



SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
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OVERVIEW OF THE MAY REVISION
May 13, 2022

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 17, 2022.

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OVERVIEW OF THE GOVERNOR'S 2022-23 MAY REVISION

On May 13, 2022, the Governor released his May Revision for budget year 2022-23. The Governor now projects budget year General Fund expenditures of \$227.4 billion, available resources of \$235.1 billion (prior year balance, revenues and transfers), and \$3.4 billion in the Special Fund for Economic Uncertainties (SFEU), the state's general budget reserve. Across the prior year, current year, and budget year, the available General Fund resources have increased by almost \$55 billion as compared to the Governor's January budget proposal. This significant increase is driven by recent cash trends and continued improvement in key economic indicators. The General Fund budget summaries for January and May are listed below:

**2021-22 and 2022-23
General Fund Summary
(Dollars in Millions)**

	January Budget		May Revision	
	2021-22	2022-23	2021-22	2022-23
Prior Year Balance	\$37,011	\$26,650	\$37,698	\$15,425
Revenues and Transfers	196,669	195,719	226,956	219,632
Total Resources	233,680	219,369	264,654	235,057
Non-Proposition 98 Exp.	138,185	139,993	165,590	145,071
Proposition 98 Exp.	71,845	73,134	83,639	82,292
Total Expenditures	210,030	213,127	249,229	227,363
Fund Balance	23,650	6,242	15,425	7,694
Encumbrances	3,175	3,175	4,276	4,276
Special Fund for Economic Uncertainties	20,475	3,067	11,149	3,418
Safety Net Reserve	900	900	900	900
Public School System Stabilization Account	6,663	9,725	7,293	9,519
Budget Stabilization Act	\$19,303	\$20,868	\$20,325	\$23,283

Budget Structure. While revenue increases continue to outpace projections, the Administration points out that the forecast has become more uncertain given Russia's war on Ukraine, high rates of inflation, and anticipated actions by the Federal Reserve to raise interest rates. In addition, capital gains as a percent of the state's personal income are at levels last seen in 1999—just before the dot-com bust. Furthermore, the May Revision forecast was finalized before the recent declines in the stock market. The Administration notes that the May Revision prepares for this uncertainty by continuing policies of

Overview of the Governor's 2022-23 May Revision

building reserves, eliminating budgetary debt, reducing retirement liabilities, and focusing on one-time spending over ongoing investments to maintain structurally balanced budgets over the long-term.

The State Appropriations Limit, or “Gann Limit,” caps the amount of revenues from proceeds of taxes that can be appropriated by the state, which constrains state spending and requires revenues over the two-year limit to be allocated evenly between schools and taxpayer refunds. The Governor’s Budget projected that the state would exceed the limit in the 2020-21 and 2021-22 two-year period by approximately \$2.6 billion and at the time noted that an updated calculation of the limit and proposals to address it would be included in the May Revision. Based on May Revision, the limit for that two-year period is not exceeded. This is due to a combination of updated revenues, including early actions related to taxes, and the continued investment in infrastructure, direct taxpayer relief, and emergency-related expenditures. This calculation will continue to be revised until May 2023.

The May Revision includes \$18.1 billion in direct relief to millions of Californians to help offset rising costs and projects that the minimum wage will be boosted for millions of workers. Major proposals add to substantial investments to address homelessness and mental health and include funding to make neighborhoods safer. It supports additional protection from the impacts of wildfire and drought, and bolsters the state's electrical grid to keep Californians safe. All while putting billions of dollars more into state reserves and paying down debts.

Reserves and Long-Term Liabilities. The May Revision reflects \$37.1 billion in budgetary reserves. These reserves include: \$23.3 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies; \$9.5 billion in the Public School System Stabilization Account; \$900 million in the Safety Net Reserve; and \$3.4 billion in the state’s operating reserve. The Rainy Day Fund is now at its constitutional maximum (10 percent of General Fund revenues) requiring \$476 million to be dedicated for infrastructure investments in 2022-23. Over the multi-year forecast period, the May Revision reflects \$4 billion in supplemental deposits into the Rainy Day Fund above what is constitutionally required.

To further build budget resiliency, the May Revision proposes a \$6.2 billion multi-year plan to prepay callable general obligation bonds, with a focus on variable rate bonds, and to shift lease revenue bond financed projects to cash. The May Revision also estimates supplemental payments to reduce state retirement liabilities of \$3.4 billion in 2022-23 and an additional \$7.6 billion projected over the next three years, as shown in the table below.

Overview of the Governor’s 2022-23 May Revision

Debts and Liabilities Eligible for Payments Under Proposition 2						
2022-23 May Revision						
(Dollars in Millions)						
		Outstanding Amount at Start of 2022-23 ^{2/}	Proposed Use of 2022-23 Pay Down	Proposed Use of 2023-24 Pay Down	Proposed Use of 2024-25 Pay Down	Proposed Use of 2025-26 Pay Down
State Retirement Liabilities						
1	State Retiree Health	95,191	365	325	340	360
2a	State Employee Pensions—SB 84 Loan from SMIF		144	97	836	590
2b	State Employee Pensions	43,639	2,925	2,509	1,290	1,212
3	Teachers' Pensions ^{1/}	60,136	0	0	0	0
4	Judges' Pensions	2,365	0	0	0	0
	Total	\$201,331	\$3,434	\$2,931	\$2,466	\$2,162
^{1/} The state portion of the unfunded liability for teachers' pensions is \$13.065 billion.						
^{2/} For retiree health and pensions, the amounts reflect latest actuarial report available.						

Economic Forecast. The Administration notes that after contracting by 10 percent in just two quarters in the first half of 2020, the largest contraction in recorded history, California real Gross Domestic Product (GDP) rebounded quickly and recovered to its pre-pandemic level in the first quarter of 2021—one quarter earlier than for the nation. In 2021, both the state and the U.S. experienced their fastest annual real GDP growth since 1984—7.8 percent and 5.7 percent, respectively. California’s share of real GDP increased to 14.8 percent in 2021, up from 14.4 percent in 2019. As of the fourth quarter of 2021, California real GDP was 6.1 percent above its pre-pandemic level, compared to 3.1 percent above for the nation.

In line with strong GDP growth, California’s nonfarm employment recovery exceeded expectations, increasing by 3.2 percent in 2021, its largest annual growth since 2000, and compared to 2.8 percent projected in the Governor’s Budget. As of March 2022, the state has recovered about 90 percent of the jobs lost in March and April 2020. California’s job gains accounted for 12.1 percent of the 20.4 million jobs recovered by the nation since the height of the pandemic, slightly higher than California’s pre-pandemic share of national nonfarm employment (11.6 percent), although the state also accounted for a disproportionately greater share of jobs lost during the recession. As of March 2022, California and the U.S. remained 1.7 percent (300,000 jobs) and 1 percent (1.6 million jobs) below their February 2020 pre-pandemic peaks, respectively.

After averaging 7.4 percent in 2021, California’s unemployment rate fell to 4.9 percent in March 2022—0.8 percentage point above its pre-pandemic low of 4.1 percent in February 2020. As of March 2022, the U.S. unemployment rate was only 0.1 percentage point above its pre-pandemic low of 3.5 percent in February 2020.

Overview of the Governor's 2022-23 May Revision

A robust nonfarm job recovery and a tight labor market led to a second consecutive year of strong average wage growth—8.6 percent in 2021 following 10.9 percent in 2020. The substantial growth in total wages and salaries, which is the product of average wages and nonfarm employment, kept personal income growth at a high 8.5 percent in 2021 despite a much lower contribution of transfer payments due to the expiration of pandemic-related assistance programs. Despite the worst recession since the Great Depression, personal income actually increased in 2020 by 8.6 percent—nearly twice as large as its 2019 pre-pandemic rate of 4.6 percent. This was due largely to the extraordinary growth in transfer payments of 47.3 percent. In 2021, the strong performance of personal income was more indicative of a growing economy as most personal income components experienced solid growth.

As the economy adjusts to the impacts of the pandemic, inflation has accelerated to historically high rates. In particular, U.S. headline inflation accelerated from 7.9 percent (year-over-year) in February 2022 to 8.5 percent in March 2022, its fastest rate since December 1981. Similarly, California inflation reached 7.2 percent in February 2022, its highest rate since June 1982 and about 2 percentage points higher than projected at Governor's Budget. Elevated inflation in 2021 was driven by pandemic-induced factors and supply chain disruptions. As such, higher inflation in 2021 mostly resulted from fuel, transportation, and other goods. Inflation has been more broad-based in 2022 as the Russian invasion of Ukraine added pressures on food and energy prices. The Ukraine-Russia war is also expected to further exacerbate global supply chain issues. Shelter inflation, which had been depressed during 2020 and 2021, is expected to return roughly to pre-pandemic levels in 2022 driven by sharp increases in home prices. As supply chain challenges are expected to be solved over the next several quarters, the May Revision forecast projects food and energy prices to steadily decelerate. As a result, U.S. and California inflation is projected to slow to around pre-pandemic rates by the end of 2023, about one year later than projected at Governor's Budget.

The May Revision notes that residential housing permits continued to grow despite the pandemic and the ensuing economic slowdown. In 2021, California permitted 120,000 housing units—the highest level of units authorized in the state since 2006. Permitting activity is expected to continue growing in the forecast window but at a slightly slower rate than assumed in the Governor's Budget, consistent with slightly downgraded economic growth, expected interest rate increases starting in 2022, higher inflation, and prolonged supply chain disruptions.

The May Revision assumes economic growth continues, albeit at a slightly slower rate than projected at Governor's Budget due to persistent global supply chain bottlenecks, international economic sanctions in response to the Russian invasion of Ukraine, tighter monetary policy, and persistently high inflation. U.S. real GDP growth in 2022 has been

Overview of the Governor's 2022-23 May Revision

downgraded notably—3 percent compared to 4.3 percent assumed in the Governor's Budget forecast—with steady but somewhat lower real GDP growth projected thereafter.

Although the California economic recovery continues to be very robust, the May Revision notes that there are downside risks to the forecast including a prolonged period of elevated inflation, a slower resolution of supply chain bottlenecks, continued or worsening stock market volatility, and a potential escalation of the Ukraine-Russia war. However, there are also various reasons why the economy may perform better than projected in the May Revision forecast. These reasons include a faster easing of inflation than currently projected due to a quicker resolution of supply chain bottlenecks or the Ukraine-Russia war. Swifter recovery of international tourism and travel into the state would also allow for a faster recovery of the leisure and hospitality and other service sector jobs, generating secondary benefits of broader economic growth in the state. Finally, a reversal or reduction of tariffs on imports from China and other U.S. trade partners could help ease price pressures and curtail inflation.

Revenue Changes Since January. Overall, the May Revision forecast for 2020-21 through 2022-23 General Fund revenues has increased by \$54.6 billion over the budget window: \$442 million in 2020-21, \$30.3 billion in 2021-22, and \$23.9 billion in 2022-23. Other Revenues includes \$1.1 billion in federal cost recovery for 2021-22 and \$6.7 billion for 2022-23. All three major revenue sources are expected to show significant increases relative to the Governor's Budget forecast: personal income tax revenues are higher by over \$23 billion due largely to very strong tax receipts related to the 2021 tax year and a significantly upgraded forecast for nominal (not adjusted for inflation) wage growth in 2022 and 2023; sales tax revenues have been revised upward by almost \$3.7 billion due to strong tax receipts and a higher inflation forecast; and corporation tax revenues are up \$28.1 billion based on very strong cash receipts, stronger corporate profits in 2021 than projected at Governor's Budget, and stronger participation in the pass-through entities (PTE) elective tax.

The PTE tax, enacted as part of the 2021 Budget Act as a way to help California business owners mitigate the impact of the federal limit on state and local tax deductions on federal tax returns, has proved more popular than anticipated. Actual receipts through April 2022, which are related to the 2021 tax year, came in at \$14.9 billion, over 60 percent higher than the \$9.1 billion projected at Governor's Budget. In addition to the higher usage of the elective tax, payments came in sooner than anticipated. It is uncertain how much of the roughly \$14 billion in tax credits related to the 2021 tax year that are expected to be generated from this tax have actually been reflected in reduced personal income tax payments received so far. The May Revision forecast assumes that 50 percent, or \$7 billion, of the credits will result in higher refunds on October 2022 personal income tax extension returns. The combination of higher participation and modified assumptions regarding the timing of the effects of the tax lead to a net increase in revenue, relative to

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the Governor's Budget, of \$5.9 billion in 2021-22 and \$700 million in 2022-23. Over the following three fiscal years combined, the modified assumptions regarding the PTE tax reduce General Fund revenues by \$5.3 billion relative to the Governor's Budget.

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

**2021-22 and 2022-23
General Fund Revenue Sources
(Dollars in Millions)**

Revenue Source	January Budget		May Revision	
	2021-22	2022-23	2021-22	2022-23
Personal Income Tax	\$120,873	\$130,269	\$136,397	\$137,454
Sales and Use Tax	30,866	32,208	32,750	33,991
Corporation Tax	32,863	23,732	46,395	38,464
Other Revenues	17,083	11,074	17,096	12,681
Total	\$201,685	\$197,283	\$232,638	\$222,590

Totals may not add due to rounding.

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

**2021-22 and 2022-23
General Fund Expenditures
(Dollars in Millions)**

Agency	January Budget		May Revision	
	2021-22	2022-23	2021-22	2022-23
Legislative, Judicial, Executive	\$12,396	\$9,061	\$20,360	\$14,896
Business, Consumer, Housing	2,016	1,078	2,291	1,359
Transportation	2,161	1,700	3,109	1,270
Natural Resources	9,648	8,774	14,287	8,734
Environmental Protection	3,580	1,226	5,326	585
Health and Human Services	56,324	64,701	53,142	67,175
Corrections and Rehabilitation	14,757	14,996	14,422	14,647
K-12 Education	69,422	70,350	81,706	78,012
Higher Education	21,312	21,846	22,337	23,192
Labor and Workforce	982	2,179	1,577	2,126
Government Operations	10,739	5,270	11,235	4,938
General Government	6,657	11,946	19,437	10,430
Total	\$210,030	\$213,127	\$249,229	\$227,363

Overview of the Governor's 2022-23 May Revision

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

Broad-Based Relief. A centerpiece of the May Revision is a suite of proposals totaling \$18.1 billion spread across various areas that are intended to provide economic relief for Californians. The proposals are noted below, and also reflected in more detail later in this report:

- \$11.5 billion in one-time General Fund for \$400 rebates per household based on registered vehicles, \$750 million for three months of free transit service, and a one-year pause on an increase in state diesel taxes.
- \$2.7 billion for the Rental Assistance Program.
- \$1.2 billion for residential electric utility arrearages, and \$200 million for residential water and wastewater arrearages.
- \$933 million for one-time retention payments to hospital, skilled nursing facility, and psychiatric hospital employees.
- \$304 million to reinstate the state-supported healthcare premium subsidy program administered by Covered California when federal subsidies expire.
- A one-year extension of child care and preschool family fee waivers.

Education and Child Care

- **Proposition 98 Guarantee and Investments in Education.** The May Revision funds a Proposition 98 Guarantee level of \$110.3 billion in 2022-23. This is an increase from the January Budget proposal of \$8.3 billion, due to the significant increases in General Fund revenue. In addition, the 2021-22 Proposition 98 Guarantee increases by \$11.1 billion to \$110.2 billion. The May Revision updates the cost-of-living adjustment from 5.33 percent in the Governor's Budget to 6.56 percent, includes \$2.1 billion ongoing Proposition 98 General Fund to increase the Local Control Funding Formula (LCFF) base grant funding, and protects 2021-22 LCFF allocations due to absences as a result of the Delta and Omicron surges. These changes are estimated to provide \$3.3 billion ongoing Proposition 98 General Fund and \$463 million in one-time Proposition 98 General Fund. The May Revision also includes \$8 billion in one-time Proposition 98 General Fund in a block grant for discretionary purposes, \$1.8 billion in one-time Proposition 98

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General Fund for school facility maintenance issues, and an additional \$1.8 billion one-time General Fund for the School Facility Program.

- The May Revision also includes significant one-time Proposition 98 General Fund investments to address student well-being, provide targeted academic interventions, and retain, recruit, and train the teacher workforce.
- **Child Care.** The May Revision includes one-time funds to extend child care and preschool family fee waivers, fund providers based on contracted amounts rather than attendance, and invest in child care infrastructure.

Higher Education

- **More details on Higher Education Compacts with UC and CSU & Roadmap with CCC.** According to the Administration, most of the goals articulated for each segment in the Governor's Budget now reflect clear baselines and measurable targets for improvement within defined timelines. Each segment will report annually—beginning later this year—on specific actions planned and underway to achieve each goal, quantified progress toward achieving each goal, and strategic collaborations with intersegmental partners to advance performance outcomes and benefit students.
- **UC Investments in Innovation.** The May Revision includes \$500 million one-time General Fund (\$300 million in 2022-23 and \$200 million in 2023-24) to establish a new Institute for Immunology and Immunotherapy at University of California Los Angeles for collaborative research in biotechnology, serve as a hub and incubator for firms and entrepreneurs in the biotechnology industry, and expand opportunities for students to connect to careers in biotechnology.
- **CCC Apportionments Cost-of-Living Adjustment and Growth.** The May Revision includes an increase of \$83.5 million ongoing Proposition 98 General Fund to reflect a change in the cost-of-living adjustment for apportionments from 5.33 percent to 6.56 percent, and an increase of \$1.3 million ongoing Proposition 98 General Fund to sustain 0.5-percent enrollment growth. This amount is in addition to an increase of \$409.4 million ongoing Proposition 98 General Fund included in the Governor's Budget.
- **CCC Base Increase.** The May Revision includes an increase of \$250 million ongoing Proposition 98 General Fund to increase the Students Centered Funding Formula's (SCFF) funding rates for the base, supplemental, and success allocations

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and proposes \$125 million ongoing Proposition 98 General Fund to augment the SCFF's basic allocation within the base allocation.

- **Discretionary Block Grants.** The May Revision includes an increase of \$750 million one-time Proposition 98 General Fund to community college districts for discretionary block grants to address issues related to the pandemic and to reduce long-term obligations.
- **CCC Deferred Maintenance.** The May Revision includes an increase of \$1.1 billion one-time Proposition 98 General Fund to support deferred maintenance and energy efficiency projects at community colleges, bringing the cumulative total for Governor's Budget and May Revision investments to more than \$1.5 billion.
- **CSU Capital Outlay.** The May Revision includes several investments in capital infrastructure, including: 1) \$80 million one-time General Fund to expand the San Diego State University, Brawley Center in Imperial Valley to support a local workforce pipeline to aid the state's goals for development of the Lithium Valley vision, 2) \$67.5 million toward construction of the CSU Fullerton Engineering and Computer Science Innovation Hub and 3) an increase of \$25 million one-time General Fund to support equipment and facilities for CSU University Farms, providing a total of \$75 million for this purpose when combined with the Governor's Budget proposal.

Health

- The May Revision includes additional General Fund expenditure authority of \$1.1 billion to continue its response to the COVID-19 pandemic, including vaccine and booster administration, border public health activities, and support for school testing.
- The May Revision includes General Fund expenditure authority of \$304 million to resume the state subsidy program for premium affordability in the Covered California health benefits exchange. These subsidies would soften the impact on premiums resulting from the expiration of enhanced federal subsidies included in the American Rescue Plan Act.
- The May Revision includes General Fund expenditure authority of \$57 million to support safe and accessible reproductive health care, for a total of \$125 million including investments included in the January budget, including the following components:

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- Funding for Uncompensated Reproductive Health Care Services – \$40 million, over six years, for grants to reproductive health care providers to support care for low- and moderate-income individuals without health coverage for abortion care services.
- California Reproductive Justice and Freedom Fund – \$15 million one-time for grants to community-based reproductive health, rights, and justice organizations to support medically accurate and culturally competent outreach and education on sexual health and reproductive health issues.
- Comprehensive Reproductive Rights Website – \$1 million one-time to support a website providing accurate and updated information to the public on the right to abortion care under state law, information about reproductive health care providers, and options for coverage of reproductive health services.
- Research on Unmet Reproductive Health Care Needs – \$1 million one-time to support research to evaluate the unmet need for access to reproductive health services.
- The May Revision includes General Fund expenditure authority of \$290 million one-time to support several initiatives to address the youth mental health crisis, particularly youth at risk of suicide, including the following components:
 - Youth Suicide Prevention Program – \$40 million to support grants to community-based organizations for programs aimed at youth at increased risk of suicide, with particular focus on Black, Native American, Hispanic, and foster youth.
 - Crisis Response - \$50 million to support pilot projects for school and community-based crisis response and supports, as well as designating youth suicide or suicide attempts as a reportable public health event, to trigger screening and resource connections at the local level for the impacted community.
 - Wellness and Mindfulness Programs - \$85 million over two years to support grants for wellness and mindfulness programs in schools and communities, and expansion of parent support and training programs.
 - Video Series - \$15 million to develop and distribute a video series to help parents support the behavioral health of their children.

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- Career Development - \$25 million to identify and support early career development of 2,500 highly talented and culturally diverse high school students interested in mental health careers.
- Assessment and Intervention - \$75 million for next generation digital supports and metaverse-based mental health assessment and intervention.

Human Services

- The May Revision proposes \$6.5 million General Fund in 2022-23, increasing to \$29.5 million General Fund in 2024-25 to support adjustments in identifying children with qualifying signs of developmental delays including a revision to the Early Start qualification threshold from a 33 percent delay to a 25 percent delay.
- The May Revision proposes an 11 percent increase for CalWORKs grants at a cost of \$296.2 million in 2022-23.
- The May Revision proposes \$36.4 million General Fund in 2022-23 and ongoing to continue implementation of the Master Plan for Aging.
- The May Revision proposes \$34.4 million (\$15.4 million General Fund) ongoing to establish a permanent back-up provider systems for IHSS recipients.

Resources and Environmental Protection

- The May Revision proposes \$1.6 billion (including the \$250 million set aside as contingency in the Governor's Budget) for purposes of water resilience and drought response, including fudging to augment loans to drinking water systems, increase water recycling, increase conservation within the agricultural sector, and expand habitat restoration. In addition, the May Revision includes \$75 million to support grants to farming and related businesses negatively affected by the drought.
- The May Revision proposes \$300 million spread over two years (\$150 million annually), for investments to address extreme heat, such as: support cooling of communities at schools and through resilience centers, and \$43 million to protect vulnerable populations and ecosystems from extreme heat impacts through enhanced enforcement of codes, standards, and regulations.
- The May Revision allocates the \$768 million General Fund set-aside from the 2021 Budget Act for multi-benefit nature-based solutions spread over two years, among the proposed investments include: \$275 million to fund projects that will deliver

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climate benefits and protect biodiversity, including voluntary conservation acquisitions and easements, \$213 million to support regional action through Natural Community Conservation Planning programs and projects funded through state conservancies and local and tribal conservation corps, and \$100 million for the Tribal Nature-Based Solutions Program.

- The May Revision includes various proposals to increase wildfire suppression efforts including: (1) \$83.1 million General Fund one-time to augment CalFire's fire protection resources through December 2022 given current drought conditions, increasing fire severity and size, and declining inmate camp populations; and (2) \$150.2 million (\$141.7 million General Fund) and 465 positions to enhance CalFire's capabilities to meet the demands of wildland firefighting.
- **Energy.** The May Revision proposes an additional \$8 billion over five years to address the state's electric reliability and to provide consumers with relief for rising electric rates. Most significantly, the Administration proposes \$1.2 billion to address residential electric utility arrearages to address outstanding utility debt, \$4.2 billion to make investments in reliability assets, \$950 million for distributed electric backup assets, \$970 million for residential solar and storage, \$100 million for carbon removal projects, among other investments.
- **Climate Innovation Grant Program.** The May Revision includes a proposal to establish a Climate Innovation Grant program with \$1.05 billion over four years to provide grants to companies headquartered in California to conduct research into technologies to help the state reach its climate goals.

Transportation

- The May Revision reflects the Administration's proposed consumer relief proposal, which includes:
 - \$11.5 billion in gas tax rebates to vehicle owners.
 - \$750 million for three months of free transit service
 - An additional \$500 million for the Active Transportation Program
 - A pause in the CPI increase for state diesel taxes beginning in October, with a General Fund backfill to ensure that transportation funding is held harmless.

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- The May Revision does not reflect the pause in CPI adjustment for the state gas tax originally proposed in January.

Housing and Homelessness

- The May Revision proposes an additional \$150 million in the current year, for a total of \$2.9 billion in Homekey funding over two years.
- The May Revision also proposes an additional \$500 million General Fund over 2023-24 and 2024-25, on top of the \$100 million proposed in January, for adaptive reuse — converting existing infrastructure, underutilized retail space, and commercial buildings into residential uses. This brings the total proposed investment in adaptive reuse to \$600 million over three years.
- The May Revision includes \$500 million over two years to house unsheltered individuals on state-owned land through grants to local governments for interim housing and site preparation. This would be a new program, in addition to the \$500 million proposed in January for Encampment Resolution grants.

General Government

- **Broadband Middle-Mile Initiative.** The May Revision proposes an additional \$1.1 billion General Fund for the Broadband Middle-Mile Initiative. The 2021-22 budget included \$3.25 billion to the California Department of Technology (CDT) for this purpose.
- **California Small Business Hard-Hit Industries Grant Program.** The May Revision includes \$500 million in one-time General Fund in 2022-23 to provide additional relief to small businesses impacted by the pandemic.
- **Cannabis.** The May Revision includes \$150 million one-time General Fund, available through 2025-26, and proposed statutory changes that would alleviate the administrative burden of tax collection and remittance, provide relief to cultivators, and protect Cannabis Tax Fund beneficiaries. The May Revision also includes \$20.5 million one-time General Fund that would assist local jurisdictions expand retail access to legal, regulated cannabis products.

Labor

- **EDDNext, Long-Term Modernization.** The May Revision includes \$136 million one-time funding (\$68 million General Fund) for EDDNext-- a five-year plan to

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modernize EDD. This plan includes efforts on EDD's benefit systems, call center improvements, simplifying forms and notices, including user testing and engagement, developing data analysis tools to continue curbing fraudulent benefit claims, and upgrading department training and tools to increase the pace of application processing.

- **State Contributions to the California Public Employees' Retirement System (CalPERS).** State contributions to CalPERS have decreased by a net total of \$215.6 million (\$180.1 million General Fund) in 2022-23 relative to the Governor's Budget. The Governor's Budget assumed that the state will contribute \$8.4 billion (\$4.8 billion General Fund) in 2022-23 to pay for state employee pension benefits (including CSU employees).
- **CalPERS Unfunded Liability.** The Administration proposed in the January budget to use \$3.5 billion of the total \$3.9 billion in Proposition 2 debt payment requirements as a supplemental pension payment to reduce the state's CalPERS unfunded liabilities. The May Revision estimates \$2.9 billion in one-time Proposition 2 debt repayment funding in 2022-23 to further reduce the unfunded liabilities of the CalPERS state plans.
- **State Contributions to the California State Teachers' Retirement System (CalSTRS).** State contributions to CalSTRS increased by \$6 million General Fund in 2022-23, relative to the Governor's Budget, due to a revision in reported compensation for K-12 and community college teachers. The Governor's 2022-23 budget proposal included \$3.7 billion General Fund in required contributions to CalSTRS. No supplemental payments to CalSTRS is proposed in 2022-23, in contrast to past few years.
- **Collective Bargaining.** The May Revision increases employee compensation by \$217.6 million in 2022-23 (\$132.2 million General Fund) and \$143.0 million ongoing (\$70.5 million General Fund) to reflect updated estimates to the dental and vision premium rates, changes to enrollment in health and dental plans, updated employment information for salary increases and other post-employment benefit contributions, telework stipends, and Division of Juvenile Justice recruitment and retention differentials.

Public Safety

- **Corrections.** The Administration estimates that the prison population will continue to decline. The adult incarcerated population is projected to be 99,590 in 2021-22 and will reach 95,655 by 2024-25. Accordingly, the Administration is considering closing three additional prisons by 2024-25, assuming no significant changes to the long-term population projections. The May Revision also reduces the amount of funding needed for the California Department of Corrections (CDCR) COVID-19 response from \$424.7 million to \$240.1 million one-time General Fund, reflecting a significant decline in active cases since January.
- **Emergency Response.** The May Revision includes an additional \$263.4 million (\$233.9 million General Fund) for the Office of Emergency Services (OES), including \$114.3 million one-time General Fund to secure critical resources such as masks and other PPE and \$50 million for the Nonprofit Security Grant Program, which assists nonprofit organizations at risk of hate-motivated violence. Additional funding is proposed for local law enforcement mutual aid resources, data analytics, COVID-19 and future pandemic response, and the Internet Crimes Against Children Task Force, among other investments.
- **Victim Services.** The Administration proposes \$33 million one-time General Fund for an Innovative Pilot Program for Victim Services and for outreach to victims of violent crime.
- **Local Public Safety.** The May Revision includes additional one-time funding for local public safety, including \$12 million in grants for locating missing Indigenous persons, \$50 million for officer wellness grants, and \$20 million to expand mobile probation centers.

K-12 EDUCATION

The May Revision includes \$128.3 billion total funds (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs. K-12 per-pupil funding is \$16,991 in Proposition 98 funds, and \$22,850 if all funds sources are included. In addition to this funding, the May Revision includes an additional \$1.8 billion General Fund for K-12 school facilities, in addition to the \$2.1 billion General Fund included in the Governor's Budget.

PROPOSITION 98 – K-14 EDUCATION

- **Changes to the Minimum Guarantee.** The May Revision provides a substantial increase to Proposition 98 funding of \$19.6 billion from the Governor's Budget for the three-year period of 2020-21 to 2022-23. More specifically, the May Revision funds the Proposition 98 guarantee for the 2020-21 through 2022-23 fiscal years at \$96.1 billion, \$110.2 billion, and \$110.3 billion, respectively. Compared to January, this reflects the following yearly changes:
 - An increase of approximately \$137 million in 2020-21.
 - An increase of approximately \$11.1 billion in 2021-22.
 - An increase of approximately \$8.4 billion in 2022-23.

These levels reflect the estimated substantial increase in General Fund revenues over the three-year period in comparison with the Governor's Budget proposal. The Proposition 98 Guarantee continues to be calculated under Test 1 for all three years (equal to approximately 38 percent of General Fund revenues, plus local property taxes).

- **Public School System Stabilization Account.** The May Revision decreases the total payments (and the total account balance) to the Public School System Stabilization Account between 2020-21, 2021-22, and 2022-23 from \$9.7 billion to \$9.5 billion, due to the decrease in the share of total funds from capital gains revenues. Funds from this reserve account may be expended in years when the Proposition 98 Guarantee does not increase enough to cover year-over-year growth and inflation. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than three percent of the total K-12 share of the

Overview of the Governor's 2022-23 May Revision

Guarantee. The balance of \$7.3 billion in 2021-22 triggers school district reserve caps beginning in 2022-23.

K-12 EDUCATION – MAJOR CHANGES

- **Local Control Funding Formula (LCFF).** The bulk of funding for school districts and county offices of education for general operations is provided through the LCFF and is distributed based on the numbers of students served and certain student characteristics. Typically, the state annually adjusts the grant amounts by a cost-of-living adjustment (COLA). The 2022-23 Governor's Budget included an LCFF COLA of 5.33 percent, and the May Revision updates this adjustment to 6.56 percent. In addition to the updated COLA, the May Revision also includes \$2.1 billion ongoing Proposition 98 General Fund to increase LCFF base funding, bringing total LCFF funding to \$73.4 billion.
- **2021-22 ADA Protection.** The May Revision proposes allowing all local educational agencies to be funded at the greater of their current year average daily attendance of their current year enrollment adjusted for pre-COVID-19 absence rates in the 201-22 fiscal year, due to the Delta and Omicron surges and the subsequent staff and student absences. The Governor's Budget proposed to amend the LCFF calculation to consider the greater of a school district's current year, prior year, or the average of three prior years' average daily attendance, and the May Revision would conform this proposal to the May Revision adjustment. The total ongoing costs associated with these policies is estimated to be \$3.3 billion ongoing Proposition 98 General Fund and \$463 million one-time Proposition 98 General Fund.
- **Discretionary Block Grant.** The May Revision includes \$8 billion in one-time Proposition 98 General Fund, allocated on a per-pupil basis, with the intent to use these discretionary funds for purposes including, but not limited to, protecting staffing levels, addressing student learning challenges, and supporting the mental health and wellness needs of students and staff, and these funds would offset applicable mandates debt owed to those entities. (The Senate Budget included a similar discretionary block grant for \$10 billion in one-time Proposition 98 General Fund).
- **School Facilities.** The May Revision includes \$1.8 billion one-time General Fund, which would allocate \$2.2 billion one-time General Fund in 2022-23, \$1.2 billion one-time General Fund in 2023-24, and \$625 million one-time General Fund in 2024-25. Additionally, the May Revision includes \$1.8 billion one-time

Overview of the Governor's 2022-23 May Revision

Proposition 98 General Fund for schools to address outstanding school facility maintenance issues.

Additionally, the May Revision includes an increase of \$2.5 million General Fund for the study and preliminary plans phases of an overall \$43.1 million General Fund project to replace all outdoor sport fields and add a stand-alone practice soccer field at the Riverside School for the Deaf.

- **Community Schools.** The May Revision includes an additional \$1.5 billion one-time Proposition 98 General Fund to expand access to the community schools grants that support existing networks of community schools, establish new community schools, and to coordinate a wide range of services to these schools, with priority given to schools in high-poverty communities.
- **Expanded Learning Opportunities Program.** The May Revision includes an additional \$403 million ongoing Proposition 98 General Fund, bringing the ongoing program total to \$4.8 billion and full funding implementation four years ahead of schedule, and maintains the year delay in implementation to 2023-24 that was included in the Governor's Budget. The May Revision also proposes an additional \$63 million one-time Proposition 98 General Fund.
- **County Offices of Education.** The May Revision includes \$101.2 million ongoing Proposition 98 General Fund to augment LCFF funding for county offices of education.
- **Community Engagement Initiative.** The May Revision includes \$100 million one-time Proposition 98 General Fund to continue the Community Engagement Initiative, which disseminates best practices for school-community interaction. The 2018-19 Budget Act included \$13.3 million one-time Proposition 98 General Fund to create this initiative.
- **Teacher Training, Recruitment, and Retention.** The May Revision includes \$1 billion in programs and funds to recruit, retain, and support educators, including:
 - \$500 million one-time Proposition 98 General Fund to expand residency slots for teachers and school counselors, and also allow school counselors, social worker, and psychologist candidates to be eligible for the Golden State Teacher Grant program.
 - \$300 million one-time Proposition 98 General Fund to augment resources available to local educational agencies for professional learning through the

Overview of the Governor's 2022-23 May Revision

Educator Effectiveness Block Grant, with a priority for STEM educator supports.

- \$85 million one-time Proposition 98 General Fund to create Pre-K through 12 grade educator resources and professional learning to implement the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.
- \$80 million ongoing Proposition 98 General Fund for the Classified School Employee Summer Assistance Program, which provides matching funds for intersessional pay for classified employees that work less than 12 months per year.
- \$20 million one-time Proposition 98 General Fund to support a K-12 Teacher Residency Program Technical Assistance Center.
- \$15 million one-time Proposition 98 General Fund over three years to support 6,000 teachers in completing the coursework necessary to receive a supplementary state certification in reading and literacy.
- \$15 million one-time Proposition 98 General Fund to continue the work of the Educator Workforce Investment Grant program in areas of special education and support for English Learners.
- **School Nutrition.** The May Revision makes the following investments in the school nutrition program.
 - \$611.8 million ongoing Proposition 98 General Fund to augment the state meal reimbursement rate sufficient to maintain meal reimbursement rates beginning in 2022-23.
 - \$45 million one-time Proposition 98 General Fund to support the implementation of the California Healthy School Meals Pathway Program at the California Community Colleges, which is a pre-apprenticeship, apprenticeship, and fellowship workforce training pipeline pilot program for school food service workers.
- **Local Property Tax Adjustments.** The May Revision includes an increase of \$10.1 billion and \$8.9 billion ongoing Proposition 98 General Fund for school districts, charter schools, and county offices of education in 2021-22 and 2022-23,

Overview of the Governor's 2022-23 May Revision

respectively, with decreased offsetting property tax revenues. Specifically, this includes property tax decreases of \$32 million in 2020-21, \$659 million in 2021-22, and \$804 million in 2022-23.

- **Cost-of-Living Adjustments.** The May Revision includes an increase of \$62.1 million ongoing Proposition 98 General Fund to reflect a 6.56 percent COLA for categorical programs that remain outside of the LCFF and Special Education, including Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

EARLY CHILDHOOD EDUCATION

- **Universal Transitional Kindergarten (TK).** The May Revision includes adjustments to the costs to expand transitional kindergarten, from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2, from \$639.2 million at the Governor's Budget to \$614 million General Fund.
- **Pre-School Teacher Pipeline to Transitional Kindergarten.** Additionally, the May Revision proposes to allow teachers with preschool teaching permits who hold bachelor's degrees that meet basic skills requirements and are enrolled in coursework leading to be assigned as the teacher of record in a credential to teach transitional kindergarten, until June 30, 2026.
- **California State Preschool Program (CSPP).** The May Revision provides \$21.6 million one-time (\$10.8 million General Fund and \$10.8 million Proposition 98 General Fund) to extend family fee waivers for CSPP families for the 2022-23 school year. In addition, the May Revision extends hold harmless policies for CSPP providers for the 2022-23 school year; providing funding based on contract amounts rather than attendance. Finally, the May Revision updates a January proposal to increase adjustment factors for students with disabilities and dual language learners to reflect increased costs (\$4 million ongoing Proposition 98 General Fund and \$30 million ongoing General Fund).

HIGHER EDUCATION

CROSS-SEGMENTAL PROPOSALS

- **More details on Higher Education Compacts with UC and CSU & Roadmap with CCC.** The May Revision maintains the Administration's commitment in the compacts for funding equivalent to a five-percent increase in base General Fund resources annually over five years for UC and CSU, contingent on the ability of each segment to advance the shared goals of the compacts. Additionally, the May Revision maintains the Administration's commitment to invest available Proposition 98 resources for the CCCs to support efforts mutually prioritized in the roadmap, and to provide additional fiscal resources to the Chancellor's Office to better support colleges in meeting these goals.

According to the Administration, most of the goals articulated for each segment in the Governor's Budget now reflect clear baselines and measurable targets for improvement within defined timelines. In some cases, gaps in currently available data were identified that presented a challenge in establishing reliable baseline information. For these goals, the segments have committed to improving data collection and including reliable baseline information and measurable targets for improvement in early progress reporting. Each segment will report annually—beginning later this year—on specific actions planned and underway to achieve each goal, quantified progress toward achieving each goal, and strategic collaborations with intersegmental partners to advance performance outcomes and benefit students.

CALIFORNIA COMMUNITY COLLEGES (CCC)

- **Apportionments Cost-of-Living Adjustment and Growth.** The May Revision includes an increase of \$83.5 million ongoing Proposition 98 General Fund to reflect a change in the cost-of-living adjustment for apportionments from 5.33 percent to 6.56 percent, and an increase of \$1.3 million ongoing Proposition 98 General Fund to sustain 0.5-percent enrollment growth. This amount is in addition to an increase of \$409.4 million ongoing Proposition 98 General Fund included in the Governor's budget.
- **Base Increase.** The May Revision includes an increase of \$250 million ongoing Proposition 98 General Fund to increase the Student Centered Funding Formula's (SCFF) funding rates for the base, supplemental, and success allocations. Additionally, the May Revision proposes \$125 million ongoing Proposition 98

Overview of the Governor's 2022-23 May Revision

General Fund to augment SCFF basic allocation within the base allocation, in recognition of the significant digital footprints that districts have developed to accommodate long-term shifts in student learning modality demand.

- **Discretionary Block Grants.** The May Revision includes an increase of \$750 million one-time Proposition 98 General Fund to community college districts for discretionary block grants to address issues related to the pandemic and to reduce long-term obligations.
- **Foster Youth Support Services.** The May Revision includes an increase of \$10 million ongoing Proposition 98 General Fund, above what was provided in the Governor's Budget, to expand availability of foster youth support services offered by the NextUp program.
- **Student Equity and Achievement.** The May Revision includes an increase of \$25 million ongoing Proposition 98 General Fund for an approximately five-percent increase to the Student Equity and Achievement program.
- **CCC Chancellor's Office Support.** The May Revision includes \$2.6 million ongoing non-Proposition 98 General Fund to support shifting 10 positions proposed in the Governor's Budget for 2023-24 to 2022-23, as well as seven additional positions to support the implementation of the Cradle-to-Career Data System, assist colleges with affordable student housing, and build capacity to accommodate the increase in contracts and reporting requirements. Combined with the Governor's Budget investments, these augmentations provide the CCC Chancellor's Office a total of \$3.9 million ongoing non-Proposition 98 General Fund for 26 positions in 2022-23, bolstering capacity to support the system.
- **Classified Employee Summer Assistance Program.** The May Revision includes an increase of \$10 million ongoing Proposition 98 General Fund to establish the Classified Employee Summer Assistance Program for community college classified employees.
- **Foster and Kinship Care Education Program.** The May Revision includes an increase of \$500,000 ongoing Proposition 98 General Fund to backfill an estimated decrease in federal matching funds provided to Foster and Kinship Care Education programs, maintaining current funding levels.
- **Local Property Tax Adjustment.** The May Revision includes an increase of \$113.2 million ongoing Proposition 98 General Fund as a result of decreased offsetting local property tax revenues.

APPRENTICESHIPS

- **California Healthy School Meals Pathway Program.** The May Revision includes an increase of \$45 million one-time Proposition 98 General Fund to support the implementation of the California Healthy School Meals Pathway Program, which is a pre-apprenticeship, apprenticeship, and fellowship workforce training pipeline pilot program for school food service workers.
- **Apprenticeship Program Related and Supplemental Instruction (RSI) Rate.** The May Revision includes an increase of \$16.9 million ongoing Proposition 98 General Fund to align the apprenticeship program RSI rate with the SCFF credit rate, as opposed to the noncredit rate.

INFRASTRUCTURE AND MAINTENANCE

- **Deferred Maintenance.** The May Revision includes an increase of \$1.1 billion one-time Proposition 98 General Fund to support deferred maintenance and energy efficiency projects at community colleges, bringing the cumulative total investment in the Governor's Budget and May Revision to more than \$1.5 billion, of which \$863 million is from 2022-23, \$563.5 million is from 2021-22, and \$96.5 million is from 2020-21.
- **CCC Facilities.** The May Revision includes General Obligation bond funding of \$403 million one-time for the construction phase of 19 projects anticipated to complete design by Spring 2023, the design phases of two projects, and both the working drawings and construction for one project. This allocation represents the next installment of the \$2 billion available to the CCCs under Proposition 51.

UNIVERSITY OF CALIFORNIA (UC)

- **Investments in Innovation.** The May Revision includes \$500 million one-time General Fund to establish a new Institute for Immunology and Immunotherapy, consisting of \$300 million in 2022-23 and an additional \$200 million planned for this purpose in 2023-24. The Institute will be established at UC Los Angeles (UCLA), bringing together academics and researchers for collaborative research to maintain California's leading edge in biotechnology. The Institute will also serve as a hub and incubator for firms and entrepreneurs in the biotechnology industry and will expand opportunities for students to connect to careers in biotechnology. This proposal is part of the Administration's climate change research and climate/workforce hubs portfolio for UC.

Overview of the Governor's 2022-23 May Revision

- **UC Labor Centers.** The May Revision includes an increase of \$13 million ongoing General Fund to support the operations of existing UC Labor Centers and Occupational Safety and Health Programs, and invest in similar new initiatives throughout the UC system.
- **ASSIST Integration for Independent Institutions.** The May Revision includes an increase of \$1.5 million General Fund, \$650,000 of which is ongoing, to integrate member institutions of the Association of Independent California Colleges and Universities onto the ASSIST platform. ASSIST provides prospective transfer students with information on course transferability to four-year institutions.
- **Center for Responsible, Decentralized Intelligence.** The May Revision includes an increase of \$5 million one-time General Fund to support the Center for Responsible, Decentralized Intelligence at UC Berkeley, which promotes research, education, and entrepreneurship in blockchain and Web3.
- **Ralph J. Bunche Center.** The May Revision includes an increase of \$5 million one-time General Fund to support the Ralph J. Bunche Center for African-American Studies at UCLA.
- **Fire Advisors.** The May Revision includes a shift of \$2 million one-time General Fund to support UC Fire Advisors, proposed under the California Department of Forestry and Fire Protection in the Governor's Budget. The Administration intends to maintain support for the program at the same level in 2023-24.
- **Prop. 56 Backfill.** The May Revision includes an increase of \$2.1 million General Fund compared to the Governor's Budget adjustment for this purpose, to maintain funding for graduate medical education at \$40 million annually.

CALIFORNIA STATE UNIVERSITY (CSU)

- **Capital Outlay.** The May Revision includes several investments in capital infrastructure, including \$80 million one-time General Fund to expand the San Diego State University, Brawley Center in Imperial Valley to support a local workforce pipeline to aid the state's goals for development of the Lithium Valley vision. Additionally, the May Revision provides CSU \$67.5 million toward construction of the CSU Fullerton Engineering and Computer Science Innovation Hub. The Administration states that these investments in the San Diego State University, Brawley Center and the CSU Fullerton Engineering and Computer

Overview of the Governor's 2022-23 May Revision

Science Innovation Hub will expand campus infrastructure to support the growing need for a highly-skilled, STEM-trained workforce for all industries, expand access to a CSU education, and create California-based collaborative solutions to climate change.

Additionally, the May Revision includes an increase of \$25 million one-time General Fund to support equipment and facilities for CSU University Farms, providing a total of \$75 million for this purpose when combined with the Governor's Budget investment.

CALIFORNIA STUDENT AID COMMISSION (CSAC)

- **Cal Grant Program Caseload Adjustments.** The May Revision reflects updated Cal Grant expenditures based on the latest estimates of enrollment of Cal Grant-eligible students. In total, the May Revision reflects estimated Cal Grant expenditures of approximately \$2.2 billion in 2020-21, \$2.4 billion in 2021-22, and \$2.5 billion in 2022-23.
- **Independent Institutions.** The Administration has determined that a good-faith effort has been made by independent institutions of higher education toward meeting the statutory Associate Degree for Transfer commitment required to maintain the maximum award amount for students attending independent institutions of higher education at \$9,220 for the 2022-23 award year.
- **Financial Aid Programs.** The May Revision includes an increase of \$410,000 ongoing General Fund for three positions at the California Student Aid Commission to support financial aid programs. Combined with the Governor's Budget, this augmentation provides the California Student Aid Commission \$889,000 for eight positions beginning in 2022-23 to support financial aid workload.

HASTINGS COLLEGE OF LAW

- **Support for 100 McAllister Street Project.** The May Revision includes an increase of \$90 million one-time General Fund to support the facility improvement project at the institution's 100 McAllister Street building. This project will provide for the institution's continued use of 252 campus housing units at below market rents, will add at least five additional campus housing units, and will renovate space within the facility to be used for academic purposes.

Overview of the Governor's 2022-23 May Revision

- **Support for Renaming Costs.** The May Revision includes an increase of \$885,000 to support costs associated with changing the name of the institution, conditioned upon enactment of legislation authorizing a name change.

CALIFORNIA STATE LIBRARY

- **State Parks Passes.** The May Revision includes an increase of \$13.5 million one-time General Fund for the California Department of Parks and Recreation to expand availability of state parks passes offered via local libraries, in partnership with the California State Library.
- **Online Job Training and Workforce Development.** The May Revision includes an increase of \$1.4 million one-time General Fund to support online job training and workforce development resources targeting older adults and veterans at California's local libraries, building upon the Governor's Budget investment of \$8.8 million to support two additional years of free online job training and workforce development programs available through public libraries.
- **Library Services Modernization and Online Database Subscriptions.** The May Revision includes an increase of \$570,000 ongoing General Fund to modernize State Library services with an automated loan system, and provide subscriptions to e-books and specialized online databases.
- **Administrative Workload.** The May Revision includes an increase of \$363,000 ongoing General Fund to support increased administrative and personnel workload.
- **Communications and Outreach to Local Libraries.** The May Revision includes an increase of \$335,000 ongoing General Fund to expand public outreach and education to California local libraries and patrons in under-served and multilingual communities.

Overview of the Governor’s 2022-23 May Revision

NATURAL RESOURCES

VARIOUS DEPARTMENTS

- The May Revision proposes an additional \$1.6 billion (including the \$250 million set aside as contingency in the Governor’s Budget) for purposes of water resilience and drought response, as shown in the chart below:

Drought Resilience and Response
(Dollars in Millions)

Investment Category	Department	Program	2021 Package Total	Accelerated Drought Resilience Package		Total
				Governor’s Budget	May Revision	
Immediate Drought Support	Department of Water Resources	Small Water Suppliers Drought Relief & Urban Water Management Grants	\$484	\$120	\$180	\$784
	State Water Resources Control Board	Water Transfers Pilot Project	\$0	\$0	\$20	\$20
		Water Rights Modernization and Drought Resilience	\$0	\$0	\$44	\$44
	Department of Social Services	Drought Food Assistance	\$0	\$0	\$23	\$23
	Various	Data, Research, and Communications	\$127	\$0	\$116.8	\$244
		Drought Technical Assistance and Emergency Drought Response	\$57	\$25	\$161	\$243
Drinking Water, Water Supply and Reliability, Flood	State Water Resources Control Board	Drinking Water/Wastewater Infrastructure and State Revolving Fund	\$1,300	\$0	\$400	\$1,700
		PFAs Support	\$100	\$0	\$0	\$100
		Water Recycling/Groundwater Cleanup	\$400	\$0	\$100	\$500
	Department of Water Resources	Salton Sea	\$220	\$0	\$0	\$220
		Water Conveyance	\$200	\$0	\$0	\$200
		Flood	\$638	\$0	\$0	\$638
		Aqueduct Solar Panel Pilot Study	\$20	\$0	\$30	\$50
	Natural Resources Agency	Watershed Climate Studies	\$25	\$0	\$0	\$25
		Clear Lake Rehabilitation	\$5.7	\$0	\$0	\$6
	Conservation/ Agriculture	Department of Water Resources	SGMA Implementation	\$300	\$30	\$26
Agriculture and Delta Drought Response Programs			\$8	\$0	\$60	\$68
Department of Food and Agriculture		Relief for Small Farmers	\$0	\$5	\$20	\$25
		On-farm Water Use and Agriculture Technical Assistance	\$5	\$0	\$15	\$20
		State Water Efficiency and Enhancement Program	\$100	\$20	\$40	\$160
Department of Conservation		Multi-benefit Land Repurposing	\$50	\$40	\$0	\$90
Various		Water Conservation Programs (Small and Urban), Turf Replacement, and State Water Conservation Projects	\$0	\$185	\$26	\$211
Habitat/ Nature-Based Solutions		Department of Fish and Wildlife/ Department of Water Resources	Fish and Wildlife Protection	\$0	\$75	\$100
	Improving Drought Resiliency on State-Owned Land and Migratory Bird Habitat		\$8	\$0	\$25	\$33
	Department of Water Resources	Studying Salmon and Tribal Co-Management Activities	\$0	\$0	\$7.3	\$7.3
		Climate Induced Hatchery Upgrades	\$33	\$0	\$17	\$50
	Department of Water Resources	Aquatic Habitat and Drought Resilience and Expediting Large Scale Habitat	\$0	\$0	\$130.6	\$130.6
	Various	Additional Nature-Based Solutions	\$1,033	\$0	\$0	\$1,033
Total			\$5,157	\$500	\$1,550	\$7,207

Overview of the Governor's 2022-23 May Revision

- Among the proposed investments, include:
 - \$530 million to support water recycling and groundwater cleanup; advance drinking water and clean water projects that leverage federal infrastructure funds; and continue aqueduct solar pilots.
 - \$553 million to provide grants to urban water districts and smaller community water suppliers for drought-relief projects; support data, research, and public education campaigns; support technical assistance emergency drinking water response, enhance water rights enforcement, and support food assistance programs for farmworkers impacted by drought.
 - \$280 million to address fish and wildlife impacts associated with drought and climate change, and to build aquatic habitat and water resilience projects to support implementation of voluntary agreements with water suppliers.
 - \$187 million to support agricultural water conservation practices, provide incentives to farmers for installation of more efficient irrigation equipment and technical assistance, and provide direct relief to small additional water projects.

- In addition, the May Revision includes:
 - \$1.2 million General Fund ongoing for the Judicial Council to address climate, environmental, and water-related legal disputes.
 - \$75 million General Fund one-time to support the Small Agricultural Business Drought Relief Grant Program to provide direct assistance to eligible agriculture-related businesses that have been impacted by severe drought conditions.
 - \$500 million General Fund in 2025-26 to serve as a multi-year commitment to promote strategic water storage projects in the state that benefit water supply reliability and the environment. These resources are intended to build upon the \$2.7 billion provided in Proposition 1 under the Water Storage

Overview of the Governor’s 2022-23 May Revision

Investment Program to accelerate critical projects as part of a comprehensive and coordinated approach to water resiliency as outlined in the California Water Resilience Portfolio.

VARIOUS DEPARTMENTS

- The May Revision proposes \$300 million spread over two years (\$150 million annually) to address extreme heat, as shown in the chart below:

Extreme Heat
(Dollars in Millions)

Plan or Framework Category	Department	Program	2022-23	2023-24	Total
Cool Communities	Strategic Growth Council	Resilience Centers	\$85	\$85	\$170
	CAL FIRE	Green Schoolyards (Urban Forestry)	\$25	\$25	\$50
Protecting Vulnerable Populations and Ecosystems	Department of Public Health		\$3	\$0	\$3
	Department of Industrial Relations	Enhanced Protections for Vulnerable Populations	\$12.25	\$12.25	\$24.5
	Department of Social Services		\$2.75	\$5.75	\$8.5
	Department of Food and Agriculture	Animal Mortality Management Program	\$0.6	\$0.6	\$1.2
		Origin Inspection Program	\$0.25	\$0.25	\$0.5
	Department of Pesticide Regulation	Integrated Pest Management Technical Assistance	\$1.075	\$1.575	\$2.7
Increasing Public Awareness	Office of Planning and Research	Community-Based Public Awareness Campaign	\$6	\$14	\$20
Build a Climate Smart Workforce	Workforce Development Board	Extreme Heat High Road Training, Partnerships, and Apprenticeships Programs	\$13	\$4	\$17
Total			\$150	\$150	\$300

- Among the proposed investments, include:
 - \$170 million over two years to support cooling of communities at schools and through resilience centers.
 - \$50 million over two years for Green Schoolyards (urban forestry) through CalFire.
 - \$43 million to protect vulnerable populations and ecosystems from extreme heat impacts through enhanced enforcement of codes, standards, and regulations.
 - \$20 million for a community-based public awareness campaign to increase understanding of the risks posed by, and types of resources to protect against, extreme heat.

Overview of the Governor’s 2022-23 May Revision

- \$17 million to invest in High Road workforce development and training in jobs and careers that address extreme heat.

VARIOUS DEPARTMENTS

- The May Revision allocates \$768 million, which was set aside in the 2021 Budget Act for nature-based solutions spread over two years, as shown in the chart below:

Nature-Based Solutions
(Dollars in Millions)

Investment Category	Department	Program	2022-23	2023-24	Total
Nature-Based Solutions Programs	Wildlife Conservation Board	Forest Conservation Program			
		Oak Woodlands Conservation Program			
		California Desert Conservation Program			
		Rangeland, Grazing Land and Grassland Protection Program	\$200	\$45	\$245
		California Riparian Habitat Conservation Program			
		Natural and Working Lands Climate Adaptation and Resiliency Program			
	Department of Fish & Wildlife	Nature-Based Solutions Wetlands Restoration Program	\$54	\$0	\$54
Delta Conservancy			\$36	\$0	\$36
	Department of Conservation	Multi-benefit Land Repurposing Program	\$0	\$20	\$20
Department of Food & Agriculture		Healthy Soils Program	\$0	\$10	\$10
	CAL FIRE	Wildland Grazing (Fire Prevention Grant Program)	\$5	\$5	\$10
Supporting Regional Action	State Conservancies	Support for Nature-Based Solutions	\$60	\$60	\$120
	Department of Fish and Wildlife & Santa Monica Mountains Conservancy	Wildlife Corridors (including Liberty Canyon)	\$50	\$0	\$50
	Department of Fish and Wildlife	Natural Community Conservation Program Planning and Land Acquisition	\$36	\$0	\$36
	Department of Conservation	Climate Smart Land Management Program	\$14	\$6	\$20
	Wildlife Conservation Board	Resource Conservation Investments Strategies	\$2	\$3	\$5
Expanding Educational and Economic Opportunities for Youth Climate Leaders	Conservation Corps	Local and Tribal Nature-Based Solutions Corps	\$35	\$17	\$52
Partnering with California Native American Tribes	Natural Resources Agency	Tribal Nature-Based Solutions Program	\$100	\$0	\$100
Additional Strategic Investments	CalRecycle	Compost Permitting Pilot Program	\$0.5	\$7	\$7.5
	Natural Resources Agency	Nature-Based Solutions Partnerships and Improvements	\$0.25	\$1.75	\$2
	Natural Resources Agency	CA Nature Support	\$0.25	\$0.25	\$0.5
Total			\$593	\$175	\$768

Overview of the Governor's 2022-23 May Revision

- Among the proposed investments, include:
 - \$245 million spread over two years to the Wildlife Conservation Board for various conservation programs.
 - \$90 million spread over two years for wetlands restoration.
 - \$120 million to State Conservancies over two years to support nature-based solutions.
 - \$50 million in 2022-23 for wildfire corridors.
 - \$52 million over two years for Local and Tribal Nature-based solutions corps.
 - \$100 million in 2022-23 for the Tribal Nature-Based Solutions Program to advance tribal initiatives that advance shared climate and biodiversity goals and accelerate the use of nature-based solutions to address climate change. The Administration also proposes to establish a Tribal Natural Resources Council for the purpose of fostering inclusive partnerships with tribes in addressing biodiversity issues. The Council is intended to support the California Natural Resources Agency's efforts to develop and implement the Tribal Nature-Based Solutions program and other tribal affairs programs and policies.

- Other adjustments related to Nature-Based Solutions in the May Revision include:
 - \$50 million General Fund one-time to the State Coastal Conservancy for acquisition of real property, such as shoreline properties to protect natural resources, provide for public access, and implement the state's nature-based solutions agenda.
 - \$18.3 million General Fund one-time for a climate information system to integrate and analyze the most current climate monitoring data. This funding is intended to support the initial planning and development of the system and ultimately comprise a central hub for climate data from local, state, and federal sources.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CalFire)

- The May Revision includes various proposals to increase wildfire suppression efforts including:
 - \$83.1 million General Fund one-time to augment CalFire's fire protection resources through December 2022 given current drought conditions, increasing fire severity and size, and declining inmate camp populations.
 - \$150.2 million (\$141.7 million General Fund) and 465 positions to enhance CalFire's capabilities to meet the demands of wildland firefighting.
 - \$104.4 million General Fund (\$49.9 million ongoing) and 270 positions, phased in over four years, to provide for the CalFire staffing component of two Governor's Budget fire crew proposals. Combined, these proposals will add eight new year-round California Conservation Corps (CCC) and California Military Department (CMD) fire crews (four crews each) and convert 16 existing seasonal CCC and CMD crews to year-round crews (6 CCC and 10 CMD). These proposals will increase the overall number of permanent hand crews intended to be available to: (1) respond to wildfires throughout the year, (2) implement high-priority fuel reduction projects, and (3) participate in prescribed fire and other fuels treatment projects.
 - \$37.8 million (\$29.3 million General Fund) in 2022-23, \$35.6 million (\$27.5 million General Fund) ongoing and 190 positions intended to enhance staffing, improve operational effectiveness, and provide administrative and program support necessary to support CalFire's direct mission functions.
 - \$4 million General Fund and 34 positions in 2022-23, \$7.6 million in 2023-24 and 2024-25, and \$968,000 and five positions ongoing to reflect the staffing components of two Governor Budget proposals, which will (1) purchase four additional S70i Fire Hawk helicopters and (2) contract for 10 exclusive use helicopters each year for the next three years while the state awaits delivery of retardant dropping C-130 aircrafts from the federal government.

VARIOUS DEPARTMENTS

- The May Revision includes an additional \$120 million to the Cap-and-Trade Expenditure Plan, as follows:
 - \$100 million Greenhouse Gas Reduction Fund (GGRF) one-time for methane satellites. The purpose is to expand the number of satellites launched for methane observations, which would provide weekly measurement of large methane emissions in the state and enhance enforcement capabilities. This data is intended to allow the state to identify the source of these emissions, work with programs to hold emitters accountable for violations, and further reduce the amount of short-lived climate pollutants in the atmosphere.
 - \$20 million GGRF one-time for AB 617 Community Air Protection Program. The Governor's Budget included \$240 million to support AB 617; this additional allocation would bring the total proposed investment to \$260 million.

ENERGY

CLEAN ENERGY INVESTMENT PLAN

The Governor's Budget included \$2 billion for a Clean Energy Investment Plan to support innovation and deployment of clean energy technologies in the energy system. The May Revision includes an additional \$8 billion investment to further increase the state's energy system's resilience, increase reliability and affordability, and accelerate the deployment of the resources needed to achieve California's clean energy transition, and provide debt relief to California households impacted by the COVID-19 Pandemic. This brings total proposed investments in energy to \$10.05 billion over five years. These investments are as follows:

- **Arrearage Payment Program.** The May Revision proposes \$1.2 billion to address residential electric utility arrearages through the Department of Community Services and Development to mitigate the outstanding debt leading to increased utility rates. The 2021 Budget established the California Arrearage Payment Program (CAPP) and directed \$1 billion in federal American Rescue Plan Act funding towards financial assistance to reduce or eliminate past due energy bill balances accrued by customers economically impacted by the COVID-19 Pandemic.

Overview of the Governor's 2022-23 May Revision

The May Revision also includes \$200 million to address residential water and waste water arrearages, which is discussed in the Health and Human Services section.

- **Strategic Electricity Reliability Reserve.** The May Revision proposes \$5.2 billion to invest in a Strategic Electricity Reliability Reserve, this includes \$4.25 billion for investments in strategic reliability assets, and \$950 million for distributed energy backup assets.

The resources from which the Reserve will be developed may include existing generation capacity that was scheduled to retire, new generation, new storage projects, clean backup generation projects, diesel and natural gas backup generation projects with emission controls and all required permits, and customer side load reduction capacity that is visible to and dispatchable by the California Independent System Operator (CAISO) during grid emergencies.

- **Residential Solar and Storage.** The May Revision proposes \$970 million to the California Public Utilities Commission (CPUC) to provide residential solar and storage system incentives, including for low-income households. This consists of \$670 million for solar and storage systems for low-income households and \$300 million for additional storage installations paired with existing residential solar systems.
- **Transmission and Energy Financing.** The May Revision proposes \$250 million to leverage additional state financing tools dedicated to supporting the development of strategic clean energy projects that will assist the state in meeting its reliability, affordability and climate goals. Projects will be identified in coordination with the CPUC and the California Energy Commission (CEC), and in consultation with the CAISO, as appropriate. To the extent possible, the program will look to maximize the involvement of third-party capital, including from the federal Department of Energy and the private sector, in order to increase the impact of the state-provided funds. The initial priority of this new financing will be to support the development of new transmission to deliver to the CAISO system, clean, firm electricity from new resources located in the Salton Sea region. This investment will support the state's goals for development of Lithium Valley in Imperial County.
- **Demand Side Grid Support.** The May Revision proposes \$295 million over multiple years to support the CEC in developing demand-side grid support initiatives. These efforts will help reduce energy demand on the grid during peak energy times.

Overview of the Governor’s 2022-23 May Revision

- **Carbon Removal and Innovation.** The May Revision proposes \$100 million to support carbon removal projects by providing match funding to supplement grants that projects receive from the federal government and non-profit foundations. This funding will be critical to providing in-state projects a competitive advantage when applying for funds, especially the federal funding available from the U.S. Department of Energy through the Infrastructure Investment and Jobs Act.

Energy Reliability, Relief and Clean Energy Investments

(Dollars in Millions)

Investment Category	Program	Agency	2021-22	2022-23	Multiyear Total
Ratepayer Relief	California Arrearage Payment Program	CSD	\$0	\$1,200	\$1,200
	Capacity Building Grants	CPUC	\$0	\$30	\$30
Reliability	Investments in Strategic Reliability Assets	DWR	\$1,500	\$445	\$4,250
	Distributed Electricity Backup Assets	CEC	\$550	\$0	\$950
	Residential Solar & Storage	CPUC	\$0	\$70	\$970
	Transmission & Energy Financing	IBank	\$0	\$250	\$250
	Demand Side Grid Support	CEC	\$200	\$0	\$295
Clean Energy	Carbon Removal Innovation	CEC	\$0	\$50	\$100
	Energy Data Infrastructure & Analysis	CEC	\$0	\$5	\$5
			\$2,250	\$2,050	\$8,050
Total Package				\$8,050	

In addition to the proposed investments identified in the energy package outlined above, the May Revision also proposes various investments and changes, as follows:

- **Offshore Wind Resource.** The Governor’s Budget proposed \$45 million to advance the state’s offshore wind resource. The May Revision proposes a new pathway at the CEC for offshore wind developers to voluntarily partner with the state to help engage communities and stakeholders. It also looks to further build capacity in communities to encourage engagement in the CPUC processes that shape the state’s energy future.
- **Rate Reform.** The May Revision proposes statutory revisions to allow the CPUC to adjust electricity rates to predetermined fixed charges with considerations of low- income customers. This rate reform effort will reduce charges attached to volumes of electricity consumed, help control rate volatility, and enable creation of better price signals that will enhance widespread electrification efforts.
- **Climate Innovation Grant Program.** The May Revision converts two green tax credits proposed in the Governor’s Budget, the Innovation Headquarters Credit and

Overview of the Governor's 2022-23 May Revision

the Credit for Green Energy Technologies, into a single program administered by the CEC and equal to the same amount proposed at the Governor's Budget (\$1.05 billion over four fiscal years - \$100 million in 2022-23, \$325 million in 2023-24 and 2024-25, and \$300 million in 2025-26).

The program would provide grants to companies headquartered in the state with a focus on research activities into technologies to help California reach its climate goals. Recipients would provide a return to the state if a company has either an Initial Public Offering or a change in ownership even that results in a greater than 50 percent change in the company's capitalization table. The amount of return to the state if the company has demonstrated success will be reduced if certain contractually specified performance metrics are met, in awarding grants, the CEC shall consider whether the companies' investments are moving from a state that has enacted anti-LGBTQ+ or reproductive rights laws.

- **Lithium Valley Development.** The May Revision proposes to spur the growth of infrastructure to support the development of geothermal and lithium extraction facilities in the Salton Sea region. The May Revision proposes to:
 1. Accelerate development by streamlining geothermal permitting, including strong environmental protections, in coordination with California Native American tribes;
 2. Provide \$5 million to support the development of geothermal energy and lithium recovery in the Salton Sea region through evaluation, community planning and engagement;
 3. Incentivize projects that manufacture, process, or recover lithium through a sales and use tax exclusion, making \$45 million available over three years for these incentives;
 4. Provide for local governments and residents to benefit from the development and extraction of lithium by establishing a tax per ton of lithium extraction, placing reporting and fee requirements on lithium extraction activities, and providing funds to contribute to the maintenance, operations, and restoration of Salton Sea, and grants to support disadvantaged communities in the region; and,
 5. Create pathways for local residents to benefit from jobs created by the new industries. The May Revision proposes \$80 million to expand training at the San Diego State University, Brawley Center in the Imperial Valley.

Overview of the Governor's 2022-23 May Revision

Zero-Emission Vehicles. The Governor's Budget proposed \$6 billion over four years for zero-emissions vehicles (ZEV) and charging infrastructure. In the spring, the Governor announced accelerating \$1.75 billion of the January ZEV package (\$1.5 billion) and the 2021 Budget act ZEV package (\$250 million) in the 2021-22 fiscal year. These adjustments were related to passenger vehicles and community-based options. The May Revision proposes to accelerate the following items from the January ZEV package:

- \$160 million for ZEV Drayage Trucks and Infrastructure Grants to deploy approximately 330 trucks with supporting infrastructure.
- \$100 million for ZEV Transit Buses and Infrastructure Grants to deploy approximately 370 buses with supporting infrastructure.
- \$150 million for ZEV School Buses to deploy approximately 340 school buses with supporting infrastructure.
- \$100 million for ZEV Clean Trucks, Buses and Off-Road Equipment infrastructure to support approximately 1,000 vehicles.
- \$20 million for emerging opportunities focused on transformational and innovative demonstration and pilot project(s) focused on hard-to-decarbonize sectors including zero-emission aviation, marine, and locomotive and vehicle-to-grid solutions.

HEALTH AND HUMAN SERVICES

The May Revision includes a total of \$227.6 billion (\$67.4 billion General Fund and \$160.2 billion other funds) for health and human services programs that serve low-income, vulnerable individuals and families.

VARIOUS DEPARTMENTS

- **Access to Reproductive Health Care.** The May Revision includes General Fund expenditure authority of \$57 million to support safe and accessible reproductive health care, for a total of \$125 million including investments included in the January budget, including the following components:
 - Funding for Uncompensated Reproductive Health Care Services – \$40 million, over six years, for grants to reproductive health care providers to support care for low- and moderate-income individuals without health coverage for abortion care services.
 - California Reproductive Justice and Freedom Fund – \$15 million one-time for grants to community-based reproductive health, rights, and justice organizations to support medically accurate and culturally competent outreach and education on sexual health and reproductive health issues.
 - Comprehensive Reproductive Rights Website – \$1 million one-time to support a website providing accurate and updated information to the public on the right to abortion care under state law, information about reproductive health care providers, and options for coverage of reproductive health services.
 - Research on Unmet Reproductive Health Care Needs – \$1 million one-time to support research to evaluate the unmet need for access to reproductive health services.
- **Community Assistance, Recovery, and Empowerment (CARE) Court.** The May Revision includes investments in multiple departments to support the Administration's proposal for CARE Court, including:
 - *Supporter Program.* The May Revision includes annual General Fund expenditures of \$10 million for the Department of Aging to support the CARE Court Supporter Program to help participants understand, consider, and communicate decisions by providing the tools to make self-directed choices.
 - *Training and Technical Assistance.* The May Revision includes General Fund expenditure authority of \$15.2 million in 2022-23, \$1.1 million annually between

Overview of the Governor's 2022-23 May Revision

2023-24 and 2026-27, and \$1.3 million annually thereafter for DHCS to provide training and technical assistance to counties, for data collection, and for evaluation.

- *Judicial Branch.* The May Revision includes General Fund expenditure authority of \$39.5 million in 2022-23 and \$37.7 million annually thereafter for the Judicial Branch to conduct CARE Court hearings and provide resources for self-help centers.
- **Youth Suicide Prevention.** The May Revision includes General Fund expenditure authority of \$290 million one-time to support several initiatives to address the youth mental health crisis, particularly youth at risk of suicide, including the following components:
 - Youth Suicide Prevention Program – \$40 million to support grants to community-based organizations for programs aimed at youth at increased risk of suicide, with particular focus on Black, Native American, Hispanic, and foster youth.
 - Crisis Response - \$50 million to support pilot projects for school and community-based crisis response and supports, as well as designating youth suicide or suicide attempts as a reportable public health event, to trigger screening and resource connections at the local level for the impacted community.
 - Wellness and Mindfulness Programs - \$85 million over two years to support grants for wellness and mindfulness programs in schools and communities, and expansion of parent support and training programs.
 - Video Series - \$15 million to develop and distribute a video series to help parents support the behavioral health of their children.
 - Career Development - \$25 million to identify and support early career development of 2,500 highly talented and culturally diverse high school students interested in mental health careers.
 - Assessment and Intervention - \$75 million for next generation digital supports and metaverse-based mental health assessment and intervention.

HEALTH AND HUMAN SERVICES AGENCY (CalHHS)

- **Youth Behavioral Health.** The May Revision includes General Fund expenditure authority of \$158 million in 2022-23, \$58 million in 2023-24, and \$34 million in 2024-25 to support wellness, resilience, and improve behavioral health for children and youth.
- **Data Exchange Governance for Health Information Exchange.** The May Revision includes 18 positions and General Fund expenditure authority of \$33.8 million in 2022-23 and \$8.8 million annually thereafter to support data exchange governance for health information exchange by healthcare providers in California.

Overview of the Governor's 2022-23 May Revision

- **Healthy California for All Commission Follow Up.** The May Revision includes General Fund expenditure authority of \$2.4 million in 2022-23 and \$368,000 in 2023-24, to develop and implement a strategy for engagement with federal partners on the necessary federal approvals to proceed with a unified healthcare financing strategy in California.

HEALTH

DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **Medi-Cal Local Assistance Expenditures.** The May Revision estimates local assistance expenditures for Medi-Cal of \$121.9 billion (\$25.1 billion General Fund, \$85.5 billion federal funds, and \$11.3 billion special funds and reimbursements) in 2021-22 and \$135.5 billion (\$36.6 billion General Fund, \$86 billion federal funds, and \$12.9 billion special funds and reimbursements) in 2022-23. These figures represent a decrease of General Fund expenditures of \$1.8 billion in 2021-22 and an increase of \$1.7 billion in 2022-23 compared to estimates included in the Governor's January budget. According to the Administration, the reduction in General Fund expenditures in 2021-22 are primarily attributable to:

- Shift of state-only claiming costs to 2022-23 fiscal year (\$713 million savings)
- Base spending lower than previously projected (\$654 million savings)
- Changes in federal deferrals and releases (\$313 million savings)
- Changes to COVID-19 Medi-Cal impacts (\$150 million savings)
- Shifts in multi-year spending items (\$133 million savings)

These savings are offset by increased costs attributable to:

- Increased funding for CalHOPE (\$11 million costs)
- Changes in CalAIM funding assumptions (\$31 million costs)
- Various other impacts (\$163 million costs)

The Administration indicates the \$1.7 billion General Fund increase between 2021-22 and 2022-23 is primarily attributable to:

- Shift of state-only claiming costs from 2021-22 (\$723 million costs)
- Changes in federal deferrals and releases (\$460 million costs)
- Increased General Fund support for Prop. 56 payments (\$268 million costs)
- Changes in CalAIM funding assumptions (\$123 million costs)
- Increased costs for undocumented Medi-Cal expansion (\$122 million costs)
- Funding for L.A. County Misdemeanor IST programs (\$100 million costs)

Overview of the Governor's 2022-23 May Revision

- Increased funding for CalHOPE (\$80 million costs)
- Delays in recoupments from county behavioral health (\$61 million costs)
- Costs for nursing facility financing reform (\$55 million costs)
- Shift of multi-year spending from 2021-22 (\$43 million costs)
- Funding for health enrollment navigators (30 million costs)
- General Fund support for the Dental Transformation Initiative (\$30 million costs)
- Long-term care costs for minimum wage inflation adjustment (\$8 million costs)
- Behavioral Health Crisis Continuum of Care contract funding (\$2 million costs)
- Various other impacts (\$171 million costs)

These costs are offset by savings attributable to:

- Equity and Practice payments over multiple fiscal years (\$130 million savings)
- Changes to COVID-19 Medi-Cal impacts (\$431 million savings)

The May Revision estimates Medi-Cal caseload will be 14,374,000 in 2021-22, a 2.1 percent decrease compared to estimates in the January budget, and 14,463,500 in 2022-23, a 1.4 percent increase compared to estimates in the January budget, and an increase of 0.6 percent compared to the revised 2021-22 estimate.

- **Family Health Local Assistance Expenditures.** The May Revision estimates total expenditures for Family Health Programs of \$232.7 million (\$186.4 million General Fund, \$5.1 million federal funds, and \$41.2 million special funds and reimbursements) in 2021-22 and \$264.8 million (\$227 million General Fund, \$5.1 million federal funds, and \$32.7 million special funds and reimbursements) in 2022-23. Expenditures for each of these programs are as follows:
 - *California Children's Services (CCS).* The May Revision estimates total expenditures for CCS of \$77.2 million (\$73.2 million General Fund, and \$4 million special funds and reimbursements) in 2021-22 and \$87 million (\$83 million General Fund, \$4 million special funds and reimbursements) in 2022-23. In addition, counties are estimated to contribute \$76.3 million in 2021-22 and \$86.1 million in 2022-23 to State-Only CCS expenditures. The CCS Medi-Cal caseload is estimated to be 193,370 in 2021-22 and 179,561 in 2022-23, and the CCS State-Only caseload is estimated to be 9,206 in 2021-22 and 12,812 in 2022-23.
 - *Genetically Handicapped Persons Program (GHPP).* The May Revision estimates total expenditures for GHPP of \$117.6 million (\$102.9 million General Fund, \$14.7 million special funds and reimbursements) in 2021-22 and \$135.3 million (\$129.1 million General Fund, \$6.2 million special funds and reimbursements) in 2022-23. The GHPP Medi-Cal caseload is estimated to be 805 in 2021-22 and 716 in 2022-

Overview of the Governor's 2022-23 May Revision

23, and the GHPP State-Only caseload is estimated to be 652 in 2021-22 and 655 in 2022-23.

- *Every Woman Counts (EWC)*. The May Revision estimates total expenditures for EWC of \$37.9 million (\$10.2 million General Fund, \$5.1 million federal funds, and \$22.5 million special funds and reimbursements) in 2021-22 and \$42.6 million (\$15 million General Fund, \$5.1 million federal funds, and \$22.5 million special funds and reimbursements) in 2022-23. The EWC caseload is estimated to be 23,899 in 2021-22 and 24,321 in 2022-23.
- **COVID-19 Pandemic Impacts on Medi-Cal**. The May Revision includes net costs of \$12.4 billion (\$104 million General Fund savings) in 2021-22 and \$11.5 billion (\$1.9 billion General Fund costs) in 2022-23. Most of these adjustments are related to extensions of flexibilities implemented during the pandemic, or preparations for the end of the federal public health emergency declaration. These adjustments include:
 - *Separate Billing by Clinics for COVID-19 Vaccine Administration*. \$47 million (\$7 million General Fund) for separate billing by federally qualified health centers (FQHCs) for COVID-19 vaccine administration.
 - *Presumptive Eligibility*. \$73 million (\$37 million General Fund) for presumptive eligibility for individuals age 65 and older, blind, or disabled.
 - *ICF-DD Reimbursement*. \$44 million (\$21 million General Fund) for continuation of a 10 percent reimbursement rate increase for intermediate care facilities – developmental disabilities (ICF-DDs).
 - *Oxygen and Respiratory Equipment Reimbursement*. \$13 million (\$6 million General Fund) to maintain reimbursement rates for oxygen and respiratory equipment at 100 percent of the Medicare rate.
 - *Additional Quarter of Increased Federal Match*. The May Revision assumes extension of the federal public health emergency declaration by one quarter, until September 2022, results in \$5.4 billion in increased federal matching funds and associated General Fund savings of \$3.5 billion in 2021-22 and \$2.1 billion in increased federal matching funds and associated General Fund savings of \$1.3 billion in 2022-23.
 - *Caseload and Redeterminations*. Federal COVID-19 relief bills require suspension of disenrollment for Medi-Cal beneficiaries until the expiration of the public health emergency declaration. The redetermination of eligibility for individuals is expected to proceed over 12 months after the expiration of the emergency declaration. Based on updated estimates of actual caseload and the revised timeline for the expiration of the emergency declaration, the May Revision includes costs of \$8.9 billion (\$2.5 billion General Fund) in 2021-22 and \$9.9 billion (\$2.8 billion General Fund) in 2022-23.

Overview of the Governor's 2022-23 May Revision

- **Retention Payments for Hospital and Skilled Nursing Facility Staff.** The May Revision includes expenditure authority from the California Emergency Relief Fund of \$933 million to support one-time payments to approximately 600,000 hospital and skilled nursing facility workers impacted by care delivery during the COVID-19 pandemic. These payments would be up to \$1,500 per worker, depending on matching by employers.
- **Skilled Nursing Facility Financing Reform.** The May Revision includes expenditure authority of \$213 million (\$101 million General Fund and \$112.1 million federal funds) to implement nursing facility financing reform to incentivize quality patient care, emphasize the role of the workforce, hold facilities accountable for quality of care, balance distribution of rate increases, and result in long-term viability of these providers in the managed care delivery system. The Administration will also propose trailer bill language to implement these reforms.
- **Equity and Practice Transformation Payments.** The May Revision includes additional expenditure authority of \$300 million (\$150 million General Fund and \$150 million federal funds) for equity and practice transformation payments. The Governor's January budget included \$400 million (\$200 million General Fund and \$200 million federal funds) for this purpose. These payments, which would be spread over five fiscal years, would support a statewide learning collaborative (\$25 million), practice-level activities (\$25 million), and equity and practice transformation payments (\$650 million). \$200 million of the equity and practice transformation payments would prepare practices for value-based care, implement electronic health records, improve data collection and exchange, and implement care management systems. These efforts would be focused in areas located in the first and second quartiles of the Healthy Places Index.
- **Tribal Investments.** The May Revision includes General Fund expenditure authority of \$15 million to support construction costs for The Village San Francisco, and \$15 million to support a Regional Wellness Center for the Yurok Tribe of California.
- **Doula Benefit Implementation Update.** The May Revision includes expenditure authority of \$974,000 (\$377,000 General Fund and \$597,000 federal funds) to support the implementation of the doula benefit for Medi-Cal beneficiaries. DHCS indicates it plans to increase the rate paid for doula services, increasing the average cost per-labor from \$450 to \$1,094.
- **Elimination of AB 97 Provider Rate Reductions.** The May Revision proposes trailer bill language to exempt the following additional Medi-Cal services from the 10 percent

Overview of the Governor's 2022-23 May Revision

provider rate reductions imposed by AB 97 (Committee on Budget), Chapter 3, Statutes of 2011: 1) doula services, 2) community health worker services, 3) continuous glucose monitoring, 4) remote patient monitoring, 5) asthma prevention services, 6) dyadic services, 7) Medication Therapy Management.

- **General Fund Support for Dental Transformation Initiative.** The May Revision includes General Fund expenditure authority of \$30.2 million in 2022-23 and \$1.5 million in 2023-24 to backfill a shortfall in federal funding for supplemental payments for the Dental Transformation Initiative.
- **Health Enrollment Navigators.** The May Revision includes expenditure authority of \$60 million (\$30 million General Fund and \$30 million federal funds) through 2025-26 for health enrollment navigators to support Medi-Cal beneficiaries with renewals, updating contact information, outreach, application assistance, enrollment, and retention of difficult to reach target populations. These navigators would assist beneficiaries as they navigate redeterminations after the end of the public health emergency, as well as other expansions of eligibility for Medi-Cal.
- **Los Angeles Misdemeanor Incompetent to Stand Trial.** The May Revision includes General Fund expenditure authority of \$100 million to support capital costs to construct, acquire, or rehabilitate treatment and housing facilities and rental subsidies for placement of individuals found incompetent to stand trial (IST) on misdemeanor charges in Los Angeles County.
- **California Advancing and Innovating Medi-Cal (CalAIM) Implementation.** The May Revision includes expenditure authority of \$1.1 billion (\$459 million General Fund) in 2021-22 and \$3.1 billion (\$1.2 billion General Fund) in 2022-23 for the implementation of CalAIM, including the following May Revision updates:
 - *ICF-DD Transition Delay.* DHCS proposes to delay the transition of ICF-DDs and subacute care facilities into managed care from January 1, 2023, to July 1, 2023 to provide additional time to prepare for the transition.
 - *Population Health Management.* DHCS estimates the Population Health Management (PHM) Service will go live in July 2023.
 - *Justice Package.* DHCS has updated estimates of expanded pharmacy services for justice-involved individuals 90 days prior to release.
 - *Designated State Health Programs.* The federal Centers for Medicare and Medicaid Services (CMS) have not approved its plan to use Designated State Health Program expenditures to draw down federal funding for CalAIM programs. As a result, the May Revision replaces this federal funding with General Fund.

Overview of the Governor's 2022-23 May Revision

- **Behavioral Health County Recoupment Delay.** The May Revision includes a loss of \$61 million General Fund savings from delaying for one year recoupment of county claims and overpayments for state-only populations.
- **Proposition 56 Payments.** The May Revision includes General Fund expenditure authority to backfill Proposition 56 funded programs as follows:
 - *Supplemental Provider Payments.* \$148 million General Fund supports Prop 56 supplemental provider payments
 - *Loan Repayment.* \$295 million General Fund supports the Physician and Dentist Loan Repayment Program.

DEPARTMENT OF PUBLIC HEALTH (DPH)

- **COVID-19 Direct Response Expenditures.** The May Revision includes additional expenditure authority of \$1.1 billion (\$703.4 million General Fund savings) to continue its response to the COVID-19 pandemic, including vaccine and booster administration, border public health activities, and support for school testing.
- **AIDS Drug Assistance Program (ADAP) Program Estimate.** The May Revision includes estimated savings in the ADAP Rebate Fund of \$21.6 million in 2021-22 and increased expenditure authority from the ADAP Rebate Fund of \$34.4 million in 2022-23 for increased costs in the ADAP program due to changes in medication expenditures.
- **Genetic Disease Screening Program (GDSP) Estimate.** The May Revision includes estimated savings in the Genetic Disease Testing Fund of \$1.2 million in 2021-22 and \$4.5 million in 2022-23 for the Genetic Disease Screening Program, primarily due to updated caseload projections and moving the launch date for cell-free DNA screening from July 2022 to September 2022.
- **Women, Infants, and Children (WIC) Program Estimate.** The May Revision includes a decrease in federal fund of \$10.6 million in 2021-22 and an increase of \$18.2 million in 2022-23 for the WIC Program, primarily due to decreases in participation offset by costs for food inflation and a new rebate estimate methodology.
- **Children and Youth Suicide Prevention.** The May Revision includes General Fund expenditure authority of \$40 million to develop a targeted, community-based youth suicide prevention program for youth at increased risk of suicide.

COVERED CALIFORNIA

- **Restoration of Covered California State Subsidy Program.** The May Revision includes General Fund expenditure authority of \$304 million to resume the state subsidy program for premium affordability in the Covered California health benefits exchange. These subsidies would soften the impact on premiums resulting from the expiration of enhanced federal subsidies included in the American Rescue Plan Act.

HUMAN SERVICES

DEPARTMENT OF SOCIAL SERVICES (DSS)

CalWORKs Grant Increases. The May Revision proposes an 11 percent increase to CalWORKs Maximum Aid Payment levels, which is estimated to cost \$296.2 million in 2022-23. These increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccounts of the Local Revenue Fund.

Child Welfare/Children's Programs. The May Revision proposes the following investments within the child welfare system:

- **Family Finding and Engagement.** \$150 million one-time General Fund available over five years for a county-optional program to supplement foster caregiver recruitment and retention. The resources will support statewide training and technical assistance on evidence-based best practices for intensive family finding and engagement services. Each participating county must provide matching funding and build a network of support for youth such that permanent connections and homes are established.
- **Resource Family Approvals.** \$50 million General Fund annually beginning in 2022-23 to assist counties in reducing approval timelines for foster caregiver applications. The resources will allow counties to hire additional staff to reduce pending and probationary resource family applications.
- **Child Welfare Services-California Automated Response and Engagement System (CWS-CARES).** \$108 million one-time funding (\$57.6 million General Fund) to continue design, development, and implementation activities for the CWS-CARES project. The project is replacing a legacy system with a modern technology application that aids child welfare stakeholders in assuring the safety

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and well-being of children at risk of abuse and neglect.

In-Home Supportive Services (IHSS) Permanent Back-up Provider System. The May Revision proposes \$34.4 million (\$15.4 million General Fund) ongoing to establish a permanent back-up provider system for IHSS recipients to avoid disruptions to caregiving due to an immediate need or emergency. A portion of the funding is for transition activities, and will allow counties to maintain existing emergency back-up provider services until October 2022 when the permanent system is implemented.

Immigration Services. The May Revision proposes the following investments relating to immigration services:

- **Rapid Response Efforts.** \$175 million one-time General Fund for Rapid Response efforts to provide additional support for migrant arrivals at the Southern California border and funding for other emergent issues.
- **California Immigrant Justice Fellowship.** \$2.5 million General Fund one-time in both 2022-23 and 2023-24 for the California Immigrant Justice Fellowship. The program received initial one-time funding in the 2019 Budget Act.

Minor Victims of Commercial Sexual Exploitation. The May Revision proposes \$25 million one-time General Fund for prevention, intervention, and services for youth who have been the victims of commercial sexual exploitation.

Assistance for Promise Neighborhoods. The May Revision proposes \$12 million one-time General Fund available over three years to support Promise Neighborhoods in Chula Vista, Corning, Hayward, and Mission.

Child Care. The May Revision includes the following investments relating to childcare programs within DSS.

- **Family Fee Waivers.** The May Revision includes \$136 million in one-time federal funds to waive family fees for state-subsidized child care programs for the 2022-23 fiscal year.
- **Hold Harmless Policies.** The May Revision includes \$114 million (\$6 million General Fund and \$108 million federal funds) to extend the policy of reimbursing voucher-based child care providers based on authorized hours of care, rather than attendance, for the 2022-23 fiscal year.

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- **Child Care and Development Infrastructure Grant Program.** The May Revision includes \$200.5 million (\$100 million General Fund and \$100.5 million federal funds) for infrastructure improvements, focusing on minor renovations and repair in child care deserts and low-income communities.
- **Alternative Payment Program Capacity Grant.** The May Revision includes \$20 million in one-time General Fund for Alternative Payment Programs to support administration needs related to additional slots.
- **Child Care Slots.** The May Revision corrects an error in the Governor's Budget and fully funds the full year costs of the slots that were provided in the 2021-22 fiscal year.

DEPARTMENT OF DEVELOPMENTAL SERVICES

Workforce Stability. The May Revision proposes seven permanent positions and the following proposals to address challenges in recruiting and retaining regional center service coordinators and direct support professionals (DSP).

- **Training Stipends.** \$127.8 million to provide up to two \$500 training stipends for DSPs.
- **Internships for Workers who Provide Direct Services.** \$22.5 million to implement a three-month training and internship program intended to establish an entry point into DSP career paths.
- **Tuition Reimbursement Program.** \$30 million to establish a tuition reimbursement program for regional center service coordinators pursuing advanced degrees in health and human services-related fields.
- **Pilot for Remote Supports.** \$5 million to pilot a program aimed at developing remote supports using technology systems to increase consumer independence and, when chosen and safe, reduce in-person and around-the-clock services.

Early Start Eligibility. The May Revision proposes \$6.5 million General Fund in 2022-23, increasing to \$29.5 million General Fund in 2024-25, to support adjustments in identifying children with qualifying signs of developmental delays. This proposal includes statutory changes revising the Early Start qualification threshold from a 33 percent delay to a 25 percent delay in one of the specified assessment areas; separating communication delay assessments into expressive and receptive categories; and highlighting Fetal Alcohol Syndrome as a risk factor for intellectual and/or developmental

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delays. These changes are intended to engage families sooner with early intervention services.

Service Access and Equity Grant Program. The May Revision proposes \$11 million General Fund one-time in 2022-23 to increase the resources currently available for DDS to award to regional centers and community-based organizations through its Service Access and Equity Grant Program, which focuses on supporting strategies to reduce disparities and increase equity in regional center services.

Financial Management Services for Self-Determination Program Participants. The May Revision proposes \$7.2 million ongoing (\$4.4 million General Fund) to support participants in the Self-Determination Program by amending statute to move the cost of Financial Management Services out of their individual budgets.

Half-Day Billing. The May Revision proposes statutory changes to eliminate the half-day billing policy for service providers.

DEPARTMENT OF REHABILITATION (DOR)

Community Living Fund. The May Revision includes \$10 million one-time General Fund available over three years for the Community Living Fund. The fund would assist non-Medi-Cal eligible older adults and individuals with disabilities in transitioning from nursing homes to independent living.

DEPARTMENT OF AGING (CDA)

Home and Community-Based Services (HCBS) Infrastructure Planning and Development. The May Revision proposes \$4 million one-time General Fund to develop a statewide roadmap for the Department of Aging, in partnership with the Department of Health Care Services, and to support the development of home and community-based services for individuals regardless of income in underserved areas.

Caregiver Resource Centers. The May Revision transfers \$14.9 million ongoing General Fund and oversight of California's Caregiver Resource Center program from the Department of Health Care Services to the Department of Aging and proposes an additional \$545,000 ongoing General Fund for statewide training and technical assistance.

Long-Term Care Ombudsman Outreach Campaign. The May Revision proposes \$3.5 million one-time General Fund to support a Long-Term Care Ombudsman outreach campaign to raise awareness of the resources available to residents and families in skilled nursing, assisted living, and other residential facilities.

Overview of the Governor's 2022-23 May Revision

Aging and Disability Institute of Learning and Innovation. The May Revision proposes \$682,000 ongoing General Fund to establish the Aging and Disability Institute of Learning and Innovation. The Institute would develop a comprehensive adult learning management system to support local network leaders, home and community care providers, volunteers, and the Long Term Care Ombudsman. Additionally, the Institute would create a platform to develop content and improve training to further quality, efficiency, and access to services for older adults.

Emergency Preparedness and Response. The May Revision proposes \$400,000 ongoing General Fund to develop strategies, tools, and resources to help older adults, individuals with disabilities, family caregivers, and local partners prepare for and respond to state emergencies and natural disasters.

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT (CSD)

California Arrearage Payment Program (CAPP). The May Revision proposes \$1.2 billion for the program to address energy arrearages. The CAPP was created in the 2021 budget and provides financial assistance to reduce or eliminate past due energy bills accrued by customers impacted by the COVID-19 pandemic. Under the program over 1.5 million residential and commercial accounts received credits towards bill payments.

Low-Income Household Water Assistance Program (LIHWAP). The May Revision proposes \$200 million for residential wastewater and water arrearages. LIHWAP provides financial assistance to low-income Californians to help manage their residential water utility costs.

GENERAL GOVERNMENT AND LOCAL GOVERNMENT

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ)

- **CalCompetes Tax Credit Expansion and Grant Program.** CalCompetes is administered by GO-Biz, which currently allocates \$180 million per year in tax credits to incentivize businesses to locate or stay and grow in California and is scheduled to sunset after the 2022-23 fiscal year. The May Revision includes an extension of the CalCompetes Tax Credit program through the 2027-28 fiscal year at the current level of \$180 million per year. In addition, the May Revision includes \$120 million one-time General Fund to fund a second year of the CalCompetes Grant Program for businesses that meet one or more of the following criteria: establish at least 500 net new jobs; make a significant infrastructure investment; or, commit to a high-need, high-opportunity area of the state. Both programs shall provide additional consideration for companies that relocate from states that have anti-LGBTQ+ and reproductive rights laws.
- **California Small Business Hard-Hit Industries Grant Program.** The May Revision includes \$500 million in one-time General Fund in 2022-23 to provide additional relief to small businesses impacted by the pandemic. Eligible small businesses and non-profits could receive grants from \$10,000 to \$50,000 depending on their annual gross revenue. The grant program would be administered by the California Office of the Small Business Advocate (CalOSBA) within the Governor's Office of Business and Economic Development (GO-Biz).
- **California Small Agricultural Business Drought Relief Grant Program.** The May Revision includes \$75 million one-time General Fund to provide direct assistance to eligible agriculture-related businesses that have been affected by severe drought conditions. Grant awards range from \$30,000 to \$50,000, depending on annual gross revenue decline, and will be prioritized first to businesses located in regions hardest hit by drought impacts. The grant program would be administered by the California Office of the Small Business Advocate (CalOSBA) within GO-Biz, in consultation with the California Department of Food and Agriculture.

FRANCHISE TAX BOARD (FTB)

- **Paycheck Protection Program (PPP) Conformity.** The May Revision includes statutory changes to update conformity of state tax law to the federal PPP grant period. Previous conformity actions excluded an extension of the federal PPP grant program by two months in spring of 2021. This proposed action allows for all federal PPP grants to be excluded from the definition of income for the purposes of state taxation. The May Revision includes a \$450 million revenue reduction over five years, starting in 2021-22, to reflect this change.
- **CalCompetes Tax Credit.** The May Revision includes an extension of the CalCompetes Tax Credit program through the 2027-28 fiscal year at \$180 million per year, as noted under GoBiz.
- **Main Street Small Business Tax Credit Technical Fix.** The May Revision includes proposed statutory changes to allow taxpayers that were eligible for, but did not claim the Main Street Tax Credit on their original return, to claim the credit in the subsequent five tax years. The Main Street Small Business Tax Credits were intended to encourage hiring new employees and rehiring former employees, however, many qualifying businesses did not claim the credit on their original 2020 tax return, primarily because they had no tax liability.
- **Reprogramming of Climate-Related Tax Credit Proposals.** The May Revision removes the Governor's Budget proposals to create a Green Technologies Development Credit and an Innovation Headquarters Credit. Instead, funds designated for these credit are proposed to be used for a climate-related grant program administered by the California Energy Commission. This new proposal is covered in the Resources section.

California Department of Tax and Fee Administration (CDTFA)

- **Lithium Sales and Use Tax Exclusion.** The May Revision expands the authority of the California Alternative Energy and Advanced Transportation Financing Authority to include \$45 million (\$15 million per year from 2022-23 through 2024-25) for a sales and use tax exclusion on equipment purchases related to the extraction, processing, and manufacturing of lithium through a sales and use tax exclusion.

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- **Lithium Extraction Tax.** The May Revision also proposes placing a tax per ton on lithium extraction, and creating reporting and fee requirements on lithium extraction activities, with funds to go towards Salton Sea restoration, and other disadvantaged communities in the region.
- **Sales Tax on Diesel.** The May Revision proposes a 12-month pause, effective October 1, 2022, on the General Fund (3.9375-percent rate) portion of the sales tax rate on diesel.

HOUSING AND HOMELESSNESS

HOMELESSNESS

- **Homekey Family Housing.** The May Revision proposes an additional \$150 million in the current year, for a total of \$2.9 billion in Homekey funding over two years.
- **Homeless Housing on State-Owned Lands.** The May Revision also includes \$500 million over two years to house unsheltered individuals on state-owned land through grants to local governments for interim housing and site preparation. Interim housing placements will provide bridge housing for unsheltered individuals who can be transitioned into long-term housing placements.
- **Homeless Housing, Assistance, and Preservation Program (HHAPP).** The baseline 2022-23 budget includes \$1 billion for HHAPP. The May Revision includes no additional funding for this program. However, the Administration has indicated that it is committed to extending HHAP at current levels for additional years beyond 2022-23, pending further discussion with the Legislature to meaningfully increase outcomes and accountability on local HHAP spending to focus on highest priority needs.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD)

- **Adaptive Reuse.** The May Revision includes an additional \$500 million one-time General Fund over 2023-24 and 2024-25 to remove barriers to building more downtown-oriented and affordable housing through funding adaptive reuse—namely, converting existing infrastructure, underutilized retail space, and commercial buildings into residential uses. When added to the \$100 million one-

Overview of the Governor's 2022-23 May Revision

time General Fund included in the Governor's Budget, total adaptive reuse investments total \$600 million over three years.

- Emergency Rental Assistance.** The May Revision includes \$2.7 billion one-time General Fund in the current year for cashflow loans for rental assistance through state and local programs established during the height of the pandemic. Amendments to the 2021 Budget Act (SB 115) authorized a General Fund cashflow loan to continue to make payments to individuals in the federal Emergency Rental Assistance Program while the federal government processes reallocations of unused rental assistance funding from other states. The state continues to seek federal reallocation funding, but the timing and amounts of such reallocations are still unknown.

The May Revision brings the total proposed funding for housing and homelessness purposes to \$9.1 billion for housing and \$9.4 billion for homelessness, as detailed below.

2022-23 Affordable Housing Funding at May Revision
(Dollars in Millions)

Department	Program	Total Funding
Department of Housing and Community Development ¹¹	Veterans and Affordable Housing Bond Act Programs (Prop 1)	\$431.9
	No Place Like Home Program	\$400.0
	Building Homes and Jobs Fund Programs (SB 2)	\$233.8
	Federal Funded Programs for Housing	\$260.2 ²¹
	Infill Infrastructure Grant Program	\$225.0 ³¹
	Adaptive Reuse	\$50.0 ³¹
	Veterans Housing and Homelessness Prevention	\$75.0
	Affordable Housing and Sustainable Communities Program (General Fund)	\$75.0 ³¹
	Portfolio Reinvestment Program (Preservation) (General Fund)	\$50.0 ³¹
	Various	\$13.0
	State Excess Sites (General Fund)	\$25.0 ³¹
	Mobilehome Park Rehabilitation and Resident Ownership Program (General Fund)	\$25.0 ³¹
Office of Migrant Services	\$5.6	
California Housing Finance Agency ⁴¹	Low-Moderate Income Housing	\$50.0
	Single Family First Mortgage Lending	\$2,500.0
	Homeowner Assistance Fund (American Rescue Plan Act)	\$1,055.0
	Multifamily Conduit Lending	\$1,300.0
	Multifamily Permanent Lending	\$350.0
	Single Family Down Payment Assistance/Homebuyer Assistance	\$140.0 ⁵¹
	Mixed-Income Loan Program	\$93.4 ³¹
	Low Income Housing Tax Credits (State)	\$641.4 ⁶¹
Tax Credit Allocation Committee	Low Income Housing Tax Credits (Federal)	457.9 ⁷¹
	Farmworker Housing Assistance Tax Credits	\$4.6
Strategic Growth Council	Affordable Housing and Sustainable Communities (GGRF)	\$407.0 ⁸¹
Department of Veterans Affairs	CalVet Farm and Home Loan Program (Prop 1)	\$150.0
Judicial Council	Legal Assistance for Renters and Homeowners	\$20.0
	Domestic Violence Housing First Program	\$23.0
Office of Emergency Services	Transitional Housing Program	\$17.0
	Specialized Emergency Housing	\$10.0
	Domestic Violence Assistance, Equality in Prevention and Services, Human Trafficking Victim Assistance, North American Domestic Violence and Sexual Assault	-
	Returning Home Well	\$10.6
California Department of Corrections and Rehabilitation	Specialized Treatment of Optimized Programming, Parolee Service Center, Day Reporting Center, Female Offender Treatment and Employment Program, Proposition 47 Grant Program	-
	Transitional Housing for Division of Juvenile Justice Youth	\$3.0
Board of State and Community Corrections	Housing Opportunities for Persons with AIDS (HOPWA)	\$5.0
	Housing Plus Program	\$1.0
Department of Public Health	HIV Care Program	-
	Higher Education Student Housing Grant Program	\$750.0 ¹⁰¹
California Community Colleges		
California State University		
University of California		
Total		\$9,108.4

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Homelessness Funding at 2022-23 May Revision (Dollars in Millions)

Department	Program	Total Funding
Department of Housing and Community Development	Continued Homekey Acquisitions	\$1,300.0
	Interim Housing	\$500.0 ³¹
	Federal Funded Programs for Homelessness	\$148.0 ²¹
	Foster Youth Housing Navigators	\$5.0
	Transitional Housing Program	\$17.0
California Interagency Council of Homelessness	Flexible Aid	\$1,000.0
	Homeless Landscape Assessment	\$0.6
	Encampment Resolution Efforts	\$500.3
Office of Emergency Services	Various Homeless Youth Programs	\$1.0
	Youth Emergency Telephone Network	\$0.6
Department of Social Services	CalWORKS Housing Support Program	\$285.0
	Housing and Disability Advocacy Program	\$175.0
	Bringing Families Home	\$92.5
	Home Safe Program	\$92.5
Department of Health Care Services	Behavioral Health Continuum Infrastructure Program	\$1,724.7 ³¹
	Behavioral Health Bridge Housing	\$1,500.0 ⁴¹
	Naloxone Distribution Project for Individuals Experiencing Homelessness	\$15.0
	Housing and Homelessness Incentive Program	\$1,299.6 ⁵¹
	Project for Assistance in the Transition from Homelessness	\$8.8
Department of State Hospitals	IST Sub-Acute Bed Capacity Expansion	\$88.5 ⁶¹
	Community-Based Restoration (CBR)	\$78.4 ⁸¹
	IST Solutions	\$398.2 ⁵¹
Department of Transportation	Encampment Relocation Coordinators and Homeless Services Liaisons	\$2.7
	Clean California - additional Hazardous Material Removal	\$25.0
	Hazardous Material Removal at Encampments	\$20.6
California Community Colleges	Basic Needs Funding - Student Hunger and Homelessness Programs	\$30.0 ⁷¹
	Rapid Rehousing	\$9.0 ⁷¹
California State University	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 ⁷¹
	Rapid Rehousing	\$6.5 ⁷¹
University of California	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 ⁷¹
	Rapid Rehousing	\$3.5 ⁷¹
Total		\$9,358.0

CALIFORNIA MILITARY DEPARTMENT

- Drug Interdiction.** The Governor's Budget included \$20 million General Fund for drug interdiction efforts, and the May Revision increases this investment by \$10 million General Fund, for a total of \$30 million (\$15 million in 2022-23 and \$15 million 2023-24).

CALIFORNIA DEPARTMENT OF VETERAN AFFAIRS

- **Outreach and Education Campaign.** The May Revision proposes \$5 million for an awareness campaign that educates veterans and the broader community to inform the knowledge, behaviors, and attitude surrounding veteran suicide. The campaign will also promote prevention activities, along with health and wellness.
- **Veteran Suicide Surveillance and Review Program.** The May Revision proposes \$5 million to establish a multidisciplinary team of professionals and stakeholders focusing on the identification and collection of veteran-specific suicide data, and coordinate a statewide assessment of veteran's mental health and provide recommendations on future prevention, intervention, and post-intervention strategies. This program will build upon the work of the Violence Prevention Initiative at the California Department of Public Health.
- **Veteran Mental Health Support Network Grants.** The May Revision proposes \$40 million to provide competitive grants to local jurisdictions that provide matching grants to expand mental health service capacity by supporting a network of veteran-specific mental health services throughout the state. The intent of this program is to assist the creation of self-sustaining, ongoing programs that support veterans and maximize available federal programs (U.S. Veteran's Affairs and Medi-Cal).

DEPARTMENT OF CONSUMER AFFAIRS

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

DEPARTMENT OF TECHNOLOGY (CDT)

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

GOVERNMENT OPERATIONS AGENCY

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

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

CANNABIS

- **Cannabis Tax Reform.** The May Revision proposes statutory changes to reform cannabis taxes. These changes include:
 - Setting the cultivation tax rate at zero beginning July 1, 2022.
 - Shifting the point of collection and remittance for excise tax from distribution to retail on January 1, 2023, maintaining a 15 percent excise tax rate.

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- Setting Allocation 3 funding for youth education/intervention/treatment, environmental restoration, and state and local law enforcement programs at a baseline of \$670 million annually for three years.
- Setting aside \$150 million one-time General Fund, available until 2025-26, to backfill Allocation 3 funding. If General Fund is insufficient, the May Revision proposes to provide the Administration authority to increase the excise tax rate to meet the \$670 million baseline.
- Enforcement policies to increase tax compliance and collection, as well as labor standards.
- **Cannabis Local Jurisdiction Retail Access Grant Program.** The May Revision includes \$20.5 million one-time General Fund to establish a cannabis local jurisdiction retail access grant program. This program is intended to aid localities with the development and implementation of local retail licensing programs and to support consumers in gaining access to legal, regulated products.

CORRECTIONS

CALIFORNIA DEPARTMENT OF CORRECTIONS & REHABILITATION (CDCR)

The May Revision includes total funding of \$13.9 billion (\$13.3 billion General Fund and \$603.2 million other funds) for CDCR in 2022-23.

Adult Institution Population. The average daily adult incarcerated population for 2021-22 is projected to be 99,590, a decrease of five percent since the Governor's Budget. The population is projected to decline in the long term, reaching 95,655 in 2024-25. Accordingly, the Administration is considering closing three additional prisons by 2024-25, assuming no significant changes to the long-term population projections.

Parolee Population. The Governor's Budget projected an overall parolee average daily population of 42,963 in 2022-23. The average daily parolee population is now projected to increase by 628 to 43,591 in 2022-23, an increase of 1.5 percent from the Governor's Budget projections. The parole population is projected to decline to 37,818 by June 30, 2026.

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Division of Juvenile Justice Population. The May Revision reflects an estimated average daily population of 641 youth in 2021-22 and 430 youth in 2022-23, which represents a decrease of 16 and 114 youth in 2021-22 and 2022-23, respectively, compared to the Governor's Budget estimates. This results in a decrease of \$6 million General Fund and 32.5 positions in 2021-22, and a decrease of \$15.7 million and 95 positions in 2022-23, as compared to Governor's January estimates. Additionally, the May Revision reflects a decrease of \$87.8 million and 554.7 positions in 2023-24 and ongoing in recognition of DJJ's closure at the end of 2022-23.

COVID-19 Response. The May Revision reduces the amount of funding needed for CDCR's COVID-19 response from \$424.7 million to \$240.1 million one-time General Fund, reflecting a significant decline in active cases since January.

Health Care Facility Improvement Program (HCFIP) Supplemental Appropriation. The May Revision includes \$67.6 million in additional funding to finish 11 outstanding HCFIP projects.

Medication Distribution Improvements. The May Revision includes \$18.4 million to improve medication preparation and distribution spaces at five facilities.

Transitional Housing. The May Revision includes \$3 million one-time General Fund to provide transitional housing to youth discharged by the Board of Juvenile Hearings and at risk of homelessness.

Data Collection and Evaluation. The May Revision includes \$6 million one-time General Fund for data collection and evaluation regarding the outcomes of formerly incarcerated individuals.

OFFICE OF THE INSPECTOR GENERAL (OIG)

Staff Misconduct and Disciplinary Process. The May Revision includes \$5.6 million General Fund in 2022-23 and \$11.4 million ongoing for the OIG to monitor staff complaints that are handled by institutions and to reflect refinements to the staffing levels for the OIG to monitor CDCR's centralized screening process and investigations conducted by the Office of Internal Affairs. This augmentation would provide the OIG with a total of \$7.9 million General Fund in 2022-23 and \$15.1 million ongoing to monitor CDCR's staff misconduct process.

PUBLIC SAFETY

LOCAL PUBLIC SAFETY

Officer Wellness Grants. The May Revision includes \$50 million one-time General Fund to fund grants to local entities to improve officer health and well-being, build resiliency, decrease stress and trauma, and improve community trust and relations. This is in addition to the \$5 million one-time General Fund included in the Governor's Budget for the Commission on Peace Officer Standards and Training to develop a Law Enforcement Wellness Program to support officers' overall health.

Mobile Probation Centers. The May Revision includes \$20 million one-time General Fund to establish a competitive grant program for counties to create mobile probation centers, which can help facilitate court appearances and connect individuals to other resources such as housing.

Missing and Murdered Indigenous Persons Grants. The May Revision includes \$12 million General Fund over three years to establish a competitive grant program to help California tribes locate and identify missing Indigenous persons.

Proposition 47. The Department of Finance estimates net General Fund savings of \$161.1 million in the 2022-23 May Revision. This is an increase of \$13.8 million over the 2022-23 Governor's Budget projection, due to updated diversion impact estimates. These funds will be allocated according to the formula outlined in the initiative, which requires 65 percent be allocated for grants to public agencies to support various recidivism reduction programs (such as mental health and substance use services), 25 percent for grants to support truancy and dropout prevention programs, and 10 percent for grants for victims' services.

Post Release Community Supervision. The Governor's Budget estimated \$23.2 million one-time General Fund for county probation departments to supervise the temporary increase in the average daily population of individuals on Post Release Community Supervision (PRCS) as a result of the implementation of Proposition 57. Based on updated estimates, the May Revision includes \$20.9 million one-time General Fund, or a decrease of \$2.3 million from Governor's Budget projections, corresponding with fewer releases of incarcerated individuals than had been projected in Fall 2021.

Community Corrections Performance Incentive Grant. The Community Corrections Performance Incentive Grant, Chapter 608, Statutes of 2009 (SB 678), provides an incentive for counties to reduce the number of felony probationers sent to state prison.

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Due to the ongoing impact of the pandemic, the May Revision contains a total of \$123.8 million General Fund annually through 2024-25 to provide county probation departments with a consistent level of funding.

VICTIM SERVICES

Innovative Pilot Program for Victim Services. The May Revision includes \$30 million one-time General Fund to establish an innovative pilot program to provide victim services across the state, such as operating satellite offices for trauma recovery centers or other victim services providers in hard-to-reach and/or rural areas.

Media Outreach to Victims of Violent Crime. The May Revision includes \$3 million one-time Restitution Fund to conduct an outreach campaign to raise awareness of statewide victim support services, while targeting hard-to-reach populations.

DEPARTMENT OF JUSTICE (DOJ)

The May Revision includes total funding of approximately \$1.2 billion, including \$443.5 million General Fund, to support DOJ.

Fentanyl Enforcement. The May Revision includes \$7.9 million in 2022-23 and \$6.7 million ongoing to establish the Fentanyl Enforcement Program to target statewide fentanyl-trafficking criminal networks.

Medi-Cal Fraud and Elder Abuse: Medicaid Patient Abuse Prevention Act. The May Revision includes \$7.8 million (\$6.1 million Federal Trust Fund, \$1.2 million False Claims Act, and \$474,000 General Fund) in 2022-23, and \$7.1 million in 2023-24 and ongoing to maximize DOJ's federal grant award to support increased Medicaid fraud and elder abuse investigation and enforcement pursuant to changes in federal law.

Reparations Task Force. The May Revision includes \$1.5 million one-time General Fund for external consultants to develop and finalize task force recommendations, and cover travel and per diem costs for task force members pursuant to Chapter 319, Statutes of 2020 (AB 121). This investment is in addition to \$2.2 million General Fund over two years for the task force provided in the 2021 Budget Act.

JUDICIARY

Trial Court Facilities. The May Revision provides an additional \$24.3 million one-time General Fund to modify existing court facilities and \$29.6 million one-time General Fund for the construction of new courtrooms to accommodate the additional superior court

Overview of the Governor's 2022-23 May Revision

judgeships. The May Revision also includes \$15.7 million one-time General Fund to address fire, life, and safety issues in three trial court facilities: San Diego County Superior Court Hall of Justice, San Diego County Superior Court East County Regional Center, and Orange County Superior Court Central Justice Center.

Environmental Issue Judicial Training. The May Revision includes \$1.2 million ongoing General Fund to establish a unit within the Judicial Council to provide training, technical assistance, and legal support to judicial officers and court personnel on water law, climate change, and environmental issues.

Community Assistance, Recovery, and Empowerment (CARE) Court. The May Revision includes \$39.5 million General Fund in 2022-23 and \$37.7 million ongoing for the Judicial Branch to conduct CARE court hearings and provide resources for self-help centers. See Health and Human Services for more information.

Trial Court Trust Fund Backfill. The May Revision includes \$33.7 million ongoing General Fund to continue backfilling the expected revenue decline in the Trial Court Trust Fund in 2022-23. This brings the total amount available for the backfill in 2022-23 to \$151.5 million.

AB 177 Trial Court Backfill. The May Revision includes an ongoing reduction of \$3.1 million General Fund to backfill trial courts for revenue losses from the repeal of fees by Chapter 257, Statutes of 2021 (AB 177). The associated revenue loss for all courts is lower than expected, totaling \$10.3 million instead of the \$13.4 million estimated in the Governor's Budget.

Trial Court Employee Benefit Adjustment. The May Revision includes a \$7.9 million ongoing General Fund reduction to reflect updated health benefit and retirement rate changes for trial court employees. This brings the total additional amount available for trial court employee benefits in 2022-23 to \$20.9 million.

State Court Facilities Construction Fund (SCFCF) Backfill. The May Revision removes the \$40 million one-time General Fund backfill of the SCFCF that was included in the Governor's Budget because the backfill is no longer necessary as there is a sufficient fund balance to maintain current service levels.

EMERGENCY RESPONSE

OFFICE OF EMERGENCY SERVICES (OES)

The May Revision includes an additional \$263.4 million (\$233.9 million General Fund) for OES, bringing the total funding for OES to \$2.3 billion (\$807.6 million General Fund) and 1,777 positions for Cal OES.

State Warning Center. The May Revision includes \$8.1 million General Fund (\$5.2 million ongoing) and 19 positions for the California State Warning Center to monitor and coordinate responses during critical emergency incidents and disasters.

Securing Emergency Supplies and Commodities. The May Revision includes \$114.3 million General Fund one-time to provide warehouse space, purchase new and replace expiring personal protective equipment, increase commodity supply for an all-hazard event, and secure logistic support equipment. This proposal would support California's ability to act quickly and help ensure appropriate resources are available across the state for all emergencies.

Data Analytics. The May Revision includes \$19 million General Fund (\$10.5 million ongoing) and eight positions to modernize Cal OES's technology and data capabilities through new technology and updating outdated systems.

Pandemic Response. The May Revision includes \$29.5 million General Fund one-time to continue COVID-19 testing efforts and provide resources to activate the state's mutual aid system in the event of future outbreaks.

Emergency Training. The May Revision includes \$7.2 million General Fund (\$5.8 million ongoing) and 23 positions to provide more courses for emergency management professionals and emergency responders at the California Specialized Training Institute.

Southern California Response. The May Revision includes \$5.4 million General Fund one-time for design of a permanent Southern Regional Emergency Operations Center at the former Fairview Developmental Center in Costa Mesa. This new facility would provide coordination response efforts between federal, state, and local partners in the Southern California region.

Overview of the Governor's 2022-23 May Revision

Local Law Enforcement Mutual Aid Deployment Resources. The May Revision includes \$25 million General Fund ongoing and five positions to provide local law enforcement support during disasters and emergencies.

Nonprofit Security Grant Program. The May Revision includes \$50 million General Fund one-time to provide security assistance to nonprofit organizations at risk of hate-motivated violence, which includes members of the Asian American Pacific Islander, LGBTQ+, Black, and Jewish communities. Security enhancement projects include reinforced doors and gates, high-intensity lighting and alarms, and other security-related improvements.

Internet Crimes Against Children Task Force. The May Revision includes \$5 million General Fund one-time to support the Internet Crimes Against Children Task Force Program, which helps state and local law enforcement agencies develop an effective response to technology-facilitated child sexual exploitation and combatting underground child pornography rings. This investment maintains the level of state resources provided to this effort in each of the last three years.

LABOR, PUBLIC EMPLOYMENT AND RETIREMENT

APPRENTICESHIPS

As described in the education section, the Administration includes multiple proposals to fill gaps in funding for apprenticeship intermediaries and programs. The May Revision includes funding to increase apprenticeship opportunities for women, people of color, and individuals with disabilities and other barriers who historically do not participate at high rates in traditional apprenticeships.

- **California Healthy School Meals Pathway Program.** The May Revision includes an increase of \$45 million one-time Proposition 98 General Fund to support the implementation of the California Healthy School Meals Pathway Program, which is a pre-apprenticeship, apprenticeship, and fellowship workforce training pipeline pilot program for school food service workers.
- **Apprenticeship Program Related and Supplemental Instruction (RSI) Rate.** The May Revision includes an increase of \$16.9 million ongoing Proposition 98 General Fund to align the apprenticeship program RSI rate with the SCFF credit rate, as opposed to the noncredit rate.

Overview of the Governor's 2022-23 May Revision

CALIFORNIA WORKFORCE DEVELOPMENT BOARD (CWDB) AND DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

- **Extreme Heat Workforce.** The May Revision includes \$17 million General Fund over two years to the California Workforce Development Board to expand high road training partnerships in industry sectors that support the state's response to extreme heat, such as heating, ventilation and cooling, cool roofs, urban forestry, climate smart natural resource management, as well as other industries identified through collaboration with other state agency partners.
- **Protections from Extreme Heat.** The May Revision includes \$24.5 million General Fund to the Department of Industrial Relations to protect vulnerable populations through targeted outreach and education in multiple languages for employers and employees, and increased strategic enforcement before and during heat events to protect workers from heat-related illness and wildfire smoke hazards.

CALIFORNIA DEPARTMENT OF HUMAN RESOURCES (CALHR)

- **State Workforce Demographic Data Collection.** CalHR will work with the State Controller to establish new demographic categories for the collection of data pertaining to the ancestry or ethnic origin of African American employees. The collection of this data continues CalHR's duties to maintain statistical information necessary for the evaluation of equal employment opportunity and upward mobility within state civil service.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

- **EDDNext, Long-Term Modernization.** EDDNext is a five-year plan to modernize EDD. The May Revision includes \$136 million one-time funding (\$68 million General Fund) for EDD to continue planning and begin implementing various improvements to EDD leave benefit programs. This includes efforts on EDD's benefit systems, call center improvements, simplifying forms and notices, including user testing and engagement, developing data analysis tools to continue curbing fraudulent benefit claims, and upgrading department training and tools to increase the pace of application processing.

The first-year investment includes \$64.7 million to upgrade and replace parts of EDD's benefit services systems to provide improved customer service delivery, as well as to enhance overall program adaptability. Some immediate improvements include call center redesign, online portal enhancements to improve the online experience for claimants and employers, and expanded fraud data analytics. This

Overview of the Governor's 2022-23 May Revision

first-year investment will also include design and planning of the future system, as well as efforts to improve claim forms usability. These resources will be critical to the long-term success of EDD.

In 2021-22, the EDD engaged in a business process re-engineering effort to analyze EDD's business operating model and assess existing technologies and pandemic lessons. This resulted in a roadmap for a multi-phase effort intended to promote responsible service, implement sustainable business operations and advance technical innovation that will ultimately improve customer service across EDD's unemployment insurance, disability insurance, and paid family leave benefit programs.

- **Identity Theft Awareness, Fraud Investigation Support, and Prosecution.** The May Revision includes \$23.6 million (\$10.9 million General Fund) in 2022-23, \$12 million (\$5.1 million General Fund) in 2023-24, and \$9 million (\$3.5 million General Fund) in 2024-25 to support ongoing EDD fraud investigation and interdiction efforts. Proposed investments include an identity theft awareness and prevention campaign, funding for district attorneys' offices to continue prosecution of criminal fraud cases, and expanded fraud detection and prevention capabilities in the State Disability Insurance and paid family leave programs.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

- **CalPERS State Contributions.** State contributions to the California Public Employees' Retirement System (CalPERS) have decreased by a net total of \$215.6 million (\$180.1 million General Fund) in 2022-23 relative to the Governor's Budget. The decrease is a result of CalPERS' adjustment to the state's contribution rates, which is largely driven by the normal progression of the existing amortization and smoothing policy; elimination of the \$2.5 billion pension payment to the state's unfunded liabilities over fiscal years 2019-20 to 2021-22, as authorized by AB 84 (Committee on Budget), Chapter 16, Statutes of 2020; and changes in experience and actuarial assumptions (including impacts of the 21.3 percent investment return in 2020-21 and the reduction in the discount rate from 7.00 percent to 6.80 percent). The Governor's Budget assumed that the state will contribute \$8.4 billion (\$4.8 billion General Fund) in 2022-23 to pay for state employee pension benefits (including CSU employees).
- **CalPERS Unfunded Liability.** The Administration proposed in the January Budget to use \$3.5 billion of the total \$3.9 billion in Proposition 2 debt payment requirements as a supplemental pension payment to reduce the state's CalPERS unfunded liabilities. The May Revision estimates \$2.9 billion in one-time

Overview of the Governor's 2022-23 May Revision

Proposition 2 debt repayment funding in 2022-23 to further reduce the unfunded liabilities of the CalPERS state plans. Any supplemental payment made toward the state's CalPERS unfunded liability is estimated to result in a minimum long-term gross savings ratio of 2:1.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS)

- **State contributions.** State contributions to the California State Teachers' Retirement System (CalSTRS) increased by \$6 million General Fund in 2022-23, relative to the Governor's Budget, due to a revision in reported compensation for K-12 and community college teachers. The Governor's 2022-23 budget proposal included \$3.7 billion General Fund in required contributions to CalSTRS. No supplemental payments to CalSTRS is proposed in 2022-23, in contrast to past few years.

EMPLOYEE COMPENSATION

- **Collective Bargaining.** The May Revision increases employee compensation by \$217.6 million in 2022-23 (\$132.2 million General Fund) and \$143.0 million ongoing (\$70.5 million General Fund) to reflect updated estimates to the dental and vision premium rates, changes to enrollment in health and dental plans, updated employment information for salary increases and other post-employment benefit contributions, telework stipends, and Division of Juvenile Justice recruitment and retention differentials.

The May Revision also reflects a decrease of \$329 million General Fund in 2022-23 for retiree health and dental benefits reflecting lower-than-expected retirements and updated enrollment information. The Administration is currently in negotiations with six bargaining units representing attorneys and administrative law judges, firefighters, engineers, scientists, stationary engineers, and psychiatric technicians, whose contracts or side letter agreements are expired or will expire in Summer 2022.

TRANSPORTATION

CONSUMER RELIEF PACKAGE

- The May Revision reflects the Administration's proposed consumer relief proposal, which includes the following transportation-related proposals:
 - \$11.5 billion in gas tax rebates to vehicle owners.
 - \$750 million for three months of free transit service.
 - An additional \$500 million for the Active Transportation Program.
 - A pause in the Consumer Price Index (CPI) increase for state diesel taxes beginning in October, with a General Fund backfill to ensure that transportation funding is held harmless. This is estimated to cost the General Fund \$327 million in 2022-23 and \$112 million in 2023-24.
 - The May Revision does not reflect the pause in CPI adjustment for the state gas tax originally proposed in January.

CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

- **Infrastructure Investment and Jobs Act (IIJA) Implementation.** The May Revision includes 295 positions and \$50 million annually for Caltrans to administer and implement the state and local transportation funding provided by the IIJA. Additionally, 626 positions and \$144 million has been budgeted to provide engineering and design support associated with the increased project workload.