



COMMITTEE ON BUDGET & FISCAL REVIEW
Room 5019, State Capitol
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Summary of the Governor's Proposed 2020-21 Budget

January 10, 2020

The purpose of this Summary is to provide members and staff of the Legislature with an overview of the Governor's proposed budget for 2020-21. More detailed reviews of the proposals will be developed as the Committee reviews the proposals in public hearings. If you have questions, please contact the committee at (916) 651-4103.

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Overall Budget Proposal

The Governor has proposed a budget for the 2020-21 fiscal year that includes General Fund resources—carry-forward balance, revenues and transfers—of \$156.8 billion and expenditures of \$153.1 billion (total expenditures from all funds is proposed to be \$222.2 billion). Based on the budget proposal, the General Fund would end the 2020-21 fiscal year with a Special Fund for Economic Uncertainties (SFEU) balance of \$1.6 billion and include a deposit of approximately \$2.0 billion to the Budget Stabilization Account (BSA), resulting in an expected balance in this account of \$18 billion at the end of the budget year.

Although we are entering the 11th year of recovering from the last economic downturn and continue to face risks that are primarily associated with federal actions and policies, the General Fund continues to be in a strong position. In total, from the 2019-20 adopted budget, General Fund revenues are up by approximately \$5.8 billion. The proposed 2020-21 budget uses this adjusted base, incorporating a general reserve, Safety Net Reserve, Public School System Stabilization Account (PSSSA) and BSA of approximately a combined \$21 billion (with another \$2.1 billion reserved for encumbrances). Overall, General Fund spending in 2020-21 is expected to increase by approximately \$3.3 billion from the revised 2019-20 level.

The \$21 billion in reserves, as reflected in the Governor's 2020-21 proposal, represents the largest level of reserves in our state's history. While a downturn is not projected in the Governor's forecast, once again, California continues to make tremendous strides in building the fiscal strength of the state and ensuring that we are well positioned to protect the critical services and programs that citizens depend upon should a downturn occur. In addition to strengthening the state's reserves, the Governor's budget continues to pay down liabilities by dedicating all Proposition 2 debt payments – approximately \$6.8 billion – throughout the forecast toward retirement liabilities.

The Governor's proposal of a budget for the 2020-21 fiscal year begins the annual budget process, during which the Legislature will review and analyze the Governor's proposals, engage with the Administration and the public regarding the state's resources and priorities, and then negotiate a final budget with the Governor that reflects our shared values across the branches of state government.

Overall Structure. The Governor's budget includes \$156.8 billion in General Fund revenues and other resources and \$153.1 billion in total General Fund expenditures (\$95.5 billion in non-Proposition 98 and \$57.6 billion in Proposition 98 funds), providing for a \$1.6 billion unencumbered reserve balance in the SFEU, a \$900 million Safety Net Reserve, a \$487 million PSSSA balance, and reflecting \$18 billion in the BSA. The Governor's proposed 2020-21 budget strategically targets new one-time and ongoing investments. Additional funding is proposed for K-14 education, higher education, health and human services, emergency response, and housing and homelessness. The General Fund budget details are summarized below.

| 2019-20 and 2020-21 General Fund Summary (Dollars in Millions) | | |
|---|----------------------------|-----------------------------|
| | Revised 2019-20 | Proposed 2020-21 |
| PRIOR YEAR BALANCE | \$8,497 | \$5,234 |
| Revenues and transfers | \$146,486 | \$151,635 |
| TOTAL RESOURCES AVAILABLE | \$154,983 | \$156,869 |
| Non-Proposition 98 Expenditures | \$93,344 | \$95,510 |
| Proposition 98 Expenditures | \$56,405 | \$57,573 |
| TOTAL EXPENDITURES | \$149,749 | \$153,083 |
| FUND BALANCE | | |
| Encumbrances | \$2,145 | \$2,145 |
| Special Fund for Economic Uncertainties | \$3,089 | \$1,641 |
| Public School System Stabilization Account | \$524 | \$487 |
| Safety Net Reserve | \$900 | \$900 |
| Budget Stabilization Account | \$16,018 | \$17,977 |

Paying Down Retirement Liabilities. The Governor's proposed 2020-21 budget allocates approximately \$6.8 billion in Proposition 2 debt payments through the forecast period toward further reducing retirement liabilities. Proposition 2, passed by the voters in 2014, requires minimum annual payments toward eligible debts until 2029-30 and annual deposits into the state's rainy day fund.

Last year the budget set aside \$6 billion to pay down the state's share of unfunded liabilities within CalPERS and CalSTRS. These payments are each projected to generate approximately \$7.4 billion in savings over the next three decades. In 2020-21, the Governor proposes \$340 million in Proposition 2 debt payments towards retiree health and \$817 million to repay the loan to the Surplus Money Investment Fund used to make a \$6 billion supplemental payment to CalPERS authorized in 2017. The Governor's budget also assumes an additional supplemental payment to CalPERS of \$1.1 billion in 2023-24.

Reserves. The Governor's budget continues to position the state to be able to protect critical programs and services during an economic slowdown by building reserves to historic levels. The Governor assumes approximately \$2 billion will be transferred to the BSA (commonly referred to as the Rainy Day Fund). The BSA balance is projected to be \$18 billion in 2020-21 and \$19.4 billion by 2023-24.

The Governor's budget does not include an additional deposit to the Safety Net Reserve, maintaining a balance of \$900 million. However, there is a set aside of \$110 million more for the PSSSA, bringing its total to \$487 million.

Finally, the budget reserves \$1.6 billion in the SFEU to address emergencies and unforeseen events. Overall, the budget has \$21 billion set aside in reserves.

Structural Risks. The economic expansion now marks the longest period of sustained growth since WWII. However, the Governor's budget points out that this expansion is occurring in the context of slowing global growth and growing uncertainty regarding the political climate and federal policies. The Governor's economic projections assume that revenue growth will be slower in each of the next four years compared to 2019-20.

Even with reserves of \$21 billion managing a recession will be challenging. The Governor's budget points out that even a moderate recession could result in revenue declines of nearly \$70 billion and a budget deficit of over \$40 billion over three years.

The 2019 Budget Act was structurally balanced in part due to statutory provisions to suspend nearly \$2 billion in programmatic expansions on December 31, 2021. While the state is currently projected to have sufficient resources to cover the suspended programs through 2023-24, significant risks to the forecast remain. To remain structurally balanced

through 2023-24, the Governor's budget continues the suspensions added by the 2019 Budget Act, but delays them by 18 months until July 1, 2023.

The Governor's forecast also assumes federal approval of the Managed Care Organization (MCO) tax authorized by AB 115 (Committee on Budget), Chapter 348, Statutes of 2019, with revenue beginning to accrue in 2021-22. With these revenues, the budget is projected to remain structurally balanced through 2023-24.

2019-20 Budget Recap

As a reminder of progress made last year that the Governor's budget builds upon, following is a recap of some of the highlights of the 2019-20 budget.

Specific Investments included in the 2019-20 budget include:

- **Education.** The budget includes \$81.1 billion in Proposition 98 funding for K-14 education in 2019-20. Highlights for K-12 include: 1) \$2 billion in a cost-of-living adjustment (COLA) of 3.26 percent for the Local Control Funding Formula (LCFF) to school districts, charter schools, and county offices of education. The total amount provided for LCFF is \$63 billion in the 2019-20 fiscal year; 2) \$300 million in one-time General Fund for the Full-Day Kindergarten Facilities Grant Program; 3) \$141 million to apply a COLA of 3.26 percent to select K-12 categorical programs (not including LCFF); and 4) \$152.6 million to increase base special education funding rates.
- **Higher Education.** The budget includes, among other things: 1) \$119.8 million ongoing General Fund to the University of California (UC) to support operational cost increases, 2) \$147.8 million ongoing General Fund to support compensation increases and \$45.4 million ongoing General Fund to support mandatory cost increases at the California State University (CSU), 3) \$135 million to support combined enrollment increases of approximately 15,000 students at both UC and CSU, and 4) \$42.6 million to fund a second year of tuition waivers for first-time, full-time students known as the College Promise Program.
- **California State Preschool Program.** The budget provides \$1.5 billion total for state preschool, including \$980.6 million for part-day and \$500.4 million for full-day preschool including full-day wrap care. The budget includes an increase of \$27 million in ongoing funding to annualize 2,959 full-day slots to LEAs, which were provided as part of the 2018-19 budget and took effect April 1, 2019. The budget also includes \$31.4 million ongoing General Fund to increase the number of non-LEA full-day state preschool slots by 10,000, commencing April 1, 2020.

- **Child Care.** The budget provides \$318.4 million for Stage 1 child care; \$614.6 million for Stage 2; and \$502.9 million for Stage 3. In addition, the budget includes \$1.1 billion for non-CalWORKs child care programs, a 25.6 percent increase over 2018-19, including general child care (\$521.5 million), the Alternative Payment Program (\$535.9 million), a bridge program for foster children (\$54 million), and migrant and severely disabled child care (\$46 million).
- **Housing and Homelessness.** The budget includes \$2.4 billion for affordable housing and homelessness programs, and new incentives and accountability measures to ensure all local governments follow the law and work to combat the housing crisis.
- **Earned Income Tax Credit (EITC).** The budget more than doubles the EITC by investing \$1 billion in a new expanded EITC (up from \$400 million). The expansion includes help for low-income families with young children by providing an additional \$1,000 annually to address the costs of raising young children. This expansion will provide one million more economically distressed households with financial support to help with the costs of food, rent, and child care—bringing the total number of eligible households to three million.
- **Safe Drinking Water.** The budget provides \$130 million in permanent, dedicated funding for Safe and Affordable Drinking Water.
- **Covered California Affordability.** The budget provides \$428.6 million to expand subsidies for Californians up to 600 percent of federal poverty (about \$150,000). The subsidies will provide approximately \$120 in monthly premium relief for Californians between 400 percent and 600 percent of federal poverty, \$10 per month in addition to the current federal subsidies for Californians under 400 percent of federal poverty, and result in zero out of pocket premium costs for Californians under 138 percent of federal poverty.
- **Medi-Cal Expansion for Young Adults.** The budget provides \$74.4 million to provide full-scope Medi-Cal coverage for income-eligible young adults age 19-25 regardless of immigration status.
- **Ageing Package.** The budget provides \$33.5 million in ongoing funding for Senior Nutrition, the No Wrong Door Model, and Long-term Care Ombudsman; and provides \$16.8 million in one-time funds for Long-term Care Actuarial study, Alzheimer Early Detection and Diagnosis, Adult Protective Services Training, and Fall Prevention.
- **Recidivism Reduction / Reentry Success.** The budget provides \$50 million in ongoing new General Fund to reduce recidivism and improve successful reentry,

including: \$5 million for rehabilitation programs offered by community based organizations within corrections settings with a new grant process that includes a steering committee; \$32.9 million to continue to support the warm hand-off and reentry of offenders transitioning from state prison to communities; \$8 million to support the establishment of therapeutic communities at the Division of Juvenile Justice facilities; \$4 million one-time for a parole preparation pilot in state facilities; and \$50,000 one-time to provide reentry support for those that have been exonerated.

2020-21 Proposed Budget Expenditures and Revenues

The proposed budget includes additional required programmatic increases and new spending. The table below summarizes the Governor's proposed expenditures by program area. The largest dollar changes in expenditures by program are in health and human services and K-12 education.

General Fund Expenditures Current and Budget Year (Dollars in Millions)

| Program Area | Revised 2019-20 | Proposed 2020-21 | Change |
|---|--------------------|---------------------|----------------|
| K-12 Education | \$58,675 | \$59,639 | \$964 |
| Higher Education | 17,490 | 17,509 | 19 |
| Health and Human Services | 41,893 | 47,454 | 5,561 |
| Corrections and Rehabilitation | 13,432 | 13,387 | -45 |
| Business, Consumer Services, Housing | 1,465 | 348 | -1,117 |
| Transportation | 287 | 240 | -47 |
| Natural Resources | 3,812 | 3,812 | - |
| Environmental Protection | 672 | 140 | -532 |
| Labor and Workforce Development | 186 | 159 | -27 |
| Government Operations | 1,839 | 1,413 | -426 |
| General Government: | | | |
| Non-Agency Departments | 1,025 | 987 | -38 |
| Tax Relief / Local Government | 505 | 432 | -73 |
| Statewide Expenditures | 2,558 | 3,043 | 485 |
| Legislative, Judicial and Executive | 5,909 | 4,520 | -1,389 |
| Total | \$149,749 | \$153,083 | \$3,335 |

Note: Numbers may not add due to rounding.

The Governor's 2020-21 budget proposes some major policy and budgetary changes. Some of the more important aspects of the budget proposal are outlined below:

Education and Higher Education

- **K-12 Education and Early Education.** In K-12 education, the Governor proposes to provide \$1.2 billion in ongoing Proposition 98 General Fund to provide a cost-of-living adjustment for the Local Control Funding Formula of 2.29 percent. In addition, the Governor proposes to provide an additional \$250 million Proposition 98 General Fund for special education tied to early intervention and inclusive education, \$900 million one-time Proposition 98 General Fund for teacher professional development, recruitment, and preparation, \$300 million one-time Proposition 98 General Fund for community schools, and \$300 million one-time Proposition 98 General Fund for opportunity grants for low performing schools and districts. For Early Childhood Education, the Governor proposes \$31.9 million non-Proposition 98 General Fund in 2020-21, increasing to \$127 million annually in future years, to expand state preschool by an additional 10,000 slots.
- **Higher Education.** The budget provides the University of California and the California State University an increase of \$169.2 million ongoing General Fund and \$199 million ongoing General Fund, respectively, to support operational costs, enrollment growth and student support services. The budget provides \$25 million ongoing General Fund to support expanded enrollment at UC Riverside School of Medicine and \$15 million ongoing General Fund to expand health services provided by the UC San Francisco School of Medicine and UC Merced. The budget also provides \$83 million Proposition 98 General Fund to support and expand community college apprenticeship programs.

Health and Human Services

- **California Access to Housing and Services Fund.** The Budget provides \$750 million one-time General Fund to establish a new fund (administered by the Department of Social Services), with the goal of reducing street-based homelessness and increasing the number of stable housing units. The fund will be used to develop new housing and provide housing vouchers.
- **CalWORKs Grant Increases.** The budget includes \$73.6 million in 2020-21, funded through the Child Poverty and Family Supplemental Support Subaccounts of the Local Revenue Fund, to provide a 3.1 percent increase to Maximum Aid Payment levels, effective October 1, 2020.

- **Developmental Services Rate Increases.** The budget includes \$18 million (\$10.8 million General Fund) in 2020-21 and \$35.9 million (\$21.6 million General Fund) in 2021-22 to provide supplemental rate increases for Early Start Specialized Therapeutic Services, Infant Development and Independent Living services. Additionally, these increases and temporary rate increases made to various service codes in the 2019 Budget Act are extended to July 1, 2023, instead of the original July 1, 2021 sunset date. Increases are subject to sunset only if certain conditions are met.
- **Medi-Cal Eligibility for Seniors Regardless of Immigration Status.** The budget proposes \$80.5 million (\$64.2 million General Fund) in 2020-21 to extend Medi-Cal eligibility for all individuals 65 and older regardless of immigration status, effective no sooner than January 1, 2021. These figures include \$5.9 million General Fund costs to the Department of Social Services for additional In-Home Supportive Services (IHSS) for this population. When fully implemented, this expansion of coverage will result in annual costs of \$350 million (\$320 million General Fund), including \$119.5 million of General Fund costs for IHSS.
- **Reducing Prescription Drug Costs.** The Administration intends to propose five initiatives to reduce prescription drug costs for taxpayers, employers, and consumers. The budget includes three of those proposals: 1) expanding existing authority for the Department of Health Care Services (DHCS) to negotiate supplemental prescription drug rebates with manufacturers using the best international price, rather than the best domestic price; 2) authorizing DHCS to negotiate supplemental rebates for targeted populations outside the Medi-Cal program; and 3) continuing to expand partnerships with local governments and other purchasers in the state's pharmaceutical purchasing program administered by the Department of General Services. In addition, the Administration intends to submit two proposals during Spring 2020: 1) establishing a single, statewide market for drug pricing, the Golden State Drug Pricing Schedule, and enabling all public and private purchasers to combine purchasing power and solicit bids from manufacturers to sell their drugs at a uniform price; and 2) establishing a California generic drug label and contracting with one or more generic drug manufacturers to manufacture certain generic drugs on behalf of the state and other participating entities.

Resources and the Environment

- **Climate Budget.** The Governor proposes a Climate Budget for a total of \$12.5 billion over the next five years. For 2020-21, the Climate Budget proposal includes the following:

| | |
|---|---|
| Climate Resilience Bond | (\$4.75 billion bond proposed for November election.) |
| Cap & Trade Expenditure Plan | \$965 million |
| Climate Catalyst Fund | 250 million |
| General Fund one-time investments | 169 million |
| General Fund ongoing expenditures | 35 million |
| Existing bond and special fund expenditures | 308 million |
| Climate Budget 2020-21 TOTAL | \$1.727 billion |

- Climate Resilience Bond.** The Governor proposes a \$4.75 billion climate resilience bond for the November 2020 ballot to support investments over the next five years to reduce climate risks in natural and built infrastructure. Approximately 80 percent of proposed bond funds would be allocated to address immediate, near-term risks, such as floods, drought, and wildfires. Approximately 20 percent would address long-term climate risk (sea level rise and extreme heat).

Cap & Trade Expenditure Plan. The Governor proposes \$965 million in discretionary spending of the Greenhouse Gas Reduction Fund, as follows:

Cap & Trade Expenditure Plan

| Investment Category | Amount (<i>In millions</i>) |
|-----------------------------------|-------------------------------|
| Air toxic and criteria pollutants | \$235 |
| Low carbon transportation | 400 |
| Healthy forests | 208 |
| Climate smart agriculture | 18 |
| Short-lived climate pollutants | 35 |
| Climate mitigation and resilience | 11 |
| Research and technical assistance | 25 |
| Workforce training | 33 |
| TOTAL | \$965 |

- Climate Catalyst Fund.** The Governor proposes to establish the Climate Catalyst Fund for a total of \$1 billion General Fund investment (\$250 million in 2020-21, and additional funding in later years). The revolving loan fund would be administered by the state's infrastructure Economic Development Bank in consultation with the Strategic Growth Council and the Labor and Workforce Development Agency. The fund is proposed to focus on transportation emission reduction, climate smart agriculture and forestry, and circular economy to address waste and recycling.

- **Department of Toxic Substances Control (DTSC) Reform.** The Governor proposes \$3 million General Fund in 2020-21 and statutory changes to establish a five-member board with the charge of setting fees, hearing permit appeals, and providing strategic guidance to DTSC.
- **CalFire.** The Governor proposes \$120 million General Fund in 2020-21 (\$150 million ongoing) and 677 positions, phased in over five years.

Energy

- **Utility Wildfire Safety and Process Reform.** The budget includes 107 positions at the California Public Utilities Commission, and \$30.2 million ongoing from several special funds, to develop new procedures and processes to better balance energy reliability, affordability, safety, and accountability, as the state pursues its clean energy goals.

Housing and Homelessness

- **California Access to Housing and Services Fund.** The budget provides \$750 million one-time General Fund to establish a new fund (administered by the Department of Social Services), with the goal of reducing street-based homelessness and increasing the number of stable housing units. The fund will be used to develop new housing, provide housing vouchers, and to stabilize board and care facilities. The fund will be administered via contracts between the department and regional administrators.
- **Low-Income Housing Tax Credits.** The budget includes \$500 million in Low-Income Housing Tax Credits. These tax credits will support both typical affordable housing projects (\$300 million) and mixed-income projects (\$200 million), the same split as in the 2019-20 budget.

General Government and Public Safety

- **Expanding Role of Department of Business Oversight to Consumer Financial Protection.** The Governor's budget proposes \$10.2 million Financial Protection Fund and 44 positions, growing to \$ 19.3 million and 90 positions in 2022-23 for the new California Consumer Financial Protection and Innovation department. Use of funds is proposed to go towards licensing and examining new industries, researching market developments of consumer products and services, offering consumer services for financial empowerment for older Americans, military service members, and recent immigrants, offering legal support for administration of new laws, providing enforcement to prevent unfair and abusive practices, establishing a new Financial

Technology Innovation Office and expanding administrative and information technology staff to support increased regulatory responsibilities.

- **Cannabis Regulation.** After the passage of Proposition 64, the Control, Regulation and Tax Adult Use of Marijuana Act, the Legislature provided three-year, limited-term resources in the 2017 Budget Act to allow various state entities to perform their respective duties related to cannabis activities. These resources will expire at the end of this fiscal year. The budget consolidates the licensing entities into one standalone department, the Department of Cannabis Control.
- **Cannabis Taxing.** The budget proposes to simplify tax administration for cannabis by changing the point of collection of cannabis taxes. The cannabis cultivation tax will be collected from the first distributor, instead of the final, and the retail excise tax collection will shift from the distributor to the retailer.
- **Infrastructure Plan.** The budget proposes to spend \$53.3 billion in state infrastructure over the next five years. This includes \$45 billion for transportation infrastructure over five years, with \$8.7 billion in 2020-21.
- **Prison Closure.** The Governor's budget includes proposals in criminal justice that continue in the steps of Realignment, Propositions 47 and 57 as well as other initiatives to reduce the state prison population and provide increased access to rehabilitation and reentry opportunities. The Administration, coinciding with declining prison populations, proposes a prison closure plan that includes ending all private in-state contract correctional facilities for male inmates by April 2020, phasing out two of the remaining three male, public in-state contract corrections facilities by 2021, and phasing out the third public in-state contract facility no later than July 2022. Additionally, given the projected decline in inmate population by 4,300 between June 2021 and June 2024, the Administration has stated the intention to close a state operated prison in the next five years.
- **Jail Oversight.** The budget includes plans to provide increased oversight of local jails in coordination with the Board of State and Community Corrections so that deficiencies in substandard jails are addressed and that county jails are operated at the national standard.
- **Probation Reform.** The Governor's budget proposes reforms to the probation system, including funding to supervise and provide probation for those with misdemeanor charges and the reduction of misdemeanor probation terms to two years, and allowance for earned discharge.

- **Rehabilitative Programming.** With regards to rehabilitation programming, two key proposals include: 1) increased higher education opportunities through a partnership between the CDCR and California State University and 2) new programs that will cluster 5,800 incarcerated youth under the age of 26 together at select adult institutions in campus-style environments. A model program will be established at Valley State Prison in Chowchilla for both the education and youth programs.
- **Criminal Fines and Fees.** The budget proposes to reduce criminal fines and fees for low-income and indigent Californians by including funding for a statewide program that allows low-income and indigent individuals to apply online to have their fines and fees for traffic and non-traffic infractions reduced.
- **Vaping Tax.** The Governor's budget proposes a new nicotine content-based E-cigarette tax. The vaping tax will begin on January 1, 2021, and will be \$2 for each 40 milligrams of nicotine in the product. Revenues from the new tax are expected to be \$32 million in 2020-21, and will be deposited into a new special fund to be used for administration, enforcement, youth prevention, and health care workforce programs.

Overall Proposition 98 – K-14 Education

Budget Year – Overall Funding Levels. The proposed budget estimates a total Proposition 98 funding level of \$84 billion (K-14). This is a \$3 billion increase over the 2019-20 Proposition 98 level provided in the 2019 Budget Act (a \$2.5 billion increase over the revised 2019-20 Proposition 98 level, as discussed below). The Administration estimates that the Proposition 98 calculation for 2020-21 will be a Test 1 calculation.

Prior and Current Year Adjustments. The budget proposes to provide total Proposition 98 funding (K-14) for 2018-19 of \$78.4 billion, an increase of \$301.5 million over the 2019 final budget act level. For 2019-20, the Governor estimates an increase in the total Guarantee of \$517 million for a total of \$81.6 billion. These adjustments are the result of increased property taxes in 2018-19 and increased General Fund revenues in both years. The Administration estimates that the Proposition 98 calculations for 2018-19 and 2019-20 are Test 1.

Proposition 98 Changes. The proposed budget includes a Proposition 98 funding level of \$74.3 billion for K-12 programs. This includes a year-to-year increase of \$2.7 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2019-20. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$12,104 provided in 2019-20 (revised) to \$12,600 in 2020-21, an increase of 4.1 percent.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. The state deposited funds into the PSSSA for the first time in 2019-20, and in the 2020-21 proposed budget this 2019-20 deposit is increased by \$147.7 million for a total of \$524.4 million. Under the requirements of Proposition 2, in 2020-21, a withdrawal of \$37.6 million is projected to be made for a total ending balance of \$486.6 million.

K-12 Education – Major Spending Proposals

K-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living adjustment (COLA). The proposed budget provides a COLA of 2.29 percent, approximately \$1.2 billion, for the 2020-21 fiscal year, bringing total LCFF funding to \$64.2 billion.

K-12 Special Education. The 2019-20 budget included a total increase of \$645 million in ongoing Proposition 98 General Fund for special education. Of this \$152.6 million was provided to increase base special education funding rates to ensure that all Special Education Local Plan Areas (SELPA) receive at least the statewide target rate under the existing AB 602 funding formula. The remaining \$492.7 million created the Special Education Early Intervention Preschool grant, to be provided to local educational agencies (LEAs) based on the number of three through five-year olds with exceptional needs. The budget also includes language to specify that the increase in the statewide funding rate is contingent upon the passage of legislation in the 2020-21 budget to reform the special education system to improve outcomes for students. The proposed budget includes the following changes to special education:

- A new special education base formula based on an three year rolling average of average daily attendance (ADA) and a fifteen percent increase to the base formula funding (funded with the \$645 million increase provided in 2019-20).
- An additional \$250 million in ongoing Proposition 98 General Fund based on the number of 3 to 5 year old children with exceptional needs served by the school district.
- \$500,000 one-time Proposition 98 General Fund for a study of current SELPA governance and accountability and \$600,000 one-time Proposition 98 General

Fund for two workgroups to study improved accountability for special education service delivery and student outcomes.

The Administration notes that the funding changes included in the 2020-21 proposal would be the first phase of a multi-year reform of special education with future years to focus on incorporating feedback from the study and workgroups, reforms related to whole-child and family wrap-around services, specialized services such as out-of-home and non-public school placements and state special schools, and aligning with recommendations from the forthcoming Master Plan for Early Learning and Care.

Teacher Training, Recruitment, and Retention. The proposed budget includes a total of \$900 million in one-time Proposition 98 General Fund to be allocated as follows:

- \$350 million to increase funding for the Educator Workforce Investment Grant, which supports professional learning opportunities for teachers and paraprofessionals across the state. This new funding will be provided through a competitive process focused on professional learning related to special education, mental health, interventions, English language learners, social-emotional learning and restorative practices, non-discrimination and anti-bullying, computer science, science, technology, engineering, and math.
- \$18 million for the California Collaborative for Educational Excellence to increase awareness of supports and services in the areas of focus identified in the Educator Workforce Investment Grant increase.
- \$193 million for the Workforce Development Grant Program to address workforce shortages in high-need subjects and areas.
- \$175 million to expand the Teacher Residency Program for sponsored, one-year intensive, mentored, clinical teacher preparation programs, for high-need subject areas in high-need communities.
- \$100 million for the California Teacher Credential Award Program for stipends for fully-credentialed teachers who complete four years of teaching in high-need subject areas in high-need schools.
- \$64.1 million for the California Classified School Employees Credentialing Program to provide grants to local education agencies to recruit non-certificated school employees to become certificated classroom teachers.

- Finally, the proposed budget suspends accreditation fees for institutes of high education and local educational agencies that administer a teacher preparation or induction program.

K-12 School Facilities. In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell \$9 billion in general obligation bonds for K-14 facilities (\$7 billion for K-12 and \$2 billion for community colleges). The proposed budget includes approximately \$1.5 million in K-12 bond authority in 2020-21, similar to the amount included in 2019-20, for new construction, modernization, career technical education, and charter facility projects.

Community Schools. The proposed budget includes \$300 million in one-time Proposition 98 General Fund to establish community school grants for local educational agencies supporting innovative community school models, including those focused on mental health and related services, collaborative teaching and leadership, family and community engagement, and extended learning time.

Opportunity Grants. The proposed budget includes \$300 million in one-time Proposition 98 General Fund to establish opportunity grants for the state's lowest performing schools and school districts and to expand the capacity of the California Collaborative for Educational Excellence to support and assist grantees, and the system as a whole.

Child Nutrition. The proposed budget includes \$60 million in ongoing Proposition 98 General Fund to increase funding for school nutrition and \$10 million in one-time Proposition 98 General Fund to provide training for school food service workers. This is related to a \$10 million proposal for the Department of Food and Agriculture to establish a Farm to School Grant Program.

Computer Science. The proposed budget includes a total of \$18.8 million in one-time Proposition 98 General Fund to support computer science (\$15 million for grants to local educational agencies for teacher training, \$2.5 million for a county office of education to compile and share resources statewide, and \$1.3 million for a computer science University of California subject matter project).

K-12 Enrollment. The proposed budget reflects an estimated decrease in student enrollment in the K-12 system. Specifically, it reflects a decrease of \$268.5 million Proposition 98 General Fund in 2019-20, as a result of a decrease in the projected ADA, as compared to the 2019 Budget Act. For 2020-21, the Governor's proposed budget

reflects a decrease of \$175.1 million Proposition 98 General Fund to reflect a projected further decline in ADA for the budget year.

Cost-of-Living Adjustments. The proposed budget also provides \$122.4 million Proposition 98 General Fund to support a 2.29 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

Local Property Tax Adjustments. The proposed budget includes an increase of \$7.3 million in Proposition 98 General Fund in 2019-20 and a decrease of \$1.1 billion in Proposition 98 General Fund in 2020-21 for school districts and county offices of education related changes to offsetting local property taxes.

California Newcomer Education and Well-Being Project (CalNEW). The proposed budget includes \$15 million in one-time Proposition 98 General Fund for CalNEW. This program was established in 2017-18 and funded with General Fund. This new funding is available over three years and would assist school districts in supporting students who are refugees or unaccompanied, undocumented minors in their well-being, English language proficiency, and academic performance.

Fresno Integrated K-12 Education Collaborative. The budget also proposes an increase of \$17 million in one-time General Fund to support a plan to design education pathways through K-16 education and into the workforce in the greater Fresno region.

LCFF Fiscal Accountability. The proposed budget includes \$600,000 in one-time Proposition 98 General Fund to support the creation of an online Local Control and Accountability Plan (LCAP) portal and co-locate this new tool with the existing School Accountability Report Card (SARC) for increased public transparency. The Administration also commits to engage in a process to identify areas for strengthening accountability for the provision of services for high need students.

Child Care and Early Education

The Governor's budget decreases funding for child care and preschool programs, including Transitional Kindergarten, by \$218 million for a total of \$5.4 billion in state and federal funds. This reflects a decrease of 3.9 percent from 2019-20 as the result of structural adjustments largely due to how federal funds are accounted for. Major changes are described below:

State Preschool Program

- The proposed budget includes an increase of \$31.9 million non-Proposition 98 General Fund for 10,000 additional full-day State Preschool slots for non-LEA providers in 2020-21 commencing in April 1, 2021. The annual cost of these new slots is \$127 million. This increase builds upon the 10,000 slots included last year, set to begin April 1, 2020, and the proposed budget includes an additional \$96 million non-Proposition 98 General Fund for the annual cost of this 2019-20 cohort.
- The proposed budget also allows funds set aside in the 2019-20 budget for school districts to convert part-day kindergarten facilities to full-day to instead be used for school districts to construct preschool facilities. Total funding remaining in the program is approximately \$300 million one-time non-Proposition 98 General Fund.

Other Child Care and Early Education Changes:

Non-CalWORKs Child Care. The proposed budget includes \$57 million for a 2.29 percent COLA adjustment for non-CalWORKs child care and State Preschool programs and decreases slots by \$51 million to reflect a decrease in the birth to age four population. The 2019-20 budget also increased General Child Care slots by \$50 million non-Proposition 98 General Fund and dedicated Proposition 64 revenues for these slots in future years. The proposed budget includes \$60.3 million in Proposition 64 revenues, \$50 million for the ongoing 2019-20 increase in slots and \$10.3 million in additional slots based on Proposition 64 revenue estimates.

CalWORKs Child Care. The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net increase of \$66 million, reflecting a \$13 million increase in Stage 1, a \$26 million decrease in Stage 2, and an \$80 million increase in Stage 3.

Transitional Kindergarten. The proposed budget also includes an increase of \$19 million (for a total of \$893 million) Proposition 98 General Fund for Transitional Kindergarten, reflecting ADA growth and COLA. This funding is included within LCFF totals as discussed earlier in this report.

Department of Early Childhood Development. The proposed budget also includes the creation of a new Department of Early Childhood Development under the California Health and Human Services Agency. The Department would administer various programs including child care (except for state preschool) and other supportive services for young children. Under the proposal, \$8.5 million is provided in 2020-21 for a transition team and planning, with the new Department operational on July 1, 2021.

Inclusive Early Education Expansion Program. The proposed budget reappropriates \$75 million in unspent state preschool funds to increase the Inclusive Early Education Expansion Program which provides funding to local educational agencies to increase access to inclusive education for child care and preschool programs.

Higher Education

University of California (UC)

Base Augmentation. The budget provides an increase of \$169.2 million ongoing General Fund to support operational costs, enrollment growth and student support services.

Medical Education and Services. The budget provides an increase of \$25 million ongoing General Fund to support UC Riverside School of Medicine, and \$15 million ongoing General Fund to expand the UC San Francisco School of Medicine Fresno Branch Campus in partnership with UC Merced.

Division of Agriculture and Natural Resource. The budget provides an increase of \$3.6 million ongoing General Fund, or a five percent base increase, to support the operational costs of the division.

Research for Emergency Preparedness. The budget provides \$3 million ongoing General Fund to support the UC San Diego Center for Public Preparedness Multi-Campus Research initiative.

Grants for Animal Shelters. The budget provides \$50 million one-time General Fund for UC Davis Koret Shelter Medicine Program to develop a grant program for animal shelters to provide expertise, support, and local assistance over five years to help ensure that no adoptable or treatable dog or cat be euthanized.

UC Extension Centers. The budget provides an additional \$4 million one-time General Fund for degree and program completion programs at UC extension centers.

UC Subject Matter Project. The budget provides \$1.3 million one-time General Fund to develop a UC Subject matter project in computer science and support its initial cohort of K-12 computer science educators.

Summer Financial Aid. The budget extends the suspension date for the program from December 31, 2021 to June 30, 2023. The budget does not provide additional funds for the program.

Office of Environmental Health Hazard Assessment. The budget provides \$6 million General Fund (\$5 million one-time) to develop and implement new risk assessment methods to evaluate toxicology of unassessed chemicals in partnership with UC.

California State University (CSU)

Base Augmentation. The budget includes an increase of \$199 million ongoing General Fund to support CSU's operating costs, enrollment, and graduation initiative.

Extended Education. The budget provides \$6 million one-time General Fund to develop or expand degree and certification completion programs with a focus on online education.

Summer Financial Aid. The budget extends the suspension date for the CSU Summer Financial Aid program from December 31, 2021 to June 30, 2023. The budget does not provide additional funds to support this purpose.

Inmate Education. The budget provides \$1.8 million General Fund in 2020-21 and \$3.5 million ongoing General Fund to the California Department of Corrections and Rehabilitation to establish a CSU bachelor's degree programs at several prisons, including Valley State Prison in Chowchilla. Funds will help cover tuition, books, materials, training and equipment for students participating in the program.

California Community Colleges (CCC)

Please see the K-12 Education section of this report for additional information on the overall K-14 Proposition 98 budget.

Apportionment. The budget continues to implement the Student Centered Funding Formula and does not propose any changes the formula. The Administration notes that it supports the inclusion of first-generation students as a metric, however believes that data alignment is needed before this is implemented. The budget provides a 2.29 percent cost-of-living adjustment with an increase of \$167.2 million Proposition 98 General Fund. The budget provides \$31.9 million Proposition 98 General Fund for enrollment growth. The budget also reflects a decrease of \$191.1 million Proposition 98 General Fund to reflect an increase of local property tax revenues.

Apprenticeship Programs. The budget provides an increase of \$83.2 million to expand and support community college apprenticeship programs.

CCC System Support Program. The budget proposes consolidating the technical assistance set-asides for several categorical programs and several system wide initiatives to create a new CCC System Support Program.

Working Group on CCC Athlete Compensation. The budget provides \$700,000 one-time General Fund for the Chancellor's Office to contract with an external organization to staff a working group on CCC athlete's use of image, name and likeness for compensation. This is pursuant to SB 206 (Skinner), Chapter 383, Statutes of 2019.

Faculty. The budget provides an increase of \$15 million one-time Proposition 98 General Fund to improve faculty diversity and \$10 million one-time Proposition 98 General Fund for part-time faculty office hours.

Food Pantries. The budget provides an increase of \$11.4 million Proposition 98 General Fund ongoing to support and expand food pantries on community college campuses.

Zero-Textbook-Cost Degrees. The budget provides an increase of \$10 million one-time Proposition 98 General Fund to develop and implement these degrees through open educational resources.

Dual Enrollment. The budget provides \$5 million Proposition 98 General Fund for instructional materials for dual enrollment students.

Facilities. The budget provides an increase of \$27.6 million for 24 new projects.

Legal Services. The budget provides an increase of \$10 million Proposition 98 General Fund ongoing to provide immigrant legal services.

Dreamer Resource Liaisons. The budget provides \$83.2 million to support and expand community college apprenticeship programs.

Hastings College of the Law

Base Increase. The budget provides an increase of \$1.4 million ongoing General Fund for operational costs.

California Student Aid Commission

Workload Adjustments. The budget includes a decrease of \$160.8 million in 2019-20 and \$63 million to reflect a decrease in the number of new and renewal awardees.

The budget also includes a decrease of \$60.1 million in federal Temporary Assistance for Needy Families reimbursement in 2020-21, which increases General Fund support for Cal Grants by an equal amount.

The budget also includes an increase of \$21.6 million General Fund to reflect an increase in the estimated number of recipients for the Cal Grant Access Awards for Student Parents in 2020-21.

Student Loan and Debt Service Outreach Workgroup. The budget provides \$5 million one-time General Fund to support a workgroup to explore outreach and education strategies for student loans. Funds will support the creation of an informational website and support grants to notify student loan borrowers about repayment options.

Grant Delivery System. The Governor's budget provides an increase of \$5.3 million General Fund to support the third year of project costs for the Grant Delivery Modernization Project.

California State Library

Local Assistance. The budget provides the following local assistance adjustments:

- An increase of \$1 million one-time General Fund to support the Lunch at the Library program;
- An increase of \$1 million one-time General Fund to support the online purchase and delivery of books through the Zip book program;
- An increase of \$500,000 ongoing General Fund to support the Braille Institute of America in Los Angeles; and,
- An increase of \$170,000 ongoing General Fund to continue participation in the Corporation for Education Network Initiatives.

Other Budget Adjustments

In addition, the Governor's budget includes one-time General Fund support for the following higher education-related initiatives.

Fresno Integrated K-16 Education Collaborative. The budget provides \$17 million one-time General Fund to the Office of Planning and Research to design education pathways in the Fresno region.

Fresno-Mexico Food Innovation Corridor. The budget provides \$33 million one-time General Fund to the Department of Food and Agriculture to work with educational institutions and the Governor's Office of Business and Economic Development to stimulate research and innovation to support sustainable agriculture.

Natural Resources, Environmental Protection, and Energy

Natural Resources

Wildfires, Emergency Preparedness and Response. To address wildfires, emergency preparedness, and response, the Governor proposes the following:

- \$120 million General Fund (\$150 million ongoing) and 677 positions, phased in over five years, to provide the Department of Forestry and Fire Protection (CalFire) operational flexibility through peak fire season and beyond based on fire conditions.
- \$110.1 million (\$26.8 General Fund) to implement the Wildfire Mitigation Financial Assistance Program, which encourages structural hardening (residential, commercial, and public buildings) and facilitates vegetation management and defensible space activities. The Governor proposes CalFire and the Office of Emergency Services (Cal OES) to develop a Joint Powers Agreement to administer a \$100 million home hardening pilot program.
- \$9 million (\$8.8 million General Fund) and 22 positions across Cal OES, CalFire, the Military Department, and the Public Utilities Commission to begin implementation of the Wildfire Forecast Center, which will derive information from multiple sources to build accurate, comprehensive, and timely weather impact information for the purpose of improving the state's emergency response and recovery efforts.

Biodiversity Protection. The Governor proposes the following:

- \$80 million General Fund to the Natural Resources Agency for Light Detection and Ranging (LiDAR) and Remote Sensing to collect high-quality airborne LiDAR data statewide, which is intended to better inform resource management decisions.
- \$6 million General Fund to the Department of Fish and Wildlife (DFW) to purchase a fixed wing aircraft to monitor species populations and patrol wildlife habitat areas.

- Permanent extension of \$30 million General Fund for DFW, which was set to expire in 2020-21, to support conservation efforts, increase participation in hunting and fishing, and enhance services to the public.
- \$2.2 million General Fund ongoing and eight positions for DFW to better care for more than one million acres of wildlife areas and ecological reserves owned and managed by DFW.
- \$12.7 million General Fund ongoing and 34 positions for DFW to improve protection of species threatened and endangered species.
- \$4 million General Fund ongoing and 16 positions for DFW to increase the scale and pace of restoration work, and incorporate efficiencies into grant programs. DFW will form a restoration permitting team to provide early project consultation, hold permitting workshops, and incorporate the use of existing programmatic permitting options.

Parks for All. The Governor proposes \$65.1 million (various funds) for the Department of Parks and Recreation to advance the Parks for All initiative, which is intended to expand the park system and improve access to parks.

Environmental Protection

Climate Budget. The Governor proposes a Climate Budget for a total of \$12.5 billion over the next five years. For 2020-21, the Climate Budget proposal includes the following:

| | |
|---|---|
| Climate Resilience Bond | (\$4.75 billion bond proposed for November election.) |
| Cap & Trade Expenditure Plan | \$965 million |
| Climate Catalyst Fund | 250 million |
| General Fund one-time investments | 169 million |
| General Fund ongoing expenditures | 35 million |
| Existing bond and special fund expenditures | 308 million |
| Climate Budget 2020-21 TOTAL | \$1.727 billion |

Among the various components of the Climate Budget, the Governor proposes the following:

- **Climate Resilience Bond.** The Governor proposes a \$4.75 billion climate resilience bond for the November 2020 ballot to support investments over the next five years to reduce climate risks in natural and built infrastructure. Approximately 80 percent of

proposed bond funds addresses immediate, near-term risks, such as floods, drought, and wildfires. Approximately 20 percent addresses long-term climate risk (sea level rise and extreme heat).

- **Cap & Trade Expenditure Plan.** The Governor proposes \$965 million in discretionary spending of the Greenhouse Gas Reduction Fund (GGRF), as follows:

| Investment Category | Amount (In millions) |
|-----------------------------------|-----------------------------|
| Air toxic and criteria pollutants | \$235 |
| Low carbon transportation | 400 |
| Healthy forests | 208 |
| Climate smart agriculture | 18 |
| Short-lived climate pollutants | 35 |
| Climate mitigation and resilience | 11 |
| Research and technical assistance | 25 |
| Workforce training | 33 |
| TOTAL | \$965 |

- **Climate Catalyst Fund.** The Governor proposes to establish the Climate Catalyst Fund for a total of \$1 billion General Fund investment (\$250 million in 2020-21, and additional funding in later years). The revolving loan fund will be administered by the state's infrastructure Economic Development Bank in consultation with the Strategic Growth Council and the Labor and Workforce Development Agency. The fund focuses on transportation emission reduction, climate smart agriculture and forestry, and circular economy to address waste and recycling.

Department of Toxic Substances Control (DTSC) Reform. The Governor proposes \$3 million General Fund in 2020-21 and statutory changes to establish a five-member board with the charge of setting fees, hearing permit appeals, and providing strategic guidance to DTSC.

Evaluating Unassessed Chemicals. The Governor proposes \$6 million General Fund (\$5 million one-time) to the Office of Environmental Health Hazard Assessment, in partnership with the University of California, to develop and implement new risk assessment methods to evaluate the toxicology of unassessed chemicals.

Energy

Utility Wildfire Safety and Process Reform. The budget includes 107 positions and \$30.2 million ongoing from several special funds for the Public Utilities Commission to

develop new procedures and processes to better balance energy reliability, affordability, safety, and accountability, as the state pursues its clean energy goals.

Electric Vehicle Infrastructure. The budget includes \$51 million in one-time authority from the Alternative and Renewable Fuel and Vehicle Technology Fund for the California Energy Commission to support the development and deployment of electric vehicle charging infrastructure.

Transportation

Transportation Funding. The budget includes \$27 billion total for transportation departments in 2020-21.

Road Repair and Accountability Act Funding. The budget includes \$5.4 billion in funding from the Road Repair and Accountability Act of 2017, of which \$3.5 billion is for road repair and maintenance, with the remaining \$1.9 billion for transit, freight corridors, congestion relief, and active transportation.

Local Streets and Roads. The budget provides \$1.3 billion in SB 1 funding to be distributed by formula to cities and counties for local road maintenance.

Transit and Intercity Rail Capital. The budget provides \$261 million from SB 1 revenues for transit, commuter, and intercity rail.

State Transit Assistance. The budget provides \$423 million in SB 1 revenues for formula-based assistance to local transit operators, in addition to roughly \$600 million in other base funding.

High-Speed Rail. The budget provides capital outlay funding of \$2.4 billion all from the Greenhouse Gas Reduction Fund for phase one of the blended system.

Department of Motor Vehicles. The budget includes \$200 million from the Motor Vehicle Account for additional REAL ID workload. This is the second year of the two-year funding for additional staff and new processes provided in the 2019-20 budget.

California Highway Patrol (CHP). The budget includes \$7 million in ongoing special fund resources for the CHP to establish a task force, in collaboration with the Department of Justice, to identify the illicit distribution of vaping products and take enforcement actions where appropriate.

Health and Human Services

The Governor's budget includes a total of \$167.9 billion (\$47.4 billion General Fund and \$120.5 billion other funds) for health and human services programs that serve low-income, vulnerable individuals and families.

Health

Department of Health Care Services (DHCS)

The budget includes \$107.4 billion (\$26.4 billion General Fund) for DHCS, which provides Californians with access to affordable, integrated, high-quality health care including medical, dental, mental health, substance use disorder services, and long-term care. Of this amount, the budget includes \$955.4 million (\$258.6 million General Fund) for state operations and \$106.4 billion (\$26.2 billion General Fund) for local assistance.

Medi-Cal Program. The budget proposes total expenditures of \$103.5 billion (\$25.9 billion General Fund) for the Medi-Cal program in 2020-21, a 12.4 percent increase in General Fund spending compared to the revised 2019-20 estimate. Medi-Cal is projected to provide health care services to approximately 12.9 million Californians in 2020-21, which represents a decline of 0.9 percent since 2018-19. The budget assumes 3.8 million Californians will be covered through the optional expansion of Medi-Cal in 2020-21.

The budget includes decreased General Fund expenditures in Medi-Cal of \$91.7 million General Fund in 2019-20 compared to the 2019 Budget Act. According to the Administration, this reduction is primarily due to lower than expected managed care and fee-for-service costs and one-time reconciliations of expenditures in prior years.

Medi-Cal Healthier California for All. During the fall of 2019, the Administration released a comprehensive proposal to transform the delivery system of physical, behavioral, and oral health care services in the Medi-Cal program. Previously known as California Advancing and Innovating in Medi-Cal (CalAIM), the Administration has renamed this initiative Medi-Cal Healthier California for All (MHCA). According to the Administration's proposal, MHCA would implement several major changes to the Medi-Cal program, particularly the responsibilities of Medi-Cal managed care plans and county behavioral health programs, including, but not limited to, the following:

Population Health Management. Medi-Cal managed care plans would be required to develop and maintain a population health management program that adheres to various state and national standards. Plans would be required to conduct assessments and risk stratification of all beneficiaries to determine appropriateness for certain levels of care

including case management, disease management, or enhanced care management. The population health management program would also address the delivery of wellness and prevention services, transitions between various care settings, facilitation of health information technology to support population health principles, and access to linguistically and culturally appropriate care.

Enhanced Care Management and In-Lieu-Of Services. Medi-Cal managed care plans would be responsible for providing an enhanced care management (ECM) benefit for high-risk beneficiaries. In addition, Medi-Cal managed care plans would be permitted to offer “in-lieu-of” services (ILOS), which are flexible wrap-around services that a managed care plan would integrate into its population health strategy and are provided as a substitute, or to avoid, other costly services such as a hospital or skilled nursing facility admission or a facility discharge delay. This program and services are intended to replace the type of wrap-around care services programs established under the Whole Person Care pilot program funded by the state’s 1115 Waiver, Medi-Cal 2020, expiring on December 31, 2020. The department’s proposed list of ILOS are as follows:

- Housing Transition/Navigation Services
- Housing Deposits
- Housing Tenancy and Sustaining Services
- Short-Term Post-Hospitalization Housing
- Recuperative Care (Medical Respite)
- Respite
- Day Habilitation Programs
- Nursing Facility Transition/Diversion to Assisted Living Facilities
- Nursing Facility Transition to a Home
- Personal Care (beyond In-Home Supportive Services) and Homemaker Services
- Environmental Accessibility Adaptations (Home Modifications)
- Meals/Medically Tailored Meals
- Sobering Centers

Behavioral Health Payment Reforms. The department intends to reform payment methodologies for county behavioral health programs providing specialty mental health and substance use disorder services to Medi-Cal beneficiaries in both managed care and fee-for-service systems. According to the Administration, these payment reforms would transition these programs from a cost-based reimbursement methodology to a rate- and value-based structure that would improve timeliness of payment, reduce administrative burdens, and improve availability and access to necessary services for beneficiaries.

As part of the Administration's homelessness package, the budget includes \$695 million (\$348 million General Fund) in 2020-21, growing to \$1.4 billion (\$695 million General Fund) in 2021-22 and 2022-23 for the following:

- \$225 million (\$112.5 million General Fund) to implement the new ECM benefit in Medi-Cal managed care plans beginning January 1, 2021.
- \$357.5 million (\$178.8 million General Fund) to fund transition of existing ILOS programs into managed care and development of incentives to implement ECM and ILOS programs where they currently do not exist.
- \$112.5 million (\$56.3 million General Fund) to continue and expand upon the successful elements of the Dental Transformation Initiative, also established under the 1115 Waiver, including incentive payments for preventive services, continuity of care, caries risk assessments for children age zero to six, and the addition of silver diamine fluoride as a covered service for children ages zero to six.

New Initiatives to Reduce Prescription Drug Costs. The Administration intends to propose five new initiatives to reduce prescription drug costs for taxpayers, employers, and consumers. The budget includes three of those proposals: 1) expanding existing authority for the Department of Health Care Services (DHCS) to negotiate supplemental prescription drug rebates with manufacturers using the best international price, rather than the best domestic price; 2) authorizing DHCS to negotiate supplemental rebates for targeted populations outside the Medi-Cal program; and 3) continuing to expand partnerships with local governments and other purchasers in the state's pharmaceutical purchasing program administered by the Department of General Services. In addition, the Administration intends to submit two proposals during Spring 2020: 1) establishing a single, statewide market for drug pricing, the Golden State Drug Pricing Schedule, and enabling all public and private purchasers to combine purchasing power and solicit bids from manufacturers to sell their drugs at a uniform price; and 2) establishing a California generic drug label and contracting with one or more generic drug manufacturers to manufacture certain generic drugs on behalf of the state and other participating entities.

Medi-Cal Rx – Transition of Pharmacy Benefit from Managed Care to Fee-for-Service. The budget includes savings of \$178.3 million (\$69.5 million General Fund) for the transition of Medi-Cal pharmacy benefits from managed care to the fee-for-service delivery system on January 1, 2021, under the department's Medi-Cal Rx initiative. The budget also includes \$52.5 million (\$26.3 million General Fund) for a supplemental payment pool for non-hospital clinics participating in the federal 340B program that would suffer a loss of revenue due to the pharmacy benefit transition. This pool would grow to approximately \$105 million (\$52.5 million General Fund) annually.

Medi-Cal Eligibility for Seniors Regardless of Immigration Status. The budget proposes \$80.5 million (\$64.2 million General Fund) in 2020-21 to extend Medi-Cal eligibility for all individuals 65 and older regardless of immigration status, effective no sooner than January 1, 2021. These figures include \$5.9 million General Fund costs to the Department of Social Services for additional In-Home Supportive Services (IHSS) for this population. When fully implemented, this expansion of coverage will result in annual costs of \$350 million (\$320 million General Fund), including \$119.5 million of General Fund costs for IHSS.

Delays in Eligibility Expansions - Elimination of “Senior Penalty” and Extension of Post-Partum Mental Health Coverage. The budget includes delays in the implementation of two eligibility expansions previously approved by the Legislature. The 2019 Budget Act included \$62.9 million (\$31.5 million General Fund) for the elimination of the “senior penalty”, which expands income eligibility for Medi-Cal’s aged and disabled program up to 138 percent of the federal poverty level. While the funding was approved assuming implementation on January 1, 2020, the Administration will not implement this eligibility change until August 1, 2020. The 2019 Budget Act also included \$8.6 million General Fund annually to provide full-scope Medi-Cal coverage for 12 months for post-partum women diagnosed with a mental health condition. The Administration will not implement this change until July 1, 2020. According to the Administration, both of these delays are due to challenges implementing required changes to eligibility systems.

Department of Public Health (DPH)

The budget includes \$3.2 billion (\$211.7 million General Fund) for DPH, which is dedicated to optimizing the health and well-being of all Californians through a variety of public health monitoring, protection, education, direct services and emergency preparedness activities.

California Cognitive Care Coordination Initiative. The budget includes \$3.6 million in 2020-21 to support the California Cognitive Care Coordination Initiative, a collaborative effort among the ten Alzheimer’s Disease centers and DPH to strengthen dementia care management.

Department of State Hospitals (DSH)

The budget includes \$2.3 billion (\$2.1 billion General Fund) in 2020-21 for DSH, which administers five state mental health hospitals, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Administration estimates that the population served by the five state hospitals will reach a total of 6,761 by the end of 2020-21.

Incompetent to Stand Trial (IST) Admissions. According to the Administration, DSH continues to experience a significant number of IST commitments from local courts, with the number of individuals awaiting placement into the state hospital exceeding 800 as of December 2019. DSH has undertaken several significant efforts over recent years to address the waiting list of IST commitments, including capacity expansions and the implementation of a mental health diversion program to provide local grants and judicial flexibility for community-based treatment of individuals at risk of IST commitment.

The budget includes \$24.6 million General Fund beginning in 2020-21 and totaling \$364.2 million General Fund expenditures over six years, for a pilot program in three counties to provide incentives to reduce felony IST commitments and referrals to state hospitals through restoration services provided in the community.

The budget also includes \$8.9 million General Fund to contract for an additional 63 jail-based competency restoration treatment beds through county jail treatment programs.

Other Health and Human Services Issues

Office of Health Care Affordability. The Administration intends to submit a proposal in spring 2020 to establish an Office of Health Care Affordability to increase price and quality transparency, develop strategies and cost targets for different sectors of the health care industry, impose financial consequences for entities that fail to meet these targets.

California Public Option. The Administration intends to leverage existing managed care plan relationships with both Covered California and Medi-Cal to build a robust public option in California. According to the Administration, the California Health and Human Services Agency will develop options to strengthen enrollment, affordability, and choice through Covered California, including opportunities to leverage the statewide network of existing public Medi-Cal managed care plans.

Human Services

Department of Social Services (DSS). The Governor proposes an overall 2020-21 budget of \$29.5 billion (\$11.7 billion General Fund) for DSS.

California Access to Housing and Services Fund. The budget includes \$750 million one-time General Fund to establish a new fund (under the authority of the DSS) aiming to reduce homelessness and increase housing units. See the housing section for more information.

California Work Opportunity and Responsibility to Kids (CalWORKs). The Governor proposes an overall 2020-21 budget of \$5.7 billion in federal, state, and local funds for the program and estimates an average monthly caseload of 358,000 families (a decrease of 1.4 percent from the revised 2019-20 projection).

- **CalWORKs Grant Increases.** The budget includes \$73.6 million in 2020-21, funded through the Child Poverty and Family Supplemental Support Subaccounts of the Local Revenue Fund, to provide a 3.1 percent increase to Maximum Aid Payment levels, effective October 1, 2020.
- **County Indigent Health Savings.** The budget reflects a \$589.8 million savings in 2020-21 to offset General Fund costs in the CalWORKs program.

CalFresh Application Assistance. The budget includes \$5 million General Fund ongoing to maintain the online application assistance tool, GetCalFresh.org.

In-Home Supportive Services (IHSS). The budget includes \$14.9 billion (\$5.2 billion General Fund), a 16 percent increase in General Fund costs over the current year, and estimates a 586,000 person caseload in 2020-21.

- **Training for County Social Workers and Managers.** The budget includes \$3.7 million (\$1.9 million General Fund) in 2020-21 and \$240,000 (\$120,000 General Fund) ongoing to support additional training for county social workers and managers in conducting needs assessments for IHSS recipients.
- **Medi-Cal Expansion for Undocumented Adults 65 and Older.** The budget includes \$5.9 million General Fund in 2020-21, growing to \$119.5 million General Fund in 2021-22, to support increased IHSS costs associated with the proposed expansion of full-scope Medi-Cal coverage for undocumented persons 65 years of age or older, beginning January 1, 2021. See Health section for more information.

Supplemental Security Income/State Supplementary Payment (SSI/SSP). The estimated caseload for the SSI/SSP program is 1.18 million recipients (29.3 percent aged; 1.4 percent persons who are visually impaired or blind; 69.4 percent persons with disabilities). Effective January 2020, maximum SSI/SSP grant levels are \$943 per month for individuals and \$1,583 per month for couples. The Governor's budget includes \$2.66 billion General Fund for the SSI/SSP program.

Child Welfare Services. The budget includes \$598.9 million General Fund for these programs.

- **Child Welfare Workforce Development.** The budget includes \$11 million (\$5.6 million General Fund) to increase ongoing training for social workers and supervisors.
- **California Automated Response and Engagement System.** The budget includes \$54.4 million (\$27.2 million General Fund) to reflect updated project cost estimates.
- **Bringing Families Home Program.** The budget includes \$25 million General Fund one-time for the grant program focused on reducing homelessness among families involved in the child welfare system.

Immigration Services. The budget includes \$65 million in 2020-21 and ongoing for immigration-related services.

- **California Newcomer Education and Well-Being Project (CalNEW).** The budget includes \$15 million one-time Proposition 98 General Fund for the CalNEW project. CalNEW was established in 2017-18 to assist school districts in improving refugee and unaccompanied undocumented minors students' well-being, English-language proficiency, and academic performance.
- **Immigration Legal Services on Community College Campuses.** The budget includes \$10 million ongoing Proposition 98 General Fund for California Community College campuses to support the provision of immigration legal services. For more information, see the Higher Education section.
- **Social Entrepreneurs for Economic Development Initiative.** The budget includes \$10 million one-time General Fund for the California Workforce Development Board to launch the Social Entrepreneurs for Economic Development Initiative to provide micro-grants and entrepreneurial training to immigrants. For more information, see the Labor section.
- **Dreamer Resource Liaisons.** The budget includes \$5.8 million ongoing Proposition 98 General Fund to fund Dreamer Resource Liaisons and student support services, including those related to career pathways and economic mobility, for immigrant students on community colleges. For more information, see the Higher Education section.

Emergency Food Assistance Program. The budget includes \$20 million one-time General Fund for existing Emergency Food Assistance Program providers and food banks to support increased food purchases to partially mitigate the loss of CalFresh benefits due to federal rule changes.

Department of Developmental Services. The Governor proposes an overall 2020-21 budget of \$9.2 billion (\$5.7 billion General Fund) and estimates that approximately 369,000 individuals will receive developmental services by the end of 2020-21.

- **Developmental Services Performance Incentive Program.** The budget includes \$78 million (\$60 million General Fund) to establish a Performance Incentive Program for Developmental Services administered through the Regional Center system. The program will provide incentive payments to Regional Centers to increase the quality of services and addressing disparities while improving data collection to demonstrate value.
- **Supplemental Rate Increases.** The budget includes \$18 million (\$10.8 million General Fund) in 2020-21 and \$35.9 million (\$21.6 million General Fund) in 2021-22 to provide supplemental rate increases for Early Start Specialized Therapeutic Services, Infant Development and Independent Living services, effective January 1, 2021. Additionally, these increases and temporary rate increases made to various service codes in the 2019 Budget Act are extended to July 1, 2023, instead of the original July 1, 2021 sunset date. Increases are subject to sunset only if certain conditions are met.
- **Activation of Temporary Unit at Porterville Developmental Center.** The budget includes \$8.9 million General Fund for the temporary activation of one 20-bed unit in the Porterville secure treatment program to reduce the number of individuals with developmental disabilities found incompetent to stand trial and awaiting placement. The additional unit will sunset on June 30, 2024.
- **Enhanced Caseload Ratios for Young Children.** The budget includes \$16.5 million (\$11.2 million General Fund) to establish a reduced regional center service coordinator caseload ratio for consumers who are under the age of five years.
- **Systemic, Therapeutic, Assessment, Resources and Treatment Training.** The budget includes \$4.5 million (\$2.6 million General Fund) to provide training on person-centered, trauma-informed, and evidence-based support services for individuals with co-occurring developmental disabilities and mental health needs.

Department of Child Support Services. The Governor proposes an overall 2020-21 budget of \$1.1 billion (\$362.4 million General Fund).

- **Child Support Payments to CalWORKs Families.** The budget proposes to increase the amount of child support payments passed through to CalWORKs families, effective January 1, 2022, from the current \$50 to \$100 for a family with one child

and \$200 for a family with two or more children. The budget also proposes statutory changes to forgive child support payment arrearages or past due amounts that are determined to be uncollectible, beginning January 1, 2022.

- **Increased Support for Local Child Support Agencies (LCSA).** The budget includes an increase of \$56 million (\$19.1 million General Fund) for LCSA administrative costs.

Department of Youth and Community Restoration. Effective July 1, 2020, the Division of Juvenile Justice will transition from the Department of Corrections and Rehabilitation to an independent department (Department of Youth and Community Restoration) within the Health and Human Services Agency. The budget includes \$289.7 million (\$260.8 million General Fund) in 2020-21 to support the department. For more resource details, see the public safety section.

State Administration and General Government

The budget includes several proposals related to statewide issues and cross-departmental functions.

Homelessness. The budget includes a broad and far-reaching homelessness package. This package includes:

- **California Access to Housing and Services Fund.** The budget provides \$750 million one-time General Fund to establish a new fund (administered by the Department of Social Services), with the goal of reducing street-based homelessness and increasing the number of stable housing units. The fund will be used to develop new housing, provide housing vouchers, and to stabilize board and care facilities. The fund will be administered via contracts between the department and regional administrators. The Administration is asking for early action to establish this fund and begin the work of developing the required contracting and administrative mechanisms.
- **Healthier California for All.** The budget provides \$695 million (\$348 million General Fund), growing to \$1.4 billion (\$695 million General Fund) in 2021-22 and 2022-23 for the Medi-Cal Healthier California for All initiative (formerly known as CalAIM, or the California Advancing and Innovating Medi-Cal initiative). This investment will provide for enhanced care management and in lieu of services, necessary infrastructure to expand whole person care approaches statewide, and build upon existing dental initiatives.

- **Behavioral Health.** The budget establishes a Behavioral Health Task Force that will bring together relevant state departments, counties, advocates, health plans, providers, and other stakeholders to review existing policies and programs and coordinate system changes to prevent and respond to the impacts of mental illness and substance use disorders in California communities. The Administration intends to work to reform the Mental Health Services Act (Proposition 63) to better focus on people with mental illness who are also experiencing homelessness, who are involved in the criminal justice system, and for early interventions for children.
- **Community Care Collaborative Pilot.** The budget proposes to implement a six-year Community Care Collaborative Pilot program in three counties to provide incentives to treat and serve individuals deemed incompetent to stand trial (IST) in the community.

Housing Policy and Technical Assistance. The budget includes \$10 million per year for three years for the Department of Housing and Community Development to work on streamlining and implementing the state's housing policies and procedures, and to provide technical assistance to local governments on pro-housing policies.

Low-Income Housing Tax Credits. The budget includes \$500 million in Low-Income Housing Tax Credits. These tax credits will support both typical affordable housing projects (\$300 million) and mixed-income projects (\$200 million), the same split as in the 2019-20 budget.

Affordable Housing Programs. The budget includes several billion dollars in additional affordable housing programs, including bonds, statutory programs, and the California Housing Finance Agency. These are detailed below.

| <i>Department</i> | <i>Program</i> | <i>Amount</i> |
|---|--|-----------------------|
| Department of Housing and Community Development | Veterans and Affordable Housing Bond Act Programs (SB 3) | \$563.0 |
| | No Place Like Home Program | \$400.0 |
| | Building Homes and Jobs Fund Programs (SB 2) | \$277.0 |
| | Federal Funds | \$68.0 |
| | Veterans Housing and Homelessness Prevention | \$75.0 |
| | Various | \$45.0 |
| California Housing Finance Agency ^{1/} | Single Family First Mortgage Lending | \$2,500.0 |
| | Multifamily Conduit Lending | \$600.0 |
| | Multifamily Permanent Lending | \$140.0 |
| | Mixed-Income Loan Program | \$180.0 |
| | Innovative Fund Programs | \$60.0 |
| | Single Family Down Payment Assistance (SB 3) | \$85.0 |
| | Special Needs Housing Program | \$25.0 ^{2/} |
| Tax Credit Allocation Committee | Low Income Housing Tax Credits (Federal) | \$295.0 ^{3/} |
| | Low Income Housing Tax Credits (State) | \$601.0 |
| | Farmworker Housing Assistance Tax Credits | \$1.0 |
| Strategic Growth Council ^{4/} | Affordable Housing and Sustainable Communities | \$468.0 |
| Department of Veterans Affairs | CalVet Farm and Home Loan Program (SB 3) | \$220.0 |
| Office of Emergency Services | Domestic Violence Housing First Program | \$34.0 |
| | Transitional Housing Program | \$40.0 |
| | Specialized Emergency Housing | \$10.0 |
| | Domestic Violence Assistance, Equality in Prevention and Services, Human Trafficking Victim Assistance, North American Domestic Violence and Sexual Assault | - ^{5/} |
| California Department of Corrections and Rehabilitation | Integrated Services for Mentally-Ill Parolees | \$4.0 |
| | Specialized Treatment of Optimized Programming, Parolee Service Center, Day Reporting Center, Female Offender Treatment and Employment Program, Proposition 47 Grant Program | - ^{5/} |
| Department of Social Services | CalWORKS Family Stabilization, Housing Component | \$46.9 |
| | CalWORKS Housing Support Program | \$95.0 |
| Department of Public Health | HIV Care Program | - ^{5/} |
| | Housing Opportunities for Persons with AIDS (HOPWA) | \$4.0 |
| | Housing Plus Program | \$1.0 |
| Total | | \$6,837.9 |

1/ Amount is based on lending activities from 2018/19.

2/ Amount represents voluntary allocations of local Proposition 63 funds from 16 participating counties.

3/ This represents the estimated 9 percent tax credits to be allocated in 2020 plus the estimated amount of 4 percent credits to be awarded in 2020.

4/ The Affordable Housing and Sustainable Communities program amount reflects 20 percent of the projected Cap and Trade revenues. The Transformative Climate Communities (TCC) program (\$47.5 million in carryover available for 2020-21) funds various activities, including affordable housing.

5/ The State provides a number of wrap-around supportive services through these programs including housing, which cannot be separated from the program's overall budget.

Improving State Housing Processes and Procedures. The Administration is continuing to implement process improvements and reforms to better align its housing programs, which span multiple departments and agencies. This includes reviewing the internal processes and procedures to streamline housing policies, processes, and requirements in an effort to improve the coordination and disbursement of funding across government. The state will continue to pursue policy changes that support housing production as well as hold local jurisdictions accountable to remove barriers to more housing production in the state. This includes exploring over the next year the creation of an agency exclusively

focused on housing and homelessness. The Administration is committed to working with the Legislature this year on additional actions to expedite housing production, including changes to local zoning and permitting processes, as well as adding predictability and reducing the costs of development fees.

Federal Community Development Block Grant Program. The budget includes \$87.5 million in federal disaster assistance to assist the state in mitigation and disaster preparedness efforts in light of the housing instability of victims of recent natural disasters.

Transit Oriented Development Program Alignment. The budget includes \$53 million in 2020-21 for the Transit Oriented Development Program as part of HCD's efforts to align its program award schedules for efficient distribution of housing funds.

Cannabis Regulation. After the passage of Proposition 64, the Control, Regulation and Tax Adult Use of Marijuana Act, the Legislature provided three-year, limited-term resources in the 2017 Budget Act to allow various state entities to perform their respective duties related to cannabis activities. These resources will expire at the end of this fiscal year. The budget consolidates the licensing entities into one standalone department, the Department of Cannabis Control.

Cannabis Taxes. The budget proposes to simplify tax administration for cannabis by changing the point of collection of cannabis taxes. The cannabis cultivation tax will be collected from the first distributor, instead of the final, and the retail excise tax collection will shift from the distributor to the retailer.

Local Cultural Districts. The budget proposes \$9 million one-time General Fund to the California Arts Council to support the existing 14 cultural districts and the addition of cultural districts in underrepresented areas, such as the Inland Empire and the Central Valley.

California Arts Council: Disaster Readiness. The budget includes \$1 million for the Arts Council to develop disaster preparedness guidelines and best practices at the county level to protect and preserve artifacts during a disaster.

California Department of Veterans Affairs (CalVet) Master Plan. CalVet recently released its statutorily required Master Plan for the overall operation of the veterans homes. The Master Plan includes several recommendations, some of which are reflected in the budget:

- **Realigning Levels of Care.** The budget proposes to begin realigning levels of care by adjusting domiciliary populations at Barstow, Chula Vista, and Yountville; converting current Intermediate Care Facilities to Residential Care Facilities at Barstow and Yountville, and increasing Skilled Nursing Facility beds at Barstow.
- **Mental Health Services for Veterans.** The budget includes \$2.3 million ongoing General Fund to improve behavioral health services at the veterans homes by standardizing mental health support staffing.
- **Rightsizing Funding and Support for the Homes.** The budget includes \$6.8 million ongoing General Fund related to funding shortfalls at the three oldest veterans homes.

Infrastructure Plan. The budget proposes to spend \$53.3 billion in state infrastructure over the next five years. This includes \$45 billion for transportation infrastructure over five years, with \$8.7 billion in 2020-21.

California Cybersecurity Integration Center. The budget proposes \$11.3 million one-time (\$8.3 million General Fund) and \$38.8 million ongoing (\$29.4 million General Fund) and 85 positions to strengthen the state's information technology security operations.

Department of Technology Security Operations Center and Audit Program. The budget proposes \$15.1 million General Fund to convert 49 existing Office of Information Security positions currently funded through the Technology Services Revolving Fund. The requested funding is intended to ensure that the Security Operations Center and the Information Security Program Audit can continue to provide critical statewide security benefits to state entities.

Fresno-Merced Food Innovation Corridor. The budget includes \$33 million one-time General Fund for the establishment of an innovation corridor to support advanced sustainable agricultural production and jobs in the San Joaquin Valley.

BreEZe Maintenance. The budget proposes \$15.1 million in 2020-21 for BreEZe system maintenance (of which would be \$11.5 million special fund) used by the Department of Consumer Affairs, and to fund credit card processing fees on behalf of users of credit card payments.

Horse Racing Safety Panel. The budget proposes \$1.3 million Horse Racing Fund in 2020-21 and ongoing for 12 positions to implement safety panels at all California tracks.

Department of Business Oversight (DBO)

- **Expanding Role of DBO to Consumer Financial Protection.** Due to the federal government's rollback of the federal Consumer Financial Protection Bureau, the Governor's budget proposes expansion of the DBO to protect Californians from predatory business, enforce consumer rights and monitor safe market practices. Given this new role, the Governor proposes DBO be changed to the Department of Financial Protection and Innovation. This new department will carry out all functions of DBO along with expanded new authorities of pursuing unlicensed financial services and providers not currently subject to regulatory oversight such as debt collectors, credit reporting agencies and financial technologies (fintech) companies, among others.

The Governor's budget proposes \$10.2 million Financial Protection Fund and 44 positions, growing to \$ 19.3 million and 90 positions in 2022-23 for the new California Consumer Financial Protection and Innovation Department. Use of funds is proposed to go towards licensing and examining new industries, researching market developments of consumer products and services, offering consumer services for financial empowerment for older Americans, military service members, and recent immigrants, offering legal support for administration of new law, providing enforcement to prevent unfair and abusive practices, establishing new Financial Technology Innovation Office and expanding administrative and information technology staff to support increased regulatory responsibilities.

Governor's Office of Business and Economic Development

Climate Catalyst Fund. The Governor's budget proposes \$250 million one-time General Fund in 2020-21 and one-time General Fund in 2023-24 to establish a new revolving loan fund to provide zero or low-interest loans for climate-related projects and technologies focused on technologies commercialized but not deployed at scale.

State Controller's Office

The Governor's budget proposes eight significant budgetary changes to the State Controller's office.

- \$3.4 million in 2020-21, \$1.7 million in 2021-22 and \$1.2 million in 2022-23 to support seven permanent positions and contracted service costs during the Project Approval Lifecycle process.

- \$3.1 million in 2020-21, \$4.9 million in 2021-22 and \$2.9 million in 2022-23 towards workload for the California Automated Travel Expense Reimbursement System replacement project.
- \$898,000 in 2020-21 and ongoing to support seven permanent positions to maintain and support the employment related to Other-Post employment Benefits deductions workload and automation.
- \$540,000 in 2020-21 and \$531,000 ongoing to support three permanent positions for ongoing program administration and one permanent position to address workload related to Chapter 794, Statutes of 2019 (AB 133).
- \$2.1 million in 2020-21 and 2021-22 and \$1.6 million ongoing to address increased administrative operational costs.
- \$571,000 shifted from reimbursement to the Road Maintenance and Rehabilitation Account, State Transportation Fund in 2020-21 and ongoing to fund audits of the Road Maintenance and Rehabilitation Program pursuant to Chapter 5, Statutes of 2017 (SB 1).
- \$ 852,000 shifted from reimbursement to General Fund (\$486,000) and Central Service Cost Recovery Fund (\$366,000) in 2020-21 and ongoing to support audits and oversight reviews of local government agencies pursuant to Government Code Section 12422.5.
- \$303,000 shifted from reimbursement to the Safe Neighborhood and School Fund in 2020-21 and ongoing funds to support audits of Proposition 47 grant programs as required by Government Code Section 7599.2.

Franchise Tax Board (FTB)

- **Enterprise Data to Revenue Project Phase Two.** The Governor's budget proposes \$1.1 million General Fund for five permanent and five limited-term positions to begin the second phase of the FTB's tax system modernization information technology project.
- **Vehicle Registration Collections Program.** The budget also includes a proposed \$ 2.1 million special fund for the replacement of Delinquent Vehicle Registration System.
- **California Competes.** The Governor's budget proposes \$ 2.3 million General Fund to convert 14 limited-term positions to permanent and add two new positions

at California Competes to continue administering provisions of the California Competes Tax Credit.

- **Earned Income Tax Credit and Voluntary Income Tax Assistance Support.** The Governor's budget proposes \$1.2 million General Funds and five positions to support education, outreach and free tax preparation services for the Earned Income Tax Credit and Voluntary Income Tax Assistance Support program.

Labor, Public Employment and Retirement

California Workforce Development Board (CWDB)

Social Enterprise for Economic Development Initiative. The budget includes \$10 million General Fund one-time to establish the initiative to provide micro-grants and entrepreneurial training to immigrants.

Employment Development Department (EDD)

Assembly Bill 5 (Gonzalez), Chapter 296, Statutes of 2019 Implementation. The budget provides \$3.4 million for EDD to train staff to administer the ABC Employment Test, and to conduct hearings and investigations of worker status.

Paid Family Leave. The budget proposes legislation to provide job protections and \$1 million ongoing to assist small businesses that extend paid family leave benefits to their employees.

Benefit System Modernization. The budget include \$46 million and 14.7 positions for 2020-21 to begin the design, development and implantation phase of the project.

Department of Industrial Relations (DIR)

Assembly Bill 5, Chapter 296, Statutes of 2019 Implementation. The budget provides \$17.5 million to DIR to address workload associated with workers compensation, investigations of labor laws and workplace health and safety violations and inspections.

Labor Agency Strategic Outreach. The budget provides \$18.4 million in special funds for 2020-21 to 2022-23 to develop and implement an intra-agency outreach plan to raise awareness of workplace rights and provide assistance to low-wage workers and improve state labor law enforcement.

California Public Employees' Retirement System (CalPERS)

State Contribution. The budget includes \$7 billion one-time (\$4 billion General Fund) for the statutorily required annual state contribution to CalPERS for the state pension costs. This includes \$739 million General Fund for California State University retirement costs.

Surplus Money Investment Fund Loan (SMIF). The budget provides \$817 million Proposition 2 funds to repay the General Fund portion of the 2017-18 \$6 billion supplemental pension payment from the SMIF.

Supplemental Pension Payment. The 2019 budget provided \$3 billion supplemental pension payment to be paid over 2018-19 through 2022-23. The budget proposes to accelerate the remaining payments scheduled over 2020-21 through 2022-23 into a single \$500 million payment in 2019-20.

California State Teachers' Retirement System (CalSTRS)

State Contribution. The budget includes \$3.6 billion one-time General Fund for the required annual state contributions to CalSTRS. In addition, the budget includes \$802 million Proposition 2 funds for a supplemental pension payment as required in the 2019 Budget Act.

Pension Administration System. The budget includes \$53 million for the implementation and integration of the new pension administration system that will replace the existing legacy system.

Employee Compensation

Health Care Benefits. The budget includes \$6.1 billion for health care benefits for state employees, retirees and their family members. Of this, \$2.4 billion is for retiree health care benefits.

Employee Compensation and Collective Bargaining. The budget includes \$1.5 billion ongoing (\$654 million General Fund) for increased employee compensation, healthcare costs for active employees, and retiree health care prefunding for active employees.

Department of Better Jobs and Higher Wages

The budget creates the Department of Better Jobs and Higher Wages, which will consolidate the CWDB, the Employment Training Panel, EDD's workforce services

branch and labor market information division, and DIR's division of apprenticeship standards. The budget includes \$2.4 million one-time General Fund to establish executive staff for the new department.

Public Safety, Corrections, and the Judiciary

California Department of Corrections and Rehabilitation (CDCR)

The budget proposes total funding of \$13.4 billion (\$13.1 billion General Fund and \$306.5 million other funds) for the CDCR in 2020-21.

Adult Institution Population. The adult inmate average daily population is projected to decrease by one percent from 125,871 in spring 2019 to 124,655 in 2020-21. The overall current projections, however, show that the adult inmate population is trending downward and is expected to decrease by 939 between 2019-20 and 2020-21.

Parolee Population. The average daily parolee population is projected to increase by less than one percent from 50,442 in 2019-20 to 50,453 in 2020-21.

Prison Closure Plans. The steady decline in adult prison population has opened the opportunity to reduce the state's reliance on contract prison capacity. As a result of the projected decline in population, the budget projects ending all private in-state contract correctional facilities for male inmates by April 2020, phasing out two of the remaining three male, public in-state contract corrections facilities by 2021, and phasing out the third facility no later than July 2022. Additionally, given the projected decline in inmate population by 4,300 between June 2021 and June 2024, the Administration intends to close a state-operated prison in the next five years.

Continued Reorganization of Division of Juvenile Justice to the Health and Human Services Agency. The 2019 Budget Act moves youth correctional facilities from the CDCR to a new department under the Health and Human Services Agency. This new department will be called the Department of Youth and Community Restoration (DYCR), effective July 1, 2020. DYCR will consist of 1,415.9 positions and \$289.7 million (\$260.8 million General Fund) in 2020-21 and \$295.6 million (\$266.8 million General Fund) in 2021-22 and ongoing.

Inmate Rehabilitation and Reentry. The budget proposes \$552.7 million General Fund for providing rehabilitative programming for incarcerated individuals. Specifically, the budget proposes the following increases:

- \$6.2 million General Fund in 2020-21 and \$10.1 million General Fund ongoing, to establish Youth Offender Rehabilitative Communities. These programs will cluster 5,800 incarcerated youth under the age of 26 together at select adult institutions in campus-style environments. A model program will be established at Valley State Prison in Chowchilla.
- \$26.9 million General Fund in 2020-21, declining to \$18 million ongoing to provide increased access to modern technology for inmates participating in academic and vocational training.
- \$1.8 million General Fund in 2020-21, and \$3.5 million ongoing for tuition, books, materials, training, and equipment for students participate in bachelor's degree programs at several prisons including Valley State Prison in Chowchilla. The CDCR is planning to partner with California State University to establish such programs.
- \$4.6 million General Fund in 2020-21 and ongoing to add an additional visitation day at nine institutions.

Staff Support and Development. The budget proposes \$21.4 million General Fund in 2020-21, declining to \$19.8 million ongoing General Fund in 2023-24 to give new training for correctional officers and counselors for better interactions with incarcerated populations.

Support for Roof Replacements. The budget includes \$78.2 million General Fund over two years for roof replacement projects, including Pelican Bay State Prison and California State Prison, Sacramento.

Health Care Facility Updates at California Rehabilitation Center. The budget includes a one-time allocation of \$5.9 million General Fund to replace damaged flooring, walls, wall-mounted air conditioning units, counters, and storage spaces in existing health care treatment areas at California Rehabilitation Center.

Video Surveillance. The budget includes \$21.6 million General Fund in 2020-21 and \$2.1 million General Fund ongoing to expand video surveillance at Richard J. Donovan Correctional Facility, Salinas Valley State Prison, and California Institution for Women.

Inmate Medical Care and Mental Health Services. The budget proposes \$3.6 billion for inmate health care services programs. This includes:

- \$9.9 million General Fund in 2020-21 and \$11.8 million General Fund ongoing to provide staff that will evaluate risks and implement best practices to improve health care delivery

- \$1.5 million General Fund in 2020-21, increasing to \$2.3 million General Fund ongoing by 2024-25 to establish dedicated funding for replacing the CDCR's medical imaging equipment.
- \$5.9 million General Fund in 2020-21, increasing to \$8.4 million General Fund ongoing by 2024-25 to expand telepsychiatry support
- \$1.4 million General Fund ongoing for contract psychiatry services to meet the federal court order to fill at least 90 percent of the state prison system's psychiatry positions.

Local Public Safety

Adult Probation Reform. The budget includes \$60 million General Fund annually for three years and \$30 million General Fund in 2023-24 to supervise and provide probation for those with misdemeanor charges. The budget also includes reforms to reduce felony and misdemeanor probation terms to two years, and allow for earned discharge.

Local Jail Oversight. The Administration proposes to strengthen the state's oversight of county jails through the Board of State and Community Corrections (BSCC). The Administration proposes that the BSCC will engage with counties that have had deficiencies identified by inspectors, provide technical assistance, and ensure that jails are in accordance with national best practices.

Post Release Community Supervision. The budget includes \$13.8 million General Fund for county probation departments to supervise the temporary increase in offenders on post release community supervision as a result of the implementation of court-ordered measures and Proposition 57.

Proposition 47 State Savings. The Administration estimates that the net savings associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014), will be \$122.5 million, a \$44 million increase over estimated savings in 2019-20.

State Public Defender and Indigent Defense Services. The budget includes \$4 million General Fund in 2020-21 and \$3.5 million General Fund annually thereafter to expand the Office of the State Public Defender's mission so that it includes the improvement of the quality of indigent defense services. As well, the budget includes \$10 million General Fund on a one-time basis for BSCC to partner with the Public Defender Office to administer a grant program on a pilot basis to improve indigent defense services. This program will include an evaluation of the grants' effectiveness.

Department of Justice (DOJ)

The budget includes total funding of approximately \$1.1 billion, including \$370.2 million General Fund, to support the DOJ.

Healthcare Rights and Access Section. The budget includes \$9 million ongoing (\$2.2 million General Fund, \$3.7 million Attorney Antitrust Account, and \$3.2 million Unfair Competition Law Fund) to consolidate and centralize healthcare litigation activities within the DOJ.

Tax Recovery in the Underground Economy (TRUE). The budget includes \$5.7 million General Fund to provide resources to the existing two TRUE teams to prosecute violations of labor, tax, insurance, and licensing laws by businesses and individuals in the underground economy.

Bureau of Firearms Workload. The budget includes a one-time \$2.4 million Dealers' Record of Sale Account allocation to begin the planning and analysis phase of consolidating and modernizing the existing 11 firearms tracking systems. The budget also includes multiple proposals to implement recently enacted firearms legislation.

Bureau of Forensic Services. The budget proposes one-time allocation of \$22 million General Fund and \$10 million Fingerprint Fees Account to backfill the continued decline in fine and fee revenues in the DNA Identification Fund. This funding will enable the DOJ to continue processing forensic evidence for client counties. Moreover, the budget includes \$7.3 million General Fund to establish a replacement schedule to regularly maintain and replace forensic laboratory equipment.

California Law Enforcement Telecommunications System (CLETS). The budget includes \$2.8 million General Fund in 2020-21, \$3.3 million in 2021-22, and \$2.9 million annually thereafter to conduct investigations and monitor compliance with AB 1747 (Gonzalez), Chapter 789, Statutes of 2019, which limits CLETS use for immigration enforcement purposes.

Criminal Records: Automatic Relief. The budget includes \$3.6 million Fingerprint Fees Account in 2020-21, declining to \$1.9 million annually in 2023-24 to implement AB 1076 (Ting), Chapter 578, Statutes of 2019, which requires the DOJ, as of January 1, 2021, to review its criminal justice databases on a weekly basis, identify persons who are eligible for relief by having either their arrest records or conviction records withheld from disclosure, with specified exceptions, and requires the DOJ to grant that relief to the eligible person without a petition or motion to being filed on the person's behalf.

The Judicial Branch

The budget includes total funding of \$4.3 billion (\$2.2 billion General Fund and \$2.1 billion other funds) in 2020-21 for the Judicial Branch, of which \$2.4 billion is provided to support trial court operations.

Trial Court Investments. The budget includes a total of \$177.9 million General Fund ongoing for the Judicial Council to complement efforts made by the Judicial Council to improve and modernize trial court operations, and increase access to justice statewide. This proposed funding will be for the following:

- \$61.7 million General Fund for a cost of maintaining existing service levels.
- \$45.9 million General Fund for trial court operations.
- \$35.1 million General Fund for employee health benefit and retirement costs.
- \$35.2 million General Fund to continue backfilling the Trial Court Trust Fund for the revenue decline expected in 2020-21.

Court Navigator Program. The budget proposes \$8.1 million General Fund in 2020-21, growing to \$15.5 million General Fund in 2021-22 and ongoing to provide court navigators at trial courts to assist unrepresented individuals with navigating the complexities of the court system.

Investments in Information Technology. The budget proposes \$10.3 million General Fund in 2020-21 decreasing to \$2.8 million in 2022-23 and ongoing to advance activities that expand the use of new technology in the courts and improve access to justice for Californians accessing the court system. The budget also includes \$6.9 million General Fund in 2020-21 and \$11.3 million General Fund in 2021-22 to implement the second and third phases of an initiative to digitize court records in 15 appellate and trial courts.

Reducing Criminal Fines and Fees for Low-Income Californians. The budget includes \$11.5 million General Fund in 2020-21, increasing to \$56 million General Fund ongoing by 2023-24 for the statewide expansion of a program that allows low-income and indigent individuals to apply online to have their fines and fees for traffic and non-traffic infractions reduced. This proposal is a continuation of a pilot project enacted as part of the 2018 Budget Act. The 2018 Budget Act included \$3.4 million General Fund and seven positions in 2018-19, and \$1.4 million and seven positions ongoing, for an eight-court pilot with the goal of moving toward a civil model for adjudication of minor traffic violations and simplifying current criminal procedures. The \$56 million in 2023-24 includes two components:

- \$2 million General Fund to implement an online application system
- \$54 million General Fund to backfill the estimated loss in revenue to support trial court operations as a result of penalty reductions.

Appointed Legal Counsel in Civil Cases. The budget includes \$11.2 million ongoing Trial Court Trust Fund for Sargent Shriver Civil Counsel Act programs that provide legal representation for low-income litigants in civil cases

Language Access. The budget includes \$8.9 million General Fund in 2020-21 and \$8.5 million General Fund ongoing starting in 2021-22 for the increased costs of court interpreters and to purchase equipment for the newly established Video Remote Interpreting Program.

Appellate Court Appointed Counsel Projects. The budget proposes \$1.2 million General Fund to cover increased costs of rent, staff salaries and benefits, record collection and preservation and training.

Statutory Statewide External Audit Program. The budget includes \$1 million General Fund for the State Controller's Office to complete audits of revenues, expenditures, and fund balances under each trial court's control.

Office of Emergency Services

Governor's Office of Emergency Services (Cal OES): Administrative Resources. The budget proposes \$9.4 million and 50 positions to help Cal OES to anticipate, prepare for, respond to, and recover from disasters.

California Disaster Assistance Act (CDAA). The budget proposes \$16.7 million one-time General Fund to increase the amount of funding available through the CDAA. This augmentation increases the total CDAA funding included in the budget to \$79.3 million.

Public Safety Power Shutdowns. The budget proposes an additional \$50 million one-time General Fund to support additional preparedness measures that bolster community resiliency for power shutdowns.

California Earthquake Early Warning System. The budget proposes \$17.3 million one-time California Earthquake Safety Fund, which relies on a \$17.3 million one-time General Fund loan, for operation and maintenance of the system.

Alfred E. Alquist Seismic Safety Commission. The budget proposes to transfer the Commission, including its six positions and associated funding, to Cal OES beginning in 2020-21. To support this transfer, the budget proposes \$3 million (\$949,000 General Fund) in 2020-21 and \$2.7 million (\$713,000 General Fund) ongoing. The budget also proposes a reduction in the number of appointed Commissioners from 20 to 15, and an expansion of entities required to provide updates to the Commission on earthquake preparedness and seismic safety activities.

California Victim Compensation Board

Restitution Fund Backfill. The budget proposes to backfill the Restitution Fund, which recovers monies owed by restitution fines and orders, by \$23.5 million General Fund.