

# The 2021-22 State Budget June 28<sup>th</sup> Package

*(All figures contained are preliminary, until final official scoring)*

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On Monday June 28<sup>th</sup>, the Legislature expects to act on changes to the Budget Act bill passed on June 14<sup>th</sup>, which together make what is called the June 28<sup>th</sup> Package.

The Legislature and the Governor are in agreement with the June 28<sup>th</sup> Package and it represents nearly the final budget agreement, with just a few key issues outstanding. Most notably, while there is agreement to increase child care rates and enact rate reform the specific details have not been finalized. In addition, as is typical, some statutory changes in various areas of the budget have not been finalized at this point either.

Nevertheless, once signed into law the June 28<sup>th</sup> Package results in the budget being in place for the start of the new fiscal year, on July 1.

The June 28<sup>th</sup> Package builds on priorities put forward in the Assembly's "A Budget of Opportunity" blueprint, the Senate's "Build Back Boldly" plan, and the Governor's May Revision to become the most responsible, most transformative, and boldest state budget in modern history.

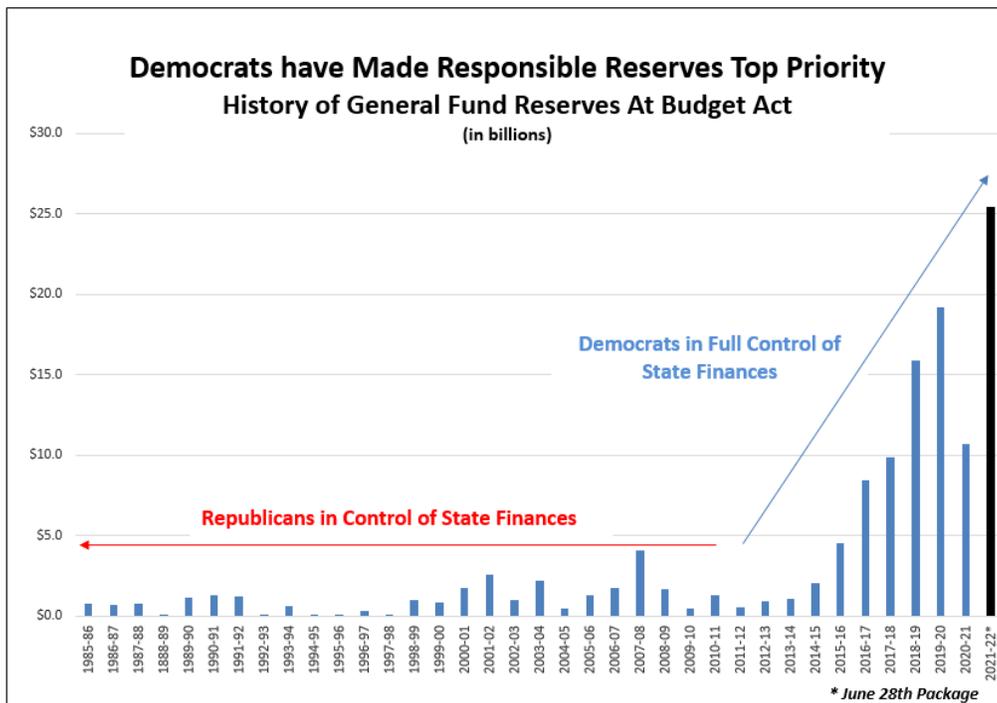
California is roaring back – but it is not by accident or due to good fortune. California’s finances survived the COVID-19 economic crisis and have put the state in position to make transformative change due to:

- A decade of responsible budgeting – which began with voters putting Democrats in full control of the state’s finances starting in 2011 – that provided the tools to get through the temporary downturn without having to impose economy harming cuts to programs or middle class tax increases;
- Robust federal stimulus actions that kept families afloat and prevented the economy from spiraling out of control; and
- A common sense, voter-approved, revenue system that requires all Californians to contribute, but relies more heavily on the wealthiest Californians that have benefited the most from California and can most afford to pay.

All told the June 28<sup>th</sup> Package reflects total spending of \$262.6 billion, of which \$196.4 is from the General Fund, and total General Fund reserves equaling a record \$25.2 billion.

Total Proposition 98 spending is a record, \$93.7 billion, including \$66.4 billion from the General Fund.

The following provides a summary of key aspects of the June 28<sup>th</sup> Package, followed by more detailed highlights by each subject area.



# Top Budget Priority

## **Responsible Budgeting**

Since Democrats took full control of the state's finances in 2011 responsible budgeting has become a top priority. Gone are the bad old days of perennial late budgets, careening from one fiscal crisis to the next without ever having a structurally balanced budget, and constantly slashing funding for schools and critical programs and squeezing the middle class.

California's finances survived the COVID-19 downturn in large part because of the responsible budgeting, the June 28<sup>th</sup> Package does more than ever before to protect state budget from the next inevitable downturn.

The following are key responsible budgeting elements of the June 28<sup>th</sup> Package:

- **Record Reserves.** Provides a total of \$25.2 billion in General Fund reserves, higher than any level in history. The reserves include:
  - \$4.0 billion in the Regular Reserve (SFEU).
  - \$0.9 billion in the Safety Net Reserve.
  - \$4.5 billion in the Prop 98 Reserve.
  - \$15.8 billion in the Rainy Day Fund (Budget Stabilization Account).

Should revenues perform near or at the forecast of the LAO, then reserves would naturally be significantly higher in the budget year and beyond.

- **Full Pay-Off of Prop 98 Deferrals.** Pays off \$11 billion of Prop 98 deferrals, include \$2.6 billion not proposed in the May Revision. Paying down deferrals gets local school and community college districts cash for their programs and replenishes an important budget tool to assist with the next economic downturn.
- **No Phony Suspensions.** Ends practice of building in phony suspensions into the out-years that would paint an unrealistic fiscal outlook. Instead, the ongoing costs of programs are fully accounted for in the out-years to present an accurate multi-year forecasts.
- **Under the Constitutional Appropriations Limit.** Maintains total spending as well below the constitutional appropriations limit for 2021-22. And over the two year period of the current year and budget year, combined the budget is below the appropriations limit.

# Transformative Actions

## **Economic Stimulus, Relief for Families & Small Business/Non-Profits**

While California's state finances have survived and bounced back after the COVID-19 downturn, many California families and small businesses continue to struggle.

June 28<sup>th</sup> Package builds on the historic investment in families and small businesses already provided by the federal and California governments with:

- ***\$8.1 Billion Golden State Stimulus 2.*** Provides \$8.1 billion in direct relief to Californians with income of up to \$75,000. This provide Californians with payments of \$500, \$600, 1,000 or \$1,100, depending on their filing status. Combined with early action, this totals approximately \$14.7 billion in relief for families and small businesses – a historic level of tax cuts/relief by any measure.
- ***\$1.5 Billion Small Business / Non-Profits Grants.*** Approves the Governor's proposed additional \$1.5 billion in small businesses and non-profit grants, bringing the total investment in the Small Business COVID-19 Relief Grant Program to \$4 billion.
- ***Additional Business Support.*** Provides \$50 million for grants for micro-businesses, includes \$150 million to create the California Venues Grant Program, provides tax credits that support small business hiring and the hiring of homeless individuals, augments the Cal Competes Tax Credit by \$110 million on a one-time basis, and includes \$120 million to establish the Cal Competes Grant Program.

## **Education**

***Early Care and Education.*** The June 28<sup>th</sup> Package makes historic and transformative improvements for Early Care and Education. Strong Early Care and Education investments are critical to healthy families, and it is critical that child care providers are compensated fairly. Key Early Care and Education improvements include:

- ***Child Care Slots.*** Increases child care access by 200,000 slots – beginning is 120,000 in 2021-22 and phasing in an additional 80,000 over the next four years – in Alternative Payment, General Child Care, Migrant Child Care, bridge program for foster children, and prioritizes ongoing vouchers for essential workers currently receiving short-term child care.

- **Child Care Rate Reform.** With details yet to be finalized the Budget Act of 2021 enables strong rate reform and rate increases for child care and state preschool providers which helps ensure providers can be fairly compensated and run successful businesses that provide vital services for families.
- **Universal Transitional Kindergarten.** Adopts universal Transitional Kindergarten (TK) as part of a mixed delivery system, phasing in expanded age eligibility to full implementation in 2025-26 and rebenching the Proposition 98 Guarantee to provide ongoing funding for the TK expansion of approximately \$2.7 billion at full implementation.
- **Key One-time Investments.** Provides a variety of one-time investments to stabilize providers growing out of the pandemic, including stipends, hold harmless policies. Provides \$250 million in one-time investments in child care facilities (\$100 million in federal funds, and \$150 million in General Fund).

**TK-12 Public Education.** A key part to California’s pandemic recovery is the transformation of our public education system, and significant investments in California’s children and our shared futures. In addition to TK expansion listed above, the June 28<sup>th</sup> Package includes over \$21,000 per-student spending and various initiatives to change the culture of public education including:

- **Community Schools.** Provides \$3 billion one-time Proposition 98 to launch a statewide initiative to build accessible community wellness and student health hubs on over 1,000 school campuses. The Community School model addresses students’ and their families’ most critical health and service needs, to support students in academic success. The Legislative Version adds universal meals to the education model, allowing all students who need a healthy breakfast or lunch at school, to receive one, year round at their local school.
- **Expanded Learning.** Creates an Expanded Learning program to provide funding for afterschool and summer school enrichment programming targeted at low-income students. In 2021-22, the budget provides \$1 billion ongoing Proposition 98, and \$753.1 million one-time Proposition 98 funds, growing to \$5 billion ongoing Proposition 98 funding at full implementation for all classroom-based local educational agencies. This improves the standard schedule for public schools to better meet the needs of working families
- **Special Education.** Provides \$396 million in ongoing Proposition 98 General Fund to increase the statewide base rate for the special education formula and \$260 million ongoing Proposition 98 to fund specified services for children ages 3-5 years old. In addition, one-time funds of \$550 million Proposition 98 are provided to invest in increased support for special education alternative dispute resolution

and learning recovery supports for special education students associated with impacts due to the COVID-19 pandemic.

- **Career and College Readiness.** Doubles high school student access to career and college-prep coursework and training.
- **School Nutrition.** Launches the Universal School Meals Program, with an increase in state meal reimbursements by \$54 million in the 2021-22 fiscal year and \$650 million ongoing Proposition 98 funding beginning in 2022-23, to cover the costs of offering breakfast and lunch for all students.

## **Access to Higher Ed, Financial Aid & Path to Debt Free College**

Access to affordable higher education is a cornerstone of a strong middle class. While California has done a good job to keeping tuition low, and has been able to eliminate tuition entirely for the 55 percent of CSU and UC students that qualify for Cal Grants, non-tuition costs and out of date rules that shut out qualified students from Cal Grants has resulted in students relying on student debt.

The June 28<sup>th</sup> Package makes the biggest expansion to Cal Grants since its inception and reboots the Middle Class Scholarship to also supplement Cal Grants for the first time to cover non-tuition costs for students receiving Cal Grants.

Here are the Details:

- **Cal Grant Enrollment Expansion.** Provides \$155 million ongoing to end the age and time out of high school requirements for Community College students that for too long have locked deserving students out of the Cal Grant program. This will begin in the upcoming school year with \$154 million for 133,000 community college students.
- **Middle Class Scholarship Reboot (MCS 2.0).** Provides an additional \$515 million on top of existing \$117 million beginning in 2022-23 to reboot the Middle Class Scholarship to expand to supplement non-tuition costs for Cal Grant students and to ultimately become Debt Free grant to eliminate the de facto requirement for lower and middle income students to rely on student loans to attend the CSU and UC.

The MCS 2.0 will close the gap between the full cost of attendance – including non-tuition costs – and resources provided by other financial aid, earnings from a part-time job and of the full cost of attendance and traditional between traditional

financial and modest family contribution from families with over \$100,000 annual income.

The \$632 million is estimated to close the gap by 33 percent, with the intent to expand in future years to ultimately fill the gap by 100%, and finally provide debt free college.

The June 28<sup>th</sup> Package also provides \$180 million to increase resident enrollment at UC and CSU by more than 15,000 students, and launches a new program to replace nonresident students at UC Berkeley, UCLA and UC San Diego with California students.

### **Major Investments in Youth Behavioral Health, Behavioral Health Infrastructure, and Public Health**

- **Youth Behavioral Health.** Invests \$4.4 billion dollars over five years to create a new, modern, and innovative behavioral health system for youth ages 0 to 25, including \$205 million for the Mental Health Student Services Act to fund school and county mental health partnerships to support the mental health and emotional needs of children and youth as they return to schools and everyday life.
- **Behavioral Health Continuum Infrastructure.** Invests \$2.2 billion for competitive grants to construct, acquire, and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources. These funds include an allocation of \$150 million, combined with \$55 million of federal funding, to support mobile crisis support teams to assist youth and adults experiencing a behavioral health crisis.
- **Public Health and Health Equity Infrastructure.** Builds the foundation for a 21<sup>st</sup> century public health system to address preventable death and disease, reduce health disparities, and support an agile public health workforce, with \$300 million annually beginning in 2022-23. These investments will be governed by statutory changes developed in collaboration with the Administration later in the legislative session.

### **Aging and Disability**

The June 28<sup>th</sup> Package takes major action to improve services for the aged and those with disabilities. Legislative Democrats have long championed these efforts but with the strong fiscal condition of the state the Legislative Version makes progress far beyond any prior efforts. The improvements include:

- **Medi-Cal at 50+, Regardless of Immigration Status.** Provides ongoing funding growing to \$1.3 billion to expand Medi-Cal eligibility to all income eligible Californians 50-plus years of age, regardless of immigration status.
- **Medi-Cal Asset Test removal.** Eliminates the Medi-Cal asset test for seniors to remove the “senior savings” penalty, to expand access to more income eligible seniors.
- **SSI/SSP Legacy Cut Restoration.** Provides \$225 million in 2021-22 and \$450 million in 2022-23 to restore 50 percent of the remaining 2009 SSI/SSP grant cut, and anticipates the remaining 50 percent of the cut will be restored in the 2023-24 budget year. This restoration (combined with Governor’s May Revision proposal) will increase the SSP grant by approximately \$36 per month for individuals and \$92 per month for couples.
- **Developmental Services Provider Rate Study.** Phases in an ongoing \$1.2 billion to fully phase in the rate study provider increases over a five-year period. This will help ensure providers receive fairer compensation and that families will continue to have access to the vital services provided.
- **Permanent Restoration of IHSS 7% Hours Cut.** Finally ends the legacy of 7% cut in in-home care services to elderly and disabled Californians. While the cut was restored in prior years, the threat of the cut remained by it being added to the list of program “suspensions” that would have automatically taken effect in future years. The June 28<sup>th</sup> Package of the budget approves the Governor’s proposal to end this (and all) program suspensions.

### **Fighting Poverty and Hunger**

The June 28<sup>th</sup> Package makes strides to ending poverty and fighting hunger across California by implementing sensible reforms to improve outcomes for participants in the CalWORKs program and making investments in our state’s food safety net. This includes:

- **Increasing CalWORKs Income Standards for Applicants and Recipients.** Provides \$135 million in ongoing support to raise the applicant earned income disregard from \$90 to \$450.
- **CalWORKs Pregnancy Aid.** Provides \$17 million ongoing to allow a pregnant person to receive aid to meet special needs resulting from pregnancy upon verification of pregnancy and increases the CalWORKs pregnancy supplement from \$47 to \$100.

- **Food for All.** Begins implementing expansion of state-funded nutrition benefits to those ineligible for CalFresh or the California Food Assistance Program solely due to immigration status. Automation changes to the program will begin immediately, and targeted enrollments will begin in 2023-24 once automation updates are completed.
- **Aid for Food Banks.** Provides close to \$300 million one-time to help food banks address the overwhelming need brought on by the COVID-19 pandemic and operate in the 2021-22 fiscal year.

### **Homelessness Package**

The homelessness crisis impacts nearly every community in California. The June 28<sup>th</sup> Package builds on recent one-time spending efforts to make the largest ever commitment to address homelessness over a two year period, as well as on ongoing commitment to provide funding for local governments. This includes:

- **Record-level Investment to Address Homelessness.** Provides roughly \$12 billion in new funding for homelessness programs over the next two years.
- **Local Multi-Year Support for Local Governments.** Includes \$1 billion in support for local governments to address homelessness for both 2021-22 and 2022-23, with additional years upon appropriation. This is the first multi-year commitment made by the state and will come with strong oversight and accountability to ensure the funds are put to work to successfully alleviate homelessness.
- **Sending More Resources to Front-Line Anti-Poverty Programs.** Includes more than \$4 billion over two year for various programs operated out of the Department of Social Services. These housing and homelessness programs touch the most vulnerable in our state – seniors in poverty at risk of abuse and neglect, families with children, and children and guardians in our child welfare system.

### **Criminal Justice Reform and Access to Justice**

- **Reduces fines and fees debt on low-income Californians.** Reduces the debt of low-income Californians by eliminating various criminal administrative fees, including the elimination of the civil assessment, subject to legislation enacted later this year. The budget agreement includes \$151 million General Fund in 2021-22, \$151 million in 2022-23, \$130 million in 2023-24, and \$120 million in 2024-25 and

ongoing to backfill the revenue associated with the eliminated fees. As well, includes \$12.3 million General Fund in 2021-22, \$25.1 million in 2022-23, \$47.0 million in 2023-24, and \$58.4 million annually thereafter for the Judicial Branch to support statewide court operations to allow individuals the ability to adjudicate all infractions online, including processing ability to pay determinations.

- **Access to Justice.** Expands essential legal service resources through an Access to Justice package. This specifically includes:
  - \$50 million General Fund in 2021-2022 and \$20 million ongoing General Fund augmentations to the Equal Access Fund to provide resources to legal aid organizations.
  - \$10 million General Fund in 2021-22 to address pandemic-related operational costs and dependency caseload increases. Additionally the budget includes up to \$30 million in 2021-22 and ongoing to correct for any shortfall in federal funding.
  - \$16.5 million General Fund in each of 2021-22 and 2022-23 to the County Law Libraries to backfill lost revenue.
  - \$200,000 General Fund in 2021-22 to Funding of Court Appointed Special Advocate LA to provide advocacy for youth in foster care in LA County's child welfare system.
  - \$200,000 General Fund in 2021-22 for a committee to study and recommend changes to structure and operation of the Commission on Judicial Performance.
- **Legal Aid for homeowners and renters.** Delivers \$80 million ARPA funds over three years to fund legal aid services for renters and homeowners to avoid eviction and foreclosure.
- **Support for Court Operations.** Restores \$200 million ongoing General Fund to the Judicial Branch to re-open temporarily closed courtrooms and process case backlogs which have accumulated during the pandemic. Provides an additional \$72 million to ongoing General Fund to support trial court operations and a separate, additional, \$60 million for allocation by the Judicial Council to trial courts to address backlogs and workload delays resulting from the COVID-19 Pandemic.
- **Pre-Trial Services.** Provides \$140 million in 2021-22 and \$70 million ongoing from the General Fund to support programs and practices statewide that reduce pre-trial detention.

- ***Investments in rehabilitation, re-entry, and recidivism reduction strategies.*** Includes a “Rehabilitation, Re-entry and Recidivism Reduction” package of \$200+ million for career development, rehabilitative programming, family connection, local support for individuals to remain out of the criminal justice system, and removal of barriers to successful re-entry.
- ***Violence Reduction, Intervention, and Prevention.*** Provides \$211 million General Fund for violence reduction, intervention, and prevention efforts across the state.
- ***Office of Youth and Community Restoration (OYCR).*** Provides \$27.6 million General Fund in 2021-22 and \$7 million ongoing for the new OYCR under the Health and Human Services Agency to support the youth justice continuum in the state to improve youth outcomes, reduce and eliminate racial disparities, and enhance public safety. Of the amount provided in the budget year, \$20 million shall be available to the OYCR to provide technical assistance, disseminate best practices and issue grants to counties and probation departments for the purpose of transforming the juvenile justice system to improve outcomes for justice involved youth.

### **Historic Resources Investments**

California continues to be impacted by climate change, and the June 28<sup>th</sup> Package works to address this with historic investments to address the Wildfire and Drought crisis and with a major Climate Resiliency Package. This includes:

- ***Wildfire Package:*** Provides approximately \$1 billion over multiple years for various wildfire prevention and response efforts to wildfires. Details of the package will continue to be worked out through the three-party negotiations.
- ***Drought Package:*** Provides approximately \$3 billion to address and get ahead of the emerging drought, this was the amount proposed by the Governor’s May Revision. Details of the package will continue to be worked out through the three-party negotiations.
- ***Climate Resiliency Package:*** Provides approximately \$3.7 billion over three years to make needed climate resiliency investments, this is \$2.4 billion more than what was proposed in the Governor’s May Revision. Details of the package will continue to be worked out through the three-party negotiations.

## **Infrastructure**

The June 28<sup>th</sup> Package builds on the Governor's efforts to invest in infrastructure throughout the state. Key highlights of infrastructure investments in the June 28<sup>th</sup> Package include:

- **Broadband.** Appropriates \$6 billion over a multi-year period for broadband infrastructure and improved access to broadband services throughout the state, including \$3.75 billion for middle-mile infrastructure in unserved communities. Details will continue to be worked out through three party negotiations. Administrative flexibilities will enable the appropriated funds to be accelerated to ensure they are available as needed to fund the expansion and improvements.
- **Early Care and Education and K-12 Facilities.** Provides almost \$1 billion for Early Care and Education and K-12 infrastructure, including: \$250 million for child care infrastructure, \$490 million for preschool/transitional kindergarten/kindergarten facilities, and \$250 million for school facilities.
- **Higher Ed Facilities, Acquisition and Student Housing.** Creates a new \$2 billion fund for CSU and UC facilities and for student housing at Community Colleges, CSU, and UC. Specific details of the program will be established through legislation enacted later this year.
- **Transportation.** Provides billions of dollars in new spending for transportation infrastructure, including \$3 billion in funding for transportation infrastructure across the state, including for active transportation projects and projects identified for completion prior to 2028, \$2 billion for streets, roads, and highway projects, and \$400 million for a State and Local Transportation Adaptation program. Much of the transportation investments will require legislation enacted later this year.
- **Affordable Housing.** Provides \$1.75 billion to alleviate the backlog in affordable housing construction, \$300 million for the preservation of existing affordable housing, \$130 million for the development, maintenance, and preservation of farmworker housing, and \$600 million for planning and implementation grants to help local governments plan for and meet their goals under their Sustainable Community Strategies.
- **Civic and Cultural Institutions.** Includes investments in civic institutions that support our communities and celebrate California's diversity and cultural heritage. This includes \$390 million for support for libraries and \$250 million for local park projects.

## **Investing in Communities**

- Invests over \$1 billion one-time funds in targeted investments in local communities. From parks, to cultural institutions, to infrastructure, to needed local programs, these one-time investments will directly improve lives of Californians at the local level.

## **Bills Expected on Floors for June 28<sup>th</sup>**

- The following bills are expected to be heard by both houses of the Legislature on June 28<sup>th</sup>. These bills are in print and the analysis will be available over the weekend.
  - AB/SB 129 Budget Bill Jr.
  - AB/SB 139 Golden State Stimulus II
  - AB/SB 142 Memorandum of Understanding I
  - AB/SB 146 Public Safety: Facilities Financing
  - AB/SB 147 Budget Act of 2020: Supplemental Appropriations Bill
  - AB/SB 152 Elections
  - AB/SB 158 Toxics
  - AB/SB 159 Memorandum of Understanding II