

*Senate Budget and Fiscal Review—Nancy Skinner, Chair*

# **SUBCOMMITTEE NO. 4**

# **Agenda**

**Senator Sydney Kamlager, Chair**

**Senator Anna Caballero**

**Senator Jim Nielsen**

**Senator Richard D. Roth**



**Wednesday, May 18, 2022**

**1:30 p.m.**

**1021 O Street – Room 2100**

Consultants: James Hacker, Anita Lee, Elisa Wynne, Yong Salas

### **Issues for Discussion**

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### **Public Comment**

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## Issues for Discussion

### TAXES AND ECONOMIC DEVELOPMENT

#### Tax Rebate Proposals:

**May Revision Broad-Based Relief Proposals.** A centerpiece of the May Revision is a suite of proposals totaling \$18.1 billion spread across various areas that are intended to provide economic relief for Californians. This item focuses on the tax rebate proposal:

- \$11.5 billion in one-time General Fund for rebates per household based on registered vehicles.
  - \$400 per vehicle rebate, capped at two per registered vehicle owner.
  - Excludes fleets and corporate-owned vehicles, and excludes vehicles over a certain value.
  - Relies on registration data from the Department of Motor Vehicles.
  - Creates the Tax Relief fund and transfers \$11.5 Billion one-time General Fund to the fund.

The May Revision also includes \$750 million for three months of free transit service, and a one-year pause on an increase in state diesel taxes.

**Legislative Leaders' Alternate Proposal "Better For Families Tax Rebate".** Legislative leaders have proposed an alternate relief package of \$8 billion for the "Better For Families Rebate" program to mitigate impacts of high energy costs and other goods, as well as the economic impacts of the pandemic. The tax rebate would provide:

- \$200 per taxpayer plus \$200 for dependents, up to \$125,000/\$250,000 income (Single/Joint filers).
- Supplemental one-time monthly grant for CalWORKs families and SSI/SSP recipients, to ensure Californians struggling the most benefit.
- Grant program for other low-income Californians who are not income tax filers.

#### Legislative Analyst Office Comments:

In their recently released report, *The 2022-23 Budget Fuel Price and Other Fiscal Relief Options*, the Legislative Analyst's Office, provides the following comments to help determine a potential relief package:

- ***Which Groups of Californians to Prioritize in Providing Relief?*** The Legislature will want to clearly define which groups it wants to prioritize in developing a relief package. For example, categories of focus could include (1) those experiencing higher fuel prices, (2) those experiencing the greatest financial hardship, or (3) state residents who are more broadly affected by higher prices.

- ***Which Potential Policies Best Align with the Legislature’s Relief Priorities?*** The Legislature’s approach could include approving certain proposals from the Governor (such as providing refunds to vehicle owners), modifying those proposals (such as further reducing existing fuel excise tax rates beyond what the Governor proposed), or adopting alternatives (such as providing targeted relief to households with lower incomes). The Legislature could also choose to develop a package that contains a mixture of proposals in order to provide relief to several different groups. For instance, the Legislature could provide relief to those experiencing higher fuel prices and those experiencing financial hardship by both reducing fuel taxes and distributing tax refunds to lower-income
- ***Which Potential Policies Could Be Implemented Quickly and Efficiently?*** If one of the Legislature’s goals is to provide timely relief to Californians, it also will want to consider which policies can be implemented quickly and efficiently. The speed at which each policy option could be implemented will vary based on factors such as whether it would be implemented through a new or existing program. For instance, tax refunds—both broad and income-based—could be issued relatively quickly and efficiently given that the state has experience providing such payments through the Golden State Stimulus Program and annual refunds to taxpayers. Similarly, providing income-based relief by augmenting established state assistance programs—such as California Work Opportunity and Responsibility to Kids (CalWORKs)—would be relatively straightforward.

In comparison, providing tax refunds to vehicle owners would require several additional steps that could delay payments and increase administrative costs. Such steps would include collecting the necessary data from the Department of Motor Vehicles and selecting an entity to distribute payments.

**Staff Comments:** Staff notes that all California families are experiencing the impacts of higher gas prices, whether or not they own vehicles. These high fuel costs are passed along in higher prices for goods and services as well. Limiting a relief program to car owners, not tied to income, means that relief will be inconsistently provided across California’s families. And those who do not own vehicles, may or may not take advantage of free public transit, but will not receive any rebate funding that they would be able to use for their greatest needs.

The LAO notes that if the Legislature’s goal is to provide relief to those experiencing the greatest financial hardship, proposals should look beyond those linked to fuel taxes and vehicle ownership. For example, non-vehicle owners—who also are facing high overall costs—represent 7 percent of households in the state and tend to be lower income. These families who may need help the most, may be most likely to miss out under the Governor’s proposal, but would most likely benefit under the “Better For Families” Rebate.

Finally, staff notes that the “Better For Families” Rebates includes a shared goal of reaching additional Californians, who did not benefit from the Golden State Stimulus payments.

## **0509 GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ)**

- **CalCompetes Tax Credit Expansion and Grant Program.** CalCompetes is administered by GO-Biz, which currently allocates \$180 million per year in tax credits to incentivize businesses to locate or stay and grow in California and is scheduled to sunset after the 2022-23 fiscal year. The May Revision includes an extension of the CalCompetes Tax Credit program through the 2027-28 fiscal year at the current level of \$180 million per year. In addition, the May Revision includes \$120 million one-time General Fund to fund a second year of the CalCompetes Grant Program for businesses that meet one or more of the following criteria: establish at least 500 net new jobs; make a significant infrastructure investment; or, commit to a high-need, high-opportunity area of the state. Both programs shall provide additional consideration for companies that relocate from states that have anti-LGBTQ+ and reproductive rights laws.
- **California Small Business Hard-Hit Industries Grant Program.** The May Revision includes \$500 million in one-time General Fund in 2022-23 to provide additional relief to small businesses in the industries hardest-hit by the pandemic. Eligible small businesses and non-profits could receive grants from \$10,000 to \$50,000 depending on their annual gross revenue. The ten hardest hit industries were determined by each industry's proportion of job losses based on national data industries, and are identified by their North American Industry Classification System (NAICS) code. Below are the ten industries (with their respective NAICS code) that would be eligible in descending order of total percentage job loss: Arts, Entertainment, and Recreation (71); Accommodation and Food Service (72); Other Services (81); Information (51); Educational Services (61); Administrative and Waste Management (56); Manufacturing (31); Retail Trade (44); Construction (23); and Real Estate (53). The grant program would be administered by the California Office of the Small Business Advocate (CalOSBA) within the Governor's Office of Business and Economic Development (GO-Biz).
- **California Small Agricultural Business Drought Relief Grant Program.** The May Revision includes \$75 million one-time General Fund to provide direct assistance to eligible agriculture-related businesses that have been affected by severe drought conditions. Grant awards range from \$30,000 to \$50,000, depending on annual gross revenue decline, and will be prioritized first to businesses located in regions hardest hit by drought impacts. Of the total program funds, 25 percent will be allocated to small farms and socially disadvantaged farmers, including 5 percent of total program funds for technical assistance for these groups. The grant program would be administered by the California Office of the Small Business Advocate (CalOSBA) within GO-Biz, in consultation with the California Department of Food and Agriculture.
- **Federal Economic Development Administration Grant Awards.** California Business Investment Services (CalBIS), within GO-Biz, was recently awarded two federal grants from the Economic Development Administration (EDA) for a total of \$2,350,000. The first is a competitive grant for \$1,350,000 from the EDA's Public Works and Economic

Adjustment Assistance (Public Works) program, which supports activities that provide economically distressed communities and regions with flexible resources to address a wide variety of economic needs. The second is a block grant for \$1 million from the EDA's Statewide Planning, Research, and Network program, which promotes rebuilding regional economies by supporting statewide planning, research, and networks. The May Revision includes \$1,175,000 Federal Trust Fund Authority in 2022-23 and \$1,175,000 Federal Trust Fund Authority in 2023-24 to have the requisite budgetary authority to accept the funds from EDA.

- **Re-appropriation of Small Business Relief Grant Programs.** The May Revision includes the reappropriation for four grant programs aimed at supporting small businesses and small nonprofits, including venues, microbusinesses, cultural institutions, and performing arts entities within CalOSBA. In addition, statutory changes are requested where necessary to amend and broaden program eligibility and extend timelines for getting grants out.
- **IBank Venture Capital Program.** The May Revision provides 2 positions be added to oversee the IBank venture capital program that is being created with federal State Small Business Credit Initiative funds. In addition, it is requested that statutory changes be made to establish the venture capital program, including a Director to oversee the program.
- **Transmission and Clean Energy Financing.** The May Revision provides \$250 million one-time General Fund for a financing program at IBank dedicated to supporting the development of clean energy projects and for collaborative financings with the United States Department of Energy's Loan Program Office. In addition, the May Revision includes statutory changes be made to create a new Transmission and Energy Financing sector at IBank.

### **7730 FRANCHISE TAX BOARD (FTB)**

- **Paycheck Protection Program (PPP) Conformity.** The May Revision includes statutory changes to update conformity of state tax law to the federal PPP grant period. Previous conformity actions excluded an extension of the federal PPP grant program by two months in spring of 2021. This proposed action allows for all federal PPP grants to be excluded from the definition of income for the purposes of state taxation. The May Revision includes a \$450 million revenue reduction over five years, starting in 2021-22, to reflect this change.
- **CalCompetes Tax Credit.** The May Revision includes an extension of the CalCompetes Tax Credit program through the 2027-28 fiscal year at \$180 million per year, as noted under GoBiz.
- **Volunteer Income Tax Assistance Expansion and Earned Income Tax Credit Grant Funding.** The May Revision provides \$1.2 million General Fund and 5.0 positions in 2023-

24 and ongoing for FTB to expand its Volunteer Income Tax Assistance (VITA) services and to reimburse costs incurred by the Department of Community Services Development (CSD) for administering the California Earned Income Tax Credit (CalEITC) grants. The resources will allow FTB to expand its VITA services to support the ongoing grant funding appropriated to increase free tax preparation and to expand marketing and outreach of CalEITC, the Young Child Tax Credit, and Individual Taxpayer Identification Number (ITIN) tax status eligibility. Additionally, the May Revision provides \$10 million in 2023-24 and ongoing for the continuation of CalEITC grants to support education and outreach of the CalEITC program and free tax preparation services.

- **California Earned Income Tax Credit-Outreach.** The May Revision provides \$1.8 million General Fund and 11.5 positions in 2022-23; \$4.86 million General Fund and 24.3 positions in 2023-24; \$4 million General Fund and 19.3 positions in 2024-25; \$3.85 million General Fund and 18.3 positions in 2025-26 and ongoing to the FTB to conduct targeted outreach initiatives to promote awareness of the California Earned Income Tax Credit (CalEITC). On an annual basis, FTB will reach out to taxpayers that appear eligible for the CalEITC but didn't claim it on their filed return or didn't file a return and provide information on how to file an amended return or connect non-filers to free filing services.
- **Young Child Tax Credit Expansion and Foster Youth Tax Credit Implementation.** The May Revision provides \$4,342,000 General Fund and 14.5 positions in 2022-23; \$1,281,000 General Fund and 11.5 positions in 2023-24; \$1,140,000 General Fund and 10.5 positions in 2024-25 and ongoing for the FTB to implement the expansion of Young Child Tax Credit (YCTC) to households that have no earned income, but who otherwise meet the criteria for qualifying for California Earned Income Tax Credit (CalEITC). In addition, the May Revision provides \$2.9 million General Fund and 4.5 positions in 2022-23; \$280,000 General Fund and 2.0 positions in 2023-24 and ongoing to the FTB to implement the new Foster Youth Tax Credit (FYTC) program.
- **FTB Central Office Campus Data Center Upgrades.** The May Revision provides \$26.6 million General Fund for the construction phase of the FTB Central Office Campus Data Center in 2022-23. The project will consolidate the existing data centers and update HVAC systems and controls, the entire electrical infrastructure, fire protection, and the telecommunication and mechanical system to achieve mandated energy efficiency requirements.
- **Increasing Litigation Costs.** The May Revision provides an augmentation of \$2 million General Fund in each fiscal year 2022-23, 2023-24, and 2024-25 to contract with the Attorney General's (AG) Office to defend against litigation matters pending before Sacramento Superior Court in the matter of [Hyatt vs. FTB].
- **Taxpayer Flexibility Payment Program.** The May Revision provides \$19.5 million in fiscal year 2022-23 for 106.0 limited-term positions, 53.0 permanent-intermittent

positions, and a vendor contract solution; \$9.1 million in fiscal year 2023-24 for 61.0 limited-term positions, 1.0 permanent-intermittent position, transitional position funding, and a vendor contract solution; \$2.8 million in fiscal year 2024-25 for 8.0 limited-term positions, 1.0 permanent-intermittent position, transitional funding, and minor operating costs; \$646,000 in fiscal year 2025-26 for transitional position funding and operating costs; and \$376,000 in fiscal year 2026-27 for ongoing operating costs for FTB to provide a tax payment flexibility program for low and moderate-income filers and non-filers.

### **7600 California Department of Tax and Fee Administration (CDTFA)**

- **Used Motor Vehicle Sales Tax Gap.** The May Revision includes \$4.1 million General Fund in fiscal year 2022-23 and \$3.9 million General Fund in 2023-24 and ongoing for CDTFA to reimburse the Department of Motor Vehicles (DMV) for costs associated with the collection of sales tax on retail sales of used motor vehicles. Of the \$4.1 million, \$2.2 million is for costs associated with the design of the IT solution and \$1.9 million is for DMV's transactional cost to administer the program for phased-in used motor vehicle dealers.

## **AFFORDABLE HOUSING AND HOMELESSNESS**

### **0515 Business, Consumer Services, and Housing Agency**

- **Homeless Housing, Assistance, and Prevention Program (HHAPP).** As part of the 2021 Budget Act, \$1 billion was made available for HHAP in 2022-23. The Administration has indicated that they are committed to extending HHAP at current levels for additional years beyond 2022-23, pending further discussion with the Legislature to meaningfully increase outcomes and accountability on local HHAP spending to focus on highest priority needs, such as encampment resolution, Homekey operating sustainability, and CARE Court housing supports.

### **2240 Department of Housing and Community Development**

- **Homeless Housing on State-Owned Land.** The May Revision includes \$500 million over two years to house unsheltered individuals on state-owned land through grants to local governments for interim housing and site preparation. Interim housing placements will provide bridge housing for unsheltered individuals who can be transitioned into long-term housing placements.
- **Additional Homekey Funding.** The May Revision proposes an additional \$150 million in funding for Project Homekey, for a total of \$2.9 billion in Homekey funding over two years.
- **Additional Adaptive Reuse Funding.** The May Revision proposes an additional \$500 million in one-time General Fund over 2023-24 and 2024-25 for the proposed Adaptive

Reuse program that was included in the Governor’s January budget. This program is intended to remove barriers to build more downtown-oriented and affordable housing through funding adaptive reuse—namely, converting existing infrastructure, underutilized retail space, and commercial buildings into residential uses. This brings total funding for the newly-proposed program to \$600 million over three years.

- **Technical Adjustments at the Department of Housing and Community Development.** The May Revision includes 161 positions at HCD to provide permanent position authority for administratively established positions associated with funding authorized in the 2021 Budget Act and various federal programs. Additionally, the May Revision includes and increase in Federal Trust Fund authority by \$107.4 million in 2022-23 and \$108.1 million in 2023-24 and ongoing to align authority with estimated federal funds.
- **Various Trailer Bill Proposals.** The May Revision includes proposed trailer bill language related to the following issues:
  - Foreclosure Prevention and Housing Preservation Program. The proposed trailer bill language would increase the amount of funding available for program administration, add capitalized operating subsidies as an allowable use, and set parameters for the use of third-party fund managers in the implementation of the program.
  - Building Homes and Jobs Trust Fund. The proposed trailer bill language makes technical changes to clarify the administration of certain continuously-appropriated funds.
  - Housing. The proposed trailer bill language would require certain housing programs to allocate funding in a way that streamlines application processes, increase equitable transportation options, and prevents displacement, among other requirements. It also requires the Governor’s Office of Planning and Research, in consultation with other departments, to gather data to determine how best to comply with these requirements.
- **Emergency Rental Assistance.** The May Revision includes \$2.7 billion one-time General Fund in the current year for cashflow loans for rental assistance through state and local programs established during the height of the pandemic. Amendments to the 2021 Budget Act (SB 115) authorized a General Fund cashflow loan to continue to make payments to individuals in the federal Emergency Rental Assistance Program while the federal government processes reallocations of unused rental assistance funding from other states. The state continues to seek federal reallocation funding, but the timing and amounts of such reallocations are still unknown.

### **1700 Department of Fair Employment and Housing**

- **Commission on the State of Hate (AB 1126).** The May Revision includes 2 positions, \$1,800,000 General Fund annually through 2025-26, and \$900,000 General Fund in 2026-

27 for the Commission on the State of Hate to study hate in California and develop anti-hate resources for law enforcement and others, consistent with the provisions of Chapter 712, Statutes of 2021 (AB 1126).

- **Community Conflict Resolution and Conciliation.** The May Revision includes 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.
- **Department of Fair Employment and Housing Name Change.** The May Revision includes trailer bill language to change the DFEH’s name to the Civil Rights Department and to change the name of the Fair Employment and Housing Council to the Civil Rights Council.

## GENERAL GOVERNMENT AND STATE ADMINISTRATION

### 0559 GOVERNMENT OPERATIONS AGENCY

- **Office of Data and Digital Innovation a Standalone Department.** The May Revision includes \$4.8 million ongoing General Fund and six positions, and \$20 million one-time General Fund, in 2022-23 for the Digital Innovation Services Revolving Fund to consolidate the Office of Digital Innovation, the Government Excellence and Transformation Center (proposed in the Governor’s Budget), and the CalData Program into the Office of Data and Innovation, as a department under the Government Operations Agency.

The Office of Data and Innovation will be established as a standalone department in 2023-24, to facilitate more efficient state operations and support one-time projects targeted at improving user experiences through the Digital Innovation Services Revolving Fund.

### 0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH

- **California College Corps Program.** The May Revision includes \$73.1 million General Fund in 2024-25 and ongoing to maintain the investment into the Californians For All College Corps program.
- **CEQANet 2.0 System Maintenance and Redesign.** The May Revision includes \$1,254,000 General Fund and 1.0 position in 2022-23, and \$48,000 in 2023-24 and ongoing to host and maintain the current California Environmental Quality Act document online processing system, and provide planning resources for a system redesign.

### 0950 STATE TREASURER’S OFFICE

- **AB 1177 Commission Operations and Market Analysis.** The May Revision provides \$2,709,000 in fiscal year 2022-23, \$709,000 in 2023-24, and \$609,000 in 2024-25 to provide limited term funding for 3 positions and operational costs to implement legislation—The California Public Banking Option Act, Chapter 451, Statutes of 2021 (AB 1177). The legislation requires the Treasurer’s Office to convene the CalAccount Blue Ribbon Commission and produce a market analysis to determine the feasibility of the CalAccount Program. The intent of AB 1177 is to produce a study on how best to create a no-fee, no-penalty debit card account called CalAccount that all Californians can access.
- **Enterprise Risk and Compliance Officer.** The May Revision provides \$73,000 General Fund and \$119,000 reimbursements ongoing, and \$36,000 reimbursements ongoing, to fund a requested officer position. The position will assist the Treasurer’s Office and the Boards, Commissions, and Authorities (BCAs) under its purview, in the evaluation of enterprise risk, development of risk mitigation plans, compliance tracking of regulations and laws, coordination of all externally performed audits, and helping to address areas with control deficiencies.
- **Jesse Unruh Building Relocation Costs.** The May Revision provides \$226,000 one-time to support relocation costs for Treasurer’s Office staff and building contents necessary to facilitate renovation of the Jesse Unruh building.

#### 0954 SCHOLARSHARE INVESTMENT BOARD

- **CalKids Implementation.** The May Revision provides \$299,000 and 1 position ongoing to support administrative needs, including participant notification and call center operations, necessary for the implementation of the California Kids Investment and Development Savings (CalKIDS) program.

#### 1111 DEPARTMENT OF CONSUMER AFFAIRS

- **Business Modernization Cohort 2.** The May Revision proposes \$4.3 million one-time Special Funds for the Department of Consumer Affairs to continue business modernization efforts for five more boards and bureaus (the Structural Pest Control Board, the California Architects Board, the Landscape Architects Technical Committee, the Cemetery and Funeral Bureau, and the Bureau of Household Goods and Services) The Business Modernization Cohort 2 is moving into project development activities and will begin implementing their selected software consistent with the Department’s overall Business Modernization Plan.
- **Bureau for Private Postsecondary Education.** The May Revision proposes \$24 million General Fund over three years to provide support to the Bureau with funding while the Bureau develops an improved fee model for its licensees. The Administration notes that they are committed to working in partnership with the Legislature on statutory reforms to enhance the state’s oversight of private colleges and to protect consumers.

The current funding structure of the Bureau comes mostly from annual fees that are based on institutions' own revenue from their California-based physical locations. This structure is not sustainable in an increasingly online marketplace, especially when exclusively online institutions are eliminating California locations by moving across state lines. The Bureau received support from a Control Section 14.00 loan in the amount of \$12 million from the Bureau of Automotive Repair in December 2021. The requested funding will also allow the Bureau to repay its outstanding loan to the Bureau of Automotive Repair, limit the amount of interest the Bureau would otherwise need to pay, and provide the Bureau and policy makers time to better determine the level of oversight and regulation that is needed in California.

### **1750 HORSE RACING BOARD**

- **Horse Racing Board Support.** The May Revision proposes \$3 million ongoing to support annual agreements between the Federal Horseracing Integrity and Safety Authority and the California Horse Racing Board to enforce safety components of the Horseracing Integrity and Safety Act. The May Revision also proposes that statutory changes be added to allow the agreements to be funded through the collection of state occupational license fees, penalties, and fines, and to authorize the Board to enforce the standards established by the Act.

### **7502 DEPARTMENT OF TECHNOLOGY**

- **Technology Modernization.** The May Revision proposes \$55.7 million one-time General Fund in 2022-23, and \$711,000 ongoing General Fund and four positions to support the modernization of critical state infrastructure. This investment augments the \$25 million one-time General Fund provided to the CDT in the 2021 Budget Act for Technology Modernization Funding.
- **Broadband Middle-Mile Initiative.** The May Revision proposes \$600 million one-time General Fund in 2023-24 and \$500 million one-time General Fund in 2024-25 to CDT to support the completion of the Broadband Middle-Mile Initiative. The 2021 Budget Act provided \$3.25 billion to CDT for the purpose of building an open-access middle-mile broadband network. Revised estimates produced by CDT indicate a need for this additional funding to complete the Broadband Middle-Mile Initiative due to increased costs of labor and supplies.

### **7760 DEPARTMENT OF GENERAL SERVICES**

- **Office of Sustainability and Water Conservation Grant Program.** As a part of the larger Drought Resilience and Response package, the May Revision proposes \$26 million one-time General Fund, available for three years, to facilitate a water conservation grant program implementing water conservation projects at state facilities and aid in statewide emergency response efforts.

- **COVID-19 Direct Response Expenditures.** The May Revision proposes \$8.3 million one-time California Emergency Relief Fund to provide the DGS resources for COVID-19 Direct Response related expenditures.
- **Increase Diversity and Inclusiveness.** The May Revision proposes \$3.9 million one-time General Fund, available for three years, to support DGS Procurement Division's efforts to increase outreach to Small Businesses and Disabled Veteran Business Enterprises, aimed at increasing diversity in state contracting.
- **Capital Outlay Projects.** The May Revision proposes cost increases and fund adjustments to various capital outlay projects in Sacramento, including the Jesse Unruh Building Renovation project, Resources Building Renovation project, State Office Building, and the Capital Annex Project.

#### **8940 CALIFORNIA MILITARY DEPARTMENT**

- **California Cadet Corps Restoration.** The May Revision proposes \$3 million and 5 positions in 2022-23 and \$4.3 million and 10 positions in 2023-24 ongoing to expand the CMD's California Cadet Corps program. This request will increase program participation from 90 schools and 6,000 students to 135 schools and 9,095 students by 2026-27.
- **Drug Interdiction Efforts Update.** The Governor's budget included \$20 million for CMD's drug interdiction efforts. The May Revision provides an additional \$10 million for this purpose.
- **Lease Revenue Debt Service Adjustment, Consolidated Headquarters Project.** The Governor's budget proposed shifting project funds from bonds to General Fund. The May Revision proposes to eliminate item 8940-003-0001 to represent a decrease of \$9.6 million, as planned lease-revenue debt service authority is no longer necessary due to the removal of the Consolidated Headquarters Project from future lease-revenue bond sales.

#### **8955 DEPARTMENT OF VETERANS AFFAIRS**

- **California Veteran Health Initiative.** The May Revision proposes \$40 million one-time for the California Veteran Health Initiative to support veteran mental health and suicide awareness, treatment, and research. Funding shall be used for competitive grants to existing service providers for education and outreach about veteran mental health and to establish a multidisciplinary team of professionals and stakeholders to identify, collect, analyze, and assess veteran mental health and suicide.
- **Settlement Cost.** The May Revision proposes \$51 million one-time to pay for settlement costs at the Veterans Home of California, Yountville related to the 2018 shooting.
- **Veterans Home of California, Yountville: Steam Distribution System Renovation.** The May Revision proposes \$39.2 million for working drawings and construction for the Steam

Distribution System Renovation project at Yountville. This project received construction bids in 2021 that were significantly higher than the state's initial estimate, largely due to the volatility in the construction market.

## CANNABIS

### 1115 DEPARTMENT OF CANNABIS CONTROL

- **Cannabis Tax Reform.** The May Revision proposes statutory changes to reform cannabis taxes. These changes include:
  - Setting the cultivation tax rate at zero beginning July 1, 2022.
  - Shifting the point of collection and remittance for excise tax from distribution to retail on January 1, 2023.
  - Increasing the excise tax to 19 percent, beginning on January 1, 2024, but allows the Department of Tax and Fee Administration, in consultation with the Department of Finance, to reduce the excise tax depending on the revenues received in the Cannabis Tax Fund and General Fund availability.
  - Setting aside \$150 million one-time General Fund, available until 2025-26, to backfill Allocation 3 funding, and setting Allocation 3 funding for youth education/intervention/treatment, environmental restoration, and state and local law enforcement programs at a baseline of \$670 million annually for three years.
  - Enforcement policies to increase tax compliance and collection, as well as labor standards.
- **Cannabis Local Jurisdiction Retail Access Grant Program.** The May Revision includes \$20.5 million one-time General Fund to establish a cannabis local jurisdiction retail access grant program. This program is intended to aid localities with the development and implementation of local retail licensing programs and to support consumers in gaining access to legal, regulated products.