



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 14, 2020

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 20, 2020.

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OVERVIEW OF THE GOVERNOR'S 2020-21 MAY REVISION

On May 14, 2020, the Governor released his May Revision for budget year 2020-21. The Governor now projects budget year General Fund expenditures of \$133.9 billion, available resources of \$139.0 billion (prior year balance, revenues and transfers), and \$1.96 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 decreased by \$41.2 billion as compared to the Governor's January budget proposal. This significant drop in revenues is primarily related to the national recession caused by COVID-19. The Governor's May Revision forecast projects that COVID-19 will continue to cause economic losses and ongoing structural deficits are projected. While the economic impacts of COVID-19 are severe, the Administration points out that the projected deficit as a percentage of General Fund spending is modestly smaller than the budget deficits faced by the state in the last two downturns. This is due largely to the state's prudent fiscal management over the last decade. The General Fund budget summaries for January and May are listed below:

**2019-20 and 2020-21
General Fund Summary
(Dollars in Millions)**

| | January Budget | | May Revision | |
|---|-----------------|-----------------|-----------------|----------------|
| | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| Prior Year Balance | \$8,497 | \$5,234 | \$11,280 | \$1,619 |
| Revenues and Transfers | 146,486 | 151,635 | 136,836 | 137,417 |
| Total Resources | 154,983 | 156,869 | 148,116 | 139,036 |
| Non-Proposition 98 | 93,344 | 95,510 | 94,145 | 89,030 |
| Proposition 98 | 56,405 | 57,573 | 52,352 | 44,871 |
| Total Expenditures | 149,749 | 153,083 | 146,497 | 133,901 |
| Fund Balance | 5,234 | 3,786 | 1,619 | 5,135 |
| Encumbrances | 2,145 | 2,145 | 3,175 | 3,175 |
| Special Fund for Economic Uncertainties | 3,089 | 1,641 | -1,556 | 1,960 |
| Safety Net Reserve | 900 | 900 | 900 | 450 |
| Public School System Stabilization Account | 524 | 487 | | |
| Budget Stabilization Act. | \$16,018 | \$17,977 | \$16,156 | \$8,350 |

Budget Structure. Consistent with the state's constitutional obligation to enact a balanced budget and the prohibition against issuing long-term bonds to finance deficits,

Overview of the May Revision of the 2020-21 Governor’s Budget

the May Revision proposes to cancel new initiatives proposed in the Governor’s Budget, cancel and reduce spending included in the 2019 Budget Act, draw down reserves, borrow from special funds and temporarily increase revenues. It also reflects savings from the Administration’s direction to agencies and departments to increase efficiency and streamline existing efforts. Finally, the May Revision reflects reductions needed to address the remaining budget gap in the event the federal government does not provide states and local governments additional necessary funding to support public health, safety and education, and a safe, swift economic recovery. While under the May Revision the budget would be balanced next year, a significant structural out-year deficit would remain, increasing to over \$16 billion by 2023-24.

Including additional expenditure pressures, the May Revision assumes a total budget problem of \$54.3 billion. The following table from the Department of Finance’s Summary of the May Revision displays the components of addressing this problem.

| May Revision Proposes Balanced Solution | |
|--|---------------|
| (dollars in billions) | |
| Cancelled Expansions & Other Reductions | \$8.4 |
| Reserves | 8.8 |
| Borrowing/Transfers/Deferrals | 10.4 |
| New Revenues | 4.4 |
| Federal Funds | 8.3 |
| Triggers | 14.0 |
| | \$54.3 |

As mentioned earlier, the \$14.0 billion triggers figure in the display above represents various budgetary reductions in the event that the federal government does not provide additional relief for state and local governments.

Pre-COVID 19 Pandemic. The May Revision notes that California began 2020 with a solid fiscal foundation—a strong and diverse economy, historic reserves, and a structurally balanced budget. It had eliminated past budgetary debts and deferrals and was making extraordinary payments to reduce pension liabilities. In January, a budget surplus of \$5.6 billion was projected for the 2020-21 fiscal year. Revenues through March were running \$1.4 billion above projections. The Governor’s budget also projected U.S. real GDP would grow by 2 percent through 2023, a California unemployment rate of 4.4 percent, and personal income growth of 4.8 percent in 2019.

The Governor’s January budget proposal continued to build on California’s responsible budgeting practices of the past decade by building reserves while making important

Overview of the May Revision of the 2020-21 Governor's Budget

investments, including a total Proposition 98 funding level of \$84 billion (K-14), increased funding for both the University of California and the California State University, specific increases to CalWORKs grants and developmental services, Medi-Cal eligibility for seniors regardless of immigration status, and significant climate related investments.

Economic Forecast. The Governor's economic forecast notes that the rapid onset of the COVID-19 pandemic has had an immediate and severe impact on the global, national, and state economies. The widespread economic interruption caused by the global pandemic is unprecedented in modern history. Further, the May Revision projects that the impacts of economic losses will be disproportionately borne by low- and middle-income Californians. Some of the impacts of COVID-19 to date that the Administration points out include: 1) more than 4.2 million unemployment claims have been filed in California since mid-March, 2) job losses have occurred disproportionately in the lower-wage sectors of the economy – amplifying wage disparities, and 3) the Administration projects that the unemployment rate will be 18 percent in 2020, much higher than the Great Recession.

Continued economic losses that are reflected in the Governor's May Revision forecast include that California's personal income is projected to fall by nearly 9 percent on an annual basis in 2020 and permits for new housing construction are forecast to drop by more than 21 percent. Personal income is not expected to return to 2019 levels until 2023. In comparison, personal income fell by 3.3 percent during the Great Recession and recovered to 2007 levels by 2011. The forecast projects the impacts of the pandemic on personal income and its components to be larger in magnitude and in percentages compared to the Great Recession.

The unemployment rate is projected to reach 24.5 percent in the second quarter of 2020, meaning that one in four California workers will be out of work, or around 4.8 million people. This is more than twice the 2.2 million Californians unemployed during the height of the Great Recession in the fourth quarter of 2010— with a peak unemployment rate of 12.3 percent. Following this peak, the unemployment rate is expected to gradually decline, reaching 10.6 percent in the fourth quarter of 2023.

The May Revision notes that, if protecting public health requires extended restrictions to remain in place and lift more gradually, economic disruptions will continue. Under this scenario, there are likely to be more bankruptcies and job losses. The unemployment rate would peak at 31.2 percent in the first quarter of 2021, and nonfarm job losses from peak to trough would surpass 5 million. In this scenario, recovery to 2019 pre-crisis levels of employment would not occur until 2027. By 2023, the unemployment rate would remain at a high of 20.7 percent, and nonfarm payroll employment would be about 1.5 million below the baseline scenario.

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Revenue Changes Since January. Overall, the May Revision forecast for 2018-19 through 2020-21 General Fund revenues has decreased by \$41.2 billion from January 2020. This includes an increase of \$700 million in 2018-19, and decreases of \$9.7 billion in 2019-20 and \$32.2 billion in 2020-21. This sharp revenue decline is largely due to drops in revenue from the state's three largest sources: personal income tax revenue, which accounts for approximately 67.0 percent of General Fund revenue, is down 25.5 percent, sales tax revenue, which accounts for approximately 18.4 percent of General Fund revenue, is down by 27.2 percent, and corporation tax revenue, which accounts for approximately 10.4 percent of General Fund revenue, is down by 22.7 percent.

The May Revision's long-term forecast projects that total General Fund revenues from the three largest sources of General Fund revenue are expected to drop from \$139.4 billion in 2018-19 to a low point of \$114 billion in 2020-21. By 2023-24, it will only have grown to \$128 billion.

The May Revision reports that preliminary data show statewide property tax revenues increased 5.8 percent in 2019-20, which is 0.6 percentage point lower than the 6.4-percent growth rate anticipated at the Governor's Budget. California counties committed to cancel penalties and charges related to late payments that may arise due to hardships arising from COVID-19, which is reflected in the 2019-20 preliminary data. Property tax revenues are expected to grow 3.5 percent in 2020-21, which is 2.2 percentage points lower than the 5.7-percent growth expected at the Governor's Budget due to increased delinquencies, which typically rise in a recession. Approximately 42 percent (\$32 billion) of 2020-21 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:

2019-20 and 2020-21 General Fund Revenue Sources (Dollars in Millions)

| Revenue Source | January Budget | | May Revision | |
|-----------------------|-----------------------|------------------|---------------------|------------------|
| | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| Personal Income Tax | \$101,682 | \$102,878 | \$94,773 | \$76,841 |
| Sales and Use Tax | 27,185 | 28,243 | 24,941 | 20,613 |
| Corporation Tax | 15,305 | 16,007 | 13,870 | 16,577 |
| Other Revenues | 4,364 | 6,466 | 5,413 | 15,580 |
| Total | \$148,536 | \$153,594 | \$138,997 | \$129,611 |

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

2019-20 and 2020-21 General Fund Expenditures (Dollars in Millions)

| Agency | January Budget | | May Revision | |
|----------------------------------|------------------|------------------|------------------|------------------|
| | 2019-20 | 202-21 | 2019-20 | 2020-21 |
| Legislative, Judicial, Executive | \$5,909 | \$4,520 | \$6,848 | \$4,144 |
| Business, Consumer, Housing | 1,465 | 348 | 1,262 | 291 |
| Transportation | 287 | 240 | 289 | 239 |
| Natural Resources | 3,812 | 3,812 | 3,771 | 3,547 |
| Environmental Protection | 672 | 140 | 723 | 42 |
| Health and Human Services | 41,893 | 47,454 | 41,920 | 45,275 |
| Corrections and Rehabilitation | 13,432 | 13,387 | 13,444 | 13,351 |
| K-12 Education | 58,675 | 59,639 | 54,578 | 47,689 |
| Higher Education | 17,490 | 17,509 | 17,041 | 15,372 |
| Labor and Workforce | 186 | 159 | 186 | 159 |
| Government Operations | 1,839 | 1,413 | 2,331 | 1,329 |
| General Government | 4,088 | 4,462 | 4,104 | 2,463 |
| Total | \$149,749 | \$153,083 | \$146,497 | \$133,901 |

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

Education and Child Care

- **Proposition 98 Guarantee and Investments in Education.** The May Revision funds a Proposition 98 Guarantee level of \$70.5 billion in 2020-21. This reflects a decrease from the January Budget proposal of \$13.6 billion, due to the significant drops in General Fund revenue related to the impact of COVID-19 on the economy. In addition, the 2019-20 Proposition 98 Guarantee drops by \$4.2 billion to \$77.4 billion. The Administration proposes to reduce Proposition 98 expenditures to meet these Guarantee levels by reducing funding provided to K-12 education through the Local Control Funding Formula by \$6.4 billion and to community colleges for the Student Centered Funding Formula by \$761 million. These reductions may be backfilled if the federal government provides sufficient funding to restore the programs. In addition, the Administration proposes to defer education payments from the 2019-20 and 2020-21 years to future years totaling \$5.3 billion for K-12 and \$662 million for community colleges. Finally, the Administration proposes to

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eliminate most January budget proposals and reduce funding for various categorical programs.

The Administration does include proposals to increase funding for K-14 education in the short and long-term, including creating a multi-year obligation to increase education funding by \$13 billion, by dedicating a portion of General Fund revenue to this purpose each year. In addition, for K-12 education, the Administration proposes to use \$4.4 billion from federal funds related to Coronavirus relief to supporting the mitigation of learning loss. Finally, the Administration would repurpose \$2.3 billion that was provided to reduce long-term employer pension liabilities for schools and community colleges and instead reduce employer pension contribution rates in 2020-21 and 2021-22.

- **Child Care.** The May Revision reduces state preschool slots and rates by \$408 million and reduces child care caseload and rates by \$285 million, compared to the January Budget. Many of these reductions will not happen if the federal government provides sufficient funding to restore the programs. The Administration also provides \$53.3 million ongoing federal Child Care and Development Block Grant funds for additional child care slots. Finally, the Administration proposes to use \$350 million in federal funding for costs related to cleaning, supplies, equipment, stabilizing providers, and increased access for at-risk children and children of essential workers.

Higher Education

- **Higher Education Segments.** The May Revision rescinds the Governor's January proposal to provide a base increase for the University of California (UC) and the California State University (CSU), \$169 million and \$199 million, respectively. Furthermore, the Governor proposes to reduce support for UC, CSU and California Community Colleges (CCC) by 10 percent, \$338 million, \$398 million, and \$593 million Proposition 98 General Fund, respectively. These reductions will not happen if the federal government provides sufficient funding to restore the programs. While the Governor proposes significant reductions in higher education funding, the May Revision proposes to maintain Cal Grant award levels for students attending CCC, UC and CSU.

Health

- **Elimination of Optional Medi-Cal Benefits.** The May Revision proposes to eliminate certain optional benefits for Medi-Cal beneficiaries including reducing adult dental benefits to the level approved in 2014, and eliminating benefits for audiology,

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incontinence creams and washes, speech therapy, optical services, podiatry, acupuncture, nurse anesthetists services, occupational and physical therapy, pharmacist services, screening and intervention/treatment for opioids and other illicit drugs, and the diabetes prevention program. If approved, these reductions would result in General Fund savings of \$54.7 million. This proposed reduction would be reversed if additional federal funding is received, pursuant to budget control section language.

- **Elimination of Supplemental Payments for Medi-Cal Providers.** The May Revision proposes to eliminate \$1.2 billion of Proposition 56 funding for supplemental payments for physician, dental, family health services, developmental screenings, non-emergency medical transportation, value-based payments, and loan repayments for physicians and dentists in the Medi-Cal program. \$67 million of Proposition 56 funding would continue to support supplemental payments for home health providers, pediatric day health care facilities, pediatric sub-acute facilities, AIDS waiver providers, already awarded loan repayments, and trauma screening. If approved, the savings from reduction of supplemental payments would instead be allocated to support Medi-Cal program growth since 2016, resulting in General Fund savings of \$1.2 billion. This proposed reduction would be reversed if additional federal funding is received, pursuant to budget control section language.
- **Medi-Cal Eligibility Expansion Proposals Eliminated.** The May Revision proposes to withdraw or eliminate the following eligibility expansions proposed in the January budget or approved in the 2019 Budget Act:
 - *Expansion of Medi-Cal to Undocumented Seniors* – The May Revision withdraws the January budget proposal to expand full-scope Medi-Cal benefits to individuals 65 and over regardless of immigration status. If approved, this reduction would result in General Fund savings of \$87 million.
 - *“Senior Penalty” for Aged and Disabled Beneficiaries* – The May Revision reverses the elimination of the “senior penalty” for aged and disabled beneficiaries in Medi-Cal adopted in the 2019 Budget Act. As a result, Medi-Cal beneficiaries within a certain income range may lose Medi-Cal eligibility when they turn 65. If approved, this reduction would result in General Fund savings of \$67.7 million.
 - *Postpartum Mental Health Expansion* – The May Revision reverses the extension of Medi-Cal coverage for 12 months for post-partum individuals diagnosed with a mental health condition, adopted in the 2019 Budget Act. If approved, this reduction would result in General Fund savings of \$34.3 million.

Human Services

- **Safety Net Reserve.** The May Revision assumes the Safety Net Reserve is used to support health and human services programs over two years. This would result in a savings of \$450 million General Fund in 2020-21 and \$450 million in 2021-22.
- **IHSS Service Hours.** The May Revision proposes a seven percent reduction in the number of hours provided to IHSS beneficiaries, effective January 1, 2021. This proposal would result in a savings of \$205 million General Fund in 2020-21. This reduction will not happen if the federal government provides sufficient funding to restore these hours.
- **Withdrawn Proposals.** The May Revision proposes to withdraw the Governor's budget proposal that would provide supplemental rate increases for Early Start Specialized Therapeutic Services, Infant Development Programs, and Independent Living services. This results in a savings of \$10.8 million General Fund in 2020-21 and \$21.6 million in 2021-22.
- **Community-Based Adult Services (CBAS) and Multipurpose Senior Services Program (MSSP)** – The May Revision proposes to eliminate the CBAS and MSSP programs. The effective date for CBAS would be January 1, 2021, for a General Fund savings of \$106.8 million in 2020-21 and \$255.8 million in 2021-22 (full implementation). The effective date for MSSP would be no sooner than July 1, 2020. This reduction will not happen if the federal government provides sufficient funding to restore the programs.

Resources and Environmental Protection

- **Climate Catalyst Fund.** The May Revision withdraws the January proposal to create a Climate Catalyst Fund of \$250 million from the General Fund.
- **Department of Toxic Substances Control Reform: Governance and Fiscal Reform.** Governance: The May Revision maintains the January proposal to establish a new Board of Environmental Safety. Fiscal Reform: The May Revision maintains the January proposal to establish a sustainable funding source to enable the department to meet its statutory requirements: 1) Provide statutory fee authority to the board; 2) Provide hazardous waste fee restructure; and, 3) Authorize the board to adjust the Environmental Fee.
- **Baseline General Fund Reduction and Repurpose of the Habitat Conservation Fund.** The May Revision proposes to reduce \$33.7 million General Fund to reduce

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Department of Fish Wildlife (DFW)'s state operation General Fund expenditure level. This reduction will be triggered off if the federal government provides insufficient funding to restore it. This reduction will be partially offset by an \$18.9 million shift from the Habitat Conservation Fund to the new Biodiversity Protection Fund to support DFW's core biodiversity conservation and enforcement programs.

- **California Natural Resources Agency: Light Detection and Ranging (LiDAR) Technology.** The May Revision withdraws the January proposal to provide \$80 million General Fund for purchasing LiDAR technology.

Housing and Homelessness

- **Local Government Resources.** The May Revision allocates \$1.75 billion of the state's CARES Act funding to local governments—\$450 million to cities that did not receive a direct allocation and \$1.3 billion to counties based on population size—to be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic.
- **Project Roomkey.** The May Revision proposes to use \$750 million in federal CARES Act funding to purchase hotels and motels secured through Project Roomkey, to be owned and operated by local governments or non-profit providers. This includes \$150 million in backfill for previously-provided funds.
- **National Mortgage Settlement.** The May Revision proposes to expend \$331 million in National Mortgage Settlement funds for housing counseling, mortgage assistance and renter legal aid services as follows: the California Housing Financing Agency will administer \$300 million for housing counseling and mortgage assistance, and the remaining \$31 million to the Judicial Council to provide grants to legal aid services organizations.
- **Low-Income Housing Tax Credit.** The May Revision maintains the \$500 million in low-income housing state tax credits in the Governor's Budget.

General Government

- **Suspension of non-essential contracts, purchases, and travel by state departments, and filling only essential vacant positions.** The May Revision proposes a 5-percent reduction to nearly all state department budgets beginning in 2021-22.

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- **CARES Act Distribution for Local Governments.** The May Revision allocates a portion of the state's \$9.5 billion CARES Act funding to local governments to further support their COVID-19 efforts—\$450 million to cities for homelessness and public safety and \$1.3 billion to counties for public health, behavioral health, and other health and human services.
- **State Office Building Projects, Sacramento Region.** The May Revision withdraws \$721.7 million from the Public Buildings Construction Fund for the design-build phase of three office building renovation projects in the Sacramento Region: Gregory Bateson (\$183.6 million), Jesse Unruh (\$116.8 million), and Natural Resources (\$421.3 million). These projects will be paused until a statewide evaluation of office space needs has been completed.
- **Closure of the Barstow Veterans Home.** The May Revision proposes to initiate the closure of the Barstow Veterans home. Barstow Home funding for 2020-21 now reflects a \$400,000 General Fund reduction to operating costs, and a projected \$3 million reduction in associated revenue. Long-term General Fund savings from closing the home are expected to be \$14 million annually.
- **State Workforce.** Beginning July 2020, the Governor's May Revision proposes a 10 percent pay reduction for state employees. The Administration estimates that this pay reduction will provide savings of approximately \$2.8 billion (\$1.4 billion General Fund). The May Revision also redirects a \$2.4 billion General Fund supplemental pension payment that was provided in the 2019-20 budget act to the state's current annual contribution payment. In addition, the May Revision proposes to suspend the CalSTRS annual rate increases established in statute at the 2019-20 level until 2023-24.
- **New Revenue Proposals.** The May Revision includes two new revenue proposals 1) suspension of net operating losses for 2020, 2021, and 2022 for medium and large businesses, and 2) limiting business incentive tax credits from offsetting more than \$5 million of tax liability for 2020, 2021, and 2022.
- **Vaping Tax.** The Governor's May Revision sustains the January proposal to levy additional, nicotine-based tax on vaping (e-cigarette) products. The tax will be \$2 per 40 milligrams of nicotine in the product and is proposed to begin on January 1, 2021. Revenue is proposed to be deposited into a new special fund to be used for

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administration of law, carrying out enforcement activities and for youth health programs.

- **Department of Business Oversight Revamped for Expanded Consumer Financial Protection.** The May Revision sustains the Governor's January proposal to expand the role of the Department of Business Oversight (DBO) into the new Department of Financial Protection and Innovation (DFPI). The Governor's May Revision proposes \$10.2 million and 44 positions, growing to \$19.3 million and 90 positions in 2022-23. The proposal includes statutory trailer bill language that establishes the DFPI, introduces the California Consumer Financial Protections Law, and enables the DFPI the authority to pursue unlicensed financial services and financial service providers not currently subject to regulatory oversight. The revised proposal provides the Legislature time into the summer for further discussion of the proposal.
- **Delayed Consolidation of Cannabis Administration.** The May Revision includes special fund proposals from each of the licensing entities to address expiring limited-term funding and positions. These proposals include \$68.2 million for the Department of Consumer Affairs, Bureau of Cannabis Control, \$20.8 million for the Department of Public Health, and \$54.8 million for the Department of Food and Agriculture to continue cannabis licensing and enforcement activities, as well as make improvements to enforcement including, but not limited to, proposed statutory changes to shift sworn investigators from the Department of Consumer Affairs' Division of Investigations to its Bureau of Cannabis Control.
- **Licensing Fees.** The May Revision proposes statutory changes to increase fees for the following boards and bureaus to provide sufficient funding for operational costs. The need for fee increases is generally due to cost growth over the last few years.
 - Acupuncture Board
 - Board of Behavioral Sciences
 - Bureau of Private Postsecondary Education
 - Medical Board of California
 - Podiatric Medical Board
- **Minimum Wage.** The May Revision assumes the minimum wage increases to \$14 an hour for large employers and \$13 an hour for small employers, with up to 25 employees, on January 1, 2021, despite meeting the criteria for job losses and sales tax revenue declines that would allow the minimum wage increases to be paused for a year.

Public Safety

- **Prison Closures.** The Governor's Budget indicated that if population trends hold, the Administration would close a state-operated prison within the next five years. The May Revision proposes to close one facility beginning in 2021-22 and a second facility beginning in 2022-23. These closures will be achieved through various actions that will further reduce the prison population through rehabilitation. The closures are estimated to result in savings of \$100 million in 2021-22, \$300 million in 2022-23 and \$400 million ongoing.
- **Division of Juvenile Justice Realignment.** The May Revision proposes to stop intake of new juvenile offenders effective January 1, 2021 and begin the closure of all three state juvenile facilities and the fire camp through the attrition of the current population. Incarcerated people over the age of 18 that will eventually be transferred to an adult institution will be prioritized for placement in the Youth Offender Rehabilitative Community established at Valley State Prison.
- **Cap Parole Terms.** The May Revision proposes to cap supervision for most parolees at 24 months, establish earned discharge for non-Penal Code section 290 registrants at 12 months, and establish earned discharge at 18 months for certain Penal Code section 290 registrants. This proposal is expected to result in estimated savings of \$23.2 million General Fund in 2020-21, increasing to \$76 million ongoing General Fund in 2023-24.
- **Fine and Fees Revenue.** The May Revision includes an additional \$238.5 million one-time General Fund in 2020-21 to backfill declining fine and fee revenues and offset its impact on court operations. Specifically, \$90.9 million is the estimated lost revenue in 2019-20 and \$147.6 million for 2020-21.
- **Online Adjudication of Infractions and Expansion of Ability to Pay.** The May Revision maintains funding included in the Governor's Budget to expand the ability to pay program statewide. Eligible participants will have their penalties reduced by 50 percent or more and can make payments over a period of time.

The May Revision withdraws the following proposals included in the Governor's Budget given the drastic impact of the COVID-19 pandemic on the state's economy:

- **Adult Probation Reform.** The Governor's Budget included \$60 million General Fund annually for three years and \$30 million General Fund in 2023-24, to

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supervise and provide probation services for misdemeanants, with the aim of improving public safety by reducing recidivism of these individuals. The Governor’s Budget also included reforms to reduce felony and misdemeanor probation terms to two years, and allow for earned discharge for probationers. The Governor’s Budget also included \$11 million ongoing General Fund, in addition to baseline funding of \$112.7 million General Fund, to stabilize SB 678 funding provided to counties. The May Revision withdraws the probation reform proposed in the Governor’s Budget and maintains the existing SB 678 calculation, which will provide county probation departments \$112.7 million General Fund in 2020-21.

- **Trial Court Operations.** The Governor’s Budget included \$107.6 million ongoing General Fund to support trial court operations. This proposal has been withdrawn.

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

| January Payment Plan | | Outstanding Amount | May Payment Plan |
|-----------------------------|-------------------------------------|---------------------------|-------------------------|
| | State Retirement Liabilities | | |
| 340 | State Retiree Health | 85,595 | 340 |
| 817 | State Employee Pensions | 61,409 | 243 |
| | SB 84 Loan from SMIF | | 245 |
| 802 | Teacher Pensions ¹ | 102,636 | 297 |
| 0 | Judges Pensions | 3,183 | 0 |
| \$1,959 | Total | \$252,823 | \$1,125 |

¹The state’s portion of the unfunded liability for teachers’ pensions is \$33.1 billion.

K-12 EDUCATION AND CHILD CARE

The May Revision includes \$99.7 billion total funds (\$47.7 billion General Fund and \$52 billion other funds) for all K-12 education programs.

PROPOSITION 98 – K-14 EDUCATION

- **Changes to the Minimum Guarantee.** The May Revision provides a substantial decrease to the Proposition 98 funding of \$17.5 billion from the Governor's budget for the three-year period of 2018-19 to 2020-21. More specifically, the May Revision funds the Proposition 98 guarantee for the 2018-19 through 2020-21 fiscal years at \$78.7 billion, \$77.4 billion, and \$70.5 billion, respectively. Compared to January, this reflects the following yearly changes:
 - An increase of approximately \$292 million in 2018-19.
 - A decrease of approximately \$4.2 billion in 2019-20.
 - A decrease of approximately \$13.6 billion in 2020-21.

These levels reflect the estimated substantial decrease in General Fund revenues over the three-year period in comparison with the Governor's budget proposal, due to the economic impacts of COVID-19. The May Revision also includes proposals to generate \$4.5 billion in General Fund revenues, which increase the Proposition 98 Guarantee by \$1.8 billion that is reflected in the above levels.

- **Supplemental K-14 Education Payment.** The May Revision includes a new multi-year payment obligation designed to supplement funding provided by Proposition 98. This new obligation would designate 1.5 percent of General Fund Revenues per year to education beginning in 2021-22 to provide \$13 billion over a multi-year period. This funding would accelerate the recovery of K-14 education funding from cuts and increase the Proposition 98 share of General Fund from 38 to 40 percent in a Test 1 year by 2023-24.
- **Public School System Stabilization Account.** The factors used in the May Revision Proposition 98 Guarantee calculation trigger the use of \$524 million currently deposited into the Public School System Stabilization Account, known as the Proposition 98 Rainy Day Fund, to offset reductions in the Proposition 98 Guarantee. Funds from this reserve account may be expended in years when the

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Proposition 98 Guarantee does not increase enough to cover year-over-year growth and inflation.

- **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. The state fully funded the LCFF in 2018-19 and has provided a cost-of-living adjustment (COLA) annually. The May Revision proposes a reduction in LCFF of \$6.4 billion in 2020-21 or 10 percent in comparison to the January budget level, which included a COLA of 2.31 percent. This reduction would be backfilled if additional federal funds are provided.
- **Payment Deferrals.** The May Revision includes the deferral of payments to local educational agencies, totaling \$5.3 billion. Of this total, \$1.9 billion would be deferred from June 2020 to July 2020 and an additional \$3.4 billion would be deferred from 2020-21 to 2021-22. Deferrals provide a one-time funding solution and the same amount of additional funds are needed to retire deferrals in future years.

PROPOSITION 98 – OTHER CHANGES FOR K-12 EDUCATION

- **Special Education.** The May Revision continues to include the January budget proposal to increase special education base rates to approximately \$645 per average daily attendance (ADA). This proposal reflects repurposing ongoing \$645 million Proposition 98 funds provided in the 2019-20 budget act for special education designated for one-time purposes.
- **Property Taxes.** An increase of \$84.5 million in Proposition 98 General Fund in 2019-20 and \$727 million in 2020-21 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.
- **Growth Adjustments.** A decrease of \$10.9 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of ADA.
- **AB 1840 Adjustments.** An increase of \$5.8 million one-time Proposition 98 General Fund for Inglewood Unified School District and \$1.6 million for Oakland Unified School District pursuant to AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018.

NON PROPOSITION 98 – MAJOR CHANGES FOR K-12 EDUCATION

The May Revision includes a variety of non-Proposition 98 proposals to provide additional funding for K-12 education or additional flexibility for education programs.

- **Federal Relief Funds.** The May Revision provides \$4.4 billion in one-time federal funds (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor's Emergency Education Relief Fund) to local educational agencies. These funds may be used to address student learning loss and will be allocated on a formula basis, to those local educational agencies with significant numbers of students with disabilities, low-income students, English Learners, homeless and foster youth.
- **Other Federal Elementary and Secondary School Emergency Relief Funds.** California received \$1.6 billion in one-time funds to support K-12 education due to COVID-19. The majority (90 percent) of these funds are provided to LEAs on a formula basis related Title-I funding. The remaining 164.7 million is available for state-level activities and the May Revision proposes the following:
 - \$100 million for grants to county offices of education to develop networks of community schools and coordinate health, mental health and supports for high-need students.
 - \$63.2 million for training and professional development for teachers, administrators, and school personnel.
 - \$1.5 million for the Department of Education state operations costs.
- **Employer Pension Contribution Rates.** The May Revision proposes to repurpose \$2.3 billion that was provided to reduce long-term employer pension liabilities for schools and community colleges in the 2019-20 Budget Act and instead reduce employer pension contribution rates in 2020-21 and 2021-22 to provide immediate local budget relief.
- **Special Education Federal Funds.** The May Revision provides \$15 million in federal Individuals with Disabilities Education Act (IDEA) funds to increase special education teachers through the Golden State Teacher Scholarship Program and \$7 million in IDEA funds to support local educational agencies in developing regional alternative dispute resolutions services and statewide mediation services. \$1.7 million in one-time IDEA funds is also provided for studies related to special

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education accountability, the costs of out-of-home care, and the development of an individualized education program addendum for distance learning.

OTHER REDUCTIONS AND WITHDRAWN PROPOSALS FOR K-12 EDUCATION:

K-12 Categorical Reductions Proposed in the May Revision (\$352.9 million):

- After School Education and Safety Programs: \$100 million
- K-12 Strong Workforce Program: \$79.4 million
- Career Technical Education Incentive Grant Program: \$77.4 million
- Adult Education Block Grant: \$66.7 million
- California Partnership Academies: \$9.4 million
- Career Technical Education Initiative: \$7.7 million
- Exploratorium: \$3.5 million
- Online Resource Subscriptions for Schools: \$3 million
- Specialized Secondary Programs: \$2.4 million
- Agricultural Career Technical Education Incentive Grant: \$2.1 million
- Clean Technology Partnership: \$1.3 million

Withdrawals of January Budget Proposals:

- Educator Workforce Investment Grants: \$350 million
- Opportunity Grants: \$300.3 million
- Community Schools Grants: \$300 million
- Special Education Preschool Grant: \$250 million
- Workforce Development Grants: \$193 million
- Teacher Residency Program: \$175 million
- Credential Award Program: \$100 million
- Child Nutrition Programs: \$70 million
- Classified Teacher Credential Program: \$64.1 million
- Local Services Coordination: \$18 million
- Computer Science Supplementary Authorization Incentive: \$15 million
- Online Resource Subscription for Schools: \$2.5 million
- California College Guidance Initiative: \$2.5 million
- Computer Science Resource Lead: \$2.5 million
- School Climate Workgroup: \$150 million
- COLA for all eligible programs of 2.31 percent

Child Care and Early Childhood Education

- **Rate Reductions.** The May Revision proposes to reduce the standard reimbursement rate and the regional market rate for child care providers by 10 percent, resulting in reductions of \$95 million in Proposition 98 General Fund and \$291 million in non-Proposition 98 General Fund from the January budget. These reductions would be backfilled if additional federal funds are provided.
- **Suspends COLA.** The May Revision proposes to suspend COLA increases proposed in January resulting in reductions of \$20 million General Fund and \$37 million non-Proposition 98 General Fund from the January budget. This reduction would be backfilled if additional federal funds are provided.
- **State Preschool Reductions.** The May Revision reduces unallocated state preschool slots and the proposal to add 10,000 additional state preschool slots in April 1, 2021 for a reduction of \$130 million Proposition 98 General Fund and \$159 million non-Proposition 98 General Fund from the January budget.
- **Other Reductions.** The May Revision also reduces CalWORKs Stage 2 and 3 Childcare by \$35.9 million to reflect estimated caseload, reduces one-time General Fund for childcare workforce and infrastructure by \$363 million, and reduces one-time General Fund by \$14 million for child care data systems and the Early Childhood Policy Council included in previous budgets. These reductions would be backfilled if additional federal funds are provided.
- **New Department.** The May Revision withdraws a January budget proposal to create a new department of Early Childhood Development under the California Health and Human Services Agency, but amends the proposal to instead shift all child care programs from the Department of Education to the Department of Social Services and provides \$2 million in General Fund to support this transition.
- **Federal Child Care and Development Block Grant (CCDBG).** The May Revision includes \$53.3 million in ongoing federal CCDBG funds to provide approximately \$5,600 additional Alternative Payment Program slots.
- **Federal Coronavirus Relief Funds.** \$350.3 million in one-time federal funds were provided to California for COVID-19 related child care activities. The May Revision proposes to use \$152 million for 2019-20 COVID-10 related expenses, such as temporary emergency vouchers, cleaning supplies, and family

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fee suspensions. Of the remaining funds, \$125 million would be provided for stipends for child care and preschool programs and \$73 million provided for additional temporary alternative payment voucher slots.

HIGHER EDUCATION

CALIFORNIA COMMUNITY COLLEGES (CCC)

The May Revision proposes the following statutory changes:

- Exempt direct COVID-19 related expenses incurred by districts from the 50 Percent Law. This would not include revenue declines.
- Suspend procedures regarding the development of short-term career technical education courses and programs to expedite the offering of these programs and courses.

The May Revision maintains the following programs and January budget proposals:

- **Financial Aid and Student Support Services.** The May Revision sustains support for two years of free community college, for the Student Success Completion Grants, sustains several categorical programs at current funding levels, including the Educational Opportunity Programs and Services Program and the Disabled Students Programs and Services Program, and sustains the proposal to provide \$10 million ongoing Proposition 98 General Fund to support immigrant legal services.
- **System of Support Categorical.** The May Revision maintains \$106.4 million Proposition 98 General Fund to support the proposed CCC System Support Program.

The May Revision makes the following changes to the CCCs budget:

- **Student Centered Funding Formula (SCFF).** The May Revision makes the following statutory and budgetary changes the SCFF:
 - Reflect the revised 2019-20 Student Centered Funding Formula rates.
 - Further utilize past-year data sources that have not been impacted by COVID-19 within the Student Centered Funding Formula.

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- Extend the Student Centered Funding Formula hold harmless provisions for an additional two years and require reductions to the Student Centered Funding Formula that are necessary to balance the budget to be proportionately applied to all CCCs by reducing the Formula's rates, stability, and hold harmless provisions.
- **Apportionments.** The May Revision proposes an increase of \$130.1 million Proposition 98 General Fund as a result of decreased offsetting local property tax revenues

In addition, the Governor proposes to defer \$330.1 million Proposition 98 General Fund from 2019-20 to 2020-21, and \$662.1 million Proposition 98 General Fund from 2020-21 to 2021-22.

- **CCC Facilities.** Including projects proposed at the Governor's Budget, the May Revision proposes total general obligation bond funding of \$223.1 million including \$28.4 million to start 25 new capital outlay projects and \$194.7 million for the construction phase of 15 projects anticipated to complete design by spring 2020. This allocation represents the next installment of the \$2 billion available to CCCs under Proposition 51.

The May Revision rescinds the following January proposals as follows:

- **Food Pantries.** The May Revision rescinds the January budget proposal to provide \$11.4 million ongoing Proposition 98 General Fund to establish or support food pantries at community college campuses. The May Revision proposes statutory changes to support community college food pantries within available Student Equity and Achievement Program funding.
- **Dreamer Resource Liaisons.** The May Revision rescinds the January budget proposal to provide \$5.8 million ongoing Proposition 98 General Fund to support Dreamer Resource Liaisons. The May Revision proposes statutory changes to support Dreamer Resource Liaisons within available Student Equity and Achievement Program funding.
- **SB 206 Workgroup.** The May Revision rescinds the January budget proposal to provide \$700,000 one-time General Fund provided to the Chancellor's Office to convene a working group and develop the report required by SB 206. The Administration expects the Chancellor's Office to seek private philanthropy to support the work group and to develop the required report.

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- **Faculty Diversity.** The May Revision rescinds the January budget proposal to provide \$15 million one-time Proposition 98 General Fund for a faculty pilot fellowship program.
- **Faculty Office Hours.** The May Revision rescinds the January budget proposal to provide \$10 million one-time Proposition 98 General Fund for part-time faculty office hours.
- **Zero-textbook Cost Degrees.** The May Revision rescinds the January budget proposal to provide \$10 million one-time Proposition 98 General Fund to develop and implement zero-textbook cost degrees.
- **Instructional Materials for Dual Enrollment.** The May Revision rescinds the January budget proposal to provide \$5 million ongoing Proposition 98 General Fund to provide instructional materials for dual enrollment students.
- **Cost-of-Living Adjustment for Categorical.** The May Revision rescinds the January budget proposal to provide \$9.3 million ongoing Proposition 98 General Fund, of which \$0.1 million is attributable to a revised cost-of-living adjustment at the May Revision, for a 2.31 percent cost-of-living adjustment for various categorical programs.

In addition, the May Revision proposes the following reductions; however, if the federal government provides sufficient funding, these programs will be restored:

- **Apportionment.** The May Revision proposes a decrease of \$167.7 million ongoing Proposition 98 General Fund, of which \$0.6 million is attributable to a revised cost-of-living adjustment at the May Revision, for a 2.31 percent cost-of-living adjustment for apportionments.

The May Revision also proposes to decrease the SCFF by \$593 million Proposition 98 General Fund, or roughly 10 percent when combined with a foregone cost-of-living adjustment. To maintain student access to CCCs, the Administration proposes statute to proportionally reduce district allocations through adjustments to the Formula's rates, stability provisions, and hold harmless provisions.

- **Enrollment Growth.** The May Revision proposes a decrease of \$31.9 million ongoing Proposition 98 General Fund for enrollment growth.

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- **Apprenticeship Programs.** The May Revision proposes a decrease of \$83.2 million Proposition 98 General Fund, of which \$40.4 million was one-time, for support of apprenticeship programs, the California Apprenticeship Initiative, and work-based learning models.
- **Strong Workforce Program.** The May Revision proposes a decrease of \$135.6 million Proposition 98 General Fund for the CCC Strong Workforce Program.
- **Student Equity and Achievement.** The May Revision proposes a decrease of \$68.8 million Proposition 98 General Fund for the Student Equity and Achievement Program.
- **Faculty.** The May Revision proposes to decrease funding for Part-Time Faculty Compensation, Part-Time Faculty Office Hours, and the Academic Senate of the CCCs by \$7.3 million Proposition 98 General Fund.
- **Calbright College.** The May Revision proposes to decrease support for Calbright College by \$3 million Proposition 98 General Fund.

UNIVERSITY OF CALIFORNIA (UC)

The May Revision proposes the following reductions to the Governor's January budget proposals:

- **UC Riverside Medical Education and Services.** The May Revision reduces the proposed January increase for UCR School of Medicine from \$25 million General Fund ongoing to \$11.3 million General Fund ongoing.
- **UC San Francisco School of Medicine Fresno Branch Campus.** The May Revision reduces the proposed January increase for the UCSF Fresno branch from \$15 million ongoing General Fund to \$1.2 million General Fund ongoing.
- **Grants for Animal Shelters.** The May Revision reduces the proposed investment of \$50 million one-time General Fund for UC Davis Koret Shelter medicine to \$5 million one-time General Fund

The May Revision proposes to withdraw the following January budget proposals:

- **Base Augmentation.** The May Revision rescinds the January budget proposal to provide an increase of \$169.2 million ongoing General Fund to support operational costs, enrollment growth and student support services.

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- **Division of Agriculture and Natural Resource.** The May Revision rescinds the January budget proposal to provide an increase of \$3.6 million ongoing General Fund, or a five percent base increase, to support the operational costs of the division.
- **Research for Emergency Preparedness.** The May Revision rescinds the January budget proposal to provide \$3 million ongoing General Fund to support the UC San Diego Center for Public Preparedness Multi-Campus Research initiative.
- **UC Extension Centers.** The May Revision rescinds the January budget proposal to provide an additional \$4 million one-time General Fund for degree and program completion programs at UC extension centers.
- **UC Subject Matter Project.** The May Revision rescinds the January budget proposal to provide \$1.3 million one-time General Fund to develop a UC Subject matter project in computer science and support its initial cohort of K-12 computer science educators.

In addition, the May Revision proposes the following reductions; however, if the federal government provides sufficient funding, these programs will be restored:

- **UC Funding.** The May Revision proposes a decrease of \$338 million ongoing General Fund to reflect a 10 percent decrease in support for UC. The Administration expects UC to minimize the impact for programs and services that support underrepresented students and student access to the UC
- **UC Office of the President and UC Division of Agriculture and Natural Resources.** The May Revision proposes a decrease of \$34.4 million ongoing General Fund to reflect a 10 percent decrease for UC Office of the President, UC Path and the UC Division of Agriculture and Natural Resources.
- **Summer Financial Aid.** The May Revision proposes a decrease of \$4 million one-time General Fund from summer financial aid.

The May Revision also includes the following new proposals:

- **UC PATH.** The May Revision authorizes the UC Office of the President to increase the campus assessment fee to support UC PATH from \$15.3 million to \$46.8 million and include provisional language requiring the UC Office of the

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President to collaborate with campuses to maximize their use of non-core funds to support the assessment.

- **Debt Refinancing.** The May Revision temporarily authorizes UC to use savings from debt refinancing to address COVID-19 costs and revenue losses.
- **Subject Matter Project.** The May Revision provides \$6 million federal funds to support subject matter projects to address learning loss in mathematics, science, and English/language arts resulting from the COVID-19 pandemic.

CALIFORNIA STATE UNIVERSITY (CSU)

The May Revision rescinds the following January budget proposals.

- **CSU Base Funding.** The May Revision rescinds the January budget proposal to increase CSU operating budget by \$199 million ongoing General Fund.
- **Extended Education.** The May Revision rescinds the January budget proposal to provide \$6 million one-time General Fund to develop or expand degree and certification completion programs with a focus on online education.

In addition, the May Revision proposes the following reductions; however, if the federal government provides sufficient funding, these programs will be restored:

- **CSU Funding.** The May Revision proposes a decrease of \$398 million ongoing General Fund to reflect a 10 percent decrease in support for CSU. The Administration expects CSU to minimize the impact for programs and services that support underrepresented students and student access to the CSU.
- **CSU Summer Financial Aid.** The May Revision proposes a decrease of \$6 million one-time General Fund from summer financial aid.

CROSS-SEGMENTAL PROPOSAL

Restricted Fund Balance. The May Revision proposes trailer bill language to enable the University of California (UC), California State University (CSU) and the California Community Colleges (CCCs) to use restricted fund balances, except lottery funds, to address COVID-19 costs and loss of revenue from its enterprises, such as housing and dining.

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The May Revision summary also notes that the priority is to mitigate the impacts to programs and services that support underrepresented students and to expand the number of students that enroll in online courses and programs.

Fresno Drive. The May Revision provides \$2 million one-time General Fund to support the Fresno Developing the Region's Inclusive and Vibrant Economy initiative's Fresno-Merced Food Innovation Corridor concept. The May Revision rescinds the January proposal to provide \$31 million for the Fresno-Merced Food Innovation Corridor concept, and \$17 million to support a plan to design education pathways for the Fresno region.

CALIFORNIA STUDENT AID COMMISSION (CSAC)

The May Revision proposes the following adjustments:

- **Cal Grant Program Costs.** The May Revision proposes an increase of \$599.7 million General Fund in 2020-21 to reflect updated caseload estimates and a decrease in Temporary Assistance for Needy Families Reimbursements.
- **Tuition Award for Students at Private Nonprofit Institutions.** The May Revision proposes a decrease of \$8.9 million General Fund to reflect the reduction of the maximum Cal Grant award for private nonprofit institutions from \$9,084 to \$8,056.
- **Debt Loan Work group and Outreach.** The May Revision proposes a decrease of \$4.5 million one-time General Fund to revise the proposal for the Student Debt Loan Work group and Outreach to only support the work group, and no longer provide outreach grants to higher education institutions

The May Revision rescinds the following January budget proposals and programs:

- **Relocation Costs.** The May Revision rescinds the January budget proposal to provide \$1.8 million limited-term to support new leased space for the California Student Aid Commission's headquarters.
- **Golden State Teacher's Grant Program.** The May Revision provides a decrease of \$88.4 million one-time General Fund provided in the 2019 Budget Act to support the Golden State Teacher Grant Program.
- **Child Savings Accounts Grant Program.** The May Revision proposes a decrease of \$15 million one-time General Fund provided in the 2019 Budget Act to support the Child Savings Accounts Grant Program.

HASTINGS COLLEGE OF LAW

- **Base Augmentation.** The May Revision proposes to rescind the Governor's January budget proposal to provide \$1.4 million General Fund ongoing to support Hastings College of Law.

In addition, the May Revision proposes a \$1.5 million ongoing reduction or a 10 percent cut to Hastings. However, should the state receive additional federal funding, this reduction will be restored.

CALIFORNIA STATE LIBRARY

- **January Budget Proposals.** The May Revision rescinds the following January budget proposals: (1) \$1 million one-time General Fund for the Lunch at the Library Program, (2) \$1 million one-time General Fund for the Zip Books program, and (3) \$132,000 ongoing General Fund to support a Director of Legislative Affairs position at the State Library.

In addition, the May Revision proposes a \$1.75 million ongoing General Fund reduction for the Library Services Act. However, should the state receive additional federal funding, this reduction will be restored.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

CLIMATE CHANGE

- **Cap-and-Trade Expenditure Plan.** The Governor's January Budget proposed a \$965 million Cap-and-Trade discretionary spending plan. The May Revision maintains this plan and establishes a "pay-as-you-go" budget mechanism to authorize budget act expenditures based on actual proceeds received at each quarterly auction. The proposed mechanism will prioritize initial auction proceeds for the following programs: 1) Air Quality in disadvantaged communities: AB 617 Community Air Pollution Program and agricultural diesel emission reduction; 2) Forest health and fire prevention; and, 3) Safe and affordable drinking water.
- **GoBiz: Climate Catalyst Fund.** The May Revision withdraws the Governor's January Budget proposal to create a Climate Catalyst Fund of \$250 million from the General Fund.

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

- **Cal Expo Fiscal Support and Assessment.** The May Revision withdraws the Governor's January Budget proposal of \$2.25 million General Fund.
- **Fairgrounds.** The May Revision proposes \$40.3 million General Fund in 2019-20 to support state-affiliated fairs that are projected to have insufficient reserves to pay legally mandated costs that may be incurred during the state civil service layoff process, including staff salary, payout of leave balances, and unemployment insurance. The Administration plans to develop an approach to transition the state's relationship with fairs, while acknowledging the need to continue supporting property that may be necessary for emergency operations.
- **Proposition 12.** On November 6, 2018, California voters approved Proposition 12, which expanded animal housing requirements and established new, more stringent minimum space standards on housing calves raised for veal, breeding pigs, and egg-laying hens. CDFA is finalizing statutorily mandated regulations to establish comprehensive program requirements. The May Revision proposes \$1.4 million and six positions in 2020-21, and \$2.8 million and 15 positions ongoing to support implementation of Proposition 12, and also includes statutory changes to establish new fee authority that will support associated program costs.

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This proposal will be funded for two years by a short-term loan from within the Food and Agriculture Fund until new fee revenue can support all program costs.

CALIFORNIA NATURAL RESOURCES AGENCY

- **Light Detection and Ranging (LiDAR) Technology.** The May Revision withdraws the January proposal to provide \$80 million General Fund for purchasing LiDAR technology.

DEPARTMENT OF FISH AND WILDLIFE (DFW)

- **Baseline General Fund Reduction and Repurpose of the Habitat Conservation Fund.** The May Revision proposes to reduce DFW's state operation General Fund expenditure level by \$33.7 million. This reduction will be triggered off if the federal government provides insufficient funding to restore it. This reduction will be partially offset by an \$18.9 million shift from the Habitat Conservation Fund to the new Biodiversity Protection Fund to support DFW's core biodiversity conservation and enforcement programs.

DEPARTMENT OF WATER RESOURCES

- **Sustainable Groundwater Management Act Implementation.** The May Revision withdraws the January proposal to provide \$40 million General Fund. DWR will allocate \$26 million Proposition 68 bond funds to local agencies in critically over drafted basis to help defray the cost of implementation projects.
- **Tijuana River Project.** The May Revision withdraws the January proposal to provide \$35 million General Fund given potential alternative sources of funding that may be allocated for this purpose.
- **New River Improvement Project.** The May Revision proposes to maintain the January proposal of \$18 million General Fund one-time and \$10 million Proposition 68 bond funds to support the New River Improvement Project, which will address solid waste and pollution exposures.

DEPARTMENT OF PARKS AND RECREATION (Parks)

- **Enhancing Access Programming.** The May Revision proposes to maintain \$8.8 million Proposition 68 funding to expand both technological and physical access

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to parks, as well as culturally inclusive enhancements to park programming and interpretive exhibits.

- **Outdoor Equity Grants Program.** The May Revision withdraws the January proposal of \$20 million General Fund to establish outdoor equity grant programs.
- **Deferred Maintenance.** The May Revision proposes to shift \$45 million from General Fund to Proposition 68 bond funds for deferred maintenance projects in the state park system.
- **Establishing a New State Park.** The May Revision proposes to reduce the January budget proposal of \$20 million General Fund to \$5 million General Fund in order to create a new state park. Parks will work with various organizations to secure property and design the vision and operations for the new park.

STATE WATER RESOURCES CONTROL BOARD

- **Funding from the Air Pollution Control Fund (APCF).** The May Revision proposes to shift \$24 million in expenditures from the General Fund to APCF penalty revenues on a one-time basis.

OFFICE OF ENVIRONMENTAL HEALTH HAZARDS ASSESSMENT

- **Evaluating Unassessed Chemicals Using Precision Prevention Methodologies.** The May Revision withdraws from the January Budget proposal \$6 million General Fund for evaluating unassessed chemicals.

DEPARTMENT OF TOXIC SUBSTANCE CONTROL (DTSC)

- **DTSC Governance Reform.** Governance: The May Revision maintains the January proposal to establish a new Board of Environmental Safety. Specifically, the new five-member board will: 1) Set and review fees; 2) Provide an appeal forum for permit decisions; and, 3) Provide strategic guidance for the department director on key issues.
- **DTSC Fiscal Reform.** The May Revision maintains the January proposal to establish a sustainable funding source to enable the department to meet its statutory requirements: 1) Provide statutory fee authority to the board; 2) Provide hazardous waste fee restructure; and, 3) Authorize the board to adjust the Environmental Fee. The May Revision also includes fund shifts as follows: 1) \$59 million in expenditures from the General Fund to Air Pollution Control Fund penalty

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revenues on a one-time basis; and, 2) For the Stringfellow Superfund Site \$5.5 million in expenditures from the General Fund to existing special funds specifically dedicated for this purpose.

ENERGY

CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)

- The May Revision includes an additional 11 positions for the Commission to further improve its Wildfire Mitigation Plan guidelines and performance metrics. Overall, the Governor's Budget and May Revision together contain 106 new positions and \$30 million for the Commission to address issues related to utility-caused wildfires.
- The May Revision includes \$2.8 million and three positions at the CPUC in additional resources from the Public Utilities Commission Utilities Reimbursement Account for the Commission to enhance its broadband mapping activities. The May Revision also proposes statute intended to increase the ability of the state to compete for federal funding to improve access to broadband Internet in California.
- The May Revision includes loans from a variety of special funds to the General Fund. These include:
 - \$60 million from the High Cost Fund B.
 - \$300 million from the Universal Lifeline Service Trust Fund.
 - \$60 million from the California Advanced Services Fund.

TRANSPORTATION

DEPARTMENT OF TRANSPORTATION

- While fuel tax revenues used to fund transportation projects are expected to drop by a total of \$1.8 billion through 2024-25, the May Revision maintains current planning and engineering staffing levels to continue developing and designing previously programmed projects. This will support preparedness for when stimulus funding becomes available.
- The May Revision includes a number of transfers and loans from special funds to the General Fund. These include:
 - \$21.8 million from the Local Airport Loan Account.
 - \$130.5 million from the State Highway Account.
 - \$32 million from the Traffic Congestion Relief Fund.

CALIFORNIA HIGH SPEED RAIL AUTHORITY

- The May Revision includes \$13.4 million and 70 positions at the High Speed Rail Authority to continue the shift of the Authority's design-build contract oversight, right-of-way acquisition, utility relocation, and associated supervision and project-related accounting activities from contract to state staff.

CALIFORNIA HIGHWAY PATROL

- The May Revision maintains the new vaping tax based on nicotine content proposed in the Governor's Budget. The new tax will begin on January 1, 2021, and will be \$2 for each 40 milligrams of nicotine in the product, equivalent to the tax on a pack of cigarettes. The new tax will be in addition to all existing taxes on e-cigarettes, which are presently taxed as tobacco products under state law. Revenues from the new tax are expected to be \$33 million in 2020-21, will be deposited into a new special fund, and will be used to increase enforcement and to offset Medi-Cal costs. This includes \$7 million for the California Highway Patrol to establish a task force in collaboration with the Department of Justice dedicated to combatting the underground market for vaping products.

HEALTH

SB 89 - PANDEMIC EMERGENCY RESPONSE EXPENDITURES

SB 89 (Committee on Budget and Fiscal Review), Chapter 2, Statutes of 2020, appropriated up to \$1 billion of General Fund expenditure authority to any item for any purpose related to the Governor's declaration of a state of emergency related to the coronavirus pandemic. SB 89 requires the Department of Finance to notify the Joint Legislative Budget Committee (JLBC) 72 hours prior to any expenditures made pursuant to this authority. The health-related General Fund expenditures pursuant to SB 89 were as follows:

- **Emergency Medical Services Authority.** \$8.6 million (Item 4120-001-0001) to support the purchase of new ventilators, the refurbishment of ventilators already possessed by the state, and the purchase of intravenous fusion pumps. JLBC was notified of this expenditure on March 20, 2020.
- **Emergency Medical Services Authority.** \$2 million (Item 4120-001-0001) for a contract with American Medical Response to provide patient transportation and stand-by services. JLBC was notified of this expenditure on March 20, 2020.
- **Department of Health Care Services.** \$12.7 million (Item 4260-101-0001) for counties to address increased eligibility workload in the Medi-Cal program, including processing new applications and access to care issues. JLBC was notified of this expenditure on March 31, 2020.
- **Department of Public Health.** \$30 million (Item 4265-001-0001) to lease Seton Medical Center (Daly City) and St. Vincent Medical Center (Los Angeles) through June 30, 2020, to expand the state's hospital capacity. JLBC was notified of this expenditure on March 20, 2020.
- **Department of Public Health.** \$1.4 million (Item 4265-001-0001) to expand diagnostic testing capacity of the department's Richmond laboratory. JLBC was notified of this expenditure on March 20, 2020.
- **Department of Public Health.** \$8.7 million (Item 4265-001-0001) to support the development of a virtual training academy for contact tracing staff to augment local public health departments' contact tracing programs. UC San Francisco and UCLA will conduct the 20 hour training course over five days including live sessions with

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instructors and training in epidemiology, principles of contact tracing, and infectious disease containment strategies. JLBC was notified of this expenditure on May 8, 2020.

- **Department of Public Health.** \$18.7 million (Item 4265-001-0001) to develop a data management platform to interface with the California Reportable Disease Information Exchange (CalREDIE) and support state and local contact tracing efforts. Accenture will assume project management responsibilities for implementation of a platform developed by Salesforce for a similar contact tracing effort in Massachusetts. Accenture will also collaborate with Amazon to implement a contact tracing call center. JLBC was notified of this expenditure on May 8, 2020.

CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY (CHSA)

- **January Budget Proposals - Withdrawn.** Due to the significant downward revision of the Administration's General Fund revenue forecast, the May Revision proposes to withdraw the following issue proposed in the January budget:
 - Office of Health Care Affordability – The May Revision withdraws the January budget proposal to establish an Office of Health Care Affordability to increase price and quality transparency, develop strategies and cost targets for different sectors of the health care industry, and impose financial consequences for entities that fail to meet these targets. There is no reduction in funding associated with the withdrawal of this proposal.

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OSHPD)

- **May Revision Baseline Expenditure Reductions.** The May Revision includes the following reductions in baseline expenditures:
 - Song-Brown Training Program Reduction – The May Revision eliminates ongoing General Fund expenditures, beginning in 2020-21, for the Song-Brown Healthcare Workforce Training Program adopted in the 2019 Budget Act. If approved, this reduction would result in General Fund savings of \$33.3 million.
 - Workforce, Education and Training (WET) Funding Shift – The May Revision proposes to reduce General Fund expenditures by \$20 million for the Workforce, Education, and Training (WET) program, which supports

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scholarships, stipends, and loan repayments to address the shortage of mental health practitioners in the public mental health system. The May Revision proposes to replace the lost General Fund support with Mental Health Services Act funding. If approved, this reduction would result in General Fund savings of \$20 million.

DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **January Budget Proposals - Withdrawn.** Due to the significant downward revision of the Administration's General Fund revenue forecast, the May Revision proposes to withdraw the following expenditures proposed in the January budget:
 - California Advancing and Innovating in Medi-Cal (CalAIM) – The May Revision delays implementation of CalAIM, which was intended to implement system delivery transformation across the Medi-Cal program. If approved, this delay would result in General Fund savings of \$347.5 million.
 - Behavioral Health Quality Improvement Program – The May Revision withdraws the January budget proposal for resources to incentivize system improvements for community mental health plans to prepare for behavioral health payment reforms previously proposed in CalAIM. If approved, this withdrawn issue would result in General Fund savings of \$45.1 million.
 - Expansion of Medi-Cal to Undocumented Seniors – The May Revision withdraws the January budget proposal to expand full-scope Medi-Cal benefits to individuals 65 and over regardless of immigration status. If approved, this reduction would result in General Fund savings of \$87 million.
 - Data Transparency Workload – The May Revision withdraws the January budget proposal for resources to address departmental data transparency efforts. If approved, this withdrawn issue would result in General Fund savings of \$774,000.
 - Program and Policy Lead Support for Eligibility and Enrollment Projects – The May Revision withdraws the January budget proposal for resources to manage various eligibility and enrollment related automation projects. If approved, this withdrawn issue would result in General Fund savings of \$87,000.
 - Medi-Cal Dental Program Workload – The May Revision withdraws the January budget proposal for resources to provide monitoring and oversight of contracted vendors in the Medi-Cal Dental Program. If approved, this withdrawn issue would result in General Fund savings of \$437,000.
 - Aged, Blind, and Disabled Federal Poverty Level Program (AB 1088) – The May Revision withdraws the January budget proposal for resources to implement income eligibility changes for aged and disabled individuals in

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the Medi-Cal program adopted pursuant to AB 1088 (Wood), Chapter 450, Statutes of 2019. The Administration is proposing to eliminate income-related expansions for this population. (see “May Revision Baseline Expenditure Reductions” below). If approved, this withdrawn issue would result in General Fund savings of \$209,000.

- Hearing Aids Grant Program – The May Revision withdraws the January budget proposal for resources to assist with the cost of hearing aids and related services for children without health insurance coverage up to 600 percent of the federal poverty level. If approved, this withdrawn issue would result in General Fund savings of \$5 million.
 - 340B Supplemental Payment Pool – The May Revision withdraws the January budget proposal for resources to provide payments to non-hospital clinics for 340B pharmacy services. If approved, this withdrawn issue would result in General Fund savings of \$26.3 million.
- **May Revision Baseline Expenditure Reductions.** The May Revision includes the following reductions in baseline expenditures:
 - Reduction of Optional Medi-Cal Benefits – The May Revision proposes to eliminate certain optional benefits for Medi-Cal beneficiaries including reducing adult dental benefits to the level approved in 2014, and eliminating benefits for audiology, incontinence creams and washes, speech therapy, optical services, podiatry, acupuncture, nurse anesthetists services, occupational and physical therapy, pharmacist services, screening and intervention/treatment for opioids and other illicit drugs, and the diabetes prevention program. If approved, these reductions would result in General Fund savings of \$54.7 million. This proposed reduction would be reversed if additional federal funding is received, pursuant to budget control section language.
 - Reduction in Reimbursements to Community Clinics – The May Revision reduces reimbursements to clinics by requiring that all covered Medi-Cal services, including but not limited to pharmacy and dental services, except for Specialty Mental Health (SMH) and Drug Medi-Cal (DMC), provided by a community clinic, be reimbursed only through the clinic’s prospective payment system rate. If approved, this reduction would result in General Fund savings of \$50 million. This proposed reduction would be reversed if additional federal funding is received, pursuant to budget control section language.
 - Elimination of Proposition 56 Supplemental Payments – The May Revision proposes to eliminate \$1.2 billion of Proposition 56 funding for supplemental payments for physicians, dentists, family health services,

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developmental screenings, non-emergency medical transportation, value-based payments, and loan repayments for physicians and dentists in the Medi-Cal program. \$67 million of Proposition 56 funding would continue to support supplemental payments for home health providers, pediatric day health care facilities, pediatric sub-acute facilities, AIDS waiver providers, already awarded loan repayments, and trauma screening. If approved, the savings from reduction of supplemental payments would instead be allocated to support Medi-Cal program growth since 2016, resulting in General Fund savings of \$1.2 billion. This proposed reduction would be reversed if additional federal funding is received, pursuant to budget control section language.

- Elimination of Home- and Community-Based Services – The May Revision eliminates the Multi-purpose Senior Services Program and Community-Based Adult Services benefits for Medi-Cal beneficiaries, effective January 1, 2021. If approved, these reductions would result in General Fund savings of \$106.8 million.
- “Senior Penalty” for Aged and Disabled Beneficiaries – The May Revision reverses the elimination of the “senior penalty” for aged and disabled beneficiaries in Medi-Cal adopted in the 2019 Budget Act. As a result, Medi-Cal beneficiaries within a certain income range may lose Medi-Cal eligibility when they turn 65. If approved, this reduction would result in General Fund savings of \$67.7 million.
- Freeze County Administration Cost of Doing Business Increase – The May Revision proposes to freeze cost of doing business increases for county eligibility workers. If approved, this reduction would result in General Fund savings of \$11 million.
- Reversion of 2019 Budget Act Funding – The May Revision proposes to revert and reduce General Fund expenditures for behavioral health counselors in emergency departments, Medi-Cal enrollment navigators, and the Medical Interpreters Pilot Project. If approved, these reductions would result in General Fund savings of \$25 million in 2019-20 and 2020-21, and \$10 million in 2021-22.
- Estate Recovery – The May Revision proposes to reinstate estate recovery policies eliminated in the 2016 Budget Act that allows Medi-Cal to recoup the costs of care, including managed care capitation payments, from a deceased Medi-Cal beneficiary’s estate. If approved, this policy would result in General Fund savings of \$16.9 million.
- Martin Luther King, Jr. Hospital – The May Revision proposes to eliminate a supplemental payment for the Martin Luther King, Jr. Hospital in Los Angeles. If approved, this reduction would result in General Fund savings of \$8.2 million.

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- **Medi-Cal Expenditures.** The May Revision estimates total expenditures for Medi-Cal of \$99.5 billion (\$22.7 billion General Fund, \$65.1 billion federal funds, and \$11.7 billion other funds) in 2019-20 and \$112.1 billion (\$23.2 billion General Fund, \$72.9 billion federal funds, and \$16.1 billion other funds) in 2020-21. These figures represent a decrease of General Fund expenditures of \$298.4 million in 2019-20 and an increase of General Fund expenditures of \$438 million in 2020-21 compared to the January budget. According to the Administration, Medi-Cal caseload will increase by two million beneficiaries due to economic conditions associated with the recession, peaking at 14.5 million in July 2020.
- **Federal Approval of Managed Care Organization Enrollment Tax.** The May Revision includes federal approval of the managed care organization (MCO) enrollment tax, effective January 1, 2020, which would result in General Fund offsets of \$1.7 billion in 2020-21.
- **Pharmacy Transition to Fee-for-Service.** The May Revision maintains the Administration's proposed transition of Medi-Cal pharmacy services from managed care to fee-for-service, while eliminating funding for the 340B supplemental payment pool (see "January Budget Proposals – Withdrawn", above). The Administration estimates the transition would result in General Fund savings of \$68.1 million in 2020-21.
- **County Medical Services Program (CMSP) Redirection.** The May Revision proposes to redirect \$50 million of realignment revenue in the next four fiscal years from reserves maintained by CMSP to offset General Fund costs for the California Work Opportunity and Responsibility to Kids (CalWORKs) program.
- **Skilled Nursing Facility Payment Reform.** The May Revision proposes to reauthorize the quality assurance fee for free-standing skilled nursing facilities, which provides additional funding for the non-federal share of reimbursement rate increases for facilities. The May Revision assumes a ten percent rate increase for facilities for four months of the pandemic period, with a General Fund cost of \$72.4 million in 2019-20 and \$41.6 million in 2020-21. Federal approval of this rate increase is pending.
- **Electronic Cigarette Tax** – The May Revision proposes a modified tax on electronic cigarettes to support growth in Medi-Cal costs. The Administration assumes this tax would offset General Fund costs of \$10 million in 2020-21 and \$33 million annually thereafter.

DEPARTMENT OF PUBLIC HEALTH (DPH)

- **May Revision Baseline Expenditure Reductions.** The May Revision includes the following reductions in baseline expenditures:
 - *Black Infant Health Program Reduction* – The May Revision proposes to reduce ongoing funding for the Black Infant Health Program, which provides culturally appropriate services to improve African-American infant and maternal health outcomes and decrease health and social inequities. If approved, this reduction would result in General Fund savings of \$4.5 million.
 - *Safer Cosmetics Program Reduction* – The May Revision proposes to reduce funding approved in the 2019 Budget Act for the Safer Cosmetics Program, which requires cosmetics manufacturers to provide information to consumers about toxic substances used in cosmetics products. If approved, this reduction would result in General Fund savings of \$500,000.

- **Infectious Disease Surveillance and Identification.** The May Revision includes General Fund expenditure authority of \$5.9 million in 2020-21 and \$4.8 million annually thereafter to increase the capacity of DPH laboratories to conduct testing, and to purchase equipment and laboratory supplies.

- **STD, HIV, and Hepatitis C Funding.** The May Revision proposes to continue without suspension the General Fund expenditure authority for sexually transmitted disease, human immunodeficiency virus, and hepatitis C virus prevention and control. The 2019 Budget Act allocated \$5 million for each of these efforts.

DEPARTMENT OF STATE HOSPITALS (DSH)

- **January Budget Proposals - Withdrawn.** Due to the significant downward revision of the Administration's General Fund revenue forecast, the May Revision proposes to withdraw the following expenditures proposed in the January budget:
 - *Community Care Collaborative Pilot Program* – The May Revision withdraws the proposal for a six year pilot program in three counties to treat and serve individuals deemed incompetent to stand trial in the community. If approved, this withdrawn issue would result in General Fund savings of \$24.6 million.
 - *Treatment Planning and Delivery* – The May Revision withdraws the January budget proposal to increase treatment team ratios, support trauma-informed care and a discharge planning program. If approved, this withdrawn issue would result in General Fund savings of \$22.6 million.

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- *State Hospital System Operations and Administration* – The May Revision withdraws investments for various operational and administrative activities including quality improvement and internal auditing, regulation promulgation, and an electronic document management system. If approved, these withdrawn issues would result in General Fund savings of \$7.7 million.

MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION (MHSOAC)

- **Mental Health Services Act Reform - Withdrawn.** The May Revision withdraws the January budget proposal to reform the Mental Health Services Act (Proposition 63) to better focus on people with mental illness who are also experiencing homelessness, who are involved in the criminal justice system, and for early intervention for youth.

COVERED CALIFORNIA

- **Covered California Exchange Premium Affordability Subsidies.** The May Revision maintains expanded subsidies for health care coverage in the Covered California health benefit exchange for individuals up to 600 percent of the federal poverty level. The May Revision reflects a decrease of General Fund expenditures of \$164.2 million in 2019-20 and \$90.3 million in 2020-21 for these subsidies to reflect lower-than-projected enrollment. The May Revision also reflects an increase in individual mandate penalty payments due to an expected higher number of uninsured individuals resulting from the recession. This increase in payments results in \$15 million of additional General Fund revenue.

HUMAN SERVICES

DEPARTMENT OF SOCIAL SERVICES (DSS)

The May Revision includes \$32.1 billion (\$13 billion General Fund) for DSS programs in 2020-21.

Modifications to January Governor's Budget. The May Revision includes the following modifications to assumptions and proposals made in the January budget.

- **Food Banks.** The May Revision includes \$30 million to support food banks response to COVID-19.
- **CalWORKs Employment Services and Child Care.** The May Revision reflects reduced assumptions about the uses of CalWORKs Employment Services and Child Care. These changes would result in a savings of \$665 million General Fund in 2020-21. These reductions will be eliminated if the federal government provides sufficient funding to restore them.
- **CalWORKs Expanded Subsidized Employment.** The May Revision reduces all but the base funding for CalWORKs Subsidized Employment. This proposal would result in a savings of \$134.1 million General Fund in 2020-21. This reduction will be eliminated if the federal government provides sufficient funding to restore it.
- **CalWORKs Home Visiting.** The May Revision proposes to reduce funding for CalWORKs Home Visiting. This proposal would result in a savings of \$30 million General Fund in 2020-21. This reduction will be eliminated if the federal government provides sufficient funding to restore it.
- **CalWORKs Outcomes and Accountability Review (CalOAR).** The May Revision proposes the elimination of funding for CalOAR, but provides counties the option to continue implementing this improvement. This proposal would result in a savings of \$21 million General Fund in 2020-21. This reduction will be eliminated if the federal government provides sufficient funding to restore it.
- **IHSS Service Hours.** The May Revision proposes a seven percent reduction in the number of hours provided to IHSS beneficiaries, effective January 1, 2021. This proposal would result in a savings of \$205 million General Fund in 2020-21. This

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reduction will be eliminated if the federal government provides sufficient funding to restore it.

- **County and Public Authority Administration.** The May Revision freezes IHSS county administration funding at the 2019-20 level. This proposal would result in a savings of \$12.2 million General Fund in 2020-21. This reduction will be eliminated if the federal government provides sufficient funding to restore it.
- **Supplemental Security Income (SSI)/State Supplementary Payment (SSP) Grants.** The May Revision assumes an offset to the SSP grant that is equivalent to the amount of the federal January 2021 cost-of-living adjustment to the SSI portion of the grant. This proposal would result in a savings of \$33.6 million General Fund in 2020-21, but no reduction in overall SSI/SSP grants received by recipients compared to the prior year.
- **COLA for Foster Family Agencies Social Workers.** The May Revision proposes to eliminate Foster Family Agency social worker rate increases. This proposal would result in a savings of \$4.8 million General Fund in 2020-21.
- **Family Urgent Response System (FURS).** The May Revision eliminates the FURS. This proposal would result in a savings of \$30 million General Fund in 2020-21.
- **Public Health Nurse Early Intervention Program.** The May Revision eliminates the Public Health Nurse Early Intervention Program in Los Angeles County. This proposal would result in a savings of \$8.3 million General Fund in 2020-21.
- **Continuum of Care Reform Rates.** The May Revision assumes a reduction in Continuum of Care Reform short-term residential treatment program provider payment rates of five percent. It also assumes the suspension of additional level of care rates two through four. This proposal would result in a savings of \$28.8 million General Fund in 2020-21. This reduction will be eliminated if the federal government provides sufficient funding to restore it.

New May Revision Proposals

- The May Revision includes an increase of \$82.3 million General Fund/TANF Block Grant for CalWORKs county administration to facilitate enrollment in the program and services to beneficiaries and to support low-income residents.
- The May Revision assumes the Safety Net Reserve will be used to support health and human services programs over two years. This proposal would result in a savings of \$450 million General Fund in 2020-21 and \$450 million in 2021-22.

DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

The May Revision includes \$9.2 billion (\$5.5 billion General Fund) and estimates that approximately 366,353 individuals will receive developmental services in 2020-21.

Modifications to January Governor's Budget. The May Revision proposes the following modifications to assumptions and proposals made in the January budget.

- **Enhanced Performance Incentive Program.** The May Revision withdraws the January proposal to align Regional Center performance contracts and require Regional Centers to meet an advanced tier of performance measures and outcomes to be eligible for an incentive payment. This will result in a savings of \$60 million General Fund in 2020-21, 2021-22 and 2022-23.
- **Enhanced Caseload Ratios for Young Children.** The May Revision withdraws the January proposal to reduce the regional center services coordinator caseload ratio for children who are three to five years old. This will result in a savings of \$11.8 million General Fund in 2020-21.
- **Systemic, Therapeutic, Assessment, Resources and Treatment Training.** The May Revision withdraws the January proposal to provide training and supportive services for individuals with co-occurring developmental disabilities and mental health needs. This will result in a savings of \$2.6 million General Fund in 2020-21.
- **Provider Rate Adjustments.** The May Revision withdraws the January proposal to provide supplemental rate increases for Early Start Specialized Therapeutic Services, Infant Development Programs and Independent Living services. This will result in a savings of \$10.8 million General Fund in 2020-21 and \$21.6 million in 2021-22.

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- **Regional Center Operations.** The May Revision proposes a reduction to the operations budget for Regional Centers. This proposal results in a savings of \$30 million General Fund in 2020-21 and \$55 million ongoing. This reduction will be eliminated if the federal government provides sufficient funding to restore it.
- **Electronic Visit Verification Phase II.** The May Revision includes an increase of \$477,000 General Fund and two positions for resources to support the planning and implementation efforts for Electronic Visit Verification Phase II, a system to electronically verify in-home service visits as required by federal law.

New May Revision Proposals

- **COVID-19 Impacts.** The May Revision includes \$238 million to reflect impacts of COVID-19 on the developmental services system. These changes reflect increased costs associated with increased utilization in purchase of services specific to residential settings, respite, and personal attendants. These costs also reflect surge development at the developmental centers and in the community.
- **Cost Sharing for Higher Income Families.** The May Revision proposes the establishment of a cost-sharing program that would result in a savings of approximately \$2 million General Fund in 2020-21 and \$4 million ongoing. This reduction will be eliminated if the federal government provides sufficient funding to restore it.
- **Rate Reductions, Expenditure, and Utilization Reviews.** The May Revision proposes the adjustment of provider rates and the review of expenditure trends resulting in anticipated savings of \$300 million General Fund in 2020-21. This reduction will be eliminated if the federal government provides sufficient funding to restore it.
- **Self Determination Program.** The May Revision includes an increase of approximately \$3 million General Fund to address administrative costs and workload related to expanding the Self Determination Program.
- **Maximize Federal Funding for Eligible Services and Enroll Individuals into Medi-Cal.** The May Revision assumes an increase in anticipated federal funds to include additional individuals with developmental disabilities eligible for and enrolled in Medi-Cal and new waiver eligible services. This proposal would result in a savings of \$27 million General Fund in 2020-21 and \$40 million ongoing.

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- **Uniform Holiday Schedule.** The May Revision proposes to implement the uniform holiday schedule outlined in Welfare and Institutions Code section 4692. This proposal would result in a savings of approximately \$31.3 million General Fund in 2020-21. This reduction will be eliminated if the federal government provides sufficient funding to restore it.

DEPARTMENT OF AGING (CDA)

The May Revision includes \$218.4 million (\$30.8 million General Fund) for CDA, a decrease of \$36.5 million General Fund from the 2020-21 Governor's Budget.

Withdrawals and Modifications to January Governor's Budget. The May Revision proposes the following modifications to assumptions and proposals made in the January budget.

- **Headquarters Relocation.** The May Revision proposes an increase of \$743,000 General Fund from the January budget to support the relocation of the Department of Aging and the Commission on Aging's headquarters. The increased costs are primarily attributable to revised one-time tenant improvement costs.
- **Reductions in Nutrition Program.** The May Revision includes a decrease of \$8.5 million to reduce the Nutrition program funding as part of the statewide budget reduction efforts in response to the coronavirus pandemic.
- **Reductions in Ombudsman Program.** The May Revision includes a decrease of \$2 million to reduce the Ombudsman program funding as part of the statewide budget reduction efforts in response to the coronavirus pandemic.

New May Revision Proposals

- **Community-Based Adult Services (CBAS) and Multipurpose Senior Services Program (MSSP).** The May Revision proposes to eliminate the CBAS and MSSP programs. The effective date for CBAS would be January 1, 2021 for a General Fund savings of \$106.8 million in 2020-21 and \$255.8 million in 2021-22 (full implementation). The effective date for MSSP would be no sooner than July 1, 2020. These reductions will be eliminated if the federal government provides sufficient funding to restore them.

DEPARTMENT OF CHILD SUPPORT SERVICES

The May Revision includes \$316.6 million General Fund on 2020-21 for child support programs.

Modifications to January Governor's Budget. The May Revision proposes the following modifications to assumptions and proposals made in the January budget.

- **Child Support Disregard Pass-through.** The May Revision proposes to withdraw the January proposal to increase the amount of child support payments passed through to CalWORKs families. This would result in savings of \$8.4 million General Fund in 2020-21.
- **Local Child Support Agencies.** The May Revision assumes the funding levels for local child support agencies revert to the 2018 funding level. This proposal will result in savings of \$38.2 million General Fund in 2020-21. This reduction will be eliminated if the federal government provides sufficient funding to restore it.

New May Revision Proposals

- **State Operations and Contracts.** The May Revision proposes a reduction to the department's state operations and contract costs. This proposal would result in savings of \$8.3 million General Fund in 2020-21.

GENERAL GOVERNMENT

TAX AGENCIES

Revenue Proposals. The May Revision includes two significant temporary changes to tax law, two measures to reduce the sales tax gap, and maintains three tax measures included in the Governor's Budget. These tax measures as a whole are intended to raise revenue, stimulate economic growth, and help those in need. These revenue measures net \$4.4 billion in 2020-21, \$3.3 billion in 2021-22 and \$1.4 billion in 2022-23.

The May Revision maintains three General Fund tax proposals in the Governor's Budget:

- Extending the sales tax exemption for diapers and menstrual products through the end of 2022-23.
- Extending the carryover period for film credits awarded under Program 2.0 from 6 years to 9 years.
- Extending the current exemption from the minimum tax for first year corporations to first year LLCs, partnerships, and LLPs.

The May Revision includes two new tax proposals:

- Suspension of Net Operating Losses for 2020, 2021, and 2022 for medium and large businesses.
- Limiting business incentive tax credits from offsetting more than \$5 million of tax liability for 2020, 2021, and 2022.

Lastly, the May Revision requires used car dealers to remit sales tax to the Department of Motor Vehicles with the registration fees and requires the use of market value for determining the price for private auto sales.

- **Vaping Tax.** The Governor's May Revision sustains the January proposal to levy additional, nicotine-based tax on vaping (e-cigarette) products. The tax will be \$2 per 40 milligrams of nicotine in the product and is proposed to begin on January 1, 2021. Revenue is proposed to be deposited into a new special fund to be used for administration of law, carrying out enforcement activities and for youth health programs.

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:

- \$750 million in federal funding to purchase hotels and motels secured through Project Roomkey, to be owned and operated by local governments or non-profit providers. This includes \$150 million in backfill for previously-provided funds. This proposal would replace the \$750 million California Access the Services Fund proposed in the Governor's January proposal.
- \$1.75 billion of the state's CARES Act funding to local governments—\$450 million to cities that did not receive a direct allocation and \$1.3 billion to counties based on population size—to be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic.
- \$331 million from the National Mortgage Settlement for housing counseling, mortgage assistance and renter legal aid services as follows: the California Housing Financing Agency will administer \$300 million for housing counseling and mortgage assistance, and the remaining \$31 million to the Judicial Council to provide grants to legal aid services organizations.
- \$1.1 billion in available federal funds through the Community Development Block Grant Program for critical infrastructure and disaster relief related to the 2017 and 2018 wildfires.
- \$532 million in federal funds for housing and homeless programs under the CARES Act. These funds will assist the state and local jurisdictions in acquiring housing for people experiencing homelessness, as well as securing low- and moderate-income housing in response to the COVID-19 pandemic.
- \$1.5 million General Fund ongoing and 10 permanent Homeless Coordinating and Financing Council positions to effectively carry out statutory mandates and strengthen its strategic coordination of the state's efforts to address homelessness.
- Certain statutory changes to existing housing programs to streamline funding. This includes the creation of a joint application for tax credits between the Tax Credit Allocation Committee and California Debt Limit Allocation Committee, the realignment of Housing and Community Development's program award schedules to expedite funding awards and have a greater impact on the ground, and working

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on improvements to revamp the state's housing planning process with input from key stakeholders and local governments.

Given the increased federal funds and anticipated future actions to support jobs and infrastructure, as well as the effects of the COVID-19 Recession, the following funds are proposed for reversion:

- \$250 million in mixed-income development funds over the next three years.
- \$200 million in infill infrastructure grant funds.
- \$115 million in other housing program funds.

The May Revision maintains several proposals from the Governor's January budget. These include:

- \$500 million in low-income housing state tax credits.
- Ongoing funding including a real estate transaction fee (estimated at \$277 million for 2020-21) for affordable housing.
- Ongoing revenue from cap and trade auction proceeds (estimated at \$452 million for 2020-21) for infill development that also reduces vehicle miles traveled and greenhouse gas emissions.
- \$4 billion in Proposition 1 bonds for veterans and affordable housing programs.

OFFICE OF PLANNING AND RESEARCH

- The May Revision proposes the reversion of \$18.1 million in previously appropriated funds for the Precision Medicine program that have yet to be allocated. The 2016, 2017, and 2018 Budget Acts included a total of \$50 million for this program and \$30 million remains unallocated. This adjustment allows the Office of Planning and Research to retain \$2.1 million to administer previously allocated research grants as well as \$9.8 million for research related to Adverse Childhood Events.

DEPARTMENT BUSINESS OVERSIGHT

- **Department of Business Oversight Revamped for Expanded Consumer Financial Protection.** The May Revision sustains the Governor's January proposal to expand the role of the Department of Business Oversight (DBO) into the new Department of Financial Protection and Innovation (DFPI). The Governor's May Revision proposes \$10.2 million and 44 positions, growing to \$19.3 million and 90 positions in 2022-23. Funds are proposed to be withdrawn from the new Financial Protection Fund, which combines available settlement proceeds in the State Corporations Fund and Financial Institutions Fund. The proposal includes statutory trailer bill language that establishes the DFPI, introduces the California Consumer Financial Protections Law, and enables the DFPI the authority to pursue unlicensed financial services and financial service providers not currently subject to regulatory oversight. The revised proposal provides the Legislature time into the summer for further discussion of the proposal.

STATE CONTROLLER'S OFFICE

- **Withdrawal of Statewide Audit Program Proposal.** The May Revision withdraws the January proposal of \$1 million and ongoing in General Fund initially designated to conduct the statutory statewide external audit program by State Controller's Office.

STATE OPERATIONS

Suspension of non-essential contracts, purchases, and travel by state departments, and filling only essential vacant positions. The May Revision proposes a 5-percent reduction to nearly all state department budgets beginning in 2021-22.

- Reduce statewide travel costs by using video conferencing for meetings or trainings, where possible.
- Reduce state fuel and insurance costs by assessing use of telematics (a mini GPS device that tracks distance, time, location, and speed) in state vehicles.
- Reevaluate the state fleet and vehicle home storage permits.
- Identify opportunities for efficiency in technology contracts.

OTHER SOLUTIONS

- **Trigger Cuts.** Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:
 - California Arts Council—Withdrawal of a one-time increase of \$10.5 million General Fund in 2020-21.
 - California Military Department, California Cadet Corps—Reversal of the 2018-19 expansion of the California Cadet Corps for a decrease of \$6.3 million General Fund in 2020-21 and \$8 million General Fund in 2021-22.
 - Precision Medicine Program—Reversion of \$18.1 million in previously appropriated funds that have yet to be allocated. The 2016, 2017, and 2018 Budget Acts included a total of \$50 million for this program and \$30 million remains unallocated. This adjustment allows the Office of Planning and Research to retain \$2.1 million to administer previously allocated research grants as well as \$9.8 million for research related to Adverse Childhood Events.

LOCAL GOVERNMENT

CARES Act Distribution for Local Governments. The May Revision allocates a portion of the state's \$9.5 billion CARES Act funding to local governments to further support their COVID-19 efforts—\$450 million to cities for homelessness and public safety and \$1.3 billion to counties for public health, behavioral health, and other health and human services.

- **Cities**—Six California cities received a direct CARES Act allocation as a result of their size—for a total of \$1.5 billion direct from the federal government. The May Revision supplements this by providing \$450 million to all cities that did not receive a direct allocation. Of these recipients, cities with populations above 300,000 will receive a direct state allocation while all other cities will be provided funding through their counties. Recipient jurisdictions must spend these funds consistent with federal law and are advised to prioritize these dollars to supplement existing efforts by counties and Continuums of Care to address the impacts of COVID-19 on people experiencing homelessness, including but not limited to

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outreach and hygiene efforts, shelter and housing supports, public safety, and rental subsidies.

- Counties—The state is allocating \$1.3 billion of its CARES Act funding directly to counties based on population size to address the public health, behavioral health, and other health and human services needs that have arisen as a result of the COVID-19 pandemic.

Funding is contingent on adherence to federal guidance and the state's stay-at-home orders and will be released upon jurisdictions' certification of both.

The allocations are as detailed in the following chart.

**Coronavirus Relief Fund Allocations
Total by County and Selected Cities**

(Dollars in Thousands)

| Cities and Counties | Direct Allocations ^{1/} | State Allocations ^{1/} | Total Allocations | Cities and Counties | Direct Allocations ^{1/} | State Allocations ^{1/} | Total Allocations |
|---------------------|----------------------------------|---------------------------------|-------------------|---------------------------|----------------------------------|---------------------------------|--------------------|
| Alameda County | \$291,634 | \$38,577 | \$330,211 | Placer County | - | \$40,768 | \$40,768 |
| Alpine County | - | 116 | 116 | Plumas County | - | 1,925 | 1,925 |
| Amador County | - | 4,069 | 4,069 | Riverside County | 431,091 | 57,024 | 488,115 |
| Butte County | - | 22,433 | 22,433 | Sacramento County | 181,199 | 25,210 | 206,409 |
| Calaveras County | - | 4,698 | 4,698 | City of Sacramento | 89,623 | - | 89,623 |
| Colusa County | - | 2,205 | 2,205 | San Benito County | - | 6,428 | 6,428 |
| Contra Costa County | 201,281 | 26,625 | 227,906 | San Bernardino County | 380,408 | 50,320 | 430,728 |
| Del Norte County | - | 2,847 | 2,847 | San Diego County | 334,062 | 54,224 | 388,286 |
| El Dorado County | - | 19,737 | 19,737 | City of San Diego | 248,451 | - | 248,451 |
| Fresno County | 81,580 | 16,228 | 97,808 | City/County San Francisco | 153,824 | 20,347 | 174,171 |
| City of Fresno | 92,756 | - | 92,756 | San Joaquin County | 132,989 | 17,592 | 150,581 |
| Glenn County | - | 2,906 | 2,906 | San Luis Obispo County | - | 28,976 | 28,976 |
| Humboldt County | - | 13,874 | 13,874 | San Mateo County | 133,761 | 17,694 | 151,455 |
| Imperial County | - | 18,547 | 18,547 | Santa Barbara County | - | 45,698 | 45,698 |
| Inyo County | - | 1,846 | 1,846 | Santa Clara County | 158,100 | 31,314 | 189,414 |
| Kern County | 157,078 | 20,778 | 177,856 | City of San Jose | 178,295 | - | 178,295 |
| Kings County | - | 15,653 | 15,653 | Santa Cruz County | - | 27,963 | 27,963 |
| Lake County | - | 6,590 | 6,590 | Shasta County | - | 18,431 | 18,431 |
| Lassen County | - | 3,129 | 3,129 | Sierra County | - | 308 | 308 |
| Los Angeles County | 1,057,341 | 163,064 | 1,220,405 | Siskiyou County | - | 4,456 | 4,456 |
| City of Los Angeles | 694,405 | - | 694,405 | Solano County | - | 45,815 | 45,815 |
| Madera County | - | 16,102 | 16,102 | Sonoma County | - | 50,594 | 50,594 |
| Marin County | - | 26,490 | 26,490 | Stanislaus County | 96,086 | 12,710 | 108,796 |
| Mariposa County | - | 1,761 | 1,761 | Sutter County | - | 9,925 | 9,925 |
| Mendocino County | - | 8,879 | 8,879 | Tehama County | - | 6,661 | 6,661 |
| Merced County | - | 28,420 | 28,420 | Trinity County | - | 1,257 | 1,257 |
| Modoc County | - | 905 | 905 | Tulare County | - | 47,714 | 47,714 |
| Mono County | - | 1,478 | 1,478 | Tuolumne County | - | 5,576 | 5,576 |
| Monterey County | - | 44,425 | 44,425 | Ventura County | 147,622 | 19,527 | 167,149 |
| Napa County | - | 14,098 | 14,098 | Yolo County | - | 22,568 | 22,568 |
| Nevada County | - | 10,210 | 10,210 | Yuba County | - | 8,052 | 8,052 |
| Orange County | 554,134 | 73,300 | 627,434 | Total | \$5,795,720 | \$1,289,065 | \$7,084,785 |

^{1/} Numbers may not tie due to rounding.

DEPARTMENT OF GENERAL SERVICES

Capital Outlay. The May Revision withdraws the following projects from the January Governor's Budget:

- State Office Building Projects, Sacramento Region—Withdrawal of \$721.7 million Public Buildings Construction Fund for the design-build phase of three office building renovation projects in the Sacramento Region: Gregory Bateson (\$183.6 million), Jesse Unruh (\$116.8 million), and Natural Resources (\$421.3 million). These projects will be paused until a statewide evaluation of office space needs has been completed.
- Health and Human Services Relocation to the Clifford L. Allenby Building—A decrease of \$4.1 million General Fund to reduce the level of resources associated with the relocation of the Department of Developmental Services, the Department of State Hospitals, and the California Health and Human Services Agency to the new Clifford L. Allenby Building.
- Natural Resources Agency New Facility Relocation—A decrease of \$4.8 million General Fund associated with a reduction of a Governor's Budget proposal to relocate staff from the Natural Resources Agency into the New Natural Resources Headquarters Building.

Shifting Funds. A transfer of \$754.2 million from the State Project Infrastructure Fund to the General Fund. These funds were previously earmarked for the design and construction of a series of projects necessary for the renovation or reconstruction of the Capitol Annex. Funding remains available for pre-construction activities for the projects, and the costs associated with the design and construction phases will be shifted to lease-revenue bond financing.

Special Fund Loans. The May Revision provides loans from various special funds administered by DGS to the General Fund, as follows:

- \$35 million from the Disability Access Account.
- \$35 million from the Public School Planning, Design and Construction Review Revolving Fund.
- \$7.4 million from the Building Standards Administration Special Revolving Fund.

CALIFORNIA DEPARTMENT OF VETERAN AFFAIRS

- **Southern California Veterans Cemetery.** A transfer of \$24.5 million from the Southern California Veterans Cemetery Master Development Fund to the General Fund. The May Revision also includes a withdrawal of the Governor's Budget proposal to allocate \$700,000 from the Fund to conduct a study of various sites in the Irvine area for the future development of a Veterans Cemetery in Southern California.
- **Closure of the Barstow Veterans Home.** The Barstow Home was identified in the Master Plan as not meeting most criteria for an ideal veterans home, including proximity to veterans populations, proximity to the federal Veterans Administration healthcare system, availability of health care service providers, presence of a local nursing program, and availability of a sizable local health care workforce. In light of statewide fiscal challenges, the May Revision proposes to initiate the closure of the home. Barstow Home funding for 2020-21 now reflects a \$400,000 General Fund reduction to operating costs, and a projected \$3 million reduction in associated revenue. Long-term General Fund savings from closing the home are expected to be \$14 million annually.
- **Electronic Healthcare Record System.** The May Revision includes one-time funding of \$1.2 million General Fund to begin implementation a new information technology project for a single electronic healthcare record system to replace multiple legacy systems. The system will streamline data entry and will provide a centralized repository for the health records to modernize CalVet's medical record keeping.
- **Master Plan.** In January 2020, CalVet released its statutorily required Master Plan for the overall operation of the veterans homes. The Master Plan discusses veteran population trends in California, the potential location of future facilities and alternate service delivery models, and includes several recommendations, some of which are reflected in the May Revision as follows:
 - *Realigning Levels of Care.* The Governor's Budget proposed realigning the levels of care at the Yountville, Chula Vista, and Barstow Homes. The proposal has been modified in the May Revision to reflect the Barstow closure, and a one-year delay for realignment at Chula Vista and Yountville. The May Revision includes a \$2.6 million net General Fund savings in 2020-21 as a result of these changes.

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- *Mental Health Services for Veterans.* The May Revision includes \$1.1 million General Fund in 2020-21 and \$2.1 million ongoing to improve behavioral health services at the veterans homes by standardizing mental health support staffing. This reflects a six-month delay in the implementation of this Governor's Budget proposal, resulting in a decrease of \$1.1 million General Fund in 2020-21.

CANNABIS

- **Delayed Consolidation.** The May Revision includes special fund proposals from each of the licensing entities to address expiring limited-term funding and positions. These proposals include \$68.2 million for the Department of Consumer Affairs, Bureau of Cannabis Control, \$20.8 million for the Department of Public Health, and \$54.8 million for the Department of Food and Agriculture to continue cannabis licensing and enforcement activities, as well as make improvements to enforcement including, but not limited to, proposed statutory changes to shift sworn investigators from the Department of Consumer Affairs' Division of Investigations to its Bureau of Cannabis Control.
- **Cannabis Tax Reform.** The Governor's budget proposed to simplify tax administration for cannabis by changing the point of collection of cannabis taxes. The changes would have moved the responsibility for the cultivation excise tax from the final distributor to the first, and for the retail excise tax from the distributor to the retailer. The Administration remains committed to simplifying and improving cannabis tax administration and will work with stakeholders on a proposal for inclusion in the budget next year.
- **Updated allocation of the Cannabis Tax Fund.** Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated and unchanged from 2019-20. The Budget estimates \$296.9 million will be available for these purposes in 2020-21, a total reduction of \$35.9 million compared to the Governor's Budget estimate:
 - Youth education, prevention, and early intervention and treatment and school retention—60 percent (\$178.1 million)
 - Environmental protection—20 percent (\$59.4 million)
 - Public safety-related activities—20 percent (\$59.4 million)

DEPARTMENT OF CONSUMER AFFAIRS

- **Licensing Fees.** The May Revision proposes statutory changes to increase fees for the following boards and bureaus to provide sufficient funding for operational costs. The need for fee increases is generally due to cost growth over the last few years.
 - Acupuncture Board
 - Board of Behavioral Sciences
 - Bureau of Private Postsecondary Education
 - Medical Board of California
 - Podiatric Medical Board
 -

- **Special Fund Loans to the General Fund.** The May Revision makes several loans from various special funds administered by the Department of Consumer Affairs to the General Fund. These include:
 - \$25 million from the Barbering and Cosmetology Contingent Fund.
 - \$900,000 from the Psychology Fund.
 - \$30 million from the Vehicle Inspection and Repair Fund.
 - \$60 million from the High Polluter Repair or Removal Account.
 - \$10 million from the Accountancy Fund.
 - \$5 million from the State Dentistry Fund.
 - \$30 million from the Board of Registered Nursing Fund.
 - \$2.4 million from the Pharmacy Board Contingency Fund.
 - \$3.4 million from the Enhanced Fleet Modernization Subaccount, High Polluter Repair or Removal Account.
 - Control Section 14.00, which authorizes the Director of Consumer Affairs to loan money between funds with an 18 month period deadline to repay funds. The Administration proposes to extend this deadline to 24 months.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL (ABC)

- **Delay of the Responsible Beverage Service Training Act.** The Governor's Budget included \$3.1 million Alcohol Beverage Control Fund to provide the capacity and resources to implement the Responsible Beverage Service Training Act, established in Chapter 847, Statutes of 2017 (AB 1221), and to provide electronic payment services. AB 1221 requires that alcohol servers receive training on responsible beverage service within 60 days of their employment date,

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beginning July 1, 2021. This change in law creates a new statewide mandate for licensees and a new training requirement for as many as one million alcohol servers. The May Revision includes statutory language to delay the July 1, 2021 alcohol server training requirement to July 1, 2022, to provide relief to licensees through the delayed collection of responsible beverage service-associated training fees. ABC will continue developing the Responsible Beverage Service training system, and the online payment services and licensing application systems as part of their business modernization efforts.

SECRETARY OF STATE

- **CARES Act Elections Funding.** The May Revision provides \$36.3 million federal funds for additional resources to protect the 2020 elections from the effects of COVID-19.
- **Special Fund Loan.** The May Revision loans \$11.5 million from the Victims of Corporate Fraud Compensation Fund to the General Fund.
- **California Business Connect Project.** The May Revision provides \$14.9 million to continue the implementation of the California Business Connect project. This project is intended to increase online services for business filings and requests for information. This request will provide one-time resources necessary for contracting and consulting services for system integration vendors and project management services.
- **California Automated Lobbying and Campaign Contribution and Expenditure Search System (Cal-ACCESS) Replacement Project.** The May Revision includes \$13.4 million general Fund and \$700,000 special fund to continue the design and development of a Cal-ACCESS replacement system. This request will provide the Secretary of State with one-time funding necessary to continue the support of staff resources and to procure contracted services.

CALIFORNIA VICTIM COMPENSATION BOARD

- **Restitution Fund.** The May Revision maintains the \$23.5 million General Fund backfill for the Restitution Fund, and also includes new provisional language that allows the Department of Finance to increase any transfers to backfill the fund in the event that revenues are insufficient.

GOVERNOR'S OFFICE OF EMERGENCY SERVICES

Sustained Proposals. The May Revision proposes to sustain the following:

- **Public Safety Power Shutdowns.** Maintain \$50 million one-time General Fund to support additional preparedness measures that bolster community resiliency. Building on the state's 2019-20 power resiliency investments, these measures will support critical services still vulnerable to power outage events, including schools, county election offices, and food storage reserves. This proposal will support a matching grant program to help local governments prepare for, respond to, and mitigate the impacts of power outages.
- **California Cybersecurity Integration Center.** Maintain \$7.6 million General Fund and 12 positions for Cal OES (a total of \$11.1 million General Fund and 22 positions across various agencies) to enhance the state's critical cybersecurity infrastructure. This investment will provide a full-time Joint Incident Response Team to bolster the state's capabilities in preventing, mitigating, and responding to cyberattacks.
- **Disaster Planning, Preparedness, and Response.** Maintain \$9.4 million (\$9.2 million General Fund) and 50 positions to enhance Cal OES's ability to prepare for, respond to, and assist the state in recovering from disasters while maximizing eligible federal reimbursements.
- **Seismic Safety Commission Transfer.** Maintain \$2.5 million (\$503,000 General Fund) to transfer the Seismic Safety Commission to Cal OES. These resources will be critical to supporting the effective integration of the Seismic Safety Commission into Cal OES, resulting in increased coordination, earthquake preparedness and seismic safety benefits. The May Revision reduces this proposal by \$446,000 General Fund.

Modified proposals. The May Revision proposes to modify the following:

- **California Disaster Assistance Act (CDAA).** A total of \$38.2 million one-time General Fund (maintaining \$16.7 million included in the Governor's Budget and an additional \$21.5 million) to increase the amount of funding available through the CDAA, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of

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emergency proclaimed by the Governor. This augmentation increases total CDAA funding available in the budget to \$100.8 million.

- **California Earthquake Early Warning Program.** Maintain \$17.3 million to operate this new innovative program that uses science, monitoring, and technology to alert people, businesses, and transit agencies via devices before the anticipated strongest seismic activity arrives. The May Revision proposes to switch the fund source for the loan from the General Fund to the School Land Bank Fund.
- **Wildfire Forecast and Threat Intelligence Integration Center.** Maintain \$2 million General Fund to enhance the state's emergency response capabilities through improved forecasts for tracking and predicting critical fire weather systems, which improves situational awareness of fire threat conditions in real-time, consistent with Chapter 405, Statutes of 2019 (SB 209). The May Revision proposes to reduce this proposal by \$6.8 million General Fund across various departments.

Withdrawn Proposals. The May Revision withdraws the following proposals:

- **Home Hardening Pilot Program.** The May Revision proposes to withdraw \$101.8 million (\$26.8 million General Fund) for Cal OES and Department of Forestry and Fire Protection (CAL FIRE) for implementation of the home hardening pilot grant program authorized by Chapter 391, Statutes of 2019 (AB 38). Infrastructure investments to improve the resiliency of vulnerable communities will be considered as part an overall infrastructure plan. The May Revision maintains \$8.3 million Greenhouse Gas Reduction Fund for CAL FIRE to meet defensible space-related and other requirements pursuant to AB 38.
- **Statewide Smart 9-1-1 Feasibility Study.** The May Revision proposes to withdraw \$350,000 State Emergency Telephone Number Account (SETNA) to complete a feasibility study for developing a statewide system that would enable all Californians to voluntarily provide vital health and safety information, pursuant to AB 911 (Rodriguez), Chapter 686, Statutes of 2019.
- **FI\$Cal Resources.** The May Revision proposes to withdraw eight positions and \$1.4 million General Fund in 2020-21 and \$1.7 million ongoing General Fund to address the increased workload related to the Financial Information System of California (FI\$Cal).
- **Sexual Assault: Medical Evidentiary Examinations (AB 538).** The May Revision proposes to withdraw \$310,000 one-time General Fund in 2020-21 and

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\$125,000 ongoing to support the development of additional standardized medical evidentiary forms, protocols, and the creation of training for medical and criminal justice personnel pursuant to AB 538 (Berman and Low), Chapter 714, Statutes of 2019.

LABOR, PUBLIC EMPLOYMENT AND RETIREMENT

CALIFORNIA WORKFORCE DEVELOPMENT BOARD (CWDB)

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

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

- **Assembly Bill 5 (Gonzalez), Chapter 296, Statutes of 2019 Implementation.** The May Revision maintains the January budget proposal to provide \$3.4 million for EDD to train staff to administer the ABC Employment Test, and to conduct hearings and investigations of worker status.
- **Paid Family Leave.** The May Revision maintains the January trailer bill proposal to provide job protections and \$1 million ongoing to assist small businesses that extend paid family leave benefits to their employees.
- **Benefit System Modernization.** The May Revision maintains the January budget proposal to provide \$46 million and 147.5 positions for 2020-21 to begin the design, development and implantation phase of the project.

DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

- **Assembly Bill 5, Chapter 296, Statutes of 2019 Implementation.** The May Revision maintains the January budget proposal to provide \$17.5 million to DIR to address workload associated with workers compensation, investigations of labor laws and workplace health and safety violations and inspections.
- **Labor Agency Strategic Outreach.** The May Revision provides an increase of \$188,000 to the January budget proposal to provide a total of \$20 million in special funds for 2020-21 to 2022-23 to develop and implement an intra-agency outreach

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plan to raise awareness of workplace rights and provide assistance to low-wage workers and improve state labor law enforcement.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

- **CalPERS State Annual Pension Contribution Payment Offset.** The May Revision proposes to redirect \$2.4 billion of the \$3 billion supplemental pension payment authorized in the 2019 Budget Act. The May Revision proposes to redirect the remaining \$2.4 billion over the next two years to pay the state's obligations that will produce more immediate savings to the state and results in a reduction in the state's retirement contribution.

The May Revision proposes statutory changes to eliminate the remaining \$500 million General Fund supplemental pension payment to CalPERS as authorized under SB 90 so the funds can be directed toward offsetting General Fund costs to maintain core programs.

AB 118 also authorized multiple payments of \$25 million annually beginning in 2019-20 through 2022-23 from the Motor Vehicle Account (MVA) toward the CHP plan. The 2019-20 payment from the MVA is scheduled to be paid as planned. However, the May Revision proposes to suspend the remaining \$25 million annual MVA payments through 2022-23, along with the elimination of the \$243 million General Fund supplemental pension payment to CHP. The May Revision expects to achieve this through collective bargaining with the association.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS)

- **Suspension of California State Teachers' Retirement Systems (CalSTRS) Annual Rate Increases.** The May Revision proposes statutory changes that will suspend the annual rate increases authorized by the Teachers' Retirement Board at the 2019-20 level until 2023-24. The Administration will instead continue to make supplemental payments from the Proposition 2 required debt payments. This proposal will provide \$1.8 billion General Fund savings over the multiyear to the state's annual contribution to the CalSTRS defined benefit program.
- **CalPERS and STRS Contribution Rates.** The May Revision proposes to redirect \$2.3 billion supplemental pension payment from the 2019-20 budget paid to CalSTRS and CalPERS. The May Revision proposes to use this funding to reduce employer contribution rates 2020-21 and 2021-22. The reallocation will reduce CalSTRS employer rate from 18.41 percent to 16.15 percent in 2020-21 and 18.2 percent to 16.02 percent in 2021-22. The CalPERS Schools Pool employer

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contribution rate will be reduced from 22.67 percent to 20.7 percent in 2020-21 and from 25 percent to 22.84 percent in 2021-22.

EMPLOYEE COMPENSATION

- **Pay Reduction.** The May Revision proposes a 10 percent pay reduction to the state's bargaining unit relative to the June 2020 pay levels. The Administration assumes savings of an additional \$2.8 billion (\$1.4 billion General Fund) starting on the July 2020 pay period.

DEPARTMENT OF BETTER JOBS AND HIGHER WAGES

- The May Revision maintains the January budget proposal to create the Department of Better Jobs and Higher Wages, which will consolidate the CWDB, the Employment Training Panel, EDD's workforce services branch and labor market information division, and DIR's division of apprenticeship standards. The May Revision rescinds the proposal to provide \$2.4 million one-time General Fund to establish executive staff for the new department.

Minimum Wage. The May Revision assumes the minimum wage increases to \$14 an hour for large employers and \$13 an hour for small employers, with up to 25 employees, on January 1, 2021, despite meeting the criteria for job losses and sales tax revenue declines that would allow the minimum wage increases to be paused for a year.

STATE CORRECTIONS AND PUBLIC SAFETY

CALIFORNIA DEPARTMENT OF CORRECTIONS & REHABILITATION (CDCR)

The May Revision includes \$13.4 billion (\$13.1 billion General Fund and \$311 million other funds) for the CDCR. This represents approximately the same level of funding as the Governor's January budget proposal.

Adult Inmate and Parole Population Adjustment. The Governor's budget projected an overall adult inmate average daily population of 123,716 in 2020-21. Spring projections, prior to impacts associated with the COVID-19 pandemic, and assumed an average daily population of 122,536. The population difference is 1,180. The Governor's budget projected an overall parolee average daily population of 55,082 in 2020-21. The average daily parolee population is now projected to be 56,966, an increase of 1,884.

New CDCR proposals within May Revision

The May Revision includes the following General Fund proposals:

Prison Closure and Capacity Plans. Given the projected continued decline in the inmate population throughout 2019-20 and 2020-21, the May Revision continues the Administration's plan to close all private in-state contract correctional facilities for male inmates in 2020-21. While the last private in-state contract facility, Golden State Correctional Facility, was set to close on April 30, 2020, the contract was extended through the end of May 2020 to reduce inmate movement and facilitate increased physical distancing given the COVID-19 pandemic. The May Revision also reflects the Administration's plan to phase out two of the remaining three male, public in-state contract correctional facilities by 2021, and the third by July 2022.

The Governor's budget indicated that if population trends hold, the Administration would close a state-operated prison within the next five years. The May Revision proposes to close one facility beginning in 2021-22 and a second facility beginning in 2022-23. These closures will be achieved through various actions that will further reduce the prison population through rehabilitation. The closures are estimated to result in savings of \$100 million in 2021-22, \$300 million in 2022-23 and \$400 million ongoing.

Division of Juvenile Justice Realignment. The May Revision proposes to stop intake of new juvenile offenders effective January 1, 2021 and begin the closure of all three state

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juvenile facilities and the fire camp through the attrition of the current population. Incarcerated people over the age of 18 that will eventually be transferred to an adult institution will be prioritized for placement in the Youth Offender Rehabilitative Community established at Valley State Prison.

Cap Parole Terms. The May Revision proposes to cap supervision for most parolees at 24 months, establish earned discharge for non-Penal Code section 290 registrants at 12 months, and establish earned discharge at 18 months for certain Penal Code section 290 registrants. This proposal is expected to result in estimated savings of \$23.2 million General Fund in 2020-21, increasing to \$76 million ongoing General Fund in 2023-24.

Reduce Reception Center Process to 30 Days. The May Revision announced plans to reduce the reception center process from 90 to 120 days to a minimum of 30 days. This will allow inmates to begin participating in academic and rehabilitative programs sooner and will likely enable CDCR to convert some existing Reception Center housing to General Population housing in 2020-21. This change will save \$3.7 million General Fund in 2020-21, and significantly more in future years with the exact amount depending on the timing and details of future prison closures.

Changes to Good Conduct Credits. The May Revision announced plans to pursue changes to good conduct credits that will be applied prospectively. While the changes are still being developed, they will be informed by preliminary recidivism data associated with existing good conduct credits. The preliminary estimate is that these changes will save \$2.7 million General Fund in 2020-21, and significantly more in future years with the exact amount depending on the timing and details of future prison closures.

Temporary Modified Work Assignments. The May Revision includes \$16.7 million General Fund annually for two years to provide modified work assignment posts for staff with medical conditions that result in restrictions or limitations, such as pregnancy, to provide them opportunities to continue working or return to work earlier than would otherwise be possible.

Remote Court Appearance. The May Revision announces that the CDCR will pursue efforts to increase video capabilities to enable remote court appearances by inmates and staff.

CDCR proposals sustained within May Revision

The May Revision sustains the following General Fund proposals submitted in the Governor's Budget:

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Existing Capital Outlay Projects. The Governor's budget included \$40.8 million to support several existing CDCR projects actively in the construction phase, as well as several projects that are necessary to comply with legal requirements and public health and safety needs.

Mental Health Psychiatry Registry. The Governor's budget included \$13.3 million. This includes \$1.4 million General Fund ongoing for contract psychiatry services to meet the federal court order to fill at least 90 percent of the state prison system's psychiatry positions.

Intake Cell Retrofits for Suicide Prevention. The Governor's budget included \$3.8 million one-time to retrofit 64 inmate cells to meet court ordered requirements for suicide prevention in settings identified as having a greater risk for suicide attempts.

Medical Guarding and Transportation. The Governor's budget included \$14.8 million General Fund and 61.9 positions to augment medical transportation custody at adult institutions and increase the medical guarding and transportation overtime budget.

Expansion of Statewide Telepsychiatry Program. The Governor's budget included 71.0 positions and \$5.9 million General Fund, of which \$410,000 is one-time funding, in fiscal year 2020-21, expanding to 116.0 positions and \$8.4 million ongoing General Fund in fiscal year 2024-25, to expand the Statewide Telepsychiatry Program. This proposal includes funding to: provide essential staff such as telepresenters, information technology support, business operations support, and a research analyst to help optimize and improve the expanded program; and purchase telepsychiatry equipment.

Legionella Remediation at California Health Care Facility. The Governor's budget included \$9.7 million General Fund in 2019-20 and \$4.3 million ongoing and 15.0 positions beginning in fiscal year 2020-21, for new water system protocols to control Legionella bacteria and minimize risk of future illness at the California Health Care Facility.

Receiver: Information Technology Security Staffing and Tools. The Governor's budget \$2.9 million General Fund in fiscal year 2020-21 and \$1.3 million General Fund in fiscal year 2021-22 and ongoing for six permanent full-time positions and a security software tool. This request is to remediate findings identified in recent security audits and assessments; proactively address information security and cybersecurity vulnerabilities, gaps, and threats; manage ongoing security architecture, engineering, and hardening efforts; meet the increasing needs in enterprise risk management; and strengthen the Agency's overall security posture.

CDCR proposals sustained within May Revision with modifications

The May Revision modifies the following General Fund proposals submitted in the Governor's Budget:

Valley State Prison Youth Offender Rehabilitative Community. The Governor's budget \$6.2 million General Fund in 2020-21 and \$10.1 million General Fund ongoing, to establish Youth Offender Rehabilitative Communities. These programs will cluster 5,800 incarcerated youth under the age of 26 together at select adult institutions in campus-style environments. A model program will be established at Valley State Prison in Chowchilla. The May Revision proposes to retain a model program but reduces the Governor's Budget proposal to \$1.3 million in 2020-21 and \$2 million ongoing.

Support for Roof Replacements. The Governor's budget included \$78.2 million General Fund over two years for roof replacement projects, including Pelican Bay State Prison and California State Prison, Sacramento. The May Revision reduces the proposal from \$78.2 million over two years for two roof replacement projects to \$37.6 million for one roof replacement at California State Prison, Sacramento.

Centralize Discrimination Complaints. The budget included \$1.8 million General Fund and 12 positions in 2020-21 and ongoing to create a centralized discrimination complaint process and restructure its Civil Rights Operations/Equal Employment Opportunity program. The May Revision reduces the proposal from \$1.8 million ongoing to \$943,000 to promote objectivity and fairness in the investigation of equal opportunity complaints.

Proposed Reductions from CDCR's budget

The May Revision proposes the following reductions:

Eliminate Parole Outpatient Clinics. The CDCR employs mental health clinicians that provide treatment to parolees out of parole offices across the state called Parole Outpatient Clinics. The May Revision proposes to no longer fund Parole Outpatient Clinics to eliminate redundancy in services and utilize services where the state receives financial participation from the federal government through Medi-Cal. This proposal retains Parole Outpatient Clinic psychiatrists to continue meeting emergency medication needs for parolees with mental illness. This proposal is expected to result in estimated savings of \$9.1 million General Fund in 2020-21, and \$17.6 million ongoing General Fund.

Eliminate the Integrated Services for Mentally Ill Parolee Program. The Integrated Services for Mentally Ill Parolee Program provides wraparound services, including some transitional housing for approximately 1,500 of 18,000 mentally ill parolees. The May

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Revision proposes to eliminate the program. The Department will adjust policies to connect these individuals with community resources, which ultimately provides better continuity of care long-term. Elimination of this program is expected to result in savings of \$8.1 million General Fund in 2020-21 and \$16.3 million ongoing General Fund.

Draw Down Federal Funds for Health Care for Community Reentry Programs. Under federal policy, individuals who are considered prison inmates are ineligible for Medicaid benefits. However, this exclusion does not apply to individuals residing in supervised residential treatment facilities, such as reentry facilities designed to transition individuals from prison to the community. CDCR is implementing operational changes at its reentry facilities to adhere to these guidelines in a manner that ensures public safety, thereby allowing the state to draw down federal funding for residents' health care and saving \$4.2 million General Fund in 2020-21 and \$8.5 million ongoing.

Consolidate Fire Camps. The May Revision proposes the consolidation of fire camps that are currently not at capacity. The May Revision assumes the closure of eight camps that will be selected in coordination with the California Department of Forestry and Fire Protection (CAL FIRE). The associated savings are estimated to be \$7.4 million General Fund in 2020-21 and \$14.7 million ongoing.

Eliminates Tattoo Removal Program. The May Revision removes \$20.6 million General Fund from CDCR's baseline budget to eliminate the Tattoo Removal Program.

Eliminated Ongoing Prison Maintenance Funding. The May Revision removes \$18.5 million General Fund associated with prison maintenance funding.

CDCR proposals withdrawn from May Revision

The May Revision withdraws the following proposals included in the Governor's budget given the drastic impact of the COVID-19 pandemic on the state's economy:

Adult Probation Reform. The Governor's budget included \$60 million General Fund annually for three years and \$30 million General Fund in 2023-24, to supervise and provide probation services for misdemeanants, with the aim of improving public safety by reducing recidivism of these individuals. The budget also included reforms to reduce felony and misdemeanor probation terms to two years, and allow for earned discharge for probationers. The Governor's Budget also included \$11 million ongoing General Fund, in addition to baseline funding of \$112.7 million General Fund, to stabilize SB 678 funding provided to counties. The May Revision withdraws the probation reform proposed in the Governor's Budget and maintains the existing SB 678 calculation, which will provide county probation departments \$112.7 million General Fund in 2020-21.

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Various Capital Outlay Projects. The May Revision withdraws a Governor's budget proposal that included \$70.8 million associated with the withdrawal of various projects proposed in the Governor's Budget. The May Revision also reduces the overall out year costs for CDCR projects by approximately 67 percent.

Academic Information Technology Modernization. The May Revision withdraws a Governor's budget proposal that included \$26.9 million to provide laptops to inmates participating in academic and vocational training to better prepare inmates for reentry.

Video Surveillance. The May Revision withdraws a Governor's budget proposal that included \$21.6 million General Fund in 2020-21 and \$2.1 million ongoing to expand video surveillance capabilities at three facilities.

Expanded Inmate Visitation. The May Revision withdraws a Governor's budget proposal that included \$4.6 million for an additional visitation day at nine institutions.

Expanding Higher Education Opportunities. The May Revision withdraws a Governor's budget proposal that included \$1.8 million for tuition, books, materials, training, and equipment for inmate-students.

Staff Development and Support. The May Revision withdraws a Governor's budget proposal that included \$21.4 million to enhance staff development through new training for correctional officers and counselors.

Quality Management and Patient Safety. The May Revision withdraws a Governor's budget proposal that included \$9.9 million General Fund in 2020-21 and \$11.8 million ongoing General Fund to evaluate risks and implement best practices to improve the health care delivery system.

Health Care Facility Updates at the California Rehabilitation Center. The May Revision withdraws a Governor's budget proposal that included \$5.9 million General Fund one-time funding for various maintenance projects.

CALIFORNIA DEPARTMENT OF JUSTICE (DOJ)

The May Revision includes total funding of approximately \$1.1 billion, including \$365.9 million General Fund, to support the DOJ. This represents a reduction from the Governor's budget of \$14 million, of which \$4.3 million is General Fund.

New DOJ proposals within May Revision

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The May Revision includes the following proposals:

SB 376 (Portantino), Chapter 738, Statutes of 2019. The May Revision includes \$981,000 DROS Special Account in 2020-21, \$306,000 in 2021-22, and \$232,000 annually thereafter to track and report annual firearms sales, loans, and transfers to enforce the provision under SB 376 that reduces the threshold for which a manufacturer’s license is required from 100 firearms manufactured annually to 50.

“Other” Firearm Registration. The May Revision includes \$128,000 DROS Special Account in 2020-21 and \$862,000 in 2021-22 to close regulatory loopholes for assault weapons that are not currently defined as a rifle, pistol, or shotgun. This proposal enables DOJ to appropriately define and regulate such weapons.

Replacement of License 2000 System. The May Revision includes \$724,000 Gambling Control Fines & Penalties Account in 2020-21 for the initial planning and analysis phase of replacing the License 2000 System, which is used by the Bureau of Gambling Control and Gambling Control Commission to manage cardroom licensing, registration, and auditing functions.

DOJ proposals sustained within May Revision

Firearms Information Technology Modernization. The May Revision maintains a Governor’s budget proposal for \$2.4 million Dealers’ Record of Sale (DROS) Special Account to begin the planning and analysis phase of combining and modernizing the existing firearms tracking systems.

DOJ proposals sustained within May Revision with modifications

The May Revision modifies the following General Fund proposals submitted in the Governor’s budget:

Bureau of Firearms Proposals. AB 879 (Gibson) Chapter 730, Statutes of 2019. The May Revision includes \$5.9 million General Fund in 2020-21 and \$8.3 million in 2021-22 to regulate and track the sale of firearm precursor parts. This represents an increase of \$928,000 in 2020-21 and \$3.3 million in 2021-22 from the Governor’s budget due to updated implementation costs. AB 879 requires the sale of firearm precursor parts to be conducted by or processed through a licensed firearm precursor part vendor beginning July 1, 2024. Precursor parts can be used to manufacture “ghost guns” that are untraceable due to a lack of serial numbers or identifying markers. Given the risk that such guns present to public safety, the May Revision includes resources to accelerate the implementation of these requirements to July 1, 2022.

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SB 61 (Portantino), Chapter 737, Statutes of 2019. The May Revision includes \$2.1 million DROS Special Account in 2020-21, \$1 million in 2021-22, and \$379,000 annually thereafter to implement and enforce the provisions of SB 61 that prohibit the sale of semiautomatic centerfire rifles to any person under 21 years of age, except a law enforcement officer or active duty member of the Armed Forces, and prohibit a person from making an application to purchase more than one semiautomatic centerfire rifle in any 30-day period. This represents a reduction of \$379,000 in 2020-21 and \$379,000 in 2021-22 to remove limited-term legal positions included in the Governor's Budget proposal.

Bureau of Forensic Services. The May Revision now includes \$3.8 million General Fund to backfill the continued decline in fine and fee revenues in the DNA Identification Fund, bringing the total amount available to \$35.8 million one-time funds (\$25.8 million General Fund and \$10 million Fingerprint Fees Account). This funding will enable DOJ to continue processing forensic evidence for client counties. The Governor's budget previously included \$32 million one-time funding in 2020-21, including \$22 million General Fund and \$10 million Fingerprint Fees Account, to backfill the continued decline in fine and fee revenues in the DNA Identification Fund.

Sex Offender Registration (SB 384 (Wiener), Chapter 541, Statutes of 2017) Funding Alignment. The May Revision includes adjustments resulting in a net change of zero by moving \$4.8 million General Fund expenditures proposed in the Governor's Budget for 2020-21 and 2021-22 to 2022-23 and 2023-24, to align the funding to implement SB 384 with an updated implementation timeline.

DOJ Proposals withdrawn from May Revision

The May Revision withdraws the following proposals included in the Governor's Budget given the drastic impact of the COVID-19 pandemic on the state's economy:

Bureau of Forensic Services Equipment and Facility Maintenance. The May Revision withdraws a Governor's budget proposal \$7.3 million ongoing General Fund to replace forensic laboratory equipment and perform facility maintenance.

Tax Recovery in the Underground Economy Enforcement (TRUE) Teams. The May Revision withdraws a Governor's budget proposal to provide resources to the existing two TRUE teams to prosecute violations of labor, tax, insurance, and licensing laws by businesses and individuals in the underground economy.

Healthcare Rights and Access Section. The May Revision withdraws a Governor's budget proposal for \$9 million ongoing (\$2.2 million General Fund, \$3.7 million Attorney

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Antitrust Account, and \$3.2 million Unfair Competition Law Fund) to consolidate and centralize healthcare litigation activities within the DOJ.

Northern Region: Consolidated Forensic Science Laboratory Campus. The May Revision withdraws a Governor's budget proposal for \$9.5 million General Fund for the acquisition phase of a new Consolidated Forensic Science Laboratory Campus project in the Sacramento area. The project, which is estimated to cost approximately \$440 million, will be put on hold indefinitely.

LOCAL PUBLIC SAFETY

BOARD OF STATE AND COMMUNITY CORRECTIONS (BSCC)

New BSCC proposals within May Revision

The May Revision includes the following General Fund proposals:

Division of Juvenile Justice Realignment. In conjunction with the realignment proposal mentioned for DJJ, the May Revision includes \$2.4 million General Fund in 2020-21, increasing to \$9.6 million ongoing, to be awarded as competitive grants by the Board of State and Community Corrections. Grants will be awarded to county probation departments that will serve as hubs to meet the specific treatment needs of youth throughout the juvenile justice system.

Proposed reductions within BSCC budget

The May Revision proposes the following reductions:

Adult Reentry Grant. The budget included \$37 million to provide competitive awards to community-based organizations to support offenders formerly incarcerated in state prison. Absent additional federal funds, the COVID-19 Recession makes the following reduction. This reduction will be triggered off if the federal government provides sufficient funding to restore it.

BSCC proposals withdrawn from May Revision

The May Revision withdraws the following proposals included in the Governor's budget given the drastic impact of the COVID-19 pandemic on the state's economy:

Indigent Defense Grant. The May Revision withdraws \$10 million one-time General Fund included in the Governor's budget for the Board of State and Community

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Corrections to administer a pilot program, in consultation with the Office of the State Public Defender, to supplement local funding for indigent criminal defense.

OFFICE OF STATE PUBLIC DEFENDER

Proposals sustained within May Revision with modifications

The May Revision modifies the following General Fund proposals submitted in the Governor's budget:

Indigent Defense. The Governor's budget included \$4 million General Fund in 2020-21 and \$3.5 million annually thereafter to expand the Office's mission to include improving the quality of indigent defense services provided by counties. Absent additional federal funds, the COVID-19 Recession makes a reduction of this amount to \$2.1 million ongoing. This reduction will be triggered off if the federal government provides sufficient funding to restore it.

THE JUDICIAL BRANCH

The budget includes total funding of \$4.3 billion (\$2.2 billion General Fund and \$2.1 billion other funds) in 2020-21 for the Judicial Branch, of which \$1 billion General Fund is provided to support trial court operations.

New Judicial Branch adjustments within May Revision

The May Revision includes the following General Fund adjustments:

Fine and Fees Revenue. The May Revision includes an additional \$238.5 million one-time General Fund in 2020-21 to backfill declining fine and fee revenues and offset its impact on court operations. Specifically, \$90.9 million for estimated lost revenue in 2019-20 and \$147.6 million for 2020-21.

Judicial Branch proposals sustained within May Revision

The May Revision sustains the following General Fund proposals submitted in the Governor's Budget:

Online Adjudication of Infractions and Expansion of Ability to Pay. The May Revision maintains funding included in the Governor's Budget to expand the ability to pay program statewide. Eligible participants will have their penalties reduced by 50 percent or more and can make payments over a period of time.

Judicial Branch proposals sustained within May Revision with modifications

The May Revision modifies the following General Fund proposals submitted in the Governor's Budget:

Trial Court Employee Benefits. The May Revision includes \$30 million ongoing General Fund for trial court employee health benefit and retirement costs, which is a decrease of \$5.1 million from the Governor's Budget due to updated cost estimates.

Language Access. The May Revision includes \$9.9 million General Fund in 2020-21 and \$9.6 million General Fund annually thereafter for increased costs for court interpreters and to purchase equipment for the newly established Video Remote Interpreting Program. This is an increase of \$1 million ongoing General Fund from the Governor's budget due to updated court interpreter costs.

Proposed reductions to Judicial Branch budget

The May Revision proposes the following reductions. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

Trial Courts. The May Revision includes a base reduction of \$178.1 million General Fund in 2020-21 and ongoing and an additional decrease of \$28.1 million General Fund beginning in 2021-22 associated with a five percent reduction in operating expenses, which will be achieved through efficiencies.

State Level Judiciary. The May Revision includes a decrease of \$23.2 million General Fund in 2020-21 and ongoing and an additional decrease of \$10.6 million in 2021-22 associated with a five percent reduction in operating expenses, which will be achieved through efficiencies.

Other Judicial Branch Programs. The May Revision includes a decrease of \$15.2 million ongoing General Fund to reflect a five percent reduction to the following programs: Dependency Counsel; Court Interpreters; California Collaborative and Drug Court Projects; Court Appointed Special Advocate Program; Model Self-Help Program; Equal Access Fund; Family Law Information Centers; and Civil Case Coordination.

Judicial Branch proposals withdrawn from May Revision

The May Revision withdraws the following proposals included in the Governor's Budget given the drastic impact of the COVID-19 pandemic on the state's economy:

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Trial Court Operations. The May Revision withdraws a Governor's budget proposal that included \$107.6 million ongoing General Fund to support trial court operations. This proposal has been withdrawn.

Court Facilities. The May Revision withdraws a Governor's budget proposal that included \$43.6 million General Fund to begin the design and construction of courthouse projects, consistent with the Judicial Council Facilities Reassessment. This action suspends \$2 billion (\$505 million General Fund) over the next five years as the courts reassess how they use their facilities in the wake of the COVID-19 pandemic.

Information Technology Initiatives. The May Revision withdraws a Governor's budget proposal that included \$10.3 million General Fund in 2020-21 to advance three information technology initiatives. These initiatives can be funded from the \$25 million for modernization.

Court Navigator Program. The May Revision withdraws a Governor's budget proposal that included \$8.1 million General Fund in 2020-21 and \$15.5 million ongoing to fund court navigators in trial courts.

Digitizing Documents. The May Revision withdraws a Governor's budget proposal that included \$6.9 million General Fund in 2020-21 and \$11.3 million General Fund in 2021-22 to digitize court records in approximately 15 courts, including appellate and trial courts. This initiative can be funded from the \$25 million for modernization.

Appellate Court Appointed Counsel Projects. The May Revision withdraws a Governor's budget proposal that included \$1.2 million ongoing General Fund to support increased costs for contractual services provided by the Supreme Court and the Courts of Appeal Court Appointed Counsel projects.

Statutory Statewide External Audit Program. The May Revision withdraws a Governor's budget proposal that included \$1 million ongoing General Fund to support audits conducted by the State Controller's Office.