

Assembly Committee on Jobs, Economic Development, and the Economy

Summary of Selected Governor's 2021-22 Budget Proposals Based on an Initial Review

The budget presents an expenditure plan of **\$227.2 billion** with **\$164.5 billion in General Fund** expenditures, including significant investments to help catalyze an equitable, inclusive and broad-based economic recovery.

The Governor's proposed budget reflects a **\$16 billion** estimated budget surplus moneys. Funding levels reflect and support the increase in the state's minimum wage to \$14 per hour.

Below is a summary prepared by the JEDE Committee of key economic, community, and workforce development items included in the California Governor's proposed budget for 2021-22.

Top Level Investments in Combatting COVID-19 and Economic Recovery

- **\$372 million** to speed up administration of **vaccines across all of California's 58 counties**.
- **\$14 billion** in investments designed to **support economic recovery** with a focus on those Californians who have been most impacted by the pandemic.
- **\$90 billion** to support **California schools** – largest commitment to public K-12 education in California's history.
- **\$34 billion** in actions to **strengthen the state's fiscal position**, including providing for budget reserves and discretionary surplus deposits.
- According to the Governor's budget release statement, this proposed budget plan "advances the Governor's sustained focus on increasing opportunity through education, including early education; increasing the affordability of health care and housing, and effective governance."

Governor Calls on the Legislature to Take Four Immediate Budget Actions

- **\$2.4 billion** to capitalize the **Golden State Stimulus** program, which would provide \$600 to low-income individuals and families excluded from the federal stimulus, such as undocumented households that file taxes with an Individual Taxpayer Identification Number (ITIN), including parents with US citizen children. This program would assist roughly four million low-income Californians.
- **\$2 billion** targeted specifically to support and accelerate **safe returns to in-person instruction** starting in February.
- **\$575 million** for the **Small Business COVID-19 Relief Grant** program, which provides grants to small-businesses and nonprofits disproportionately impacted by the pandemic. This would more than double the \$500 million allocated by the Governor in consultation with the Legislature on November 30, 2020. Funding for this programs is included within the Governor's \$4.5 billion **Equitable Recovery for California's Businesses and Jobs** plan.

- **\$70.6 million** to provide immediate and targeted **fee relief for small businesses** including personal services and restaurants. Funding for this fee relief is included within the Governor’s \$4.5 billion **Equitable Recovery for California’s Businesses and Jobs** plan.

Investments in Building Budget Resiliency

\$34 billion in budget resiliency, including:

- **\$15.6 billion** in the **Proposition 2 Budget Stabilization Account** (Rainy Day Fund) for fiscal emergencies.
- **\$3 billion** in the **Public School System Stabilization Account**.
- **\$3 billion** in additional **debt payments required by Proposition 2** in 2021-22. This includes retirement-related liabilities.
- **\$2.9 billion** in the **state’s operating reserve**.
- **\$450 million** in the **Safety Net Reserve**.
- The improved revenue picture allows the state to delay \$2 billion in scheduled program suspensions for one year.
- The Budget assumes a **5% permanent reduction in state operations expenditures**, challenging departments and agencies to find more efficient means to provide services to Californians.

Investments in Economic Recovery

\$4.5 billion for the **Equitable Recovery for California’s Businesses and Jobs** plan, which includes:

- **\$777.5 million for a California Jobs Initiative**, which focuses on job creation and retention, regional development, small businesses and climate innovation. This includes:
 - **\$340 million** for the **California Competes Tax Credit**, including a new grant component dedicated to job creation and investments in infrastructure.
 - Increases the annual allocation cap from \$180 million per year to \$280 million per year.
 - The new \$250 million grant program dedicates \$50 million to “high-need, high-opportunity areas of the state.”
 - **\$100 million** to expand the **Main Street Small Business Tax Credit from \$100 million to \$200 million**. This credit supports the hiring new employees and rehiring former employees.
 - Mitigating the **state and local tax deduction limitation** for S-corporation shareholders.
 - **\$35 million** to expand the **California Dream Fund**, which was authorized and appropriated \$10 million as part of the 20-21 budget deal. This program is intended to provide seed grants to social entrepreneurs and small businesses in underserved communities.
 - **\$50 million** to recapitalize the **Small Business Loan Guarantee** programs offered through the Small Business Finance Center at the IBank. The \$50 million can leverage up to \$250 million in loans.
 - **\$50 million** to the **California Infrastructure and Economic Development Bank** to undertake activities that benefit underserved businesses in California. This may include the **California Rebuilding Fund**, which offers blended loans through mission driven lenders, including

community development financial institutions. The Fund was initially authorized and funded as part of the 2020-21 Budget (\$25 million). An additional \$12.5 million in capitalization was announced in November 2020.

- **\$100 million** to expand the **sales tax exclusion program** administered by the California Alternative Energy and Advanced Transportation Financing Authority. The program is intended to reduce the cost of manufacturing equipment in order to promote innovation and meet the state’s climate goals.
- **\$575 million** for the **Small Business COVID-19 Relief Grant** program, which provides grants to small-businesses and nonprofits disproportionately impacted by the pandemic.
 - This would more than double the \$500 million allocated by the Governor in consultation with the Legislature on November 30, 2020.
- **\$500 million** to the **Infill Infrastructure Grant Program** to fund the development of 7,500 new permanently affordable homes. These funds will help defray the costs of sewers, roads and site preparation, while also supporting construction jobs. \$250 million of these funds are proposed for early action.
- **\$385 million** for targeted investments to build a more sustainable agricultural industry.
- **\$300 million** one-time General Fund for **deferred maintenance of state properties**, including the greening of state properties and instillation of electric vehicle charging stations at state-owned facilities.
- **\$70.6 million** for fee waivers for businesses and individuals impacted by the pandemic, including barbers, cosmetologists, manicurists, bars and restaurants.

Investments in Education and Workforce Development

- **\$90 billion** to support California schools – largest commitment to public K-12 education in California’s history. \$85.8 billion of these funds fall under Proposition 98. This includes:
 - **\$2 billion** to support and accelerate **safe returns to in-person instruction**.
 - **\$4.6 billion** to help **students bounce back** from the impacts of the pandemic
 - **\$400 million** for school-based **mental health services**.
- **\$367.9 million** to support workforce training that assists California’s workers as they adapt to changes in the economy brought about by COVID-19, including:
 - **\$250 million** to support “workforce development and better linkages between higher education and gainful employment, focusing on communities that have been systematically excluded from opportunities to build skills and create wealth.”
 - **\$25 million** to expand existing **High Road Training Partnership Program** apprenticeship programs, and “additional funding for the **California Apprenticeship Initiative** work-based learning opportunities through the community colleges.”
 - Funding for these programs is included within the Governor’s \$4.5 billion **Equitable Recovery for California’s Businesses and Jobs** plan.

- Proposes the establishment of a new **Department of Better Jobs and Higher Wages** and statutory changes to **consolidate the workforce functions** currently spread across the Labor and Workforce Development Agency. Consolidated workforce functions include: The California Workforce Development Board, the Employment Training Panel, and Workforce Services Branch and Labor Market Information Division, which are currently in the Employment Development Department, and the Division of Apprenticeship Standards currently in the Department of Industrial Relations.
- **\$800 million** in early education strategies, including:
 - **\$300 million** in ongoing funds for **early intervention** for infants, toddlers and preschoolers.
 - **\$250 million** in incentive grants to school district to **expand high-quality transitional kindergarten programs** for all four-year-olds.
 - **\$200 million** for **transitional kindergarten and kindergarten facilities**.
 - **\$50 million** for **professional development** focused on preparing teachers for early childhood programs.
- **Investments in higher education** includes:
 - **Increase of \$786 million** for the **University of California** and the **California State University** “with an expectation that they focus on measurable goals to address equity gaps, further maintain online educational opportunities and expand dual admissions and other innovative strategies that reduce time to degree completion.”
 - The proposed budget **assumes resident tuition and fees remain flat** in 2021-22.
 - \$12.9 million to support and expand existing UC Medical Programs in Medical Education and to establish a new UC Program in Medical Education focusing on Native American communities.
- **\$15 million** to support the continued development of the **Cradle-to-Career Data System**.
- **\$3.8 million** to support the **California Career Guidance Initiative**.

Investments in Climate Change Response, Adaption, and Mitigation

- **\$1.5 billion** for constructing **electric charging and hydrogen fueling stations** and subsidizing purchases of **zero-emissions cars** by low-income individuals. Includes \$465 million for zero-emission vehicles and \$1 billion for zero-emission vehicle securitization.
 - Other eligible expenditures include the purchase of clean trucks, buses, and off-road freight equipment and “Clean Cars 4 All programs.”
 - Funding for these programs is included within the Governor’s \$4.5 billion Equitable Recovery for California’s Businesses and Jobs plan.
- **\$1 billion** to address a **comprehensive wildfire and forest resilience strategy**.
- **\$143 million** to support **30 new fire crews**.
- **\$48 million** to continue phasing in **Black Hawk helicopters and large air tankers**.

- **\$97 million** for the **Climate Catalyst Fund** at the Infrastructure and Economic Development Bank to support forest resilience (\$47 million) and agriculture-specific projects (\$50 million). The Climate Catalyst Fund was established in 2020 to provide a flexible financing tool for climate-related projects. This program is included within the Governor’s \$4.5 billion Equitable Recovery for California’s Businesses and Jobs plan.
- **\$17.3 million** for **earthquake early warning**.