



SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW  
State Capitol – Room 5019  
Sacramento, CA 95814

**Senator Holly J. Mitchell, Chair**

**OVERVIEW OF THE MAY REVISION**  
May 9, 2019

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 13, 2019.

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**OVERVIEW OF THE GOVERNOR'S 2019-20 MAY REVISION**

On May 9, 2019, the Governor released his May Revision for budget year 2019-20. The Governor now projects budget year General Fund expenditures of \$147 billion, available resources of \$150.1 billion (prior-year balance, revenues and transfers), and \$1.7 billion in the Special Fund for Economic Uncertainties (SFEU), the state's general budget reserve. Compared to January, the available General Fund resources represent an increase of \$2.2 billion and the SFEU displays a decrease of \$100 million. In addition, the Governor adjusts some assumptions in the current year and budget year regarding expenditures in certain programs. The Governor's overall budgetary framework continues to be balanced over the forecast period. The budget plan would continue the Governor's Budget commitment to budget resiliency and increasing support for California's most vulnerable populations and working families. The General Fund budget summaries for January and May are listed below:

**2018-19 and 2019-20  
General Fund Summary  
(Dollars in Millions)**

	January Budget		May Revision	
	2018-19	2019-20	2018-19	2019-20
<b>Prior Year Balance</b>	<b>\$12,377</b>	<b>\$5,240</b>	<b>\$11,419</b>	<b>\$6,224</b>
Revenues and Transfers	136,945	142,618	138,046	143,839
<b>Total Resources</b>	<b>149,322</b>	<b>147,858</b>	<b>149,465</b>	<b>150,063</b>
Non-Proposition 98	90,054	88,896	88,796	91,129
Proposition 98	54,028	55,295	54,445	55,904
<b>Total Expenditures</b>	<b>144,082</b>	<b>144,191</b>	<b>143,241</b>	<b>147,033</b>
<b>Fund Balance</b>	<b>5,240</b>	<b>3,667</b>	<b>6,224</b>	<b>3,030</b>
Encumbrances	1,385	1,385	1,385	1,385
Special Fund for Economic Uncertainties	3,855	1,808	4,839	1,645
Safety Net Reserve	900	900	900	900
<b>Budget Stabilization Act</b>	<b>\$13,535</b>	<b>\$15,302</b>	<b>\$14,358</b>	<b>\$16,515</b>

**Economic Forecast.** The Governor's economic forecast notes that California remained the fifth largest economy in the world in 2018, with close to \$3 trillion in Gross Domestic Product. The Governor's May Revision forecast suggests that the main risks to California's economy have intensified, including a stock market correction, federal policy, slower global growth, and an eventual U.S. recession. Structural vulnerabilities

## Overview of the Governor's 2019-20 May Revision

such as large federal deficits, increased risks from natural disasters, an aging population, and increasing consumer debt levels hamper a response to shocks.

Personal income in the state is expected to grow by 5.6 percent in 2018, and 4.8 percent in 2019. California's unemployment rate fell to a record low of 4.1 percent in July of 2018 and remained there until gradually increasing to 4.3 percent in March 2019. However, total wages and salaries grew by 5.3 percent in 2018 compared to 12.9 percent growth in 2000 when unemployment was 4.9 percent. With California inflation averaging 3.7 percent in 2018, and civilian employment increasing by 1.6 percent in 2018, many workers likely earned less in real terms.

**Revenue Changes Since January.** Overall, the May Revision forecast for 2017-18 through 2019-20 General Fund revenues have increased \$3.2 billion from January 2019. This is largely due to changes from the state's three largest revenue sources: a personal income tax increase of \$1.9 billion, a corporation tax increase of \$1.7 billion, and a sales tax decrease of \$360 million. Forecasts of local property tax revenues, an important part of meeting the Proposition 98 guarantee, and offsetting, the General Fund obligation, show moderate growth. Property tax revenues are expected to increase by 6.5 percent in 2019-20. About 42 percent (\$31 billion) of total 2019-20 property tax revenues will go to K-14 schools.

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

**2018-19 and 2019-20  
General Fund Revenue Sources  
(Dollars in Millions)**

Revenue Source	January Budget		May Revision	
	2018-19	2019-20	2018-19	2019-20
Personal Income Tax	\$97,720	\$100,547	\$98,304	\$102,333
Sales and Use Tax	26,244	27,424	26,100	27,241
Corporation Tax	12,330	13,125	13,774	13,233
Other Revenues	4,695	5,016	4,734	5,026
<b>Total</b>	<b>\$140,988</b>	<b>\$146,112</b>	<b>\$142,912</b>	<b>\$147,833</b>

## Overview of the Governor's 2019-20 May Revision

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

### **2018-19 and 2019-20 General Fund Expenditures (Dollars in Millions)**

Agency	January Budget		May Revision	
	2018-19	2019-20	2018-19	2019-20
Legislative, Judicial, Executive	\$4,643	\$4,559	\$4,654	\$5,079
Business, Consumer, Housing	449	1,693	449	1,696
Transportation	214	296	208	296
Natural Resources	3,909	3,509	3,992	3,601
Environmental Protection	358	123	380	131
Health and Human Services	37,098	40,302	36,171	41,344
Corrections and Rehabilitation	12,495	12,482	12,575	12,717
K-12 Education	57,861	58,746	58,315	58,761
Higher Education	16,348	17,180	16,486	17,369
Labor and Workforce	159	125	160	126
Government Operations	4,876	1,253	4,888	1,169
General Government	5,672	3,923	4,963	4,744
<b>Total</b>	<b>\$144,082</b>	<b>\$144,191</b>	<b>\$143,241</b>	<b>\$147,033</b>

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

- **Proposition 98 Guarantee and Investments in Education.** The May Revision provides increased Proposition 98 funding of \$746 million over the Governor's budget for the three-year period of 2017-18 to 2019-20. For the first time, the increase in General Fund revenues and changes to underlying Proposition 98 factors results in a \$389 million deposit to the state's Proposition 98 Rainy Day Fund. The remaining growth in the Proposition 98 guarantee is used primarily to support Special Education with \$696.2 million in ongoing funds provided for additional services and interventions for students. For child care and early education, the May Revision expands subsidized child care for school-aged children with Proposition 64 Cannabis funds, establishes 12-month child care eligibility for Stage 1 CalWORKs recipients, and reduces the state preschool program expansion, proposed in January, to a one-year increase of 10,000 slots.
- **Supplemental Pension Payment.** The May Revision provides a supplemental pension payment of \$25 million General Fund one-time to help reduce the University of California Retirement Plan's unfunded liability.

## Overview of the Governor's 2019-20 May Revision

- **Teacher Service Credit Scholarship.** The May Revision proposes \$90 million to create a new Teacher Service Credit Scholarship program to provide loan forgiveness grants to specified teachers.
- **CalSTRS Employer Contribution.** The May Revision provides an additional \$150 million General Fund one-time to reduce employer contributions to CalSTRS. This additional investment will provide additional rate relief for school employers by decreasing their contribution rate from 17.1 percent as proposed in January to 16.7 percent in 2019-20.
- **CalWORKs Stage One Child Care 12-month eligibility.** The May Revision includes an increase of \$40.7 million General Fund in 2019-20 (\$54.2 million annually thereafter) to establish a 12-month eligibility period for CalWORKs Stage One Child Care services.
- **IHSS Restoration of the 7-percent Across-the-Board Reduction to IHSS Service Hours.** The May Revision proposes to temporarily restore the 7-percent reduction through December 31, 2021.
- **Supplemental Rate Increase for Developmental Services.** The May Revision includes an increase of \$165 million (\$100 million General Fund) beginning January 1, 2020, to focus on stabilizing residential capacity, addressing rate differences between Regional Centers and vendors, and enhancing consumer safety through mandated fingerprint requirements.
- **Earned Income Tax Credit (EITC).** The May Revision proposes to rename the credit The California EITC, A Cost-Of-Living Refund, and to significantly expand the credit. The newly expanded credit will be available to roughly three million households in total, and will approximately triple the amount of credits provided, from \$400 million to about \$1.2 billion. The expansion will:
  - Provide a \$1,000 credit for every family that otherwise qualifies for the credit and has at least one child under the age of six.
  - Increase the maximum eligible earned income to \$30,000 so those working up to full-time at the 2022 minimum wage of \$15 per hour will be eligible for the credit.
  - Change the structure of the credit so that it phases out more gradually, providing a more substantial credit for many eligible families.

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- **Implementation of Advanced Earned Income Tax Credit Payments.** The May Revision includes \$18.7 million and 22 positions for the Franchise Tax Board to implement advanced payments for the EITC.
- **No Extension of Managed Care Organization Enrollment Tax.** The May Revision does not include extension of the managed care organization (MCO) enrollment tax, which would result in the state declining to take advantage of General Fund offsets of approximately \$1.5 billion annually.
- **Cap-and-Trade Spending Plan.** The May Revision includes a \$1.3 billion Cap-and-Trade Spending Plan, an increase of \$252 million from the Governor's January budget proposal.
- **Transition to a Carbon-Neutral Economy.** The May Revision includes \$1.5 million Greenhouse Gas Reduction Fund (GGRF) one-time for a study laying out actions the state must take to transition toward a carbon-neutral economy.
- **Department of Toxic Substances Control.** The May Revision includes \$27.5 million General Fund to backfill DTSC's existing operations given structural imbalances.
- **Housing and Homelessness.** The May Revision includes significant additional investment in housing and homelessness. Specifically, the Revision includes \$650 million (\$150 million above the Governor's Budget) to local governments to combat homelessness, \$120 million for expanded Whole Person Care pilots, \$150 million to address the shortage of mental health professionals in the public mental health system, \$25 million for Supplemental Security Income advocacy, \$40 million student rapid rehousing at the Cal State and University of California systems, and \$20 million in legal aid for eviction prevention. It also includes \$1.75 billion to assist in the planning and production of affordable housing.
- **Utility Plan and Report Review.** The May Revision includes \$41 million to fund inspections and improve review of both utility wildfire plans and utility Public Safety Power Shutoff (PSPS) reports.
- **Public Safety Power Shutdowns.** The May Revision proposes one-time \$75 million General Fund to improve the resiliency of the state's critical infrastructure in response to the investor-owned utilities-led Public Safety Power Shutdown actions, and to provide assistance to communities as specific urgent needs are identified.



## Overview of the Governor's 2019-20 May Revision

- **Emergency Response, Disaster Planning and Preparedness.** The May Revision includes approximately \$40 million for various departments to support disaster contingency planning and preparedness.
- **Cannabis.** The May Revision proposes \$198.8 million for cannabis-related activities, including (among other things): 1) \$12 million to the Department of Public Health for cannabis surveillance and education activities, 2) \$80.5 million to the Department of Education to subsidize child care for school-aged children of income-eligible families, 3) \$21.5 million to the Department of Health Care Services for competitive grants to develop and implement new youth programs in the areas of education, prevention, and treatment of substance use disorders, along with preventing harm from substance use, 4) \$23.9 million to the Department of Fish and Wildlife, of which \$13.8 million will support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation and \$10.1 million with support enforcement activities aimed at preventing further environmental degradation of public lands, and 5) \$26 million to the Board of State and Community Corrections for a competitive grant program for local governments that have not banned cannabis cultivation or retail activities that will prioritize various public health and safety programs.
- **Integrated Substance Use Disorder Treatment Program.** The May Revision includes \$71.3 million General Fund in 2019-20 and \$161.9 million ongoing General Fund beginning in 2020-21 to implement an integrated substance use disorder treatment program throughout all 35 CDCR institutions.
- **Judgeships.** The May Revision includes \$30.4 million General Fund in 2019-20, and \$36.5 million General Fund annually thereafter, for 25 additional superior court judgeships.

**Overview of the Governor's 2019-20 May Revision**

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

<b>January Payment Plan</b>		<b>Outstanding Amount</b>	<b>May Payment Plan</b>
	<b>Budgetary Borrowing</b>		
0	Underfunding of Proposition 98 Settle-Up	\$390	\$390
	<b>State Retirement Liabilities</b>		
260	State Retiree Health	91,008	260
390	State Employee Pensions	59,714	390
1,117	Teacher Pensions	107,200	1,117
0	Judges Pensions	3,299	0
<b>\$1,767</b>	<b>Total</b>	<b>\$261,611</b>	<b>\$2,157</b>

## **K-12 EDUCATION AND CHILD CARE**

The May Revision includes \$101.8 billion total funds (\$58.9 billion General Fund and \$42.9 billion other funds) for all K-12 education programs.

### **PROPOSITION 98 – K-14 EDUCATION**

- **Changes to the Minimum Guarantee.** The May Revision provides increased Proposition 98 funding of \$746 million over the Governor's budget for the three-year period of 2017-18 to 2019-20. More specifically, the May Revision funds the Proposition 98 guarantee for the 2017-18 through 2019-20 fiscal years at \$75.6 billion, \$78.1 billion, and \$81.1 billion, respectively. Compared to January, this reflects the following yearly changes:
  - An increase of approximately \$78.4 million in 2017-18.
  - An increase of approximately \$278.8 million in 2018-19.
  - An increase of approximately \$389.3 million in 2019-20.

These levels reflect increases in General Fund revenues over the three-year period in comparison with the Governor's Budget proposal.

- **Public School System Stabilization Account.** The factors used in the May Revision Proposition 98 guarantee calculation trigger a deposit into the Public School System Stabilization Account, known as the Proposition 98 Rainy Day Fund. The required deposit under the Governor's May Revision is \$389.3 million and counts towards the Proposition 98 guarantee in 2019-20. The deposit is triggered primarily as a result of higher capital gains revenue, and a Proposition 98 guarantee Test 1 calculation that is above the Test 2 level, reflecting lower per capita personal income growth. 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.
- **Local Control Funding Formula.** The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and provided an additional cost-of-living adjustment (COLA). The May Revision provides a COLA of 3.26 percent, approximately \$1.9 billion.

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This is a slight decrease from the Governor's Budget estimate of a 3.46 percent COLA, estimated at approximately \$2 billion.

- **Special Education Funding.** The May Revision includes \$696.2 million in ongoing Proposition 98 General Fund for special education-related services for LEAs with significant numbers of students with disabilities and low-income, foster youth, and English language learner students. This is an increase compared to the January proposal, which included \$576 million in Proposition 98 General Fund (including \$187 million in one-time funding). The May Revision continues to direct the funds to provide more support for students with disabilities, provide services to preschool-aged children with disabilities, or expand early intervention programs.

### **PROPOSITION 98 – OTHER CHANGES FOR K-12 EDUCATION**

#### **The May Revision Includes:**

- **Local Property Taxes.** An increase of \$146.6 million Proposition 98 General Fund in 2018-19 and \$142.1 million in 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.
- **San Francisco Unified School District Excess Tax Correction.** An increase of \$149.1 million one-time Proposition 98 General Fund for a technical adjustment to excess property taxes related to a miscalculation of these funds in 2016-17.
- **LCFF Adjustments.** An increase of \$70 million Proposition 98 General Fund in 2018-19, and a net decrease of \$63.9 million in 2019-20, for school districts, charter schools, and county offices of education as a result of changes in the projected attendance and COLA, as noted in the above bullets.
- **Classified School Employees Summer Assistance Program.** An increase of \$36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program, which provides a state match for classified employee savings to provide income during summer months.
- **Cost-of-Living and Growth Adjustments.** A decrease of \$7.4 million Proposition 98 General Fund to selected categorical programs, including state preschool, based on a revised cost-of-living factor of 3.26 percent for 2019-20, decreased from the 3.46 percent estimated in January. In addition, an increase of

## Overview of the Governor's 2019-20 May Revision

\$7.6 million for selected categorical programs, based on updated estimates of ADA.

- **AB 1840 Adjustments.** An increase of \$3.6 million one-time Proposition 98 General Fund for Inglewood Unified School District and \$514,000 for Oakland Unified School District pursuant to AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018.
- **Charter School Policies.** Additional trailer bill language to ensure charter schools are not discouraging students from enrolling or screening students based on academic records. Language additionally requires a process to report concerns to the relevant charter school authorizer.

### **NON PROPOSITION 98 – MAJOR CHANGES FOR K-12 EDUCATION**

#### **The May Revision Includes:**

- **Full-Day Kindergarten Facilities.** \$600 million (a reduction of \$150 million from the Governor's Budget proposal) one-time General Fund for full-day kindergarten facilities and adjustments to better target expansion of access to full-day kindergarten programs.
- **Teacher Loan Assumptions.** \$89.8 million one-time General Fund to provide approximately 4,500 loan assumptions of up to \$20,000 for newly credentialed teachers to work in high-need schools for at least four years.
- **Educator Training.** \$44.8 million in one-time General fund to provide training and resources for classroom teachers and paraprofessionals to build capacity around inclusive practices, social-emotional learning, computer science, restorative practices, and subject matter competency.
- **Broadband Infrastructure.** \$15 million one-time General Fund to address gaps in school district broadband infrastructure.
- **Special Education.** \$500,000 one-time General Fund to increase local educational agencies' ability to draw down federal funds for medically-related special education services and to improve the transition of three-year olds with disabilities from regional centers to local educational agencies. Funds would allow for coordination and collaboration among related agencies.

## Child Care and Early Childhood Education

- **Child Care for School-Aged Children.** The May Revision includes \$80.5 million ongoing Proposition 64 Cannabis Fund to provide subsidized child care slots to eligible low-income families.
- **State Preschool Program Expansion.** The May Revision amends the Governor's Budget proposal to increase state preschool by 10,000 slots per year for the next three years, by including only the first year investment of 10,000 slots in the budget. The addition of the remaining 20,000 slots would be determined based on the recommendations of the proposed Master Plan for Early Learning and Care.
- **CalWORKs Stage 1 Increase.** The May Revision includes \$40.7 million in 2019-20 (\$50.4 million in future years) in General Fund to provide 12 months of child care eligibility for CalWORKs recipients in Stage 1.
- **Emergency Child Care Vouchers.** The May Revision includes \$12.8 million in federal funds for a pilot program to allow alternative payment agencies to provide emergency child care vouchers to eligible families in need of temporary assistance.
- **Caseload Funding Adjustments.** The May revision increases funding for CalWORKs Stages 2 and 3 child care by \$38.2 million, reflecting changes in caseload adjustments, likely related to recent policy changes to increase income ceilings and allow for 12-month eligibility.

## HIGHER EDUCATION

### CALIFORNIA COMMUNITY COLLEGES (CCC)

- **Student-Centered Funding Formula.** The May Revision proposes to extend the existing hold harmless provision of the Student-Centered Funding Formula by an additional year, from 2020-21 to 2021-22. Under this proposal, no district will receive less funding than they received in 2017-18 with cost-of-living adjustments for each year until 2021-22.

The May Revision summary notes that the Administration plans to work with the Chancellor's Office and stakeholders to explore revisions and recommendations to the formula, with the intent that the revisions will be considered in the 2020-21 budget process.

- **Chancellor's Office State Operations.** The May Revision proposes an increase of \$381,000 ongoing non-Proposition 98 General Fund for three new positions at the Chancellor's Office. These positions will support the Chancellor's Office's accounting office, monitor districts' fiscal health and provide technical assistance to districts in need.
- **Cost-of-Living Adjustment.** The May Revision proposes a decrease of \$18.3 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment (COLA) from 3.46 percent to 3.26 percent.

As a result of a smaller COLA, several program adjustments are made. Specifically, compared to the January budget, the Adult Education Program is proposed to decrease by \$1 million Proposition 98 General Fund. Additionally, funding for Disabled Student Programs and Services program, the Extended Opportunity Programs and Services program, the Apprenticeship program, the Student Services for CalWORKs Students program, the Mandate Block Grant program, and the Campus Child Care Tax Bailout program is proposed to decrease by \$860,000 Proposition 98 General Fund total.

- **California College Promise.** Compared to the January budget, which proposed \$40 million to expand the California Promise Program to a second year, the May Revision proposes an increase of \$5.2 million Proposition 98 General Fund to support the existing first year and proposed second year of the California College Promise due to updated estimates.

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- **Student Success Completion Grant.** The May Revision proposes an increase of \$7.5 million Proposition 98 General Fund, on top of the \$11 million increase proposed in January, to reflect revised estimates of participation in the program.
- **Deferred Maintenance.** The May Revision proposes \$39.6 million one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects.
- **Foster Care Education Program.** The May Revision proposes \$400,000 ongoing Proposition 98 General Fund to backfill a projected loss in federal matching funds.
- **Technical Adjustments.** The May Revision proposes an increase of \$76.7 million Proposition 98 General Fund as a result of decreased offsetting local property tax revenues, and a decrease of \$15.7 million Proposition 98 General Fund as a result of increased offsetting student enrollment fees.

### UNIVERSITY OF CALIFORNIA (UC)

- **Retirement Program.** The May Revision includes \$25 million one-time General Fund to support the UC Retirement Program.
- **UC San Francisco Dyslexia Center Pilot Program.** The May Revision proposes \$3.5 million one-time General Fund to support a pilot dyslexia screening and early intervention program operated through the UC San Francisco Dyslexia Center. These funds will enable the Center to deploy the “Application for Readiness In Schools and Learning Evaluation,” provide curriculum support, train staff on potential educational interventions, and collect data for a report on outcomes.
- **Support for Students Experiencing Homelessness.** In addition to the Governor's Budget proposal to provide \$15 million ongoing General Fund to address student food and housing insecurity, the May Revision proposes \$3.5 million ongoing General Fund to support rapid rehousing of homeless and housing insecure students.



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### CALIFORNIA STATE UNIVERSITY (CSU)

- **Support for Students Experiencing Homelessness.** In addition to the Governor's Budget proposal to provide \$15 million one-time General Fund to address student food and housing insecurity, the May Revision proposes \$6.5 million ongoing General Fund to support rapid rehousing of homeless and housing insecure students.
- **Project Rebound.** The May Revision proposes an increase of \$750,000 ongoing General Fund above the January budget proposal to provide \$250,000 to support Project Rebound. This program provides assistance to formerly incarcerated individuals seeking to enroll in participating CSU campuses.
- **First Star Foster Youth Cohort at CSU Sacramento.** The May Revision proposes \$740,000 one-time General Fund to support a First Star Foster Youth Program at CSU Sacramento. This program will enable a cohort of foster youth to engage in a variety of activities that support learning opportunities, such as academic courses for college credit, social and cultural activities, service learning and other recreational activities.

### CALIFORNIA STUDENT AID COMMISSION (CSAC)

- **Cal Grant Program Costs Estimates.** The May Revision proposes a decrease of \$14 million General Fund in 2019-20 to account for the following:
  - **Lower Participation Estimates.** A decrease of \$19.9 million in 2019-20 to reflect a decrease in the estimated number of new recipients in 2018-19. The May Revision also reflects decreased costs of \$4.9 million in 2018-19.
  - **Higher Temporary Assistance for Needy Families (TANF) Reimbursements.** A decrease of \$5.9 million TANF in 2019-20, which increases the amount of General Fund needed for program costs by a like amount. Combined with reimbursements included in the Governor's Budget, the May Revision offsets approximately \$1.1 billion in General Fund costs for Cal Grants with TANF.
- **Cal Grant Access Awards for Student Parents.** The May Revision proposes a decrease of \$24.9 million to reflect revised estimates to the Governor's Budget proposal to increase or provide access awards for students with dependent

## Overview of the Governor's 2019-20 May Revision

children attending the UC, CSU, or the CCCs. In January, the Administration proposed \$122 million for this purpose.

- **Competitive Awards.** The May Revision proposes an increase of \$2 million to reflect revised estimates of the costs to increase the number of available competitive awards from 25,250 to 30,000. In January, the Administration proposed \$9.6 million for this purpose.
- **Teacher Service Credit Scholarship Program.** The May Revision proposes \$89.8 million one-time General Fund for the Commission to administer and create new loan forgiveness grants to teachers meeting certain criteria, with priority for school sites with high percentages of teachers with permits or waivers as their authorizations.
- **Tuition Award for Students at Private Nonprofit Institutions.** The May Revision proposes trailer bill language to provide the private nonprofit institutions sector an additional year (2019-20) to meet the required number of Associate Degree for Transfer (ADT) pathways and admissions of ADT students needed for the sector to maintain the maximum Cal Grant tuition of \$9,084. Under the revised schedule, private nonprofit institutions will need to meet a goal of 2,000 ADT students admitted in 2019-20, 3,000 students admitted in 2020-21, and 3,500 students admitted in 2021-22 and thereafter.
- **State Operations Support.** The May Revision proposes an increase of \$414,000 General Fund to support the implementation of the Cal Grant Supplement for Students with Dependent Children.
- **Child Savings Accounts Grant Program.** The May Revision modifies the January budget proposal for the Child Savings Account Grant Program. Specifically, the May Revision requires CSAC to administer the \$50 million program. CSAC is expected to consult with First 5 California to utilize its strengths in marketing, education, and parent engagement and to encourage collaboration between grant applicants and their local First 5 Commissions.
- **Student Loan Awareness Initiative.** The May Revision transfers the administration of the proposed \$5 million one-time General Fund augmentation to support an outreach initiative for student loan borrowers from the Office of Planning and Research to the Commission.

## HASTINGS COLLEGE OF LAW

- **UC Path Implementation.** The May Revision proposes an increase of \$594,000 one-time General Fund to support the revised implementation timeline of the UC Path payroll, accounting, time keeping, and human resources system.
- **Deferred Maintenance.** The May Revision authorizes the use of the proposed \$1 million one-time General Fund to include support for both critical deferred maintenance needs, and information technology and instructional equipment refreshes.

## CALIFORNIA STATE LIBRARY

- **Early Learning and After-School Library Program Grants.** The May Revision proposes \$5 million one-time General Fund to support grants for local library jurisdictions with the lowest per capita library spending to develop and implement early learning and after-school library programs.
- **Mobile Libraries.** The May Revision proposes \$3 million one-time General Fund for the California State Library to support grants for local library jurisdictions to purchase bookmobiles and community outreach vehicles that would be used to expand access to books and library materials in under-resourced neighborhoods.
- **Digitization and Cultural Preservation Activities.** The May Revision proposes \$1.7 million General Fund, approximately \$1 million of which is ongoing, for the California State Library to coordinate with state entities to identify items for digital preservation, to contract for digital preservation services, and to begin conducting or commissioning a statewide survey to inventory cultural heritage assets.
- **Statewide Lesbian, Gay, Bisexual, and Transgender Historical Preservation.** The May Revision proposes \$500,000 one-time General Fund to support the preservation of historical Lesbian, Gay, Bisexual, and Transgender sites.

## **NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION**

### **CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE**

- **Farm Animal Confinement (Proposition 12).** The Farm Animal Confinement Initiative of 2018, also known as Proposition 12, established new standards for confinement of specified farm animals and banned the sale of non-complying products. The May Revision proposes \$4.5 million and 14 positions to support the first year of implementation of Proposition 12. These resources will support registration and certification activities, compliance activities, program administration, and information technology consulting services for project planning and system development.

### **DEPARTMENT OF PESTICIDE REGULATION (DPR)**

- **Sustainable Pest Management Solutions.** Chlorpyrifos is an insecticide used primarily on nut trees and fruits, vegetables, and grain crops in the state. Acute exposure to the insecticide poses serious risk to human health. DPR will commence a regulatory process to cancel the registration of chlorpyrifos, which would essentially no longer allow the use of this insecticide. The May Revision proposes a one-time increase of \$5.7 million General Fund to assist in the transition to safer pesticide alternatives. \$5.6 million is for additional research and technical assistance for the development of safer, practical, and more sustainable alternatives to chlorpyrifos. The proposal includes \$125,000 for DPR and the California Department of Food and Agriculture to lead a newly created, cross-sector working group to identify, evaluate, and recommend alternative pest management tools.

### **DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**

- **Base Funding to Maintain Operations.** Base Funding to DTSC is primarily funded by two special funds, the Toxic Substances Control Account and the Hazardous Waste Control Account. Both accounts are facing structural deficits. The May Revision proposes \$27.5 million General Fund to backfill HWCA and support DTSC's existing operations.

## Overview of the Governor's 2019-20 May Revision

### GREENHOUSE GAS REDUCTION FUND (GGRF)

**Cap-and-Trade Spending Plan.** The May Revision proposes a \$1.253 billion Cap-and-Trade Spending Plan, which is an increase of \$252 million from the Governor's January budget proposal. The May Revision spending plan is as follows:

**2019-20 Cap and Trade Expenditure Plan**  
(Dollars in Millions)

Investment Category	Department	Program	Governor's Budget	May Revision	Total
Air Toxic and Criteria Air Pollutants	Air Resources Board	AB 617 - Community Air Protection	\$200	-	\$200
		AB 617 - Local Air District Implementation (\$50 million total, including other funds)	\$20	-	\$20
		Technical Assistance to Community Groups	\$10	-	\$10
Low Carbon Transportation	Air Resources Board	Clean Vehicle Rebate Project	\$200	-	\$200
		Clean Trucks, Buses, & Off-Road Freight Equipment	\$132	\$50	\$182
		Enhanced Fleet Modernization Program & Transportation Equity Projects	\$50	\$15	\$65
		Agricultural Diesel Engine Replacement & Upgrades	\$25	\$65	\$90
Healthy Forests	CAL FIRE	Healthy & Resilient Forests	\$165	-	\$165
		Prescribed Fire & Fuel Reduction	\$35	-	\$35
Climate Smart Agriculture	Department of Food & Agriculture	Healthy Soils	\$18	\$10	\$28
		Methane Reduction	\$25	\$10	\$35
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion	\$25	-	\$25
Integrated Climate Action: Mitigation & Resilience	Strategic Growth Council	Transformative Climate Communities	\$40	\$92	\$132
	Coastal Commission & BCDC	Coastal Resilience	\$3	-	\$3
	Community Services & Development	Low-Income Weatherization	\$10	-	\$10
	California Conservation Corps	Energy Corps	\$6	-	\$6
Workforce Training	Workforce Development Board	Preparing Workers for a Carbon-Neutral Economy	\$27	\$8	\$35
Climate and Clean Energy Research	Strategic Growth Council	Climate Change Research	\$10	-	\$10
	California Environmental Protection Agency	Transition to a Carbon-Neutral Economy	-	\$1.5	\$1.5
<b>Total</b>			<b>\$1,001</b>	<b>\$252</b>	<b>\$1,253</b>

*\*Source: May Revision 2019-20 Summary*

**Transition to a Carbon-Neutral Economy.** \$1.5 million GGRF one-time for a study laying out actions the state must take to transition toward a carbon-neutral economy.

## **DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CalFire)**

- **Enhanced Fire Protection May Revision Update: C-130 Federal Air Tankers.** The May Revision proposes \$4.6 million to support a contract for a large air tanker to respond to wildfires during the peak of the fire year and serve as a training platform for pilots that will operate federal C-130 air tankers that will be transferred to CalFire from the U.S. Air Force starting in 2020-21. The funding is intended to partially offset Emergency Fund expenditures and enable the state to avoid future costs as the contract will be obtained at a lower rate than if CalFire were to seek the contract during the peak season.
- **Innovation Procurement Sprint.** The May Revision proposes \$15 million General Fund to enable CalFire to procure innovative solutions to combat the state's wildfire crisis, consistent with Executive Order N-04-19, and includes provisional language to allow for augmentations of this amount as necessary under specified conditions.

## **STATE WATER RESOURCES CONTROL BOARD**

- **Improving Emergency Response.** The May Revision proposes \$1 million General Fund ongoing and six positions for the State Water Resources Control Board to improve emergency response capabilities between the Water Board, regional boards, and other state entities during emergencies. These resources will be used to address engineering and operations issues facing drinking water systems and water utilities, and preventing or minimizing the impacts to water quality, water supply security, and safety.

## **DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

- **Improving Emergency Response.** The May Revision proposes \$2.8 million General Fund ongoing and 21.5 positions for the Department of Resources Recycling and Recovery to continue its role in emergency response. These resources will establish a dedicated team to help facilitate timely debris removal operations as well as to assist local governments in the preparation of debris removal plans for future incidents.

## **CANNABIS TAX FUND**

- **Youth Community Access Grants.** The May Revision proposes \$5.3 million in Cannabis Tax Fund for the Natural Resources Agency to support youth community access grants. These grants will fund programs to support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities.
- **Watershed Mitigation.** The May Revision proposes \$23.9 million in Cannabis Tax Fund for the Department of Fish and Wildlife. \$13.8 million of that amount will be used to support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation. \$10.1 million will be used to support enforcement activities aimed at preventing further environmental degradation of public lands.
- **Parks: Survey, Enforcement, Remediation, and Restoration.** The May Revision proposes \$15.9 million in Cannabis Tax Fund for the Department of Parks and Recreation. \$7.1 million of that amount will be used to survey the impacts of cannabis cultivation and identify unknown areas to assist with prioritizing resources for effective enforcement. \$5.6 million will be used for remediation and restoration of illegal cultivation activities on state park land, and \$3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development.

## **DEPARTMENT OF WATER RESOURCES**

- **Dam Safety Risk Management.** The May Revision proposes \$1.6 million and six positions to develop, implement, and fully integrate risk assessments into the department's dam safety protocols.

## **ENERGY**

### **CALIFORNIA PUBLIC UTILITIES COMMISSION (PUC)**

- The May Revision includes \$41 million to fund inspections and improve review of both utility wildfire plans and utility Public Safety Power Shutoff (PSPS) reports. Specifically, this includes \$38 million for one-time contract resources over three years to investigate and verify utility compliance with mitigation plans and to improve the PUC's oversight. It also includes funding for 16 positions to oversee these contracts, facilitate oversight efforts, and streamline PUC regulatory processes.
- The May Revision includes an increase of roughly \$87 million in the California LifeLine program to reflect higher projected enrollments and renewals, as well as costs related to outreach efforts and a new pilot program.

## **TRANSPORTATION**

The May Revision includes additional proposals for the High-Speed Rail Authority.

### **High-Speed Rail Authority**

The May Revision includes 35 permanent positions and \$4.5 million to shift administrative and contract management responsibilities from external contractors to permanent state staff. This is in response to a recent report from the State Auditor, which found that the Authority was over-reliant on external contractors for project support.



## HEALTH

### DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **Medi-Cal Expenditures.** The May Revision estimates total expenditures for Medi-Cal of \$93.5 billion (\$19.7 billion General Fund, \$59.8 billion federal funds, and \$13.9 billion other funds) in 2018-19 and \$102.2 billion (\$23 billion General Fund, \$66 billion federal funds, and \$13.1 billion other funds) in 2019-20. These figures represent a decrease of General Fund expenditures of \$999.2 million in 2018-19 and an increase of General Fund expenditures of \$141.4 million in 2019-20 compared to the January budget. As a result, the 2018-19 General Fund savings has increased from \$2.3 billion to \$3.3 billion compared to the estimates in the 2018 Budget Act. According to the Administration, much of the significant decrease in expenditures in 2018-19 is attributable to shifts in timing for repayments to the federal government from 2018-19 to 2019-20, increased savings from drug rebates and retroactive managed care payments, increased delinquent fees owed from skilled nursing facilities, changes in fee-for-service caseload, and other one-time adjustments. The Administration also indicates that the \$3.3 billion increase in 2019-20 proposed General Fund expenditures in Medi-Cal compared to revised 2018-19 expenditures is attributable to the expiration of the managed care organization enrollment tax, higher costs per eligible individual, and the shift of federal repayments from 2018-19 to 2019-20.
- **No Extension of Managed Care Organization Enrollment Tax.** The May Revision does not include extension of the managed care organization (MCO) enrollment tax, which would result in the state declining to take advantage of General Fund offsets of approximately \$1.5 billion annually. The Administration indicates its reluctance to extend the MCO enrollment tax is based on concerns about upcoming requests for federal approval for various Medi-Cal waiver programs.
- **Covered California Premium Affordability Subsidies.** The May Revision includes General Fund expenditure authority of \$295.3 million in 2019-20, \$330.4 million in 2020-21, and \$379.9 million in 2021-22 for premium assistance subsidies for individuals purchasing coverage in the state's health benefit exchange, Covered California. The Administration indicates the subsidy amounts would maintain budget neutrality over the three year period of the program, accounting for offsetting revenue from the individual mandate penalty for individuals who do not purchase minimum essential coverage proposed in the

## Overview of the Governor's 2019-20 May Revision

January budget. The Administration estimates penalty revenue of \$317.2 million in 2020-21, \$335.9 million in 2021-22, and \$352.8 million in 2022-23. The May Revision also proposes to lower the income eligibility threshold for premium assistance subsidies from 250 percent of the federal poverty level (FPL) to 200 percent of the FPL. Twenty-five percent of the subsidies would be allocated to individuals between 200 and 400 percent of the FPL, who would receive average state subsidies of around \$10 per month, while 75 percent would be allocated to individuals between 400 and 600 percent of the FPL, who would receive an average of \$100 per month.

- **Full-Scope Medi-Cal Coverage for Undocumented Young Adults.** The May Revision revises costs for expansion of full-scope Medi-Cal coverage for undocumented young adults up to age 26 to \$98 million (\$74.3 million General Fund and \$23.7 million federal funds). This revision is based on assumed implementation of the expansion on January 1, 2020, rather than July 1, 2019, as was assumed in the January budget. According to the Administration, 90,000 undocumented young adults would enroll in the first year.
- **Redirection of County Realignment Savings from Medi-Cal Expansion.** The May Revision includes revisions to the proposed redirection of 1991 Realignment revenue from counties to account for the expansion of full-scope Medi-Cal to undocumented young adults. Specifically, the Administration proposes changes to trailer bill language to: 1) reflect Yolo county as a County Medical Services Program (CMSP) county, 2) align the redirection amounts with the revised implementation date of the Medi-Cal expansion, and 3) withhold 100 percent of 1991 Realignment revenue from the CMSP Board until its total reserves reach two years of annual expenditures, after which the state would redirect 75 percent of 1991 Realignment revenue annually. In addition, the Administration indicates it will be submitting an additional modification, not currently reflected in the May Revision Summary or other documents, to exempt the remaining four non-CMSP counties (Placer, Sacramento, Santa Barbara, and Stanislaus) from the increased redirection of 1991 Realignment.
- **Pharmacy Transition to Fee-for-Service.** While the May Revision includes no budgetary changes in 2019-20 related to the Administration's proposed transition of Medi-Cal pharmacy services from managed care to fee-for-service, the Administration estimates the transition would result in General Fund savings of \$393 million by 2022-23. The Administration believes these savings would be due to improvements in the state's ability to negotiate state supplemental rebates with pharmaceutical manufacturers.

## Overview of the Governor's 2019-20 May Revision

- **Medi-Cal Drug Rebate Fund Reserve.** The May Revision includes \$172 million for a reserve balance in the proposed Medi-Drug Rebate Fund. According to the Administration, this reserve balance would help smooth volatility in the state's receipt of prescription drug rebates in the Medi-Cal program.
- **Proposition 56 Investments.** The May Revision includes additional expenditure authority from Proposition 56 tobacco tax revenues of \$263 million, based on a one-time fund reconciliation. The additional expenditure authority would support the following investments:
  - \$120 million in additional one-time support to the Medi-Cal Physicians and Dentists Loan Repayment Program for physicians and dentists who commit to serving Medi-Cal beneficiaries.
  - \$70 million in additional one-time support for the Value-Based Payments program, focused specifically on behavioral health integration.
  - \$25 million in one-time support to train providers to conduct the trauma screenings for children and adults in Medi-Cal proposed in the January budget.
  - \$11.3 million to restore optician and optical laboratory services for adult beneficiaries in the Medi-Cal program, no sooner than January 1, 2020.

The Administration indicates it intends to sunset the package of Proposition 56 related investments on December 31, 2021, due to lower projected General Fund revenues over the forecast period.

- **Non-Whole Person Care Counties.** The May Revision includes expenditure authority of \$20 million from the Mental Health Services Fund state administration account, available until June 30, 2025. The funds would be provided to counties to develop and implement programs to focus on coordinating health, behavioral health, and social services, such as housing, with priority to individuals with mental illness who are also homeless, or at risk of becoming homeless.
- **Peer-Run Mental Health Crisis Lines.** The May Revision includes expenditure authority of \$3.6 million from the Mental Health Services Fund state administration account to create a statewide peer-run mental health crisis line offering information, referrals, emotional support, and non-judgmental peer support to those living with mental illness.

## **OTHER HEALTH-RELATED ISSUES**

- **Workforce Education and Training Five-Year Plan.** The May Revision includes expenditure authority from the Mental Health Services Fund state administration account of \$100 million, available until June 30, 2026, for the Office of Statewide Health Planning and Development to implement the 2020-25 Workforce Education and Training (WET) Five-Year Plan to address workforce shortages in the state's public mental health system.
- **Infectious Diseases Prevention and Control.** The May Revision includes General Fund expenditure authority of \$40 million available over four years for infectious disease prevention and control activities. The Department of Public Health (DPH) would provide annual grants to local health jurisdictions and tribal communities for infectious disease prevention, testing, and treatment. \$8 million of the expenditure authority would be available for grant management and technical assistance by DPH, and \$32 million would be available for grant recipients.
- **Cannabis-Related Investments.** The May Revision includes continuous appropriation of Proposition 64 funds for the following investments:
  - \$21.5 million to the Department of Health Care Services for competitive grants to develop and implement new youth programs in the areas of education, prevention, and early intervention of substance use disorders.
  - \$12 million to the Department of Public Health for surveillance and education activities.

## HUMAN SERVICES

### DEPARTMENT OF SOCIAL SERVICES (DSS)

- **Immigration Services Pilot Projects.** The May Revision proposes up to \$5 million of the \$10 million proposed in the January budget for two immigration-related pilot projects within DSS. One pilot would provide mental health evaluations related to legal defense, and the other would provide family reunification navigators to connect undocumented minors and their families with services in the community.
- **CalWORKs Single Allocation.** The May Revision proposes an ongoing increase of \$41.4 million General Fund and federal Temporary Assistance for Needy Families (TANF) block grant funds beginning in 2019-20 to reflect the adoption of a revised budgeting methodology for the employment services component of the CalWORKs Single Allocation.
- **CalWORKs Stage One Child Care 12-month Eligibility.** The May Revision proposes an increase of \$40.7 million General Fund in 2019-20 (\$54.2 million annually thereafter) to establish a 12-month eligibility period for CalWORKs Stage One Child Care services.
- **Continuum of Care Reform (CCR).** The CCR seeks to improve the assessment of children and families' needs, emphasize home-based family care, support placement with available services, and increase transparency for child outcomes in the foster care system. The May Revision proposes various increases to augment CCR efforts, including:
  - A one-time increase of \$14.4 million General Fund to support county efforts to eliminate the backlog of foster care resource family applications that are pending review and approval.
  - A one-time increase of \$21.6 million General Fund for activities and services to retain, recruit, and support foster parents, relative caregivers, and resource families.
  - An increase of \$21.7 million General Fund and federal TANF block grant funds to provide caregivers with up to four months of emergency assistance payments pending resource family approval. Beginning in 2020-21 and annually thereafter, the state will fund emergency assistance payments for

## Overview of the Governor's 2019-20 May Revision

up to three months. The May Revision includes a TANF reserve of \$31.2 million to fund emergency assistance costs through 2020-21.

### **OTHER HUMAN SERVICES ISSUES**

- **Adjusts IHSS costs.** Increases General Fund by \$60.5 million in 2018-19 and \$151.6 million in 2019-20 due to a projected increase in caseload growth, average hours per case, and average cost per case.
- **Adjusts Caseload for CalWORKs.** Proposes a decrease of \$46.8 million General Fund and TANF in 2018-19 and \$49.1 million General Fund and TANF in 2019-20, due to updated caseload and average cost per case projections.
- **Adjusts Caseload for Supplemental Security Income/State Supplementary Payment (SSI/SSP).** Proposes to decrease funding by \$5.9 million General Fund in 2018-19 and \$18 million General Fund in 2019-20 to reflect updated caseload and average cost per case projections.

### **DEPARTMENT OF DEVELOPMENTAL SERVICES**

The May Revision Includes:

- **Supplemental Rate Increases.** \$165 million (\$100 million General Fund), beginning January 1, 2020, for supplemental provider rate increases for community developmental services. Annual costs of these rate increases are \$330 million (\$200 million General Fund). These funds will focus on stabilizing residential capacity, addressing rate differences among Regional Centers and vendors, and enhancing consumer safety through mandated fingerprint requirements. The supplemental rates would sunset on December 31, 2021.
- **Other Reform Measures.** \$7 million (\$5 million General Fund) to begin implementing other broad reform efforts, such as establishing and enforcing comprehensive Regional Center performance goals and increased accountability measures.
- **Uniform Holiday Schedule.** \$50.3 million (\$30.1 million General Fund) to suspend implementation of the Uniform Holiday schedule. The suspension would sunset on December 31, 2021.

## GENERAL GOVERNMENT AND LOCAL GOVERNMENT

### HOUSING AND HOMELESSNESS

- The May Revision includes significant updates to the housing and homelessness programs proposed by the Governor in the January Budget. Specifically, the May Revision includes:
  - \$600 million for homeless emergency aid. This provides \$275 million to the 13 largest cities in the state, \$275 million to counties, and \$100 million to Continuums of Care (CoCs). The May Revision also expands the eligible uses of these funds to include innovative projects for which one-time funding is well-suited.
  - An additional \$6.5 million ongoing to support rapid rehousing of homeless and housing-insecure students in the CSU, with a corresponding \$3.5 million in the UC.
  - \$20 million in one-time funding for counties that do not have a Whole Person Care pilot program.
  - \$250 million in planning and technical assistance grants for local governments, regional councils of government, and school districts and county offices of education to help plan for additional housing.
  - \$500 million in funding for housing-related infrastructure.
  - Certain changes to the state's low-income housing tax credit program. The Governor proposed increasing this program by \$500 million in the January budget.
  - \$2.5 million for real estate consultants at both Department of Housing and Community Development (HCD) and the Department of General Services (DGS), and four positions and associated funding at HCD, for demonstration projects related to developing excess state property for affordable housing.
  - \$20 million in one-time resources for tenant legal aid.

## OFFICE OF EMERGENCY SERVICES

- The May Revision proposes \$5.9 million ongoing (of which \$5.1 million is General Fund) and 76 positions to enhance Cal OES disaster preparedness and response capacity for future state disasters.
- The May Revision proposes \$20 million one-time General Fund for state mission tasking, which would fund state entities for costs incurred during emergency surge capacity activities. Additionally, the May Revision proposes \$1.5 million and 12 positions for Cal OES to coordinate with all state agency responders.
- The May Revision proposes \$711,000 ongoing General Fund and six positions to establish the statewide Disaster Reserve Corps resource pool to meet surge capacity needs.
- The May Revision proposes \$75 million one-time General Fund to improve the resiliency of the state's critical infrastructure in response to the investor-owned utilities-led Public Safety Power Shutdown actions, and to provide assistance to communities as specific urgent needs are identified.

The May Revision proposes the following resources for other state entities to support disaster contingency planning and preparedness:

- **Department of Housing and Community Development.** \$2 million General Fund (with \$740,000 ongoing) and four positions to create a permanent Disaster Response and Recovery Unit.
- **State Water Resources Control Board.** \$1 million ongoing General Fund and six positions to improve emergency response capabilities between the State Water Board, regional boards, and other state entities during emergencies.
- **Department of Resources Recycling and Recovery.** \$2.8 million ongoing General Fund and 21.5 positions to continue its significant role in emergency response mission tasking responsibilities.
- **Emergency Medical Services Authority.** \$979,000 ongoing General Fund and two positions to increase disaster medical services capacity.



## Overview of the Governor's 2019-20 May Revision

- **Department of Public Health.** \$959,000 ongoing funds (\$569,000 General Fund) and six positions to support health care facilities and mass care shelters during emergencies.
- **Department of State Hospitals.** \$996,000 ongoing General Fund and six positions to improve emergency coordination and preparedness, and business continuity planning, at five state hospitals and the Department of State Hospitals headquarters.
- **Department of Social Services.** \$2.9 million ongoing General Fund and 20 positions to support the Department's mandated disaster planning, coordination, and training activities.
- **Office of Planning and Research.** \$387,000 to support the California For All Emergency Preparedness Campaign and the administration of local assistance grants over a period of one and a half years.
- **School Safety.** \$1 million for the Student, Teachers, and Officers Preventing (STOP) School Violence Act of 2018 to implement school security strategies related to violence intervention and prevention.
- **Nonprofit Security.** \$15 million in one-time General Fund for the Nonprofit Security Grant Program to help nonprofit organizations that are targets of hate-motivated violence and hate crimes.

### **CALIFORNIA DISASTER ASSISTANCE ACT**

The May Revision includes a one-time augmentation of \$8.8 million General Fund to increase the amount of funding available through the California Disaster Assistance Act (CDAA) to repair or replace public property damaged during a disaster, and to reimburse local government costs associated with emergency activities in response to a state of emergency. This increases the amount of CDAA funding provided in 2019-20 to \$91.4 million.

## **LOCAL PROPERTY TAX BACKFILL AND SUPPORT FOR LOCAL COMMUNITIES IMPACTED BY THE CAMP FIRE**

- **Property Tax Backfill.** The May Revision proposes \$518,000 one-time General Fund to reimburse cities, counties, and special districts for 2018-19 property tax losses resulting from the 2018 wildfires. This funding is for local agencies in Los Angeles, Mendocino, Napa, Orange, San Diego, Solano, Tuolumne, and Ventura counties that suffered property tax losses due to the 2018 wildfires.
- **Camp Fire Support.** The May Revision includes \$10 million one-time General Fund to support local communities in their recovery from the Camp Fire.

## **CENSUS**

- The May Revision includes \$2.9 million General Fund and \$1 million in reimbursements to support additional outreach efforts for the 2020 Census. These funds will provide the state's Census Office with additional resources for Native American outreach, translation services, and state agency outreach. Provisional language is also included to allow the Department of Finance to augment by up to \$22.5 million the resources available for the Census Office's Statewide Outreach and Communications Strategy.

## **CANNABIS REGULATION, ENFORCEMENT, AND EQUITY**

- **Cannabis Trailer Bill Language.** The May Revision proposes trailer bill language to: (1) restructure cannabis-related provisional licenses, (2) cleanup language in the California Cannabis Appeals Panel statute, (3) enhance the equity grant program, (4) strengthen administrative penalties against unlicensed activity, (5) extend the existing California Environmental Quality Act exemption, and (6) provide contracting authority for the Department of Health Care Services to administer their Cannabis Tax Fund grant program.
- **Cannabis Excise Tax Revenue.** The May Revision revises the Administration's forecast of the cannabis excise tax revenue from Governor's Budget to \$288 million in 2018-19 and \$359 million in 2019-20, a reduction of \$67 million and \$156 million, respectively.
- **Cannabis Equity.** The May Revision includes \$15 million from the Cannabis Tax Fund to provide grants to local governments to assist in the creation and

## Overview of the Governor's 2019-20 May Revision

administration of equity programs, and to support equitable access to the regulated market for individuals through financial and technical assistance. The Governor's Office of Business and Economic Development will administer the grant program on behalf of the Bureau of Cannabis Control.

**The May Revision proposes \$198.8 million for cannabis-related activities, including:**

- **Education, prevention, and treatment of youth substance use disorders and school retention:**
  - \$12 million to the Department of Public Health for cannabis surveillance and education activities.
  - \$80.5 million to the Department of Education to subsidize child care for school-aged children of income-eligible families.
  - \$21.5 million to the Department of Health Care Services for competitive grants to develop and implement new youth programs in areas of education, prevention, and treatment of substance use disorders, along with preventing harm from substance use.
  - \$5.3 million to support youth community access grants from the California Natural Resources Agency. These grants will fund programs to support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities for positive programming to discourage substance use.
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation:**
  - \$23.9 million to the Department of Fish and Wildlife, of which \$13.8 million will support cleanup, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation and \$10.1 million, will support enforcement activities aimed at preventing further environmental degradation of public lands.
  - \$15.9 million to the Department of Parks and Recreation, of which \$7.1 million will be used to survey the impacts and identify unknown areas of cannabis cultivation to assist with prioritizing resources for effective enforcement, \$5.6 million will be used for remediation and restoration of

## **Overview of the Governor's 2019-20 May Revision**

illegal cultivation activities on state park land, and \$3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development.

- **Public-safety related activities:**

- \$2.6 million to the California Highway Patrol for training, research and policy development related to impaired driving and for administrative support.
- \$11.2 million to the California Highway Patrol's impaired driving and traffic safety grant program for non-profits and local governments.
- \$26 million to the Board of State and Community Corrections for a competitive grant program for local governments that have not banned cannabis cultivation or retail activities and that will prioritize various public health and safety programs.

### **CALIFORNIA ARTS COUNCIL**

- The May Revision proposes \$5 million one-time General Fund for the Los Angeles Museum of the Holocaust, and \$5 million one-time for the Armenian American Museum.

### **DEPARTMENT OF GENERAL SERVICES**

- The May Revision proposes \$2.2 million one-time General Fund to complete a site evaluation for disposition options for the Fairview Developmental Center.

### **COMMISSION ON THE STATUS OF WOMEN AND GIRLS**

- The May Revision proposes to provide \$269,000 for the Commission on the Status of Women and Girls to administer the Commission's Pay Equity program.

### **CALIFORNIA MILITARY DEPARTMENT**

- The May Revision proposes \$6.8 million one-time General Fund to design and construct water, electrical, and sewer utility connections at the Lathrop-Roth Training Complex.

## SECRETARY OF STATE

- **County Voting Systems.** The May Revision proposes \$87.3 one-time million to replace and upgrade county voting systems. Of this amount, \$65.7 million will cover an additional 25 percent of estimated vote center model costs for counties with over 50 precincts, bringing the total state investment to 75 percent of total costs; \$3.6 million will cover full funding of the estimated polling place model costs for counties with 50 or fewer precincts; and \$18 million will be used for county election management system replacements.
- **Validation of Voter Information.** The May Revision proposes \$3 million one-time General Fund to complete necessary validation of voter information transmitted from the Department of Motor Vehicles to the Secretary of State is VoteCal system.

## STATE CONTROLLER'S OFFICE

- **California State Payroll System Project.** The May Revision includes \$1.3 million to support six positions and contracted service costs during the Project Approval Lifecycle process.
- **Personnel Cost Adjustments.** The May Revision includes \$1.1 million (\$589,000 General Fund) to support increased personnel costs as a result of the Financial Accountant series reclassification in 2017-18 and statewide Information Technology class consolidation reclassifications.
- **Statewide Retirement Reconciliation Program.** The May Revision includes \$2.1 million (\$1.2 million General Fund) to support 15 continuing positions to address ongoing workload, and resources to work with CalPERS to resolve data translation errors between the legacy systems and the myCalPERS system.
- **Settlement Claims.** The May Revision includes \$9.5 million General Fund for the class action settlements of *Nancy Baird, et al. v. Betty T. Yee, et al (2016)* and *Janis McLean v. State of California (2016)*.

## OFFICE OF TAX APPEALS

- **Appeals Process.** The May Revision includes \$2.8 million General Fund and 13 positions to provide additional staffing to support appeal process workload.

## OFFICE OF THE LIEUTENANT GOVERNOR

- **Support for the Office of the Lieutenant Governor.** The May Revision includes \$500,000 and four positions to support the Office of the Lieutenant Governor. The positions are a Communications Director, Environmental Analyst, Higher Education Analyst, and Constituent Support Services Specialist.

## GOVERNOR'S OFFICE OF BUSINESS DEVELOPMENT

- **Office of the Small Business Advocate.** The May Revision includes \$806,000 General Fund and three positions to provide resources to support the core duties of the Office of the Small Business Advocate, which serves as the lead office in providing small businesses in California with the information and resources necessary to operate and serve as the principal advocate in the state on behalf of small businesses.
- **International Trade Program Specialists.** The May Revision includes \$592,000 General Fund and three positions to support workload within the International Affairs and Business Unit.
- **California Infrastructure and Economic Development Bank (IBank) Credit Officer.** The May Revision includes \$263,000 General Fund and one position to establish a credit officer to manage, organize, and lead the efforts of all IBank programs within the Bond Financing Units.
- **Governor's Office of Economic Impact.** The May Revision includes trailer bill language to change the Governor's Office of Business and Economic Development name to the Governor's Office of Economic Impact. The goal is to reduce confusion and make clear that the organization is the economic development office for the state, which helps businesses identify the advantages of considering California, (versus being a business regulatory and oversight entity).

## STATE TREASURER'S OFFICE

- **Funding Realignment.** The May Revision includes \$7 million General Fund and a corresponding decrease in reimbursements. This adjustment realigns the funding structure of the State Treasurer's Office to better reflect the services provided to state agencies.

## **CALIFORNIA SECURE CHOICE RETIREMENT BOARD**

- **Program Cleanup.** The May Revision includes trailer bill language to: (1) shift the responsibility for disseminating employee information packets for the CalSavers Retirement Program (CalSavers) from the Employment Development Department (EDD) to CalSavers, (2) provide EDD with more flexibility in the timeline to begin enforcing employer compliance, and (3) allow EDD to share employer data with CalSavers.

## **FRANCHISE TAX BOARD**

- **Individual Health Mandate and Expansion Subsidies.** The May Revision includes \$8.2 million General Fund and 50 positions to administer the penalty and subsidies associated with the proposed Minimum Essential Coverage Individual Mandate.
- **Earned Income Tax Credit EITC.** The May Revision proposes to rename the credit The California EITC, A Cost-Of-Living Refund, and to significantly expand the credit. The newly expanded credit will be available to roughly three million households in total, and will approximately triple the amount of credits provided from \$400 million to about \$1.2 billion. The expansion will:
  - Provide a \$1,000 credit for every family that otherwise qualifies for the credit and has at least one child under the age of six.
  - Increase the maximum eligible earned income to \$30,000 so that those working up to full-time at the 2022 minimum wage of \$15 per hour will be eligible for the credit.
  - Change the structure of the credit so that it phases out more gradually, providing a more substantial credit for many eligible families.
- **Implementation of Advanced Earned Income Tax Credit Payments.** The May Revision includes \$18.7 million and 22 positions to implement advanced payments for the EITC.

**DEPARTMENT OF TAX AND FEE ADMINISTRATION**

- **Technical Adjustment for the Centralized Revenue Operating System.** The May Revision includes a decrease of \$17 million General Fund and \$9.6 million reimbursements to reflect a technical correction to the project.

**STATE APPROPRIATIONS LIMIT**

- **Revised State Appropriations Limit.** The May Revision includes a State Appropriations Limit of \$112.1 billion. The revised limit is the result of applying the growth factor of 4.18 percent to the prior year limit. The revised 2019-20 limit is \$1.5 billion below the \$113.6 billion estimated in January.



## **LABOR, PUBLIC EMPLOYMENT AND RETIREMENT**

### **EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING**

- The May Revision proposes to decrease employee compensation by \$1.8 million to reflect updated estimates to the dental and vision premium rates, natural changes to enrollment in health and dental plans, and updated employment information for salary increases and other post-employment benefit contributions.
- In addition, the Administration will continue collective bargaining negotiations with Highway Patrol Officers, whose contract expired early July 2018, and will begin or continue collective bargaining negotiations with the additional five bargaining units representing Attorneys and Administrative Law Judges, Correctional Officers, Public Safety, Stationary Engineers, and Psychiatric Technicians, whose contracts will expire in late June or early July 2019.

### **STATE EMPLOYEE RETIREMENT**

- **California Public Employees Retirement System (CalPERS).** Relative to the Governor's budget, the May Revision proposes an increase to state contributions to CalPERS by a net total of \$3.5 million (an \$8.8 million General Fund increase and a \$5.3 million other fund decrease).

The increase is a result of CalPERS' adjustment to the state's contribution rates, which is due primarily to the normal progression of the existing amortization and smoothing policy, a reduction in the discount rate from 7.25 percent to 7.00 percent, and increases in payroll.

- **California State Teachers' Retirement System (CalSTRS).** Relative to the Governor's budget, CalSTRS contributions increase by \$5.6 million General Fund due to a revision in reported compensation for K-12 and community college teachers.
- **Judges' Retirement System (JRS).** Relative to the Governor's Budget, state contributions to the JRS I increase by \$5.7 million General Fund, and state contributions to JRS II increase by \$6.4 million General Fund.

## **Overview of the Governor's 2019-20 May Revision**

These increases are attributed to an increase in the JRS II employer contribution rate, changes in the number of JRS I and II active and retired members, and an increase in members' salaries.

### **CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM**

- The Governor's Budget proposed funding to reduce employer contributions to CalSTRS from 18.13 percent to 17.1 percent in 2019-20, based on current assumptions. Relative to the Governor's \$700 million January budget proposal to provide immediate rate relief to school employers, the May Revision adds \$150 million one-time non-Proposition 98 General Fund to reduce the employer contribution rate to 16.7 percent in 2019-20.

## **CORRECTIONS AND PUBLIC SAFETY, and the JUDICIARY**

### **CALIFORNIA DEPARTMENT OF CORRECTIONS & REHABILITATION**

The May Revision includes \$12.8 billion (\$12.5 billion General Fund and \$305 million other funds) for the California Department of Corrections and Rehabilitation (CDCR). This represents approximately the same level of funding as the Governor's January budget proposal.

### **POPULATION UPDATES**

- **Adult Inmate and Parole Population Adjustment.** The May Revision, related to adult inmate and parole population changes, includes a decrease of \$4.2 million General Fund in 2017-18 and 2018-19 combined. Specifically, the May Revision projects the average daily population of adult inmates at 127,993 in the current year, and 126,705 in the budget year. This is a decrease of 341 in 2018-19, and a decrease of 266 in 2019-20, as compared to the January estimates. In addition, the May Revision projects the average daily population of parolees to be 48,535 in the current year, and 50,442 in 2019-20, a decrease of 166 in the current year and an increase of 497 in the budget year.
- **Proposition 57.** Proposition 57, the Public Safety and Rehabilitation Act of 2016, is estimated to reduce the average adult daily inmate population by approximately 6,500 in 2019-20 and approximately 10,600 in 2021-22. As of May 2, 2019, the prison population was at 134.8 percent of design capacity, which is below the federal court-ordered population cap of 137.5 percent of design capacity.

### **HEALTH CARE FOR THE INCARCERATED**

- **Integrated Substance Use Disorder Treatment Program.** The May Revision includes \$71.3 million General Fund in 2019-20 and \$161.9 million ongoing General Fund beginning in 2020-21 to implement an integrated substance use disorder treatment program throughout all 35 CDCR institutions. The proposal includes three main components: (1) the use of medication-assisted treatment to treat inmates with opioid and alcohol use disorders; (2) a redesign of the current cognitive behavioral treatment curriculum; and (3) the development and management of inmate treatment plans and substance disorder-specific pre-release transition planning. There are three target populations: (1) inmates who were receiving MAT prior to entering prison; (2) inmates already in CDCR with

## Overview of the Governor's 2019-20 May Revision

high substance use disorder risk factors (such as a recent overdose); and (3) inmate scheduled for release within 15 to 18 months who have been assess as having a high need for substance use disorder services.

- **Medical Classification Model Update.** The May Revision includes \$27.5 million for the Receiver's Medical Classification Model to provide increased staffing levels for health care operations throughout California's prison system. The proposal includes the reclassification of certain populations based on medical acuity and revises staffing methodologies based on the Receiver's update to the model.

### **REENTRY AND REHABILITATION**

- **Reentry Expansion.** The May Revision includes \$8.8 million ongoing General Fund to establish two new 60-bed female facilities in Los Angeles and Riverside, and expand an existing male facility in Los Angeles by 10 beds. In addition, the May Revision includes \$1.5 million ongoing General Fund to provide a five percent contact rate increase for Male Community Reentry Program providers.
- **Victim Impact Services.** The May Revision includes an additional \$2 million Inmate Welfare Fund for: (1) the Victim Offender Dialogue program, which employs restorative justice principles to provide opportunities for offenders to understand the impacts their actions have had on victims, and (2) establishing or expanding Innovative Programming Grants targeting victim impact programs through the Department's Division of Rehabilitative Programs.
- **Tattoo Removal Program.** The May Revision includes \$1.1 million General Fund in 2019-20 and \$2.1 million ongoing General Fund beginning in 2020-21. This will provide tattoo removal to approximately 3,000 incarcerated people annually and focus on those who are seeking to leave gangs or are within one to two years of release on a voluntary basis.

### **ADDITIONAL SERVICES**

- **Sign Language Interpreter Services.** The May Revision includes \$1.5 million ongoing General Fund to provide equal access to rehabilitation programs and services to the incarcerated for whom sign language is their primary method of communication.

## JUVENILE JUSTICE

- **Division of Juvenile Justice Transition.** The May Revision includes \$1.2 million ongoing General Fund for key staff to plan for the transition and launch of a new independent training institute that will train all staff on best practices so they can further the new Department of Youth and Community Restoration's rehabilitative mission.
- **Division of Juvenile Justice (DJJ) and California Conservation Corps Apprenticeship.** The May Revision includes \$1.4 million ongoing General Fund to create a partnership between DJJ and the California Conservation Corps to develop and implement an apprenticeship program. This program will provide skill building and job training opportunities to participating members and support them in accessing career pathways upon returning to their communities.

## LOCAL PUBLIC SAFETY

- **California Violence Intervention and Prevention (CalVIP) Program.** The Governor's Budget included \$9 million ongoing General Fund for the California Violence Intervention and Prevention Program. The May Revision proposes an additional augmentation of \$18 million one-time General Fund, resulting in a total of \$27 million for the program in 2019-20, for grants to eligible cities and community based organizations. These grants provide funding to support services such as community education, diversion programs, outreach to at-risk transitional age youth, and violence reduction models.

## CALIFORNIA DEPARTMENT OF JUSTICE

- **Cardroom and Third-Party Provider Workload.** The May Revision includes an augmentation of \$4.4 million Gambling Control Fund to continue funding for 32 positions that process license applications, renewals, and background investigations for cardrooms and third-party providers to reduce the current backlog of license applications.

## JUDICIAL BRANCH

The May Revision includes \$4.2 billion (\$2.2 billion General Fund and \$2.0 billion other funds) for the Judicial Branch. Of this amount, \$2.4 billion is provided to support trial court operations. The following are several May Revision proposals:

## Overview of the Governor's 2019-20 May Revision

- **Judgeships.** The May Revision includes \$30.4 million General Fund in 2019-20 and \$36.5 million General Fund annually thereafter for 25 additional superior court judgeships.
- **Trial Court Reserves.** The May Revision includes statutory changes to increase the trial court reserve cap from one percent to three percent beginning June 30, 2020.
- **Dependency Counsel.** The May Revision includes \$1.5 million ongoing General Fund for the Judicial Council to administer federal reimbursements for court-appointed dependency counsel costs. The Governor's Budget included \$20 million ongoing General Fund and \$34 million in federal reimbursements, to supplement this amount. The total dependency counsel funding is \$190.7 million annually beginning in 2019-20.
- **Legal Aid for Renters in Landlord-Tenant Disputes.** The May Revision augments the Judicial Branch's Equal Access Fund by \$20 million one-time General Fund to provide legal aid for renters in landlord-tenant disputes.
- **Language Access Expansion.** The May Revision includes \$9.6 million ongoing General Fund for the continuation of interpreter services for civil matters and to cover increased costs in criminal cases.
- **Courts of Appeal Workload.** The May Revision includes \$5 million ongoing General Fund to address general operational cost increases, workload due to more complex litigation, new case duties related to recent law changes requiring retroactive decisions related to criminal justice reforms, and voter approved initiatives requiring appellate review.