Fiscal Update

- **Budget Background**
  - General Fund Revenues
  - General Fund Expenditures

- **Impacts of COVID-19 Pandemic**
  - Revenue Implications
  - Spending Implications
  - Projected Budget Deficits
Where Do State General Fund Revenues Come From?
As of 2020-21 Governor’s Budget

- Personal Income Tax: 67.0%
- Corporation Tax: 10.4%
- Sales and Use Tax: 18.4%
- Other: 4.2%

Source: 2020-21 Governor’s Budget
Where Do State General Fund Dollars Go?

- Schools: 34.7%
- Medi-Cal: 15.6%
- IHSS/SSP: 4.9%
- Other State Operations: 3.4%
- Corrections and Rehabilitation: 8.3%
- Other Local Assistance: 14.0%
- UC and CSU: 5.6%
- PERS: 2.6%
- STRS: 3.0%
- Debt Service: 3.6%
- Community Colleges: 4.2%

Source: The 2019 Budget Act
2019 Budget Act
General Fund Expenditures

- K-12 Schools and Community Colleges: $57.1 billion
- Medi-Cal: $23.1 billion
- State Employee Payroll: $13 billion
- State prisons: $12.6 billion
- UC and CSU: $8.3 billion
- CalWORKs: $5.5 billion
- Services for individuals with developmental disabilities: $5 billion
- In-Home Supportive Services: $4.5 billion
- Judicial Branch: $2.2 billion

Sources: The 2019 Budget Act and State Employee Payroll (Department of Finance)
Governor’s January Budget Projections

- U.S. real GDP growth 2 percent through 2023
- U.S. and California unemployment rates 3.8 percent and 4.4 percent, respectively
- California personal income growth 4.8 percent in 2019 to 4.2 percent in 2023
- Budget was structurally balanced and budgetary debt was repaid
- Surplus = $5.6 billion
- Reserves = $21 billion
The U.S. is currently in a recession

COVID-19 recession projected to lead to declines in GDP, employment, and personal income that are worse than declines during the Great Recession

U.S. GDP projected to decrease by 26.5 percent in spring of 2020

Compared to January forecast, California personal income projected to decline by more than 15 percent/$470 billion by 2023
Contributions to U.S. Real GDP

Source: U.S. Bureau of Economic Analysis; CA Department of Finance, May Interim Forecast.
COVID-19 Recession Revenue Drop

May Revision Baseline Estimates:

- 2018-19  $0.7 billion
- 2019-20  -$9.7 billion
- 2020-21  -$32.2 billion

Under Proposition 98’s constitutional calculation, this revenue decline results in a lower required funding level by $18.3 billion General Fund for K-12 schools and community colleges.
COVID-19 Recession
Projected Deficit through 2020-21

Surplus at Governor’s January Budget $5.6 billion

Changes at May Revision:

May Revision Baseline Revenue Estimates -$41.2 billion
HHS Caseload Increases -$7.1 billion
Other Expenditure Adjustments -$6.0 billion
Overall Deficit -$54.3 billion

Source: Department of Finance