



SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
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Sacramento, CA 95814

Senator Holly J. Mitchell, Chair

OVERVIEW OF THE MAY REVISION
May 11, 2018

Staff of the Senate Committee on Budget and Fiscal Review prepared the attached Overview of the May Revision. More detailed program information follows these highlights as described in the Table of Contents. Please note that this is not a comprehensive analysis of the May Revision. Staff is currently working on detailed analyses for legislative hearings beginning May 14, 2018.

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OVERVIEW OF THE GOVERNOR'S 2017-18 MAY REVISION

On May 11, 2018, the Governor released his May Revision for budget year 2018-19. The Governor now projects budget year General Fund expenditures of \$137.6 billion, revenues of \$138.3 billion (before transfers), and \$3.2 billion in the Special Fund for Economic Uncertainties (SFEU), the state's general budget reserve. Compared to January, the revenues represent an increase of \$3.2 billion and the SFEU displays an increase of \$950 million. In addition, the Governor adjusts some assumptions in the current year and budget year regarding expenditures in certain programs. The Governor's overall budgetary framework continues to be balanced over the forecast period. The budget plan would continue to reduce budgetary and other obligations and the Administration continues to highlight the value of preparing for future economic downturns. The General Fund budget summaries for January and May are listed below:

**2017-18 and 2018-19
General Fund Summary
(Dollars in Millions)**

	January Budget		May Revision	
	2017-18	2018-19	2017-18	2018-19
Prior Year Balance	\$4,611	\$5,351	\$5,673	\$8,452
Revenues and Transfers	127,252	129,792	129,825	133,513
Total Resources	131,863	135,143	135,498	141,965
Non-Proposition 98	73,771	77,126	73,665	82,537
Proposition 98	52,741	54,564	53,381	55,025
Total Expenditures	126,512	131,690	127,046	137,562
Fund Balance	5,351	3,453	8,452	4,403
Encumbrances	1,165	1,165	1,165	1,165
Special Fund for Economic Uncertainties	4,186	2,288	7,287	3,238
Budget Stabilization Act.	\$8,411	\$13,461	\$9,410	\$13,767

Economic Forecast. The Governor's economic forecast notes that California grew to be the fifth largest economy in the world in 2017, with every sector except for agriculture adding to growth. The Governor's May Revision forecast assumes that the federal tax package and the increase in federal spending will contribute to economic growth in 2018 and 2019, but will mostly benefit high-income individuals. The Governor continues to cite a stock market correction, a recession, or global events as the main risks going forward.

Overview of the Governor's 2018-19 May Revision

Personal income in the state is expected to grow by 5.6 percent in 2018, and 4.8 percent in 2019. California's unemployment rate fell to a record low of 4.3 percent in February and March of 2018 and the Governor predicts that an increase in the state's labor force participation rate will allow the unemployment rate to remain near 4.5 percent. An increase in business investment is assumed to accelerate automation in California, with job growth slowing to 1.7 percent in 2018 and decelerating throughout the forecast.

Revenue Changes Since January. Overall, the May Revision forecast for 2016-17 through 2018-19 General Fund revenues has increased \$8 billion from January 2018. This is largely due to increases from the state's three largest revenue sources: a personal income tax increase of \$4.4 billion, a corporation tax increase of \$2.5 billion, and a sales tax increase of \$750 million. Forecasts of local property tax revenues, an important part of meeting the Proposition 98 guarantee that offset, the General Fund obligation, show moderate growth. Property tax revenues are expected to increase by 5.6 percent in 2018-19. About 42 percent (\$29.3 billion) of total 2018-19 property tax revenues will go to K-14 schools.

The General Fund revenue forecasts for the January budget and the May Revision are compared in the following table:

2017-18 and 2018-19 General Fund Revenue Sources (Dollars in Millions)

Revenue Source	January Budget		May Revision	
	2017-18	2018-19	2017-18	2018-19
Personal Income Tax	\$89,403	\$93,593	\$91,971	\$95,009
Sales and Use Tax	25,165	26,151	25,384	26,674
Corporation Tax	10,656	11,224	11,246	12,248
Other Revenues	4,066	4,155	4,226	4,386
Total	\$129,289	\$135,123	\$132,827	\$138,317

Overview of the Governor's 2018-19 May Revision

Change in General Fund Expenditures. The overall General Fund expenditures by program area as proposed in January, and revised in May, are presented below:

2017-18 and 2018-19 General Fund Expenditures (Dollars in Millions)

Agency	January Budget		May Revision	
	2017-18	2018-19	2017-18	2018-19
Legislative, Judicial, Executive	\$3,221	\$3,651	\$3,397	\$4,037
Business, Consumer, Housing	404	432	404	430
Transportation	239	213	232	239
Natural Resources	3,564	3,029	3,506	3,452
Environmental Protection	115	82	214	110
Health and Human Services	35,394	37,383	35,664	38,865
Corrections and Rehabilitation	11,678	11,815	11,687	11,976
K-12 Education	53,489	55,167	54,005	55,833
Higher Education	14,968	15,450	15,123	15,693
Labor and Workforce	147	122	147	123
Government Operations	1,128	1,181	1,134	1,813
General Government	2,165	3,165	1,533	4,991
Total	\$126,512	\$131,690	\$127,046	\$137,562

Key Features of the May Revision. Some highlights of the May Revision are outlined in the sections below.

- **Proposition 98 Guarantee and Investments in Education.** The May Revision provides increased Proposition 98 funding of \$727 million over the Governor's budget for the three-year period of 2016-17 to 2018-19. The overall funding plan for education builds upon the priorities in the January proposal and includes an additional \$320 million in ongoing support for implementation of the Local Control Funding Formula (LCFF), bringing the total LCFF investment in 2018-19 to \$3.2 billion, fully funding the formula. The May Revision also includes a total of \$2 billion in K-12 one-time discretionary funding. Finally, the May Revision makes significant adjustments to the Governor's January proposals regarding the community college funding formula and the online community college proposal, and combines three categorical programs (Student Success and Support, Student Equity, and the Student Success for Basic Skills Programs) into a block grant.
- **University of California (UC) and California State University (CSU).** The May Revision includes budget bill language specifying reductions in the segments general appropriation should UC or CSU implement tuition increases in

Overview of the Governor's 2018-19 May Revision

2018-19. Additionally, the budget provides \$100 million General Fund each to UC and CSU for deferred maintenance.

- **Significant Increase in Medi-Cal Expenditures.** The May Revision estimates total General Fund expenditures for Medi-Cal of \$20.1 billion in 2017-18 and \$22.9 billion in 2018-19, an increase of \$286.3 million in 2017-18 and \$1.3 billion in 2018-19 compared to the Governor's January budget. As a result, the 2017-18 General Fund deficiency has increased from \$543.7 million to \$829.9 million. According to the Administration, the increased expenditures in 2017-18 are primarily attributable to reduced revenue from prescription drug rebates and the managed care organization tax, and increased costs for repayment of deferred federal claims. These increased expenditures are offset by additional savings attributable to reduced managed care payments due to caseload adjustments, the reauthorization of the enhanced federal match for the Children's Health Insurance Program, additional savings from the Hospital Quality Assurance Fee, and reduced base expenditures in the Medi-Cal program.
- **Services to Address Homelessness.** The May Revision proposes various augmentations within the Department of Social Services as part of a larger initiative to address homelessness in California, including increasing funding for the CalWORKs Housing Support Program from \$47 million to \$95 million by 2019-20, increasing the daily rate for a family of four in the CalWORKs Housing Assistance Program from \$65 to \$85 beginning January 1, 2019, and providing \$15 million for a one-time Home Safe Pilot Program in Adult Protective Services for homeless seniors and seniors at risk of losing their homes.
- **CalWORKs Single Allocation.** The May Revision proposes an increase of \$55.8 million federal Temporary Assistance for Needy Families (TANF) block grant funds in 2018-19 to reflect adoption of a revised budgeting methodology for county administration of the CalWORKs eligibility determination process.
- **Climate Resiliency and Adaptation.** The May Revision proposes over \$391 million for climate resiliency and adaptation investments related to: 1) forestry management; 2) biodiversity preservation; and 3) flood control.
 - **Forest Carbon Plan.** The May Revision proposes \$96 million to implement recommendations of the Forest Carbon Plan.
 - **Prescribed Fire and Fuel Reduction.** The May Revision includes \$26.8 million Greenhouse Gas Reduction Fund (GGRF) and 79 positions for the Department of Forestry and Fire Protection

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(CalFire) for fuel reduction projects through the operation of six year-round prescribed fire crews and implementation of a forest health research and monitoring program.

- **Flood Control Infrastructure.** In recognition of the impacts of climate change and the likelihood of more severe storms and extreme weather events in the coming decades, the May Revision proposes \$295 million General Fund to enhance the state's resilience against catastrophic flooding.
 - **Urban Flood Control Projects.** The May Revision includes \$170 million General Fund to support the state cost-share of U.S. Army Corps of Engineers' urban flood control projects. This funding will help the state's ability to leverage approximately \$690 million in federal funding.
- **Emergency Response Efforts.** The May Revision includes a total of \$17.3 million to improve California's emergency response system. \$15 million is to update the California Public Safety Microwave Network. \$1.6 million is to assist with disaster response and emergency management coordination, and \$678,000 is to train local agencies on the effective use of tools to coordinate disaster response efforts.
- **Disaster Recovery Efforts.** The May Revision includes a total of \$12 million to address increased disaster recovery workload and provide workers' compensation benefits to injured volunteers and survivors. In addition, a one-time augmentation of \$49.5 million is included to increase the amount of funding available through the California Disaster Assistance Act.
- **Cannabis Regulation and Enforcement.** The May Revision includes a total of \$133.3 million to various departments for cannabis-related activities. Activities include licensing and enforcement (\$73.24 million), tax collection and business filings (\$6.7 million), hearings and appeals (\$14.4 million), illegal market enforcement (\$14 million), community engagement (\$10 million), research (\$12 million), and the development of protocols to identify impaired drivers (\$3 million). Activities also include the creation of four investigative teams and one interdiction team at the Department of Justice to combat large-scale illegal cannabis activities.
- **Deferred Maintenance.** The May Revision includes \$2 billion to address critical deferred maintenance projects.

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- **Inmate Health Care.** The May Revision includes \$105.8 million General Fund annually for three years, beginning in 2018-19, to expand Hepatitis C treatment to all infected inmates in state prison and \$18.1 million General Fund for contract psychiatry services needed to meet a federal court order to fill at least of 90 percent of the state prison system's psychiatry positions.
- **Drug and Contraband Interdiction and Medication Assisted Treat Pilot.** The May Revision includes \$9.1 million General Fund to pilot a comprehensive Drug Interdiction program and a Medication Assisted Treatment program at the Substance Abuse Treatment Facility.
- **Earned Income Tax Credit.** The May Revision expands the Earned Income Tax Credit to working individuals who are aged 18 to 24 or over 65. In addition, the income range is proposed to be expanded so that more employees working up to full-time at the 2019 minimum wage rate of \$12 per hour would qualify for the credit. These expansions are expected to cost \$60 million in 2018-19 and benefit over 700,000 households.
- **Budget Stabilization Account.** The May Revision continues to fully fund the Budget Stabilization Account (BSA). However, due to increased revenues, the discretionary deposit decreases from January (from \$3.5 billion to \$2.6 billion). The BSA's balance will be \$13.8 billion at the end of 2018-19. The total amount available for debt payment will increase slightly from \$1.5 billion to \$1.7 billion. The table on the following page shows the updated debt repayment plan in 2018-19.

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**Debts and Liabilities
Payments Under Proposition 2
(Dollars in Millions)**

	Outstanding Amount	January Payment Plan	May Payment Plan
Budgetary Borrowing			
Special Fund Loans	\$1,248	\$205	\$205
Weight Fees	1,150	325	382
Proposition 98 Settle-Up	440	100	100
Non-Proposition 98 Mandates	18	0	18
Transportation Loans	471	235	235
State Retirement Liabilities			
State Retiree Health	91,008	195	195
State Employee Pensions	58,765	475	611
Teacher Pensions	103,468	0	0
Judges Pensions	3,277	0	0
CalPERS Deferred Payments	682	0	0
UC Retirement Liabilities			
Employee Pensions	10,851	0	0
Retiree Health	19,331	0	0
Total	\$290,709	\$1,535	\$1,746

K-12 EDUCATION AND CHILD CARE

The May Revision includes \$96.2 billion total funds (\$57.4 billion General Fund and \$38.8 billion other funds) for all K-12 education programs.

PROPOSITION 98 – K-14 EDUCATION

- **Changes to the Minimum Guarantee.** The May Revision provides increased Proposition 98 funding of \$727 million over the Governor's budget for the three-year period of 2016-17 to 2018-19. More specifically, the May Revision funds the Proposition 98 guarantee for the 2016-17 through 2018-19 fiscal years at \$71.6 billion, \$75.6 billion, and \$78.4 billion, respectively. Compared to January, this reflects the following yearly changes:
 - An increase of approximately \$252 million in 2016-17.
 - An increase of approximately \$407 million in 2017-18.
 - An increase of approximately \$68 million in 2018-19.

These levels reflect increases in General Fund revenues in each year over the three year period, updated per capita income factors, and a reduction in maintenance factor payments largely due to increased revenues. The Proposition 98 maintenance factor balance is generated in years when state revenues do not keep pace with economic growth, and is paid back in years with strong revenue growth. Under the May Revision proposal, the maintenance factor balance is completely eliminated in 2017-18.

- **Settle-Up.** The May Revision continues to provide \$100 million in settle-up payments in the 2018-19 year that will count toward meeting the 2009-10 Proposition 98 minimum guarantee. The need for settle-up results when the Proposition 98 guarantee estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum guarantee. Proposition 98 requires the state to make a "settle-up" payment, or series of payments, in order to meet the final guarantee for that year. After this payment, the state would owe approximately \$340 million in settle-up for years prior to 2014-15. The May Revision includes a schedule of settle-up repayments in the multi-year budget tables as follows: \$100 million in 2019-20, \$190 million in 2020-21, and \$50 million in 2021-22. This schedule is consistent with other changes proposed in the May Revision for finalizing the Proposition 98 Guarantee level in past years.

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- **Local Control Funding Formula.** The May Revision includes approximately \$3.2 billion for implementation of the LCFF formula (an increase of \$320 million over the Governor's Budget), which fully funds LCFF targets in the 2018-19 fiscal year, including an increase in the cost-of-living-adjustment (COLA) from 2.51 to 2.71 percent. This LCFF increase also includes \$166 million in additional funding over the required COLA.
- **Discretionary Funds / Mandate Backlog Reduction.** The May Revision includes \$2 billion in discretionary one-time Proposition 98 funding provided to school districts, charter schools, and county offices of education (an increase of \$286 million over the Governor's Budget). The Administration indicates that this funding allows for continued investments in implementing state-adopted academic content standards, upgrading technology, providing professional development, supporting beginning teacher induction, supporting employee benefits and addressing deferred maintenance projects. These funds would continue to offset outstanding mandate reimbursement claims, although the amount may be adjusted to account for any outstanding balances school districts have related to Medi-Cal billing practices (estimated at \$222 million).

PROPOSITION 98 – OTHER MAJOR CHANGES FOR K-12 EDUCATION

- **Proposition 98 Certification.** The May Revision proposes to certify (or adopt a final Guarantee level) for the Proposition 98 Guarantee from 2009-10 through 2015-16. Moving forward, the Administration proposes a new process for certification of the final Proposition 98 Guarantee level in a given year. At the May Revision, the Administration would publish the Proposition 98 Guarantee level and underlying factors for the prior year and allow for a review period through October. If there are no challenges, the Guarantee level would be certified for the prior year. The Guarantee level was last certified for 2008-09. Any funding in excess of the certified minimum Guarantee level may be deemed to meet Guarantee obligations in future years, and any amount of settle-up owed would be paid over a specified time period. Finally, the Administration proposes to rebench (or adjust the Guarantee calculation) in the 2015-16 year for the inclusion of additional child care wraparound services that were funding within Proposition 98 beginning in 2015-16.

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- **K-12 Career Technical Education (CTE).** The May Revision continues to include the Governor's Budget proposal to provide \$200 million in ongoing Proposition 98 General Fund for K-12 CTE programs through the Strong Workforce Program. The May Revision clarifies that the K-12 selection committee within each consortia shall control grant award decisions, includes a role for technical assistance providers that were established under the California Career Pathways Trust Program, and provides an additional \$2 million for consortia administrative costs.
- **Other Adjustments.** The May Revision also includes the following increases:
 - **Local Property Taxes.** \$137.2 million Proposition 98 General Fund in 2017-18 and \$278.1 million in 2018-19 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.
 - **Fire-Related Property Tax Backfill.** \$12.3 million Proposition 98 General Fund in 2017-18 and \$17.8 million in 2018-19 to backfill lost property tax revenue for K-12 schools impacted by last fall's wildfires.
 - **Average Daily Attendance.** \$46.8 million Proposition 98 General Fund in 2017-18 and \$42.6 million in 2018-19 for school districts, charter schools, and county offices of education as a result of changes in projected attendance.
 - **English Language Proficiency Assessments.** \$27.3 million one-time Proposition 98 General Fund to convert the English Language Proficiency Assessment for California (ELPAC) to a computer-based assessment and develop an alternative version of the ELPAC for students with exceptional needs.
 - **Community Engagement.** \$13.3 million in one-time Proposition 98 General Fund for a Community Engagement Initiative to build the capacity of school districts to engage effectively with local communities in the development of Local Control and Accountability Plans.
 - **Multi-Tiered Systems of Support (MTSS).** \$15 million in one-time Proposition 98 General Fund to expand the MTSS framework to foster positive school climate in both academic and behavioral areas.

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- **Federal Restart Grant.** \$13.9 million one-time federal funding to assist local educational agencies with expenses related to reopening schools impacted by the California wildfires in 2017.
- **Early Math Initiative.** \$11.8 million one-time federal funding to support additional early math resources, including professional development for educators, and learning opportunities for children from pre-K through grade 3.
- **Charter School Facility Grant Program.** \$21.1 million in one-time Proposition 98 General Fund in 2017-18 and a decrease of \$3.6 million in 2018-19 to align program funding with estimated participation.
- **Cost-of-Living Adjustments.** \$10.6 million Proposition 98 General Fund to selected categorical programs, including state preschool, based on a revised cost-of-living factor of 2.71 percent for 2018-19, increased from the 2.51 percent estimated in January.

Child Care and Early Childhood Education

- **Funding Adjustments.** Overall, the May Revision increases funding for child care and preschool programs by \$127 million from the January proposal, for a total of approximately \$4.5 billion, including transitional kindergarten. Funding for CalWORKs child care increased from Governor's Budget by \$104 million for a total of \$1.3 billion, reflecting changes in caseload adjustments and average cost of care estimates in Stages 1, 2, and 3. The changes result in an increase of \$335,000 in Stage 1, \$41.5 million in Stage 2, and \$62.5 million in Stage 3.
- **Federal Quality Funds.** The May Revision includes \$17 million one-time federal carryover funds for quality improvement activities.
- **Early Education Expansion Grant.** The May Revision continues to provide \$167 million to fund the Governor's January proposal, which provides one-time competitive grants to providers. The January budget funded the grants using \$125 million 2018-19 Proposition 98 and \$42 million TANF. The May Revision instead funds the proposal using \$167 million 2017-18 Proposition 98 funding.

HIGHER EDUCATION

CALIFORNIA COMMUNITY COLLEGES (CCC)

- **Student Focused Funding Formula.** The May Revision modifies the Governor's January budget proposal by specifying 60 percent as a base funding allocation, 20 percent as a supplemental funding allocation, and 20 percent as a student success incentive funding allocation.
 - **Supplemental funding allocation.** The revised components of supplemental metrics includes: the number of low-income students over the age of 25 receiving the College Promise Grant fee waiver (formerly the Board of Governor's Fee Waiver), AB 540 students, and the total number of students receiving the Pell grant.
 - **Student Success Incentives.** The revised components of the student success metrics include: completion of associate degrees and certificates over 18 units, Associate Degrees for Transfer (ADT), successful transfer to four-year institutions, completion of transfer-level math and English courses in the first year, obtaining a regional living wage within 12 months of completing a degree or certificate program, and successfully completing nine units of career technical education courses. Additionally, the revised formula provides an incentive for successful outcomes for economically disadvantaged students.
 - **Hold Harmless Provisions.** The May Revision provides colleges with an additional hold harmless year in 2018-19 and 2019-20 to ensure that no colleges will receive less than what they received in 2017-18.
- **Categorical Consolidation.** The May Revision proposes to integrate the Student Success and Support, Student Equity, and the Student Success for Basic Skills Programs into a block grant.
- **Online College.** The May Revision modifies the Governor's January proposal with the following:
 - **Governance.** Specifies that the Board of Governors would serve as the governing board of the online community college, and that the Chancellor and Board of Governors would choose the president of the online college.

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The president will establish an advisory council, which will include local trustees and employees of the college.

- **Collective Bargaining.** The college would partner with an existing district for the purpose of establishing a collective bargaining agreement. The online college's president would retain authority to recommend staff for hire and to assign and direct staff workload.
- **Student Success.** In addition to outcome measures that other colleges report, the online college would provide a comprehensive status report in its third year of operation regarding student outcomes, among other measures.
- **Accreditation.** While the college is seeking accreditation, the Workforce Development Board would certify that programs offered by the college have job market value. Additionally, the proposal would direct the college to explore a process for allowing students to retroactively obtain credit units.
- **Curriculum.** The proposal would clarify that the intent of the online college is to create unique content and not duplicate content offered by local colleges. The faculty of the online college would also review the Online Education Initiative protocols for online content and adopt them as appropriate.

The May Revision summary notes that the first two pathways developed by the college would be information technology support credential and medical coding credential programs.

- **Discretionary Resources for Specified Districts.** Provides \$104 million one-time Proposition 98 General Fund to provide limited-term discretionary resources to districts whose year-over-year increase in general purpose apportionment funding would be less than 2.71 percent.
- **Financial Aid Technology Improvements.** The May Revision provides an increase of \$13.5 million one-time and \$5 million ongoing Proposition 98 General Fund to upgrade colleges' financial aid management systems.
- **NextUp Program Augmentation:** The May Revision provides an increase of \$5 million Proposition 98 to expand the program, which supports current and former foster youth.

UNIVERSITY OF CALIFORNIA (UC)

- **Base Budget.** The May Revision assumes the release of \$50 million General Fund, associated with the 2017-18 budget conditions regarding activity-based costing, enrollment of transfer students, and completion of recommendations made by the State Auditor in its recent report on the UC Office of the President. However, the summary notes that the Director will determine the release of funds after the Regents act in May.
- **Tuition.** The May Revision proposes budget bill language authorizing the Director of Finance to reduce UC's appropriation by the amount of estimated Cal Grant and Middle Class Scholarship program costs should a tuition increase be implemented in 2018-19.
- **Deferred Maintenance.** The May Revision proposes \$100 million one-time General Fund to support deferred maintenance projects.
- **Mental Health Graduate Medical Education.** The May Revision proposes \$55 million one-time General Fund to support psychiatric graduate medical education programs serving Health Professional Shortage Areas or Medically Underserved Areas in rural portions of the state.
- **Other Proposals.** The May Revision provides \$1.2 million one-time General Fund to provide anti-bias training at UC and CSU, and \$1 million ongoing General Fund to support operations of the Institute of Global Conflict and Cooperation.

CALIFORNIA STATE UNIVERSITY (CSU)

- **Tuition.** The May Revision proposes budget bill language authorizing the Director of Finance to reduce CSU's appropriation by the amount of estimated Cal Grant and Middle Class Scholarship program costs should a tuition increase be implemented in 2018-19.
- **Deferred Maintenance.** The May Revision proposes \$100 million one-time General Fund to support deferred maintenance projects.

CALIFORNIA STUDENT AID COMMISSION (CSAC)

- **Cal Grant Program Costs.** The May Revision proposes a decrease of \$29.1 million in TANF reimbursements in 2018-19, which increases General Fund needed for program costs by a similar amount. Additionally, the May Revision provides an increase of \$29.3 million in 2018-19 to reflect an increase in the number of new recipients in 2017-18.
- **Private Institutions.** The May Revision adjusts the Governor's January proposed trailer bill language regarding the ADT annual admission goals required to maintain the maximum Cal Grant tuition award of \$9,084 for new students attending private nonprofit institutions. These new goals are 2,000 ADT students admitted in 2018-19, 3,000 students admitted in 2019-20, and 3,500 students admitted in 2020-21 and thereafter.

HASTINGS COLLEGE OF LAW

- **UC Path.** The May Revision provides \$1.5 million one-time General Fund to support implementation of the UC Path Project at Hastings.
- **Deferred Maintenance.** The May Revision provides an increase of \$1 million one-time General Fund to support deferred maintenance projects.

CALIFORNIA STATE LIBRARY

- **Various Proposals.** The May Revision provides an increase of \$663,000 General Fund to purchase materials to protect and restore damaged books, \$44,000 General Fund ongoing to support the California Newspaper Project at UC Riverside, and \$195,000 General Fund ongoing to preserve information on state websites collected by the State Archivist.

NATURAL RESOURCES

CLIMATE RESILIENCY AND ADAPTATION

Shortly after the release of the Governor's January budget, the Administration proposed four initiatives to increase greenhouse gas (GHG) emission reductions, as well as a Cap-and-Trade Expenditure Plan. Among the initiatives was a proposal for a series of actions to increase carbon sequestration and storage and improve resilience, including \$185 million in cap-and-trade funding for healthy and resilient forests, as well as local fire response. The May Revision proposes over \$391 million for climate resiliency and adaptation investments related to: 1) forestry management; 2) biodiversity preservation; and, 3) flood control.

- **Forest Carbon Plan.** The Forest Carbon Plan serves as a scientific foundation and policy vision for improving the health and resiliency of California's forests against worsening threats of fire and disease driven by climate change. The May Revision proposes \$96 million to implement recommendations of the Forest Carbon Plan, as follows:
 - **Prescribed Fire and Fuel Reduction.** \$26.8 million Greenhouse Gas Reduction Fund (GGRF) and 79 positions for the Department of Forestry and Fire Protection (CalFire) for fuel reduction projects through operation of six year-round prescribed fire crews and implementation of a forest health research and monitoring program. This proposal will allow CalFire to treat 60,000 acres per year.
 - **Sierra Regional Forest Health Projects.** \$30 million California Drought, Water, Parks, Climate, Coastal Protection and Outdoor Access for All Fund (Proposition 68), should the initiative be approved by voters in June 2018, for the Sierra Nevada Conservancy to expand the Watershed Improvement Program and fund activities recommended by the Forest Carbon Plan. This program supports regional, landscape-level forest restoration projects in collaboration with federal and local agencies.
 - **Northern, Coastal and Southern California Regional Forest Health Projects.** \$20 million GGRF for the Natural Resources Agency to provide block grants to support regional implementation of landscape-level forest restoration projects that leverage non-state funding. This proposal expands the Sierra Nevada Conservancy's Watershed Improvement Program model to the Northern, Coastal, and Southern California regions.

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- **Legacy Forests at State Parks.** \$15 million Proposition 68 for the Department of Parks and Recreation to protect forests in state parks, including restoration of coastal redwoods, central Sierra sequoias, coastal pines, and oak woodlands.
- **Watershed Coordinator Grants.** \$1.9 million Environmental License Plate Fund for the Department of Conservation to provide grants to local entities to develop and implement watershed improvement plans.
- **Markets for Wood Products.** \$2.3 million Timber Regulation and Forest Restoration Fund for multiple programs encourage markets for wood products, including: 1) establishment of a Joint Institute for Wood Products Innovation; 2) financial support for mass timber and wood product manufacturing; and, 3) grants for local jurisdictions to showcase the architectural design of mass timber buildings.
- **Biodiversity Preservation.** The May Revision includes a proposal to implement a California Biodiversity Initiative. The purpose is to protect biodiversity from climate change by improving understanding and preserving, managing, and by restoring ecosystems.
- **Flood Control Infrastructure.** In recognition of the impacts of climate change and the likelihood of more severe storms and extreme weather events in the coming decades, the May Revision proposes \$295 million General Fund to enhance the state's resilience against catastrophic flooding, as follows:
 - **Urban Flood Control Projects.** \$170 million General Fund to support the state cost-share of U.S. Army Corps of Engineers' urban flood control projects. This funding will help the state's leverage approximately \$690 million in federal funding.
 - **Deferred Maintenance.** \$100 million General Fund to address deferred maintenance projects on levees. These funds will be prioritized to address critical and serious sites, including repair and rehabilitation of damaged levees and infrastructure as a result of the 2017 storms.
 - **Operations and Maintenance.** \$25 million General Fund for levee maintenance. The funds will help provide incentives for cost-sharing with local maintaining agencies by: 1) encouraging a regional governance model; and, 2) updating assurance agreements with the state to clarify levee

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maintenance responsibilities. Funds will be available for priority projects that reduce potential state liability.

NATIVE AMERICAN HERITAGE

- **California Indian Heritage Center.** The May Revision includes \$100 million General Fund for the Department of Parks and Recreation to construct a new museum to protect, preserve, and celebrate the history of California's tribal peoples. The total cost of the project is estimated at \$200 million. The Administration will work with interested parties to raise the additional \$100 million necessary to complete the project.

MUSEUM OF TOLERANCE

- **Museum of Tolerance Renovation Project.** The May Revision includes \$10 million General Fund for the Department of Parks and Recreation to provide a grant for the Museum's renovation project. This funding will provide half of the estimated \$20 million cost of the renovation to fund critical capital improvements.

ENERGY

CALIFORNIA PUBLIC UTILITIES COMMISSION (PUC)

- The May Revision includes a reduction of roughly \$38 million in the California LifeLine program to reflect lower projected enrollments and renewals, as well as an increase in disconnections related to changes in the Federal LifeLine program.

CALIFORNIA ENERGY COMMISSION (CEC)

- The May Revision includes a shift of roughly \$8 million and 44 positions from a variety of funding sources to the Cost of Implementation Account (COIA) and the Energy Facility License and Compliance Fund. This is intended to control costs in the Energy Resources Program Account (ERPA), the CEC's primary funding account, and to better align resources with workload. As part of this, the Revision proposes to increase the electric consumption surcharge, which funds the ERPA, to the statutory maximum of \$0.0003 per kilowatt-hour.
- The May Revision also includes \$30 million in one-time General Fund resources to fund additional grants, loans, or financial incentives for agricultural energy efficiency programs.

TRANSPORTATION

The May Revision includes minor additions and language changes for the California Department of Transportation (Caltrans), California Highway Patrol (CHP), and Department of Motor Vehicles (DMV).

DEPARTMENT OF TRANSPORTATION (CALTRANS)

- The May Revision includes an extension of the allocation and liquidation period for the \$10 million in Greenhouse Gas Reduction Fund (GGRF) resources provided to the Active Transportation Program in 2016.

CALIFORNIA HIGHWAY PATROL (CHP)

- The May Revision includes \$5 million for the deployment of 3,000 new dashboard cameras across CHP's fleet of patrol vehicles. It also includes an encumbrance extension for the \$1 million provided in 2015 for CHP's Body-Worn Cameras Pilot Program.

DEPARTMENT OF MOTOR VEHICLES (DMV)

- The May Revision includes \$900,000 in one-time costs to aid in the implementation of the California New Motor Voter Program and Electronic Driver License Application implementation.

HEALTH

DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **Significant Increase in Medi-Cal Expenditures.** The May Revision estimates total General Fund expenditures for Medi-Cal of \$20.1 billion in 2017-18 and \$22.9 billion in 2018-19, an increase of \$286.3 million in 2017-18 and \$1.3 billion in 2018-19 compared to the Governor's January budget. As a result, the 2017-18 General Fund deficiency has increased from \$543.7 million to \$829.9 million. According to the Administration, the increased expenditures in 2017-18 are primarily attributable to reduced revenue from prescription drug rebates and the managed care organization tax, and increased costs for repayment of deferred federal claims. These increased expenditures are offset by additional savings attributable to reduced managed care payments due to caseload adjustments, reauthorization of the enhanced federal match for the Children's Health Insurance Program, additional savings from the Hospital Quality Assurance Fee, and reduced base expenditures in the Medi-Cal program.
- **Proposition 56 Tobacco Tax Revenue.** The May Revision includes higher Proposition 56 tobacco tax revenue of \$32 million transferred to DHCS for the Medi-Cal program, compared to the Governor's January budget. However, total estimated Proposition 56 expenditures for supplemental provider payments have decreased significantly due to lower than expected utilization of the services identified for enhanced reimbursement. In 2017-18, the May Revision estimates Proposition 56 expenditures of \$252.9 million for supplemental payments, a decrease of \$107.1 million compared to the Governor's January budget. In 2018-19, the May Revision estimates Proposition 56 expenditures of \$633.9 million, a decrease of \$47.6 million compared to the Governor's January budget. The May Revision includes allocation of Proposition 56 revenue for Medi-Cal program growth of \$711.2 million in 2017-18, unchanged from the Governor's January budget, and \$224.7 million in 2018-19, an increase of \$55.3 million compared to the Governor's January budget.
- **Specialty Mental Health Services Federal Audit Repayment.** The May Revision includes General Fund expenditures of \$180.7 million to repay the federal government for inappropriate claims made by counties for specialty mental health services, which were identified by a federal audit. The Administration indicates the state will initially repay the federal government from the state's General Fund, with repayments from counties occurring over the next

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four years to prevent removal of significant local funds from the mental health delivery system in a single year.

- **340B Drug Billing Requirements Trailer Bill.** The May Revision maintains the Administration's proposed trailer bill language to restrict the use of federal 340B Drug Pricing Program reimbursements within the Medi-Cal program, effective July 1, 2019. The Administration's proposal is intended to prevent duplicate discounts and overpayments, reducing drug rebate disputes. According to the Administration, this proposal would result in \$16.6 million General Fund savings beginning in 2020-21.
- **Expanded Hepatitis C Treatment.** The May Revision includes an increase of \$70.4 million (\$21.8 million General Fund) to authorize treatment for all patients ages 13 and over with Hepatitis C, regardless of liver fibrosis stage or co-morbidity, except for patients with a life expectancy of less than 12 months. Currently, Medi-Cal authorizes treatment for individuals with stage two or above liver fibrosis, or at any stage if they have a qualifying co-morbid condition.
- **California Medicaid Management Information System (CA-MMIS).** The May Revision includes an increase of \$41.7 million (\$9.7 million General Fund) in 2018-19 to provide resources for the existing Medi-Cal fiscal intermediary contracts and the implementation of a modular modernization strategy for the CA-MMIS project.
- **Mental Health Services Oversight and Planning.** The May Revision includes \$6.7 million (\$725,000 Mental Health Services Fund, \$2.8 million General Fund, and \$3.2 million federal funds) to support oversight of county mental health programs and review of Mental Health Services Act expenditures, as well as planning efforts for system and data improvements to support evaluation of county mental health programs.

OTHER HEALTH-RELATED ISSUES

- **Homeless Mentally Ill Outreach and Treatment.** The May Revision includes a one-time General Fund augmentation of \$50 million to provide counties with targeted funding for multi-disciplinary teams to provide intensive outreach, treatment, and related services for homeless persons with mental illness. These funds will be allocated by DHCS, in consultation with the Department of Finance and the California State Association of Counties, taking into account the incidence of homelessness, serious mental illness, and populations with recent

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involvement in the criminal justice system or released from incarceration. Counties would be allowed to apply for funding within 90 days of enactment of the proposal.

- **No Place Like Home.** The May Revision proposes placing the No Place Like Home program on the November 2018 ballot to validate the allocation of \$2 billion from the Mental Health Services Fund to provide housing for individuals in need of mental health services who are experiencing homelessness or are at risk for homelessness.

HUMAN SERVICES

DEPARTMENT OF SOCIAL SERVICES (DSS)

Services to Address Homelessness. The May Revision proposes various augmentations within DSS as part of a larger initiative to address homelessness in California, including:

- California Work Opportunities and Responsibilities to Kids (CalWORKs) Housing Support Program (HSP). The HSP was established in 2014 to provide evidence-based interventions (such as rapid-rehousing) to CalWORKs families who are homeless or at risk of homelessness. The May Revision provides an increase of \$24.2 million in 2018-19 and an additional augmentation in 2019-20, which will bring the total for the HSP from \$47 million to \$95 million annually.
- CalWORKs Homeless Assistance Program (HAP). The HAP provides payment to help meet the costs of obtaining permanent housing and/or temporary shelter for families seeking permanent housing. The May Revision provides an increase in the daily rate for a family of four from \$65 to \$85 beginning January 1, 2019. The May Revision includes \$8.1 million for this increase in 2018-19, increasing to \$15.3 million in 2019-20.
- Home Safe Pilot Program. The May Revision proposes \$15 million one-time to fund a pilot program within Adult Protective Services that provides housing-related supports to seniors experiencing homelessness or at risk of losing their homes. The funding will be available over a three-year period with a local match from participating counties.

CalWORKs Single Allocation. The May Revision proposes an increase of \$55.8 million federal Temporary Assistance for Needy Families (TANF) block grant funds in 2018-19 to reflect the adoption of a revised budgeting methodology for county administration of the CalWORKs eligibility determination process.

Electronic Visit Verification (EVV) Multi-Departmental Planning Team. The May Revision provides resources to various departments, including \$122,000 General Fund for two positions in DSS to support planning activities to comply with federal EVV requirements related to the IHSS and Waiver Personal Care Services (WPCS) programs.

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Continuum of Care Reform (CCR). The CCR seeks to improve the assessment of children and families' needs, emphasize home-based family care, support placement with available services, and increase transparency for child outcomes in the foster care system. The May Revision reflects General Fund increases of \$49.5 million in 2017-18 and \$56 million in 2018-19 due to a slower decline in congregate care caseload and continued use of Specialized Care Increments (SCIs). The May Revision also proposes various increases to augment CCR efforts, including:

- One-time funding of \$3.2 million General Fund to support county efforts in eliminating the backlog of foster care resource family applications that are pending review and approval.
- An increase of \$2.5 million General Fund to address the county workload associated with implementation of a tool to assess a child's level-of-care needs.
- An increase of \$13.4 million TANF in 2018-19 to provide caregivers with up to six months of emergency assistance payments pending approval as a resource family. Beginning in 2019-20, emergency assistance payments will be available for up to three months. \$27 million TANF is also set aside in 2020-21 for these emergency assistance costs.

The May Revision also:

- **Adjusts IHSS costs.** Increases General Fund by \$105.6 million in 2017-18 and \$174.7 million in 2018-19 due to a projected increase in costs associated with IHSS overtime, average hours per case, and average cost per case, and also proposes an increase of \$24 million General Fund to reflect the higher estimates of county workload related to the IHSS program.
- **Adjusts Caseload for CalWORKs.** Proposes a decrease of \$37.1 million General Fund and TANF in 2017-18 and \$34.4 million General Fund and TANF in 2018-19, due to updated caseload and average cost per case projections.
- **Adjusts Caseload for Supplemental Security Income/State Supplementary Payment (SSI/SSP).** Proposes to decrease funding by \$21.9 million General Fund in 2017-18 and \$34.4 million General Fund in 2018-19 to reflect continued decreases in caseload.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The May Revision proposes:

- **Electronic Visit Verification.** \$277,000 (\$222,000 General Fund) for planning activities to comply with federal Electronic Visit Verification requirements. This is part of a larger agency wide proposal.
- **Person-Centered Planning.** \$404,000 (\$300,000 General Fund) to develop and implement training on person-centered practices and planning.
- **Home Health Rate Increase.** \$29.5 million (\$17.1 million General Fund) to fund the 50 percent rate increase for Home Health Agency, Licensed Vocational Nurse, and Registered Nurse services consistent with the Department of Health Care Services rate.
- **Deferred Maintenance.** \$60 million General Fund to address critical deferred maintenance issues at Porterville Developmental Center.

GENERAL GOVERNMENT AND LOCAL GOVERNMENT

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- The May Revision proposes trailer bill language to place the No Place Like Home (NPLH) program on the November 2018 ballot for voter approval. As part of this, it includes a General Fund loan of \$1.2 million to fund administrative costs at the Department of Housing and Community Development (HCD). The funds would support the development and release of a Notice of Funding Availability (NOFA) prior to November, with the intent of releasing NPLH funds following voter approval, but prior to the end of the year. This loan would be repaid with NPLH funds following voter approval.
- The May Revision also includes \$359 million in one-time General Fund Resources, and \$64 million in ongoing General Fund resources, to address the state's homelessness crisis. This includes \$250 million in one-time General Fund resources for Emergency Homeless Aid Block Grants, which would be administered through the state's Continuums of Care for cities, counties, and joint powers authorities that declare a shelter crisis and identify city-county coordination opportunities. As part of this, the Revision proposes moving the state's Homeless Coordinating and Financing Council to the Business, Consumer Services, and Housing Agency and providing \$500,000 per year for three full time positions to support the council. Additional funding is detailed below.

Homelessness Response Proposal

(Dollars in Millions)

Department	Program	2018-19	Ongoing
Homeless Coordinating and Financing Council ^{1/}	Emergency Homeless Aid Block Grants	\$250.0	-
	Council Administration	0.5	0.5
Department of Social Services	CalWORKs Housing Support Program	24.2	48.3
	CalWORKs Homeless Assistance Program	8.1	15.3
	Senior Home Safe Program	15.0	-
Office of Emergency Services	Domestic Violence Shelters and Services	10.0	-
	Homeless Youth and Exploitation Program	1.0	-
Department of Health Care Services	Homeless and Mental Illness Program	50.0	-
Total		\$358.8	\$64.1

^{1/} Housed within the Business, Consumer Services, and Housing Agency.

OFFICE OF EMERGENCY SERVICES

- The May Revision proposes funds to improve California's emergency response system. \$15 million State Emergency Telephone Number Account (SETNA) would begin a five-year plan to update the California Public Safety Microwave Network. \$1.6 million General Fund is provided for the Homeland Security and Regional Response and Readiness Branches to assist with disaster response and emergency management coordination. A total of \$678,000 (\$353,000 General Fund) is also provided to train local agencies on the use of a Situational Awareness and Collaboration Tool.
- The May Revision includes investments for wildfire recovery efforts. A total of \$11.2 million (\$2.8 million General Fund) is provided to address increased workload related to disaster recovery. \$675,000 General Fund is provided for workers' compensation benefits to injured volunteers and eligible survivors.
- \$3.2 million Federal Trust Fund for hazard mitigation and \$3.4 million General Fund for hazardous materials response and mitigation are also included in the May Revision.
- The Office of Emergency Services is also working with local governments to enable them to access \$4.4 billion in federal funds that support state recovery efforts.

FRANCHISE TAX BOARD

- The May Revision expands the Earned Income Tax Credit to working individuals who are aged 18 to 24 or over 65. In addition, the income range is proposed to be expanded so that more employees working up to full-time at the 2019 minimum wage rate of \$12 per hour would qualify for the credit. These expansions are expected to cost \$60 million in 2018-19 and benefit over 700,000 households.

STATE CONTROLLER'S OFFICE

- The May Revision includes \$4.6 million General Fund to complete the California State Payroll System Project, including selection and implementation of the selected payroll system.
- The May Revision includes \$1.6 million General Fund to support the CalATERS system, as follows: 1) work with the current vendor on making necessary minor

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modifications to the legacy system, 2) purchase code from the vendor, 3) hiring/developing staff or outsourcing expertise for system maintenance, and 4) complete a proof of concept.

CALIFORNIA ABLE ACT BOARD

- The May Revision includes \$1.1 million (\$850,000 General Fund) to provide additional expenditure authority and a General Fund loan for the costs associated with hiring a program manager to assist with the launch of the Achieving a Better Life Experience Program.

COMMISSION ON STATE MANDATES

- The May Revision includes \$312.2 million General Fund to pay down a long-standing state liability associated with 14 expired or repealed state mandates. Of the amount, \$280.5 million is owed as a result of mandates associated with mental health services and local agencies are encouraged to use new funds associated with these services.

CALIFORNIA DISASTER ASSISTANCE ACT

The May Revision includes a one-time augmentation of \$49.5 million General Fund to increase the amount of funding available through the California Disaster Assistance Act (CDAA) to repair or replace public property damaged during a disaster, and to reimburse local government costs associated with emergency activities in response to a state of emergency. This increases the amount of CDAA funding provided in 2018-19 to \$121.7 million.

CALIFORNIA DEPARTMENT OF RESOURCES, RECYCLING, AND RECOVERY (CALRECYCLE)

The May Revision includes \$1.3 million Integrated Waste Management Fund for a disaster response and recovery team to lead debris removal projects.

LOCAL PROPERTY TAX BACKFILL AND DEBRIS REMOVAL COST SHARE WAIVER

The May Revision includes \$32.8 million General Fund to backfill property tax revenue losses that local jurisdictions will incur in 2017-18 and 2018-19 due to the 2017 wildfires and resulting mudslides. Additionally, the May Revision includes \$29.1

million General Fund to waive the local match for Northern California counties' costs of debris removal.

CANNABIS REGULATION AND ENFORCEMENT

The May Revision includes \$133.3 million for cannabis-related activities. Additionally, the May Revision includes a General Fund loan of up to \$59 million to the Cannabis Control Fund.

Significant funding and adjustments include:

- **Licensing and Enforcement.** Funds to continue implementation of licensing and enforcement programs: Department of Food and Agriculture (\$28.3 million), Department of Public Health (\$10.6 million), Department of Consumer Affairs (\$33.9 million), and Department of Finance (\$440,000).
- **Tax Collection and Business Filings.** Funds to support tax collection activities: Employment Development Department (\$3.7 million), California Department of Tax and Fee Administration (\$2.4 million), Franchise Tax Board (\$193,000), and Secretary of State (\$440,000 Business Fees Fund).
- **Hearings and Appeals.** Funds to conduct administrative hearings and appeals: Cannabis Control Appeals Panel (\$1.4 million) and Department of General Services (\$13 million Service Revolving Fund).
- **Illegal Market Enforcement.** \$14 million for the Department of Justice to establish investigation and interdiction teams to investigate illegal cannabis activity.
- **Community Engagement.** \$10 million for the Governor's Office of Business and Economic Development to support the Community Reinvestment Grants Program.
- **Research.** Funds for research on cannabis and Proposition 64: \$2 million for the University of California San Diego's Center for Medicinal Cannabis Research and \$10 million to a public university or universities chosen by the Bureau of Cannabis Control.
- **Drug Recognition.** \$3 million for the California Highway Patrol to establish and adopt protocols to identify impaired drivers.

INFRASTRUCTURE

- The May Revision includes a \$630 million General Fund transfer to the State Project Infrastructure Fund. Funds would be used to complete several office building projects in the Sacramento area.
- In addition, the May Revision includes a one-time augmentation of \$1.21 billion (\$1.06 billion General Fund, \$143.5 million Prop 98 General Fund, and \$7 million Motor Vehicle account) for deferred maintenance needs across various departments.

CORRECTIONS AND PUBLIC SAFETY

CALIFORNIA DEPARTMENT OF CORRECTIONS & REHABILITATION

The May Revision includes \$12.1 billion (\$11.8 billion General Fund and \$313 million other funds) for the California Department of Corrections and Rehabilitation (CDCR). This represents approximately the same level of funding as the Governor's January budget proposal.

POPULATION

- **Adult Inmate and Parole Population Adjustment.** The May Revision, related to adult inmate and parole population changes, includes a decrease of \$12.6 million General Fund in 2017-18 and 2018-19 combined. Specifically, the May Revision projects the average daily population of adult inmates at 130,197 in the current year, and 126,890 in the budget year. This is a decrease of 120 in 2017-18, and a decrease of 522 in 2018-19, as compared to the January estimates. In addition, the May Revision projects the average daily population of parolees to be 46,273 in the current year, and 48,535 in 2018-19, decreases of 698 and 1,259 parolees, respectively, over the January budget projections.
- **Proposition 57.** Proposition 57, the Public Safety and Rehabilitation Act of 2016, is estimated to reduce the average adult daily inmate population by approximately 5,800 in 2018-19 and approximately 11,200 in 2020-21. Though included in the above population projections, these figures remain preliminary.

INMATE HEALTH CARE

The May Revision includes \$3.2 billion General Fund to health care services programs, resulting in inmates having continued access to mental health, medical, and dental care. Significant adjustments include:

- **Hepatitis C Virus Treatment.** The May Revision includes \$105.8 million General Fund annually for three years, beginning in 2018-19, to expand Hepatitis C treatment to all infected inmates in state prison.
- **Mental Health Psychiatry Registry.** The May Revision includes \$18.1 million General Fund for contract psychiatry services needed to meet a federal court order to fill at least of 90 percent of the state prison system's psychiatry positions.

EMPLOYEE TRAINING AND INMATE ACCESS TO PROGRAMS

- **Overtime Base Adjustment.** The May Revision includes \$16.5 million General Fund to reflect the impact of salary increases on activities budgeted as overtime. To provide the department with an ongoing overtime funding level, the statewide process will incorporate incremental adjustments beginning in 2019-20.
- **Correctional Counselor I Ratios.** The May Revision includes \$13.5 million General Fund to reduce the current offender to Correctional Counselor I ratio from 150:1 to 135:1 to provide enhanced rehabilitation and program enrollment assistance. This results in the addition of 89 Correctional Counselors to focus on core offender counseling needs.
- **Training Initiatives.** The May Revision includes \$12.9 million General Fund for additional training for peace officers that includes topics such as ethics, sexual harassment, procedural justice, and implicit bias. The proposal also includes specialized training for Special Agents and Investigative Unit staff in criminal investigation, training designed to assist with the transitions of officers to supervisory roles, and training to strengthen skills of existing supervisors and managers.
- **Health Care Services for Reentry Facilities.** The May Revision includes \$10.8 million General Fund to provide health care to all inmates housed at reentry facilities.
- **Medical Guarding and Transportation.** The May Revision includes \$5.9 million General Fund to provide an equivalent of one additional Correctional Officer at each institution to address higher-than-anticipated medical transports, primarily third watch, which otherwise result in yard or program closures.
- **Court Resentencing Workload.** The May Revision includes \$2 million General Fund to develop a process to expand the utilization of authority under Penal Code section 1170, subdivision (d), allowing the secretary of the department to petition courts to resentence inmates who either were erroneously sentenced to terms of imprisonment that are longer than provided for under law or have displayed exceptionally meritorious conduct.
- **Training for Case Records Staff.** The May Revision includes \$444,000 General Fund to create a unit that will be responsible for developing and implementing a statewide training plan for sentencing calculations and computations.

DRUG AND CONTRABAND INTERDICTION AND MEDICATION ASSISTED TREATMENT PILOT

The May Revision includes \$9.1 million General Fund to pilot a comprehensive Drug Interdiction program and a Medication Assisted Treatment program at the Substance Abuse Treatment Facility. This proposal includes baggage/parcel and full body scanners at both entrances to deter contraband from entering the prison, and a Medication Assisted Treatment program to treat substance use disorders.

PRISON INFRASTRUCTURE

Based on a revised system-wide estimate of water damage repair costs, the May Revision reduces the Governor's budget proposal for mold remediation by \$11 million in 2018-19. The May Revision also includes \$2.5 million to fund the design process for four roof replacement projects and adds \$22.6 million for replacement of the roof at the California Correctional Women's Facility in 2019-20. This adjustment results in total funding of \$153 million General Fund for roof replacements and mold remediation over the next two years.

DEPARTMENT OF JUSTICE

- **Illegal Cannabis Enforcement.** The May Revision includes \$14 million Cannabis Tax Fund to create four investigation teams and one interdiction team to combat large-scale illegal cannabis activities.
- **California Sexual Assault Registry.** The May Revision includes \$10 million General Fund to begin implementing SB 384 (Weiner), Chapter 541, Statutes of 2017, which will replace the existing lifetime sex offender registration systems with a tiered registration system. This initial funding will enable the Department of Justice to develop necessary information technology planning documents and begin updating the California Sex and Arson Registry System, as well as ancillary systems and the Megan's Law website. Ongoing funding will be included in the 2019-20 Governor's budget to allow the department to implement the new system by January 1, 2021, which will include staffing associated with new tiering, exclusion, and termination requests associated with SB 384.

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- **DNA Identification Fund Backfill.** The May Revision includes \$6 million General Fund on a one-time basis to backfill the decline in fine and fee revenues in the DNA Identification Fund. This funding will enable the Department of Justice to continue processing forensic evidence for client counties at existing levels.
- **Bureau of Forensic Services Equipment Replacement.** The May Revision includes \$5.4 million General Fund on a one-time basis to replace critical forensic equipment within the Bureau of Forensic Services.
- **Cybercrime Investigation Teams.** The May Revision includes \$5.4 million General Fund to establish two investigation teams to combat cybercrimes, white collar crimes, and human trafficking crimes.
- **Cybersecurity Improvements.** The May Revision includes \$2.3 million General Fund to protect and secure information on the department's data and law enforcement networks throughout California. Specifically, this proposal provides additional resources for the Office of Digital Investigations and the Network Security Unit.

STATE PENALTY FUND-LAW ENFORCEMENT TRAINING

To maintain critical law enforcement training programs, the May Revision restores proposed State Penalty Fund expenditure reductions that were included in the Governor's budget. Specifically, the Commission on Peace Officer Standards and Training and the Standards and Training for Local Public Safety Corrections programs are now proposed to be funded at their 2017-18 level. Because State Penalty Fund revenues continue to decline, the May Revision shifts the Standards and Training for Local Corrections program (\$17.3 million), administered by the Board of State and Community Corrections, to the General Fund.

PUBLIC EMPLOYMENT AND RETIREMENT

EMPLOYEE COMPENSATION AND RETIREE HEALTH COSTS

- The May Revision proposes a decrease of \$8.1 million to reflect the combined effects of corrections in health rates, enrollment in health and dental plans, updated employment information, revised pay increases for judges, and updated costs related to salary survey estimates.
- The May Revision includes costs associated with salary and benefit increases related to pending completion of contract negotiations with the California Correctional Peace Officers Association.

STATE EMPLOYEES' RETIREMENT

- State contributions to the California Public Employees' Retirement System (CalPERS) have decreased by \$18.1 million (\$12.4 million General Fund) relative to the Governor's budget. This reduction is a result of adjustments to the state's contribution rates, which are driven by CalPERS' higher than expected investment returns in 2016-17, the benefit of the supplemental pension payment in 2017-18, and higher than expected enrollment of members under the Public Employees' Pension Reform Act.
- State contributions to the California State Teachers Retirement System (CalSTRS) have increased by \$5.6 billion General Fund due to revision of reported compensation for K-14 teachers.
- State contributions to the Judges' Retirement System have decreased by \$5.3 million General Fund due to a decrease in the employer contribution rate, which is attributed to CalPERS' newly adopted demographic assumptions.

DEPARTMENT OF HUMAN RESOURCES

- The May Revision includes \$1.4 million (\$720,000 General Fund) for the department to establish a tracking system to collect data on complaints, judgments, and settlements related to workplace discrimination and harassment across all state entities.