



# State Budget Update

June 10, 2020



# Governor's May Revise

Gov. Newsom presented his revised budget on May 14

- \$54.3 billion shortfall over two years, as compared to a nearly \$6 billion projected **surplus** from January
- Total budget \$203 billion, a \$19 billion reduction from January
- 9.3% decrease from the FY 2019-20 budget

Key contributors to the deficit include:

- \$41 billion (22%) reduction in state revenues
- 18% unemployment rate in California in the current year
- Increased participation in social safety net programs



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Proposed balancing solutions include:

- Spend the entirety of the state's \$16.2 billion "Rainy Day Fund" over three years
- Utilize the \$9.5 billion from the CARES Act
- \$15 billion in one-time and ongoing spending reductions that could be restored if there is additional federal funding (i.e. HEROES Act)
- Plan to increase revenues from business tax collections



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Proposed expenditure changes include:

- Distributes \$1.3 billion in CARES Act funding to counties – estimated to be approximately \$20 million for San Francisco
- Utilizes \$750 million of state CARES Act funding for Project Roomkey
- \$8.6 billion in direct COVID-19 related expenditures
- Eliminates California Division of Juvenile Justice
- Reduction in public safety realignment revenues



# State Legislature Budget

- The Legislature must pass a balanced budget by June 15
- Key issues currently being negotiated:
  - Coronavirus response spending
  - Cuts to schools and safety net programs
  - Medi-Cal for undocumented immigrants 65+
  - Reliance on federal funds
- Propose to reduce trigger cuts from \$15 billion to \$7 billion and delaying them until October 1 pending federal funding
- Excess ERAF deliberations



# Questions?