

JUNE 4, 2020

# Overview of the Legislature's 2020-21 Budget Package

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PRESENTED TO:

Assembly Budget Subcommittee No. 6 on  
Budget Process Oversight and Program Evaluation  
Hon. Philip Y. Ting, Chair



LEGISLATIVE ANALYST'S OFFICE

# Key Assumptions

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## Revenues

- Legislative package uses largely the same revenue assumptions as the Governor's May Revision, including the major revenue proposals.

## Baseline Spending

- Legislative package uses LAO estimates of caseload in Medi-Cal and California Work Opportunity and Responsibility to Kids (CalWORKs), saving an estimated \$3.6 billion relative to the May Revision assumptions.

## Federal Funding

- Both the Legislature's package and May Revision include provisions if additional federal funding is forthcoming.
- Governor's May Revision does not assume more federal funding will be available. Under the May Revision, \$15 billion in spending-related reductions would take effect on July 1, 2020, but those reductions would be restored if sufficient federal funds were received.
- Legislative package assumes new federal funding will be available to offset baseline General Fund costs. Legislative package includes "trigger reductions" if federal funds do not materialize, which would take effect on October 1, 2020.



# Federal Funding Assumptions

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## Additional Federal Funding Is Received

The Legislative package and May Revision are broadly similar, but with some key differences, if the state were to receive additional federal assistance. Key differences are:

- Legislative package would end with more (\$1 billion) in reserves compared to the May Revision.
- Programmatic funding for schools and community colleges would be similar, but mix of funds would differ.
- The Legislative package would reject some May Revision proposals and include some augmentations not in the May Revision. These include:
  - \$1 billion in county realignment assistance (\$600 million of this augmentation would be withdrawn if no additional federal funds were received).
  - \$370 million for the universities (these augmentations would be withdrawn if no additional federal funds were received).
  - \$350 million for local homelessness programs.
  - \$65 million Earned Income Tax Credit expansion.

## Additional Federal Funding Is Not Received

- If no additional federal funds are received, the Legislature's package differs substantially from the May Revision in how it solves the budget problem.



# Comparing Packages Without Federal Assistance

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## Reserves

- **Withdrawals From the BSA.** Withdrawals from the Budget Stabilization Account (BSA) can only be made if the Governor declares a budget emergency in response to either a (1) disaster or (2) fiscal emergency. Up to half of the constitutional balance of the BSA can be withdrawn in the first year.
- **COVID-19 Contingency Fund.** Legislative package rejects Governor's proposal to set aside \$2.9 billion in COVID-19 contingency fund. Instead, the package would designate up to \$716 million in the Special Fund for Economic Uncertainties as a set aside for COVID-19 related expenses.

### Reserves at End of 2020-21 in May Revision and Legislative Package

(In Billions, Assumes No Additional Federal Funding)

	Governor	Legislature	Difference
Budget Stabilization Account	\$8.4	\$6.5	-\$1.8
Safety Net	0.5	0.0	-0.5
Special Fund for Economic Uncertainties <sup>a</sup>	2.0	0.9	-1.0
<b>Totals</b>	<b>\$10.8</b>	<b>\$7.5</b>	<b>-\$3.3</b>

<sup>a</sup> Assembly package includes \$716 million for COVID-19 contingency fund.



## Comparing Packages Without Federal Assistance

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### Cost Shifts

#### **Cost Shifts in May Revision and Legislative Package**

*(In Billions, Assumes No Additional Federal Funding)*

	Governor	Legislature	Difference
Special fund loans and transfers	\$2.4	\$3.5	\$1.1
Reinstate deferrals <sup>a</sup>	—	1.8	1.8
Pension shifts and others	2.4	2.4	—
<b>Totals</b>	<b>\$4.8</b>	<b>\$7.7</b>	<b>\$2.9</b>

<sup>a</sup> Excludes those related to Proposition 98. Payroll deferral would only go into effect if other budgetary savings are not achieved.



## Comparing Packages Without Federal Assistance

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### Spending on Schools and Community Colleges

#### **Funding for K-14 Education in 2020-21 in May Revision and Legislative Package**

*(In Billions, Assumes No Additional Federal Funding)*

	Governor	Legislature	Difference
Proposition 98 funds	\$70.5	\$73.2	\$2.7
Deferred payments	3.7	9.0	5.3
One-time federal relief	5.8	5.8	—
<b>Totals</b>	<b>\$80.1</b>	<b>\$88.1</b>	<b>\$8.0</b>



# Comparing Packages Without Federal Assistance

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## Other Spending

### Key Spending Reductions in the May Revision and Legislative Package

General Fund, Assumes No Additional Federal Funding

	Governor	Legislature
<b>Employee Compensation</b>	<b>\$1.7 Billion.</b> Assumes collective bargaining processes result in 10 percent reduction to state employee pay.	Does not assume a specific amount of savings, which would result from the collective bargaining process.
<b>Payment and Rate Reductions</b>	<b>\$1.2 Billion (Medi-Cal).</b> Uses Proposition 56 to fund Medi-Cal growth instead of provider payments. <b>\$300 Million (DDS).</b> Reduces provider rates. <b>\$297 Million (Child Care).</b> Reduces rates for state preschool program and child care programs.	Rejects Governor's proposal.  Rejects Governor's proposal.  Rejects Governor's proposal.
<b>In-Home Supportive Services</b>	<b>\$205 Million.</b> Reduces recipients' service hours by 7 percent.	Rejects Governor's proposal.
<b>Housing and Homelessness</b>	<b>\$203 Million.</b> Governor proposes eliminating infill infrastructure program enacted in 2019-20.	Rejects Governor's proposal.

DDS = Department of Developmental Services.

