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California faces \$53.4 billion deficit, 18 percent unemployment, Newsom's office projects

The sudden recession brought by the new coronavirus is expected to drive California into a \$53.4 billion deficit over the next year and send the state's unemployment rate well above its peak in the Great Recession, according to a memo released by Gov. Gavin Newsom's office Thursday.

The revenue estimates show Newsom's first detailed look at how his office anticipates the coronavirus outbreak to affect state spending. It's a stark contrast to January, [when his office in a \\$222 billion budget proposal](#) projected the state would accumulate a \$5.6 billion surplus and add to its reserves through July 2021.

Newsom disclosed the memo ahead of releasing his revised budget proposal, which is due May 14. He has been urging the [federal government to send more money to states](#). Without federal assistance, the state must make substantial cuts in its 2020-21 budget, the Democratic governor has said.

More than 4.2 million people have filed for unemployment since mid-March, when Newsom handed down a stay-at-home order that shut down much of the state's economy to slow the spread of the coronavirus.

Newsom's Finance Department estimates that the state's unemployment rate will rise to 18 percent. It was 3.9 percent earlier this year, and its peak in the Great Recession was 12 percent.

The job losses have disproportionately hit low-wage jobs, the department says, widening the gap between the rich and the poor. The department estimates personal income will drop by nearly 9 percent and housing construction permits will drop more than 21 percent.

“California began 2020 with a strong bill of financial health—a strong economy, historic reserves, and a structurally balanced budget,” according to the bulletin. “The rapid onset of the COVID-19 pandemic has had an immediate and severe impact on the global, national, and state economies... The May Revision economic forecast reflects that COVID-19 impacts will continue to cause economic losses in 2020.”

Newsom's office expects revenue to the state general fund — which supports education, public safety, prisons and many social services — to fall by \$41.2 billion below his January budget proposal.

That would put California's total general refund revenue under \$100 billion, which is about what the state collected in its 2012-13 budget year.