



California Budget  
& Policy Center

# The 2017-18 May Revision and This Year's Budget Debate

WEBINAR — MAY 19, 2017

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The **Policy Perspectives Speakers Series** features in-person and online events that provide expert analysis and insights on key policy questions facing California.



# Today's Speakers

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**Chris  
Hoene**  
Executive  
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**Scott  
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Director of  
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**Kristin  
Schumacher**  
Policy  
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## Today's Speakers (cont.)

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**Jonathan  
Kaplan**  
Senior Policy  
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**Sara  
Kimberlin**  
Senior Policy  
Analyst



**Alissa  
Anderson**  
Senior Policy  
Analyst



# Part I

# The Governor's 2017-18 May Revision: Context and Top Lines



## **From the Budget Center's *First Look*, released last week:**

The May Revision “makes several improvements over the Governor’s January proposal,” but “still reflects deep uncertainty about potential federal actions.”



# Putting the Governor's 2017-18 May Revision in Context

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Several major issues/considerations:

- Continued prospect of big cuts/changes at the federal level
- State revenues coming in somewhat stronger than projected in January
- Various key services and supports still operating at diminished levels due to cuts made during and after the Great Recession
- Economic hardship still high in most parts of the state, even several years after the end of the recession



# The Governor's May Revision: Top Lines

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- Forecasts revenues that are more than \$2 billion higher (over three-year period) than projected in January, but still lower than projected last summer
- Supports K-14 education at a level above what is required by the Proposition 98 minimum funding guarantee
- “Un-pauses” multiyear plan to reinvest in child care and preschool, as included in last summer’s budget package
- Includes funds to lessen impact of In-Home Supportive Services “cost-shift” to counties
- Contains no new investments in many key services that help families make ends meet and advance



## Part II

# Key Components of the Governor's May Revision



# May Revision calls for “modestly improved fiscal outlook.”

General Fund revenues over the three-year “budget window” (2015-16 to 2017-18) are expected to be \$2.5 billion higher than projected in January — but still \$3.3 billion below what was projected last summer.



# **Governor's revised budget continues emphasis on building reserves, partly as required by Prop. 2 (2014).**

**Total state reserves would be a projected \$10.1 billion at end of 2017-18, including \$8.5 billion in the "rainy day fund."**



# **May Revision boosts funding for K-12 schools and community colleges above the Prop. 98 minimum funding level.**

**May Revision assumes a Prop. 98 funding level of \$74.6 billion for 2017-18, \$1.1 billion more than that assumed in the January proposal.**



**“Overappropriation” of Prop. 98 funding for 2017-18, in turn, could lift the funding guarantee in future years.**



**May Revision reflects  
“cost-shift” to counties of  
nearly \$600 million for  
In-Home Supportive Services  
– but provides funds to  
reduce impact.**



**Prop. 56 will raise a projected \$1.8 billion through June 2018, with over \$1.3 billion allocated to Medi-Cal.**

**May Revision maintains plan to use these new tobacco-tax revenues to pay for typical, year-to-year Medi-Cal cost increases, rather than “improved payments” for health care services as Prop. 56 requires.**



**In change from January proposal, May Revision “un-pauses” multiyear plan to reinvest in early care and education.**



# The Child Care and Development System in the 2017-18 May Revision

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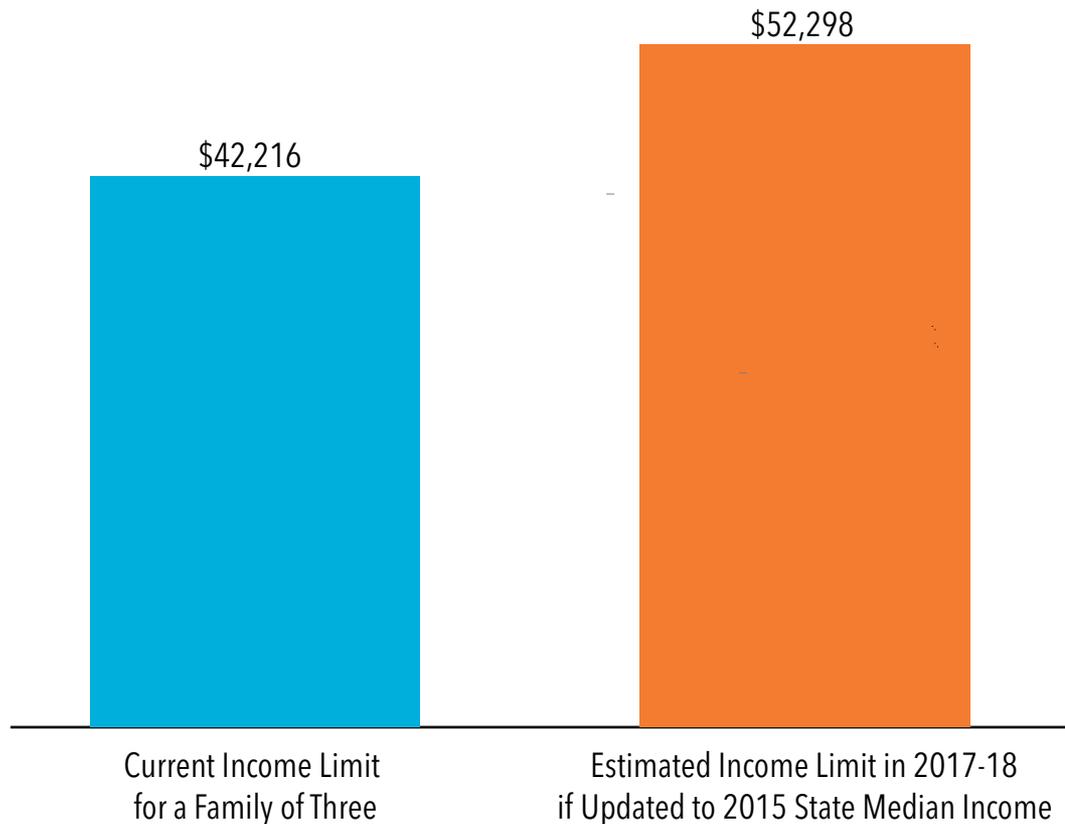
- Provides \$160.3 million to increase the reimbursement rate for providers that *contract directly* with the state.
- Provides \$42.2 million to update the payment rates for *voucher-based* providers.
- Provides \$7.9 million to add 3,000 full-day state preschool slots beginning April 1, 2018, as scheduled in the original multiyear plan.
- But—does not update income eligibility limits, which are currently based on data that are a decade old.



# The Income Eligibility Limit Would Increase by 24 Percent if Updated for the Most Recent State Median Income

## Income Limit for a Family of Three for Subsidized Child Care and the State Preschool Program

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Note: The estimated income limit for 2017-18 is based on the state median income for a four-person family in 2015, adjusted to reflect a three-person family using the methodology applied by the California Department of Education (CDE) as part of the latest update to the income limit in 2007-08. Source: Budget Center analysis of data from CDE and US Census Bureau



# **Revised budget reflects recent enactment of transportation funding package.**

**This 10-year, \$54 billion transportation package is split evenly between state and local programs. Revenues come from a set of tax and fee increases.**



**May Revision proposes  
supplemental payment for  
state employee pensions  
(CalPERS).**



# **Governor proposes to increase spending to address federal actions on immigration and other issues.**

**Increased resources include \$15 million for immigration-related legal services and \$6.5 million to Department of Justice to respond to federal actions that affect public safety, the environment, and other areas.**



# **On “cap and-trade,” Governor seeks legislative action affirming Air Resources Board’s authority to administer the program beyond 2020.**

**Contingent on this action, the Governor proposes to spend \$2.2 billion in cap-and-trade auction proceeds on transit investments, affordable housing, and other activities.**



# **Governor notes various effects of the state's affordable housing crisis, but calls for no new state investment.**

**Revised budget for 2017-18 continues to rescind the \$400 million for affordable housing programs set aside in last year's budget agreement.**



# **May Revision includes no new investments in the California Earned Income Tax Credit (CalEITC).**

**Governor's revised budget — like January proposal — does not include the \$2 million provided in this year's budget for CalEITC outreach and education.**



**As in January, Governor proposes no new investments in various supports for Californians with low incomes.**

**May Revision does not propose to increase CalWORKs grants or time limits, boost state support for SSI/SSP, or restore optional Medi-Cal benefits that had been eliminated to address recession-era budget shortfalls.**



# Part III Issues and Questions to Watch



# Some Key Questions Likely to Shape the Coming Weeks' Budget Debate

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- Will the Legislature seek to reverse some or all of the May Revision's "overappropriation" (above the Prop. 98 guarantee) to K-14 education and redirect these dollars to other state priorities?
- Will the Governor's approach to the IHSS cost-shift be adopted "as is" in the final budget package?
- Will the Legislature accept the Governor's interpretation of Prop. 56? Or will lawmakers seek to direct some of these tobacco-tax revenues to Medi-Cal program expansions?



# More Key Questions Likely to Shape the Coming Weeks' Budget Debate

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- Will the Legislature approve some or all of the pending package of bills that aims to boost state support for affordable housing?
- Will policymakers maintain or expand funding for CalEITC outreach efforts and/or expand the credit itself?
- Will the Legislature seek additional investments in CalWORKs, SSI/SSP, and other key supports?
- At the federal level, what types of budget cuts or other actions may be coming out of Washington, DC?



**Look for future announcements about Budget Center events, held online and around the state**



# Part IV

# Questions and Discussion





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