



HIGHLIGHTS OF GOVERNOR'S PROPOSED 2019-2020 BUDGET

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OVERVIEW

Today Governor Newsom introduced his 2019-20 budget proposal. The proposal reflects the extraordinary strength of California's economy in an expansive and ambitious proposal to both invest in new programs and save for leaner days ahead.

The Department of Finance projects \$8.1 billion in revenue over 2017-18 to 2019-20 above the forecast adopted in the 2018-19 budget. This increase provides a historic opportunity to shape the future of state government. Overall revenues are projected to be \$142.6 billion in 2019-20.

Anticipating this additional revenue, in December the Assembly put forward the 2019-20 Budget Blueprint which advocated to first pay down debts and increase reserves, and then make some targeted investments, mostly with one-time funding.

The Governor's proposed budget shares the overall approach, with \$13.6 billion utilized to "build budget resiliency" by increasing reserves, paying off debts, and accelerating the reduction of pension liabilities. The budget also make sizable investments in almost every area of state government, but most—86 percent of these—are with one-time funding. In addition, the Governor's budget continues funding for spending promises made in the 2018 budget.

Overall, the budget proposes \$144.2 billion in total General Fund expenditures in 2019-20, \$5.5 billion above the level in the 2018 budget act. The budget also proposes to spend \$5.4 million more in the 2018-19 fiscal year, of which \$5 million is to assist with emergency needs involving immigration.

Reserves are project to grow to \$18.5 billion combined in 2019-20, with \$15.3 billion in the State's Rainy Day Fund and \$2.3 billion in the Special Fund for Economic Uncertainty, and \$700 million in the Social Services reserve.

The 2019-20 budget proposal is packed with new proposals and new ideas, many of them reflecting long-standing Assembly priorities. This summary document attempts to capture and describe these provisions based upon a small amount of information written under a very tight deadline. The Assembly will begin hearings at the end of January and will engage in robust review and oversight of the budget proposal with more information and the benefit of input of Members of the Legislature, stakeholders, and the public.

HEALTH

Health Care Reform

- Creates a single-purchaser system for prescription drugs by requiring the Department of Health Care Services to purchase and negotiate the pricing of all prescription drugs under Medi-Cal for all Medi-Cal beneficiaries. This requires all Medi-Cal managed care pharmacy services to be transitioned to a fee-for-service benefit.
- Strengthens the California Pharmaceutical Collaborative to obtain lower prices for drugs purchased by the state, excluding Medi-Cal.
- Creates a bulk purchasing prescription drug program to be accessed by both public and private payers.
- Expands Medi-Cal eligibility to all income-eligible young adults (ages 19-25), regardless of immigration status, estimated to include 138,000 new enrollees at an estimated cost of \$260 million (\$196.5 million General Fund).
- Increases and expands subsidies to individuals and families insured through Covered California, by increasing subsidies for people between 250 and 400 percent of the federal poverty level and by adding subsidies for people whose income falls between 400 and 600 percent of the federal poverty level. Proposes the adoption of a California individual mandate, with penalties for lack of coverage, the revenue from which will cover the subsidies.
- Establishes a California Surgeon General to provide leadership in addressing root causes of serious health conditions, such as adverse childhood experiences and the social determinants of health.

Department of Health Care Services

Medi-Cal

- (Included above) Creates a single-purchaser system for prescription drugs by requiring the Department of Health Care Services to purchase and negotiate the pricing of all prescription drugs under Medi-Cal for all Medi-Cal beneficiaries. This requires all Medi-Cal managed care pharmacy services to be transitioned to a fee-for-service benefit.

- (Included above) Expands Medi-Cal eligibility to all income-eligible young adults (ages 19-25), regardless of immigration status, estimated to include 138,000 new enrollees at an estimated cost of \$260 million (\$196.5 million General Fund).
- Includes \$60 million (\$30 million federal funds, \$30 million Proposition 56 funds) for early developmental screenings for children in Medi-Cal.
- Includes \$45 million (\$22.5 million Proposition 56 funds) for adverse childhood experiences screenings for children and adults in Medi-Cal, beginning no sooner than January 1, 2020, utilizing an existing screening tool for adults and developing a new screening tool for children.
- Includes \$3.2 billion (\$1.05 billion Proposition 56 funds) to extend the Proposition 56 supplemental provider payments to physicians, dentists, family planning services, Intermediate Care Facilities for the Developmentally Disabled, HIV/AIDS waiver services, home health, pediatric day health services, and new investments.
- Includes an additional \$50 million (Proposition 56 funds), plus up to \$500 million in federal matching funds, for the Family PACT Program for family planning services in Medi-Cal.
- Invests \$360 million (\$180 million Proposition 56 funds) into a new program to encourage Medi-Cal managed care providers to meet goals in critical areas such as chronic disease management and behavioral health integration.
- Provides \$100 million for the Whole Person Care Pilot program for supportive housing and the coordination of health, behavioral health and social services for people with mental illness.
- Assumes savings of \$2.3 billion General Fund, as compared to the 2018 Budget Act, for current year Medi-Cal costs due updated cost estimates, changes to the timing of the Hospital Quality Assurance Fee and drug rebates, lower payments for deferred claims to the federal government, and higher withhold payments to skilled nursing facilities.
- Proposes \$3.8 million (\$1.8 million General Fund) to strengthen fiscal forecasting of the Medi-Cal and Family Health estimates and to improve oversight and monitoring of Medi-Cal expenditures.

Mental Health

- Includes \$25 million General Fund for one-time grants for projects that demonstrate innovative approaches to detect and intervene when a young person has experienced a first episode of psychosis.
- Increases county mental health services funds by approximately \$70 million (for a total of \$84 million in growth funding) by changing the counties' share of In-Home Supportive Services program costs.

Office of Statewide Health Planning and Development

- Includes \$50 million General Fund, with the anticipation of potential additional private contributions from universities, health clinics, and philanthropic organizations, for mental health workforce development and training programs.
- Proposes \$33 million General Fund ongoing beginning in 2020-21 to continue the support of healthcare workforce programs that began in the 2017 Budget Act.

Department of Public Health

- Invests \$23 million General Fund to expand the California Home Visiting Program with a focus on low-income, young mothers and a wider range of home visiting models.
- Invests \$7.5 million General Fund to increase participation in the Black Infant Health Program.
- Includes \$3 million General Fund on-going for the Alzheimer's Disease Program to support research grants focusing on the greater prevalence of the disease in women and people of color, and to support the creation of the Governor's Task Force on Brain Health.
- Includes \$2 million General Fund for local health jurisdictions for the prevention of sexually transmitted diseases.
- Includes \$17.2 million (Licensing and Certification Fund) to increase the contract with Los Angeles County for licensing and certification work to cover the costs of a new, expanded contract at a full cost of \$65.5 million.

Department of State Hospitals

- Includes \$18.6 million General Fund and 119.3 positions for the second phase of the Metropolitan State Hospitals' secured treatment area expansion of 236 forensic beds for treatment of individuals found Incompetent to Stand Trial.
- Includes \$12.3 million General Fund for the Department of State Hospitals to contract for up to 74 additional jail-based competency restoration treatment beds.
- Includes \$24.9 million and 168.3 positions for: (1) Direct Care Nursing (\$15 million and 117.3 positions); (2) Court Evaluations and Reports (\$8.1 million and 43 positions); and (3) Workforce Development (\$1.8 million and 8 positions) to expand partnerships with community colleges to increase capacity in psychiatric technician training programs and to establish a forensic psychiatry residency program at Napa State Hospital.

HUMAN SERVICES

Department of Social Services

In-Home Supportive Services (IHSS)

- Includes \$342.3 million General Fund in 2019-20 and on-going to restore the 7-percent reduction in IHSS hours that would otherwise be effective July 1, 2019 in the absence of an extension of the managed care organization tax.
- Includes \$241.7 million General Fund in 2019-20 to adjust the IHSS County Maintenance of Effort (MOE), allowing for the redirection of 1991 Realignment funds back to county indigent health and mental health services and reducing the counties' IHSS MOE obligation to \$1.56 billion. A 4 percent annual inflation factor will be applied to the MOE beginning in 2020-21.
- Includes an ongoing increase of \$15.4 million General Fund for IHSS county administration to reflect revised benefit rate assumptions, for a total of \$326 million General Fund for IHSS county administration.
- Includes \$34.9 million (\$5.3 million General Fund) to implement an electronic visit verification approach and enhancements to the Case Management, Information and Payrolling System for personal care services.
- Includes \$2.2 million General fund for IHSS in 2019-20 and on-going to correspond and align to the proposal in Medi-Cal to provide benefits to undocumented adults ages 19-25.

CalWORKs

- Includes \$347.6 million General Fund in 2019-20 and on-going to raise grants to 50 percent of the projected 2019 federal poverty level, effective October 1, 2019. The definition of grants that meet this status in the Governor's proposal differs from that which was adopted in the 2018 Budget. Full-year costs of this increase are estimated at \$455.4 million.
- Includes \$78.9 million (combined General Fund and federal funds) to provide home visiting services to an anticipated 16,000 eligible CalWORKs families in 2019-20. Approximately 15,000 cases are estimated to be served on an annual basis beginning in 2020-21.

- Includes a one-time augmentation of \$93.6 million for the county single allocation. On-going work continues to revise the single allocation budgeting methodology for the Employment Services component as part of the May Revision.
- Increases funding for the Safety Net Reserve Fund by \$700 million, bringing the total amount in the fund to \$900 million, to be available to CalWORKs and Medi-Cal services and benefits during an economic downturn.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

- Passes through the federal cost of living adjustments (COLA) for the SSI/SSP program, which are based on the Consumer Price Index and are 2.8 percent for 2019 and a projected 2.5 percent for 2020.
- Includes \$86.7 million General Fund in 2019-20 and makes permanent the offset of the loss of food benefits for households that would otherwise experience a reduction resulting from the elimination of the SSI Cash-Out policy.
- Includes an annual appropriation of \$25 million General Fund beginning in 2019-20, atop the \$45 million General Fund that was appropriated in the 2017 Budget, for the Housing Disability Advocacy Program (HDAP).

Foster Care and Child Welfare

- Includes \$416.9 million (\$301.7 million General Fund) to continue implementation of the CCR. Assumptions in caseload movement have been revised to more accurately reflect the pace of implementation.

Immigration Services

- Includes \$75 million General Fund in 2019-20 and on-going for immigration-related services, maintaining levels that were included in the 2018 Budget.
- Includes \$20 million General Fund to establish an Immigration Rapid Response Program and includes \$5 million General Fund to address immigration-related emergencies that occur during the 2018-19 fiscal year.

Food and Hunger

- Provides an additional \$8 million General fund one-time in 2019-20 for the CalFood program and includes \$20 million General Fund one-time in 2019-2020 to support infrastructure needs of California food banks' emergency food delivery system,

including capital investments needed to support food collection, storage, and distribution.

Department of Developmental Services

- Includes \$5.3 million (\$4.8 million General Fund) to expand acute crisis and mobile crisis services in the community in recognition to the closure of the developmental centers and the increased need for these services.
- Includes \$8.1 million (\$6.5 million General Fund) to support the reorganization of departmental headquarters in light of the changes taking place to close developmental centers and support services in the community.
- Includes \$5.4 million (\$3.7 million General Fund) to establish a reduced regional center caseworker caseload ratio for consumers with specialized medical and behavioral needs.
- Includes \$4.5 million General Fund one-time to expand the developmental of community crisis housing specifically for children.
- Includes \$3.8 million (\$2.6 million General Fund) for the increased monitoring of Enhanced Behavioral Support Homes and Community Crisis Homes, resulting in reduced caseload ratios for regional centers for these particular models.
- Includes \$1.5 million General Fund to support social inclusion, integrated employment, and leadership program services for children and adults with developmental disabilities, which will include a report of the number of persons served annually with these funds.

Department of Rehabilitation (DOR)

- Includes \$5 million General Fund in 2019-20 for the Vocational Rehabilitation program at DOR, which will raise uniform fee-for-service rates for community rehabilitation program providers by 10 percent and adjust rates with a wage component to account for state minimum wage increases. Up to \$1.5 million will support information technology upgrades for the DOR offices and counselors throughout the state to achieve efficiencies and improve consumer support.
- Includes \$1.2 million General Fund in 2019-20 for the Traumatic Brain Injury program, restoring the funding to historical levels and providing a funding source for the foreseeable future.

Department of Child Support Services

- Includes \$56 million (\$36.9 million federal funds and \$19.1 million General Fund) for Local Child Support Agency administrative costs, which represents the first year of a three-year, phased-in implementation of a new budgeting methodology. The funding is proposed to be allocated to 21 counties with relatively lower funding levels, many of which have a high proportion of low-income households living in poverty.

K-12 AND EARLY EDUCATION

K-12 Education

- Provides a total Proposition 98 General Fund funding level of \$80.7 billion in 2019-20, an increase of \$2.9 billion for schools and community colleges.
- Projects Proposition 98 ongoing per-pupil spending to be \$12,003 in 2019-20, an increase of \$435 per student compared to 2018-19.

Major K-12 Education Adjustments:

- Provides an increase of \$2 billion in Proposition 98 funding for the Local Control Funding Formula (LCFF), reflecting a 3.46 percent cost-of-living adjustment.
- Includes \$3 billion in one-time non-Proposition 98 General Fund to provide a payment to CalSTRS to reduce long-term liabilities for employers (school districts, county offices of education and charter schools).
- Provides \$576 million Proposition 98 funding (\$186 million one-time) for special education services and school readiness supports.
- Proposes to release \$1.5 billion in Proposition 51 bond funds to support school construction projects.
- Proposes \$10 million in one-time non-Proposition 98 General Fund to plan and begin developing a longitudinal data system to include student data from early education to career and link health and human services agencies.
- Makes changes to the Proposition 98 certification process to specify that the state cannot adjust Proposition 98 funding levels for non-certified years (except the current year and budget year).
- Provides an increase of \$20.2 million in Proposition 98 funding for county offices of education to support school districts with persistent low-performing students.

Early Education and Child Care

- Includes \$750 million in one-time non-Proposition 98 funding to construct new or retrofit existing facilities for full-day kindergarten.
- Provides \$124.9 million in non-Proposition 98 General Fund in 2019-20 and additional investments in the next two fiscal years to expand full-day State

Preschool for non-profit providers, with the goal of providing access to all eligible low-income four-year olds by 2021-22.

- Shifts \$297.1 million in Proposition 98 funding for part-day State Preschool at non-school sites to non-Proposition 98 General Fund.
- Includes \$500 million in one-time General Fund to expand child care facilities and invest in education of the child care workforce.
- Provides \$50 million in one-time General Fund to support pilot programs to develop models to create Child Savings Accounts for incoming kindergarteners.
- Proposes \$10 million in General Fund for the State Board of Education, in consultation with the Department of Finance and the Department of Social Services, to develop a plan to provide universal preschool and a plan to improve access and quality of subsidized child care.
- Includes additional proposals related to early childhood care that are described in other sections, including funding for Adverse Childhood Experiences (ASEs) screenings, child care infrastructure at California State Universities, expanded Paid Family Leave, home visitation services, Black Infant Health Programs, Local Child Support Agency and increased CalWorks grants.

HIGHER EDUCATION

University of California

- Provides an increase of \$200 million General Fund to support operating costs. Included in this funding is support for previous enrollment growth of 1,000 California undergraduates, \$50 million to support student success efforts, \$5.3 million for mental health services, \$15 million to address student hunger and homelessness, \$1.3 million for immigration legal services.
- Provides \$138 million one-time General Fund to address deferred maintenance projects.
- Provides \$15 million one-time General Fund to support expanded degree completion and certification programs at UC extension centers.
- Includes an expectation that UC will not increase tuition, will expand access to California students, and improve time-to-degree.
- Calls for an in-depth conversation between the Administration and Regents regarding four broad goals: providing fiscal certainty for students and their families, increasing access to UC and improving student success, creating a more cost-efficient UC, and improving the link between higher education and workforce skills needed for the current and future economy.
- Provides \$40 million ongoing General Fund to allow ongoing support for graduate medical education expansion via Proposition 56.
- Provides \$1 million ongoing General Fund to support the Firearms Violence Research Center.

California State University

- Provides an increase of \$300 million ongoing General Fund. This includes \$193 million for operational costs, \$62 million to support 2% enrollment growth, and \$45 million to continue the Graduation Initiative.
- Provides \$7 million ongoing General Fund to support immigration legal services.
- Provides \$247 million one-time General Fund to address deferred maintenance projects.

- Provides \$15 million one-time General Fund to support the Basic Needs Initiative, which addresses student hunger and housing needs.
- Provides \$2 million one-time General Fund to support a review of a potential new CSU campus in San Joaquin County.
- Provides \$250,000 ongoing General Fund to support Project Rebound, which provides support to CSU students who are formerly incarcerated.

California Community Colleges

- Proposes an extension of previous legislation to provide free tuition for the first year to all first-time, full-time community college students. The budget includes \$40 million to allow for free tuition for the second year for all full-time community college students.
- Modifies the new funding formula adopted in the 2018 Budget Act by maintaining current rates for student success factors, adjusted for inflation, pending further review of this facet of the funding formula.
- Establishes a cap of 10% on the amount campuses could receive for the student success allocation.
- Clarifies the definition of a transfer student within the student success allocation.
- Includes a \$3 billion one-time payment to the California State Teachers' Retirement System, which will help K-12 and community colleges address rising pension costs.
- Provides \$358.7 million in general obligation bond funding to support 12 new and 15 continuing projects supported by Proposition 51.
- Provides \$248.3 million ongoing Proposition 98 to support a 3.46% cost of living adjustment.
- Provides \$26 million Proposition 98 to support enrollment growth.
- Reduces Proposition 98 spending by \$211.4 million Proposition 98 to reflect increased local property tax revenues.
- Provides \$18 million ongoing Proposition 98 to support a cost of living adjustment for adult education.
- Provides \$10 million Proposition 98 for immigration legal services.

- Provides \$435,000 one-time General Fund to support the new funding formula oversight committee.
- Provides \$135,000 ongoing General Fund to support a new Information Security Officer position at the Chancellor's Office.

California Student Aid Commission

- Provides an increase of \$121.6 million ongoing General Fund to the Cal Grant program to provide increased access awards to Cal Grant recipients with children. Cal Grant A and B students could receive up to \$6,000 in non-tuition assistance, while Cal Grant C students could receive up to \$4,000.
- Provides \$9.6 million ongoing General Fund to the Cal Grant program to increase the number of competitive Cal Grants from 25,750 to 30,000.
- Increases funding for Cal Grants by \$32.5 million in 2018-19 and \$198.6 million in 2019-20 to reflect increased caseload.
- Provides \$6.2 million one-time General Fund to support the second year of costs related to the Grant Delivery System Modernization Project.
- Assumes private, nonprofit colleges will meet community college student transfer requirements, setting the Cal Grant award for students attending these institutions at \$9,084.

Hastings College of Law

- Provides \$1.4 million ongoing General Fund, contingent on the rescission of a 5% tuition increase approved for 2019-20.
- Provides \$1 million one-time General Fund to address deferred maintenance projects.

California State Library

- Provides \$1 million one-time General Fund to support online systems at public libraries.
- Provides \$1 million one-time General Fund to support the Lunch at the Library program, which provides summer meals for low-income students.

Office of Planning and Research

- Provides \$5 million one-time General Fund to develop an outreach initiative to educate student loan borrowers about loans, lending practices, and repayment options.
- Provides \$10 million one-time General Fund to support grants to higher education institutions to implement strategies to increase postsecondary capacity, reduce achievement gaps, and create a multi-generational culture of educational attainment in the San Joaquin and Inland Empire regions of the state.

Child Savings Accounts

- Provides \$50 million one-time General Fund to support pilot projects and partnerships with First 5 California, local First 5 Commissions, local governments and philanthropy to increase and improve Child Savings Accounts, which allow parents to set aside funding to support post-secondary education.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Department of Forestry and Fire Protection

CalFire's Total Budget

- Includes \$2.6 billion (\$1.6 billion in General Fund) and 7,645.6 position for resources management and wildland fire protection services covering over 31 million acres.

Increasing Fire Prevention

- Includes \$213.6 million from various funds to: (1) complete more fuel reduction projects through the operation of prescribed fire crews and grants for forest health projects, (2) implement the recently enacted wildfire prevention and recovery legislative package, which streamlines regulatory barriers for fuel reduction projects, and (3) dispose of illegal and dangerous fireworks.
- Includes \$200 million in Greenhouse Gas Reduction Fund for forest thinning and forest health projects to reduce dead, dying, and overgrown vegetation.

Enhancing Aviation Resources

- Includes \$120.8 million in General Fund to add aircraft with increased technical capabilities to meet the challenges associated with more severe wildfire activity.
- Includes \$11.4 million in General Fund for the first year of operating the large air tankers that will be transferred from the U.S. Air Force.
- Includes \$109.4 million in General Fund to continue the replacement of the Vietnam War-era helicopters.

Expanding Firefighting Surge Capacity

- Includes \$64.4 million in General Fund to enhance fire protection capabilities, including adding 13 new year-round fire engines that will be located in areas of the state with the highest fire risk, expanding heavy fire equipment operator staffing to support bulldozer operations during emergency wildfire events, and accelerating the replacement of fire engines and other mobile equipment to address increased wear and tear resulting from longer fire season.

Supporting Emergency Responders

- Includes \$6.6 million from various funds to expand the health and wellness program and to provide medical and psychological services to firefighters.

Improving Use of Technology

- Includes \$9.7 million in General Fund for 100 additional fire detection cameras and to develop more effective fire suppression strategies during wildfire events.

California Conservation Corps

Corps' Total Budget

- Includes \$133.6 million (\$64.1 million in General Fund) and 340.2 positions.

Expanding Firefighting Surge Capacity

- Includes \$3.1 million in General Fund to operate five additional fire crews at Los Padres, Camarillo, and Butte Fire Centers.

Wildfire Prevention and Recovery Legislative Package: Forestry Corps

- Includes \$4.5 million in General Fund to develop and implement the Forestry Corps Program, consistent with AB 2126 (Chapter 635, Statutes of 2018).

Department of Toxic Substances Control

Exide Lead Acid Battery Facility

- Includes an additional \$50 million in General Fund on a one-time basis to accelerate the cleanup of additional properties within a 1.7 mile radius of the facility over the next two years. This funding will allow DTSC to clean up approximately 700 additional high-risk properties.

State Water Resources Control Board

Safe and Affordable Drinking Water

- Includes \$168.5 million in Proposition 68 funds to provide technical assistance, grants, and loans to public water systems in disadvantaged communities for infrastructure improvements to meet safe and affordable drinking water standards, including drinking water and wastewater treatment projects.

Emergency Water Supplies

- Includes \$10 million in General Fund to address safe drinking water emergencies in disadvantaged communities, such as provision of interim alternate water supplies, including bottled or hauled water, and emergency improvements or repairs to existing water systems, such as well rehabilitation or replacement, extension of service, consolidation projects, or treatment systems.

Technical Assistance

- Includes \$10 million in General Fund to contract with, or provide grants to, an administrator to provide administrative, technical, operational, or managerial services to a designated water system to achieve compliance with current drinking water standards. Funds may also be used for the development of a community-based needs assessment and preparation of grant applications for capital projects.

Safe and Affordable Drinking Water Fund

- Establishes a new special fund, with a dedicated funding sources from new water, fertilizer, and dairy fees, to assist communities, particularly disadvantaged communities, in paying for the short-term and long-term costs of obtaining access to safe and affordable drinking water. This proposal is consistent with the policy framework of SB 623 (Monning, 2017).
- Includes \$4.9 million in General Fund on a one-time basis for the State Water Resources Control Board and the Department of Food and Agriculture to take initial steps toward implementation of this new Safe and Affordable Drinking Water Program.

Enhancing Resilience to Climate Change-Driven Wildfire Activity

- Includes \$7.9 million from various funds to support the State Water Resources Control Board and the Department of Fish and Wildlife to review timber harvest plans exemptions, and inspect, permit, and enforce projects that improve forest health and vegetation management activities.

Department of Fish and Wildlife

Enhancing Resilience to Climate Change-Driven Wildfire Activity

- Includes \$7.9 million from various funds to support the State Water Resources Control Board and the Department of Fish and Wildlife to review timber harvest

plans exemptions, and inspect, permit, and enforce projects that improve forest health and vegetation management activities.

Emergency Preparedness and Response

- Includes \$1.6 million in General Fund to replace outdated vehicle-mounted and handheld radios.

Department of Food and Agriculture

Safe and Affordable Drinking Water Fund

- Includes \$4.9 million in General Fund on a one-time basis for the State Water Resources Control Board and the Department of Food and Agriculture to take initial steps toward implementation of this new Safe and Affordable Drinking Water Program.

Air Resources Board

Enhancing Resilience to Climate Change-Driven Wildfire Activity

- Includes \$3.4 million in Greenhouse Gas Reduction Fund to enhance air quality and smoke monitoring, forecasting, reporting and modeling activities.

CAP AND TRADE

Cap and Trade Expenditure Plan

- Proposes a \$1 billion Cap and Trade Expenditure Plan that continues core programs such as \$200 million for the Clean Vehicle Rebate Program, \$230 million to reduce emissions in communities disproportionately impacted by air pollution, and \$200 million to support forest improvement. The funding levels for specific programs are shown below.

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

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

- Provides, as part of the implementation of the Wildfire Prevention and Recovery Legislative Package, an additional \$3.4 million Greenhouse Gas Reduction Funds to enhance the Air Resources Board's air quality and smoke monitoring, forecasting, reporting, and modeling activities and support local air district public education efforts to align with the anticipated increase in prescribed burns.

TRANSPORTATION

California Department of Transportation (Caltrans)

- Continues to implement SB 1 (Beall, Chapter 5, Statutes of 2017), also known as the Road Repair and Accountability Act of 2017, and provides \$4.8 billion in new SB 1 funding as follows:
 - \$1.2 billion for cities and counties for local road repair,
 - \$1.2 billion for the repair and maintenance of the state highway system,
 - \$400 million for the state's bridges and culverts,
 - \$307 million for trade corridors,
 - \$250 million for congested commute corridors,
 - \$458 million for local transit operations,
 - \$386 million for capital improvements for transit and intercity rail,
 - \$200 million for Local Partnership projects,
 - \$100 million for Active Transportation projects,
 - \$25 million for freeway service patrols, and
 - \$25 million for local planning grants.

Department of Motor Vehicles

- Focuses on business processes at DMV and overall program management to improve operations. As part of this effort, DMV will be the first state department to work with the newly created Office of Digital Innovation in the budget year. In addition, further budget proposals, likely in the spring, will implement recommendations from audits and others to make improvements at the DMV.
- Maintains current year funding levels for REAL ID implementation at \$63 million and 780 positions.
- Provides \$3 million (General Fund and Proposition 68) for deferred maintenance projects.

California Highway Patrol

- Includes \$62.4 million (\$44.4 million General Fund and \$18 million special fund) to replace 3,600 radio communication systems in CHP vehicles.
- Provides \$15 million General Fund to replace aging laptops and handheld citation devices with tablets.
- Provides \$9.5 million General Fund to replace aging information technology infrastructure and provide increased storage capacity, connectivity, and security.
- Provides \$5 million (General Fund and Proposition 68) for deferred maintenance projects.
- Includes \$5.8 million for a coordination effort with the Department of Justice implement Chapter 803, Statutes of 2018 AB 1065—for organized retail theft task forces.

GENERAL GOVERNMENT

Housing

- Includes \$750 million one-time for local government incentives to increase housing production through technical assistance and general purpose funding.
- Provides \$500 million to expand the Mixed-Income Loan program.
- Increases funding of the existing state housing tax credit program by \$300 million intending to pair with the existing 4 percent federal tax credit.
- Provides \$200 million for the “missing middle” funding for a new housing program serving households with income between 60 to 80 percent of Area Median income.
- Proposes using excess state property for housing development, including soliciting developers to build demonstration projects.
- Proposes reforming the Enhanced Infrastructure Financing Districts structure to remove the 55 percent voter approval requirement to issue debt.

Homelessness Prevention

- Provides \$500 million for regional efforts to address homelessness to expand and develop shelters or navigation centers. Of this amount \$300 million would be allocated to cities and Continuum of Care areas initially, and \$200 would be awarded to regions that show progress in meeting milestones.
- Proposes streamlining California Environmental Quality Act for homeless shelters, navigation centers, and new supportive housing units.
- Proposes a plan to allow Caltrans airspace to be used for emergency shelters, expanding the eligible locations for the use of this state land.
- Provides \$25 for Supplemental Security Income advocacy.
- Provides \$100 million one-time for a “Whole Person Care Pilot” which would coordinate health, behavioral health and social services for individuals.

California Public Employee Retirement System

- Includes a \$3 billion General Fund supplemental pension payment to be paid to CalPERS in 2018-19.
- Provides the statutorily required annual contribution of \$6.8 billion (\$3.9 billion General Fund) for CalPERS for state pension costs. Of this amount, \$727.5 million General Fund is for California State University retirement costs.
- Includes an additional \$390 million in Proposition 2 debt funding to pay down the General Fund share of the loan that funded the \$6 billion supplemental pension payment to CalPERS in 2017-18.

California State Teachers' Retirement System

- Includes a \$1.1 billion supplemental pension payment toward the state's share of the unfunded liability for the CalSTRS Defined Benefit Program. This is the first installment of an estimated \$2.9 billion debt to be repaid to CalSTRS through 2022-23.
- Provides the statutorily required annual contribution of about \$3.3 billion General Fund for state contributions to CalSTRS.

State Health Care Benefits

- Provides \$5.8 billion for health care benefits for more than 850,000 state employees, retirees, and their families. Of this amount, \$2.3 billion is for retiree health care benefits.

Employee Compensation and Collective Bargaining

- Provides \$1.2 billion (\$605.3 million General Fund) for increased employee compensation, health care costs for active employees, and retiree health care prefunding contributions.
- Intends to begin collective bargaining for 5 of the state's 21 bargaining units this year—Attorneys and Administrative Law Judges, Correctional Officers, Public Safety, Stationary Engineers, and Psychiatric Technicians) in addition to the California Highway Patrol.

Statewide Deferred Maintenance

- Includes one-time resources of \$315.8 million (\$287.2 million General Fund and \$28.6 million Proposition 68 bond funds) to address the state's most critical deferred maintenance projects at various departments such as \$112.2 million for the Department of Corrections and Rehabilitation and \$45.6 million for the Department of Parks and Recreation.

Office of Digital Innovation

- Includes \$36.2 million (\$33.7 million General Fund) one-time and \$14.6 million (\$9.6 Million General Fund) ongoing and 50 positions to establish the Office of Digital Innovation within the Government Operations Agency. The Office will focus on business process reengineering and leveraging digital innovation.
- Proposes one-time funding of \$20 million for the Office to transform departments and modernize service delivery. The Department of Motor Vehicles will be the first department to work with this Office.

2020 Census

- Provides \$50 million for statewide outreach efforts to increase the participation rate of Californians in the census.
- Includes \$4 million for the California Housing and Population Sample Enumeration survey which will identify barriers to a complete count and develop recommendations for the 2030 Census.

Cannabis-Related Activities

- Provides \$200.6 million from the Cannabis Tax Fund and the Cannabis Control Fund for cannabis-related activities, such as licensing.

Department of Veterans Affairs

- Provides \$5 million (General Fund and Proposition 68) for deferred maintenance projects.

Public Utilities Commission

- Proposes, as part of the implementation of the Wildfire Prevention and Recovery Legislative Package, an additional \$9.2 million from various funds to enable the CPUC to address workload associated with wildfire cost recovery proceedings, reviewing and approving enhanced wildfire mitigation plans, and oversight of investor-owned utility compliance with requirements to reduce the risk of utility-caused wildfires.

California Arts Council

- Includes \$10 million General Fund to expand grant programs that offer support for public access to the arts, arts education, and the state's cultural infrastructure.

California Volunteers

- Includes \$20 million General Fund to begin the expansion of the state's AmeriCorps members to 10,000 and to supplement the federal funding award to reach a target of \$10,000.

California Workforce Development Board

- Includes \$27 million Greenhouse Gas Reduction Fund to increase job training and apprenticeship opportunities focused on disadvantaged communities.

Paid Family Leave

- Proposes convening a task force to consider options to phase-in and expand Paid Family Leave to allow children to be cared for by a parent or relative for up to six months.

REVENUES

- Proposes increasing and evolving the existing Earned Income Tax Credit into a new Working Families Tax Credit:
 - Increases the size of the current program from \$400 million to \$1 billion total, serving 2.4 million families.
 - Provides an additional \$500 credit for families with children under the age of 6.
 - Increases the maximum eligible earned income so that workers working up to full-time at the 2022 minimum wage of \$15 per hour will be eligible for the credit.
 - Changes the phase out formula so that taxpayers earning income at the upper end of the credit structure will receive significantly higher credit amounts.
 - Proposes to explore how to allow workers to receive a portion of their "Working Families Tax Credit" in monthly payments, as opposed to receiving the credit in one lump sum.
- Recommends federal tax conformity proposals to offset the costs of the Working Family Tax Credit.

PUBLIC SAFETY

Department of Corrections and Rehabilitation

- Includes total funding of \$12.6 billion (\$12.3 billion General Fund and \$303 million other funds) for the Department of Corrections and Rehabilitation (CDCR).

Division of Rehabilitative Programs

- Provides \$475.3 million General Fund to the Division of Rehabilitative Programs in order to fund various programs and services that promote positive in-prison behavior and support rehabilitative efforts to provide a better opportunity for successful reintegration into society upon release.
 - Includes \$5.5 million General Fund for a package of programs aimed at improving literacy rates of incarcerated individuals, including diagnostic remedial reading programs, literacy coaches, computer-based learning, English as a second language courses, literacy mentor programs, and teacher mentor programs.
 - Includes \$2.5 million General Fund for an expanded tattoo removal program.

Inmate Medical Care and Mental Health Services

- Provides \$3.3 billion General Fund to the health care services program.
 - Includes an augmentation of \$6 million General Fund to provide increased staffing, facilities, and information technology equipment for expanding utilization of telehealth.
 - Includes \$1.8 million General Fund on a limited term basis to expand the Educational Partnership Program that places students and recent graduates in temporary residency and internship positions within the state prisons.

Infrastructure Support

- Provides \$18.5 million General fund in 2019-20, growing to \$55.6 million beginning in 2021-22 to establish a new funding methodology and baseline budget for annual prison maintenance and repair costs. Creates a funding rate of \$2.20 per usable

square foot of building space and incrementally raises the level of funding up to the new baseline.

- Includes one-time \$25 million General Fund to address the highest priority deferred maintenance projects.
- Includes \$71.7 million General fund over two years for roof replacements projects in California State Prison, Solano and High Desert State Prison.
- Provides \$59 million General Fund over two years to replace fire alarm systems and repair fire suppression systems at Mule Creek State Prison, R.J. Donovan Correctional Facility, and California State Prison, Sacramento.
- Includes \$8.4 million General Fund over two years to fund accessibility improvements at California Institution for Women and Mule Creek State Prison.
- Provides \$24 million General Fund to establish a 7-year replacement schedule for fleet assets.
- Provides \$112.2 million General Fund for deferred maintenance.

Division of Juvenile Justice

- Proposes to move the Division of Juvenile Justice from CDCR to the Health and Human Services Agency.
- Includes \$2 million to provide matching funds for California Volunteers/AmeriCorps federal grant to support 40 half-time AmeriCorps members in organizations assisting youth released from the Division of Juvenile Justice.

Office of Emergency Services

- Includes an additional \$172.3 million to improve the state's emergency response and preparedness capabilities through the following proposals:
 - One-time \$60 million General Fund to be deposited into the State Emergency Telephone Number Account (SETNA) to continue improving the 9-1-1 system, specifically to upgrade the California Public Safety Microwave Network from an analog system to a digital system.

- \$1 million to SETNA to support the implementation and ongoing workload associated with emergency communications coordination and First Responder Network Authority broadband network services.
- One-time \$16.3 million General Fund to finish the build out of the California Early Earthquake Warning System.
- \$25 million General Fund ongoing for pre-positioning of existing OES and local government resources.
- One-time \$50 million General Fund in 2018-19 to immediately begin a comprehensive, statewide education campaign on disaster preparedness and safety, focusing on community engagement and public education in high risk areas.
- One-time \$20 million General Fund to the California Disaster Assistance Act, increasing the total funding to \$82.6 million, to repair, restore, or replace public real property damaged or destroyed by a disaster and to reimburse local government costs.
- Provides \$59.5 million General Fund over five years to develop and implement the California Interoperable Public Safety Radio System.
- Provides \$2 million General Fund for deferred maintenance.

Department of Justice

- Includes total funding of \$1 billion (\$330.9 million General Fund and \$669.1 million other funds) to support the Department of Justice.
- Provides \$16.9 million General Fund for the Armed Prohibited Persons System (APPS), \$11.3 million to shift the existing APPS program from the Dealers' Record of Sale Account to the General Fund and \$5.6 million General Fund to support increased APPS workload.
- Provides \$6.9 million Dealer's Record of Sale Account to address increasing workload related firearm sales.
- Proposes to modify the current billing rate structure related to the Legal Services Revolving Fund.
- Other Significant Investments in the Department of Justice include:

- \$17.2 million General Fund to continue implementing Chapter 541, Statutes of 2017 which requires a tiered registration of sex offenders.
- \$15 million General Fund and \$10 million Fingerprint Fees Account to backfill the DNA Identification Fund. Includes \$5.8 million General Fund to establish a replacement schedule to regularly maintain and replace forensic laboratory equipment.

Judicial Branch

- Includes total funding of \$4.1 billion (\$2.1 billion General Fund and \$2 billion other funds) for the Judicial Branch, which includes \$2.4 billion to support trial court operations.
- Provides \$75 million General Fund to be allocated over a 2 year period to fund implementation, operation, or evaluation or efforts in 8 to 10 courts related to pretrial decision making.
- Provides \$41.9 million in General Fund to improve access to justice and modernize court operations, including:
 - \$23.1 million to replace 14 case management systems in 10 trial courts.
 - \$7.7 million to complete the first step in migrating to an updated Phoenix personnel system and shift \$3.2 million in existing Improvement and Modernization Fund costs to the General Fund.
 - \$5.6 million to establish a pilot program to digitize paper and film case files at six trial courts in order to develop best practices for future statewide implementation.
 - \$5.5 million to establish and support the foundation of business intelligence, data analytics, and identity and access management program to improve court efficiencies and service to the public.
- Includes \$2.3 million General Fund to advance technology projects identified by the Chief Justice's Commission on the Future of California's Court System including (1) remote appearances for most noncriminal court proceedings, (2) voice-to-text language interpretation services at court filing, service counters, and in self-help centers; and (3) intelligent chat technology to provide self-help services.
- Provides \$25.9 million General Fund for trial court employee benefit increases that were implemented in 2018-19 to address mid-year adjustments.

- Other significant Judicial Branch Investments include:
 - \$52.5 million General Fund to backfill the Trial Court Trust Fund.
 - \$40 million General Fund for deferred maintenance and \$20.2 million General Fund to support operations and maintenance of trial court facilities constructed since 2007.
 - \$20 million General Fund for court appointed dependency counsel to reduce attorney caseloads.
 - \$13.9 million General Fund for anticipated resentencing workload increases associated with Chapter 993, Statutes of 2018 (Cannabis Conviction Resentencing).
 - \$6 million General Fund to refresh, maintain, and replace trial court security equipment and systems.
 - \$5.6 million General Fund to shift funding for the Litigation Management Program from the Improvement and Modernization Fund to the General Fund.

Local Public Safety

- Includes \$116.4 million General Fund to continue the Community Corrections Performance Incentive Grant which was created by Chapter 608, Statutes of 2009.
- Estimates \$78.5 million net General Fund savings as a result of Proposition 47.
- Includes \$14.9 million General Fund to the Commission on Peace Officer Standards and Training (POST) to restore POST to its historical budget level prior to the decline in fine and fee revenues.
- Includes \$20 million General Fund to make permanent a one-time augmentation included in the 2018 budget Act for training on use of force and de-escalation and engaging with individuals experiencing a mental health crisis.
- Provides an ongoing \$10 million General Fund for the Office of Emergency Services to continue funding for the Human Trafficking Victim Assistance Program and includes \$4.2 million General Fund to establish two regional task forces within the Department of Justice to address human trafficking.

- Includes \$5.8 million General Fund on a limited term basis for the DOJ and California Highway Patrol to create regional task forces aimed at reducing organized retail theft as required by Chapter 803, Statutes of 2018.
- Provides \$11.8 million General Fund for county probation departments to supervise additional probationers as a result of Proposition 57.

California Military Department

- Provides \$5 million General Fund for deferred maintenance.

California Penal Code Review

- Includes \$576,000 General Fund to begin an effort under the California Law Revision Commission to simplify and rationalize criminal law and criminal procedures included in the Penal Code.

SUMMARY OF CHARTS

2019-20 Governor's Budget General Fund Budget Summary

(in millions)

	2018-19	2019-20
Prior Year Balance	\$12,377	\$5,240
Revenues and Transfers	\$136,945	\$142,618
Total Resources Available	\$149,322	\$147,858
Non-Proposition 98 Expenditures	\$90,054	\$88,896
Proposition 98 Expenditures	\$54,028	\$55,295
Total Expenditures	\$144,082	\$144,191
Fund Balance	\$5,240	\$3,667
Reserve for Liquidation of Encumbrances	\$1,385	\$1,385
Special Fund for Economic Uncertainties	\$3,855	\$2,283
Safety Net Reserve	\$900	\$900
 Budget Stabilization Account / Rainy Day Fund	 \$13,535	 \$15,302

General Fund Expenditures by Agency

(in millions)

	2018-19	2019-20	<u>Change from 2018-19</u>	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$4,643	\$4,559	-\$84	-1.8%
Business, Consumer Services & Housing	449	1,693	1,244	277.1%
Transportation	214	296	82	38.3%
Natural Resources	3,909	3,509	-400	-10.2%
Environmental Protection	358	123	-235	-65.6%
Health and Human Services	37,098	40,302	3,204	8.6%
Corrections and Rehabilitation	12,495	12,482	-13	-0.1%
K-12 Education	57,861	58,746	885	1.5%
Higher Education	16,348	17,180	832	5.1%
Labor and Workforce Development	159	125	-34	-21.4%
Governmental Operations	4,876	1,253	-3,623	-74.3%
General Government:				
Non-Agency Departments	1,145	821	-324	-28.3%
Tax Relief/Local Government	472	461	-11	-2.3%
Statewide Expenditures	4,055	2,641	-1,414	-34.9%
Total	\$144,082	\$144,191	\$109	0.1%

General Fund Revenue Sources

(in millions)

	2018-19	2019-20	<u>Change from 2018-19</u>	
			Dollar Change	Percent Change
Personal Income Tax	\$97,720	\$100,547	\$2,827	2.9%
Sales and Use Tax	26,244	27,424	1,180	4.5%
Corporation Tax	12,330	13,125	795	6.4%
Insurance Tax	2,606	2,830	224	8.6%
Liquor Tax	382	389	7	1.8%
Cigarette Tax	65	63	-2	-3.1%
Motor Vehicle Fees	31	33	2	6.5%
Other	304	-26	-330	-108.6%
Subtotal	\$139,682	\$144,385	\$4,703	3.4%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-2,737	-1,767	970	-35.4%
Total	<u>\$136,945</u>	<u>\$142,618</u>	<u>\$5,673</u>	<u>4.1%</u>