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CAPITOL UPDATE from the  
CFRW Legislative Analyst Desk  
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### 2021/2022 PROPOSED BUDGET

Governor Newsom released his proposed 2021/2022 budget on January 8th before the required deadline of January 10. The budget as proposed is **\$227.2 billion**. The spending categories are as follows:

Budget resiliency	\$34 million
Housing & Homelessness Investment	\$10 billion
Immediate Relief to Individuals & Small Business	\$3.5 billion
Accelerating Economic Recovery & Job Creation	\$3.8 billion
Emergency Response & Preparedness	\$191 million
Climate Change Action	\$3.8 billion
Environmental Justice	\$300 million
Office of Emergency Services	\$1.9 billion
Climate Change	\$2.3 billion
Natural Resources	\$7.4 billion
Environmental Protection	\$4.3 billion

For each of these allocations, there will be a bill by the Legislature to implement the spending. Two major bills now are **SB 112 and AB 412**, although there are other budget bills ready to go to the appropriate committee.

Let's look at one of the categories, *Budget Resiliency* in the amount of \$34 billion.

- \$15.6 billion to the Rainy-Day Fund (started by Governor Brown) for fiscal emergencies

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- \$2.9 in the State's operating reserve
- There is an additional \$3 billion payment required by Proposition 2 and nearly \$6.5 billion over the next 3 years. The improved revenue picture allows the delay of \$2 billion in scheduled program suspensions for one year.

*Budget Resiliency* is critical to protect programs in the future when expenditures are expected to grow faster than revenues. The projected structural deficit for 2022-2023 is \$7.6 billion and for 2024-2025, structural deficit is anticipated to grow to \$11 billion.

Initial estimates project that Prop 4 (Gan Limit) will be exceeded by \$102 million. Any funds above this limit are constitutionally required to be allocated evenly between schools and a tax refund. Updated calculations are to be included in the May budget revision.

The budget assumes a 5% permanent reduction in state operation expenditures.

Further budget information will be provided in future weeks to keep you updated on changes that may take place and how other budget items are being adjusted.

*Elaine Freeman, Legislative Analyst*

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### **A Message About a Correction to a Previous Capitol Update**

We would like to make a correction on an item from our 01/04/21 edition, recapping new laws from 2020. Under the "Lifestyle" heading, the item about AB-1 should say "Youth football teams are limited to 30 minutes of full-contact activities in any single practice, and no more than two practices per week may contain full-contact activities". In the article, the words "full contact" were inadvertently left out. The rest of the article stands as is. Our apologies for any confusion.

*Gretchen Cox, Legislative Analyst*

[http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201920200AB1](http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1)

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