Assembly Committee on Jobs, Economic Development, and the Economy

Summary of Selected 2020-21 Budget Proposals
Based on an Initial Review

“It’s often said that budgets are statements of values. In America’s most populous and productive state, our state Budget is more than that. It is a blueprint for a better quality of life and brighter future for millions of individuals striving and succeeding together—in pursuit of their own version of the California Dream.” Excerpt from Governor Newsom’s letter to the California Legislature upon submitting his proposed 2020-21 budget.

The budget presents an expenditure plan of $222 billion with $153 billion in General Fund expenditures, including significant investments in strengthening the resiliency of the state budget against a future economic downturn. General Fund revenues for 2020-21 are estimated to be $151.6 billion.

The Governor’s proposed budget allocates $5.9 billion in estimated budget surplus moneys with $4.1 billion in one-time expenditures ($2.5 billion) and state discretionary reserves ($1.6 billion).

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 2020-21.

Investments in Building Budget Resiliency

“The Governor’s proposed budget maintains the state’s commitment to building a resilient economy committing $20.5 billion to mandated and discretionary reserves.” Excerpt from the Full Summary of the Governor’s Proposed 2020-21 Budget.

- **$2 billion** one-time General Fund to the Budget Stabilization Account (Rainy Day Fund) to bring the total to **$18 billion in 2020-21**. These deposits meet the requirements of Proposition 2 (2014).

- **$2 billion** one-time General Fund to make additional payments on debts and liabilities. These deposits meet the requirements of Proposition 2 (2014).

- **$230 million** one-time General Fund to the Special Fund for Economic Uncertainties to address emergencies and other unforeseen events, including natural disasters. This would bring the total amount in the Special Fund for Economic Uncertainties to **$1.6 billion at the close of 2020-21**.

- Maintains **$900 million** in the Safety Net Reserve, which is specifically targeted at CalWorks and Medi-Cal. No new funds are proposed for deposit.

- **$110 million** one-time Proposition 99 General Fund committed to the Public School System Stabilization Account, bringing its total account balance to **$487 million**.

Investments in Advancing a Prosperous and Inclusive Economy

“California’s economic growth has fueled the nation's economy, which has been growing for a record 126 months. The state's unemployment rate is now at 3.9 percent, down from a peak of 12.2 percent
during the Great Recession. The state's average annual real GDP growth of 3.8 percent has beaten that of Texas and Florida, and California is first in the nation in new business starts, venture capital, and manufacturing.

Even with California’s strong economy, continued growth is uncertain due to the instability in global economic markets and the nation’s political climate. Further, the state's strong economy has not lifted all Californians. Economic inequality persists between regions of the state and for many living within the state's more prosperous regions.” Excerpt from the Full Summary of the Governor’s Proposed 2020-21 Budget.

- **$1 billion General Fund to continue the Earned Income Tax Credit (EITC).** The 2019 Budget Act substantially expanded the EITC ($400 million to $1 billion). The enhanced credit provided over one million additional households eligibility and bringing the total number of households receiving the credit to three million. In 2020, the Administration proposes to continue the EITC, expand outreach to eligible households, and develop a model to provide monthly payments during the tax year.

- **$100 million** to reflect a first year exemption from small businesses paying the minimum franchise tax, including limited liability companies, limited partnerships, and limited liability partnerships. This puts these small businesses on an equal footing with first year corporate filings.

- **$53 billion** to improve the state's infrastructure over the next five years, focusing on investments that underpin economic activity and create a sustainable and resilient California. These expenditures include new and previously authorized moneys.

- Renames the Department of Business Oversight the "Department of Financial Protection and Innovation" and expands the department’s supervisory and enforcement powers. The Governor proposes **$10.2 million** from the Financial Protection Fund and 44 positions, growing to **$19.3 million** and 90 positions in 2022-23, to provide consumers—especially financially vulnerable populations—with more protection against unfair, deceptive, and abusive practices when accessing financial services and products.

- Reflects a **$13 an hour state minimum wage** for most jobs, effective January 1, 2020.

- **$50 million** in one-time General Fund to support Fresno area regional priorities, which call for improving the economic mobility of Californians living in the region. Specifically, the Governor proposes:
  - **$33 million** one-time General Fund to the Department of Food and Agriculture for the establishment of the Fresno-Merced Food Innovation Corridor Grant Program, which is intended to stimulate research and development, commercialization, and innovation in advanced sustainable agricultural production and create high-quality jobs in the San Joaquin Valley. Funding will be encumbered over a three-year period (2020-21 through 2022-23.)
  - **$17 million** one-time General Fund to the Governor’s Office of Planning and Research to support Fresno Integrated K-16 Education Collaborative’s work on educational pathways that improve social and economic mobility in the greater Fresno region.
$30 million California Cannabis Tax Fund to implement the California Community Reinvestment Grants Program, a competitive grant program approved through the passage of Proposition 64 - The Adult Use of Marijuana Act and administered by the Governor’s Office of Business and Economic Development. Local public health departments and qualified community-based nonprofit organizations are eligible to apply for grants to support mental health treatment, substance abuse treatment, job placement, legal services, and other health and wellness-related programs for California communities disproportionately affected by past federal and state drug policies.

$17 million General Fund for the Small Business Technical Assistance Expansion Program, administered by the Governor’s Office of Business and Economic Development. The program provides grants to existing federally designated nonprofit small business service providers to provide free or low-cost one-on-one consulting and low-cost training. Program funding is focused on services to underserved business groups, including women-, minority-, and veteran-owned businesses and businesses in low-wealth, rural, and disaster-impacted communities.

$3 million General Fund for the Capital Infusion Program, administered by the Governor’s Office of Business and Economic Development. The program supports free one-on-one business consulting provided by the Small Business Development Center Network.

$758,000 ongoing General Fund and four permanent positions to the California Business Investment Program, administered through the GO-Biz, to support the Regions Rise Together initiative in the Central Valley, Central Coast, Inland Empire, and North Coast.

$1 million to the Agricultural Labor Relations Board from the Labor and Workforce Development Fund and reimbursement authority and 5 positions on a three-year limited-term basis to support strategic employer and employee outreach and education activities related to workplace rights, direct assistance services, and better access to labor-related enforcement programs.

$199,000 General Fund ongoing for a new Agricultural and Rural Economic Advisor to develop and implement strategies for improving California’s rural, agriculturally-based economies.

Investments in Climate Mitigation, Adaption, and the Green Economy

This Climate Budget includes $12 billion over the next five years. Three key areas of the Climate Budget are a proposed climate resilience bond, Cap and Trade expenditures to continue the transition to a carbon-neutral economy, and a new Climate Catalyst Fund to promote the deployment of new technologies, especially by small businesses and emerging industries. Excerpt from the Full Summary of the Governor’s Proposed 2020-21 Budget.

Calls for the placement of a $4.75 billion climate resilience bond for the November 2020 ballot. Approximately 80% of bond revenues are committed to addressing immediate and near-term risks, such as floods, drought, and wildfires. The remaining 20% is allocated toward addressing long-term climate risk, such as sea level rise and extreme heat.

$250 million General Fund totaling $1 billion over the next four years to establish the Climate Catalyst Fund. Moneys in the Climate Catalyst Fund are to be used by the Infrastructure and Economic Development Bank to establish a revolving loan program to finance investments in low-carbon transportation, sustainable agriculture, and waste diversion. The budget states that these
low-interest loans will be provided to firms that provide good jobs and support a just transition to achieving California's climate goals.

- **$340 million** to further enhance the state's emergency response capabilities, including investments that strengthen California’s ability to prevent and respond to fires, and that provide the state’s first responders with additional capabilities and support. These funds build on the $1 billion appropriated in the 2019-20 budget. The Governor’s budget proposes, among other actions:
  
  o **$120 million** General Fund in 2020-21, increasing to **$150 million ongoing**, and 677 new positions phased in over five fiscal years, to the California Department of Forestry and Fire Protection to provide operational flexibility throughout peak fire season and beyond based on fire conditions;

  o **$110 million** to the California Department of Forestry and Fire Protection (Cal FIRE) and California Office of Emergency Services (OES) to develop a $100 million home hardening pilot program, called the Wildfire Mitigation Financial Assistance Pilot Program, which will prioritize homes located in low-income communities in areas of high fire risk, pursuant to AB 38 (Wood), Chapter 391, Statutes of 2019;

  o **$50 million** one-time General Fund to OES to establish a matching grant program for local governments preparing for, responding to, and mitigating the impacts of power outages;

  o **$17.3 million** California Earthquake Safety Fund to the OES for the support of the California Earthquake Early Warning System, an education and outreach campaign, and research and development to expand earthquake mitigation uses;

  o **$9.4 million** ($9.2 million General Fund) and 50 positions to enhance OES’ ability to anticipate, prepare for, respond to, and recover from disasters;

  o **$9 million** ($8.8 million General Fund) and 22 positions across OES, Cal FIRE, the Military Department, and the California Public Utility Commission to begin implementation of the Wildfire Forecast Center, pursuant to SB 209 (Dodd), Chapter 405, Statutes of 2019; and

  o **$8.3 million** General Fund and 26 positions for Cal FIRE to support defensible space inspections.

- **$18 million** Greenhouse Gas Reduction Funds to support research activities at the Governor’s Office of Planning and Research and Strategic Growth Council, including supporting tribes with climate research endeavors, developing a climate adaption strategy, and capacity building to enhance California’s climate resilience.

**Investments in Educating and Training California’s Current and Future Workforce**

A growing body of research points to the link between early childhood interventions and improved outcomes years or even decades into the future, including higher education levels, better health, and stronger career opportunities. Investing in early childhood enables these outcomes in the future while strengthening families and reducing child poverty. The framework adopted last year is continued in this budget and promotes a healthy start in three ways: (1) early access for children to educational and health care services, including services for those with adverse childhood experiences, (2) a two-generation approach that invests in parents so they can invest more in their children, and (3) easing financial pressures on parents so they can escape the cycle of poverty and focus on healthy development
of their kids in those critical first five years of a child’s life. Excerpt from the Full Summary of the Governor’s Proposed 2020-21 Budget.

Early Childhood and Pre-K

- **$5 million** one-time General Fund to continue development of a Master Plan for Early Learning and Care. The Plan will be completed by October 1, 2020.
- Establish a new Department of Early Childhood Development under the Health and Human Services Agency effective July 1, 2021. The proposed new department will facilitate the implementations of recommendations from the Master Plan for Early Learning and Care and allow for **better integration of services and outcomes** for children in child care and other health and human services programs.
- **$75 million** one-time Proposition 98 General Fund for the Inclusive Early Education Expansion Program.
- **$31.9 million** non-Proposition 98 General Fund for an additional **10,000** non-local educational agency **full-day preschool slots**. Also includes **$95.6 million** as an adjustment to 2019-20 to reflect full-years costs for 10,000 non-local educational agency full-day preschool slots.

Proposition 98 Commitment

- **$84 billion** Proposition 98 General Fund for K-12 schools and community colleges, representing a $3.8 billion increase from the prior year. This level of expenditure brings California’s **per pupil spending to nearly $17,900**, an increase of **nearly $500 per child**.

K-12 Education

- **$87.2 billion** in one-time and ongoing Proposition 98 and non-Prop 98 General Fund reflecting a **$1.2 billion** (2.29%) augmentation to the Local Control Funding Formula.
- Modify the Local Control Accountability Plan to improve transparency of how funds are expended for **high-need student groups**, and to require local educational agencies to identify actions and spending that did not occur as planned.
- **$350 million** one-time Proposition 98 General Fund for the Educator Workforce Investment Grant Program to provide **educator professional development** in **high-need subjects** over a three-year period.
- **$300.3 million** one-time Proposition 98 General Fund to provide opportunity **grants and technical assistance** to prepare and implement **improvement plans** at the state’s **highest poverty and lowest-performing schools**.
- **$300 million** one-time for **grants** to develop **community school models** with innovative partnerships that **support mental health and the whole child**.
• **$10 million** one-time General Fund in 2020-21 and **$1.5 million** and 6 positions ongoing to establish a **farm to school program** to **enhance the school food system**. This program will support California farmers and expand healthy food access in schools. The **$8.5 million** General Fund will be used to make grants to schools.

• **$2.5 million** ongoing Proposition 98 General Fund to support the **California College Guidance Initiative**.

**California Community College**

• **$10.7 billion** one-time and ongoing Proposition 98 and non-Proposition 98 General Fund, including **$83.2 million** in Prop 98 General Fund for **apprenticeship programs**, as follows:
  
  o **$48.2 million**, of which **$20.4 million** is one-time, to support projected increases in apprenticeship instructional hours;
  o **$15 million** to augment the **California Apprenticeship Initiative**; and
  o **$20 million** one-time to expand access to **work-based learning opportunities**.

• **$15 million** one-time General Fund for a pilot fellowship program to **improve facility diversity** at community college campuses.

• **$5.8 million** ongoing Proposition 98 General Fund to fund **Dreamer Resource Liaisons** and student support services, including those related to **career pathways and economic mobility**, for **immigrant students on community colleges**, pursuant to Chapter 788, Statutes of 2019 (AB 1645).

**University of California**

• **$41.9 billion** reflecting a **$217.4 million increase** in ongoing General Fund to the University of California, including, but not limited to:
  
  o **$25 million** to expand **enrollment and support UC Riverside School of Medicine**;
  o **$15 million** to support the expansion of the **UC Merced-UC San Francisco Fresno Partnership** for a **Branch Medical School Campus**; and
  o **$3.6 million** to support the Division of **Agriculture and Natural Resources**.

• **$55.3 million** one-time General Fund with **$4 million** available for **degree and certificate completion** programs through UC extension and **$1.3 million** being available to develop a UC **Subject Matter Project in computer science**.

**California Labor and Workforce Development Agency**

• **$165 million** one-time General Fund for **multi-craft pre-apprenticeship programs** to increase access to **careers in construction industry** and expanding the **High Road Training Partnership** program. The goal is to prepare workers for a carbon-neutral economy.

• **$10 million** one-time General Fund for the establishment of the **Entrepreneurship Pathways Grant Program** by the California Workforce Development Board. The new program will provide
training and business startup supports for targeted low-income populations including immigrants, regardless of immigration status, and refugees.

- **$2.4 million** one-time General Fund to fund the executive staff of a new Department of Better Jobs and Higher Wages. The department will be comprised of the California Workforce Development Board, the Employment Training Panel, 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. This reorganization is intended to better align data, policy, and program analysis of the state’s workforce training programs.

- **$1 million** in one-time General Fund for a pilot project, administered by the Employment Training Panel, to support small businesses that extend the Paid Family Leave benefits to their employees. The Governor also proposes additional steps to increase the use of Paid Family Leave benefits including statutory changes to align benefits with job protections.

### California Department of Corrections and Rehabilitation

- **$26.9 million** General Fund in 2020-21 with varying annual costs decreasing to **$18 million** ongoing in 2023-24, to provide technology for inmates participating in academic programs.

- **$21.4 million** in General Fund 2020-21 with varying annual costs decreasing to **$19.8 million** in 2023-24 and ongoing to provide additional training to correctional officers and correctional counselors.

- **$1.7 million** General Fund in 2020-21, increasing to **$3.5 million** ongoing in 2021-22, to expand post-secondary educational programming to inmates who have completed an associate’s degree. The Department also plans to partner with the California State University system to establish bachelor’s degree programs at several prisons.

- **$6.2 million** General Fund in 2020-21, increasing to **$10.1 million** ongoing in 2021-22 to support a new initiative, that will cluster the 5,800 young offenders (under age 26) into campus-style environments within existing facilities, with specialized programming and educational opportunities.

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