



Fiscal Update 2020-21 May Revision

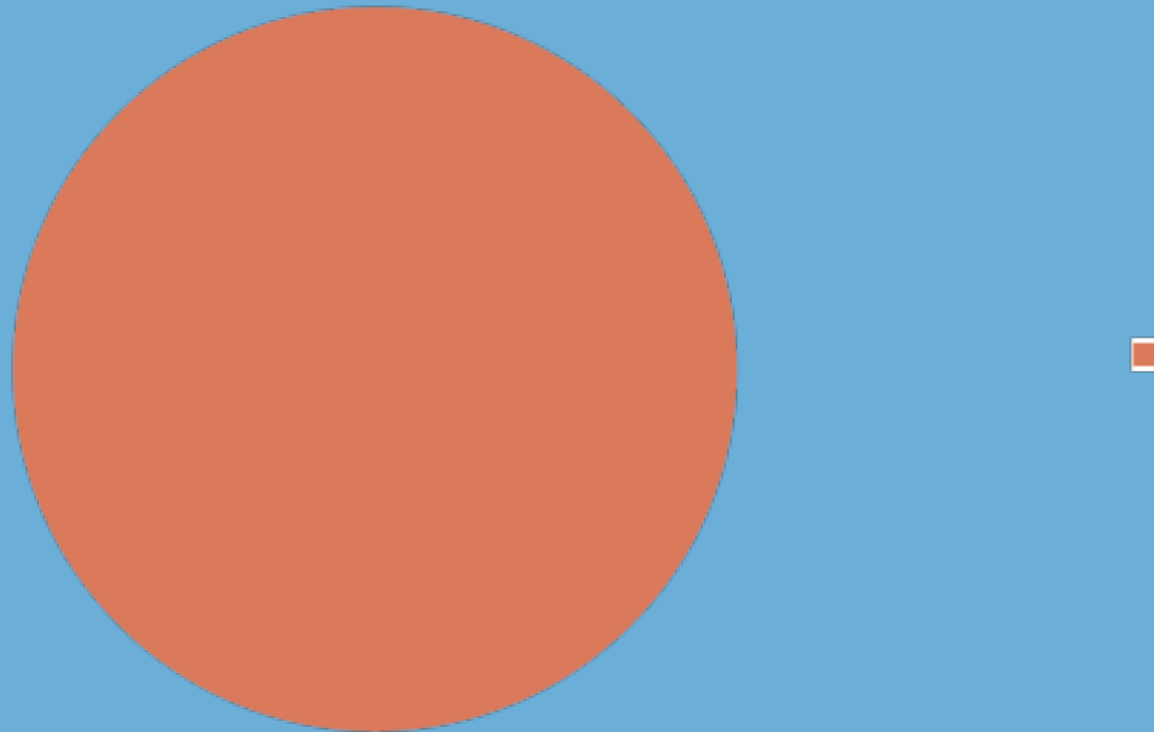
May 7, 2020

Fiscal Update

- **Budget Background**
 - General Fund Revenues
 - General Fund Expenditures
- **Impacts of COVID-19 Pandemic**
 - Revenue Implications
 - Spending Implications
 - Projected Budget Deficits

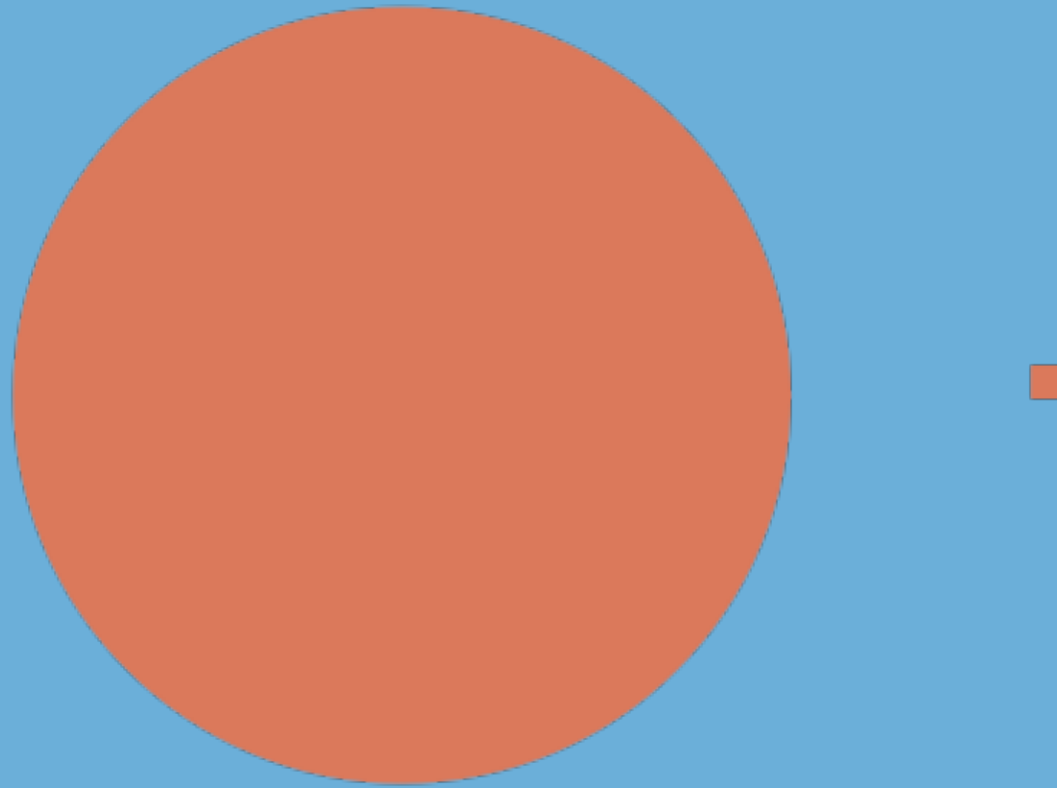
Where Do State General Fund Revenues Come From?

As of 2020-21 Governor's Budget



Source: 2020-21 Governor's Budget

Where Do State General Fund Dollars Go?



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)

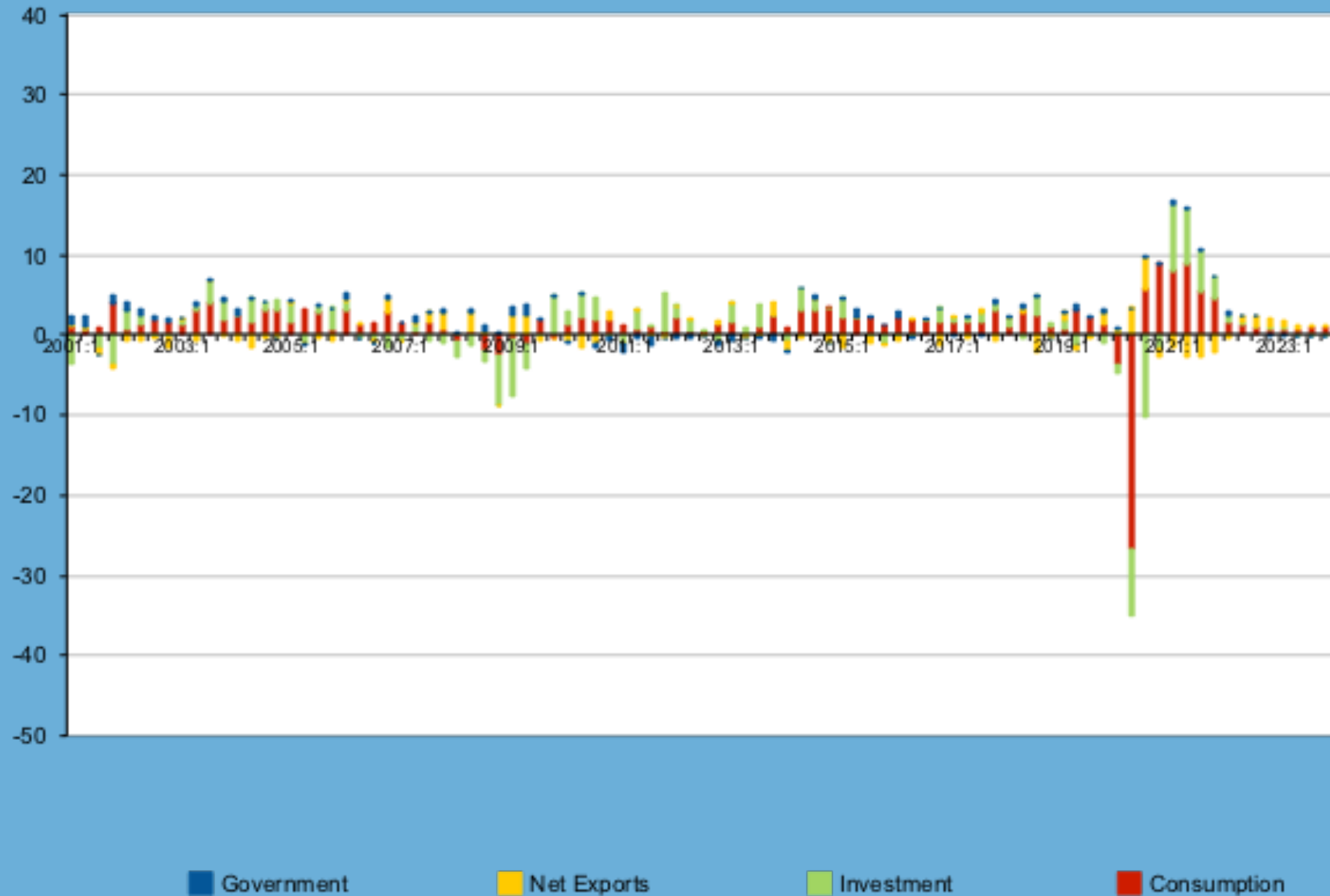
Governor's January Budget Projections

- 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

U.S. in Recession Due to COVID-19

- 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



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