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**2018-19 Budget Highlights**  
**Economic and Community Development**

The stability and financial integrity of national, state, and local budgets are important to the long-term growth of an economy. Governments play crucial roles in supporting the highly integrated set of economic drivers, including preparing a qualified workforce, building infrastructure, and setting regulatory and administrative rules for accessing capital, deploying investments, and utilizing public services and resources. Further, when governments fail to adopt and maintain balanced budgets they also compete with and can sometimes crowd-out or raise costs for private investors in the debt marketplace.

California's \$201 billion state budget for 2018-19 provides new and expanded funding for key investments, and sets aside substantial funds for less prosperous times.

**Balanced Budget and Saving for Economic Downturns**

The 2018-19 budget provides for total reserves to fully fund the Proposition 2 Rainy Day Fund years ahead of schedule. Total reserves will be the largest in any enacted budget in modern California history.

By the end of 2018-19:

- Moneys in the Prop 2 Rainy Day Fund will reach an estimated \$13.8 billion: its constitutional maximum level.
- Moneys in the state's traditional reserve, the Special Fund for Economic Uncertainties, will reach \$2 billion.
- Moneys in a new Safety Net Reserve will reach \$200 million and be available to fund CalWORKS and Medi-Cal in future economic downturns.
- Total reserves under the budget package exceed \$15.9 billion or 12% of net General Fund revenues and transfers.

- California's reserves are estimated to be larger than the state general fund in 33 of the 50 US states.

This year's state budget also establishes a new state savings account, the Budget Deficit Savings Account (BDSA), which will temporarily hold the \$1.7 billion, which is the optional advance payment the state is making to the Rainy Day Fund.

### **Investments in Economic and Small Business Development**

- **\$17 million** annually (General Fund) to GO-Biz for five years to establish a new **Small Business Technical Assistance Expansion Program** to support one-on-one counseling and training.
- **\$3 million** annually (General Fund) to GO-Biz for five years to continue funding the **Small Business Access to Capital Program**.
- **\$3 million** one-time (General Fund) to GO-Biz to establish a matching grant program to help draw down federal small business technical assistance dollars and fund one-on-one counseling and training.
- General augmentation to the Department of Food and Agriculture **for grants to small businesses for refrigeration units**.

### **Investments in Industry-Level and Regional Economic Development Activities**

- **\$180 million** in annual tax credit allocation authority and a **five-year extension** of the **California Competes Tax Credit** program through 2022-23. In addition, statutes were adopted to:
  - Allow for investment in training opportunities offered by the taxpayer to be a factor that GO-Biz should consider.
  - Require LAO to do a detailed analysis of the economic effects and administration of the tax credit by January 1, 2021.
- **\$330 million** in annual tax credit authority and a **five-year extension** of the **Film and TV Tax Credit**.
- Authorize the use of **Proposition 2 funding for infrastructure**, which will accrue after the Rainy Day Fund is full. The first **\$415 million** will be dedicated for **infrastructure costs related to the state infrastructure and capital projects**. After the infrastructure funds have been reached, half of the funding that accrues after that amount will be dedicated to **rail corridor projects** and the remaining half of the funding will be dedicated to funding the **Multifamily Housing Program**.
- **\$6.5 million** for the **California Autotech Testing and Development Project** at Castle Air Force Base in Merced County.
- **\$1 million** for the Green Business Network Program, administered through the California Environmental Protection Agency.

- **\$5.1 million** Business Fees Fund for the continuation of resources needed to maintain an average of **5 business day or better turnaround/processing time for business filings** and statements of information until California Business Connect is implemented.

### Investments in Building a More Inclusive Economy

- **\$76.6 million** from the **California Advanced Service Fund** and authorizes CPUC to collect \$330 million beginning January 1, 2018, and continuing through 2022. The budget request includes funding for increased staffing and consulting, as well as **ongoing local assistance** funding for the program of **\$72.6 million** annually until 2029.
- **\$8.5 million** in one-time General Fund to the **County Veteran Resource Centers**.
- **\$10 million** in Prop 64 funds to GO-Biz for a community and economic development program to serve **communities impacted by the state and federal war on drugs**.
- **\$10 million** to GO-Biz for a program to **assist underserved business owner groups** in participating in legal cannabis production, wholesale, and retail business opportunities. Funding is subject to the Governor signing a bill.
- **\$1.08 million** one-time from the Motor Vehicle Account to support implementation and enforcement of Air Resources Board's **freight regulations to protect disadvantaged communities near ports and rail yards**.
- Expands the **Earned Income Tax Credit (EITC)** to cover working individuals who are aged **18 to 24** or are **over the age of 65** and also **increases the qualifying income range** for the credit so that employees working up to fulltime at the 2019 minimum wage of \$12 per hour would qualify for the credit.
- **\$2.5 million** General Fund loan to the Secure Choice Retirement Savings Program for the program's startup and administrative costs. Also changes the name of California Secure Choice Retirement Savings Program to CalSavers. This program requires small businesses to **set up retirement accounts** for employees through CalSavers. Business owners and employees **are authorized, but not mandated**, to participate.

### Investments in Current and Future Workforce

- **\$1 billion** in federal and state funds over four years for **early childhood** education to add 13,400 child care and 2,947 preschool slots, increase rates for providers, and make new quality investments.
- **\$100 million** in one-time non-Proposition 98 General Fund for **facility grants** for local educational agencies that want to implement **full-day kindergarten** programs.
- **\$78.4 billion** in Proposition 98 funding to provide record-level funding for **K-14 education** and fully fund the Local Control Funding Formula. **Proposition 98** funding climbs to **\$11,639 per K-12 student** — up more than \$1,000 per student since 2016-17.

- **\$1 million** in one-time General Fund to support and expand the **Career Online High School** program. The program offers free GED courses for students, and has nearly 650 libraries participating.
- **\$314 million** for **K-12 Career Technical Assistance**:
  - **\$150 million** ongoing Proposition 98 funds for the **Career Technology Education Incentive** grant program, administered through the Department of Education.
  - **\$150 million** ongoing Proposition 98 funds for the Governor's **K-14 CTE Program**, administered through the community College Strong Workforce program.
  - **\$14 million** ongoing Proposition 98 funds to support Workforce Pathway Coordinators, K-14 Technical Assistance Providers, and the consortia administrative costs.
- Authorizes **charter schools to participate** in **College and Career Access Pathways programs** and clarifies that a charter school participating in a College and Career Access Pathways dual enrollment agreement - like a school district or community college district - not be funded for the same instructional time.
- **\$100 million** in one-time costs and **\$20 million in ongoing costs to create an online college to provide industry-valued credentials** to meet the vocational and educational needs of Californians who are not currently accessing higher education.
- **\$21.6 million increase** for the **Adult Education Block Grant** to reflect a cost-of-living adjustment, and requires adult education providers to participate in regional planning consortia and report adult education services and funds to the state as a condition of receiving these and other state or federal funds.
- **\$10 million** to establish the **California STEM Pathways Grant Program** to provide students in grade 9-14 with educational pathways focused on STEM programs, and establish partnerships between community colleges, high schools, and industry.
- Provides significant funding increases for the **CSU and UC systems**.
  - **\$92 million** ongoing General Fund increase for the **UCs**, as well as additional increases of \$177 million in one-time General Fund and \$5 million ongoing from the General Fund. In combination with actions from the 2017 budget, UC will **increase California enrollment by 2,000 students** in the 2018-19 academic year.
  - **\$92 million** ongoing General Fund increase for the **CSUs**, as well as additional increases of \$105 million from the General Fund, plus another \$167 million of one-time General Fund resources. The one-time CSU funding includes \$120 million to support a cohort of **3,641 new students** at about \$30 million per year over the next four years.
- **\$5.2 million** in General Fund to support a Cal Grant expansion for **foster youth**. This will allow former foster youth up to age 26 to be eligible for the **Cal Grant entitlement program**, and allow these students to receive a Cal Grant for up to 8 years.

- **\$5 million** increase in funding for a **reentry grant program** at the **California Community Colleges** to provide support for currently and formerly incarcerated students.
- **\$10 million** in one-time General Fund to fund the **Workforce Education and Training Program** which funds **stipends for psychiatric nurse practitioners and social workers**, and for residency and training slots for psychiatric mental health nurse practitioners.
- **\$1 million** one-time Mental Health Services Act State Administration Fund and budget bill language to create **scholarships for primary care physicians** in medical shortage areas of California to enroll in UC primary care psychiatric fellowship programs.
- **\$16 million** in General Fund in 2018-19 and **\$20 million** in 2019-20 to the California Workforce Investment Board to administer a revised form of the Breaking Barriers in Employment program called the **Prison to Employment program**. This program is designed to provide a stronger connection between education and job training activities in prison and post-release employment; integrate services of reentry service providers and career centers; and fund regional integration, direct services, and post-release supportive services.
- **\$15 million** in General Fund over a two-year period to the California Workforce Investment Board through the **Breaking Barriers in Employment Program** for training programs that serve farmworkers and veterans.
- **\$1.5 million** to the California Workforce Investment Board through the **Breaking Barriers in Employment Initiative** for training programs targeted to **serve adults with autism**.
- **\$8.2 million** to the California Department of Corrections and Rehabilitation to expand **Career Technical Education programming and refresh core equipment** statewide.
- **\$26.6 million** to the California Department of Corrections and Rehabilitation to establish the Ventura Training Center to provide **firefighting training and certification** for people on parole.
- **\$5 million** in one-time Proposition 98 funds for a **Refugee Career Pathways** program.
- **\$1 million** in ongoing Proposition 98 funding for the California College Guidance Initiative's **Student Friendly Services** project.