



California Budget
& Policy Center

Briefing on the Governor's Proposed 2018-19 State Budget

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The Governor's Proposed 2018-19 Budget:

Top Lines and Key Context



Putting the Governor's Proposed 2018-19 State Budget in Context

Several key considerations provide the backdrop:

- State revenues for the coming fiscal year projected to be higher than previously forecast
- Economic hardship – overall poverty as well as child poverty – that remains very high in most parts of the state, even several years after the end of the Great Recession
- Various key public services and supports still operating at diminished levels due to state cuts made during and after the recession



Putting the Governor's Proposed State Budget in Context (cont.)

Other considerations:

- The potential risk of a near-term economic downturn
- The impact of the federal tax legislation enacted in December
- The continued prospect of cuts/changes at the federal level, as proposed by President Trump and congressional leaders



The Governor's Proposed Budget: Top Lines

- Forecasts revenues \$4.2 billion *higher* over a three-year “budget window” than previously projected
- Places heavy emphasis on building up state reserves, including a major discretionary deposit to rainy day fund
- Funds full implementation of K-12 funding formula while proposing new allocation system for community colleges
- Includes various types of one-time funding across budget
- Contains no new investments in many key services that help families make ends meet and advance economically



Part I: Economic Outlook and Revenue Projections



Administration expects modest economic growth in state, but points to certain risks.

Governor's proposed budget assumes that California's economy will grow over the next five years, but with jobs added more slowly than in the prior five-year period.



Stronger revenue forecast is largely driven by higher projections for personal income tax and sales and use tax revenues.

But Administration cautions that its revenue projections do not yet account for the recently enacted federal tax legislation.



Part II: Key Elements of Governor's Proposed Budget



Governor opts to bring rainy day fund to its maximum level.

Proposed budget makes \$3.5 billion “supplemental” transfer to rainy day fund (beyond what Prop. 2 requires), but this means these dollars are not readily available to respond to federal budget cuts or other future developments.



Proposed budget includes one-time funding for competitive grants for child care and preschool providers.

Budget also provides slight increase in payment rate for ECE providers contracting directly with the state, while continuing multiyear plan (approved in 2016-17 budget) to begin reinvesting in child care and preschool programs.



Budget proposal provides funding to support full implementation of Local Control Funding Formula (LCFF).

With \$2.9 billion increase in annual funding in 2018-19, state reaches full implementation two years faster than the eight years originally estimated.



Governor allocates \$175 million in 2018-19 for new funding formula for California Community Colleges.

Proposed 2018-19 budget also provides \$120 million, including \$100 million in one-time funding, to establish a fully online community college.



Proposed budget includes modest funding increases for CSU and UC.

Governor increases funding for both institutions by \$92.1 million in the coming year, though with the expectation that they will implement certain improvements.



Governor's budget assumes ongoing drop in incarceration, due to recent years' reforms.

With Prop. 57 (2016) and other reforms reducing the number of state prisoners, proposed state corrections spending for 2018-19 would make up a smaller share of total General Fund spending than seven years ago.



Governor acknowledges uncertainty over future of Affordable Care Act, but assumes current policies remain.

Proposed 2018-19 budget includes total Medi-Cal spending of \$101.5 billion, with roughly two-thirds (\$67.1 billion) being federal dollars.



Governor also highlights uncertainty with regard to federal funding for Children's Health Insurance Program (CHIP).

Proposed budget assumes Congress will renew CHIP funding. However, failure to do so could put coverage for 32,000 children and pregnant women in California at risk.



Budget includes one-time increase to CalWORKs “single allocation” and initiates home visiting pilot program.

Governor allocates \$158.5 million in federal (TANF) funds to offer home visiting pilot program through 2021. However, proposed budget does not increase CalWORKs grants or time limits.



Proposed budget projects federal increase for SSI/SSP grants, but not a state increase.

The state portion (SSP) of the grants would remain frozen at current levels in 2018-19, the second straight year with no increase.



In a number of key areas, the Governor's proposed budget reflects implementation or continuation of previously enacted policies.



Governor proposes no changes to the California Earned Income Tax Credit (CalEITC).

Established in 2015-16 budget agreement, the CalEITC was expanded as part of last year's budget package.



Budget Includes Proposals to Implement the 2017 Legislative Housing Package

- The Governor's proposed 2018-19 budget:
 - Allocates \$245 million from the real estate transaction fee established by Senate Bill 2 for affordable housing and homelessness programs.
 - Provides \$3 million to the Department of Housing and Community Development to implement changes included in the housing package.
 - Anticipates voter approval in November 2018 of \$4 billion housing bond and allocates \$277 million in bond funds for Multifamily Housing Program.



Governor's proposal reflects new transportation funding approved last year.

As part of 10-year, \$55 billion transportation package, the proposed 2018-19 budget calls for \$4.6 billion in funding, split evenly between state and local transportation projects.



Governor's budget maintains resources to address impact of federal actions on immigration.

Among other resources, the proposed budget includes \$45 million for legal services related to immigration status and maintains increased funding for the Attorney General's office to address federal actions.



Part III: Issues to Watch



Some Key Issues and Questions to Watch Going Forward

- Impact of newly enacted federal tax law: What is the Governor's and Legislature's assessment of the effects of new tax policies? And how do they respond?
- Future federal actions: To what extent do Republican leaders follow through on threats to slash Medicaid, Medicare, food assistance, and other key supports? Does Congress reach agreement on CHIP extension, DACA, other issues?
- Legislature's response: Do Assembly and Senate push for greater investment, especially in CalEITC and other supports that help Californians to make ends meet?



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Part IV: Questions and Discussion





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