



HIGHLIGHTS OF GOVERNOR'S PROPOSED 2019 - 20 MAY REVISION

MAY 9, 2019

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TABLE OF CONTENTS

Overview.....	2
Summary of Charts.....	3
Health.....	6
Human Services.....	10
K-12 and Early Education	13
Higher Education.....	16
Natural Resources and Environmental Protection.....	20
Transportation.....	22
Energy.....	23
Cap and Trade.....	24
General Government.....	26
Revenue and Taxation.....	31
Public Safety.....	33

OVERVIEW

Today the Governor released the May Revision of the 2019 budget. The May Revision projects \$3.2 billion in additional revenues and proposes \$2.8 billion in increased 2019-20 General Fund spending above the January budget proposal.

While the May Revision reflects recent strong revenue performance by the State, it also reduces the expected growth in future years. As a result, the May Revision has more one-time spending and less ongoing expenditures in future years than the January 10 proposal.

The higher near-term revenue allows for some new ideas and expansions. The proposal includes additional investment in developmental services, early education, disaster preparedness, healthcare and school workforce, and homelessness programs. The proposal expands the Earned Income Tax Credit proposal and eliminates the sales tax on diapers and menstruation products. The May Revision proposes a spending plan for the Cannabis revenue from Proposition 64 and related policy proposals.

But the reduction in ongoing expenditures leads to the inclusion of a future budget cut built into the architecture. One of the major adjustments is to January proposal to accommodate diminished future expectations is to include 2021 sunsets to major spending increases in expanded preschool slots and developmental services and Medi-Cal provider rates. Additionally, the budget assumes recessionary-era across-the-board cuts to homecare service hours would go into effect at this time.

Overall the May Revision projects \$150.1 billion in revenue and \$147 billion in General Fund spending, leaving, after adjusting for encumbrances, a reserve of \$1.6 billion. The overall budget architecture assumes \$1.7 billion in new revenue from new tax conformity provisions and does not assume the continuation of the MCO tax.

Overall state reserves grown to a record \$18.1 billion. The Rainy Day Fund, the Budget Stabilization Account, is projected to increase to \$16.5 billion.

This document is an initial review of the May Revision proposal, further analysis will be available as the budget process moves forward. With the release of the May Revision, the Assembly will quickly turn towards finalizing a version of the budget over the next two weeks.

SUMMARY OF CHARTS

**2019-20 May Revision
General Fund Budget Summary**
(in millions)

	2018-19	2019-20
Prior Year Balance	\$11,419	\$6,224
Revenues and Transfers	\$138,046	\$143,839
Total Resources Available	\$149,465	\$150,063
Non-Proposition 98 Expenditures	\$88,796	\$91,129
Proposition 98 Expenditures	\$54,445	\$55,904
Total Expenditures	\$143,241	\$147,033
Fund Balance	\$6,224	\$3,030
Reserve for Liquidation of Encumbrances	\$1,385	\$1,385
Special Fund for Economic Uncertainties	\$4,839	\$1,645
Budget Stabilization Account/Rainy Day Fund	\$14,358	\$16,515

**2019-20 Revenue Sources
(\$ millions)**

	General Fund	Special Fund	Total	Change from 2018-19
Personal Income Tax	\$102,333	\$2,368	\$104,701	\$4,009
Sales and Use Tax	27,241	12,388	39,629	1,685
Corporate Tax	13,233	-	13,233	-541
Highway Use Taxes	-	8,387	8,387	788
Insurance Tax	2,868	-	2,868	225
Alcoholic Beverage Taxes and Fees	386	-	386	5
Cigarette Tax	62	2,009	2,071	-19
Motor Vehicle Fees	33	9,823	9,856	349
Other Regulatory Fees	-	-	-	-
Other	-160	22,934	22,774	-4,430
Subtotal	\$145,996	\$57,909	\$203,905	\$2,071
Transfer to the Budget Stabilization Account	-2,157	2,157	-	-
Total	\$143,839	\$60,066	\$203,905	\$2,071

**2019-20 Total State Spending by Agency
(\$ millions)**

	General Fund	Special Fund	Bond Funds	Total
Legislative, Judicial, and Executive Business, Consumer Services, and Housing	\$5,079	\$3,871	\$555	\$9,505
Transportation	1,696	1,002	1,032	3,730
Natural Resources	296	14,781	341	15,418
Environmental Protection	3,601	1,718	1,074	6,393
Health and Human Services	131	3,814	405	4,350
Corrections and Rehabilitation	41,344	25,185	-	66,529
K-12 Education	12,717	3,004	-	15,721
Higher Education	58,761	197	1,606	60,564
Labor and Workforce Development	17,369	160	634	18,162
Government Operations	126	811	-	937
General Government	1,169	346	9	1,524
Total	4,744	5,963	15	10,722
	\$147,033	\$60,852	\$5,671	\$213,555

HEALTH

Department of Health Care Services

- Proposes to revise and clarify the January budget proposal for providing new and increased subsidies to populations with health coverage through Covered California by:
 - Lowering eligibility for the subsidies from 250 percent of the federal poverty level (FPL) to 200 percent FPL.
 - Begins providing subsidies and enforcing an individual mandate penalty on January 1, 2020.
 - Includes \$295.3 million General Fund in 2019-20, \$330.4 million in 2020-21, and \$379.9 million in 2021-22 to cover the costs of the subsidies, and assumes penalty revenue projections of \$317.2 million in 2020-21, \$335.9 million in 2021-11 and \$352.8 million in 2022-23.
 - Allocates 75 percent of the subsidy expenditures on subsidies for individuals between 400 and 600 percent FPL, for subsidies that average around \$100 per month, and 25 percent of expenditures on individuals between 200 and 400 percent FPL, for subsidies averaging around \$10 per month.
 - Includes \$8.2 million ongoing General Fund for the Franchise Tax Board to implement the individual mandate and reconcile annual subsidy payments.
- Includes increased resources to address the healthcare workforce shortage, including:
 - \$120 million in Proposition 56 funds to address the health care workforce shortage by supporting the Medi-Cal loan repayment program.
 - \$100 million in one-time Mental Health Services Funds to support the new Workforce Education and Training (WET) program 5-year plan.
- Increases Proposition 56 expenditures by \$263 million due to a one-time fund reconciliation, including:

- \$120 million one-time funding for the loan repayment program.
 - \$70 million one-time increase for the Value-Based Payments program (proposed in the Governor's budget), for behavioral health integration.
 - \$25 million in 2019-20 (\$60 million over three years) to train providers to conduct trauma screenings that were proposed in the Governor's budget.
 - \$11.3 million in 2019-20 to restore optician and optical lab services for adults in Medi-Cal, effective no sooner than January 1, 2020.
-
- Sunsets all Proposition 56 expenditures on December 31, 2021.
 - Assumes decreased expenditures in Medi-Cal of \$1 billion General Fund, compared to the Governor's Budget.
 - Delays implementation of the proposal in the Governor's Budget to expand Medi-Cal eligibility to young adults, regardless of immigration status, to January 1, 2020, at a revised budget year cost of \$98 million (\$74.3 million General Fund), estimated to extend full-scope coverage to 90,000 individuals.
 - Withdraws the January Budget proposal to change realignment redirection amounts for four "60/40 counties," reflects Yolo County as a County Medical Services Program (CMSP) county, and withholds realignment revenues from the CSMP Board until the Board's projected total reserves fall below two years of expenditures, at which point a 75/25 percent redirection will be implemented. (*This reflects updated information from the Governor's Office since the release of the May Revision.*)
 - Reflects projected savings of \$393 million General Fund by 2022-23 as a result of the Governor's Executive Order to transition all Medi-Cal pharmacy services from managed care to fee-for-service.
 - Reflects a projected reserve of \$172 million in the proposed Medi-Cal Drug Rebate Fund.
 - Proposes \$2.1 billion (\$729 million General Fund) for county eligibility determination activities, an increase of \$15.3 million total funds compared with the Governor's Budget.
 - Expands the proposal in the Governor's Budget to increase resources for the Whole Person Care Pilots to address the housing shortage for homeless mentally

ill individuals, by adding \$20 million MHSA Fund one-time to be available over five years for counties that currently do not operate Whole Person Care Pilots.

- Includes \$3.6 million for a statewide mental health, peer run crisis line (or warm line) for individuals on the brink of a mental health crisis.
- Reports the administration's plan to allocate \$119.3 million in continuously appropriated funding from the Proposition 64 Youth Education, Prevention, and Early Intervention and Treatment Account, as follows:
 - \$21.5 million to DHCS to implement competitive grants to develop and implement new youth programs in the areas of education, prevention, and early intervention of substance use disorders.
 - \$12 million to the Department of Public Health for cannabis surveillance and education activities.
 - \$80.5 million to the Department of Education to subsidize child care for school-age children of income-eligible families.
 - \$5.3 million to the California Natural Resources Agency to support youth community access grants to increase access to natural and cultural resources for low-income youth and disadvantaged communities.

Department of Public Health

- Includes \$40 million one-time General Fund, over four years, for local health departments and tribal communities to prevent the spread of infectious diseases with increased prevention, testing, and treatment services.
- Provides \$12 million in continuously appropriated Proposition 64 funds for surveillance and education activities.
- Includes \$1 million (\$569,000 General Fund) to support health care facilities and mass care shelters during emergencies as well as for disaster preparedness, response, and recovery efforts.

Department of State Hospitals

- Increases resources by \$5.7 million General Fund in 2019-20 (\$11.5 million General Fund annually thereafter) to contract for a 78-bed community step-down program to serve Mentally Disordered Offenders and Not Guilty by Reason of Insanity commitments who are preparing for the conditional release from state

hospitals. This funding also expands an existing contract by 4 beds, for a total of 24 beds.

- Adds \$2.2 million General Fund in 2019-20 (\$3.75 million General Fund in 2020-21 and \$3.5 million General Fund annually thereafter) to expand the use of telepsychiatry to treat patients remotely via video-conferencing.

HUMAN SERVICES

CalWORKs:

- Includes a decrease of \$46.8 million General Fund and federal Temporary Assistance for Needy Families (TANF) block grant funds in 2018-19 and \$49.1 million General Fund and federal TANF block grant funds in 2019-20 to reflect updated caseload and average cost per case projections. The CalWORKs caseload continues to decline year over year.
- Provides \$40.7 million General Fund in 2019-20 and \$54.2 million ongoing General Fund to allow CalWORKs recipients to receive Stage 1 child care for up to 12 months, also called “12-month continuous eligibility.” This will provide CalWORKs clients consistent child care access while their work activities stabilize.
- Includes an ongoing increase of \$41.4 million General Fund and federal TANF block grant funds in 2019-20 to reflect the adoption of a revised budgeting methodology for the employment services component of the CalWORKs Single Allocation to counties. The Administration states that this augmentation represents a \$165.5 million increase compared to the traditional methodology. Because a budgeting methodology for the administration/eligibility and employment services components have been created, the May Revision proposes to separate the child care component from the Single Allocation.
- Provides an increase related to the CalWORKs Outcomes and Accountability Review (Cal-OAR) of \$13.2 million General Fund and federal TANF block grant funds in 2019-20 for counties to perform required Continuous Quality Improvement activities consistent with Cal-OAR implementation.
- Provides an increase of \$10.7 million in General Fund and federal TANF block grant funds for the CalWORKs Home Visiting Initiative to reflect updated projections of CalWORKs cases eligible for home visiting services.

Developmental Services:

- Includes \$165 million (\$100 million General Fund) beginning January 1, 2020, for supplemental provider rate increases for community developmental services. The annual costs of these rate increases are \$330 million (\$200 million General Fund). These funds will focus on three specific areas to address specific service delivery elements within the Regional Center system, including (a) stabilizing residential capacity, with a focus on compliance with the March 2022 federal Home and

Community-Based Services requirements; (b) addressing rate differences between Regional Centers and vendors; and (c) enhancing consumer safety through mandated fingerprint requirements.

- Includes \$7 million (\$5 million General Fund) for the Department of Developmental Services and Regional Centers to begin implementing rate-related reform efforts as well as implementing the supplemental rate increases.
- Includes \$50 million (\$30.1 million General Fund) to suspend the Uniform Holiday Schedule reduction. This change allows additional days of services to be paid.
- Includes a proposal for the aforementioned supplemental rates and Uniform Holiday Schedule suspensions to sunset on December 31, 2021, due to lower-than expected revenues over the forecast period, planned system improvements, and efforts to address rate discrepancies.

In-Home Supportive Services:

- Provides resources for the overall cost increase for IHSS by \$60.5 million General Fund in 2018-19 and \$151.6 million General Fund in 2019-20, due primarily to a projected increase in caseload growth, average hours per case, and average cost per case. These increases were offset partially by decreases in IHSS provider overtime and travel costs.
- Provides an increase of \$15.3 million General Fund to reflect the updated costs for the restoration of the 7-percent across-the-board reduction to IHSS service hours. The May Revision proposes to temporarily restore the 7-percent reduction through December 31, 2021, due to lower than expected revenues over the forecast period and ongoing efforts to contain costs.
- Includes an increase of \$55 million General Fund related to the rebenching of the County IHSS Maintenance-of-Effort to reflect revised 1991 Realignment revenue projections and revised IHSS caseload and cost projections.

Continuum of Care Reform:

- Provides a one-time increase of \$14.4 million General Fund in 2019-20 to support county efforts in eliminating the backlog of foster care resource family applications, also called Resource Family Approval (RFA), that are pending review and approval.

- Includes a one-time increase of \$21.6 million General Fund in 2019-20 for Foster Parent Recruitment, Retention, and Support activities and services to retain, recruit, and support foster parents, relative caregivers, and resource families.
- Includes an increase of \$21.7 million General Fund and federal TANF block grant funds in 2019-20 for Foster Care Emergency Assistance to provide caregivers with up to four months of emergency assistance payments pending resource family approval. Beginning in 2020-21 and annually thereafter, the state will fund emergency assistance payments for up to three months, as local child welfare agencies and probation departments are anticipated to complete the resource family approval process within three months of application receipt. The May Revision includes a TANF reserve of \$31.2 million to fund emergency assistance costs through 2020-21.
- Proposes to use up to \$5 million of the \$10 million General Fund proposed in 2019-20 for Immigration-Related Pilot Projects for the provision of legal services to unaccompanied undocumented minors and Temporary Protected Status beneficiaries to: (1) establish a pilot to provide mental health evaluations related to legal defense, and (2) develop a family reunification navigator pilot to connect undocumented minors and their families with services in the community.

CalFresh:

- Provides a one-time increase of \$15 million General Fund in 2019-20 for county administration efforts to process new CalFresh applicants as a result of eliminating the Supplemental Security Income Cash-Out policy, starting June 1, 2019.

Supplemental Security Income/State Supplementary Payment:

- Includes a decrease of \$5.9 million General Fund in 2018-19 and \$18 million General Fund in 2019-20 to reflect updated caseload and average cost per case projections. Makes no changes SSI/SSP grant amounts. Continues to not provide an annual cost of living adjustments for these grants.

K-12 AND EARLY EDUCATION

Overall Proposition 98:

- Provides a total Proposition 98 funding level of \$81.1 billion in 2019-20, an increase of \$389.3 million from the Governor's January Budget.
- Makes changes to the Proposition 98 funding level in the prior years, including an increase of \$78.4 million in 2017-18 and \$278.8 million in 2018-19.
- Includes a required deposit of \$389.3 million in the Proposition 98 Rainy Day Fund in 2019-20, which was created through Proposition 2 (2014). Does not require school district reserve caps in 2020-21 with this payment.

K-12 Education:

- Provides \$696.2 million ongoing Proposition 98 funding for special education, \$119.2 million more than proposed in the Governor's January Budget.
- Includes an additional \$150 million in one-time non-Proposition 98 funding to reduce the CalSTRS employer contribution rate for school districts in 2019-20.
- Provides \$89.8 million in one-time non-Proposition 98 funding to provide loan repayments for newly credentialed teachers working in high-need schools, administered by the Student Aid Commission (also included in the higher education section).
- Provides \$44.8 million in one-time non-Proposition 98 funding to provide training and resources for teachers around inclusive practices, social emotional learning, computer science and restorative practices.
- Proposes the following changes related to charter schools:
 - Prohibits charter schools from discouraging students from enrolling in a charter school or encouraging students to disenroll from a charter school on the basis of academic performance or student characteristic, such as special education status.
 - Prohibits charter schools from requesting a pupil's academic records or requiring that a pupil's records be submitted to the charter school prior to

- enrollment.
- Creates a process for families of prospective and current charter school students to report concerns to the relevant authorizer.
- Requires the Department of Education to examine the feasibility of using data from the California Longitudinal Pupil Assessment Data System to identify charter school enrollment disparities that may warrant inquiry and intervention by corresponding authorizers.
- Provides \$36 million in one-time Proposition 98 funding for an additional year of funding for the Classified School Employees Summer Assistance Program.
- Dedicates \$15 million in one-time non-Proposition 98 funding for additional broadband infrastructure in schools.
- Includes \$13.9 million in ongoing federal funds for professional development for school administrators.
- Makes changes to the Local Control Funding Formula (LCFF) for school districts and charter schools to reflect changes in attendance and cost-of-living. Makes adjustment to various categorical programs to reflect changes in attendance and the cost-of-living.
- Includes \$3.6 million in one-time for Inglewood Unified School District and \$514,000 for Oakland Unified School district, pursuant to AB 1840 (Chapter 426, Statutes of 2018).
- Includes \$1 million in one-time non-Proposition 98 funding over four years for the State Board of Education to establish a Computer Science Coordinator. Intends to develop a comprehensive plan around access to computer science education.
- Includes \$500,000 in one-time non-Proposition 98 funding to increase the ability of schools to draw down federal funds for medically related special education services and improve transition of three-year olds with disabilities from regional centers to schools.

Early Childhood Education:

- Dedicates \$80.5 million in Cannabis Funds to subsidize child care for school-age children for income-eligible families.
- Provides \$40.7 million General Fund in 2019-20 and \$54.2 million ongoing to allow Stage 1 CalWORKs recipients to receive child care for up to 12 months.
- Includes \$12.8 million federal funds for a pilot program to allow alternative payment agencies to offer emergency child care vouchers to families in crisis.
- Makes caseload adjustments due to an increase in the CalWORKs Stage 2 and Stage 3 caseload.
- Provides 10,000 slots for State Preschool in 2019-20, as proposed in January, but postpones the release of the additional 20,000 slots in future years.
- Reduces funding provided in January for the Full-Day Kindergarten Facilities Grant program by \$150 million, for a total allocation of \$600 million at the May Revision.
- Proposes the Student Aid Commission administer the proposed \$50 million in one-time General Fund for Child Savings Account pilot programs.

HIGHER EDUCATION

University of California

- Provides \$25 million one-time General Fund to support the UC Retirement Program.
- Creates a pilot dyslexia screening and early intervention program operated through the UC San Francisco Dyslexia Center and provides \$3.5 million one-time General Fund.
- Creates a rapid rehousing of homeless and housing insecure students. Program and provides \$3.5 million ongoing General Fund.
- Modifies out-year costs for legal immigration services from \$1.3 million per year to \$1.7 million per year.

California State University

- Creates a rapid rehousing of homeless and housing insecure students. Program and provides \$6.5 million ongoing General Fund.
- Increases support for Project Rebound from \$250,000 ongoing General Fund to \$1 million ongoing General Fund.
- Creates the First Star Foster Youth Cohort at CSU Sacramento and provides \$740,000 one-time General Fund to support the program. This program will enable a cohort of foster youth to engage in a variety of activities that support learning opportunities, such as academic courses for college credit, social and cultural activities, service learning and other recreational activities.

California Community Colleges

- Calls for continuing discussion of the new Student Centered Funding Formula for possible revisions in 2020-21.
- Provides \$381,000 ongoing non-Proposition 98 General Fund for three new positions to support the Chancellor's Office state operations. These positions will support the Chancellor's Office's accounting office, monitor districts' fiscal health and provide technical assistance to districts in need.

- Decreases Proposition 98 General Fund by \$18.3 million to reflect a change in the cost-of-living adjustment from 3.46 percent to 3.26 percent.
- Increases the California College Program by \$5.2 million Proposition 98 General Fund to support the existing first year and proposed second year of the California College Promise. This estimate reflects revised estimates of eligible students for the program.
- Increases the Student Success Completion Grant by \$7.5 million Proposition 98 General Fund to reflect revised estimates of participation in the financial aid program.
- Provides \$39.6 million one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects.
- Decreases adult education by \$1 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 3.46 percent to 3.26 percent.
- Decreases some categorical programs by \$860,000 Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 3.46 percent to 3.26 percent. The programs are the Disabled Student Programs and Services program, the Extended Opportunity Programs and Services program, the Apprenticeship program, the Student Services for CalWORKs Students program, the Mandate Block Grant program, and the Campus Child Care Tax Bailout program.
- Increases by \$400,000 ongoing Proposition 98 General Fund to the program for foster and relative or kinship care education and training, due to a projected decrease of federal matching funds.
- Increases Proposition 98 General Fund by \$76.7 as a result of decreased offsetting local property tax revenues.
- Decreases \$15.7 million Proposition 98 General Fund as a result of increased offsetting student enrollment fees.

California Student Aid Commission

- Makes adjustments to the Cal Grant program to reflect participation:
 - A decrease of \$19.9 million in 2019-20 to reflect a decrease in the estimated number of new recipients in 2018-19. The May Revision also reflects decreased costs of \$4.9 million in 2018-19.

- A decrease of \$5.9 million Temporary Assistance for Needy Families in 2019-20, which increases the amount of General Fund needed for program costs by a like amount. Combined with reimbursements included in the Governor's Budget, the May Revision offsets approximately \$1.1 billion in General Fund costs for Cal Grants with TANF.
- Decreases support for the proposed Student Access Awards for Student Parents by \$24.9 million to reflect revised estimates of the Governor's Budget proposal to increase or provide access awards for students with dependent children attending the UC, CSU, or the CCCs.
- Increases support for increased competitive Cal Grants by \$2 million General Fund to reflect revised estimates of the costs to increase the number of available competitive awards from 25,250 to 30,000.
- Provides \$89.9 million one-time General Fund for the Teacher Service Credit Scholarship Program, which supports loan forgiveness grants to teachers meeting certain criteria, with priority for school sites with high percentages of teachers with permits or waivers as their authorizations.
- Adjusts the requirements around the tuition award for students at private nonprofit institutions. The May Revision proposes to shift the required annual ADT admissions goals out one year. Under the revised schedule, private nonprofit institutions will need to meet a goal of 2,000 ADT students admitted in 2019-20, 3,000 students admitted in 2020-21, and 3,500 students admitted in 2021-22 and thereafter.
- Increases General Fund support by \$414,000 to support the implementation of the Cal Grant Supplement for Students with Dependent Children.
- Identifies the Commission as the agency responsible for administering the \$50 million one-time child savings account proposal reflected in the Governor's Budget. The Commission is expected to consult with First 5 California to utilize its strengths in marketing, education, and parent engagement to encourage collaboration between grant applicants and their local First 5 Commissions.
- Transfers the administration of the proposed \$5 million one-time General Fund augmentation to support an outreach initiative for student loan borrowers from the Office of Planning and Research to the Commission.

Hastings College of Law

- Provides an increase of \$594,000 one-time General Fund to support the revised implementation timeline of the UC Path payroll, accounting, time keeping, and human resources system.
- Authorizes the use of the proposed \$1 million one-time General Fund to include support for both critical deferred maintenance needs, and information technology and instructional equipment refreshes.

California State Library

- Provides \$5 million one-time General Fund to support grants for local library jurisdictions with the lowest per capita library spending to develop and implement early learning and after-school library programs.
- Provides \$3 million one-time General Fund to support grants for local library jurisdictions to purchase bookmobiles and community outreach vehicles that would be used to expand access to books and library materials in under-resourced neighborhoods.
- Provides \$1.7 million General Fund, approximately \$1 million of which is ongoing, for the California State Library to coordinate with state entities to identify items for digital preservation, contract for digital preservation services, and to begin conducting or commissioning a statewide survey to inventory cultural heritage assets.
- Provides \$500,000 one-time General Fund to support the preservation of historical Lesbian, Gay, Bisexual, and Transgender sites.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Sustainable Pest Management:

- Provides a one-time increase of \$5.7 million in General Fund to assist in the transition to safer pesticide alternatives. \$125,000 will be for the Department of Food and Agriculture to lead a newly created, cross-sector work group to identify, evaluate and recommend alternative pest management tools. \$5.6 million will be used for additional research and technical assistance for the development of safer, practical, more sustainable alternatives to chlorpyrifos.

Safe Drinking Water:

- Provides \$168 million in Proposition 68 to support capital water projects across the state.
- Provides \$4.9 million in General Fund to support initial steps toward implementation of the Safe and Affordable Drinking Water Program.
- Includes statutory changes to establish ongoing sustainable funding to assist disadvantaged communities in paying for the costs of obtaining access to safe and affordable drinking water.

Improving Emergency Response:

- Provides \$1 million ongoing and six positions for the State Water Resources Control Board to improve emergency response capabilities between the Water Board, regional boards, and other state entities during emergencies. These resources will be used to address engineering and operations issues facing drinking water systems and water utilities, and preventing or minimizing the impacts to water quality, water supply security, and safety.
- Provides \$2.8 million ongoing and 21.5 positions for the Department of Resources Recycling and Recovery to continue its role in emergency response. These resources will establish a dedicated team to help facilitate timely debris removal operations as well as to assist local governments in the preparation of debris removal plans for future incidents.

Department of Toxic Substances Control:

- Provides a one-time \$37.5 million in General Fund to address the existing budget shortfall and maintain current operations at DTSC.

Department of Forestry and Fire Protection:

- Provides \$730,000 in General Fund to support the Board of Forestry and Fire Protection in certifying the Programmatic Environmental Impact Report for the California Vegetation Treatment Program.
- Provides \$15 million in General Fund to enable CalFire to procure innovative solutions to combat the state's wildfire crisis consistent with Executive Order N-04-19.

Department of Food and Agriculture:

- Provides \$3.3 million ongoing in General Fund and 23 positions for the Department of Food and Agriculture to perform emergency response activities during catastrophic livestock or poultry disease outbreaks and other activities.
- Provides \$4.5 million one-time in General Fund and 14 positions for the Department of Food and Agriculture to perform the initial first-year program development and implementation activities associated with enforcing the new Proposition 12 mandates (Farm Animal Confinement).

Cannabis Tax Fund:

- Provides \$5.3 million in Cannabis Tax Fund for the Natural Resources Agency to support youth community access grants. These grants will fund programs to support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities.
- Provides \$23.9 million in Cannabis Tax Fund for the Department of Fish and Wildlife. \$13.8 million of that will be used to support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation. \$10.1 million will be used to support enforcement activities aimed at preventing further environmental degradation of public lands.
- Provides \$15.9 million in Cannabis Tax Fund for the Department of Parks and Recreation. \$7.1 million of that will be used to survey the impacts of cannabis cultivation and identify unknown areas to assist with prioritizing resources for effective enforcement. \$5.6 million for remediation and restoration of illegal cultivation activities on state park land, and \$3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development.

TRANSPORTATION

Cannabis Tax Fund Allocations

- Proposes \$2.6 million to the California Highway Patrol for training, research, and policy development related to impaired driving and for administrative support.
- Provides \$11.2 million to the California Highway Patrol's impaired driving and traffic safety grant program for non-profits and local governments authorized in Proposition 64.

ENERGY

Public Safety Power Shutdowns

- Proposes a one-time investment of \$75 million General Fund to improve resiliency of the state's critical infrastructure in response to investor-owned utility-led Public Safety Power Shutdown (PSPS) actions, and to provide assistance to communities, where appropriate, as specific urgent needs are identified.

California Public Utilities Commission

- Provides \$41 million to fund inspections and improve review of both utility wildfire mitigation plans and PSPS reports. Specifically, this includes \$38 million for one-time contract resources over three years to investigate and verify utility compliance with wildfire mitigation plans and to improve the California Public Utilities Commission's oversight and evaluation of wildfire mitigation plans. It also includes funding to support 16 positions to oversee these contracts, facilitate these efforts, and streamline PUC regulatory processes.

CAP AND TRADE

Cap and Trade Expenditure Plan

- Increases the total Cap and Trade investment proposed in January of \$1 billion by \$251 million to a revised total of \$1.25 billion. The bullets below explain how this increase is proposed to be spent and the following table shows the expenditure plan.
 - **Transformative Climate Communities**—Increase of \$92 million to support integrated, community-scale housing, transit-oriented development, and neighborhood projects that reduce emissions in disadvantaged areas.
 - **Low Carbon Transportation**—Increase of \$130 million for programs that reduce emissions from the transportation sector, with a focus on diesel pollution including: (1) \$65 million to replace and upgrade diesel engines and equipment in the agricultural sector, and (2) \$50 million to provide incentives for zero-emission trucks, transit buses, and freight equipment. In addition, \$15 million is proposed to help individuals replace old, highly polluting vehicles with newer, more efficient cars and trucks.
 - **Climate Smart Agriculture**—Increase of \$20 million, including (1) \$10 million for the Healthy Soils program and (2) \$10 million for methane reduction programs.
 - **Preparing Workers for a Carbon-Neutral Economy**—Ongoing increase of \$8 million to increase job training and workforce development as the state transitions to a carbon-neutral economy. When combined with the funding proposed in the Governor's Budget, this proposal invests \$35 million annually for five years in two key areas: (1) targeted pre-apprenticeship and apprenticeship programs for the construction industry, and (2) a new High Road Training Partnership program to foster connections between employers, workers, and communities with an emphasis on regions and industries that have been traditionally dependent on fossil fuels.
 - **Transition to a Carbon-Neutral Economy**—Increase of \$1.5 million for a study laying out the key actions the state must take to transition toward a carbon-neutral economy.

2019-20 Cap and Trade Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	Governor's Budget	May Revision	Total
Air Toxic and Criteria Air Pollutants	Air Resources Board	AB 617 - Community Air Protection	\$200	-	\$200
		AB 617 - Local Air District Implementation (\$50 million total, including other funds)	\$20	-	\$20
		Technical Assistance to Community Groups	\$10	-	\$10
Low Carbon Transportation	Air Resources Board	Clean Vehicle Rebate Project	\$200	-	\$200
		Clean Trucks, Buses, & Off-Road Freight Equipment	\$132	\$50	\$182
		Enhanced Fleet Modernization Program & Transportation Equity Projects	\$50	\$15	\$65
		Agricultural Diesel Engine Replacement & Upgrades	\$25	\$65	\$90
Healthy Forests	CAL FIRE	Healthy & Resilient Forests	\$165	-	\$165
		Prescribed Fire & Fuel Reduction	\$35	-	\$35
Climate Smart Agriculture	Department of Food & Agriculture	Healthy Soils	\$18	\$10	\$28
		Methane Reduction	\$25	\$10	\$35
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion	\$25	-	\$25
Integrated Climate Action: Mitigation & Resilience	Strategic Growth Council	Transformative Climate Communities	\$40	\$92	\$132
	Coastal Commission & BCDC	Coastal Resilience	\$3	-	\$3
	Community Services & Development	Low-Income Weatherization	\$10	-	\$10
	California Conservation Corps	Energy Corps	\$6	-	\$6
Workforce Training	Workforce Development Board	Preparing Workers for a Carbon-Neutral Economy	\$27	\$8	\$35
Climate and Clean Energy Research	Strategic Growth Council	Climate Change Research	\$10	-	\$10
	California Environmental Protection Agency	Transition to a Carbon-Neutral Economy	-	\$1.5	\$1.5
Total			\$1,001	\$252	\$1,253

GENERAL GOVERNMENT

Housing and Homelessness

- Increases the state's support to prevent and mitigate this epidemic by \$1 billion.
 - Provides \$650 million to local governments for homeless emergency aid
 - Provides \$120 million for expanded Whole Person Care pilots,
 - Includes \$150 million for strategies to address the shortage of mental health professionals in the public mental health system
 - Proposes \$25 million for Supplemental Security Income advocacy,
 - Includes \$40 million for student rapid rehousing and services for University of California (UC) and California State University (CSU) systems,
 - Proposes \$20 million in legal for eviction prevention.

Homeless Emergency Aid Program

- Increases the January Proposal of \$500 million to \$650 million and updates the allocation of the grants.
 - California's most populous 13 cities will receive \$275 million,
 - Counties will receive \$275 million, and
 - Continuums of Care (CoCs) will receive \$100 million, based on the 2019 federal point-in-time count.
- Expands the eligible uses for the funds to include innovative projects including hotel/motel conversions, traditional and non-traditional permanent supportive housing, rapid rehousing, or jobs programs.

Short-term Planning and Production Grants (\$750 million)

- Maintains the link between housing and transportation by linking transportation funding to housing, specifically, SB 1.
- Adds school districts and county offices of education as jurisdictions eligible for a portion of the \$250 million in planning and technical assistance support, specifically;
 - Provides \$125 million to regions, and
 - Includes \$125 million to jurisdictions to meet the 6th cycle Regional Housing Needs Allocation

- Repurposes \$500 million in general purpose incentive payment to the Infill Infrastructure Grant Program administered by the Department of Housing and Community Development (HCD).
- States that the Administration is considering ways to streamline and improve processes at the state's Infrastructure and Economic Development Bank (IBank) to help fund infrastructure including projects in Opportunity Zones.

Expanded State Housing Tax Credit Program

- Maintains the January budget proposal to expand the state tax credits up to \$500 million in 2019-20, and up to \$500 million annually upon appropriation.

Demonstration Project for Housing

- Includes \$2.5 million one-time GF for real estate consultants for both HCD and DGS, and 4 positions and \$780,000 ongoing General Fund for HCD to assist with developing request for proposals, conducting site investigations, evaluating housing developments, and monitoring projects.

Legal aid for Renters and Landlord Tenant Disputes

- Proposes an additional \$20 million one-time General Fund to provide grants to nonprofit service organizations to assist specifically with landlord-tenant disputes, including legal assistance for counseling, renter education programs, and preventing evictions.

Cannabis Tax Fund Allocations

- Estimates \$198.8 million will be available for Cannabis Tax Fund Allocations, and allocates them for the first time in 2019-20 as identified below.
 - Education, prevention, and treatment of youth substance use disorders and school retention—60 percent (\$119.3 million):
 - \$12 million to the Department of Public Health for cannabis surveillance and education activities.
 - \$80.5 million to the Department of Education to subsidize child care for school-aged children of income-eligible families to keep these children

- occupied and engaged in a safe environment, thus discouraging potential use of cannabis.
- \$21.5 million to the Department of Health Care Services for competitive grants to develop and implement new youth programs in the areas of education, prevention and treatment of substance use disorders along with preventing harm from substance use.
- \$5.3 million to California Natural Resources Agency to support youth community access grants.
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent (\$39.8 million):
 - \$23.9 million to the Department of Fish and Wildlife, of which \$13.8 million will support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation and \$10.1 million to support enforcement activities aimed at preventing further environmental degradation of public lands.
 - \$15.9 million to the Department of Parks and Recreation, of which \$7.1 million will be used to survey the impacts and identify unknown areas of cannabis cultivation to assist with prioritizing resources for effective enforcement, \$5.6 million for remediation and restoration of illegal cultivation activities on state park land, and \$3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development.
- Public safety-related activities—20 percent (\$39.8 million):
 - \$2.6 million to the California Highway Patrol for training, research, and policy development related to impaired driving and for administrative support.
\$11.2 million to the California Highway Patrol's impaired driving and traffic safety grant program for non-profits and local governments authorized in Proposition 64.
 - \$26.0 million to the Board of State and Community Corrections for a competitive grant program for local governments that have not banned cannabis cultivation or retail activities that will prioritize various public health and safety programs, including, but not limited to, local partnerships focused on prevention and intervention programs for youth and to support collaborative enforcement efforts aimed at combating illegal cannabis cultivation and sales.

- Includes \$15 million Cannabis Tax Fund to provide grants to local governments to assist in the creation and administration of equity programs, and to support equitable access to the regulated market for individuals through financial and technical assistance.
- Includes statutory language to address technical, clean-up issues related to the California Cannabis Appeals Panel statute, streamline provisional licenses, enhance the equity grant program established in Chapter 794, Statutes of 2018 (SB 1294), strengthen administrative penalties for unlicensed cannabis activity, and extend the existing CEQA exemption.

Arts Council

- Allocates \$10 million for two projects: \$5 million for the Los Angeles Holocaust Museum and \$5 million for the Armenian American Museum and Cultural Center of California.

County Voting Systems

- Provides \$87.3 million General Fund to replace and upgrade county voting systems. (\$134 million was provided in the 2018 Budget Act.) This will provide an additional 25 percent of the estimated vote center model costs for counties with over 50 precincts (\$65.7 million), which brings the state's investment to 75 percent of total estimated costs; full funding of the estimated polling place model costs for counties with 50 or fewer precincts (\$3.6 million); and \$18 million for county election management system replacements.

State Retirement Systems

- Increases the supplemental payment to the California State Teachers' Retirement System (CalSTRS) from the \$3 billion General Fund proposed in the January budget to \$3.15 billion General Fund.
- Includes an increase of \$3.5 million (\$8.8 million General Fund increase and a \$5.3 million Other Fund decrease) for the California Public Employees' Retirement System (CalPERS) relative to the Governor's Budget. The increase is a result of CalPERS' adjustment to the state's contribution rates, which is due primarily to the normal progression of the existing amortization and smoothing policy, a reduction in the discount rate from 7.25 percent to 7.00 percent, and increases in payroll.

- Includes an increase of \$5.6 million General Fund relative to the Governor's Budget for state contributions to CalSTRS due to a revision in reported compensation for K-12 and community college teachers.
- Proposes an increase of \$5.7 million General Fund relative to the Governor's Budget for state contributions to the Judges' Retirement System (JRS). These increases are attributed to an increase in the JRS II employer contribution rate, changes in the number of JRS I and II active and retired members, and an increase in member salaries.

Employee Compensation and Collective Bargaining

- Decreases employee compensation by \$1.8 million to reflect updated estimates to the dental and vision premium rates, natural changes to enrollment in health and dental plans, and updated employment information for salary increases and other post-employment benefit contributions.
- Continues collective bargaining negotiations with Highway Patrol Officers, whose contract expired early July 2018, and will begin or continue collective bargaining negotiations with the additional five bargaining units, representing Attorney's and Administrative Law Judges, Correctional Officers, Public Safety, Stationary Engineers, and Psychiatric Technicians, whose contracts will expire in late June or early July 2019.

Labor

- Proposes to expand the maximum duration of a Paid Family Leave benefit from six weeks to eight weeks beginning July 1, 2020. Proposes reducing the minimum reserve requirement in the Disability Insurance fund by 15 percent in order to fund this expansion. Intends to convene a task force on Paid Family Leave.
- Includes an additional \$8 million in Cap and Trade funding for job training and workforce development programs administered by the California Workforce Development Board, for a total of \$35 million.

REVENUE AND TAXATION

Revenues

- Provides that from 2017-18 through 2019-20, revenues increased by approximately \$3.2 billion before accounting for transfers. The changes in the three largest tax sources are:
 - Personal income tax revenues are revised upwards almost \$1.9 billion due to the strong stock market in 2019, which results in substantially higher capital gains in 2019 and 2020. In addition, personal income tax withholding was increased by \$500 million in 2019 due to the expected number of Initial Public Offerings (IPOs) of stock in large California-based companies.
 - Sales tax receipts are down by \$360 million due mainly to a downgrade in the forecast for investment by businesses, as the expected boost from the federal tax cut did not materialize.
 - Corporation tax revenues are up over \$1.7 billion based on corporate tax receipts received through April. The stronger receipts are a result of shifting of income from 2017 to 2018 and other one-time payments such as revenues from repatriation of foreign earnings associated with the federal tax changes in late 2017.

Menstrual Products and Diapers Sales Tax exemption

- Proposes to exempt menstrual products and children's diapers from sales taxation beginning January 1, 2020. This exemption reduces General Fund revenues by \$17.5 million in 2019-20 and \$35 million each year thereafter. Total state and local revenue losses are \$38 million 2019-20 and \$76 million for the following full years. This tax exemption sunsets on December 31, 2021.

Earned Income Tax Credit (EITC)

- Renames CA EITC to CA EITC, a cost-of-living-refund (COLR)
- Provides a \$1,000 credit for every family that otherwise qualifies for the credit and has at least one child under the age of 6.
- Increases the maximum eligible earned income to \$30,000 so that those working up to full-time at the 2022 minimum wage of \$15 per hour will be eligible for the credit.

- Changes the structure of the credit so that it phases out more gradually, providing a more substantial credit for many eligible families.
- Includes \$18.7 million in 2019-20 for the Franchise Tax Board to develop and administer a program to give California EITC recipients the option to receive a portion of their EITC as monthly advance payments rather than as a lump sum at the end of the year when they file their taxes
- Continues to propose conforming to a number of federal tax provisions mainly impacting business income to pay for the entire CA EITC program.

PUBLIC SAFETY

Department of Corrections and Rehabilitation

- Projects the average daily adult population to be 127,993 in the current year and 126,705 in the budget year, a decrease of 341 in 2018-19 and a decrease of 266 inmates in 2019-20.
- Projects the average daily parolee population to be 48,535 in the current year and 50,442 in the budget year, a decrease of 166 in the current year and an increase of 497 in the budget year.
- Decreases the population cost estimate by \$4.2 million General Fund in 2018-19 and 2019-20 combined.
- Eliminate the use of out-of-state beds and all inmates will be removed from Arizona by June 2019.
- Provides \$8.8 million ongoing General Fund to establish two new 60-bed female facilities in Los Angeles and Riverside, and expand an existing male facility in Los Angeles County by 10 beds.
- Includes \$1.5 million ongoing General Fund to provide a five percent contract rate increase for Male Community Reentry Program providers.
- Provides \$71.3 million General Fund in 2019-20 and \$161.9 million ongoing General Fund beginning in 2020-21 to implement an integrated substance use disorder treatment program throughout all 35 CDCR institutions. The proposal includes 1) the use of medication-assisted treatment (MAT) to treat inmates with opioid and alcohol use disorders, 2) a redesign of the current cognitive behavioral treatment curriculum, and 3) the development and management of inmate treatment plans and substance use disorder-specific pre-release transition planning. Targets 1) inmates who were receiving MAT prior to entering prison, 2) inmates already in CDCR with high substance use disorder risk factors, and 3) inmates scheduled for release within 15-18 months who have been assessed as having a high need for substance use disorder services.
- Reduces the \$2.5 million General Fund proposal in the Governor's Budget for a tattoo removal program to \$1.1 million General Fund in 2019-20 and \$2.1 million ongoing General Fund beginning in 2020-21.

- Includes \$1.5 million ongoing General Fund to provide equal access to rehabilitation programs and services to inmates for whom sign language is their primary method of communication.
- Includes an additional \$750,000 ongoing General Fund to support Project Rebound, a California State University program, bringing the total to \$1 million General Fund.
- Dedicates \$3.5 billion General Fund to health care services which provides access to mental health, medical and dental care. Includes \$114.3 million General Fund on an ongoing basis to account for increases in various inmate medical programs overseen by the Receiver.
- Includes \$27.9 million for the Receiver's Medical Classification Model to provide increased staffing levels for health care operations throughout the state's prisons.
- Proposes \$1.2 million ongoing General Fund for key staff to plan the transition of the Division of Juvenile Justice from corrections to the California Health and Human Services Agency for the transition and launch of a new independent training institute that will train all staff on best practices.
- Proposes \$1.4 million ongoing General Fund to create a partnership between the Division of Juvenile Justice and the California Conservation Corps to develop and implement an apprenticeship program.
- Proposes an additional \$2 million Inmate Welfare Fund for the Office of Victims and Survivor Rights' Victim Offender Dialogue Program and the Division of Rehabilitative Programs to establish or expand Innovate Programming Grants targeting victim impact programs.

Victims Programs

- Proposes to develop a plan to consolidate the Office of Emergency Services and the Victim Compensation Board victims' programs within a new state department under the Government Operations Agency.

Board of State and Community Corrections

- Proposes an augmentation of \$18 million one-time General Fund for the California Violence Intervention and Prevention Program, resulting in a total of \$27 million for the program in 2019-20 and \$9 million ongoing thereafter.
- Provides an additional \$6.2 million ongoing General Fund for the Standards and Training for Corrections Program.
- Includes \$112.8 million General Fund to continue the Community Corrections Performance Incentive Grant which is a decrease of \$548,000 from the amount estimated in the Governor's Budget.
- Includes \$14.8 million General Fund, which is an increase of \$2.9 million over the amount estimated in the Governor's Budget, for county probation departments to supervise the temporary increase in the average daily population of individuals on Post Release Community Supervision.
- Updates Proposition 47 savings of \$78.4 million General Fund, a decrease of \$23,000 from the Governor's Budget estimate for 2018-19.
- \$26 million for a competitive grant program for local governments that have not banned cannabis cultivation or retail activities that will prioritize various public health and safety programs.

Office of Emergency Services

- Provides \$15 million one-time General Fund augmentation for the California State Nonprofit Security Grant Program which provides support for security enhancements to nonprofit organizations that are at high risk of a terrorist attack.
- Provides \$5.9 million (\$5.1 million General Fund) in ongoing funds and 76 positions to enhance the Office of Emergency services' disaster preparedness and response capacity.
- Proposes one-time \$20 million one-time General Fund for a state mission tasking appropriation within the Office of Emergency Services' budget and additional \$1.5 million and 12 positions for the Office of Emergency Services to coordinate with all state agency responders as a part of effectively managing and monitoring this

appropriation.

- Includes one-time \$10 million General Fund to support local communities impacted by the Camp Fire.

Judicial Branch

- Proposes total funding of \$4.2 billion (\$2.2 billion General Fund and \$2.0 billion other funds) in 2019-20 for the Judicial Branch, of which \$2.4 billion is to support trial court operations.
- Includes \$30.4 million General Fund in 2019-20 and \$36.5 million General Fund annually thereafter for 25 additional superior court judgeships that will be allocated upon completion of the Judicial Council's Judicial Needs Assessment expected in late summer 2019.
- Includes statutory changes to increase the trial court reserve cap from one percent to three percent beginning June 30, 2020 to enable courts to retain funding to cover unanticipated mid-year changes in costs or disruptions in funding.
- Includes \$1.5 million ongoing General Fund to the Judicial Council to administer federal reimbursements related to court-appointed dependency counsel, which are estimated to be \$34 million annually, resulting in an increase in the dependency counsel budget from \$156.7 million to \$190.7 million annually beginning 2019-20.
- Augments the Equal Access Fund by \$20 million one-time General Fund to provide legal aid for renters in landlord-tenant disputes.
- Includes \$9.6 million ongoing General Fund for the continuation of interpreter services for civil matters and to cover increases costs in criminal cases.
- Includes \$5 million ongoing General Fund to address operational cost increases for the Court of Appeals.