

Bold and Responsible Budget Plan



Preliminary Summary Senate Version of the Budget

Committee on Budget and Fiscal Review

Senator Mitchell, Chair

Senator Roth, Sub 1 Chair

Senator Wieckowski, Sub 2 Chair

Senator Pan, Sub 3 Chair

Senator Durazo, Sub 4 Chair

Senator Skinner, Sub 5 Chair

(all numbers based on preliminary accounting, and subject to change)

Introduction

The Senate's Bold and Responsible Budget Plan is the culmination of five months and 66 individual subcommittee and full committee hearings.

The Bold and Responsible Budget Plan relies on the Department of Finance's revenue forecast, builds on the very strong starting point of the Governor's budget proposal, as updated by the May Revision, and includes total spending of approximately \$214 billion (\$147.6 from the General Fund), and total General Fund reserves of \$19.5 billion.

Available discretionary resources under the Bold and Responsible Budget Plan total \$22.3 billion. Nearly 80 percent of the available resources are used to pay down debts (\$7.8 billion), build reserves (\$2.8 billion), or one-time/temporary spending (\$6.7 billion). Only a little over 20 percent (\$4.8 billion) are allocated to ongoing commitments.

This Summary highlights of major differences from the Governor's budget proposal, as updated by May Revision budget. Key highlights of the Bold and Responsible Budget Plan include:

- ✓ **Responsible Budgeting:** Largest reserves in history and almost 80% of available resources allocated to build reserves; pay debts; or one-time spending.
- ✓ **Middle Class Benefits:** No new taxes on middle and lower income Californians; lowers CoveredCA insurance plan costs for families with incomes up to \$150,000; provides highest level of education investments in history; increases access to higher education and no tuition hikes; and ends DMV practice of passing on credit card services charges to customers.
- ✓ **Education:** Record levels of Prop 98 funding, discretionary resources above Prop 98 allocation; increased access to Early Care and Education; and increased access to higher education.
- ✓ **Safe Drinking Water:** Permanent, dedicated funding for Safe and Affordable Drinking Water.
- ✓ **Health and Human Services:** Improved access to Health Care; Aging investments; higher rates for Developmental Services; and improved funding to fight poverty.
- ✓ **Housing and Homelessness:** One-time affordable housing and homelessness funding, and ongoing housing infrastructure funding;
- ✓ **Public Safety:** Recidivism Reduction / Reentry Success, and improved access to justice.

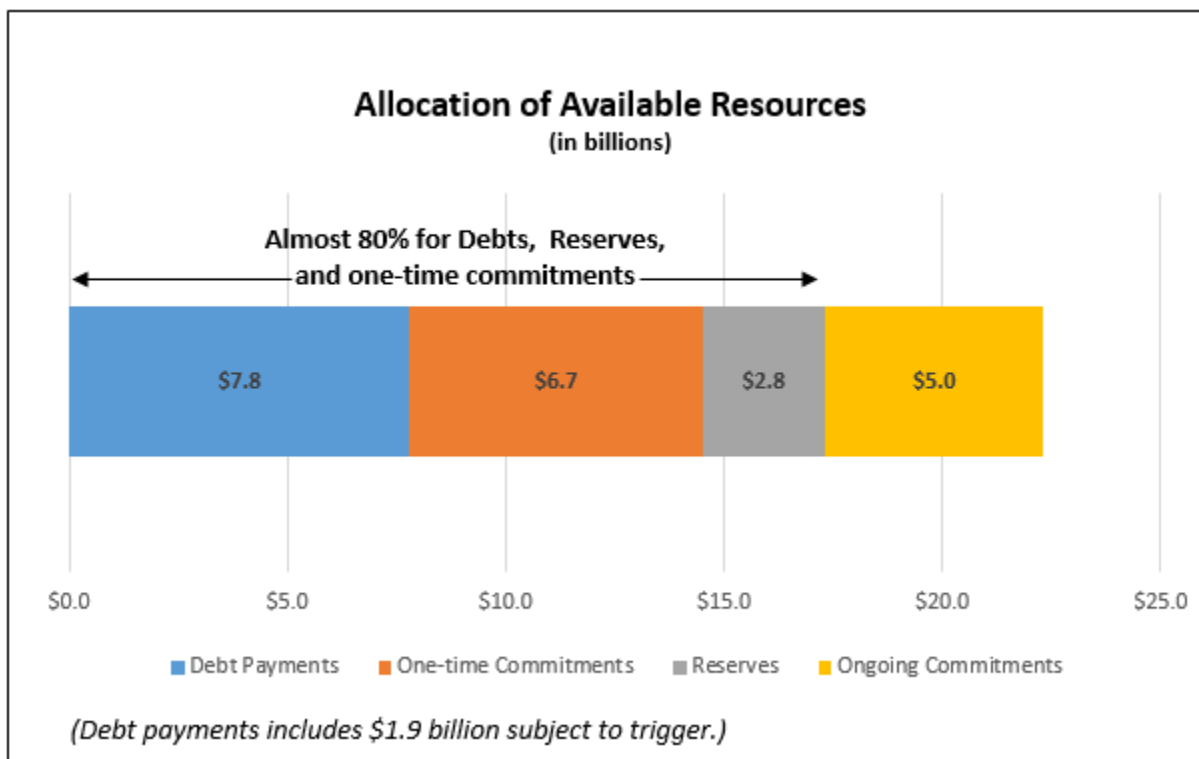
Responsible Budgeting

✓ **Not Repeating Mistakes of the Past:**

During past good economic times, the budget over-committed available resources to ongoing spending commitments and tax reductions. The bad budgeting practices resulted in the budget careening from one budget crisis to the next.

The Bold and Responsible Budget Plan continues the recent practices of not overcommitting available resources and instead balancing new commitments with actions that help prepare for the next economic downturn.

As shown in the following graphic, the Bold and Responsible Budget Plan allocates almost 80 percent of available resources to paying down debts, building reserves, and one-time spending. Only about 20 percent of the available resources are allocated to ongoing commitments.



✓ ***Responsible Budgeting Results in No Need for Sunsets:***

The Legislature has led the responsible budgeting cultural change that has occurred in California over the past decade. The goal has been to craft budgets that can withstand the next economic downturn without having to make programmatic cuts or enact middle class tax increases.

This disciplined approach has at times left some progressive advocates and allies with short-term disappointments. But, it remains the best approach to protect the hard earned progressive budget improvements from being slashed during the next downturn.

That is why the Governor's proposed sunsets of critical health care, developmental services, and In-home-Supportive-Services are not necessary:

- If the Legislature has done the hard work to protect programs from cuts during the downturn, why should cuts be built into the budget that would take effect during relatively good times?
- And in the unlikely event cuts will be needed in the coming years, why start with cuts to the most vulnerable – health care for the poor and the elderly, developmental services, and in-home care for elderly and disabled Californians?

Years of responsible budgeting have brought California to the point of being able to avoid program cuts, therefore the Bold and Responsible Budget Plan does not include the Governor's proposed sunsets of Prop 56 health care funds, developmental services rate increases, or the restoration of the 7 percent IHSS cut.

✓ ***Maximizes Federal Funds:***

Responsible budgeting includes maximizing available federal funds to relieve the burden on state resources. This makes particularly good sense, given the fact that California remains a "donor state" by providing more federal tax revenues than received in federal spending allocations.

The Bold and Responsible Budget Plan maximizes federal funds by extending the Managed Care Organization program that results in roughly \$1.8 billion in ongoing federal funds (\$1.4 billion in 2019-20) that offset General Fund Medi-Cal costs, thus providing more discretionary General Fund resources.

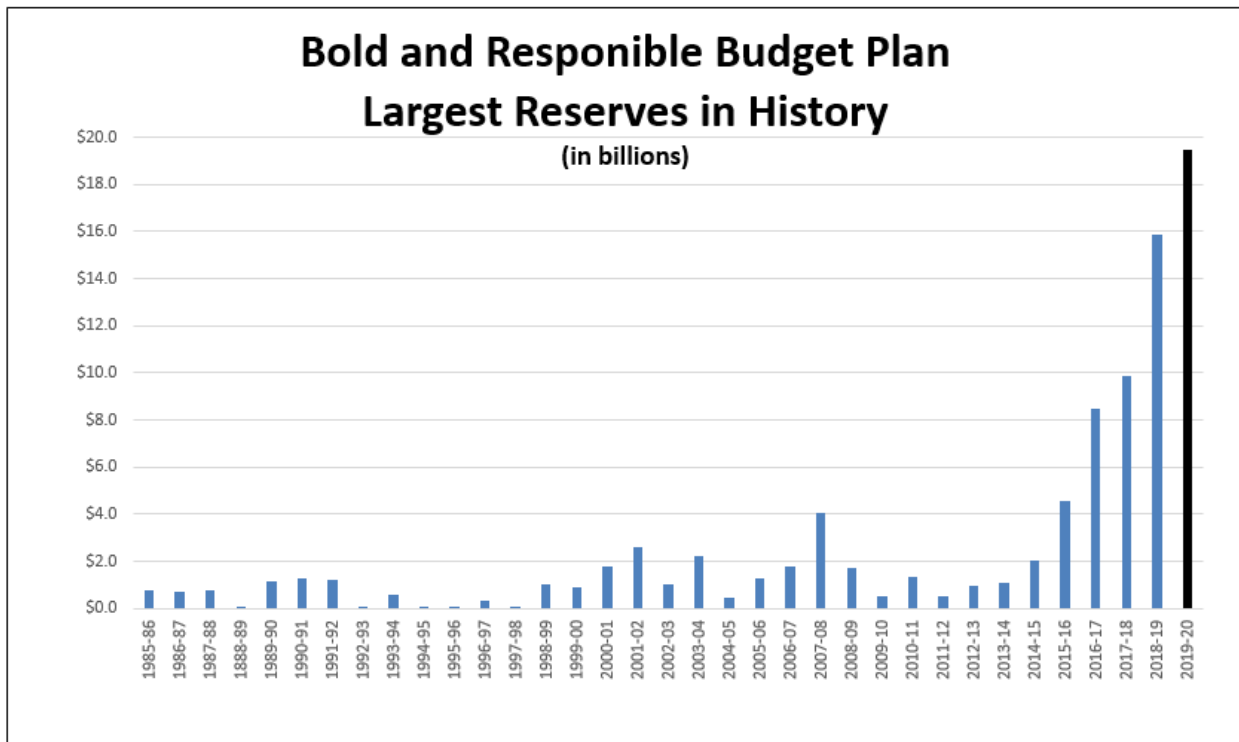
✓ ***Builds Reserves and Maintains Balance Throughout Forecast Period:***

The Bold and Responsible Budget Plan builds reserves to \$19.5 billion, including:

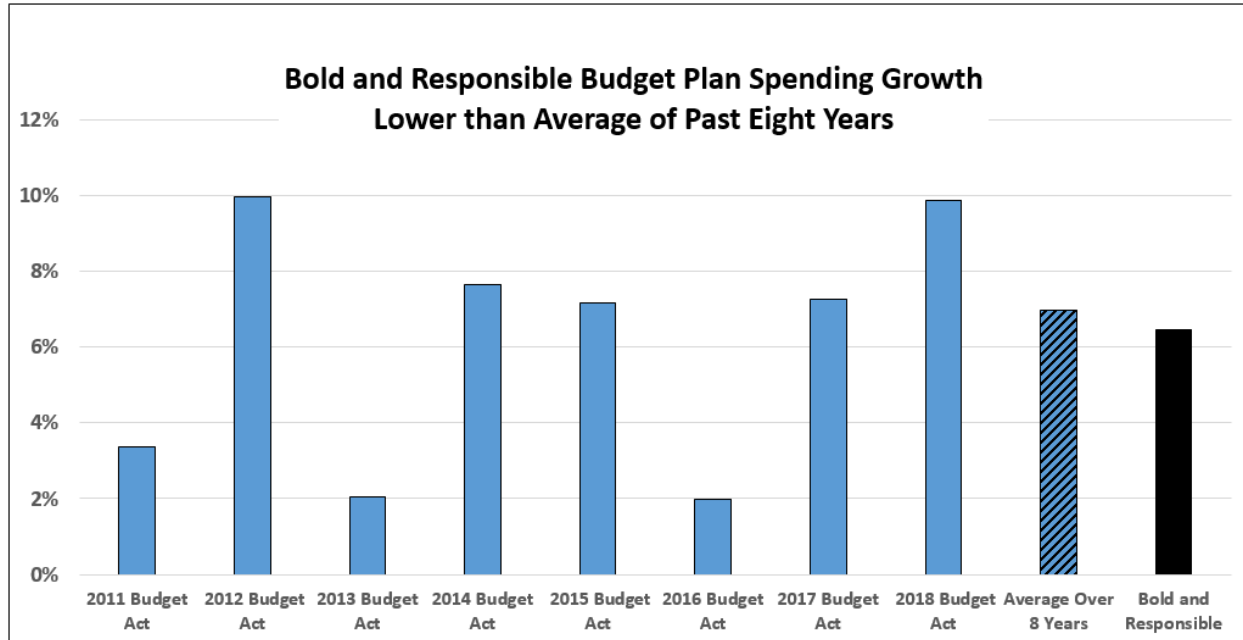
- \$1.5 billion in the Regular Reserve (SFEU)
- \$1.5 billion in the Safety Net Reserve
- \$16.5 billion in the Rainy Day Fund.

Total reserves grow throughout the four year forecast period, reaching over \$22 billion 2022-23.

The \$19.5 billion in reserves for 2019-20 are the largest reserves in history, and build on the responsible budgeting practices of recent years.



- ✓ **Spending Growth Rate Below Average of Past Eight Years:** The Bold and Responsible Budget Plan total spending is about 6.5% higher for 2019-20 than the Budget Act of 2018 provided for 2018-19. This growth rate is below the average rate of 7% over the past eight years.



Bold Progress Highlights – Early Education

- ✓ **Governor’s Early Education Proposals.** Generally approves the Governor’s programmatic proposals.
- ✓ **Child Care Rate Increase.** Provides \$85 million to increase rates for part-day license exempt child care providers.
- ✓ **Child Care Slots.** Provides \$90 million (\$150 million ongoing) in General Fund and \$12.8 million in federal funds to provide an increase of over 15,000 child care slots.
- ✓ **Child Care, Stage 1:** Provides \$25 million above the May Revision proposal of \$40.6 million (\$54.2 million ongoing) to expand Stage 1 Child Care to provide full time care for 12 months or until a family transfers to Stage 2 Child Care.

Bold Progress Highlights – K-12 Education

- ✓ **Proposition 98.** Funds Proposition 98 at the same level as the May Revision, but provides nearly \$300 million more in programmatic spending, and less into the Prop 98 Reserve.
- ✓ **After School Education and Safety Program (ASES).** Provides \$100 million in ongoing funding for the ASES program to increase the daily per pupil rate for after school education and enrichment programs that provide resources to support literacy, academic enrichment and activities for K to 9th grade students.
- ✓ **CalPERS and CalSTRS rates:** Provides \$1 billion of discretionary resources to districts by providing \$1 billion over two years from the General Fund to reduce district contribution rates.
- ✓ **Special Education.** Provides \$533 million ongoing funds for Special Education programs by reallocating the funds proposed by the Governor to instead equalize special education per pupil rates to the 90th percentile and create an early intervention program to fund 3 and 4 year old children with disabilities in early education programs.
- ✓ **Mental Health Partnership.** Provides \$550 million for Mental Health Partnerships between County Mental Health or Behavioral Health Departments and K-12 school districts, charter schools, county offices of education, California Community Colleges, California State Universities, and Universities of California within a county region. Funding shall be available to support services that at a minimum include: services provided on K-12 and (if applicable) higher education campuses, suicide prevention services, drop-out prevention services, outreach to high-risk youth, and other strategies that respond to the mental health needs of children and youth.
- ✓ **College Readiness Block Grant.** Provides one-time funding to school districts and charter schools to prepare high school students, particularly unduplicated students, (low-income, English learner and foster youth), to be eligible for admission into a postsecondary institution, and increase the 4-year-college-going rates of these pupils

Bold Progress Highlights – Higher Education

- ✓ **CSU Grad Initiative.** Provides \$30 million above the Governor's proposal of \$45 million for the Grad Initiative.
- ✓ **CSU Enrollment.** Provides \$23 million above the Governor's proposal of \$62 million to increase enrollment by a total of 10,000 students.

- ✓ **CSU Tenure Track Faculty.** Dedicates a portion of funding increase to support tenure track faculty hiring.
- ✓ **UC Enrollment.** Provides \$10 million above the Governor's proposal of \$10 million to increase UC enrollment by 1,000 new resident undergraduate students.
- ✓ **UC Non-Residents Replacement with California Students.** Begins in 2020-21 the 10-year phase down of non-resident students to no more than 10 percent at any campus by 2029-30 school year, replaces the non-residents with California students, and replaces lost non-resident tuition with the General Fund. This will result in an increase of 17,000 California students than there otherwise would be (and 36,000 more California students than there are today).
- ✓ **UC Riverside School of Medicine.** Provides \$105 million (\$25 million ongoing) for facilities and operating costs.
- ✓ **Community College Capital Outlay Projects.** Approves all Proposition 51 community college capital outlay projects.
- ✓ **Community College Student Hunger and Homelessness.** Provides \$15 million one-time to address student hunger, and \$9 million ongoing to address student homelessness at the CCCs.
- ✓ **Community College Veterans Resource Centers.** Provides \$15 million one-time to expand and create additional veterans resource centers at CCCs.
- ✓ **Community College Full-time Faculty.** Provides \$30 million ongoing to increase the number of full-time faculty at community colleges.
- ✓ **Cal Grants.** Redirects \$97 million proposed by the Governor for targeted uses to instead provide \$87 million to increase the number Competitive Cal Grants awards by 18,250 for a total of 44,000 awards and \$10 million to provide summer semester Cal Grants.

Bold Progress Highlights – Resources and Environmental Protection

- ✓ **Safe Drinking Water.** Provides \$150 million permanent, continuous appropriation for the Safe and Affordable Drinking Water Fund. This dedicated revenue stream will have all the legal protections that a new 2/3 vote water fee would have. Should any future fee or tax revenue be established for the Fund, then the General Fund appropriation would be reduced proportionately.

- ✓ **Cap-and-Trade Spending Plan.** Appropriates a total of \$1.5 billion of discretionary Greenhouse Gas Reduction Fund revenues, and increase of \$208 million above the Governor’s proposal. A side by side comparison is below.

Investment Category	Program	Department	Governor’s May Revision (Dollars in millions)	Senate Proposal (Dollars in millions)
Air Toxic and Criteria Air Pollutants	AB 617 - Community Air Protection	ARB	200	
	Carl Moyer	ARB		40
	AB 617 State and Local Implementation Costs*	ARB	20	20
	Technical Assistance to Community Groups	ARB	10	10
Low Carbon Transportation	Clean Vehicle Rebate Project*	ARB	200	250
	Clean Trucks, Buses & Off-Road Freight Equipment (Senate: At least \$25 million for Heavy-Duty Voucher Incentive Program)	ARB	182	207
	Enhanced Fleet Modernization Program, School Buses & Transportation Equity Projects	ARB	65	65
	Low Carbon Fuel Production	Energy Commission		25
Healthy Forests	Healthy & Resilient Forests (SB 901)*	CalFire	165	165
	Prescribed Fires & Fuel Reduction (SB 901)*	CalFire	35	35
	Regional Forest Restoration Projects	Natural Resources Agency		25
	Wildland-Urban Interface (WUI) and Other Fire Prevention Activities	CalFire		17.55
	Urban Forestry	CalFire		25
Climate Smart Agriculture	Agricultural Diesel Engine Replacement & Upgrades	ARB	90	90
	Healthy Soils	Food & Agriculture	28	30
	State Water Efficiency & Enhancement Program (SWEET)			25
	Agricultural Renewable Energy	Energy Commission		5
	Methane Reduction (Senate: Alternative Manure Management Program only)	Food & Agriculture	35	35
Short-Lived Climate Pollutants	Waste Diversion/Recycling Infrastructure	CalRecycle	25	75
Integrated Climate Action: Mitigation & Resilience	Long-Term Resiliency Investment	Wildlife Conservation Board and Conservancies		100
	Coastal Resilience/Adaptation	Various	3	40
	Wetlands Restoration	Fish and Wildlife		35
	Transformative Climate Communities	Strategic Growth Council	132	57
	Energy Corps*	Conservation Corps	6	10
	Low-Income Weatherization	Community Services and Development	10	22.45
Climate & Clean Energy Research	Climate and Energy Research	Strategic Growth Council	10	20
	Transition to a Carbon-Neutral Economy	CalEPA	1.5	1.5
Other Programs	Urban Greening	Natural Resources Agency		25
	Technical Assistance to Disadvantaged Communities	Strategic Growth Council		5
Workforce Training	Apprenticeships for a Green Economy	Workforce Development Board	35	
TOTAL			\$1,253	\$1,461

* Existing discretionary spending commitments

Bold Progress Highlights – Health

- ✓ **CoveredCA Affordability.** Provides \$300 million in addition to the \$300 million proposed by the Governor to expand subsidies for Californians up to 600% of federal poverty (about \$150,000). The subsidies will provide over \$200 in monthly premium relief for Californians between 400% and 600% of federal poverty, and more than \$20 per month in addition to the current federal subsidies for Californians under 400% of federal poverty.
- ✓ **Senior Penalty Elimination.** Provides \$62 million to eliminate the share of cost increase for low income Medi-Cal recipients that turn 65 years old.
- ✓ **Full Scope Medi-Cal for All Seniors.** Provides \$52 million to include seniors in the Governor's proposal to expand Medi-Cal to low income young adults in Medi-Cal regardless of immigrant status.
- ✓ **Medi-Cal Optional Benefits.** Provides \$6.1 million to restore optional benefits of audiology, incontinence creams/washes, podiatry, and speech therapy. This is in addition to the Governor's proposal of \$11.3 million for optical benefits.

Bold Progress Highlights – Human Services

- ✓ **Developmental Services Rates.** Provides \$50 million (\$100 million ongoing) in addition to the Governor's proposal to increase DDS rates by at least eight percent.
- ✓ **Aging Package.** Provides \$25.7 million in ongoing funding for Senior Nutrition, IHSS Public Authority Administration, and Long Term-Term Care Ombudsman; and provides \$23 million in one-time funds for Long-term Care Actuarial study, Alzheimer Early Detection and Diagnosis, Adult Protective Services Training, Simplified CalFresh Application, and Aging & Disability Resource Connections.
- ✓ **IHSS Cut Restoration.** Eliminates statutorily the Great Recession era seven percent IHSS cut.
- ✓ **Electronic Visit Verification (EVV).** Codifies protections for consumers of the In-home Supportive Services programs, stating the implementation of EVV shall be as minimally burdensome as possible, shall not utilize geo-tracking, and shall not infringe upon the rights of consumers.
- ✓ **SSI/SSP COLA.** Provides \$50 million (\$100 million ongoing) to provide an SSI/SSP COLA beginning January 1, 2020.

- ✓ **CalWORKs Grants.** Adjusts the Governor's proposed CalWORKs grant increase to better align as the second year of planned grant increases to ensure no child lives in deep poverty.
- ✓ **CalWORKs Improvements.** Provides \$35.5 million to increase the Earned Income Disregard to enable working recipients to keep more of their earnings, and provides \$7 million to remove CalWORKs asset test.

Bold Progress Highlights – Public Safety

- ✓ **Recidivism Reduction / Reentry Success.** Provides \$120 million in one-time new General Fund to reduce recidivism and improve successful reentry, including: \$15 million for community based rehabilitation programs delivered in prisons; \$70 million for the Adult Reentry Grant program; \$12 million for parolee substance use treatment through the state's Specialized Treatment for Optimized Programming (STOP) program; \$5.75 million for higher education services for formerly incarcerated (Underground Scholars and Project Rebound); and \$16.2 million for other targeted purposes.
- ✓ **Access to Justice.** Provides \$170 million in ongoing access to justice investments, including: \$90 million to provide a SAL adjustment; \$50 million for family law and civil court reporters; \$10 million for court investigators and courtroom clerks; \$5 million for court reporter transcript rate increase; \$10 million for collaborative courts and adult diversion programs; and \$5.5 million for the Equal Access Fund.

Bold Progress Highlights – General Government

- ✓ **Earned Income Tax Credit.** Provides \$168 million, in addition to the Governor's proposal of \$1.2 billion, to expand the CalEITC to tax payers that file with Individual Tax Identification Numbers.
- ✓ **Census.** Provides \$30 million, in addition to the Governor's proposal of up to \$79.5 million, for census outreach to help ensure a more accurate California count.
- ✓ **One-time Housing and Homelessness.** Provides \$2.5 billion for housing and homelessness investments, \$115 million more than proposed by the Governor.
- ✓ **Ongoing Housing.** Builds in \$500 million in ongoing housing infrastructure. The intent is for policy legislation to establish the ongoing housing infrastructure program for these funds.

Topic		Governor's Proposal		Senate Version		
Housing	Housing Planning & Production grants	\$250	Housing planning grants to COGs and cities (split 50/50)	\$250	Housing planning grants to COGs and cities (split 50/50)	To SB2 Planning Program, for support on 6th RHNA cycle and planning for housing production beneficial to the region.
		\$500	Housing-Related Infrastructure	\$500	Housing-Related Infrastructure	Housing-related infrastructure paired with AH, TOD, and infill dev (roads, sewers, water, parks, etc).
Homelessness	Homelessness	\$650	HEAP 2.0 (split 40/40/20 between Big 13, Counties, and CoCs)	\$650	Flexible Homelessness Grants (split 60/40 between CoCs and Big 13)	400 CoCs, 200 Big 13. 10% set-aside for youth. Restrictions on new shelter spending unless can show need (low shelter vacancy, high permanent housing exits).
Innovative Financing Tools	LIHTC	\$300	Additional LIHTC (4%)	\$300	Additional LIHTC (4%)	Add'l \$500M funding for low-income housing tax credits that will pair with the federal 4% tax credit to leverage add'l federal funds (\$200M of which will be reserved for mixed-income dev.s)
		\$200	Mixed-Income Set-Aside w/in 4% LIHTC	\$200	Mixed-Income Set-Aside w/in 4% LIHTC	
	Mixed Income Loans	\$500	CalHFA MIP	\$500	CalHFA MIP	Augment the existing \$40M seeded by SB-2.
		\$115	CalHFA MIP	\$115	CalHFA Innovative Loan Products	\$50M for ADU pilot loan program. \$5M for downpayment assistance for SR 710 properties \$60M for CALReUSE
	Total	\$2,400		\$2,515		

Preliminary General Fund Scoring of Senate Versions
(against May Revision - in billions)

2019-20 2020-21 2021-22 2022-23

Starting Balance (May Revision SFEU)	1.6	2.4	3.0	3.2
LAO Adjustment to Baseline HHS Spending		1.5	2.0	2.4
Reject HHS Sunsets			-0.9	-1.8
Defer Action on Tax Conformity	-1.9	-1.4	-1.4	-1.4
Net Impact of MCO program expansion	1.4	1.8	1.8	1.8
Trigger Debt Payment on Tax Conformity	1.9			
Redirect Deferral Payoffs:	1.7			
General Fund School Pension Payments	-0.5	-0.5		
Safety Net Reserve Deposit	-0.6			
Increased Education commitments (non Prop 98)	-0.4	-0.4	-0.4	-0.5
Increased Resources and Environment commitments	-0.1	-0.1	-0.2	-0.2
Increased Health and Human Services commitments	-0.7	-0.9	-1.0	-0.7
Increased General Government/Housing commitments	-0.3	-0.6	-0.2	-0.2
Increased Public Safety commitments	-0.2	-0.1	-0.1	-0.1
Increased Other commitments	-0.4			
<i>Prior years impact</i>		-0.1	-0.9	-1.1
Final Balance (SFEU)	1.5	1.5	1.9	1.5
Safety Net Reserve	1.5	1.5	1.5	1.5
Rainy Day Fund	16.5	18.0	18.4	18.7
Total Reserves	19.5	21.0	21.8	21.7