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| FOR IMMEDIATE RELEASE: | Contact: Governor's Press Office |
| Friday, January 8, 2021 | (916) 445-4571 |

**Governor Newsom Proposes 2021-22 State Budget***Prioritizes funding to get all Californians vaccinated, provides direct relief to Californians facing job loss and eviction, doubles down on supports to small businesses and invests in safety and equity for all students* SACRAMENTO – Governor Gavin Newsom today submitted his 2021-22 State Budget proposal to the Legislature – a $227.2 billion fiscal blueprint that provides funding for immediate COVID-19 response and relief efforts where Californians need it most while making investments for an equitable, inclusive and broad-based economic recovery. With the end of the COVID-19 pandemic in sight, the Governor’s Budget prioritizes key actions that will urgently help the California families and businesses impacted most. It proposes $372 million to speed up administration of vaccines across all of California’s 58 counties, bolstering the state’s all-hands-on-deck approach to swift and safe vaccine distribution. It also includes a $14 billion investment in our economic recovery and the Californians who most need relief – those who have lost their jobs or small businesses, or are facing eviction – advancing direct cash supports of $600 to millions of Californians through the Golden State Stimulus, extending new protections and funding to help keep people in their homes and investing in relief grants for small businesses. As part of this investment in California’s future, the Budget intensifies the Governor’s commitment to equity in and for our school communities, reflected by the highest levels of school funding – approximately $90 billion total – in California’s history. The commitment includes investments to target the inequitable impacts of the pandemic on schools and families, including $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 and $400 million for school-based mental health services.  In addition to these measures to support Californians through the end of the COVID-19 pandemic, the Budget also advances long-term strategies for an equitable, broad-based economic recovery so the state can emerge from the pandemic stronger than before. Building on actions the state has taken to support California’s businesses throughout the pandemic, including emergency aid and regulatory relief, the 2021-22 State Budget makes investments across sectors and proposes supports for businesses of all sizes, including $777.5 million for a California Jobs Initiative, which focuses on job creation and retention, regional development, small businesses and climate innovation.  The Budget recognizes how COVID-19 has disproportionately impacted Californians who were already struggling before the pandemic, exacerbating decades-long inequalities. Accordingly, it works to expand opportunity for some of the hardest hit Californians and help them get ahead. The Budget also proposes one-time and ongoing investments totaling $353 million to support California’s workers as they adapt to changes in the economy brought about by COVID-19. It lifts up proven, demand-driven workforce strategies like apprenticeship and High-Road Training Partnerships and advances collaboration between higher education and local workforce partners.  “In these darkest moments of the COVID-19 pandemic, this Budget will help Californians with urgent action to address our immediate challenges and build towards our recovery,” said Governor Newsom. “As always, our Budget is built on our core California values of inclusion, economic growth and a brighter future for all. The Budget makes progress towards the goal I set when taking office to harness California’s spirit of innovation and resilience and put the California Dream within reach of more Californians. I look forward to working with the Legislature to enact these critical immediate and longer-term priorities for our state for the 40 million who call the Golden State home.”  This Budget is built on the prudent fiscal management that has helped the state weather the COVID-19 Recession in 2020, and with an improved revenue forecast entering 2021. Through the end of this pandemic and beyond, it 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.  The Budget makes new proposals to address the affordability of health care and housing, and supports the increase in the state's minimum wage to $14 per hour. The Budget includes significant new strategies to reduce the impacts of climate change, with focused investments to support the state's zero-emission vehicle goals and an additional $1 billion to address a comprehensive wildfire and forest resilience strategy.  Finally, the Budget promotes effective government with additional investments to improve the state's ability to respond rapidly to emergencies and continues the critical work to improve government efficiency and bring government services into the digital age. The Budget reflects $34 billion in budget resiliency – budgetary reserves and discretionary surplus – 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; an estimated $2.9 billion in the state’s operating reserve; and $450 million in the Safety Net Reserve. The state is operating with a $15 billion surplus.  The Budget continues progress in paying down the state's retirement liabilities and reflects $3 billion in additional payments required by Proposition 2 in 2021-22 and nearly $6.5 billion over the next three years. In addition, the improved revenue picture allows the state to delay $2 billion in scheduled program suspensions for one year. Additional detail on the 2021-22 State Budget is below.  **Immediate Actions to Provide Relief and Safely Reopen Schools** The Budget reflects the Governor’s call for immediate legislative action to provide rapid relief to individuals, families and small businesses hit hardest by the COVID-19 pandemic, as well as funding needed to begin a return to in-person learning starting next month. These actions include: * $2.4 billion for the Golden State Stimulus – a $600 state payment to low-income workers who were eligible to receive the Earned Income Tax Credit in 2019, as well as 2020 Individual Taxpayer Identification Number (ITIN) filers
* $575 million to more than double this year’s funding for grants to small businesses and small non-profit cultural institutions disproportionately impacted by the pandemic
* $70 million to provide immediate and targeted fee relief for small businesses including personal services and restaurants
* $2 billion targeted specifically to support and accelerate safe returns to in-person instruction starting in February, with priority for returning the youngest children (transitional kindergarten through 2nd grade) and those with the greatest needs first

 **Initial $372 Million Set Aside for COVID-19 Vaccinations** The Budget sets aside an initial $372 million in state funds, which can be allocated immediately as needed, for expenses to expedite the delivery of COVID-19 vaccinations.  **Accelerating Economic Recovery and Job Creation** The Budget builds on actions taken in 2020 to support small businesses, including the elimination of the first year of the minimum franchise tax, expansion of small business loan guarantees and creation of a new Main Street hiring tax credit.  The Budget also proposes $4.5 billion for the Governor’s Equitable Recovery for California’s Businesses and Jobs plan, including the following actions to accelerate economic recovery and job creation: * $1.5 billion for the infrastructure and incentives to implement the state's zero-emission vehicle goals
* $1.1 billion immediate relief for small businesses
* $777.5 million for a California Jobs Initiative to provide incentives targeted at accelerating investment and job creation
* $353 million for workforce development
* $300 million for deferred maintenance and greening of state infrastructure

 The Budget also invests $385 million for targeted investments to build a more sustainable agricultural industry.  The Budget reflects key investments in the following areas: **K-14 Education** The Budget reflects the state’s highest-ever funding level for K-14 schools – approximately $90 billion total, with $85.8 billion under Proposition 98. The historic investment centers on equity in and for our school communities, especially as they navigate the inequitable impacts of the pandemic. The Budget continues to expand on the Governor’s multi-year investments for greater equity for students and the broader school community. Targeted investments in special education include $545 million in ongoing funds – building on $1.5 billion over the last two years – and $300 million in ongoing funds for early intervention for infants, toddlers and preschoolers. The Budget also continues to build on the Governor’s long-term commitment to equity for the entire school community – including all school staff – with over $475 million to ensure teachers and classified staff have the opportunities, funding and preparation they need as professionals.  The Budget also reflects key investments targeted to address the impacts of the pandemic on students, especially those inequitably impacted. Recognizing the value of in-person settings for both social-emotional and academic development, $2 billion is proposed for immediate action to support and accelerate safe returns to in-person instruction beginning in February, based on a phased-in approach that starts with our youngest students. Recognizing that students will need support that extends beyond the traditional school day or year, $4.6 billion is proposed for action this spring to expand learning opportunities for students, including summer and after-school programs. To address the mental health needs of our students, especially as a consequence of trauma and the pandemic, $400 million is proposed for school-based mental health. All of these funds will prioritize students and communities disproportionately impacted by the pandemic, with funds strongly weighted toward schools serving students from low-income families, foster youth, homeless students, English learners and others disproportionately impacted by the pandemic. The Budget also directs a significant portion of additional funding to paying down nearly two-thirds of the deferrals implemented last year and provides a 3.84-percent cost-of-living adjustment to the Local Control Funding Formula. Growth in capital gains and overall revenues triggers deposits of roughly $3 billion into the Public School System Stabilization Account, resulting in a statutory cap of 10 percent on local school district reserves in 2022-23. **Early Education and Child Care** The COVID-19 pandemic has disrupted the state’s child care system, and federal funding has been critical to reducing long-term losses in this system. Building on the state’s $400 million investment since 2019 in expanded early education and child care, and based on recommendations made in the Master Plan for Early Learning and Care, the Budget expands high-quality transitional kindergarten programs for all four-year-olds through $250 million in incentive funds for districts that expand these programs. The Budget also includes $200 million one-time General Fund for transitional kindergarten and kindergarten facilities and $50 million one-time Proposition 98 General Fund for professional development focused on preparing teachers for early childhood programs. The Budget also builds on the Governor’s previous investments of $1.5 billion over the last two years in special education, with $545 million ongoing funding and adding $300 million for additional special education for infants, toddlers and preschoolers this year.  The Administration has already begun the collective bargaining process with representatives of child care providers to negotiate a memorandum of understanding that governs the payments made to these providers. The Budget also reflects $44 million ongoing Cannabis Funds for 4,500 more child care vouchers, including $21.5 million in 2020-21. **Higher Education and Workforce** The Budget proposes a General Fund 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 Budget also assumes resident tuition and fees remain flat in 2021-22. The Budget proposes an overall $353 million investment in workforce development. It includes a $250 million one-time General Fund 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. The Budget also proposes early action for $25 million to immediately 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. The Budget proposes early action on a portion of these incentives in the spring to accelerate recovery before the 2021-22 fiscal year begins in July. **Addressing Health Care Affordability and Aging** The COVID-19 pandemic has accentuated the need for health care for all. While responding to the COVID-19 pandemic, the state continues to work on long-term plans to reduce the costs of health care by lowering prescription drug costs; the Budget includes the creation of a new Office of Health Care Affordability. The Office will increase quality and cost transparency, develop cost targets and evaluate consequences for entities that fail to meet the targets. The Budget proposes to implement the California Advancing and Innovating Medi-Cal (CalAIM) initiative to reduce variation and complexity in the state's Medi-Cal program, manage member risk and need and improve outcomes through payment reform. CalAIM will target and coordinate care for vulnerable populations with complex health needs that currently drive high costs. The effort will include housing-related services and flexible wraparound services so health plans may avoid costlier alternatives to hospitalization, skilled nursing facility admission and/or discharge delay. The Budget recognizes the extraordinary challenges older Californians and their families face during the COVID-19 pandemic, and proposes a range of investments to increase opportunities for Californians to age well over the next decade, including developing new strategies with the federal government to leverage Medicare to provide additional long-term services and supports. **Housing and Homelessness** The state continues to make progress in addressing the housing availability and affordability crisis that has been exacerbated by the COVID-19 pandemic. In addition to the $500 million for infill infrastructure, the Budget also proposes an additional $500 million in low-income housing tax credits to support low-income housing development. The Administration is streamlining and reorganizing state housing programs to maximize housing production, while also continuing to support below-market rate housing. Through Homekey – a nation-leading effort to acquire motels for homeless housing to respond to the COVID-19 pandemic – the state has awarded $846 million to 51 local agencies to secure over 6,000 units of permanent housing for individuals and families who had been homeless. The Budget includes $1.75 billion one-time General Fund to purchase additional motels, develop short-term community mental health facilities and purchase or preserve housing dedicated to seniors. The Budget also proposes changes to the state's Medi-Cal system to better support behavioral health and housing services that can help prevent homelessness.  **Emergency Response and Preparedness** In 2020, the state experienced catastrophic wildfires that consumed over four million acres, far more than any previous year in the state's history. The historic emergency response, while combatting the COVID-19 pandemic at the same time, strained the state's emergency response capabilities. The Administration is developing a spring proposal to strengthen the Governor’s Office of Emergency Services' ability to respond to emergencies and support recovery efforts, especially in vulnerable communities. Building on significant investments in the state's firefighting capabilities, the Budget adds $143 million General Fund to support 30 new fire crews, and also includes $48 million to continue phasing in Black Hawk helicopters and large air tankers.  Additionally, the Budget proposes $17.3 million for earthquake early warning.  **Climate Change Action** The Budget proposes an additional $1 billion to support a coordinated forest health and fire prevention strategy that maximizes technology and science-based approaches to protect state forestlands, including $39 million for LiDAR remote sensing and research. The Budget proposes $323 million for early action in the spring to start these forest health and fire prevention projects before the next fire season. The Budget proposes a $1.5 billion comprehensive strategy to achieve the state’s zero-emission vehicle goals by 2035 and 2045, including securitizing up to $1 billion to accelerate the pace and scale of the infrastructure needed to support zero-emission vehicles. **Environmental Justice** The Budget includes $300 million one-time General Fund for toxic site cleanup and investigations of high-priority contaminated properties in impacted communities across the state, which will be prioritized based on public health risk criteria. Further, the Budget creates incentives to clean up and develop these sites for future housing. The Budget also proposes comprehensive governance and fiscal reform for the Department of Toxic Substances Control that will provide for the support needed in the long term to address future cleanups of orphan sites and the reduction of harmful toxic substances in the environment. The Budget includes a multi-faceted approach to reducing harmful pesticides and supports the transition of the agricultural industry to integrated pest management and more regenerative practices. **Results-Oriented Government and Digital Transformation** The COVID-19 pandemic has required many businesses to be flexible, creative and innovative. As the employer of a workforce of over 250,000, the state also responded immediately by putting in place a statewide telework program and new ways to conduct state business. This shift has meant the state must also evaluate its portfolio of state leases to determine spaces that can be released and/or consolidated. The Budget assumes a five-percent permanent reduction in state operations expenditures, challenging departments and agencies to find more efficient means to provide services to Californians. The Budget also makes major investments to provide additional support to the California Department of Technology to bolster its ability to review and improve upon critical state information technology systems before a failure occurs. In addition, the Office of Digital Innovation continues to lead state government in the transformation of consumer-facing services. For further information on these and other items in the Governor’s Budget, the full Governor’s Budget Summary is available at [www.ebudget.ca.gov](http://cert1.mail-west.com/mmOyzB/anmc7r/mOgtmyuzj/wr181/jitw/jv0y6m/2mOdvt). |

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