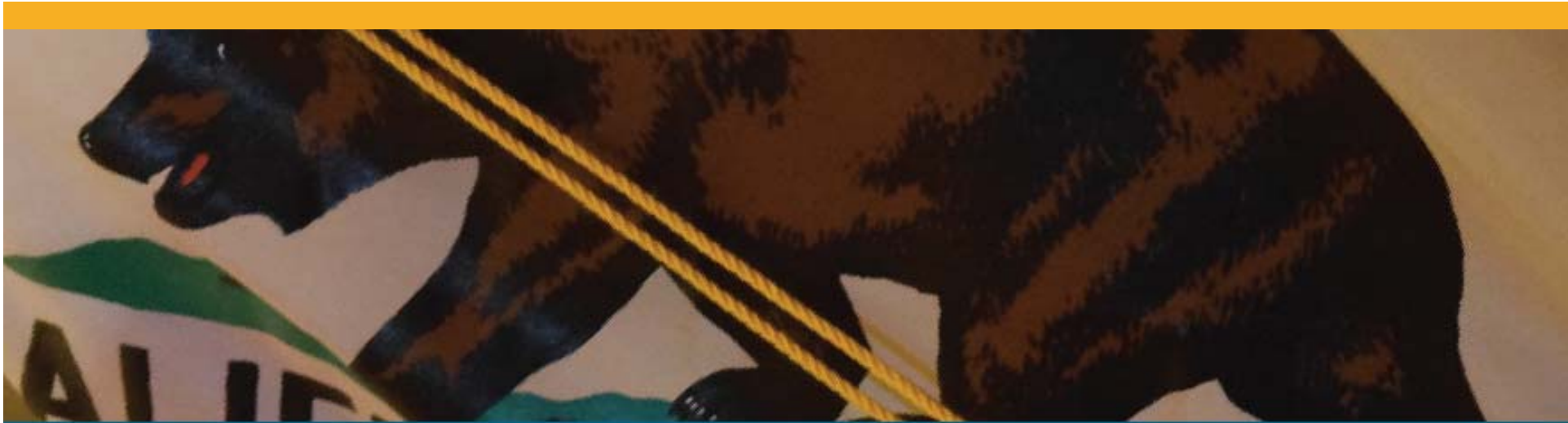
# Official Poverty Thresholds Are Much Less Than the Basic Cost of Living for Families in California

Annual Basic Family Budget for a Single-Parent Family With Two Children, 2017



Note: Assumes one preschool-age and one school-age child and a single parent working full-time.  
 Source: Budget Center *Making Ends Meet* 2017 analysis and US Census Bureau





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