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California Budget Perspective 2019-20

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SCOTT GRAVES, DIRECTOR OF RESEARCH

A PRESENTATION TO:

NATIONAL ASSOCIATION OF SOCIAL WORKERS

CALIFORNIA CHAPTER

2019 LEGISLATIVE LOBBY DAYS EVENT

SACRAMENTO, APRIL 7, 2019

**What comes to mind
when you think of the
state budget?**







**Budgets are statements of
our values and priorities.**

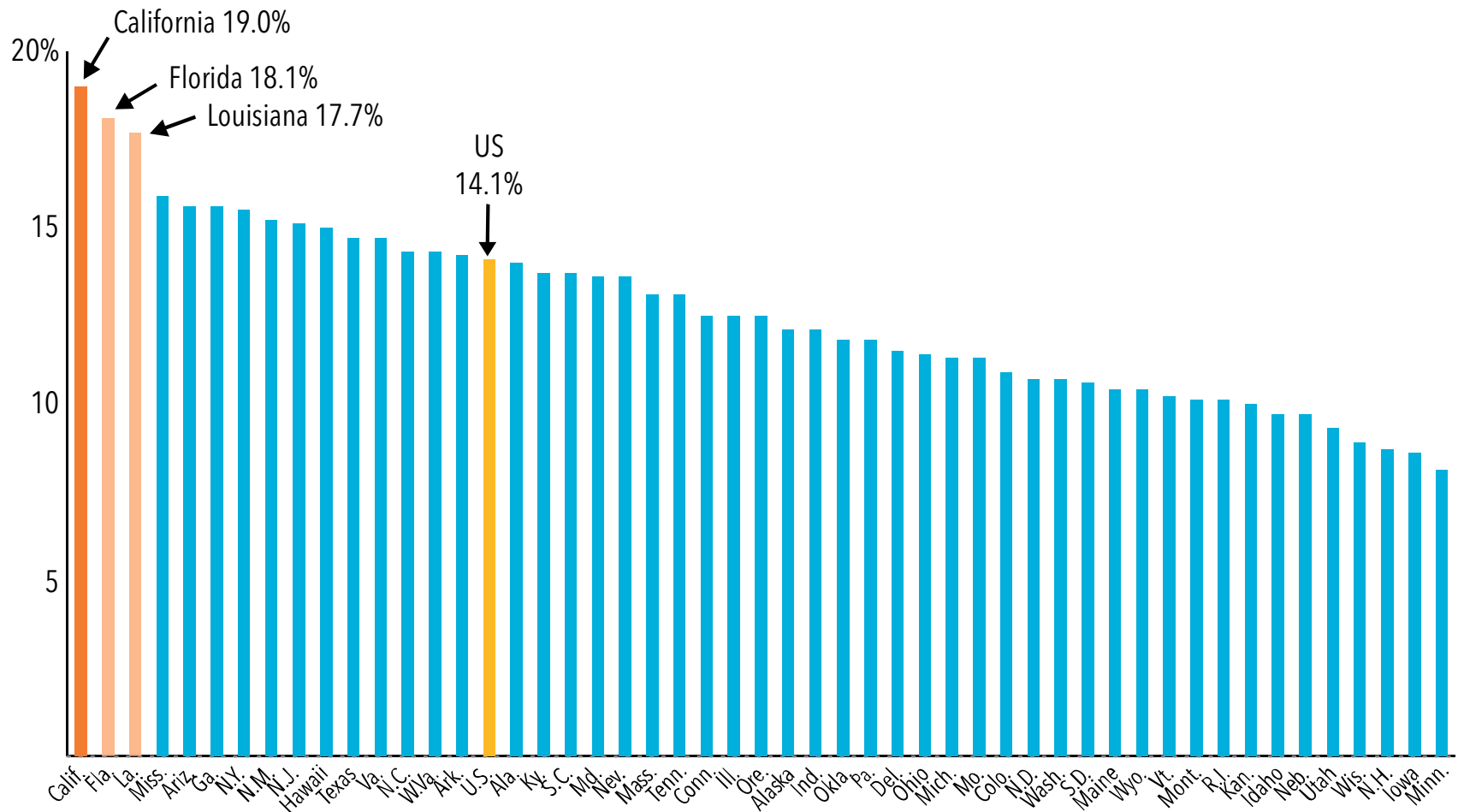


California's economy continues to grow, but millions of residents are not sharing in our state's prosperity.



California Has One of the Highest Poverty Rates of the 50 States Under the Supplemental Poverty Measure

State Poverty Rate Under the SPM, 2015-2017



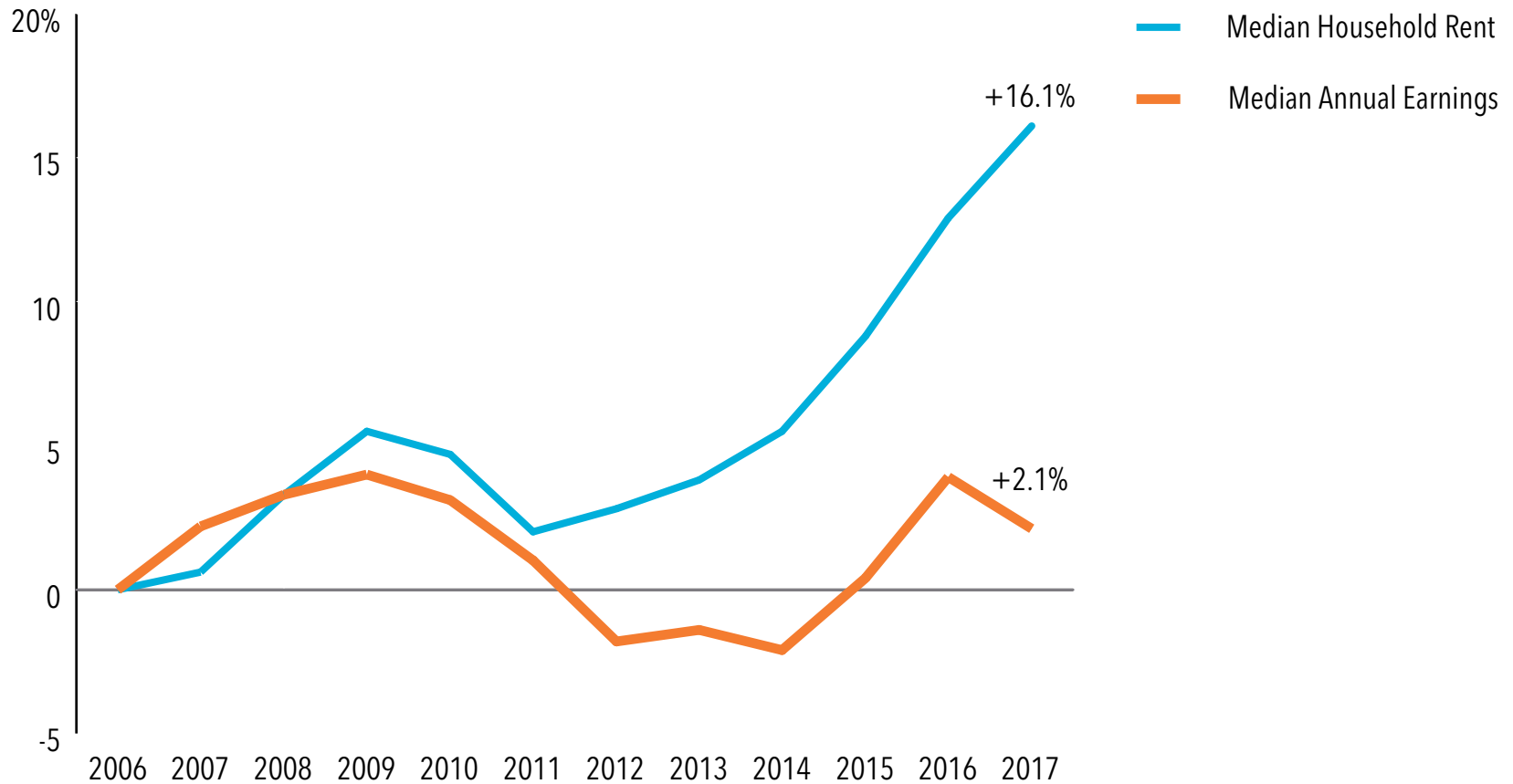
Note: Poverty rates for California, Florida, and Louisiana are not statistically different.

Source: US Census Bureau, Current Population Survey



Workers' Earnings Have Not Kept Pace With Rents in California

Percent Change in Inflation-Adjusted Median Rent and Median Annual Earnings Since 2006



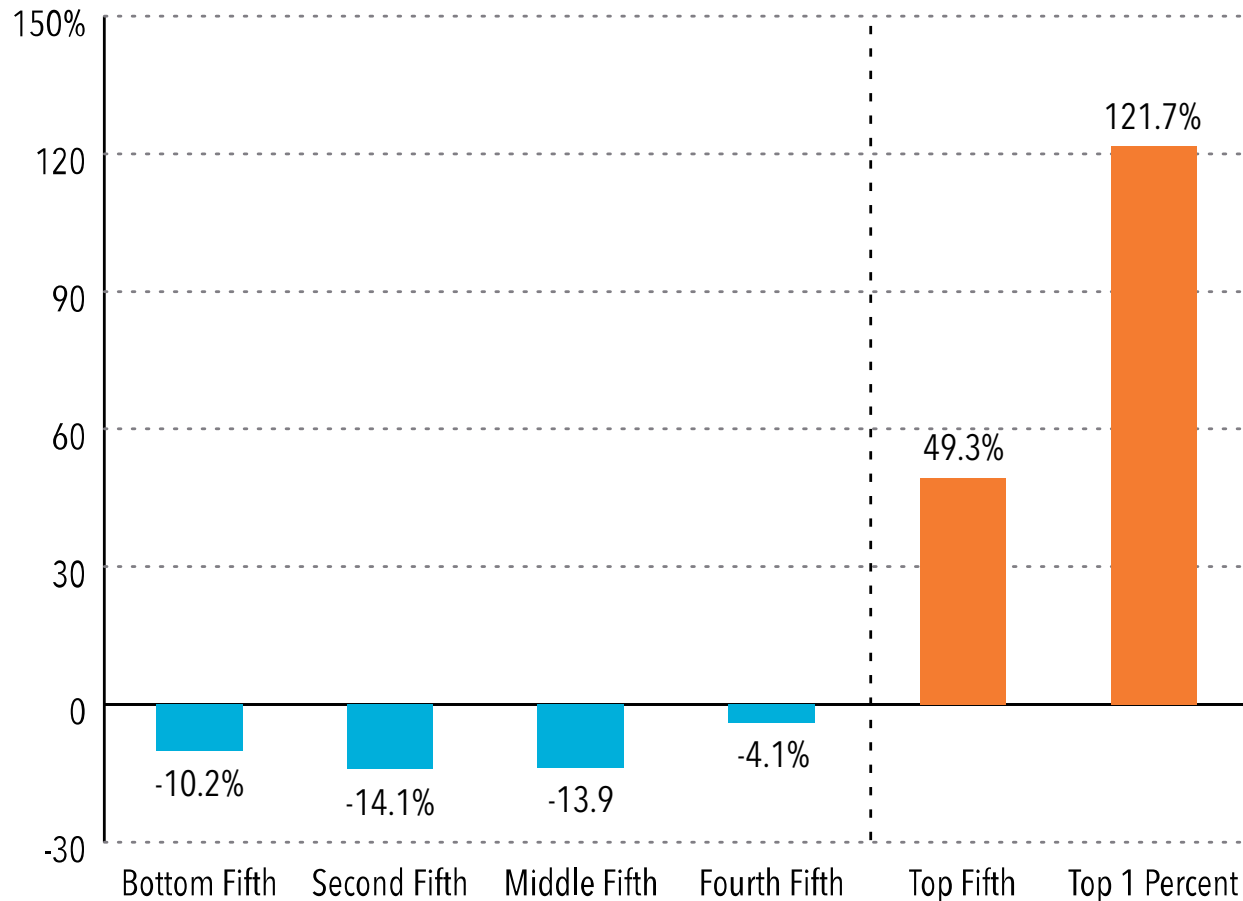
Note: Median annual earnings for individuals working at least 35 hours per week and 50 weeks per year. Excludes workers with \$0 or negative total earnings.

Source: Budget Center analysis of US Census Bureau, American Community Survey data



Incomes Have Grown Only for the Highest-Income California Families Over the Last Generation

Percent Change in Average Adjusted Gross Income (AGI), 1987-2016, Inflation-Adjusted



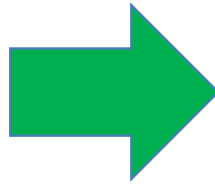
Source: Franchise Tax Board



**2019 brought a big change
to the Governor's office.**



Out: Governor
Jerry Brown



In: Governor
Gavin Newsom



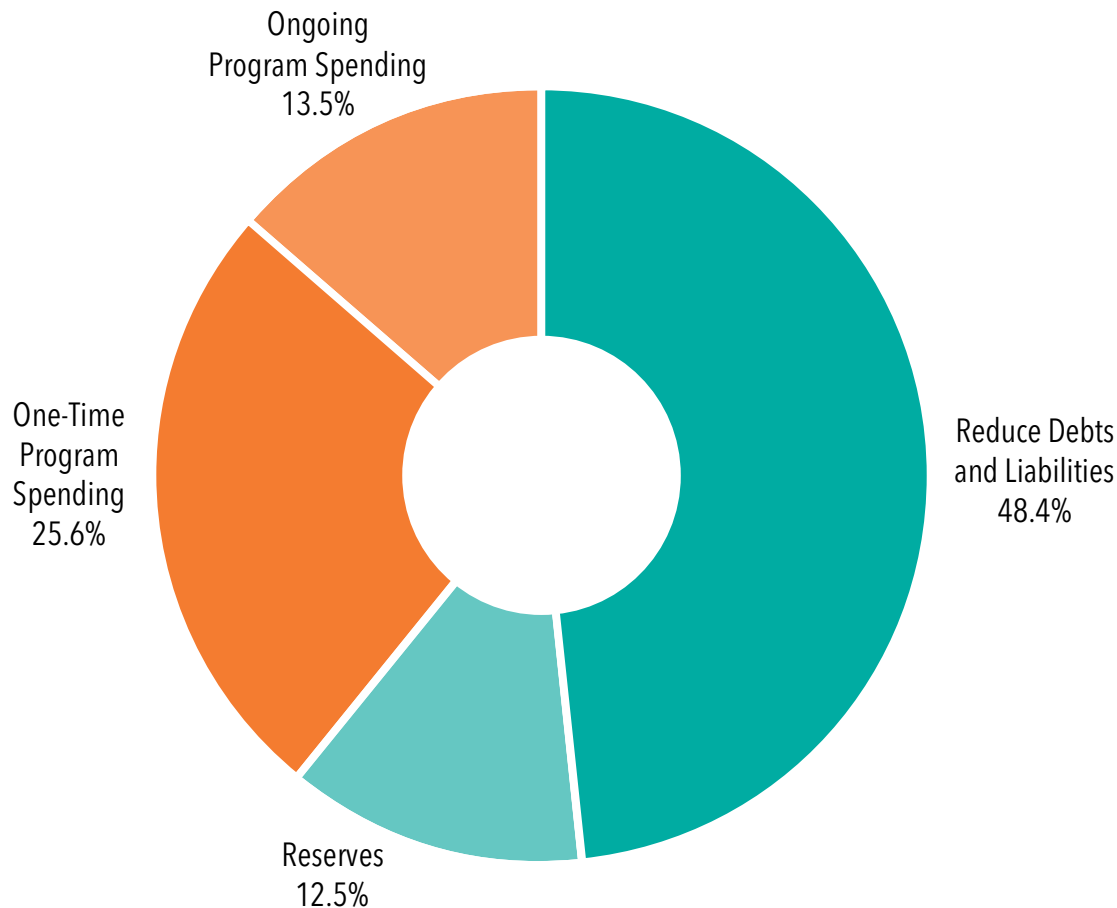
**Governor Newsom's
proposed 2019-20 budget
rests on a solid foundation:**

A \$20 billion budget surplus.



Governor Proposes to Use More Than 60% of Discretionary Resources to Reduce Debt and Build Reserves

Total Discretionary Resources Projected as of the Proposed 2019-20 Budget = \$20.1 Billion*



* This amount reflects a downward adjustment of \$475 million to account for an error in the Governor's proposed 2019-20 budget that was identified by the Legislative Analyst's Office.
Source: Legislative Analyst's Office



The Governor has proposed smart and bold investments aimed at broadening economic security and opportunity.



A Dozen Key Areas Targeted for Expansion, New Funding, and/or a New Approach in 2019-20

Boost funding for child care and kindergarten facilities

Add 10,000 full-year, full-day preschool slots

Increase funding for CCCs, CSU, UC & Cal Grants

Significantly expand the CalEITC

Expand access to Child Savings Accounts

Accelerate planned increases to CalWORKs cash assistance

Expand the state's Paid Family Leave program

Build affordable housing and address homelessness

Extend full-scope Medi-Cal to undocumented young adults

Increase funding for mental health services

Support developmental and trauma screenings

Rethink the state's approach to justice-involved youth



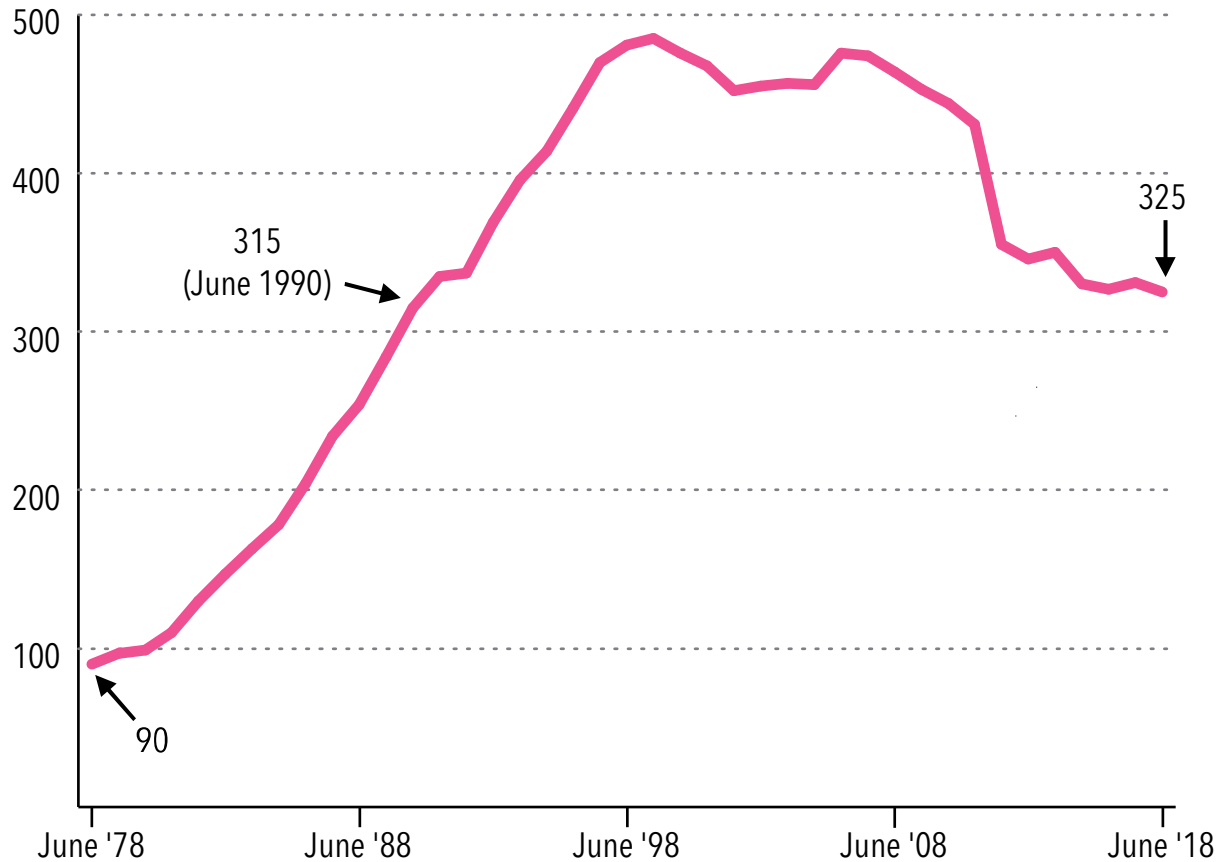
The state prison system does not feature prominently in the Governor's proposed budget.

It deserves greater attention.



As California Has Rolled Out Criminal Justice Reforms, the Incarceration Rate Has Fallen to Nearly the June 1990 Level

Number of Adults Incarcerated by the State Per 100,000 Californians



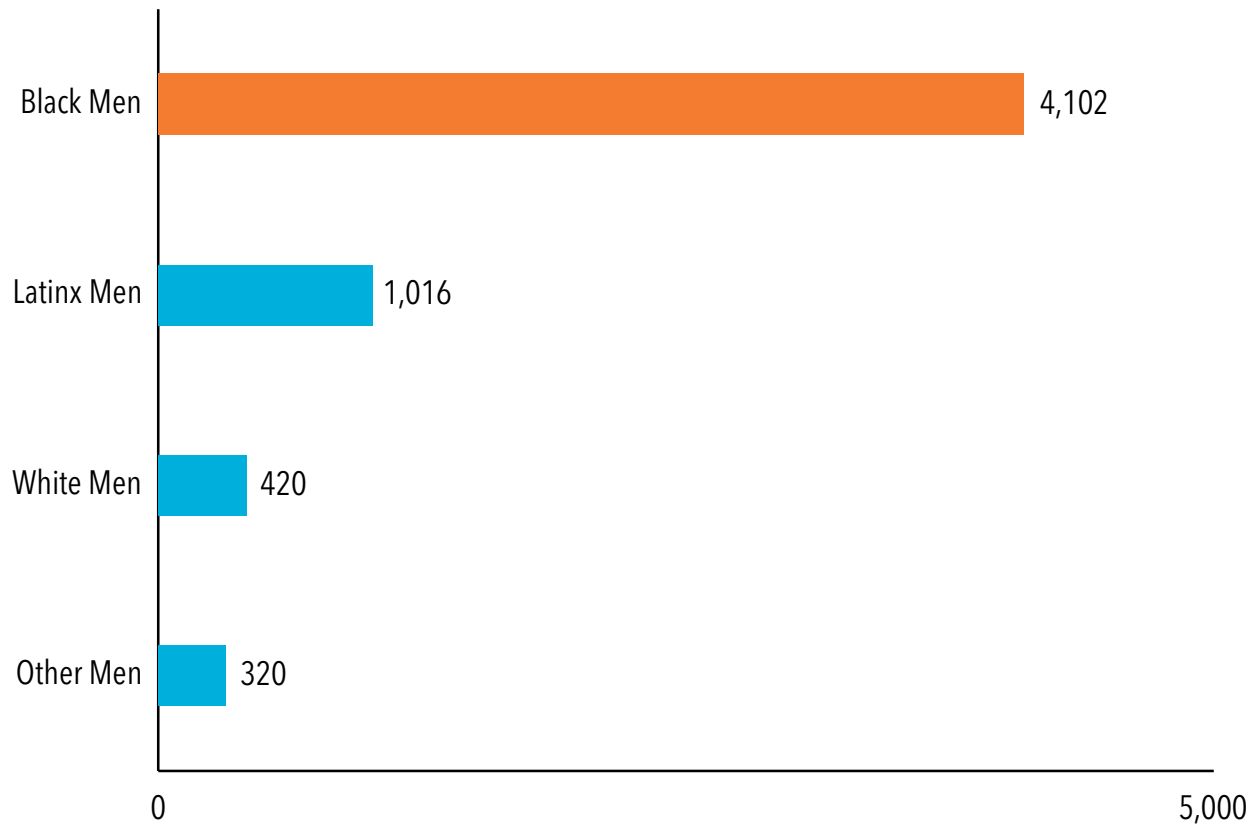
Note: Reflects adults housed in state prisons as well as in other facilities in and outside of California. Figures are as of June 30 of each year.

Source: Budget Center analysis of data from the California Department of Corrections and Rehabilitation and the Department of Finance



The Incarceration Rate for Black Men Is Much Higher Than for Latinx, White, and Other Men in California

Number of Men Incarcerated by the State Per 100,000 Men in Each Racial/Ethnic Group



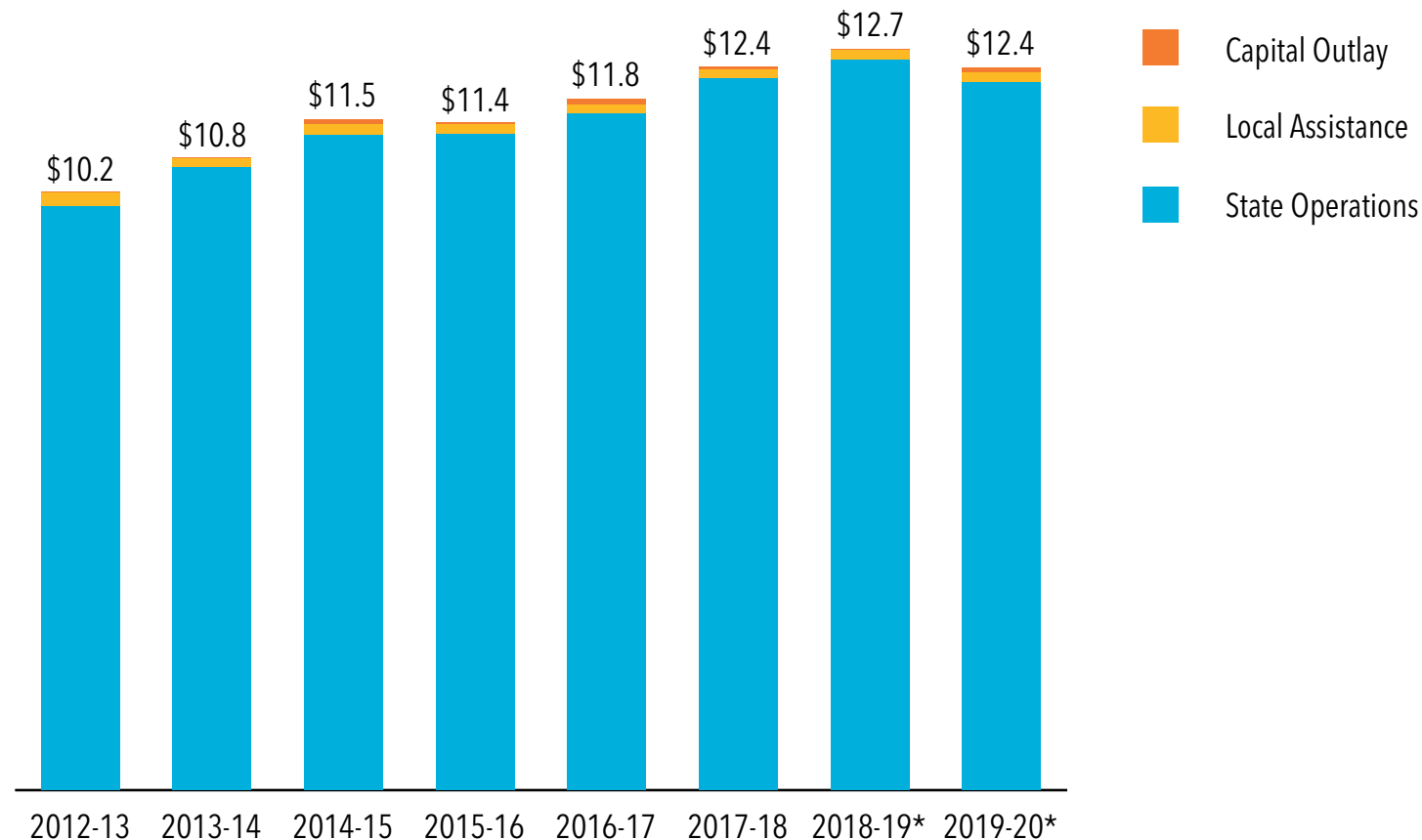
Note: All data reflect Californians age 18 or older. California population estimates are as of July 1, 2017; state-level incarceration data are as of December 31, 2017.

Source: Budget Center analysis of California Department of Corrections and Rehabilitation and US Census Bureau data



State Support for the Department of Corrections and Rehabilitation (CDCR) Is Up Substantially From 2012-13

Inflation-Adjusted General Fund Dollars in Billions



* 2018-19 estimated and 2019-20 proposed.

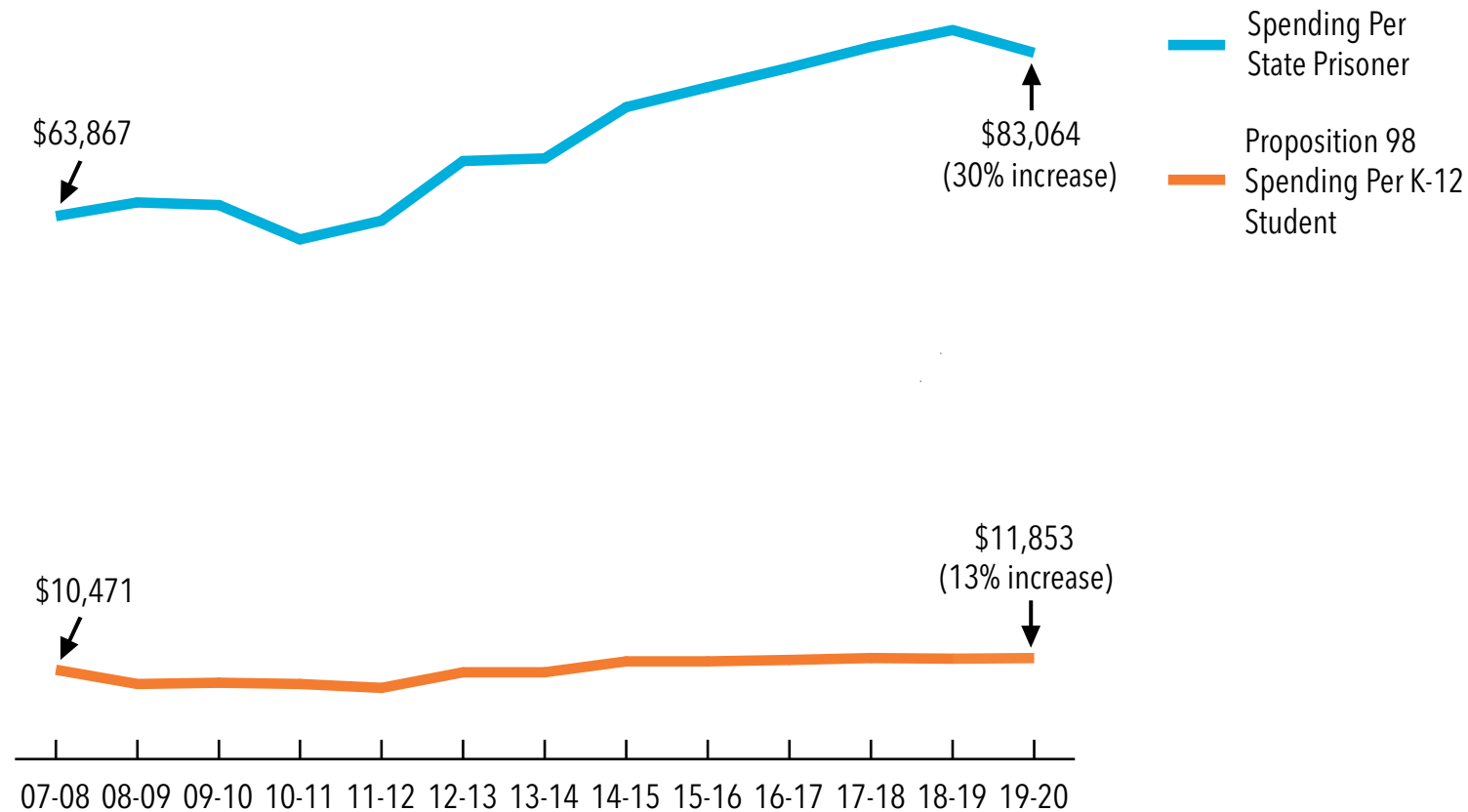
Note: Effective July 1, 2017, the CDCR assumed responsibility for operating 24-hour inpatient psychiatric care in three prisons. This change increased CDCR spending by roughly \$275 million beginning with the 2017-18 fiscal year. Figures are inflation-adjusted to 2019-20 dollars.

Source: Department of Finance



Since 2007-08, Spending Per State Prisoner Has Increased More Than Twice as Fast as Spending Per K-12 Student

Inflation-Adjusted Per Capita Expenditures



Note: 2018-19 spending is estimated; 2019-20 is proposed. The "state prisoner" category includes a relatively small number of individuals housed in state fire camps. Proposition 98 spending includes both state General Fund and local property tax dollars.
Source: Department of Finance and Legislative Analyst's Office



The Governor's proposed 2019-20 budget is a solid starting point, but is not the final product.

Advocates' voices will shape the budget package over the next two months.



What to Watch for Going Forward

- **Legislature's reaction:** Will Assembly and Senate leaders seek to scale back, expand, or restructure the Governor's proposals?
- **Supermajority votes:** Some of the Governor's proposals would require a two-thirds vote of the Legislature. Are state legislators willing to take those votes?
- **Revenue outlook:** If projected revenues come up short, the anticipated \$20 billion state budget surplus would be reduced.





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