

Senate Budget and Fiscal Review—Scott D. Wiener, Chair

SUBCOMMITTEE NO. 4

Agenda

Senator Stephen C. Padilla, Chair
Senator Roger W. Niello
Senator Lola Smallwood-Cuevas



Thursday, May 30th, 2024
9:30am or Upon Adjournment of Session
State Capitol – Room 113

Consultants: Elisa Wynne, Diego Emilio J. Lopez, and Timothy Griffiths

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street,

Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

ITEMS FOR VOTE ONLY

0110/0120/0130 SENATE, ASSEMBLY, LEGISLATIVE ANALYST'S OFFICE (LAO)

Issue 1: Senate, Assembly, LAO Support

Legislative Proposal: Adjust the Legislature's budget from the January budget pursuant to Proposition 140 (1990), in line with the State Appropriations Limit Adjustment of 4.03 percent, for a total ongoing adjustment of \$16.6 million General Fund.

Staff Recommendation: Approve Legislative proposal.

OVERALL BUDGET

Issue 2: Reserve Requirements

Legislative Proposal: In order to update the state's reserve requirements the Legislative proposal supports responsible budgeting reforms as follows:

- Increase the size of the Rainy Day Fund from 10 percent of the state budget to 20 percent.
- Exclude deposits into the Rainy Day Fund from the state appropriations limit (Gann Limit) so that the budget is not constitutionally required forced to allocate funds and instead can responsibly deposit funds into budget reserves to protect against future downturns.

In addition, trailer bill language would create a "Projected Surplus Temporary Holding Fund" to avoid the problems the state has experienced since 2022, when the state's revenue forecast was significantly higher than actual revenues. Under this proposal, a portion of any projected surplus will be deposited into the Fund where they will be held until a future year once it is clear whether the projected surplus of revenues actually materialized.

Staff Recommendation: Approve placeholder trailer bill language to create the Projected Surplus Temporary Holding Account proposal.

0509 GOVERNOR’S OFFICE OF BUSINESS & ECONOMIC DEVELOPMENT (GO-BIZ)**Issue 3: CalCompetes Grant Funding**

Budget Proposal. The Governor’s January Budget initially proposed to allocate \$60 million to the Governor’s Office of Business and Economic Development (GO-Biz) for an additional year of CalCompetes grants, derived from \$50 million in new 2024-25 General Fund spending and \$10 million left unspent from prior rounds of CalCompete grants. However, the Governor’s May Revision proposes to withdraw this new spending and revert the unspent \$10 million back to the General Fund instead.

Background: The CalCompetes program provides financial incentives to bring business to California or keep them here. In the first several years after it was established in 2014, CalCompetes offered all of its financial incentives in the form of non-refundable tax credits. The state added a grant-based component to CalCompetes beginning in 2021-22. Under the grant-based programs, CalCompetes provides up-front funding to businesses in exchange for their promise to make investments and to hire in California. The 2021-22, 2022-23 and 2023-24 Budget Acts each included one-time General Fund allocations of \$120 million to the CalCompetes Grant program. The Governor’s January Budget proposed to extend the CalCompetes Grant program for another year but the proposed allocation was just \$60 million. Of that total amount, the Governor’s January Budget would have included \$50 million in new 2024-25 General Fund spending and \$10 million left over from prior rounds when a CalCompetes grant applicant withdrew from contention late in the process. However, the May Revision proposes to withdraw the \$50 million in new General Fund and reverts the leftover \$10 million back to the General Fund instead.

Status: The Governor’s original proposal was heard by the Subcommittee on May 2, 2024 and held open. The revised proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Concur in the May Revision withdrawal of the January proposal for \$50 million in new spending. Approve the \$10 million reversion proposed in the May Revision.

Issue 4: Recapitalization of the Infrastructure State Revolving Fund (ISRF)

Budget Proposal. As modified by the May Revision, the Governor’s budget proposes to allocate \$25 million in new, one-time General Fund spending to recapitalization of the Infrastructure State Revolving Fund (ISRF) at the California Infrastructure and Economic Development Bank (IBank) within the Governor’s Office of Business and Economic Development (GO-Biz).

Background: The ISRF provides comparatively low-interest loan financing to local governments for public infrastructure projects. Upon establishing the ISRF in 1999, the state infused it with \$162 million in initial capital. Since then, the ISRF has repeatedly leveraged that initial capital by selling revenue bonds and then loaning out the proceeds. The ISRF now projects that it has reached or is coming very close to the limit past which it can no longer stretch its original capital. Accordingly, the Governor’s January Budget sought an additional infusion of \$50 million in capital for the ISRF. In light of the budget shortfall, the May Revision then proposed a reduced recapitalization amount to just \$25 million.

Status: The Governor’s original proposal was heard by the Subcommittee on May 2, 2024 and held open. The smaller, revised proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Approve the reduced allocation request as reflected in the May Revision.

Issue 5: City of Fresno Infrastructure Plan Funding

Budget Proposal. As modified by the May Revision, the Governor’s budget proposes to delay \$200 million in funding for the City of Fresno’s Public Infrastructure Plan until 2026-27.

Background: The City of Fresno’s Public Infrastructure Plan calls for investment in a high speed rail station, parking, green space, walkability, and water projects in the downtown area. Among other things, the City of Fresno expects these improvements to facilitate significant new residential housing development in the vicinity. The 2023 Budget Act included an allocation of \$250 million in General Fund to support implementation of this Plan, distributed according to the following schedule: \$50 million in 2023-24; \$100 million in 2024-25; and \$100 million in 2025-26. In order to achieve 2024-25 and 2025-26 General Fund savings, however, the Governor’s Budget proposal, as modified by the May Revision, pushes back the distribution schedule as follows: \$50 million in 2023-24; \$200 million in 2026-27.

Status: The Governor’s original proposal was heard by the Subcommittee on May 2, 2024 and held open. The revised proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Approve the delay as modified by the May Revision.

Issue 6: Small Business Technical Assistance Expansion Program

Budget Proposal. The Governor’s May Revision proposes to cut \$13 million in General Fund in 2024-25 and again in 2025-26 from the Small Business Technical Assistance Expansion Program (TAEP; a.k.a the Technical Assistance Program or TAP) housed within the Office of the Small Business Advocate (CalOSBA) at the Governor’s Office of Business and Economic Development (GO-Biz).

Background: CalOSBA operates a network of small business assistance offices throughout the state. These offices provide advice and assistance to entrepreneurs and small business owners as they seek their fortune. Established as part of the 2018 Budget Act, the TAEP program is intended to expand upon that network of providers by offering funding “to create new or enhanced consulting and training services through existing and new Centers, including satellite offices.” CalOSBA indicates that it gives priority for TAEP funding to proposals that “fill opportunity gaps for underserved small business owners to help them reach greater parity in revenue creation and job creation.” This includes “new or enhanced services to underserved small business owners, including women, people of color and veteran-owned businesses and businesses in low-wealth, rural and disaster-impacted communities included in a state or federal emergency declaration or proclamation.” The 2018 Budget Act allocated \$17 million in General Fund to TAEP annually for five years. The 2022 Budget Act increased this funding by \$6 million – for a total of \$23 million annually – and made it ongoing. To help address the budget deficit, the May Revision now proposes to trim this annual allocation back to \$10 million annually for fiscal years 2024-25 and 2025-26.

Status: This proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Reject the proposed cut.

Issue 7: Performing Arts Equitable Payroll Fund

Budget Proposal. The Governor’s May Revision proposes to revert \$12.5 million from the Performing Arts Equitable Payroll Fund back to the General Fund.

Background: The California Venues Grant Program and the California Small Nonprofit Performing Arts Grant Program both provided subsidies to assist elements of the live arts community to withstand revenue losses during the COVID-19 pandemic when in-person performances were not possible. As of last year, both programs had unspent balances left over, so the 2023 Budget Act took the combined total, \$12.5 million, and redirected it to fund the new Performing Arts Equitable Payroll Fund established under SB 1116 (Portantino, Ch. 731, Stats. 2022). As its name implies, the Performing Arts Equitable Payroll Fund grant program was designed to support the workers behind live performances by reimbursing many payroll expenses.

Status: This proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Reject the proposed cut.

Issue 8: Small Agricultural Business Drought Relief Grant Program

Budget Proposal. As part of the May Revision, the Governor proposes to revert the unspent balance of \$5 million in the Small Agricultural Business Drought Relief Grant Program back to the General Fund.

Background: The 2022 and 2023 Budget Acts allocated a combined \$75 million to the Small Agricultural Business Drought Relief Grant Program to help smaller growers and producers stay in business in spite of drought conditions in California, particularly in the period 2020-2022. Eligible applicants had to have 100 or fewer workers and had to show financial impacts from specified, severe drought conditions. Of the total amount allocated to the program, \$5 million remains unspent. To help address the budget deficit, the May Revision now proposes to sweep that unspent amount back into the General Fund.

Status: This proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

Issue 9: Local Government Budget Sustainability Fund

Budget Proposal. As part of the May Revision, the Governor proposes to revert the \$50 million balance in the Local Government Budget Sustainability Fund back to the General Fund.

Background: The 2022 Budget Act established the Local Government Budget Sustainability Fund to provide grants to support revenue stability in counties with high unemployment and high rates of poverty. The fund was initially infused with \$300 million, but the Governor's 2023 May Revision proposed to pull \$250 million from that original amount and redirect it toward implementation of the Downtown Fresno Infrastructure Plan. That change was ultimately incorporated into the final 2023 Budget Act, leaving the Local Government Budget Sustainability Fund with a balance of just \$50 million. Now, in light of the budget shortfall, the Governor's 2024 May Revision proposes to revert that remaining amount back to the General Fund.

Status: This proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Approve a reversion from the Local Government Budget Sustainability Fund to the General Fund in the amount of \$40 million and redirect the remaining \$10 million to Imperial County for use consistent with the intent behind the Local Government Budget Sustainability Fund as set forth in Government Code Section 12100.121.

0511 GOVERNMENT OPERATIONS AGENCY (GOVOPS)**Issue 10: Cradle-to-Career eTranscript California Practical Tools Reappropriation**

Request. The GovOps, Office of Cradle-to-Career Data System (C2C) is requesting to reappropriate \$600,000 General Fund in 2024-25, to fund and manage workload related to the Cradle-to-Career Data System.

This proposal was heard on March 7, 2024 and held open.

Staff Recommendation. Approve as budgeted.

Issue 11: Solution - Leadership Initiatives

Request. The Governor's budget proposes a reversion of \$500,000 for Leadership Initiatives in 2023-24.

Staff Recommendation. Approve as budgeted.

Issue 12: Solution – Language Access Pilot Carryover Reversion

Request. The Governor's budget and May Revision proposes a total reversion of \$4.8 million from the Language Access Pilot in 2023-24

Staff Recommendation. Approve as budgeted.

0515 BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY (BCSH)**Issue 13: Capture of Savings from Administration of Homelessness-Related Grant Programs**

Budget Proposal. The Governor’s January Budget proposed to capture \$100,676,000 in General Fund savings left over from the administrative set-asides associated with homelessness-related grant programs operated by the California Interagency Council on Homelessness (Cal-ICH). The May Revision proposes to capture an additional \$48,375,000 in administrative savings related to the operation of these programs.

Background: Cal-ICH operates three major homelessness-related grant programs: the Homeless Housing Assistance and Prevention (HHAP) program; the Encampment Resolution Fund (ERF); and the Family Homelessness Challenge Grants (FHC) program. The funding for each of these programs includes set-asides to cover the state’s costs of administration. In recent years, Cal-ICH has been able to operate the programs without using all of the administrative set-asides available. As part of the Governor’s January Budget, the Administration proposed to recapture some of the resulting savings. Specifically, the January Budget proposed reverting \$19,975,000 in 2020-21 savings from HHAP program administration; \$2,000,000 in savings from 2021-22 ERF program administration; \$28,701,000 in savings from 2021-22 HHAP program administration; and \$50,000,000 in savings from 2022-23 HHAP program administration; or a total of \$100,676,000 in administrative savings. As part of the May Revision, the Governor proposed to revert a further \$48,375,000 in administrative savings from these homelessness-related programs. The additional savings include \$14,835,000 from 2021-22 HHAP administration; \$13,540,000 from 2022-23 ERF administration; and \$20,000,000 from 2023-24 ERF administration.

Status: The Governor’s January proposal was heard by the Subcommittee on April 18, 2024 and held open. The May Revision proposal was heard by the Subcommittee on May 16, 2024 and held open.

Staff Recommendation. Approve the budget proposal as modified by the May Revision.

Issue 14: New General Fund Allocations to Support Core California Interagency Council on Homelessness Activities

Budget Proposal. As part of the May Revision, the California Interagency Council on Homelessness (Cal-ICH) seeks a new General Fund allocation of \$14,835,000 in 2024-25; \$9,545,000 in 2025-26; and \$7,795,000 annually from 2026-27 on, to maintain 23 existing staff position and the contracts necessary to carry out Cal-ICH’s core statutory functions.

Background: The Legislature created Cal-ICH to establish a central hub convening, connecting and coordinating the activities of programs addressing homelessness throughout state government. As originally envisioned, Cal-ICH’s role was also something akin to a specialized think-tank; it was supposed to gather data, conduct research, and provide an overarching strategic vision for the state’s homelessness efforts. (SB 1380, Mitchell, Ch. 847, Stats. 2016.) Not long after the establishment of Cal-ICH, the state also tasked it with the administration of three major homelessness grant programs: the Homeless Housing Assistance and Prevention (HHAP) program; the Encampment Resolution Fund (ERF); and the Family Homelessness Challenge Grants (FHCG). The funding for each of these grant programs included set-asides for administrative overhead. According to the Administration, Cal-ICH came to use part of these administrative set-asides to pay for Cal-ICH’s other core functions as well. For a variety of reasons, the 2023 Budget Act directed Cal-ICH to begin the process of transferring administration of HHAP, ERF, and FHCG to the Housing and Community Development Department (HCD). The transfer is scheduled to be complete by the end of this fiscal year, June 30, 2024. Once this transition is over, Cal-ICH will no longer have access to the administrative set-aside it has been using to fund its core programming. As a result, Cal-ICH now needs alternative funding to maintain its core functions. This budget proposal requests the requisite allocation from the General Fund. The request starts at nearly \$15 million in 2024-25 and decreases through 2026-27, when it levels off at an annual amount of just under \$8 million. The tapering effect is the result of up-front contracts and other start-up costs – such as information technology needs – that Cal-ICH expects to diminish after two or three years as the contracts are completed and the investments are in place.

Status: This proposal was heard by the Subcommittee on May 16, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

Issue 15: Supplemental Funding from Round Five of the Homeless Housing Assistance and Prevention (HHAP) Program

Budget Proposal. As modified by the May Revision, the Governor’s budget proposes to revert a \$260 million 2023-24 allocation to the Homeless Housing Assistance and Prevention (HHAP) program back to the General Fund.

Background: Rounds 3 and 4 of HHAP originally included \$360 million in “bonus” funding (\$180 million for each round). This bonus money was comprised of money taken out of the baseline HHAP allocation and held in reserve. The idea was that later, when performance data became available, recipients who achieved specified homelessness reduction and prevention goals would receive a share of the bonus money while recipients who did not hit their targets would not. The 2023 Budget Act revised how the \$360 million in HHAP Round 3 and 4 bonus money was to be handled. Specifically, the 2023 Budget Act directed Cal-ICH/HCD to distribute \$100 million of the Round 3 and 4 bonus money on a formula basis together with the initial Round 5 HHAP distribution, thus deploying this money more quickly. The 2023 Budget Act went on to instruct Cal-ICH/HCD to disburse the remaining \$260 million in HHAP Round 3 and 4 bonus money beginning as early as 2024-25. Initially, the Governor’s January Budget proposed to delay distribution of these funds until 2025-26. In light of the budget shortfall, the Governor’s May Revision instead proposes to cut the \$260 million altogether and revert the savings back to the General Fund.

Staff Recommendation. Approve the budget proposal as modified by the May Revision. [Note: this recommendation is related to the recommendation to add an allocation of \$1 billion in 2024-25 General Fund for a sixth Round of HHAP.]

Issue 16: Encampment Resolution Fund

Budget Proposal. Reversion of \$100 million in funds previously allocated to the Encampment Resolution Fund (ERF) but not yet awarded or spent.

Background: ERF provides grant funding to local entities on a competitive basis for the purpose of addressing specific homeless encampment sites within their jurisdictions. As part of the process of removing the targeted encampments, ERF grant recipients are supposed to transition encampment residents to alternative housing. Most of the funding allocation for ERF has already been awarded and the corresponding local work is underway. The final round of ERF awards is not complete, however, and the Administration indicates that \$100 million remains in the program. The State Auditor’s recent report on state homelessness-related grant programs was unable to determine the cost-effectiveness of the ERF program due to a lack of complete outcome data.

Status: The Subcommittee reviewed the Encampment Resolution Fund status and performance as part of an informational item during its hearing on April 18, 2024, but has not previously heard this specific proposal.

Staff Recommendation. Revert the \$100 million previously allocated to ERF back to the General Fund.

0650 GOVERNOR'S OFFICE OF PLANNING & RESEARCH (OPR)**Issue 17: Departmental Reorganization**

Budget Proposal. The Governor's January Budget proposed a general reorganization of the Governor's Office of Planning and Research, but offered limited details pending the May Revision. The Governor's May Revision then set forth the full scope of the proposal including, among other things:

- Establishment of a new Governor's Office of Service and Community Engagement (Cal-SERVE) encompassing what is now California Volunteers, the Office of Community Partnerships and Strategic Engagement, the Youth Empowerment Commission.
- Transfer of the Jobs First Unit from OPR to the Governor's Office of Business and Economic Development (GO-Biz).
- Transfer of the Zero Emissions Vehicle Program from OPR to GO-Biz.
- Transfer of the California Initiative to Advance Precision Medicine from OPR to the Health and Human Services Agency.
- Changing the name of the remaining elements of OPR to the Governor's Office of Climate and Land Use Innovation (GO-CALI).

Background: OPR has grown rapidly in recent years, both in terms of its size and the scope of its mission. Numerous and varied new initiatives have been assigned to OPR, including CalVolunteers, the Office of Community Partnership and Strategic Communication (OCPSC), the Racial Equity Commission (REC), and the Youth Empowerment Commission (YEC), among others. Reflecting this expansion, OPR's budget has risen from just \$54 million in 2016-17 to a proposed \$1.1 billion in 2024-25. The Governor's reorganization proposal seeks to: (1) narrow OPR's programs to key land use and climate-related programming; (2) spin off OPR's service-related programs into a separate entity; and (3) transfer to other departments those current OPR programs that have logical thematic links to those other departments.

Status: An basic outline of this proposal was heard by the Subcommittee on March 7, 2024 and held open. A more detailed version of this proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Reject the proposal at this time, while inviting the Administration to pursue reorganization of the Department through the Little Hoover Commission, the policy process, or the budget process in 2025 so that the proposal may be vetted adequately.

Issue 18: Information Technology Unit

Budget Proposal. As part of the May Revision, the Governor’s Office of Planning and Research (OPR) requests a new, ongoing General Fund allocation of \$3.7 million to for information technology.

Background: Although the size and complexity of OPR has grown significantly in recent years, until 2023-24, OPR relied on the Governor’s Office to meet its informational technology needs. Last year, OPR sought and eventually received \$5.3 million in ongoing General Fund to establish its own, internal IT unit. OPR now seeks a further \$3.7 million in ongoing General Fund for additional “baseline” IT costs associated with “day-to-day IT operation and infrastructure, including hardware, software, and other IT needs that needed to be established as part of the transition” away from reliance on the IT unit in the Office of the Governor.

Status: This proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Reject the proposal at this time, while inviting the Administration to request information technology funding for the reorganized OPR once its new size and scope has been determined.

Issue 19: Staff and Budgetary Augmentations Associated with Transition to Civil Service

Budget Proposal. As part of the May Revision, the Governor’s Office of Planning and Research (OPR) requests a new, ongoing General Fund allocation of \$977,000 and the authority to hire six new positions to address increased administrative workload associated with its previously-approved transition to civil service staffing.

Background: Unlike employees in most other state government departments, the staff at OPR has long lacked civil servant status. Last year, as part of its effort to evolve into a more traditional government department, OPR sought and received authorization through the budget process to begin transitioning its exempt staff into the civil service ranks. OPR now states that “[t]here is a need to address the increased workload and strengthen the Human Resources Office to ensure efficiency and compliance with all state and federal laws.”

Status: This proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

Issue 20: California Education Learning Lab

Budget Proposal. As part of the May Revision, the Governor proposes to reduce the General Fund allocation to the California Education Learning Lab by \$5.5 million in 2024-25 and 2025-26.

Background: The California Education Learning Lab was established as part of the 2018 Budget Act. As described by the Learning Lab itself, the intent was to “improve learning outcomes and close equity gaps across California’s public higher education segments, particularly in the Science, Technology, Engineering, and Math (STEM) disciplines.” The Learning Lab provides competitive grants to “innovative, intersegmental, faculty-led projects that leverage technology tools and the science of human learning to foster student success in online and hybrid learning environments.”

Status: This proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

Issue 21: Golden State Awards

Budget Proposal. As part of the May Revision, the Governor proposes to revert \$9.9 million from the Golden State Awards program back to the General Fund.

Background: The Golden State Awards program is designed to give monetary rewards to individuals or teams at or associated with California’s public institutions of higher education who develop innovative practices. Awards can cover any activity deemed innovative and high impact, including but not limited to programs that improve student outcomes, research on climate change, and research on low-carbon industries. The 2022 Budget Act allocated \$10 million in General Fund to the Golden State Award program. In light of the budget shortfall, the Governor’s May Revision now proposes to revert \$9.9 million of that amount back to the General Fund.

Status: This proposal was heard by the Subcommittee on May 20, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

Issue 22: California Environmental Quality Act Judicial Streamlining

Budget Proposal. Through the Governor’s January Budget, the Office of Planning and Research (OPR) seeks authority for nine positions and an annual allocation of \$2.3 million from the General Fund from 2024-25 through 2033-34 to “implement the newly adopted and newly renewed judicial streamlining provisions in the Public Resources Code for certain infrastructure and environmental leadership development projects.”

Background: OPR plays a key role in administration of the California Environmental Quality Act (CEQA).(Pub. Resources Code § 21000 *et seq.*) OPR runs the state CEQA Clearinghouse, a bureaucratic hub where lead agencies must file specified notices and environmental documents for review, storage, and appropriate distribution. In addition, OPR provides key guidance on the application of CEQA through the regular publication of CEQA guidelines, the provision of technical assistance to state and local government agencies; and acting as the arbiter of disputes regarding the CEQA obligations of various public agencies. Last year, SB 149 (Caballero, Ch. 60, Stats. 2023) provided for judicial streamlining of CEQA lawsuits challenging development projects meeting specified environmental requirements and contributing critical infrastructure to the state. In addition, SB 149 extended existing CEQA judicial streamlining for certain defined “environmental leadership” projects for an additional ten years. OPR indicates that it needs the additional staffing and resources set forth in the Governor’s January Budget in order to implement these aspects of SB 149.

Status: This proposal was heard by the Subcommittee on March 7, 2024 and held open.

Staff Recommendation. Approve \$2.3 million annually in 2024-25, 2025-26, and 2026-27 only, allowing for consideration of future funding when there will be more precise information about the amount of funding required to carry out the statutory mandate.

Issue 23: Neighbor-to-Neighbor Program

Budget Proposal. The Governor’s May Revision proposes reductions of \$5 million in 2024-25 General Fund and \$10 million in 2025-26 General Fund from the Neighbor-to-Neighbor program in Governor’s Office of Planning and Research (OPR).

Background: Through a website and grant awards, the Neighbor-to-Neighbor program builds a network of community leaders willing to check in on neighbors and help educate them about disaster preparedness and climate response. In 2022, the Governor sought \$10 million in annual General Fund allocations through 2025-26 for the program. At the time, the LAO questioned the need for the program:

The Administration has not articulated a clear and compelling need for the state to provide the various new coordination, outreach marketing, and training services proposed by the Neighbor-to-Neighbor proposal.

In light of the budget shortfall, the Governor now proposes to cut half of the Neighbor-to-Neighbor program’s budget allocation in 2024-25 and all of its budget allocation in 2025-26.

Status: The Subcommittee considered possible reductions to the Neighbor-to-Neighbor program as part of an informational item on March 7, 2024. The Subcommittee has not previously heard this specific proposal.

Staff Recommendation. Approve the proposed reductions and further reduce the 2024-25 General Fund allocation to the program by an additional \$5 million.

Issue 24: Youth Empowerment Commission Staffing

Budget Proposal. The Governor’s May Revision proposes, beginning in fiscal year 2027-28, to cut \$1.5 million in General Fund from staffing expenses for the Youth Empowerment Commission.

Background: AB 46 (Luz Rivas, Ch. 660, Stats. 2021) created the California Youth Empowerment Commission, now housed within the Governor’s Office of Planning and Research (OPR). The Commission consists of thirteen voting commissioners between 14 and 25 years of age and meeting specified requirements, with eleven members appointed by the Governor, one at-large member appointed by the Senate Committee on Rules, and one at-large member appointed by the Speaker of the Assembly, along with several ex-officio, nonvoting members from various geographic regions of the state. The Commission is advisory in nature, for the main purpose of providing meaningful opportunities for civic engagement to improve the quality of life for California’s disconnected and disadvantaged youth. OPR receives an annual budget allocation of \$1.5 million to staff the commission until it sunsets on January 1, 2030. (Gov. Code § 8276.) This proposal would cut that allocation beginning in 2027-28.

Status: This proposal has not previously been heard by the Subcommittee.

Staff Recommendation. (a) Approve the May Revision proposal; and (b) adopt placeholder budget trailer bill language as to this budget change only.

Issue 25: Conservation and Economic Development Projects Associated with the Decommissioning of the Diablo Canyon Nuclear Power Plant

Budget Proposal. The Governor’s January Budget proposed to delay allocation of General Funds for conservation and economic development projects associated with the decommissioning of the Diablo Canyon Nuclear Power Plant from \$150 million in 2024-25 to \$50 million each in 2025-26, 2026-27, and 2027-28. The Early Action package approved delay of \$110 million rather than the full \$150 million, resulting in a new allocation schedule of \$40 million in 2024-25, \$50 million in 2025-26, \$50 million in 2026-27, and \$10 million in 2027-28. The May Revision renews the proposal to delay the \$40 million from 2024-25 to 2027-28 and also proposes to shift the cost from the General Fund to the Greenhouse Gas Reduction Fund (GGRF).

Background: SB 846 (Dodd, Ch. 239, Stats. 2022) extended the Diablo Canyon nuclear power plant’s license to operate for an additional five years. SB 846 also included a series of associated measures. Of particular relevance to this budget proposal, the bill called for expenditure of \$160 million – \$10 million in fiscal year 2023-24 and \$150 million in 2024-25 – to support implementation of a plan for environmental enhancements, access to powerplant lands, and local economic development “in a manner that is consistent with existing decommissioning efforts.” In light of the budget shortfall, the Governor proposes to delay allocation of the \$150 million and shift the cost onto the Greenhouse Gas Reduction Fund.

Status: The Subcommittee has not previously heard these proposals.

Staff Recommendation. Reject the Governor’s renewed, May Revision proposal to delay a further \$40 million from 2024-25 to 2027-28. Approve shifting the allocations of \$40 million in 2024-25, \$50 million in 2025-26, \$50 million in 2026-27, and \$10 million in 2027-28 from the General Fund to the Greenhouse Gas Reduction Fund.

Issue 26: Office of Community Partnerships and Strategic Communications

Budget Proposal. Taken together, the Governor’s January Budget and the May Revision propose to revert \$5 million originally allocated to the Office of Community Partnerships and Strategic Communications (OCPSC) in 2023-24 back to the General Fund, and to reduce OCPSC’s 2024-25 and 2025-26 General Fund allocations by \$50 million in each year.

Background: Housed within the Governor’s Office of Planning and Research, OCPSC “manages the State’s highest priority community engagement and public awareness efforts.” In particular, OCPSC conducts public messaging campaigns related to COVID-19 vaccination, participation in the Census, the use of Individual Tax-Payer Identification Numbers (ITIN) to access earned-income tax credits, water conservation, and protection against the dangers of extreme heat. OCPSC’s messaging campaigns operate through partnerships with trusted, culturally and linguistically competent community-based organizations in order to ensure that the information communicated reaches all Californians effectively. The 2022 Budget established the OCPSC and allocated \$65 million in General Fund to it annually through 2025-26. Of the annual total, \$15 million goes to administration and statewide programming; OCPSC disburses the remaining \$50 million to the community-based organizations with which it partners in the form of grants. The Governor’s combined proposed cuts would eliminate the grant program.

Status: The cuts proposed in the Governor’s January Budget were heard by the Subcommittee on March 7, 2024, and partially adopted in the Early Action package. During the March 7, 2024 hearing, the Subcommittee also considered the possibility of further cuts to OCPSC as an informational item; however the specific additional cuts proposed by the May Revision have not previously been heard by the Subcommittee.

Staff Recommendation. Approve both the January Budget and May Revision reductions to OCPSC in full and further reduce the 2025-26 General Fund allocation to the program by an additional \$15 million.

Issue 27: College Corps

Budget Proposal. The Governor’s May Revision proposes a \$10 million reduction in the General Fund allocation for the Youth Job Corps in 2024-25 and 2025-26, respectively.

Background: The College Corps program places college students in community-based organizations to perform service related to K-12 education, climate action, and food insecurity. In exchange for completing 450 hours, the students earn \$7,000 in the form of a living allowance and a \$3,000 scholarship. The program was established in 2021 using federal funds. The 2022 Budget Act extended the program into 2024-25 and 2025-26 with a \$73 million annual state General Fund allocation. The Governor’s proposal would lower that allocation to \$63 million. Currently, there are no General Fund commitments to College Corps after 2025-26.

Status: This proposal has not previously been heard by the Subcommittee.

Staff Recommendation. Approve the proposed reduction and further reduce the General Fund allocation by an additional \$13 million annually in 2024-25 and 2025-26, resulting in General Fund allocations to College Corps of \$50 million in each of those years.

Issue 28: Youth Job Corps

Budget Proposal. The Governor’s May Revision proposes a \$10 million ongoing reduction in the annual General Fund allocation for the Youth Job Corps.

Background: The Youth Job Corp program provides structured employment and related wraparound services to high-risk youth, through population-based grants to California’s largest cities and competitive grants to other local jurisdictions. The program was established in 2021 as a two-and-a-half year pilot using federal funds. In 2023, the Governor proposed a new, ongoing state General Fund allocation of \$78.1 million to continue the program indefinitely. At the time, the LAO recommended rejecting the proposal citing the existence of other youth employment programs, the lack of data to assess the success of the pilot phase, and the lost opportunity to spend the funds on other commitments. Nonetheless, after initially considering a more modest amount for the program, the Legislature ultimately acquiesced to the full proposal. This proposal would lower the annual Youth Job Corps allocation to \$68.1 million from 2024-25 on.

Status: The Subcommittee considered possible reductions to the College Corps as an informational issue on March 7, 2024. The specific May Revisions proposal to reduce College Corp funding by \$10 million beginning in 2024-25 has not previously been heard by the Subcommittee.

Staff Recommendation. Approve the proposed reduction and further reduce the annual General Fund allocation by an additional \$18.1 million, resulting in an annual, ongoing General Fund allocation to Youth Job Corps of \$50 million beginning in 2024-25.

Issue 29: Climate Action Corps

Budget Proposal. The Governor’s May Revision proposes to shift the cost of the Climate Action Corps from the General Fund to the Greenhouse Gas Reduction Fund.

Background: The Climate Action Corps places an annual cohort of “climate action fellows” with tribal communities, nonprofits, public agencies and educational institutions where they conduct urban greening, organic waste and edible food recovery and wildfire resiliency projects. The program pays its fellows a \$33,000 living allowance and offers them job training in addition to a \$10,000 scholarship, among other benefits. The program also operates a shorter, summer fellows program and facilitates climate-related voluntarism more generally. In 2023, the Governor proposed converting the program from a pilot phase to permanent status and doubling its size in 2026. Specifically, the Governor sought \$4.7 million in General Fund annually from 2023-24 through 2025-26 (a continuation of the existing funding level) followed by \$9.3 million from 2026-27 on. At the time, the Legislative Analyst’s Office had recommended rejecting this proposal on the ground that the pilot phase of the program had not produced sufficient data to justify the expansion and concern that the additional funding would take away from other spending priorities. There are also other, similar programs such as the Youth Conservation Corps. The Legislature ultimately acquiesced to this request and it was included in the 2023 Budget Act. The Governor’s 2024 May Revision proposes to shift the resulting costs onto the Greenhouse Gas Reduction Fund.

Status: The Subcommittee considered reductions to the Climate Action Corps as an informational item on March 7, 2024. The proposal to shift the cost of the Climate Corp has not previously been heard by the Subcommittee.

Staff Recommendation. Reject the proposal to shift the cost of the Climate Action Corps to the Greenhouse Gas Reduction Fund and instead reduce the General Fund allocation to the program as follows: by \$4.7 million in 2024-25 and 2025-26; and by \$9.3 million in 2026-27 and ongoing.

0840 STATE CONTROLLER’S OFFICE
Issue 30: Accounting Book of Record (BOR) and Annual Comprehensive Financial Report (ACFR) FI\$Cal Implementation – May Revision

Request. The State Controller’s Office (SCO) requests the following resources for consulting services and 1.0 three-year limited-term (LT) position to support the SCO BOR Functionality Migration (BFM) to FI\$Cal.

- 2024-25: \$9.5 million (\$6 million General Fund and \$3.5 million Central Service Cost Recovery Fund (CSCRF))
- 2025-26 and 2026-27: \$134,000 (\$83,000 General Fund and \$51,000 CSCRF)

Furthermore, SCO requests reappropriation of \$3.2 million General Fund of the unencumbered balance of funding that was appropriated in the 2023 Budget Act in support of the BFM and on-time reporting of the Annual Comprehensive Financial Report.

Staff Recommendation. Approve as budgeted.

Issue 31: California Department of Technology (CDT) Rate Increase Support – May Revision

Request. The State Controller’s Office (SCO) requests \$1 million (\$511,000 General Fund, \$311,000 Central Service Cost Recovery Fund (CSCRF), and \$180,000 Unclaimed Property Fund (UPF)] in 2024-25 and 2025-26 to support the increased mainframe computer infrastructure and operational costs associated with services provided by the California Department of Technology.

Staff Recommendation. Approve as budgeted.

Issue 32: California State Payroll System (CSPS) Project – May Revision

Request. The State Controller’s Office (SCO) requests the following resources to support the CSPS Project as it passes from planning to execution, following the anticipated successful completion of the California Department of Technology’s Project Approval Lifecycle (PAL) Stage 4 process in 2024-25.

\$3.2 million (\$2 million General Fund and \$1.2 million Central Service Cost Recovery Fund (CSCRF)) in 2024-25 and partial reappropriation of the unencumbered balance of funding for the System Integrator (SI) contract that was appropriated in the 2023 Budget Act.

Staff Recommendation. Modifies proposal to approve the \$70.1 million reversion of SCO appropriations in 2023-24, reject the reappropriation of \$41.6 million General Fund from 2023-24 to 2024-25, and approve \$3.2 million for ancillary contracts.

0890 SECRETARY OF STATE**Issue 33: CAL-ACCESS Replacement System (CARS) Project**

Request. The Governor’s budget requests, for the Secretary of State (SOS), \$16.8 million General Fund in 2024-25 to support the CARS Project and replace the outdated CAL-ACCESS system for electronic reporting of campaign finance and lobbying activities mandated by the Political Reform Act.

This proposal was heard on May 2, 2024.

Staff Recommendation. Approve as budgeted.

Issue 34: Notary Automation Program Replacement Project (NAP 2.0)

Request. The Governor’s budget requests, for SOS, \$4.02 million Business Fees Fund in 2024-25 for the continuation of the Notary Automation Program Replacement Project (NAP 2.0).

This proposal was heard on May 2, 2024.

Staff Recommendation. Approve as budgeted.

Issue 35: Help America Vote Act – 2024 Election Security Federal Grant Award – May Revision

Request. The Secretary of State received a grant award from the U.S. Election Assistance Commission authorized under the Consolidated Appropriations Act of 2024 to improve the administration of elections for Federal office to enhance election technology and make election security improvements. To adhere to all federal applicable requirements, the Secretary of State requests \$2.4 million Federal Trust Fund in 2024-25 to accept and expend the grant award, and \$475,000 General Fund in 2025-26 to meet the 20 percent state match requirement. This request will enable the Secretary of State to continue implementation of the statewide mandates of the Help America Vote Act of 2002.

Staff Recommendation. Approve as budgeted.

Issue 36: Chaptered Legislation Proposals – May Revision

Request. The May Revision requests resources from the General Fund and special funds to implement statutory requirements associated with legislation chaptered in 2023.

- AB 243 (Alanis), Chapter 642, Statutes of 2023: Child Abduction Victim Access to Safe at Home – \$507,000 General Fund in 2024-25 and \$473,000 in 2025-26 and annually thereafter to implement the provisions of AB 243, which expands the Safe at Home program eligibility to child abduction victims and their household members.
- AB 1539 (Berman), Chapter 692, Statutes of 2023: Elections: Double Voting – Requests two positions and \$479,000 (\$305,000 Business Fees Fund and \$174,000 General Fund) in 2024-25 and \$337,000 (\$215,000 Business Fees Fund and \$122,000 General Fund) in 2025-26 and annually thereafter.
- SB 29 (Glazer), Chapter 696, Statutes of 2023: Political Reform Education Program – requests \$303,000 General Fund in 2024-25 and \$293,000 in 2025-26 and annually thereafter to implement the requirements of Chapter 696, Statutes of 2023.
- SB 696 (Portantino), Chapter 291, Statutes of 2023: Remote Online Notarization – Requests the following resources to create and operate the remote online notarization program \$6.3 million and 16 permanent positions in 2024-25, \$3.5 million and six permanent positions in 2025-26, \$5.1 million and 17 permanent positions in 2026-27, and \$5 million in 2027-28 and annually thereafter from the Business Fees Fund.

Staff Recommendation. Approve as budgeted.

0911 CITIZEN’S REDISTRICTING COMMISSION**Issue 37: Services Rate Increase – May Revision**

Request. The May Revision requests provisional language to allow the Department of Finance to augment funding available to the Citizens Redistricting Commission to meet cost increases for services provided by the California Department of Technology and the Department of General Services. This language includes notification of the request to the fiscal committees of the Legislature and the Joint Legislative Budget Committee.

Staff Recommendation. Adopt placeholder provisional language.

0950 STATE TREASURER'S OFFICE**Issue 38: Additional Funding for Banking Operations Item Processing Software Service & May Revision Budget Bill Language**

Request. The Governor's budget requests, for the State Treasurer's Office, \$135,000 (\$81,000 General Fund and \$54,000 Central Service Cost Recovery Fund (CSCRF)) in 2024-25 and annual increases ongoing per the terms of the new eight-year contract signed with the vendor of STO's Item Processing software service.

Budget Bill Language. The Governor's January budget included trailer bill language (TBL) to exempt STO from certain statewide contracting requirements overseen by the Department of General Services (DGS). The TBL was intended to address the challenges the STO has encountered with newer DGS purchasing requirements that slowed the STO's process of completing time-sensitive contracts with vendors that supply critical, daily data to them.

In recent discussions with DGS, it was learned that DGS will be developing and implementing a more permanent administrative solution for certain electronic subscription purchasing processes in the next year or two that will help not only the STO, but all departments. Therefore, instead of the proposed TBL, DOF has coordinated with DGS and STO on an alternative BBL proposal that limits the contracting exemption to two years (in effect until July 1, 2026) or upon implementation of an suitable updated purchasing process by DGS, whichever is sooner, and a per-contract dollar cap (\$300,000). This short-term BBL, proposed at May Revision, would provide the STO the flexibility to ensure the timeliness of these electronic subscription contracts and DGS the time to develop/implement their updates to the electronic subscription purchasing process.

This proposal was heard on May 2, 2024.

Staff Recommendation. Approve as budgeted and adopt placeholder provisional language.

Issue 39: Jesse Unruh Building Network Equipment Costs – May Revision

Request. The May Revision requests \$729,000 in 2024-25 for IT network equipment essential for establishing the Local Area Network (LAN), the Wide Area Network (WAN), and the network security infrastructure at its renovated headquarters, the Jesse Unruh Building.

Staff Recommendation. Approve as budgeted.

0954 SCHOLARSHARE INVESTMENT BOARD**Issue 40: Eliminate CalKIDS Financial Literacy Outreach Support – May Revision**

May Revision. The May Revision proposes an ongoing reduction of \$5 million to the CalKIDS Program Financial Literacy Outreach program.

This issue was heard on May 20, 2024.

Staff Recommendation. Approve as budgeted and include an additional reversion of \$9.5 million in unspent funds from the program from 2022-23 and 2023-24.

2245 CALIFORNIA HOUSING FINANCE AGENCY (CALHFA)**Issue 41: Future of the California Dream for All Program**

Budget Proposal. Adopt placeholder budget trailer bill language directing CalHFA to assess outcomes from the first two rounds of the California Dream for All program and develop a plan for the next phase.

Background: The California Dream for All program is designed to help low- and moderate-income Californians achieve homeownership for the first time, opening up a key path to building intergenerational wealth. The program offers shared-appreciation loans to eligible first-time, first generation homebuyers so that they can make a 20 percent down payment toward the purchase of their new home. Reaching this down payment threshold unlocks financial benefits for the homebuyers in reduced interest and mortgage insurance payments. Later, when the program participants go to sell their home, the California Dream for All program receives back the money it contributed to the down payment, plus 20 percent of any accrued value in the home, or 15 percent in the case of lower-income households. These amounts then return to the pool of funds that the program can use to assist still more first-time California homebuyers. In this way, the program is intended to be financially self-sustaining.

CalHFA first opened the California Dream for All program to applications in late March 2023. By Early April 2023, CalHFA was forced to pause the program due to “unprecedented demand.” CalHFA’s announcement stated that:

The \$300 million in Dream For All funding currently available to CalHFA is expected to help more than 2300 low- and moderate-income Californians purchase their first homes. CalHFA is extremely proud of this successful program and pleased to make such a profound difference in the lives of so many Californians who have achieved the dream of homeownership.

Although the Dream for All program has shown promise, current budget constraints mean it is unlikely that additional General Fund resources will be available in the near term to restock the

Dream for All loan pool. One possible solution to this problem involves opening up the program to outside entities. Community foundations, school districts, local governments, and institutions of higher education might be interested in contributing to the loan pool as a way to invest in first generation homeownership in the neighborhoods they serve or among their employees.

This proposal would direct CalHFA to investigate this and other possible next phases for the Dream for All program.

Staff Recommendation. Approve placeholder budget trailer bill language that:

- Directs CalHFA, in consultation with the staff of the Senate and Assembly Committees on Budget, Housing, and Banking, and the Legislative Analyst’s Office, to do all of the following:
 - Assess outcomes and lessons learned from the first two rounds of the Dream for All program;
 - Report any recommendations for further improvements to the existing program;
 - Develop options for the next phase of the program, including but not limited to alternative funding options, and an option to expand the program to enable participation by entities such as local governments, public institutions of higher education, non-profits, school districts, community foundations, and large private employers; and,
 - Provide to the Legislature an initial progress report by October 31, 2024 and a final report by January 31, 2025.

1111 DEPARTMENT OF CONSUMER AFFAIRS

Issue 42: BreEZe System Maintenance and Credit Card Funding

Request. The Governor’s budget requests, for the Department of Consumer Affairs (DCA), an increase in expenditure authority of \$14.7 million, from various special funds, in 2024-25 and ongoing for the continued support of BreEZe’s maintenance and operations. Of the total amount requested, \$5.7 million in 2024-25 and ongoing will fund credit card processing fees on behalf of users of credit card payments.

This proposal was heard on May 2, 2024.

Staff Recommendation. Approve as budgeted.

Issue 43: Pharmacy – Enforcement and Compounding Workload

Request. The Governor’s budget requests, for the State Board of Pharmacy, five positions and an increase in expenditure authority of \$1.3 million in 2024-25 and \$1.2 million in 2025-26 and ongoing, Pharmacy Board Contingent Fund, Professions and Vocations Fund, to address increased workload related to desk investigations, sterile compounding renewals, and growth in program operations.

This proposal was heard on May 2, 2024.

Staff Recommendation. Approve as budgeted.

Issue 44: Legislative Workload – May Revision

Request. The May Revision requests DCA requests \$1.84 million and 11 positions in 2024-25 and \$1.75 million in 2025-26 and ongoing to address licensing and enforcement related workload associated with implementation of SB 815 (Roth), Chapter 294, Statutes of 2023.

Staff Recommendation. Approve as budgeted.

Issue 45: Controlled Substance Utilization Review and Evaluation System (CURES) Fund Technical Adjustment– May Revision

Request. The May Revision requests \$917,000 in 2024-25, and \$1.1 million in 2025-26 and ongoing to reimburse the Department of Justice for increased maintenance and operation costs to support CURES and for increased personal services costs.

Staff Recommendation. Approve as budgeted.

Issue 46: Loan to the Contingent Fund of the Medical Board of California– May Revision

Request. The May Revision requests a \$27 million loan from the High Polluter Repair or Removal Account to the Contingent Fund of the Medical Board of California to achieve fund solvency. It is also requested that provisional language be added to allow the repayment of all or a portion of this loan if certain criteria are met.

Staff Recommendation. Approve as budgeted and adopt placeholder provisional language.

1115 DEPARTMENT OF CANNABIS CONTROL**Issue 47: Increased Program Workload and Legal Services**

Request. The Governors' budget proposes an increase in expenditure authority of \$8.2 million Cannabis Control Fund in 2024-25, \$8.1 million in 2025-26 and 2026-27, \$1.3 million in 2027-28 and ongoing, and seven positions for DCC to address the workload of the Department's Legal Affairs and Laboratory Services Divisions.

This proposal was heard on March 7, 2024.

Staff Recommendation. Approve as budgeted.

Issue 48: Cannabis and Cannabis Products: Health Warnings (SB 540) – May Revision

Request. May Revision requests an increase in expenditure authority of \$173,000 Cannabis Control Fund and one position in 2024-25, and \$165,000 in 2025-26 and ongoing to implement SB 540 (Laird), Chapter 491, Statutes of 2023.

Staff Recommendation. Approve as budgeted.

Issue 49: Cannabis Provisional Licenses: Local Equity Applicants (SB 51) – May Revision

Request. May Revision requests an increase in expenditure authority of \$297,000 Cannabis Control Fund and two positions in 2024-25 and \$281,000 in 2025-26 and ongoing to fulfill the requirements of SB 51 (Bradford), Chapter 593, Statutes 2023.

Staff Recommendation. Approve as budgeted.

Issue 50: Enforcement Support – May Revision

Request. May Revision requests an increase in expenditure authority of \$588,000 Cannabis Control Fund in 2024-25 and \$42,000 in 2025-26 and ongoing to purchase and maintain 14 undercover vehicles for the Department's Enforcement Division.

Staff Recommendation. Approve as budgeted.

Issue 51: Local Jurisdiction Retail Access Grant Program – May Revision

May Revision. The May Revision proposes to revert \$16.5 million General Fund in 2023-24 for the Local Jurisdiction Retail Access Grant Program in the Department of Cannabis Control.

Staff Recommendation. Approve as budgeted.

1700 CIVIL RIGHTS DEPARTMENT (CRD)**Issue 52: Enforcement, Investigation, and Conciliation Enhancements**

Budget Proposal. The Governor’s January Budget proposed to eliminate \$1.4 million in 2024-25 General Fund previously committed for the enhancement of the Civil Rights Department’s (CRD’s) enforcement, investigation, and conciliation capacities.

Background: As part of the 2022 Budget Act, CRD requested and was allocated temporary funding to enhance its enforcement, investigation, and conciliation capacities. Specifically, CRD asked for “\$1.4 million General Fund in 2022-23, 2023-24, and 2024-25 to decrease the wait time between complaint intakes and investigative appointments, and to increase the number of complaints successfully conciliated and settled by investigators.” Data provided by CRD indicates that the additional funding has had its intended effect. This proposal would now cut the final year from these resources.

Status: This issue was heard in Subcommittee on March 14, 2024 and held open.

Staff Recommendation. Reject the proposal.

Issue 53: Community Conflict Resolution and Conciliation Funding

Budget Proposal. The Governor’s January Budget proposed to cut \$883,000 in General Fund previously committed to the Civil Rights Department’s (CRD’s) Community Conflict Resolution and Conciliation efforts in 2024-25.

Background: As part of the 2022 Budget Act, CRD requested and was allocated temporary funding to conduct Community Conflict Resolution and Conciliation efforts. Specifically, CRD asked for “\$889,000 General Fund in 2022-23 and \$883,000 General Fund in 2023-24 and 2024-25 to provide resources and training to communities facing hate incidents or other conflict over discriminatory practices.” This proposal would cut the final year from these resources; however, CRD has expressed confidence that it can carry on the Community Conflict Resolution and Conciliation work utilizing other, existing department resources.

Status: This issue was heard in Subcommittee on March 14, 2024 and held open.

Staff Recommendation. Approve as budgeted.

Issue 54: Shift of Department Costs from General Fund to Civil Rights Enforcement and Litigation Fund

Budget Proposal. As part of the May Revision, the Governor requests to use \$10 million from the Civil Rights Department's (CRD's) Civil Rights Enforcement and Litigation Fund to pay for CRD operations that would otherwise be paid for using 2024-25 General Funds.

Background: The Administration asserts that the Enforcement and Litigation Fund currently holds a balance of just over \$10 million. It requests that the Legislature now appropriate this amount to help pay for CRD operations. Since these operational costs would otherwise come out of the General Fund, the shift results in a net savings to the 2024-25 General Fund of \$10 million. In hearing testimony, the Department of Finance indicated that CRD currently receives an annual allocation of around \$500,000 from the Enforcement and Litigation Fund, that CRD generally spends this allocation on attorney positions and expert witness fees, and that the allocation would continue to be available to the department even if the proposed fund shift is approved.

Status: This issue was heard in Subcommittee on May 16, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

Issue 55: Expenses Associated with Relocation to May Lee Office Complex

Budget Proposal. As part of the May Revision, the Governor requests \$1,188,000 in one-time funding from the 2024-25 General Fund to cover expenses associated with relocating the headquarters of the Civil Rights Department (CRD) from its present site in Elk Grove to the May Lee Office Complex in Sacramento.

Background: CRD reports that its headquarters have been located in a leased office space in Elk Grove for the past 19 years. In 2018, the State undertook an initiative to construct a new, state-of-the-art office complex on Richards Boulevard north of downtown Sacramento. This facility, known as the May Lee Office Complex, is now ready for CRD's occupation. CRD plans to move in in July 2024.

Status: This issue was heard in Subcommittee on May 16, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

1701 DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION**Issue 56: Continuation of California Consumer Financial Protection**

Request. The Governor’s budget requests, for the Department of Financial Protection and Innovation (DFPI), an increase in expenditure authority of \$14 million Financial Protection Fund in 2024-25 and in 2025-26 to continue funding for 55 positions for the implementation of the California Consumer Financial Protection Law (CCFPL).

This proposal was heard on May 2, 2024.

Staff Recommendation. Approve as budgeted.

Issue 57: Continuation of Debt Collector Licensing and Regulation

Request. The Governor’s budget requests an increase in expenditure authority of \$11.8 million Financial Protection Fund in 2024-25 and 2025-26, for DFPI, to support 51 positions authorized to license, regulate, and examine debt collectors pursuant to SB 908 Limon, (Chapter 163, Statutes of 2020), the Debt Collection Licensing Act (DCLA).

This proposal was heard on May 2, 2024.

Staff Recommendation. Approve as budgeted.

Issue 58: Digital Financial Asset Law (AB 39)– May Revision

Request. The May Revision requests an increase in expenditure authority in the amount of \$7.9 million Financial Protection Fund and 26 positions in 2024-25, \$11.6 million and 41 positions in 2025-26, and \$11.4 million and 41 positions in 2026-27 and ongoing to implement AB 39 (Grayson), Chapter 792, Statutes of 2023, the Digital Financial Assets Law.

Staff Recommendation. Approve as budgeted.

Issue 59: Rent Increase – New May Lee State Office Complex – May Revision

Request. The May Revision requests an increase in expenditure authority of \$1.1 million in 2024-25 to address a one-time increase in rent and to avoid the need to redirect funds from its various programs.

Staff Recommendation. Approve as budgeted.

Issue 60: Venture Capital Companies: Reporting (SB 54) – May Revision

Request. The May Revision requests \$1.6 million one-time General Fund and three positions in 2024-25 and \$846,000 Financial Protection Fund in 2025-26 ongoing to implement SB 54 (Skinner), Chapter 594, Statutes of 2023, venture capital company reporting requirements. The Department also requests statutory changes to implement the provisions of SB 54.

Staff Recommendation. Modify the proposal to provide for \$1.6 million Financial Protection Fund in 2024-25, and three positions in \$846,000 Financial Protection Fund in 2025-26 and ongoing. Additionally adopts placeholder trailer bill language.

1703 PRIVACY PROTECTION AGENCY**Issue 61: The California Delete Act (SB 362) – May Revision**

Request. The May Revision requests \$901,000 Data Brokers' Registry Fund in 2024-25 and three positions, and \$608,000 in 2025-26 and ongoing to meet the Agency's responsibilities under SB 362 (Becker, Chapter 709, Statutes of 2023), known as the California Delete Act. The request also includes provisional language for implementation.

Staff Recommendation. Approve as budgeted and adopt placeholder provisional language.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL (ABC)**Issue 62: IT Maintenance and Operations and File Conversion**

Request. The Governor's budget requests three positions and an increase in expenditure authority of \$2.3 million Alcohol Beverage Control Fund in 2024-25 and \$1.3 million in 2025-26 for the Department of Alcoholic Beverage Control to provide continued support of existing modernization efforts related to the Business Modernization and Responsible Beverage Service (BizMod/RBS) project and to begin the eRecords project, which will convert licensing files from paper to a digital format that can be efficiently accessed by staff statewide, including licensing and enforcement staff in the field.

This proposal was heard on March 7, 2024.

Staff Recommendation. Approve as budgeted.

2240 HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT (HCD)**Issue 63: Homeless Housing Assistance and Prevention Program Round 6**

Budget Proposal. The Legislative Plan proposes to allocate \$1 billion from the 2024-25 General Fund for the purpose of funding a sixth round of the Homeless Housing Assistance and Prevention Program (HHAP).

Background: HHAP provides large cities, counties, continuums of care, and tribal entities with formula-based funding through which they can address regional homelessness using a broad variety of strategies and services. To date, there have been five rounds of HHAP funding providing a total of just under \$4 billion. Each of these HHAP Rounds was funded on a one-time basis, leaving no guarantee that this funding would be available in future years. Nonetheless, the 2023 Budget included a statement from the Legislature expressing its intent to fund a sixth round of HHAP. The Governor’s January Budget Proposal did not include any funding for a sixth round of HHAP. However, in commentary accompanying that proposal the Administration indicated that:

As part of the spring budget process, the Administration will commit to working closely with the Legislature on additional funding to support local governments’ response to the homeless crisis—assuming local governments deliver on the performance commitments made under HHAP 3 and HHAP 4, and on the regional planning and coordination requirements of HHAP 5.

Status: The issue of whether to allocate funding for a sixth round of HHAP was taken up by the Subcommittee on April 18, 2024 and held open.

Staff Recommendation. Allocate \$1 billion in 2024-25 General Fund to HCD for a sixth round of HHAP and adopt placeholder budget trailer bill language to govern administration of the funds.

Issue 64: Multifamily Housing Grant Program (MHP)

Budget Proposal. The Governor’s January Budget proposed to revert back to the General Fund \$250 million of the \$325 million allocated to the Multifamily Housing Program (MHP) in the 2023 Budget Act. The May Revision then went on to propose reversion of the remaining \$75 million as well.

Background: MHP is HCD’s flagship affordable housing program. Among HCD’s portfolio of affordable housing programs, MHP funds the broadest scope of possible projects. Under MHP, HCD provides low-interest, long-term deferred payment loans on a competitive basis to applicants proposing projects consisting of new construction, rehabilitation, and preservation of permanent and transitional rental housing. To qualify for an MHP loan, projects must be affordable to low-income and very low-income households. The availability of MHP funding also helps such projects to leverage state and federal Low Income Housing Tax Credits (LIHTC).

Status: The Governor’s January proposed cut was heard by the Subcommittee on March 14, 2024 and held open. The additional cut proposed by the May Revision was heard on May 16, 2024 and held open.

Staff Recommendation. Reject the Governor’s January Budget proposal and the May Revision proposal.

Issue 65: Regional Early Action Planning Grants (REAP) 2.0.

Budget Proposal. The Governor’s January Budget proposed to revert back to the General Fund \$300 million of the \$600 million that was previously allocated to the Regional Early Action Planning 2.0 (REAP 2.0) grant program in the 2021 Budget Act.

Background: REAP 2.0 funds planning and implementation projects – such as the installation of communal infrastructure and the construction of residential complexes – that integrate housing, climate, and civil rights goals. Specifically, REAP 2.0 is intended to facilitate the creation of infill housing, reduce vehicle miles traveled, and affirmatively further fair housing consistent with regional and local plans. Of the \$600 million allocation, \$510 million goes to Metropolitan Planning Organizations (MPOs) based on population. The MPOs may then further suballocate their awards to cities, counties, and transit/transportation agencies in their respective regions. \$30 million is set aside for competitively-awarded grants for place-based projects that “have a high impact in disadvantaged and historically underserved communities.” Another \$30 million is set aside for competitive awards to Tribal entities and rural communities not covered by an MPO. The final \$30 million is for program administration.

Status: This proposal was heard by the Subcommittee on March 14, 2024 and held open.

Staff Recommendation. Reject the proposed cut and adopt, instead, a cut of \$50 million.

Issue 66: Housing Navigation and Maintenance Program

Budget Proposal. The Governor’s January Budget proposes to eliminate an ongoing, annual allocation of \$13.7 million for the Housing Navigation and Maintenance Program (HNMP) at the Housing and Community Development Department (HCD).

Background: The HNMP provides formula-based grants to counties to enable them to hire or devote staff to identifying and assisting young adults between 18 and 24 years old to obtain and retain housing. The size of each county’s award is determined by its percentage of the total statewide number of young adults aged 18 to 24 years of age who are currently or formerly in the foster care system. Services under HNMP can include help applying for housing vouchers, identifying available units, communicating with landlords, filling out applications, making initial rent and security deposits, and avoiding problems that could otherwise lead to eviction. A key aspect of the program is its function assisting eligible youth to obtain and utilize two types of federally-funded housing subsidy vouchers: the Family Unification Program (FUP) and the Foster Youth to Independence (FYI) program. Many of the youth served by HNMP recently emancipated from the foster care system, though the program is not exclusive to that population.

Status: This proposal was heard by the Subcommittee on March 14, 2024 and held open.

Staff Recommendation. Reject the Governor’s January Budget proposal.

Issue 67: Infill Infrastructure Grant (IIG) Program

Budget Proposal. The Governor’s January Budget proposed to revert back to the General Fund \$200 million of the \$225 million allocated to the Infill Infrastructure Grant (IIG) program in the 2023 Budget Act. The May Revision then went on to propose reversion of an additional \$35 million from the program, including the \$25 million remaining from 2023-24, and \$10 million allocated to IIG for 2022-23.

Background: The IIG program provides competitive grants to help fund the installation of infrastructure necessary for the construction of high-density affordable and mixed-income housing in locations designated as infill. Thus, IIG does not necessarily fund the production of housing units directly. Rather it provides the necessary funding to enable infill housing projects that might not be financially viable otherwise.

Status: The Governor’s January proposed cut was heard by the Subcommittee on March 14, 2024 and held open. The additional cut proposed by the May Revision was heard on May 16, 2024 and held open.

Staff Recommendation. Approve the Governor’s January proposal and the May Revision proposal.

Issue 68: CalHome Program

Budget Proposal. The Governor’s January Budget proposed to revert back to the General Fund a total of \$152.5 million that was previously allocated to the CalHome program: \$102.5 from 2022-23 and \$50 from 2023-24.

Background: The CalHome program provides funding to local government agencies and non-profits to support homeownership programs aimed at low and very low-income households. Eligible activities include: first-time homebuyer mortgage assistance; owner-occupied rehabilitation; accessory dwelling unit and junior accessory dwelling unit assistance; homeownership project development loans; shared housing technical assistance; and self-help housing technical assistance.

Status: This proposal was heard by the Subcommittee on March 14, 2024 and held open.

Staff Recommendation. Approve as budgeted.

Issue 69: Adaptive Reuse Program

Budget Proposal. The Governor’s May Revision proposed to revert \$127.5 million from the Adaptive Reuse Program back to the General Fund. This is the remaining, unallocated amount from a \$400 million 2022 Budget Act allocation for the program.

Background: The Adaptive Reuse Program is a variation of the Infill Infrastructure Grant program also known as IIG-Catalytic. The program focuses on projects that facilitate conversion of properties to residential use, such as a former office building being transformed into housing.

Status: This proposal was heard by the Subcommittee on May 16, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

Issue 70: Foreclosure Intervention Housing Preservation Program (FIHPP)

Budget Proposal. The Governor’s January Budget proposed to cut a total of \$247.5 million in General Fund allocated to the Foreclosure Intervention Housing Preservation Program (FIHPP) in the coming years: \$85 million in 2024-25, \$100 million in 2025-26, and \$62.5 million in 2026-27, still leaving \$236.5 million dedicated to the FIHPP program. The May Revision then proposed to cut this remaining amount as well.

Background: FIHPP is designed to provide a pool of money that qualified non-profit housing entities can use to make purchases using a procedural mechanism within California’s non-judicial foreclosure system. That procedural mechanism enables prospective owner-occupants, current tenants, public entities, and specified non-profit housing organizations to acquire residential property by meeting or exceeding the winning foreclosure auction bid. The purchasing entity must then operate the property as affordable housing for at least 55 years. The 2021 Budget Act directed \$500 million to FIHPP and HCD began the process of building the necessary systems to administer it. Although the program is now on the verge of being ready to operate, no awards or acquisitions have been made to date, leaving the program untested and most of the original funding still unexpended.

Status: The Governor’s January proposed cut was heard by the Subcommittee on March 14, 2024 and held open. The additional cut proposed by the May Revision was heard on May 16, 2024 and held open.

Staff Recommendation. Approve the Governor’s January proposal and the May Revision proposal.

Issue 71: Veterans Housing & Homelessness Prevention Program (VHHP)

Budget Proposal. The Governor’s January Budget proposed to revert \$50 million in 2023-24 General Fund allocated to the Veterans Housing and Homelessness Prevention program (VHHP) back to the General Fund. The May Revision then proposed to revert an additional \$26.3 million in 2022-23 General Fund that was allocated to VHHP but that remains unspent.

Background: VHHP provides “long-term loans for the acquisition, construction, rehabilitation, and preservation of affordable multifamily housing for veterans and their families to allow veterans to access and maintain housing stability.” Though VHHP was historically funded through bonds, the 2022 Budget Act included General Fund allocations of \$50 million for VHHP in both 2022-23 and again in 2023-24. This proposal pulls back an unspent portion of the 2022-23 allocation and all of the 2023-24 allocation. The recently passed Behavioral Health Infrastructure Bond Act (Proposition One of 2024) provides a dedicated stream of funding to VHHP and should backfill the proposed cuts to that program if they become part of the final budget act.

Status: The Governor’s January proposed cut was heard by the Subcommittee on March 14, 2024 and held open. The additional cut proposed by the May Revision was heard on May 16, 2024 and held open.

Staff Recommendation. Approve the Governor’s January proposal and the May Revision proposal.

Issue 72: Staffing Increases for Implementation and Administration of the Behavioral Health Infrastructure Bond Act (Proposition One of 2024)

Budget Proposal. As part of the May Revision, the Housing and Community Development Department (HCD) requests authority to hire 39 new ongoing positions over the next several years in order to implement and administer the Behavioral Health Infrastructure Bond Act (BHIBA), also known as Proposition One of 2024, recently passed by the voters.

Background: This budget request provides the necessary administrative personnel at HCD to administer the funding made available through BHIBA. As all of these new positions would be funded through the bond proceeds, this proposal would not place any new pressure on the General Fund.

Status: This proposal was heard by the Subcommittee on May 16, 2024 and held open.

Staff Recommendation. Approve the May Revision proposal.

Issue 73: Expense Cap for Administration of the Behavioral Health Infrastructure Bond Act (Proposition One of 2024)

Budget Proposal. The Governor’s May Revision includes placeholder budget trailer bill language authorizing the use of up to three percent of the proceeds from the Behavioral Health Infrastructure Bond Act (BHIBA), also known as Proposition One of 2024, for administrative expenses.

Background: In March 2024, California voters approved Proposition One by a narrow margin. The Proposition consisted of two components: the Behavioral Health Services Act and BHIBA. The BHIBA portion is a \$6.38 billion general obligation bond the proceeds from which will go toward funding for development of a variety of behavioral health treatment, residential care settings, and supportive housing. The intent is to provide appropriate care facilities for Californians experiencing mental health conditions and substance use disorders, a significant fraction of whom are currently unhoused. BHIBA does not impose any limitations on the amount of the funding that may be used for administrative expenses. The proposed budget trailer bill language adds such a limitation and sets it at three percent.

Status: This proposal was heard by the Subcommittee on May 16, 2024 and held open.

Staff Recommendation. Adopt the placeholder budget trailer bill language.

Issue 74: Additional Staffing for Administration of the Permanent Local Housing Allocation Program (PLHA)

Budget Proposal. Through the Governor’s January Budget, the Housing and Community Development Department (HCD) requested authority to add four staff positions in 2024-25 and ongoing, paid for out of the Building Homes and Jobs Trust Fund, to monitor the Permanent Local Housing Allocation (PLHA) Program, disburse funds, and report on affordable owner-occupied workforce housing outcomes paid for out of the Building Homes and Jobs Trust Fund.

Background: SB 2 (Atkins), Ch. 364, Statutes. 2017, imposed a \$75 fee on the recording of certain real estate documents and directed the proceeds into a new Building Homes and Jobs Trust Fund. SB 2 also specified how the money in the Fund must be spent. Thirty percent of the funding goes in state affordable housing production financing programs. The remaining 70 percent supports the PLHA. Most of the PLHA portion of the fund (93 percent) goes to local jurisdictions based on a population-based formula. HCD awards the other seven percent of PLHA as competitive grants to non-entitlement jurisdictions. According to HCD, the number of total PLHA contracts it manages has increased significantly in recent years, doubling from roughly 150 in 2020-21 to around 300 in 2022-23, and HCD forecasts that the PLHA program will reach at or close to its maximum possible number of contracts – 350 in 2024-25. During this period of growth, staffing levels have not kept pace, so HCD now seeks an increase. As the funding for these positions comes out of the Building Homes and Jobs Trust Fund, this staffing increase would not impact the General Fund. HCD also indicates that spending for the proposed positions would fall within the five percent of the Fund set aside for PLHA administrative costs. Accordingly, the staffing increase should not divert resources that would otherwise go toward housing production.

Status: This proposal was heard by the Subcommittee on March 14, 2024 and held open.

Staff Recommendation. Approve as budgeted.

Issue 75: Transition of Homelessness-Related Grant Administration from the California Interagency Council on Homelessness to the Housing and Community Development Department and Related Staffing Increase Request for Enhanced Accountability

Budget Proposal. Taken together, the Governor’s January Budget and May Revision request authority to move 22 positions from the California Interagency Council on Homelessness (Cal-ICH) to the Housing and Community Development Department (HCD) as part of the previously-approved transfer of homelessness-related grant administration between the entities. In addition, HCD seeks authority to hire 17 additional staff to help provide enhanced oversight over these grants and greater local accountability for compliance with state homelessness-related land use laws as well.

Background: Cal-ICH currently administers three major homelessness-related grant programs: the Homeless Housing Assistance and Prevention (HHAP) program; the Encampment Resolution Fund (ERF); and the Family Homelessness Challenge (FHC) Grants. The 2023 Budget Act directed Cal-ICH to transfer management of these programs to HCD by July 1, 2024, both to take advantage of HCD’s grant program management expertise and to allow Cal-ICH to focus on its core functions. The Governor’s January budget, as modified by the May Revision, includes a budget change proposal that implements part of this transition by switching 22 existing grants management positions from Cal-ICH to HCD. At the same time, HCD seeks authority to hire 17 additional staff. The additional staff will be divided between providing enhanced oversight over the homelessness-related grant programs and building out the Governor’s proposed Housing and Homelessness Accountability and Results Partnership Unit (HHARP), an expansion of the existing Housing Accountability Unit. The proposed staffing expansion will be paid for out of the administrative set-asides that are included with the funding for each homelessness-related grant program.

Status: The Governor’s January version of this proposal was heard by the Subcommittee on March 14, 2024 and held open. The May Revision version of this proposal was heard by the Subcommittee on May 16, 2024 and held open.

Staff Recommendation. Approve the Governor’s January Budget proposal as modified by the May Revision.

Issue 76: Homeless Housing Assistance and Prevention Program (HHAP) Statutory Modifications

Budget Proposal. To adopt budget trailer bill language modifying the statutes governing the Homeless Housing Assistance and Prevention program (HHAP).

Background: The HHAP program has steadily evolved over the course of the five years and five rounds that it has been in existence. Adjustments and refinements to the program sometimes require changes to the underlying statutes in the form of budget trailer bill language. This year, the HHAP statutes need to be modified in order to ensure they conform to other adjustments being made in the budget, to fix outdated references, and to clarify ambiguities in the existing language.

Status: The Governor’s original proposal for budget trailer bill language modifying the HHAP statutes was heard by the Subcommittee on April 18, 2024 in connection with the transfer of homelessness-related programs from the California Interagency Council on Homelessness (Cal-ICH) to the Housing and Community Development Department (HCD). That issue was held open. The May Revision included an update to the Governor’s proposed, HHAP-related budget trailer bill language. The update reflected the May Revision proposal to cut the \$260 million in Round 5 supplemental HHAP funding, rather than the delay proposed in the Governor’s January budget.

Staff Recommendation. Adopt placeholder budget trailer bill language for the HHAP program that:

- Further strengthens accountability mechanisms;
- Directs some funding to prevention
- Makes technical and conforming changes to Rounds 3-5; and
- Clarifies eligible uses of HHAP funds.

Issue 77: Reduction to the Surplus Lands Act Unit

Budget Proposal. The Governor’s January Budget proposes a \$2.4 million reduction in the annual, ongoing General Fund allocation to the Surplus Lands Act (SLA) Unit at the Housing and Community Development Department (HCD), beginning in 2024-25.

Background: In simplified terms, the SLA requires government entities to make public property available for housing development before disposing of it for other purposes. HCD’s SLA Unit helps to ensure compliance with the SLA, facilitates agreements between local agencies and housing developers, and compiles data about housing production on surplus lands. The 2022 Budget Act provided funding to support SLA Unit activities. This proposal reduces that funding by \$2.4 million annually.

Status: The Subcommittee has not previously heard this proposal.

Staff Recommendation. Approve as budgeted.

2320 DEPARTMENT OF REAL ESTATE**Issue 78: Addressing Workload Costs and Fund Solvency and Real Estate Fee Increase Trailer Bill Language**

Request. The Governor’s budget requests an increase in expenditure authority of \$3.2 million Real Estate Fund in 2024-25 and 2025-26 and \$2.4 million in 2026-27 and ongoing for the Department of Real Estate (DRE) to address a funding shortfall across various categories necessary to support the mission of DRE. The Department also requests statutory changes to adjust fees, address the structural fund imbalance of the Real Estate Fund, and to maintain fund solvency.

Staff Recommendation. Approve as Budgeted, contingent on review and approval of the associated Real Estate Fee Increase trailer bill. Additionally, adopt placeholder trailer bill language.

Issue 79: Chaptered Legislation Resources – May Revision

Request. The May Revision requests three positions and \$700,000 Real Estate Fund in 2024-2025 and \$590,000 in 2025-2026, and one position and \$251,000 in 2026-2027 and ongoing to implement the provisions of various recently chaptered legislation.

Staff Recommendation. Approve as budgeted.

Issue 80: Rent Increase – New May Lee State Office Complex – May Revision

Request. The May Revision requests a one-time increase in expenditure authority of \$849,000 Real Estate Fund in 2024-25 to support an increase in rent costs associated with DRE’s move to the May Lee State Office Complex.

Staff Recommendation. Approve as budgeted.

7502 DEPARTMENT OF TECHNOLOGY**Issue 81: Middle Mile Broadband Initiative Overview – Governor’s Budget & May Revision**

Request. The Governor’s budget requested \$250 million General Fund in 2024-25, and \$1.25 billion General Fund in 2025-26, for the Department of Technology (CDT), to fund completion of the Middle Mile Broadband Initiative (MMBI) network and make 36 administratively established positions permanent. CDT also requests provisional language allowing up to \$500 million additional General Fund in 2024-25, to support MMBI.

The May Revision withdraws the request for \$250 million General Fund in 2024-25, and \$1.25 billion General Fund in 2025-26 and instead revises the provisional language to allow the Director of Finance to augment CDT’s budget by \$1.5 billion GF in 2024-25 for the middle-mile network. The revised language includes a 30-day written notification period for the Joint Legislative Budget Committee to consider the request.

This issue was heard on April 4, 2024 and May 20, 2024.

Staff Recommendation. Approve as budgeted at May Revision and adopt placeholder provisional language.

Issue 82: Information Security Compliance

Request. The Governor’s budget is requesting \$250,000 General Fund in 2024-25, for CDT, for consulting services to address compliance deficiencies with the Cal-Secure Roadmap and internal security program. The departmental security deficiencies that this request will address include vulnerability management, incident response, and compliance.

This issue was heard on April 4, 2024.

Staff Recommendation. Approve as budgeted.

Issue 83: Intrusion Detection and Prevention System (IDS and IPS) Replacement

Request. The Governor’s budget requests \$809,000 General Fund 2024-25, \$374,000 in 2025-26, and \$393,000 in 2026-27, and ongoing, for CDT, to replace Data Center Intrusion Detection Systems (IDS) and Intrusion Prevention Systems (IPS) hardware that will be reaching its end of supportable life. The requested IDS/IPS resources will be utilized to internally monitor and protect the East-West traffic security perimeter of state services maintained by the Office of Technology Service’s (OTech) data centers.

This issue was heard on April 4, 2024.

Staff Recommendation. Approve as budgeted.

Issue 84: Statewide Technology Services – Governor’s Budget & May Revision

Request. The Governor’s budget requests provisional language, for the Department of Technology, to allow the conversion of up to \$10 million from the Technology Services Revolving Fund (TSRF) to the General Fund in 2024-25 to support statewide technology services.

The May Revision withdrew this proposed provisional language.

This issue was heard on April 4, 2024.

Staff Recommendation. Approve as budgeted at May Revision.

Issue 85: High-risk Automated Decisions Systems Inventory (AB 302) - May Revision

Request. The May revision requests \$588,000 in General Fund in 2024-25 for one-time consulting for implementation of AB 302 (Ward), Chapter 800, Statutes of 2023.

Staff Recommendation. Approve as budgeted.

Issue 86: Local Government: Internet Websites and Email Addresses (AB 1637) - May Revision

Request. The May Revision requests \$147,000 from the General Fund to support consulting services in 2024-25 and 2025-26 for implementation of AB 1637(Irwin), 586, Statutes of 2023.

Staff Recommendation. Approve as budgeted.

7504 OFFICE OF DATA AND INNOVATION**Issue 87: Solution - Data and Innovation Service Revolving Fund (DIF) Savings – May Revision**

Request. The May Revision requests a transfer of \$15 million from the Data and Innovations Services revolving Fund to the General Fund. The requests also includes provisional language for implementation.

Staff Recommendation. Approve as budgeted and adopt placeholder provisional language.

7600 DEPARTMENT OF TAX AND FEE ADMINISTRATION (CDTFA)**Issue 88: Bad Debt Sales Tax Deduction and Refund**

Request. The Governor's budget includes a proposal to eliminate a sales and use tax deduction and refund for a lender or retailer's affiliate related to bad debt, commencing January 1, 2025. The Administration estimates that the proposal would increase General Fund revenue by \$25.3 million in 2024-25 and \$50.6 million per year ongoing.

Note: Department of Finance is in the process of updating the revenue impact and has indicated that the full revenue gain would not be realized until the 2028-29 fiscal year due to a backlog of claims at California Department of Tax and Fee Administration (CDTFA). This update is anticipated to be included in the May Revision.

The Governor includes proposed trailer bill language to enact this change.

Staff Recommendation. Approve as proposed, adopt placeholder trailer bill language.

Issue 89: Reversion of Anticipated Salary Savings

Request. The May Revision requests that \$20 million is reverted to the General Fund from CDTFA's 2023 Budget Act appropriation. The reversion reflects anticipated personal services savings.

Staff Recommendation. Approve as budgeted.

Issue 90: Employee Compensation and Benefits

Request. The May Revision requests an increase of \$1.2 million (combined General Fund and other funds) for employee compensation costs and \$458,000 for revised employee benefit costs.

Staff Recommendation. Approve as proposed.

Issue 91: Firearms and Ammunition Excise Tax (AB 28)

Request. The May Revision requests a \$1.2 million ongoing appropriation from the Gun Violence Prevention and School Safety Fund to allow the California Department of Tax and Fee Administration to administer the firearms and ammunition excise tax imposed by AB 28(Gabriel), Chapter 231, Statutes of 2023.

Staff Recommendation. Approve as proposed.

Issue 92: Legal Ruling of Counsel APA Exemption

Request. The May Revision requests trailer bill that specifies that the Administrative Procedures Act (APA) is inapplicable in circumstances pursuant to a legal ruling of counsel by CDTFA. Current statute specifies that the APA is inapplicable in circumstances pursuant to a legal ruling of counsel by the Franchise Tax Board or the State Board of Equalization. This aligns the application of the APA for legal rulings of counsel by the CDTFA.

Staff Recommendation. Approve placeholder Trailer Bill Language.

Issue 93: Underground Storage Tank Fee Savings Clause and Cost Reimbursement

Request. The May Revision requests trailer bill language that specifies that CDTFA may continue specific requirements related to the Underground Storage Tank Cleanup Trust Fund, after other provisions of the Barry Keane Underground Storage Tank Cleanup Trust Fund Act of 1989 expire. Specifically, CDTFA may continue providing refunds and credits.

Staff Recommendation. Approve placeholder Trailer Bill language.

7730 FRANCHISE TAX BOARD**Issue 94: Net Operating Loss (NOL) and Business Tax Credit Suspension**

Budget Proposal. The May Revision includes a proposal to suspend the use of NOL deductions for taxpayers with income over \$1 million and limit the amount of most business tax credits any taxpayer could claim to \$5 million business credits for tax years 2025, 2026, and 2027 to temporarily increase tax revenue. Revenue increases are estimated at \$900 million (\$558 million non-Proposition 98) in 2024-25 and \$5.5 billion (\$1.3 billion non-Proposition 98) in 2025-26. The Administration proposes language triggering the suspension removal if cumulative cash receipts for the Big 3 taxes exceed the Budget Act forecast by three percent or more from May 2024 to April 2025.

The May Revision includes the withdrawal of January proposal to conform to federal law and limit the use of NOL deductions to 80 percent of a business's taxable income in the year it is applied. The Administration anticipated revenue gains of \$300 million in 2024-25 and ongoing gains of \$200 million in subsequent years from this proposal.

Staff Recommendation. Adopt Legislative proposal, and placeholder trailer bill language as described:

Suspend the use of NOL deductions for taxpayers with income over \$1 million and limit the amount of most business tax credits any taxpayer could claim to \$5 million business credits as proposed in the May Revision, however, apply the changes instead for tax years 2024, 2025, and 2026 to temporarily increase tax revenue. Revenue increases are estimated at \$850 million (\$527 million non-Proposition 98) in 2023-24, \$5.1 billion (\$3.2 billion non-Proposition 98) in 2024-25, and \$5.5 billion (\$3.4 billion non-Proposition 98) in 2025-26. The Legislative proposal does not include language triggering the suspension removal, instead leaving that decision to future budget discussions and legislative approval.

Issue 95: Single Sales Factor for Financial Institutions

Legislative Proposal: Current law requires multistate firms to use a mandatory single sales factor tax policy, however agricultural, extraction, and financial firms were exempted from this change and remain on an equally weighted three-factor formula (property, payroll, and/or sales that occurred in that state). This proposal would require financial firms to use a single sales factor tax policy, aligning their treatment with that of the majority of other multistate firms.

Staff Recommendation: Adopt placeholder trailer bill language.

Issue 96: Charitable Conservation Easements Conformity

Budget Proposal. The Governor’s budget proposes to conform state law to federal law for treatment of the charitable conservation easement deduction, limiting deductions for charitable conservation easements to two and a half times the investment cost for the purchaser, and disallowing the deduction for any taxpayer who has previously engaged in fraud. The Administration anticipates this will result in revenue gains of \$55 million in 2024-25 and 2025-26, and ongoing gains of \$25 million in subsequent years.

Currently, property owners who give up development rights on lands are allowed a deduction equal to the value of the property. In 2023, federal tax law was amended to curb abuse of the deduction and capped the deduction to two and a half times the value of the taxpayer’s investment and eliminates the deduction for those taxpayers who have previously engaged in fraud.

Staff Recommendation. Approve as proposed, adopt placeholder trailer bill language.

Issue 97: Oil and Gas Subsidy Elimination

Budget Proposal. The Governor’s budget proposes to eliminate the following subsidies, commencing with the 2024 tax year. The Administration anticipates this will result in revenue gains of \$22 million in 2024-25 and ongoing gains of \$17 million in subsequent years.

Background.

Immediate Deduction for Intangible Drilling Costs. Currently, state law allows 70 percent of intangible oil and gas drilling costs (e.g. survey work, ground preparation, etc.) to be deducted in the first year, with the remainder spread over five years. For independent oil producers, 100 percent can be claimed up front. Eliminating this allowance would instead apply standard tax law that allows expenses to be deducted when their benefit is realized. The Administration estimates that eliminating this deduction would generate \$7 million in 2024-25 and the next three years

Percentage Depletion Rules for Fossil Fuels. Businesses may currently deduct a fixed percentage of gross income that is higher than normal cost-depletion when calculating the deduction of resource depletion for mineral and other natural resources. Eliminating this allowance would instead apply standard cost depletion tax law. The Administration estimates that making this change would generate \$15 million General Fund in 2024-25 and \$10 million ongoing.

Enhanced Oil Recovery Costs Credit. Current law allows specified independent oil producers a nonrefundable credit up to five percent of the qualified enhanced oil recovery costs for projects located in the state if oil prices fall above a specified amount for the preceding year. This proposal would eliminate the credit. The Administration does not assume any fiscal effect associated with this proposal over the next few years since crude oil prices are expected to remain above the price threshold used to determine when businesses can claim the credit.

Staff Recommendation. Approve as proposed, adopt placeholder trailer bill language.

Issue 98: Earned Income Tax Credit (EITC) Outreach

Budget Proposal: The Administration did not include additional funding for EITC outreach. Many community-based organizations and other state and local government agencies (such as school districts and county social services offices) engage in efforts to raise awareness about the state and federal EITC. The state has continued to provide \$10 million annually for state outreach grants to promote the California EITC and free tax preparation. Despite the availability of these resources, the California EITC is not being claimed at the anticipated rate. In some cases, low-income individuals are not required to file a return because they do not need the minimum return filing income thresholds. Thus, many California households do not receive the credits for which they are eligible, limiting the effectiveness of the EITC program. Finally, additional outreach related to the CalEITC may also assist individuals in drawing down federal assistance through the federal EITC.

In an effort to address EITC uptake, the state increased the amount for state outreach grants to \$20 million for 2022-23 and 2023-24. Grantees used this funding to carry out statewide and local outreach efforts aimed at reaching eligible families.

Staff Recommendation. Adopt legislative proposal to provide an additional \$2 million ongoing General Fund for EITC outreach efforts, bringing the total ongoing funding for state outreach grants to \$12 million.

Issue 99: IRS Direct Filer Portal

Budget Proposal: The Administration did not include additional funding for state workload to align with the federal Direct File portal.

On January 29, 2024, the IRS began a pilot program allowing qualified individuals to file their federal tax return directly with the IRS using the IRS supported free file tool. For the 2023 tax filing window, the Direct File pilot was available to eligible taxpayers residing in California, Arizona, Florida, Massachusetts, New Hampshire, New York, Nevada, South Dakota, Tennessee, Texas, Wyoming and Washington.

Direct File does not prepare state returns. Specifically for California, the IRS directed Californians to a CalFile application once they completed the filing of their federal return.

Staff Recommendation. Adopt legislative proposal to provide funding for FTB to align the CalFile system with Federal Direct File efforts. (\$700,000 in 2024-25, \$1.7 million in 2025-26, and \$2.1 million in 2026-27 and ongoing).

Issue 100: Apportionment Factor Fix

Budget Proposal: The May Revision proposes trailer bill language to clarify existing law that when a corporation receives income that is excluded from taxable business income, then it must exclude this income from its apportionment factor formula.

Fiscal Impact: The FTB estimates that, without action, around \$1.3 billion in refunds are at risk based on similar tax filings from prior years, and there are additional annual prospective refunds of around \$200 million due to lower apportionment factors for multi-state and multi-national firms.

Staff Recommendation: Approve as proposed, adopt placeholder trailer bill language.

Issue 101: Disaster Tax Relief TBL

Budget Proposal: The May Revision proposes trailer bill language to allow the Director of Finance to determine whether a taxpayer is affected by a state of emergency, when determining whether the postponement of certain tax-related deadlines applies to a taxpayer.

Staff Recommendation: Approve as proposed, adopt placeholder trailer bill language.

Issue 102: Employee Compensation and Benefits

Request. The May Revision requests an increase of \$1.9 million (combined General Fund and other funds) for employee compensation costs and \$749,000 for revised employee benefit costs.

Staff Recommendation. Approve as proposed.

Issue 103: High Speed Printer Reappropriation

Request. The May Revision requests an extension of the encumbrance period for \$2.2 million (General Fund and other funds) needed to replace the high-speed printer systems and software that FTB uses to print FTB's notices, bills, and correspondence from June 30, 2024 to June 30, 2025.

Staff Recommendation. Approve as proposed.

Issue 104: California ALS Research Contribution Fund

Request. The May Revision increases Item 7730-001-8139 be added in the amount of \$6,000 ongoing for the FBA to administer this voluntary contribution fund.

Staff Recommendation. Approve as proposed.

7760 DEPARTMENT OF GENERAL SERVICES**Issue 105: Design-Build Sunset Repeal – Trailer Bill Language**

Request. The Governor’s budget requests trailer bill language to repeal the January 1, 2025 sunset for Design-Build authority in Public Contract Code (PCC) 10196. This statutory change would permanently authorize the use of design-build, in specified circumstances.

This issue was heard on April 4, 2024.

Staff Recommendation. Adopt placeholder trailer bill language.

Issue 106: Net Zero Greenhouse Gas Emissions Funding Reversion and Reduction – May Revision

May Revision. The May Revision proposes to revert \$2.5 million General Fund in 2023-24 and a reduction of \$2.5 million General Fund in 2024-25 and 2025-26. This adjustment eliminates funding provided in the 2023 Budget Act to implement net-zero greenhouse gas emissions in state agency operations, pursuant to SB 1203 (Becker, Chapter 368, Statutes of 2022).

This issue was heard on May 20th, 2024.

Staff Recommendation. Reject without prejudice.

Issue 107A: Various Budget Solutions – May Revision

Request. The May Revision requests the following budget solutions to address the shortfall:

- **Electric Vehicle Service Equipment Reduction.** \$11.7 million in 2024-25, and \$11.6 million in 2025-26. This adjustment reduces funding for electric vehicle service equipment infrastructure assessment and facility development appropriated in the 2023 Budget Act.

Staff Recommendation. Approve as budgeted.

Issue 107B: Various Budget Solutions – May Revision

Request. The May Revision requests the following budget solutions to address the shortfall:

- California Commission on Disability Access Permanent Fund Shift. Shifts \$1.6 million General Fund and four positions in 2024-25 and 2025-26 to the Disability Access Fund. This request includes trailer bill language to statutorily authorize this fund shift.
- Asset Management Branch Temporary Fund Shift. Shifts \$1.2 million General Fund and 4 positions to the Property Acquisition Law Money Account and 4 positions in 2024-25 and 2025-26. This adjustment temporarily shifts support of Asset Management Branch for workload related to the Mercury Cleaners remediation and other statutorily mandated activities.

Staff Recommendation. Approve as budgeted and adopt placeholder trailer bill language.

Issue 108: Capitol Repairs Funding Temporary Reduction – May Revision

Request. The May Revision requests a reduction of \$7.1 million in 2024-25 and 2025-26 to the Capitol Repairs Funding. This adjustment temporarily reduces funding appropriated for State Capitol Repairs.

This issue was heard on May 20, 2024.

Staff Recommendation. Reject without prejudice.

Issue 109: Drought-Resistant Buildings Act (SB 745) – May Revision

Request. The May Revision requests \$254,000 Building Standards Administration Special Revolving Fund and one position in 2024-25 and ongoing to develop building standards related to potable water use reduction pursuant to SB 745 (Cortese), Chapter 884, Statutes of 2023. This request also includes \$919,000 in 2025-26 to complete the California Environmental Quality Act (CEQA) study. Due to the uncertainty in beginning the CEQA study, the California Building Standards Commission requests an extended encumbrance and expenditure period of June 30, 2027.

Staff Recommendation. Approve as budgeted.

Issue 110: FI\$Cal Staffing Realignment– May Revision

Request. The May Revision requests, for the Department of General Services and the Department of Financial Information System for California, an adjustment to positions and funding that support FI\$Cal functions.

The Department of General Services requests a reduction of nine positions, a reduction of \$2.1 million in reimbursement authority, and a funding augmentation of \$392,000 from the Service Revolving Fund for two existing positions that support FI\$Cal.

The Department of Financial Information System for California requests a redirection of five of the nine positions, which results in a reduction of \$537,000 in General Fund and a reduction of \$315,000 in Central Service Cost Recovery Fund.

Staff Recommendation. Approve as budgeted.

0130 JOINT RULES

7760 DEPARTMENT OF GENERAL SERVICES

Issue 111: Capitol Annex Project – Shift Funding from Cash to Bonds – May Revision

May Revision. The May Revision proposes shifting \$450 million in 2024-25 and \$250 million in 2025-26 from the State Project Infrastructure Fund to the General Fund and implement statutory changes that would support the construction of the Capitol Annex Projects with lease revenue bond financing. The request includes trailer bill language to implement bond financing.

Staff Recommendation. Modify the Governor’s proposal to instead shift funding for the project to internal borrowing. Additionally, reject the trailer bill language without prejudice.

0509 GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

8260 ARTS COUNCIL

Issue 112: Arts Grant Program Reduction – May Revision

May Revision. The May Revision proposes a reduction of \$10 million ongoing to the Arts Grants Program in the Arts Council.

This issue was heard on May 20, 2024.

Staff Recommendation. Modify the reduction to \$5 million in 2024-25 and 2025-26.

Issue 113: Trailer Bill: Move the Arts Council to Within the Governor’s Office of Business and Economic Development (GO-Biz) – May Revision

May Revision. The May Revision proposes trailer bill language to move the entirety of the Arts Council to be a program within the Governor’s Office and Economic Development.

This issue was heard on May 20, 2024.

Staff Recommendation. Reject without prejudice.

8885 COMMISSION ON STATE MANDATES

Issue 114: Juveniles: Custodial Interrogation Mandate

Request. The May revision requests \$2.2 million General Fund one-time to reimburse cities and counties for the costs associated with complying with section 625.6 of the Welfare and Institutions Code, which requires youths, 17 years of age or younger, to consult with legal counsel prior to custodial interrogation and before the waiver of any Miranda rights. On January 27, 2023, the Commission on State Mandates found that SB 203 (Bradford), Chapter 335, Statutes of 2020, imposed a reimbursable state-mandated program, and the statewide cost estimate was adopted in March 2024.

Staff Recommendation. Approve as budgeted.

8825 COMMISSION ON ASIAN & PACIFIC ISLANDER AMERICAN AFFAIRS (CAPIAA)

Issue 115: General Operations Support

Request. The May revision requests \$374,000 General Fund in 2024-25 and \$287,000 ongoing and reclassification of one temporary position to permanent and provide a physical office space for CAPIAA’s operations.

Staff Recommendation. Approve as budgeted.

8940 MILITARY DEPARTMENT (CMD)

Issue 116: Drug Interdiction Continuation

Request. The Governor’s budget requests \$15 million General Fund in 2024-25 and \$15 million in 2025-26 for the California Military Department to provide continued support for the CMD’s state funded drug interdiction efforts.

Staff Recommendation. Approve as budgeted.

Issue 117: Emergency State Active Duty (ESAD) Management System

Request. The Governor’s budget requests \$280,000 General Fund in 2024-25 and ongoing for CMD to fund the Activate, Respond Recover Operate (ARRO) system which will serve as the system of record utilized to manage administrative functions of the Emergency State Active Duty (ESAD) mission and facilitate invoicing and reimbursement to the Department.

This issue was heard on March 7, 2024.

Staff Recommendation. Approve as budgeted.

Issue 118: State Active Duty Compensation Adjustment & Deputy Adjutant General Rank Adjustment Trailer Bill Language

Request. The Governor’s budget requests \$3,153,000 (\$1,488,000 General Fund, \$1,512,000 Federal Trust Fund authority, \$53,000 Mental Health Services Fund, and \$100,000 Reimbursement authority) for CMD to align the pay of its State Active Duty (SAD) employees to the pay of service members of similar grade in the federal armed forces.

This issue was heard on March 7, 2024.

Staff Recommendation. Approve as budgeted.

Issue 119: Consolidated Headquarters Staffing – May Revision

Request. The May Revision requests \$554,000 General Fund and seven permanent positions in 2024-25, and \$539,000 ongoing to meet the demands of providing oversight to the security, safety, maintenance, utilities, and overall functionality of the Consolidated Headquarters Complex

(CHQC). The total costs for this request are partially offset by an ongoing reduction of \$1,557,000 General Fund that was previously used to pay for the lease at its prior headquarters location.

Staff Recommendation. Approve as budgeted.

Issue 120: Salary Driven Benefits and BAH/COLA Adjustments – May Revision

Request. The May Revision requests \$3 million General Fund; \$4.6 million Federal Trust Fund (FTF); \$285,000 Reimbursements; and \$105,000 Mental Health Services Fund (MHSF) to address costs for the recalculated rates of the Basic Allowance for Housing (BAH) and Cost of Living Adjustments (COLA) and the omission of Salary Driven Benefits from the annual State Active Duty (SAD) pay adjustment proposals. The California Military Department also requests provisional language to allow for a current year augmentation to cover cost increases for BAH and COLA adjustments.

Staff Recommendation. Approve as budgeted.

Issue 121: State Active Duty Compensation Adjustment – May Revision

Request. The May Revision requests an ongoing increase of \$920,000 (\$264,000 General Fund, \$637,000 Federal Trust Fund, \$15,000 Mental Health Services Fund, and \$4,000 Reimbursement authority) to align the pay of its State Active Duty (SAD) service members to the pay of service members of similar grade in the United States Armed Forces.

Staff Recommendation. Approve as budgeted.

Issue 122: Taskforce Rattlesnake Adjustment – May Revision

Request. The May Revision requests \$3.4 million General Fund and \$2 million in reimbursement authority ongoing to cover various cost increases and provide operational, logistical, and administrative support to Task Force Rattlesnake (TFRS). This proposal also requests funding for benefit cost increases since the inception of the program in 2022-23, and ongoing reimbursement authority of \$2 million to recover costs from CAL FIRE for expenditures incurred from fire suppression activity.

Staff Recommendation. Approve as budgeted.

8955 DEPARTMENT OF VETERANS AFFAIRS (CALVET)

Issue 123: Yountville Skilled Nursing Facility Support

Request. The Governor's budget requests \$5,389,000 General Fund and 40.2 positions in 2024-25, and \$12,129,000 General Fund and 108 positions annually thereafter for CalVet, for staffing of a new Skilled Nursing Facility at the Veterans Home of California – Yountville.

This issue was heard on March 7, 2024.

Staff Recommendation. Approve as budgeted.

Issue 124: Reappropriation: CalVet Electronic Health Record Funding – May Revision

Request. The May Revision requests \$3.8 million in 2024-25 from the 2021 Budget Act to continue the implementation of the CalVet Electronic Health Records (CEHR) project. The reappropriation allows CalVet to continue to cover costs for the project until June 30, 2025.

Staff Recommendation. Approve as budgeted.

Issue 125: Legislative Proposal – Orange County Veterans Cemetery

Request. The Legislature proposes \$5 million General Fund in 2024-25 for the Orange County Veterans Cemetery.

Background. The Southern California Veterans Cemetery is an ongoing project to open approximately 11,000 burial plots and 4,000 columbarium niches designated for veterans. The costs of the cemetery are planned to be split between state and local government. The budget includes an additional \$5 million one-time in state General Fund support.

Staff Recommendation. Approve Legislative proposal.

9210 LOCAL GOVERNMENT FINANCING

Issue 126: Vehicle License Fee Backfill

Budget Proposal: The Governor’s budget does not include a proposal to backfill counties for the Vehicle License Fee (VLF) shortfall when their VLF shortfall exceeds available funding in their Education Revenue Augmentation Fund (ERAF) revenues. The Department of Finance estimates that it would cost \$73.5 million to backfill revenues in the three counties with insufficient ERAF, San Mateo, Alpine, and Mono.

Staff Recommendation: Approve Legislative proposal to include \$73.5 million in one-time General Fund to backfill counties with insufficient ERAF.

9625 INTEREST PAYMENTS TO THE FEDERAL GOVERNMENT

Issue 127: Interest Payment Adjustment

Budget Proposal: The May Revision requests that Item 9625-001-0001 be increased by \$15 million one-time and Item 9625-001-0042 be increased by \$500,000 one-time to provide a federal interest liability payment to the federal government in 2024-25.

Staff Recommendation: Approve as proposed.

0981 CALABLE

Issue 128: Administration of the California Achieving a Better Life Experience Act Board

Request. The Governor’s Budget requests budget bill language to extend the repayment date of the General Fund loans made to the California Achieving a Better Life Experience (CalABLE) through June 30, 2032. In addition, CalABLE requests a waiver of interest fees, pursuant to Government Code Section 16314.

Staff Recommendation: Approve as proposed.

0984 CALSAVERS RETIREMENT SAVINGS BOARD

Issue 129: CalSavers Retirement Savings Program – Additional Start-Up Loan Support and Position Authority

Request. The Governor’s Budget includes a proposal to provide the CalSavers Retirement Savings Board (Board) with a General Fund loan of \$12,000,000 total (\$2,000,000 annually for fiscal years 2024-25 through approximately 2029-30), to provide resources for the Board and the CalSavers Retirement Savings Program (Program) to continue to operate, including funding for existing staff, employer compliance enforcement services through the Franchise Tax Board (FTB), external consultants, and marketing, administrative, and overhead costs. The May Revision included an additional request for position authority 2 positions ongoing.

Staff Recommendation: Approve as proposed.