



COMMITTEE ON BUDGET & FISCAL REVIEW
Room 5019, State Capitol
Sacramento, CA 95814

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Summary of the Governor's Proposed 2021-22 Budget

January 8, 2021

The purpose of this Summary is to provide members and staff of the Legislature with an overview of the Governor's proposed budget for 2021-22. More detailed reviews of the proposals will be developed as the Committee reviews the proposals in public hearings. If you have questions, please contact the committee at (916) 651-4103.

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Overall Budget Proposal

The Governor has proposed a budget for the 2021-22 fiscal year that includes General Fund resources—carry-forward balance, revenues and transfers—of \$170.6 billion and expenditures of \$164.5 billion (total expenditures from all funds is proposed to be \$227.2 billion). Based on the budget proposal, the General Fund would end the 2021-22 fiscal year with a Special Fund for Economic Uncertainties (SFEU) balance of \$2.9 billion and include a deposit of approximately \$3.0 billion to the Budget Stabilization Account (BSA), resulting in an expected balance in this account of \$15.6 billion at the end of the budget year.

As the Governor's budget notes, although we entered the 2020-21 budget facing a \$54.3 billion shortfall, California entered the COVID-19 recession on strong fiscal footing due to many years of building reserves, paying down debts, and focusing on maintaining structurally balanced budgets over the long term. Since the 2020-21 budget was enacted, the economic outlook and revenue forecast have improved. This is due in part to federal support (including the \$2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act), and strong stock market performance (after a 33.9% fall in March of 2020, the S&P 500 index recovered in five months, compared to four years during the great recession).

However, the recovery has been unequal and many Californian's continue to struggle as they deal with the impacts of the COVID-19 pandemic. The Governor's budget points out that, as of December 2020, over 4 million Californians were still receiving some form of unemployment benefits, and only about half of the jobs lost from the start of the pandemic had been recovered. Additionally, even with the increased revenues that have materialized during the current fiscal year, expenditures are projected to grow faster than revenues in the coming fiscal years leading to a projected structural deficit of \$7.6 billion in the 2022-23 fiscal year growing to \$11 billion by 2024-25.

Budget resiliency will continue to be critical to protecting programs going forward. The proposed 2021-22 budget's adjusted base, incorporates a general reserve (SFEU), Safety Net Reserve, Public School System Stabilization Account (PSSSA) and BSA of approximately a combined \$21.9 billion (with another \$3.2 billion reserved for encumbrances). Overall, General Fund spending in 2021-22 is expected to increase by approximately \$8.6 billion from the revised 2020-21 level.

The Governor's proposal of a budget for the 2021-22 fiscal year begins the annual budget process, during which the Legislature will review and analyze the Governor's proposals, engage with the Administration and the public regarding the state's resources and

priorities, and then negotiate a final budget with the Governor that reflects our shared values across the branches of state government.

Overall Structure. The Governor's budget includes \$170.6 billion in General Fund revenues and other resources and \$164.5 billion in total General Fund expenditures (\$103.7 billion in non-Proposition 98 and \$60.8 billion in Proposition 98 funds), providing for a \$2.9 billion unencumbered reserve balance in the SFEU, a \$450 million Safety Net Reserve, a \$3.0 billion PSSSA balance, and reflecting \$15.6 billion in the BSA. The Governor's proposed 2021-22 budget strategically targets new one-time and ongoing investments with a focus on equitably recovering from the COVID-19 pandemic. Additional funding is proposed for K-14 education, higher education, health and human services, emergency response, and housing and homelessness.

Over the prior year, current year, and budget year, general fund revenues have increased by approximately \$70.7 billion over the 2020 budget act estimates and reserves have increased by approximately \$24.7 billion (these are both displayed in the following charts). As of the 2020 budget act, we were projected to exhaust our reserve accounts in the budget year.

Budget Window Revenue Comparisons				
(\$ in billions)				
	2019-20	2020-21	2021-22	3-Year Budget Window Total
Budget Act of 2020	141.6	125.4	122.6	389.6
Governor's Proposed 2021-22 Budget	145.1	153.6	161.6	460.3
Change	3.5	28.2	39.0	70.7

Changes to Reserves, Compared to Budget Act of 2020			
(\$ in billions)			
	Budget Act of 2020 Projected for 2021-22	Gov's Proposed 2021-22 Budget	Change
Safety Net Reserve	0.5	0.5	0.0
Prop 98 Reserve	0.0	3.0	3.0
Rainy Day Fund (BSA)	2.9	15.6	12.7
Regular Reserve (SFEU)	-6.1	2.9	9.0
Total	-2.8	22.0	24.7

The Governor's budget General Fund budget details are summarized below.

2020-21 and 2021-22 General Fund Summary (Dollars in Millions)		
	Revised <u>2020-21</u>	Proposed <u>2021-22</u>
PRIOR YEAR BALANCE	\$5,359	\$12,203
Revenues and transfers	\$162,742	\$158,370
TOTAL RESOURCES AVAILABLE	\$168,101	\$170,573
Non-Proposition 98 Expenditures	\$98,956	\$103,681
Proposition 98 Expenditures	\$56,942	\$60,834
TOTAL EXPENDITURES	\$155,898	\$164,515
FUND BALANCE		
Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	\$9,028	\$2,883
Public School System Stabilization Account	\$747	\$2,988
Safety Net Reserve	\$450	\$450
Budget Stabilization Account	\$12,536	\$15,574

Paying Down Retirement Liabilities. The Governor's proposed 2021-22 budget allocates approximately \$3.0 billion in Proposition 2 debt payments in the budget year toward further reducing retirement liabilities (including State Retiree Health, State Employee Pensions, and Teachers' Pensions). Proposition 2, passed by the voters in 2014, requires minimum annual payments toward eligible debts until 2029-30 and annual deposits into the state's rainy day fund.

Reserves. The Governor assumes approximately \$4.3 billion will be transferred to the BSA (commonly referred to as the Rainy Day Fund) as a true up in the current fiscal year and \$3.0 billion will be transferred in 2021-22. The BSA balance is projected to be \$15.6 billion in 2021-22 and grow to \$17.8 billion by 2024-25.

The Governor's budget does not include an additional deposit, which are discretionary, to the Safety Net Reserve, maintaining a balance of \$450 million. However, there is a mandatory set aside to the PSSSA, bringing its total to \$3.0 billion in the budget year.

Finally, the budget reserves \$2.9 billion in the SFEU to address emergencies and unforeseen events. Overall, the budget has \$21.9 billion set aside in reserves.

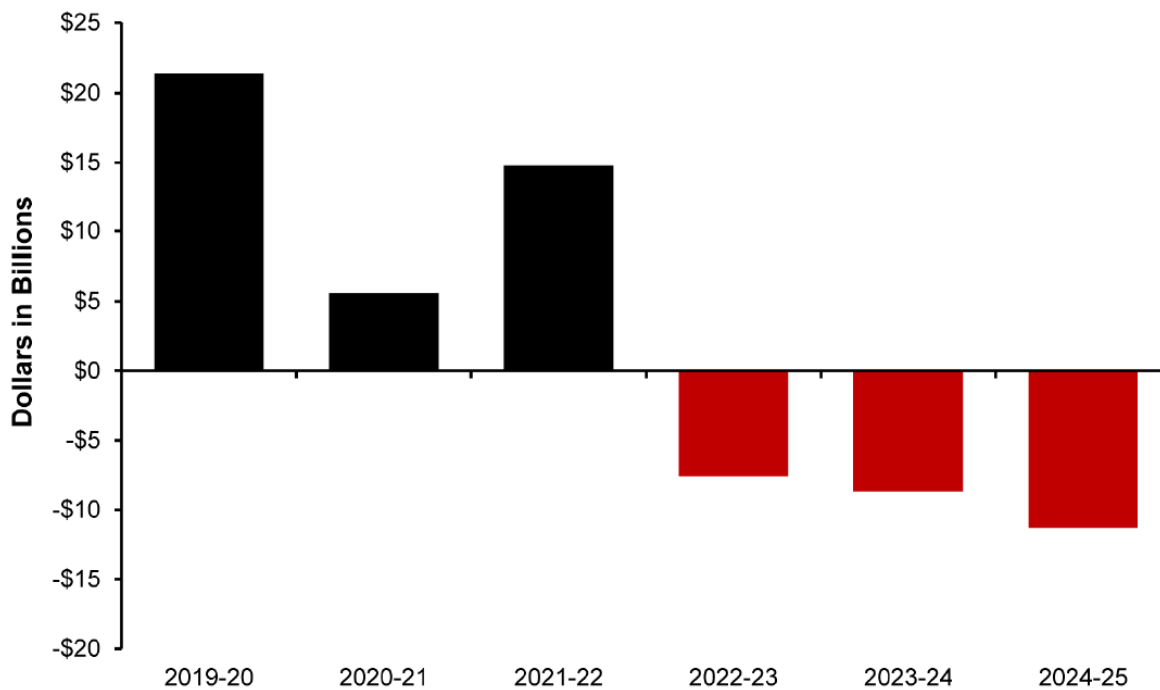
Structural Risks. The Governor's budget points out that risks to the forecast remain higher than usual, and economic inequality has intensified since the pandemic began. Many households and workers did not benefit from the prior decade of growth and the COVID-19 pandemic has only exacerbated that.

The Administration further points out that the budget forecast was finalized prior to the Federal relief that was passed in December of 2020. The benefits to the state from this relief will have to be assessed to ensure that they align with the Governor's proposals. Future federal relief may also be critical to the state's ability to continue to mitigate the impacts of the COVID-19 pandemic.

The Administration's initial estimates project that Proposition 4, the State Appropriations Limit or "Gann Limit," will be exceeded for just the second time since its passage in 1979. The limit is currently projected to be exceeded by \$102 million. Any funds above this limit are constitutionally required to be allocated evenly between schools and a tax refund. This calculation will be updated in the May Revision.

Lastly, as noted earlier, the budget projects out-year shortfalls growing to \$11 billion by 2024-25. The following chart from the Governor's budget summary displays the projected budget surpluses and shortfalls from fiscal year 2019-20 through 2024-25.

Budget Projects Surplus, But Future Shortfalls Projected ^{1/}



^{1/} Budget shortfalls or surplus, measured by the annual Governor's Budget.

COVID-19 Pandemic Emergency Response Expenditures. The Governor's budget reflects an updated estimate of \$13 billion in total expenditures for response efforts associated with the COVID-19 pandemic for fiscal years 2019-20 and 2020-21. Anticipating reimbursement from the Federal Emergency Management Agency for emergency related activities, the current projected General Fund impact is estimated to be approximately \$2.5 billion. The current estimate for the two fiscal years is approximately \$4 billion higher than what was included the final 2020 budget. While some areas have seen a decrease in the total estimated response costs, the Governor's latest estimate reflects a significant increase in spending in state laboratory testing efforts, direct spending in state prisons and state hospitals, support for programs for California's most vulnerable populations and assistance to small businesses.

Immediate and Early Action. As the state continues to respond to the COVID-19 pandemic, the Governor's budget proposes numerous items for immediate or early action, including:

- **Immediate Relief for Individuals and Small Businesses.** This would include \$2.4 billion to provide a \$600 state payment to low-income workers through the Earned Income Tax Credit, \$575 million for grants to small businesses, small non-profits, and cultural institutions (bringing the total for this program to \$1 billion), and targeted relief for impacted industries, including restaurants and personal services.

- **Safe Reopening of Schools and Addressing Pandemic Impact on Students.** The budget proposes immediate action of \$2 billion Proposition 98 General Fund for safe reopening of schools beginning in February. The budget also includes early action for \$4.6 billion Proposition 98 General Fund for extending learning time, including summer school programs and strategies to address the pandemic's impacts on student learning.

As noted earlier, the Governor's budget forecast was completed prior to the federal relief package passed in December of 2020. It will be important to assess the Governor's proposals in light of the federal relief.

2020-21 Budget Recap

As a reminder of work done last year that the Governor's budget builds upon, following is a recap of some of the components of the 2020-21 budget.

Due to the COVID-19 pandemic, the Governor's 2020-21 May Revision projected a \$54.3 billion shortfall as compared to the 2020-21 Governor's January budget. As such, the current year budget focused on closing this \$54.3 billion shortfall through a combination of spending reductions, use of reserves, new revenue, cost shifts and borrowing, deferrals, use of federal funds, and baseline forecast adjustments. These included a withdrawal of \$7.8 billion from the Budget Stabilization Account and \$11.1 billion in spending reductions and deferrals that were included on a "trigger" list tied to additional federal funds.

Specific Items in the 2020-21 budget include:

- **K-12 Education.** In addition to Proposition 98 (General Fund and property taxes), K-12 education is funded through a variety of other fund sources, including federal funds, state lottery funds, local fund sources, and other funds. Total funding for K-12 education from all sources is approximately \$98.9 billion in 2020-21.
- **Deferrals.** In order to reduce Proposition 98 expenditures to the minimum guarantee level, but shield Local Educational Agencies (LEAs) from the impact of cuts, the budget agreement included deferrals of payments from one year to the next. Specifically, the budget defers a total of \$11 billion in principal apportionment payments to LEAs from the 2020-21 fiscal year to the 2021-22 fiscal year.

- **Learning Loss Mitigation.** The budget included a total of \$5.3 billion in one-time funding (\$4.4 billion federal Coronavirus Relief Fund, \$355.2 million federal Governor's Emergency Education Relief Fund and \$540 million Proposition 98 General Fund) to address learning loss and other impacts of COVID-19.
- **Higher Education.** The budget restored the Governor's budget proposal to provide a five percent or \$169.2 million General Fund base increase to UC. In addition, the budget included a "trigger" reduction of \$471.6 million General Fund, which would have been restored if additional federal funding was provided to the state. Additionally, the budget restored the Governor's budget proposal to increase General Fund support for CSU operations by five percent, \$199 million General Fund ongoing, and included a "trigger" cut to CSU of \$498.1 million.
- **Elimination of "Senior Penalty" in Medi-Cal Aged and Disabled Program.** The budget includes expenditure authority of \$135.5 million (\$67.7 million General Fund and \$67.7 million federal funds) for elimination of the "senior penalty", which extends eligibility for the Medi-Cal Aged and Disabled Program up to 138 percent of the federal poverty level.
- **Funding for Counties and Cities.** The budget provided \$1.3 billion in federal CARES Act funding to counties and \$500 million in federal CARES Act funding to cities for homelessness, public health, public safety, and other services to combat the COVID-19 pandemic.
- **Realignment Backfill for Counties.** The budget included \$750 million to provide support for counties experiencing revenue losses for realigned programs, prioritizing support for health and human services, entitlement programs, and programs that serve vulnerable populations.
- **CalWORKs 60-Month Time Clock.** The budget included trailer bill language authorizing a single 60-month CalWORKs time limit, effective May 1, 2022, or when the department notifies the Legislature that all necessary automation changes are complete. The bill also eliminated the 24-month limitation on certain welfare-to-work activities, effective May 1, 2022, or when the department notifies the Legislature that all necessary automation changes are complete.
- **Low Income Housing Tax Credits.** The budget included \$500 million in new State Low Income Housing Tax Credits for 2020-21.

- **Earned Income Tax Credit (EITC).** The budget included trailer bill language to extend the EITC and Young Child Tax Credit (YCTC) eligibility to Individual Tax Identification Number filers.
- **Minimum Franchise Tax (MFT).** The budget included the expansion of the first-year exemption from the \$800 MFT to Limited Liability Companies, Limited Partnerships, and Limited Liability Partnerships. The exemption is applicable beginning January 1, 2021 and sunsets on January 1, 2026. This change is intended to alleviate burdens on newly formed corporations.
- **Juvenile Justice Realignment.** The budget included trailer bill language that included multiple provisions to realign the responsibility for state held youth to the counties.

2021-22 Proposed Budget Expenditures and Revenues

The proposed budget includes additional required programmatic increases and new spending. The table below summarizes the Governor's proposed expenditures by program area.

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

Program Area	Revised 2020-21	Proposed 2021-22	Change
K-12 Education	\$57,836	\$59,657	\$1,821
Higher Education	16,861	17,873	1,012
Health and Human Services	43,274	54,369	11,095
Corrections and Rehabilitation	12,342	13,089	747
Business, Consumer Services, Housing	911	961	50
Transportation	245	421	176
Natural Resources	4,449	4,552	103
Environmental Protection	2,480	460	-2,020
Labor and Workforce Development	161	684	523
Government Operations	2,111	3,051	940
General Government:			
Non-Agency Departments	943	1,001	58
Tax Relief / Local Government	1,182	437	-745
Statewide Expenditures	6,968	3,466	-3,502
Legislative, Judicial and Executive	6,135	4,494	-1,641
Total	\$155,898	\$164,515	\$8,616

Note: Numbers may not add due to rounding.

The Governor's 2021-22 budget proposes some major policy and budgetary changes. Some of the more important aspects of the budget proposal are outlined below:

Education and Higher Education

- **K-12 Education and Early Education.** In K-12 Education, the Governor proposes a total of \$6.6 billion in one-time Proposition 98 General Fund to immediately assist Local Educational Agencies (LEAs); of this \$2 billion would assist LEAs returning to in-person instruction and \$4.4 billion would assist LEAs in addressing learning loss. The Governor proposes to pay down significant portions of the payment deferrals created in the 2020-21 Budget Act, and defers a remaining \$3.7 billion in Proposition 98 payments from 2021-22 to 2022-23. The Governor also proposes to provide \$2 billion in ongoing Proposition 98 General Fund to provide a cost-of-living adjustment for the Local Control Funding Formula of 3.84 percent.

In addition, the Governor proposes to provide an additional \$300 million ongoing Proposition 98 General Fund for special education; \$540 million (\$315 million one-time Proposition 98 General Fund and \$225 million non-Proposition 98 General Fund) for teacher professional development, recruitment, and preparation; and a variety of proposals related to student mental health and well-being.

For Early Childhood Education, the Governor proposes \$500 million (\$300 million Proposition 98 General Fund and \$200 million non-Proposition 98 General Fund) to support the expansion of transitional kindergarten and a variety of adjustments related to the shift of early education programs from the Department of Education to the Department of Social Services.

- **Higher Education.** The budget proposes significant investments in higher education, including an increase of \$336 million (\$136 million ongoing) for the University of California (UC), \$425 million (\$200 million ongoing) for the California State University (CSU), and \$641 million (\$213 million ongoing) for the California Community Colleges (CCC). These proposed investments most significantly include: (1) a three percent base increase for UC and CSU, or \$104 million and \$112 million, respectively, a cost of living adjustment or \$111 million increase at the CCC, (2) one-time investments in emergency financial aid for students: \$250 million at the CCC, \$30 million at the CSU, and \$15 million at the UC, and (3) supports for student basic needs, with \$15 million ongoing at CSU, and \$100 million one-time at CCC.

Health and Human Services

- **Suspensions of Health and Human Services (HHS) Programs.** The budget proposes a delay of the suspension of several HHS programs for one year. The budget proposes suspension of these programs on December 31, 2022, instead of the current suspension date of December 31, 2021. These programs include the 7% reduction of IHSS service hours and the Uniform Holiday Schedule for developmental services providers (as well as supplemental rate increases for specified providers).
- **Expanded Facilities to Support Housing.** The Governor proposes \$250 million one-time General Fund for the Department of Social Services (DSS) to acquire and rehabilitate Adult Residential Facilities and Residential Care Facilities for the Elderly with a focus on preserving and expanding house for low-income seniors who are homeless or at risk of becoming homeless.
- **Food Assistance Programs.** The budget includes \$30 million one-time General Fund for DSS to fund food banks participating in the Emergency Food Assistance Program, as well as tribes and tribal organizations. Additionally, the budget includes \$11.4 million one-time General Fund to provide the maximum allowable benefit to households participating in the California Food Assistance Program.
- **California Advancing and Innovating in Medi-Cal (CalAIM).** During the fall of 2019, the Administration released a comprehensive proposal to transform the delivery system of physical, behavioral, and oral health care services in the Medi-Cal program, known as California Advancing and Innovating in Medi-Cal (CalAIM). Due to the pandemic, the Administration delayed implementation of CalAIM in the 2020-21 fiscal year. The budget includes \$1.1 billion (\$541.9 million General Fund) in 2021-22, growing to \$1.5 billion (\$755.5 million General Fund), as well as proposed statutory changes to the Medi-Cal program. The budget proposes allocation of this funding to the following CalAIM components in 2021-22:
 - \$187.5 million (\$93.7 million General Fund) to support the new enhanced care management (ECM) benefit in Medi-Cal managed care plans, beginning January 1, 2022.
 - \$47.9 million (\$24 million General Fund) to support in-lieu-of services (ILOS) benefits adopted by Medi-Cal managed care plans, beginning January 1, 2022.
 - \$300 million (\$150 million General Fund) to fund incentives for managed care plans to invest in voluntary ILOS programs and partner with community-based organizations and providers, including but not limited to community clinics, public hospital systems, and county behavioral health systems.

- \$401.6 million (\$174.7 million General Fund) to support transitions of populations between the fee-for-service and managed care delivery systems, as part of the CalAIM transformation of Medi-Cal.
 - \$113.5 million (\$57 million General Fund) for enhanced reimbursements for dental services previously included in the Dental Transformation Initiative component of Medi-Cal 2020, California's federal 1115 Medicaid Waiver.
 - \$21.8 million General Fund for the behavioral health quality improvement program, which helps county behavioral health programs make technical and other improvements to facilitate future behavioral health integration and payment reform efforts.
 - \$23.9 million (\$11 million General Fund) for state operations costs related to CalAIM.
- **Student Behavioral Health Services.** The budget includes \$400 million (\$200 million General Fund) and proposed trailer bill language to implement an incentive program for Medi-Cal managed care plans, in coordination with county behavioral health departments and schools, to build infrastructure, partnerships, and capacity statewide to increase utilization of preventive and early intervention behavioral health services by students.
 - **Suspended Programs Delayed for One Year.** The 2020 Budget Act implemented several program suspensions that would be implemented in the 2021-22 fiscal year if insufficient General Fund resources were available to fund the programs. These programs included Proposition 56 supplemental provider payments, optional benefits, the provisional postpartum Medi-Cal extension, and the expansion of screening for opioids and other drugs. The budget delays these suspensions as follows:
 - Proposition 56 – suspension of supplemental payments for physician services, dental services, trauma and development screenings, provider trainings, non-emergency medical transportation, and other value-based payments are delayed from July 1, 2021, to July 1, 2022. Suspension of payments for intermediate care facilities, freestanding pediatric subacute facilities and community-based adult services are delayed from July 1, 2021, to January 1, 2023. Payments for HIV/AIDS waiver providers, home health providers, pediatric day health care facilities, and value-based payments for behavioral health integration will not be suspended.
 - Optional Benefits – suspension of audiology and speech therapy, incontinence creams and washes, optician and optical lab services, and podiatry benefits in the Medi-Cal program will be delayed from December 31, 2021, to December 31, 2022.

- Provisional postpartum care extension – suspension of this eligibility extension will be delayed from December 31, 2021, to December 31, 2022.
- Screening for opioids and other drugs – this screening program will not be suspended.
- **COVID-19 Disaster Response.** The budget includes over \$1 billion in 2020-21 and \$820 million in 2021-22 for the Department of Public Health to respond to the COVID-19 pandemic. This funding includes both state and federal support for emergency response measures, including enhanced laboratory capacity and testing, data-driven investigation, response and prevention, coordination with local partners, and the Valencia Branch Laboratory.

Resources and the Environment

- **Wildfire Prevention and Response.** The Governor proposes \$1 billion for a coordinated forest health and fire prevention strategy maximizing technology and science-based approaches to protect state forest lands. For early action in the spring, the Governor proposes \$323 million to start forest health and fire prevention activities before the next fire season and increase the pace and scale of these fire prevention efforts. This early action is also intended to accelerate economic recovery in the forest sector. To increase wildfire suppression efforts, the Governor proposes \$143 million General Fund to support 30 new fire crews and includes \$48 million to continue phasing in Black Hawk helicopters and large air tankers.
- **Flood Preparedness.** The Governor proposes \$183 million in 2021-22, \$365.2 million over the next four years from various fund sources to leverage \$1.8 billion in federal funds for the American River Common Features project, maintenance and strengthening of levees, support of emergency flood response activities in the Sacramento-San Joaquin Delta, and support of collaborative flood risk management.
- **Cap-and-Trade Spending Plan.** The Governor proposes a \$1.37 billion Cap-and-Trade Spending Plan, including several early actions for 2020-21. Among the proposed allocations include: \$379 million for environmental equity programs related to clean air and drinking water, \$635 million for low carbon transportation and zero-emission vehicle strategy, and \$355 for natural and working lands.
- **Toxic Waste Control.** The Governor proposes \$300 million General Fund one-time for toxic site cleanup and investigations of high-priority contaminated properties, which will be prioritized based on public health risk criteria. The Governor proposes to create incentives to clean up and develop these sites for

future housing. Similar to last year, the Governor proposes comprehensive governance and fiscal reform to the Department of Toxic Substances Control.

- **Network of California Fairs.** The Governor proposes \$50 million General Fund one-time in 2021-22 to continue supporting state-affiliated fairgrounds operational costs that have been impacted by the COVID-19 pandemic. The Governor also proposes \$10 million General Fund one-time to support fairground deferred maintenance, with a priority on properties that are used to support emergency operations.

Transportation

- **Zero Emission Vehicles.** The budget includes the securitization of approximately \$1 billion in future revenues for the California Clean Energy Commission's (CEC) Clean Transportation Program for the construction of electric vehicle charging and hydrogen fueling stations. The budget proposes statutory changes to extend existing vehicle regulation fees currently set to expire in 2024 and to authorize the securitization of these revenues to support this program.
- **Department of Motor Vehicles.** The budget includes \$186 million for a variety of workload and operational issues. This includes \$152 million in one-time funding for up to 1,300 temporary positions to address REAL ID demands prior to the enforcement date in October 2021, as well as \$34 million ongoing for 258 positions to continue a number of ongoing operational improvements.

Housing and Homelessness

- **Housing Acquisition for Homelessness.** The budget includes \$1.75 billion in one-time General Fund resources to develop housing needed to combat homelessness.
- **Infill Infrastructure Grant Program.** The Administration is proposing to use \$500 million in General Fund resources to expand the Infill Infrastructure Grant (IIG) program, which provides grants to housing related infrastructure in infill areas. The Administration is requesting early action on \$250 million of this funding.
- **Low Income Housing Tax Credits.** The Administration is proposing a third round of \$500 million in additional Low Income Housing Tax Credits to continue the investments the state has made in this area in 2019 and 2020.

General Government and Public Safety

- **Expansion of Small Business Grants.** The proposed budget includes an additional \$550 million one-time General Fund allocation for relief grants to small businesses that have been impacted by the COVID-19 pandemic, to be administered by the California Office of the Small Business Advocate (CalOSBA) within the Governor's Office of Business and Economic Development (GO-Biz). This, along with the initial \$500 million investment made in November, would bring the total investment in small business grants to \$1.05 billion. An additional \$25 million is available for small cultural institutions, such as museums and art galleries.
- **CalCompetes Tax Credit Expansion and Grant Program.** CalCompetes incentivizes businesses to locate or stay and grow in California. The proposed budget increases the amount of tax credit available for allocation by \$90 million in both 2020-21 and 2021-22 for a total of \$270 million per year, in line with recent demand which has far exceeded available credits. The proposed budget also includes \$250 million one-time General Fund to establish a grant component of CalCompetes for businesses that meet one or more of the following criteria: establish at least 500 net new jobs; make a significant infrastructure investment; commit to a high-need, high-opportunity area of the state; or receive a designation from the Director of GO-Biz that the application is a strategic priority of the state. The new program will dedicate at least \$50 million of the \$250 million one-time General Fund to high-need, high-opportunity areas of the state.
- **Golden State Stimulus.** The proposed budget includes \$2.4 billion to provide a \$600 refund to all 2019 taxpayers who received a California Earned Income Tax Credit (CalEITC) in 2020 as well as to 2020 taxpayers with individual tax identification numbers (ITINs) who receive a Cal EITC in 2021. The payments would be distributed in February through April, in order to immediately help low-income households. Californians with annual incomes of \$30,000 or less may be eligible for CalEITC, and last year nearly 3.9 million CalEITC tax returns were filed.
- **Extended Main Street Small Business Tax Credit.** The Governor's budget proposes an additional \$100 million to expand a hiring tax credit for qualified small business employers. This is in addition to a similar hiring credit enacted in statute (Chapter 41, Statutes of 2020, SB 1447) with a \$100 million cap. It is intended to encourage hiring new employees and rehiring former employees.
- **State Infrastructure Plan.** The budget proposes \$52 billion in state infrastructure over the next five years, with investments in projects to renovate state office buildings,

state hospitals and correctional facilities, and to replace fire stations and courthouses, among others.

- **Disaster Assistance.** The budget proposes \$256.1 million one-time General Fund through the California Disaster Assistance Act to assist local governments in serving their communities during and in the wake of emergency events. This funding will be used to repair, restore, or replace public real property damaged or destroyed during disaster events or reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclamation by the Governor.
- **Cannabis.** The budget proposes a consolidation of the licensing and associated regulatory functions into a new Department of Cannabis Control, and proposes \$153.8 million Cannabis Control Fund to reflect the consolidation of the functions and positions of the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health into a new, stand-alone Department of Cannabis Control within the Business, Consumer Services, and Housing Agency. The budget reflects an increase of \$146.2 million compared to the allocation estimates in the 2020 Budget Act, compared to allocation estimates in the 2020 Budget Act. The budget also includes \$15.5 million ongoing Cannabis Tax Fund and statutory changes to permanently support the local equity grant program that is administered by the Governor's Office of Business and Economic Development.
- **Labor.** The budget proposes \$555 million one-time General Fund for an anticipated interest payment associated with the federal unemployment insurance (UI) trust fund loan deficit. The Administration estimates that the state will have a \$21.5 billion UI Trust fund deficit as of the end of 2020, which will grow to \$48.9 billion by the end of 2021.

Additionally, the budget proposes \$25 million one-time General Fund for the California Workforce Development Board to increase the number of apprenticeships and pre-apprenticeships.

The budget also proposes the creation of the Department of Better Jobs and Higher Wages, which would consolidate functions of the Workforce Development Board, Employment Training Panel, Workforce Service Branch and Labor Market Information Division of the Employment Development Department, and the Division of Apprenticeship Standards at the Department of Industrial Relations.

- **The Division of Juvenile Justice (DJJ) Realignment.** SB 823 (Committee on Budget), Chapter 337, Statutes of 2020, transfers the responsibility for managing all

youthful offenders housed at the state level to local jurisdictions and intends to close all DJJ facilities. Consistent with the provisions in SB 823, DJJ will stop the intake of youth on June 30, 2021 with limited exceptions. Additionally, the Administration announced in its summary that DJJ is expected to close on June 30, 2023. The budget also establishes the Office of Youth and Community Restoration (OYCR) within the Health and Human Services Agency, effective July 1, 2021. The objective of the OYCR is to fulfill the rehabilitative purpose of the state's juvenile justice system through trauma-informed and developmentally appropriate services and programs. The budget also includes appropriations related to the Juvenile Justice Realignment Block Grant starting in 2021-22 and anticipated costs for the startup and operation of the OYCR. More detail can be found in the Health and Human Services and Public Safety chapters.

- **Pandemic Early Disposition Calendar Program.** The budget proposes the creation of a Pandemic Early Disposition Calendar to dismiss charges for defendants who have no new charges or violations upon and during their participation in a diversion program.

Overall Proposition 98 – K-14 Education

Budget Year – Overall Funding Levels. The proposed budget estimates a total Proposition 98 funding level of \$88.1 billion (K-14). This is a \$17.2 billion increase over the 2020-21 Proposition 98 level provided in the 2020 Budget Act (a \$5.3 billion increase over the revised 2020-21 Proposition 98 level, as discussed below). This large year over year increase in the Proposition 98 Guarantee reflects higher than anticipated revenues than previously projected related to the impact of the COVID-19 pandemic. The Administration estimates that the Proposition 98 calculation for 2021-22 will be a Test 1 calculation.

Prior and Current Year Adjustments. The budget proposes to provide total Proposition 98 funding (K-14) for 2019-20 of \$79.5 billion, an increase of \$1.9 billion over the 2020 final budget act level. For 2020-21, the Governor estimates an increase in the total Guarantee of \$11.9 billion for a total of \$82.8 billion. These adjustments are primarily also the result of higher than anticipated General Fund revenues than projected at the 2020 final budget act related to the impact of the COVID-19 pandemic. The Administration estimates that the Proposition 98 calculations for 2019-20 and 2020-21 are both Test 1.

Proposition 98 K-12 Education Changes. The proposed budget includes a Proposition 98 funding level of \$75.9 billion for K-12 programs. This includes a year-to-year increase of \$3.4 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2020-21. Under the Governor's proposal, ongoing

K-12 Proposition 98 per pupil expenditures increase from \$12,372 provided in 2020-21 (revised) to \$13,015 in 2021-22, an increase of 5.2 percent.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. The 2021-22 proposed budget required deposits for 2020-21 and 2021-22 of \$747 million and \$2.4 billion, respectively, for a total balance of approximately \$3 billion.

Proposition 98 Multi-Year Obligation. The 2020-21 budget included a multi-year payment obligation designed to supplement funding provided by Proposition 98. This new obligation designated 1.5 percent of General Fund Revenues per year to K-14 education beginning in 2021-22 to provide \$12.4 billion over a multi-year period. This funding was intended to accelerate the recovery of the Proposition 98 Guarantee from reductions due to the impact of COVID-19 and increase the Proposition 98 share of General Fund from 38 to 40 percent in a Test 1 year by 2023-24. With the General Fund revenues estimated in the proposed budget, the recovery of the Proposition 98 Guarantee from reductions related to COVID-19 is achieved and the 2021-22 budget provides a one-time overappropriation of the Proposition 98 Guarantee in 2021-22 by \$2.3 billion and eliminates this statutory obligation in future years.

K-12 Education – Major Spending Proposals

Federal Stimulus Funds. The proposed budget does not include funds from the recently enacted federal COVID-19 relief bill, from which California is anticipated to receive more than \$6 billion Elementary and Secondary Schools Emergency Relief Fund (ESSER) for public K-12 schools (of which 90 percent would go directly to Title I schools) and \$400 million Governor's Emergency Education Relief Fund (GEER) for both public and private pre-kindergarten through higher education institutions. These resources will assist schools in reopening and remaining open for in-person instruction and addressing the immediate needs of students. The Administration has indicated they will engage with the Legislature on the immediate allocation of these funds and need for any related Legislation.

Immediate Support for Schools - Early Action Items. The proposed budget includes a total of \$6.6 billion in one-time Proposition 98 General Fund to provide immediate support for schools and the Governor requests early action on this package.

- Specifically, \$2 billion would be provided in grants for LEAs that adhere to COVID-19 related health and safety guidance from the California Department of Public Health, including for completing safety plans and adopting a state-recommended testing cadence for teachers and students, and

open for in-person instruction by March 15th. Those LEAs that have already opened or open for in-person instruction by February 15th would be eligible for higher grant amounts. Accompanying trailer bill language specifies that LEAs would need to open for grades kindergarten through 2 and for specified high-risk populations by February 15th, increasing through grade 6 by March 15th. Additional provisions are made for schools in counties in severe purple tiers to remain closed but remain eligible for funding.

- The remaining \$4.6 billion would be available for all LEAs for targeted interventions that focus on students from low-income families, English language learners, youth in foster care, and homeless youth, including for extending the school year, providing summer school, or other targeted strategies that address learning loss related to the pandemic, including community learning hubs.

K-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state typically annually adjusts the grant amounts by a cost-of-living adjustment (COLA). In the 2020-21 Budget Act, a COLA was not included for the LCFF. The proposed budget provides a COLA of 3.84 percent (1.5 percent attributed to 2021-22 and 2.31 percent to reflect the foregone COLA in 2020-21), approximately \$2 billion, for the 2021-22 fiscal year, bringing total LCFF funding to \$64.5 billion.

In addition, while the 2020-21 budget included a hold harmless on average daily attendance for purposes of LCFF (the hold harmless also applies for the 2021-22 school year) and authorized distance learning for 2020-21, the proposed budget makes no similar provisions for 2021-22. Instead the Administration notes an expectation of in-person instruction in the 2021-22 school year, but commits to working with the Legislature on any needed flexibilities due to continued impacts of the COVID-19 pandemic.

Deferrals. In order to reduce Proposition 98 expenditures to the minimum guarantee level, but shield LEAs from the impact of cuts, the 2020 budget agreement included deferrals of payments from one year to the next. Specifically, the budget deferred a total of \$11 billion in principal apportionment payments to LEAs reducing apportionments for the Proposition 98 Guarantee by this amount in 2020-21 in order to meet the Proposition 98 Guarantee as of the 2020 Budget Act. The 2021-22 proposed budget includes paying down \$7.3 billion in deferrals in 2021-22, while the remainder of \$3.7 billion would continue to be deferred from 2021-22 to 2022-23 and in ongoing years.

K-12 Special Education. The proposed budget included an increase of \$300 million in ongoing Proposition 98 General Fund for the Special Education Early Intervention grant, to be provided to LEAs based on the number of three through five-year olds with exceptional needs. The proposed budget also includes \$5 million one-time Proposition 98 General Fund to establish professional learning networks to increase LEA capacity to access federal Medi-Cal funds; \$250,000 one-time Proposition 98 General Fund for a lead county office of education to provide guidance for Medi-Cal billing within the statewide system of support; and \$500,000 one-time Proposition 98 General Fund for a study to examine certification and oversight of non-public school special education placements.

Community Schools. The proposed budget includes \$264.9 million in one-time Proposition 98 General Fund for grants to LEAs to support existing networks of community schools, establish new community schools, and to coordinate a wide range of services to these schools, with priority given to schools in high-poverty communities.

Teacher Training, Recruitment, and Retention. The proposed budget includes the following programs and funds to recruit, retain, and support educators:

- \$250 million one-time Proposition 98 General Fund for the Educator Effectiveness Block Grant to provide LEAs with resources to expedite professional development for teachers, administrators, and other in-person staff, in high-need areas including accelerated learning, re-engaging students, restorative practices, and implicit bias training.
- \$100 million one-time non-Proposition 98 General Fund for continued investment in the Golden State Teacher Grant Program, which provides grants to students enrolled in teacher preparation programs who commit to working in high-need fields and at schools with high rates of under-prepared teachers.
- \$100 million one-time Proposition 98 General Fund to expand the Teacher Residency Program, which supports clinical teacher preparation programs dedicated to preparing and retaining teachers in high-need communities and subject areas, including special education, bilingual education, and STEM.
- \$50 million one-time Proposition 98 General Fund to create statewide resources and provide targeted professional development on social-emotional learning and trauma-informed practices.
- \$25 million one-time Proposition 98 General Fund to expand the Classified School Employees Credentialing Program, which provides grants to local educational

agencies to recruit non-certificated school employees to become certificated classroom teachers.

- \$8.3 million one-time Proposition 98 General Fund for the California Early Math Initiative to provide teachers with professional development in mathematics teaching strategies for young children pre-K through third grade through the statewide system of support.
- \$7 million one-time non-Proposition 98 General Fund to the University of California Subject Matter Projects to create high-quality professional development on learning loss in core subject matter content areas like reading, math, and ethnic studies.
- \$5 million one-time Proposition 98 General Fund to fund professional development and instructional materials for local educational agencies who are offering, or would like to offer, courses on ethnic studies.

K-12 School Facilities. In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell \$9 billion in general obligation bonds for K-14 facilities (\$7 billion for K-12 and \$2 billion for community colleges). The proposed budget includes approximately \$1.5 million in K-12 bond authority in 2021-22, similar to the amount included in prior years, for new construction, modernization, career technical education, and charter facility projects.

K-12 School Mental Health. The proposed budget includes \$25 million one-time Mental Health Services Fund (Proposition 63), available over multiple years, to expand the Mental Health Student Services Act Partnership Grant Program, which funds partnerships between county behavioral health departments and schools. In addition, the proposed budget includes \$25 million ongoing Proposition 98 General Fund to fund innovative partnerships with county behavioral health to support student mental health services. This funding would be provided to LEAs to match funding in county Mental Health Services Act spending plans dedicated to the mental health needs of students.

In addition, the Department of Managed Health Care Services budget includes a related proposal to provide \$400 million one-time in a mix of federal funds and General Fund, available over multiple years, for the Department of Health Care Services to implement an incentive program through Medi-Cal Managed Care Plans, administered by county behavioral health departments and schools.

School Climate Surveys. The proposed budget includes \$10 million one-time Proposition 98 General Fund to a county office of education to support the use of school climate surveys, including through training for LEAs, and providing start-up grants to LEAs for the use of school climate surveys.

County Offices of Education. The proposed budget includes an increase of \$10.2 million ongoing Proposition 98 General Fund to reflect a 1.5 percent COLA and ADA changes applicable to the LCFF.

Instructional Quality Commission. The proposed budget includes an increase of \$206,000 one-time non-Proposition 98 General Fund for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

Cost-of-Living Adjustments. The proposed budget also provides \$85.7 million Proposition 98 General Fund to support a 1.5 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others.

Local Property Tax Adjustments. The proposed budget includes an increase of \$54.1 million ongoing Proposition 98 General Fund for school districts and county offices of education in 2020-21 as a result of decreased offsetting property tax revenues, and a decrease of \$1.2 billion ongoing Proposition 98 General Fund for school districts and county offices of education in 2021-22 as a result of increased offsetting property taxes.

LCFF Fiscal Accountability. The proposed budget includes a proposal to be detailed in upcoming trailer bill language that would address concerns that some LEAs allocate funds for increased and improved services in the Local Control and Accountability Plan (LCAP) and then leave them unspent, reallocating them for other purposes in future years by requiring that, once established, an LEA's responsibility to increase and improve services continues until fulfilled.

Adults in Charter Schools. The proposed budget includes a proposal to be detailed in upcoming trailer bill language that would clarify current law allowing charter schools in exclusive partnerships with specified state or federal job-training programs to receive state apportionment funding for students above 19 years of age.

Free Application for Federal Student Aid (FAFSA). The proposed budget requires LEAs to confirm that all high school seniors complete a FAFSA or California Dream Act Application beginning in the 2021-22 academic year.

Cradle-to-Career Data System. To support the continued development of the Cradle-to-Career Data System, the budget proposes \$15 million General Fund (\$3 million is one-time) to establish an office within the Government Operations Agency to provide support and resources for a data system and \$3.8 million ongoing Proposition 98 General Fund to support the California Career Guidance Initiative (CCGI) which provides an interface for student data between high schools, students, and families that will be integrated into the Cradle-to-Career Data System.

Early Education

In the 2020-21 Budget Act, a proposal was adopted to shift most child care programs, with the exception of state preschool, from the Department of Education to the Department of Social Services on July 1, 2021. As a result, major early education changes are described below, while child care changes are now described in the Health and Human Services section of this report.

State Preschool Program. The proposed budget includes an increase of \$11.2 million ongoing Proposition 98 General Fund for the State Preschool Program in 2021-22 reflecting an increase of \$19.1 million for a COLA of 1.5 percent, and a decrease of \$7.8 million for one-time family fee waivers provided in 2020-21.

Transitional Kindergarten. The proposed budget also includes an increase of \$29 million (for a total of \$902 million) Proposition 98 General Fund for Transitional Kindergarten, reflecting traditional ADA growth and COLA. This funding is included within LCFE totals as discussed earlier in this report. In order to facilitate the expansion of transitional kindergarten to younger children the budget includes the following additional proposals:

- \$250 million one-time Proposition 98 General Fund, available over multiple years, to provide grants to LEAs that offer early access to transitional kindergarten, to help them cover up-front costs associated with expanding programs.
- \$200 million one-time General Fund for school districts to construct and retrofit existing facilities to support transitional kindergarten and full-day kindergarten programs.
- \$50 million one-time Proposition 98 General Fund to support the preparation of transitional kindergarten teachers and provide both transitional kindergarten and kindergarten teachers with training in providing instruction in inclusive classrooms, support for English language learners, social-emotional learning, trauma-informed practices, restorative practices, and mitigating implicit biases

Higher Education

University of California (UC)

Base Allocation. The Governor's January budget proposes an increase of \$104 million General Fund ongoing for a three percent base increase to campuses, the Office of the President, the UC Path Center, and Agriculture and Natural Resources (ANR). The Administration expects the UC to: (1) maintain resident undergraduate tuition and fees at existing levels, (2) reduce equity gaps, (3) align student learning objectives with workforce needs, (4) adopt policies related to online course and program offerings, and (5) to create a new dual admissions pathway for first time freshman applications to be considered for guaranteed admission to UC upon completion of an Associate Degree for Transfer (ADT) or its UC equivalent.

Programs in Medical Education (PRIME). The budget proposes an increase of \$13 million General Fund ongoing for UC PRIME to support and expand existing programs and to establish a new UC PRIME focused on Native American communities. UC is encouraged to use the funds to support PRIME programs that would service underrepresented areas of the state and may establish additional PRIME programs that are state priorities.

California Institute for Science and Innovation. The budget proposes \$20 million one-time General Fund for four science and innovation institutes at UC campuses to support stipends for students over a five-year period and for research teams to link with industry partners to better align educational programs with workforce needs.

Mental Health and Instructional Technology. The budget proposes \$15 million General Fund ongoing for student mental health and instructional technology.

Graduate Medical Education. The budget proposes an increase of \$1 million General Fund ongoing to offset a like amount of declining Proposition 56 funding for graduate medical education.

Learning Management System. The budget proposes \$1 million General Fund ongoing for UC to adopt a common learning management platform for online courses at each campus that aligns with the platform used by community colleges, known as Canvas, by 2023-24 academic year.

Deferred maintenance. The budget proposes \$175 million General Fund one-time for deferred maintenance and energy efficiency projects.

Emergency Financial Aid. The budget proposes \$15 million General Fund one-time for emergency student financial aid for full-time, low-income students and other students who previously worked full-time.

K-12 Subject Matter Projects. The budget proposes \$7 million General Fund one-time to create new K-12 Subject Matter Projects for learning loss and ethnic studies.

Professional Development. The budget proposes \$5 million General Fund one-time for faculty professional development.

UC San Francisco (UCSF)–Department of Public Health (DPH) Modeling Consortium. The budget proposes \$1.25 million one-time General Fund that will be available over two years to support health modeling consortium partnership between UCSF and DPH.

UC ANR Fire Advisors. Connected to the wildfire and forest resilience package, the budget proposes \$2 million General Fund one-time for UC ANR Fire Advisors.

Governor Proposes Allowing ANR to Charge Campus Assessments. The budget proposes budget bill language to authorize new campus assessments of up to \$7.3 million for ANR. Though the 2020-21 budget allowed UC to charge campus assessments to support the UCPath center, it prohibited campus assessments to support the UC Office of the President and ANR. In combination with the three percent base increase, the new campus assessments for ANR would restore ANR's base budget to its 2019-20 level.

Postpones Sunset of Summer Financial Aid Programs. The Administration proposes delaying the sunset of summer financial aid programs at the public universities by one year—moving the sunset date from December 31, 2021 to December 31, 2022.

California State University (CSU)

Base Allocation. The budget proposes an increase of \$112 million ongoing General Fund for a three percent base increase to CSU with the expectation that CSU (1) maintain undergraduate tuition and fees at current levels for 2021-22, (2) take action to reduce equity gaps, (3) adopt policies related to online course and program offerings, (4) align student learning with workforce needs, and (5) create a new stand-alone dual admissions pathway enabling first-time freshman applicants to be considered for guaranteed admission to CSU upon completion of ADT at a community college.

Retiree Health Benefit Costs. The budget proposes an increase of \$55 million ongoing General Fund for increased retiree health benefit costs.

CSU Monterey Bay Computing Talent Initiative. The budget proposes \$10 million one-time General Fund for the CSU Monterey Bay Computing Talent Initiative. The initiative will support a computer science acceleration program that will guide several cohorts of underrepresented computer science college students through a series of educational and employment related modules and workshops.

Basic Needs. The budget proposes an increase of \$15 million General Fund ongoing for student basic needs under the Graduation Initiative. This proposal seeks to sustain or expand support for the program and support students experiencing food and housing insecurity, financial distress and other challenges that disrupt educational success.

Mental Health and Instructional Technology. The budget proposes an increase of \$15 million ongoing General Fund for student mental health and instructional technology.

Learning Management System. The budget proposes \$2 million for a learning management system that is common across all three public segments.

CSU Stanislaus Stockton Center. The budget proposes \$1 million ongoing General Fund to increase enrollment at the CSU Stanislaus Stockton Center. This proposal will increase enrollment by 115 students.

Corporation for Education Network Initiatives in California (CENIC). The budget proposes \$246,000 ongoing General Fund to pay higher CENIC costs.

Deferred Maintenance. The budget proposes \$175 million General Fund one-time for deferred maintenance and energy efficiency projects.

Emergency Financial Aid. The budget proposes \$30 million General Fund one-time for emergency student financial aid for low-income students who are enrolled full-time, and other students who were previously working full-time.

Professional Development. The budget proposes \$10 million General Fund one-time for culturally competent faculty professional development.

CSU San Marcos. The budget proposes \$5 million General Fund one-time for CSU San Marcos to study enhanced firefighting equipment and strategies to protect firefighters from conditions present during wildfires in the wildland urban interface.

Postpones Sunset of Summer Financial Aid Programs. The Administration proposes delaying the sunset of summer financial aid programs at the public universities by one year—moving the sunset date from December 31, 2021 to December 31, 2022.

California Community Colleges (CCC)

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

Early Action Package. The budget proposes the following package of investments for the Legislature to take early action on:

- **Emergency Financial Aid.** The budget proposes \$250 million Proposition 98 General Fund one-time for emergency student financial aid grants (of which \$100 million is proposed as part of the early action package). Regarding the \$100 million for early action, the Administration proposes that this is to support low-income, full-time students and other students who were previously working full-time who demonstrate financial need. The remaining \$150 million will be available to low-income students who are enrolled full-time or students who previously worked full-time and can demonstrate need and had at least a 2.0 GPA in one of their last three semesters or four quarters.
- **Student Retention.** The budget proposes \$20 million Proposition 98 General Fund one-time for student retention and enrollment strategies. These funds would be used to engage former students who may have withdrawn from college due to COVID-19, and to engage with current or prospective students who are hesitant to remain or enroll in college due to COVID-19 impacts.

Work-based Learning. The budget includes \$20 million Proposition 98 General Fund one-time for a work-based learning initiative.

California Apprenticeship Initiative. The budget proposes an increase of \$15 million Proposition 98 General Fund ongoing for the California Apprenticeship Initiative, which supports the creation of apprenticeship opportunities in priority and emerging industries and sectors.

Repaying Deferrals. The 2020 budget included \$1.45 billion in Proposition 98 payment deferrals for the CCC. The Governor proposes \$1.127 billion one-time Proposition 98 General Fund to pay down deferrals in the budget year. For 2021-22, \$326 million in deferrals would remain in place. Specifically, CCC's June 2022 apportionment payment would be deferred to early 2022-23.

Apportionment. The budget proposes an increase of \$111 million ongoing Proposition 98 General Fund for a 1.5 percent COLA for apportionment. The budget also proposes an increase of \$52.7 million one-time Proposition 98 General Fund in 2020-21, and a decrease of \$292.7 million ongoing Proposition 98 General Fund as a result of increased offsetting local property taxes.

Categorical Programs. The budget proposes an increase of \$14 million Proposition 98 General Fund ongoing for a 1.5 percent COLA to select categorical programs (Adult Education Programs, apprenticeship programs, CalWORKs student services, campus childcare support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant).

Mental Health and Instructional Technology. The budget proposes an increase of \$30 million ongoing Proposition 98 General Fund for student mental health and instructional technology.

Enrollment Growth. The budget proposes an increase of \$23 million ongoing Proposition 98 General Fund for 0.5 percent enrollment growth.

Online Education Block Grant. The budget proposes \$11 million Proposition 98 General Fund ongoing for an online education and support block grant. This grant will support continuity of education and quality distance learning, including access to online tutoring, counseling and student support services such as mental health.

Corporation for Education Network Initiatives in California (CENIC). The budget proposes an increase of \$8 million Proposition 98 General Fund ongoing to pay higher CENIC costs.

Adult Education Technical Assistance. The budget proposes \$1 million Proposition 98 General Fund ongoing for Adult Education Program technical assistance.

Basic Needs. The budget proposes \$100 million Proposition 98 General Fund one-time for student basic needs to address food and housing insecurity.

Professional Development. The budget proposes \$20 million Proposition 98 General Fund one-time for a systemwide effort to provide culturally competent online faculty professional development.

Zero-Textbook Cost Degree Initiative. The budget proposes \$15 million Proposition 98 General Fund one-time for a zero textbook cost degree initiative (similar to last year).

Instructional Materials for Dual Enrollment. The budget proposes \$2.5 million Proposition 98 General Fund one-time for instructional materials for dual enrollment students (similar to last year).

Implementation of AB 1460 (Weber), Chapter 32, Statutes of 2020 and Anti-Racism Initiatives. The budget proposes \$600,000 Proposition 98 General Fund one-time to implement AB 1460 ethnic studies course requirements and systemwide anti-racism initiatives.

Capital Outlay. The budget proposes an increase of General Obligation Bond Funding of \$355.8 million, including \$2.2 million to start one new project and \$353.6 million for the construction phase of 17 projects anticipated to complete design by the spring of 2022.

Hastings College of the Law

Base Adjustment. The Governor's budget proposes a \$2.1 million (14.3 percent) unrestricted General Fund base increase for Hastings. The Administration states that the increase buys out a seven percent increase in tuition that Hastings would otherwise consider adopting.

California Student Aid Commission (CSAC)

Early Action Package. The budget proposes the following package of investments for the Legislature to take early action on.

- **Cal Grant A Eligibility.** The Governor proposes an increase of \$58 million ongoing beginning in 2020-21 to restore Cal Grants for students who lost eligibility due to a change in living arrangement.
- **Private-Nonprofit Institutions.** The budget proposes to amend existing law to delay the requirement for private nonprofit institutions to offer admissions to at least 2,000 Associate Degree for Transfer students for the 2020-21 academic year in order to maintain the maximum Cal Grant award at \$9,084 in 2021-22. The delay shifts the requirement to apply the admissions threshold to 2022-23.

Case Load. The budget proposes \$2.8 billion for CSAC, reflecting a five percent increase over the revised 2020-21 level.

Competitive Cal Grant Awards. The budget proposes \$35 million ongoing to fund an additional 9,000 new competitive awards annually (bringing the total number of new awards annually to 50,000).

Foster Youth Awards. The budget proposes an increase of \$20 million ongoing to provide Cal Grant access awards of up to \$6,000 to current and former foster youth.

Golden State Teacher Grants. The budget proposes an increase of \$100 million one-time for Golden State Teacher Grants, administered by CSAC. Additional information on this proposal may be found in the K-12 section of this report.

Free Application for Federal Student Aid or the California Dream Act. The budget proposes trailer bill language requiring school districts to confirm that all high school seniors submit a Free Application for Federal Student Aid or a California Dream Act Application. Additional information on this proposal may be found in the K-12 section of this report.

California State Library

Ongoing Initiatives. The Governor's budget proposes making two local library initiatives ongoing: (1) \$1 million ongoing for the Zip Books program and (2) \$800,000 ongoing for the Lunch at the Library initiative.

One-time Initiatives. Since 2018-19, the state has provided \$1 million one-time funding annually for each initiative. The administration proposes continuing one-time funding for two other initiatives: (1) \$5 million one-time for early learning and after school library programs; and (2) \$3 million one-time for mobile libraries. The state provided both initiatives identical amounts of one-time funding, respectively, in 2019-20.

Other Higher Education Proposal

Workforce Investment. The budget proposes \$250 million one-time General Fund to support forthcoming proposals that are focused on workforce development, segment alignment and improving linkages between higher education institutions and employers.

Natural Resources, Environmental Protection, and Energy

Natural Resources

Wildfire Prevention and Response. The Governor proposes \$1 billion for a coordinated forest health and fire prevention strategy maximizing technology and science-based approaches to protect state forest lands. For early action in the spring, the Governor proposes \$323 million to start forest health and fire prevention activities before the next fire season and increase the pace and scale of these fire prevention efforts. This early action is also intended to accelerate economic recovery in the forest sector. To increase wildfire suppression efforts, the Governor proposes \$143 million General Fund to support 30 new fire crews and includes \$48 million to continue phasing in Black Hawk helicopters and large air tankers.

Sustainable Groundwater. The Governor proposes \$60 million General Fund one-time (\$30 million in 2020-21 and \$30 million in 2021-22) for grants to support local planning and implementation of Groundwater Sustainability Plans across critically over-drafted basins.

Flood Preparedness. The Governor proposes \$183 million in 2021-22, \$365.2 million over the next four years from various fund sources to leverage \$1.8 billion in federal funds for the American River Common Features project, maintenance and strengthening of levees, support of emergency flood response activities in the Sacramento-San Joaquin Delta, and support of collaborative flood risk management.

Fish and Wildlife. The Governor proposes \$45.1 million one-time (\$41.8 million General Fund and \$3.3 million bonds funds) for investments in equipment, technology, and process improvements to deliver more effective and efficient services with existing staff resources.

California Geologic Energy Management Division (CalGEM). The Governor proposes \$4.8 million and 26 positions phased in over three years to improve CalGEM oversight such as inspections, enforcement, review of pipeline management plans, and improving transparency and data reliability.

Environmental Protection

Cap & Trade Expenditure Plan. The Governor proposes a \$1.37 billion Cap-and-Trade Spending Plan, including several early actions for 2020-21. Among the proposed appropriations: \$379 million for environmental equity programs related to clean air and

drinking water, \$365 million for low carbon transportation and zero-emission vehicle strategy, and \$355 million for natural and working lands.

Department of Toxic Substances Control (DTSC) Reform. Similar to last year, the Governor proposes comprehensive governance and fiscal reform to the DTSC.

Toxic Waste Cleanup. The Governor proposes \$300 million General Fund one-time for toxic site cleanup and investigations of high-priority contaminated properties, which will be prioritized based on public health risk criteria. The Governor proposes to create incentives to clean up and develop these sites for future housing.

Pesticide Mill Fee. The Governor proposes to replace the current flat-fee mill assessment on pesticide sales with a risk-based tiered mill assessment, where higher toxicity pesticides are assessed a higher fee. Phased in over four years, this tiered fee is intended to discourage the use of toxic pesticides in favor of safer, more sustainable agricultural and non-agricultural pest management practices and is intended to fund the following: integrated pest management, enforcement and air monitoring, and community engagement.

Integrated Pest Management (IPM). The Governor proposes \$20 million ongoing to expand IPM practices, including: (1) investments in research and education; (2) University of California and California State University IPM programs to support grower implementation of safer alternatives to high-risk pesticides; and (3) support for other state-level IPM programs.

Beverage Container Recycling Program. The Governor proposes \$5 million from The Beverage Container Recycling Fund in 2020-21 and 2021-22 as well as statutory changes to expand pilot programs to address consumer redemption in communities underserved by recycling centers.

Food and Agriculture

Small and Mid-Size Farm Support. The Governor proposes \$6.7 million General Fund one-time (\$3.35 million in 2020-21 and \$3.35 million in 2021-22) to contract with the University of California Cooperative Extension to provide direct technical assistance and grants to technical assistance providers and small, mid-sized, and underserved farmers for purposes such as business planning, regulatory compliance, and accessing and leveraging additional state and federal funds.

Network of California Fairs. The Governor proposes \$50 million General Fund one-time in 2021-22 to continue supporting state-affiliated fairgrounds operational costs that

have been impacted by the COVID-19 Pandemic. The Governor also proposes \$10 million General Fund one-time to support fairground deferred maintenance, with priority on properties that are used to support emergency operations.

Climate Catalyst Fund. The Governor proposes \$50 million General Fund one-time to the California Infrastructure and Economic Development Bank (IBank) to support Climate Smart Agriculture loans to advance projects, such as methane reduction, equipment replacement, water efficiency, healthy soils, circular economies, and energy efficiency for food processing.

Energy

Zero Emission Vehicles. The budget includes the securitization of approximately \$1 billion in future revenues for the California Clean Energy Commission's (CEC) Clean Transportation Program for the construction of electric vehicle charging and hydrogen fueling stations. The budget proposes statutory changes to extend existing vehicle regulation fees currently set to expire in 2024 and to authorize the securitization of these revenues to support this program. The budget also includes \$50 million in one-time General Fund resources to support the installation of ZEV charging stations at state-owned facilities, \$465 million in one-time Cap-and-Trade funds to improve access to new and used ZEVs, including light, medium, and heavy-duty vehicles, as well as off-road vehicles. The budget also includes statutory changes to delay the property tax assessment of ZEV charging and fueling stations that are completed by January 1, 2024.

Health

The Governor's January budget includes a total of \$195.1 billion (\$64.3 billion General Fund and \$130.8 billion other funds) for health and human services programs that serve low-income, vulnerable individuals and families. This figure does not include all costs related to the COVID-19 pandemic.

Department of Health Care Services (DHCS)

The budget includes \$122 billion (\$23 billion General Fund) in 2020-21 and \$126.3 billion (\$29 billion General Fund) in 2021-22 for the Department of Health Care Services (DHCS), which provides Californians with access to affordable, integrated, high-quality health care including medical, dental, mental health, substance use disorder services, and long-term care. Of this amount, the budget includes \$956.6 million (\$250 million General Fund) in 2020-21 and \$1.1 billion (\$279.6 million General Fund) in 2021-22 for state

operations, and \$121 billion (\$22.8 billion General Fund) in 2020-21 and \$125.3 billion (\$28.8 billion General Fund) in 2021-22 for local assistance.

Medi-Cal Program

Current Year (2020-21) – The budget includes total expenditures of \$117.5 billion (\$22.5 billion General Fund) for the Medi-Cal program in 2020-21, a 4.9 percent decrease in General Fund expenditures compared to the assumptions included in the 2020 Budget Act. According to DHCS, the primary drivers of these decreased General Fund expenditures are lower than expected caseload, additional savings from enhanced federal matching funds, lower than expected reimbursements to the federal government for inappropriate state-only claiming, and additional revenue from the Hospital Quality Assurance Fee. These savings are partially offset by increased costs due to delayed implementation of the Medi-Cal Rx program, additional withholding of federal payments, and one-time net costs of corrections to Medi-Cal managed care payments.

Budget year (2021-22) – The budget includes total expenditures of \$122.2 billion (\$28.4 billion General Fund) for the Medi-Cal program in 2021-22, a 26.4 percent increase compared to the revised General Fund expenditure assumptions for 2020-21. According to DHCS, the primary drivers of these increased General Fund expenditures are additional caseload growth and utilization related to the COVID-19 pandemic, expiration of enhanced federal matching funds related to the pandemic, vaccine administration costs and other impacts of the pandemic, funding for major initiatives such as the Behavioral Health Continuum and California Advancing and Innovating in Medi-Cal (CalAIM), General Fund support for Proposition 56 supplemental payments, implementation of the student behavioral health services incentive program, Medi-Cal managed care capitation rate adjustments, and new Medi-Cal benefits including remote patient monitoring and continuous glucose monitoring. These costs are partially offset by savings due to full-year implementation of Medi-Cal Rx, completion of the correction process for Medi-Cal managed care payments, and an assumed resolution of withheld federal payments.

Caseload - Medi-Cal is projected to provide health care services to approximately 15.6 million Californians in 2021-22, which represents an increase of 22.9 percent since 2019-20. This caseload increase is primarily attributable to the economic impacts of the pandemic. The budget assumes 4.8 million Californians will be covered through the optional expansion of Medi-Cal in 2021-22.

California Advancing and Innovating in Medi-Cal (CalAIM). During the fall of 2019, the Administration released a comprehensive proposal to transform the delivery system of physical, behavioral, and oral health care services in the Medi-Cal program, known as California Advancing and Innovating in Medi-Cal (CalAIM). Due to the pandemic, the Administration delayed implementation of CalAIM in the 2020-21 fiscal year. The budget includes \$1.1 billion (\$541.9 million General Fund) in 2021-22, growing to \$1.5

billion (\$755.5 million General Fund), as well as proposed statutory changes to the Medi-Cal program to implement CalAIM. The budget proposes allocation of this funding to the following CalAIM components in 2021-22:

- \$187.5 million (\$93.7 million General Fund) to support the new enhanced care management (ECM) benefit in Medi-Cal managed care plans, beginning January 1, 2022.
- \$47.9 million (\$24 million General Fund) to support in-lieu-of services (ILOS) benefits adopted by Medi-Cal managed care plans, beginning January 1, 2022.
- \$300 million (\$150 million General Fund) to fund incentives for managed care plans to invest in voluntary ILOS programs and partner with community-based organizations and providers, including but not limited to community clinics, public hospital systems, and county behavioral health systems.
- \$401.6 million (\$174.7 million General Fund) to support transitions of populations between the fee-for-service and managed care delivery systems, as part of the CalAIM transformation of Medi-Cal.
- \$113.5 million (\$57 million General Fund) for enhanced reimbursements for dental services previously included in the Dental Transformation Initiative component of Medi-Cal 2020, California's federal 1115 Medicaid Waiver.
- \$21.8 million General Fund for the behavioral health quality improvement program, which helps county behavioral health programs make technical and other improvements to facilitate future behavioral health integration and payment reform efforts.
- \$23.9 million (\$11 million General Fund) for state operations costs related to CalAIM.

Suspended Programs Delayed for One Year. The 2020 Budget Act implemented several program suspensions that would be implemented in the 2021-22 fiscal year if insufficient General Fund resources were available to fund the programs on a multi-year basis. These programs included Proposition 56 supplemental provider payments, optional benefits, the provisional postpartum Medi-Cal extension, and the expansion of screening for opioids and other drugs. The budget delays these suspensions as follows:

- Proposition 56 – suspension of supplemental payments for physician services, dental services, trauma and developmental screenings, provider trainings, non-emergency medical transportation, and certain value-based payments are delayed from July 1, 2021, to July 1, 2022. Suspension of payments for intermediate care facilities, freestanding pediatric subacute facilities and community-based adult services are delayed from July 1, 2021, to January 1, 2023. Supplemental payments for HIV/AIDS waiver providers, home health providers, pediatric day

health care facilities, and value-based payments for behavioral health integration will not be suspended.

- Optional Benefits – suspension of audiology and speech therapy, incontinence creams and washes, optician and optical lab services, and podiatry benefits in the Medi-Cal program will be delayed from December 31, 2021, to December 31, 2022.
- Provisional postpartum care extension – suspension of this eligibility extension will be delayed from December 31, 2021, to December 31, 2022.
- Screening for opioids and other drugs – this screening program will not be suspended.

Behavioral Health Continuum Infrastructure Funding. The budget includes \$750 million General Fund, available over three years, to provide a continuum of behavioral health services to address short-term crisis stabilization, acute needs, peer respite, and other clinically enriched longer-term treatment and rehabilitation services for persons with behavioral health disorders. Counties would receive funding for these investments through a competitive grant process, which includes a match of local funds, with a goal of adding at least 5,000 beds, units, or rooms to existing behavioral health capacity.

Student Behavioral Health Services. The budget includes \$400 million (\$200 million General Fund) and proposed trailer bill language to implement an incentive program for Medi-Cal managed care plans, in coordination with county behavioral health departments and schools, to build infrastructure, partnerships, and capacity statewide to increase utilization of preventive and early intervention behavioral health services by students.

Office of Medicare Innovation and Integration. The Administration intends to propose funding and trailer bill language in the spring to establish a new Office of Medicare Innovation and Integration to explore strategies and models to strengthen and expand access to services and supports for low- and middle-income Californians.

Medi-Cal Rx. The budget includes net savings of \$612 million (\$238 million General Fund) in 2021-22 for full-year implementation of Medi-Cal Rx, which carves out pharmacy benefits for Medi-Cal beneficiaries from managed care into the fee-for-service delivery system, beginning April 1, 2021.

General Fund Support for Proposition 56 Supplemental Provider Payments. The budget includes \$275.3 million General Fund to support supplemental provider payments previously funded entirely by Proposition 56 tobacco tax revenue. Due to declining tobacco tax revenue available for this purpose, General Fund resources are needed to maintain these payments at their current levels.

Extension of Telehealth Flexibilities and Remote Patient Monitoring. The budget includes \$94.8 million (\$34 million General Fund) to expand and make permanent certain telehealth flexibilities authorized during the COVID-19 pandemic for Medi-Cal providers, as well as coverage for a new remote patient monitoring benefit for Medi-Cal beneficiaries, effective July 1, 2021.

Continuous Glucose Monitoring. The budget includes \$12 million (\$4.2 million General Fund) to add continuous glucose monitors as a covered Medi-Cal benefit for adults with type 1 diabetes, effective January 1, 2022.

Department of Public Health (DPH)

The budget includes \$4.2 billion (\$1.1 billion General Fund) for the Department of Public Health (DPH), which is dedicated to optimizing the health and well-being of all Californians through a variety of public health monitoring, protection, education, direct services and emergency preparedness activities.

COVID-19 Disaster Response. The budget includes over \$1 billion in 2020-21 and \$820 million in 2021-22 to respond to the COVID-19 pandemic. This funding includes both state and federal support for emergency response measures, including enhanced laboratory capacity and testing, data-driven investigation, response and prevention, coordination with local partners, and the Valencia Branch Laboratory.

Cannabis Transition. The budget proposes to transfer 119 positions and \$29 million in 2021-22 from DPH to a new Department of Cannabis Control for activities related to regulation of adult use and medical cannabis.

Alzheimer's Investments. The budget includes several one-time General Fund investments in prevention and treatment of Alzheimer's Disease and related disorders, including:

- \$5 million for a public education campaign on brain health,
- \$4 million for new training and certification for caregivers,
- \$2 million for expanded training in standards of care for health care providers,
- \$2 million for grants to communities to become dementia-friendly, and
- \$4 million for research to address disparities and equity in Alzheimer's.

Department of State Hospitals (DSH)

The budget includes \$2.5 billion (\$2.3 billion General Fund) in 2021-22 for the Department of State Hospitals (DSH), which administers five state mental health hospitals, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Administration estimates that the population served by the five state hospitals and other programs will reach a total of 6,361 by the end of 2021-22.

COVID-19 Impacts. The budget includes \$51.9 million General Fund in 2021-22 to address the impacts of the COVID-19 pandemic, including isolation and testing capacity, outside medical invoicing, other supports for patients and employees, and facility contracts for an alternative care site for isolation of positive cases. The facility, located in Norwalk, was activated in mid-December to support isolation of patients from the DSH-Patton hospital.

Incompetent to Stand Trial (IST) Referrals – According to the Administration, DSH continues to experience a significant number of incompetent to stand trial (IST) commitments from local courts, with the number of individuals awaiting placement into a state hospital exceeding 1,400 as of December 2020. DSH has undertaken several significant efforts over recent years to address the waiting list of IST commitments, including capacity expansions and the implementation of a mental health diversion program to provide local grants and judicial flexibility for community-based treatment of individuals at risk of IST commitment.

The budget includes several proposals to address the number of IST commitments pending placement, including:

- *Community Care Demonstration Project for Felony IST (CCDP-IST).* The budget includes \$233.2 million General Fund in 2021-22 and \$136.4 million General Fund annually thereafter to contract with three counties to provide a continuum of services to up to 1,252 individuals determined IST.
- *Expansion of Community Based Restoration (CBR).* The budget includes General Fund expenditures of \$9.8 million in 2020-21, \$4.5 million in 2021-22, and \$5 million annually thereafter to expand the current Los Angeles County CBR program beginning in 2020-21 and establish new CBR programs in additional counties in 2021-22. These programs would increase capacity by up to 250 beds in 2021-22.
- *Reappropriation and Expansion of IST Diversion Program.* The budget reappropriates \$46.4 million General Fund expenditure authority to expand the

existing IST Diversion Programs and expand to additional counties. These funds were set to expire in 2020-21.

- *Expansion of Jail-Based Competency Treatment Program.* The budget includes General Fund expenditures of \$785,000 in 2020-21 and \$6.3 million in 2021-22 and annually thereafter to expand jail-based competency treatment programs to seven additional counties.
- *Forensic Conditional Release Program (CONREP) Mobile Forensic Assertive Community Treatment (FACT) Team.* The budget includes General Fund expenditures of \$5.6 million in 2021-22, \$8 million in 2022-23 and 2023-24, and \$8.2 million annually thereafter to implement a FACT team model in the CONREP program, which would increase capacity by up to 100 beds in 2021-22.
- *CONREP Continuum of Care Expansion.* The budget includes General Fund expenditures of \$3.2 million in 2020-21 and \$7.3 million in 2021-22 and annually thereafter to increase step-down capacity in the community to transition stable non-IST patients out of state hospital beds. This program would expand capacity by up to 40 beds in 2021-22.

Other Health and Human Services Issues

Office of Health Care Affordability – The budget includes expenditure authority from the Health Data and Planning Fund of \$11.2 million in 2021-22, \$24.5 million in 2022-23, and \$27.3 million annually thereafter to establish an Office of Health Care Affordability to increase price and quality transparency, develop strategies and cost targets for different sectors of the health care industry, impose financial consequences for entities that fail to meet these targets, and promote health care workforce stability and training needs. The Office would be established within the Office of Statewide Health Planning and Development, which the Administration intends to transition into a new Department of Health Care Affordability and Infrastructure in a spring proposal.

Center for Data Insights and Innovation – The budget proposes to consolidate existing resources to establish a Center for Data Insights and Innovation within the Health and Human Services Agency to focus on leveraging data to develop knowledge and insights to improve program delivery and drive system transformation across health and human services.

Human Services

HHS Program Suspensions. The budget proposes to extend temporary augmentations for a variety of HHS programs that were originally set to be suspended on December 31, 2021. The budget proposes to delay these suspensions until December 31, 2022. Suspensions will be lifted if the Administration determines through the 2022 budget that there is sufficient revenue to support all programs. These programs are listed below. More detail on the programs and costs is found in the relevant departmental sections.

- IHSS Seven Percent Reduction in Service Hours
- Emergency Child Care Bridge Program
- “No Wrong Door” Aging and Disability Resource Centers model
- Supplemental Rate Increases for the Department of Rehabilitation (DOR) and the Department of Developmental Services (DDS) service providers
- Uniform Holiday Schedule affecting DDS service providers
- Rate increases for Foster Family Agencies
- Child Welfare Public Health Nursing Early Intervention Program
- Family Urgent Response System

Master Plan for Aging. The budget includes a \$5 million General Fund placeholder for spring proposals to further implement the Master Plan for Aging.

- Expanded Facilities to Support Housing. The Governor proposes \$250 million one-time General Fund for the Department of Social Services to acquire and rehabilitate Adult Residential Facilities and Residential Care Facilities for the Elderly with a focus on preserving and expanding housing for low-income seniors who are homeless or at risk of becoming homeless.
- Aging and Disability Resources Centers (ADRCs). The Governor proposes a delay to the suspension of funding for “No Wrong Door” networks throughout the state. These networks provide one-stop access to information and assistance with aging issues in multiple languages. The Governor proposes \$7.5 million in 2021-22 and

\$5 million in 2022-23. This funding would be subject to suspension on December 31, 2022.

- **IHSS COVID-19 Backup Provider System.** The Governor's budget includes \$5.3 million one-time General Fund to extend the backup provider system and the backup provider wage differential.

California Department of Aging (CDA). The budget includes a total of \$258.1 million for CDA. As mentioned above, the budget extends and increases funding for ADRCs, subject to a suspension on December 31, 2022. The budget also extends funding for the Senior Nutrition program, also subject to suspension on December 31, 2022. The 2020 Budget Act slated both programs to be suspended on December 31, 2021.

Department of Social Services (DSS). The Governor proposes an overall 2021-22 budget of \$36.2 billion (\$14.4 billion General Fund) for DSS.

California Work Opportunity and Responsibility to Kids (CalWORKs). The Governor proposes an overall 2021-22 budget of \$7.4 billion for overall program expenditures and estimates a caseload of 482,436 (a 19 percent increase from the revised 2020-21 projection).

- **Time on AID Exemption.** The budget includes \$46.1 million one-time General Fund (TANF) block grant funding to temporarily suspend any month in which CalWORKs aid or services are received from counting towards the CalWORKs time limit based on a good cause exemption due to the COVID-19 pandemic.
- **CalWORKs Grants.** The budget includes a 1.5 percent increase to CalWORKs maximum aid payment levels, effective October 1, 2021. This increase is estimated to cost \$50.1 million in 2021-22 and will be funded entirely by the Child Poverty and Family Supplemental Support Subaccount.

CalFresh. The budget estimates a caseload of 2.6 million in 2021-22 (an increase of 392,324 from the revised 2020-21 projection). The budget also includes \$22.3 million ongoing General Fund for adjusted benefit amounts in the Supplemental Nutrition Benefit and Transitional Nutrition Benefit Programs. These programs were created to mitigate the effects of the SSI CalFresh expansion.

Other Food Assistance Programs. The budget includes \$30 million one-time General Fund for DSS to fund food banks participating in the Emergency Food Assistance Program, as well as tribes and tribal organizations. Additionally, the budget includes

\$11.4 million one-time General Fund to provide the maximum allowable benefit to households participating in the California Food Assistance Program.

In-Home Supportive Services (IHSS). The budget includes \$16.5 billion (\$5.3 billion General Fund), a 10 percent increase in General Fund costs over the current year and estimates a 592,829 person caseload in 2021-22 (an approximately four percent increase from the revised 2020-21 projection).

- **IHSS Service Hours Restoration.** The budget includes \$449.8 million General Fund in 2021-22 and \$242.6 million General Fund in 2022-23 to delay the suspension of the seven percent reduction to IHSS service hours until December 31, 2022.
- **Minimum Wage.** The budget reflects \$1.2 billion (\$557.6 million General Fund) to support minimum wage increases to \$14 per hour on January 1, 2021, and \$15 per hour on January 1, 2022.
- **County Administration.** The budget includes \$17.8 million General Fund for updated county administration costs for 2021-22.

Supplemental Security Income/State Supplementary Payment (SSI/SSP). The Governor's budget includes \$2.69 billion General Fund for the SSI/SSP program. The estimated caseload for the SSI/SSP program is 1.2 million recipients (29.3 percent aged; 1.4 percent persons who are visually impaired or blind; 69.4 percent persons with disabilities). Effective January 2021, maximum SSI/SSP grant levels are \$955 per month for individuals and \$1,598 per month for couples.

Child Welfare Services (CWS). The budget includes \$700.1 million General Fund (a decrease of 3.1 percent from 2020-21 budget levels) to provide services to children and families in these programs.

- **COVID-19 Supports for CWS.** The budget includes \$61.1 million General Fund to support services related to quarantine needs for foster youth and caregivers, the temporary extension of assistance payments to emergency caregivers, the provision of laptops and cell phones for foster youth, and temporary assistance payments for youth who turn 21 while in extended foster care after April 17, 2020, through December 31, 2021.
- **Federal Family First Prevention Services Act (FFPSA).** The budget includes \$61.1 million (\$42.7 million General Fund) to begin implementation of Part IV of the FFPSA. The FFPSA Part IV sets out new criteria for non-foster home placement settings eligible for federal Title IV-E foster care maintenance payments.

- **Child Welfare Workforce Development.** The budget includes \$10.1 million (\$5.9 million General Fund) ongoing to establish an additional child welfare social workers regional training academy in northern California and to modernize and increase ongoing training for social workers.
- **Delay Suspension of Various Programs.** The budget proposes to extend the temporary augmentation to the Emergency Child Care Bridge program, rates to Foster Family Agencies, the Child Welfare Public Health Nursing Early Intervention Program, and the Family Urgent Response System from December 31, 2021, to December 31, 2022. The estimated cost to delay the suspension of all these programs is \$54.5 million General Fund.

Immigration Services. The budget includes \$75 million ongoing for immigration-related services. Of note, the budget includes \$5 million one-time General Fund for the Rapid Responses Program to support entities that provide assistance and services to immigrants when federal funding is not available.

Child Care. The 2020-21 Budget Act shifted most child care programs, with the exception of state preschool, from the Department of Education to the DSS commencing with the 2021-22 fiscal year. The proposed budget includes \$3.1 billion (\$1.3 billion General Fund) and shifts the following programs, including: General Child Care, Alternate Payment Programs, CalWORKs Stage 2 & Stage 3, Resource & Referral Programs, Migrant Child Care Program, Severely Disabled Program, California Child Care Initiative, Quality Improvement Activities, Local Planning Councils, and Child and Adult Care Food Program. The DSS budget includes funding for the following program increases and related state operations:

- **State Operations.** The proposed budget shifts \$31.7 million (185.7 positions) from the Department of Education to DSS starting July 1, 2021 associated with new workload related to the shift of child care programs.
- **Non-CalWORKs Child Care.** The proposed budget includes \$19.9 million for a 1.5 percent COLA adjustment for non-CalWORKs child care. The proposed budget also includes \$21.5 million in 2020-21 and \$44 million ongoing for 4,700 additional Alternate Payment Program slots due to updated Proposition 64 cannabis tax revenues.
- **CalWORKs Child Care.** The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net

decrease of \$141 million, reflecting a \$62 million decrease in Stage 1, a \$112 million decrease in Stage 2, and a \$33 million increase in Stage 3.

- **COVID-19 Related Support.** The proposed budget includes \$55 million one-time General Fund to support child care providers' and families' needs as a result of the pandemic
- **Federal Stimulus.** The proposed budget does not include federal Child Care Development and Block Grant Funds associated with the passage of the Coronavirus Response and Relief Supplemental Appropriations Act, through which California is anticipated to receive approximately \$1 billion. The 2020-21 Budget Act specified how \$270 million of these funds will be spent, and the Administration notes they will work with the Legislature on appropriating the remaining funds.

Department of Developmental Services. The Governor proposes an overall 2021-22 budget of \$10.5 billion (\$6.5 billion General Fund) and estimates that approximately 386,753 individuals will receive developmental services by the end of 2021-22.

- **Regional Center Emergency Response.** The budget includes \$2 million (\$1.4 million General Fund) ongoing for emergency coordinators at Regional Centers (RCs). Each RC will receive a position to coordinate emergency preparedness, response, and recovery for DDS consumers.
- **Out of State Placements.** The budget includes \$5.8 million (\$3.5 million General Fund) to support youth in their transition from out of state placements back to California. In December 2020, the Legislature approved a \$2.9 million (\$1.8 million General Fund) allocation for this purpose.
- **Supplemental Rate Increases.** The budget includes \$454.6 million (\$261.2 million General Fund) to continue supplemental rate increases included in the 2019 and 2020 Budget Acts. The budget proposes to delay the suspension of these rate increases from December 31, 2021, to December 31, 2022.
- **Uniform Holiday Schedule.** The budget includes \$55.9 million (\$35.8 million General Fund) to suspend implementation of the Uniform Holiday Schedule. The budget proposes to delay the implementation of the schedule until December 31, 2022.

Department of Child Support Services. The budget includes \$24.9 million (\$8.5 million General Fund) ongoing for Local Child Support Agencies (LCSAs), and \$23.8

million (\$8.1 million General Fund) for local child support courts and state operations funding.

Office of Youth and Community Restoration. The budget includes \$3.4 million General Fund in 2021-22 and \$3.1 million General Fund ongoing to develop reports on youth outcomes in the juvenile justice system, staff a Child Welfare Council Committee focused on improving outcomes for justice-involved youth, and create an Office Ombudsperson.

General Government and Local Government

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

Housing

Eviction Moratorium. The Administration is requesting an extension of AB 3088 (Chiu), Chapter 37, Statutes of 2020, which created some of the strongest eviction protections in the nation. Many of the provisions of AB 3088 expire on January 31, 2021.

Federal Rental Assistance Funding. In late December, a federal COVID-19 relief bill was enacted that included \$25 billion in rental assistance. Approximately \$2.6 billion of this is expected to be directed to California. Approximately \$1.2 billion is projected to be sent directly to local governments with populations over 200,000, with the balance going to the state. This funding will be used to support low-income tenants under 80 percent of the Area Median Income (AMI), with a priority focus on those under 50 percent AMI, to address rent and past due utility payments.

Fair Housing. The Administration is requesting \$2 million from the General Fund for the Department of Fair Employment and Housing to conduct outreach and education campaigns, housing surveys, and to prosecute violations of anti-housing discrimination laws.

National Mortgage Settlement. The 2020 budget included \$331 million in funds from the National Mortgage Settlement, with \$31 million provided to the Judicial Council for tenant legal aid and \$300 million to California Housing Finance Agency (CalHFA) for housing counseling and mortgage relief. CalHFA recently provided funding to more than 90 housing counselors across the state and plans to provide mortgage assistance beginning in 2021.

Infill Infrastructure Grant Program. The Administration is proposing to use \$500 million in General Fund resources to expand the Infill Infrastructure Grant (IIG) program, which provides grants for housing related infrastructure in infill areas. The Administration is requesting early action on \$250 million of this funding.

Low Income Housing Tax Credits. The Administration is proposing a third round of \$500 million in additional Low Income Housing Tax Credits to continue the investments the state has made in this area in 2019 and 2020.

Excess State Land Development. The Administration is proposing statutory changes to encourage additional development, including authorizing market-rate and commercial development to provide flexibility and financial support for fair and affordable housing production on excess lands.

Housing Accountability Unit. The budget includes \$4.3 million from the General Fund for the Department of Housing and Community Development (HCD) to create a Housing Accountability Unit to facilitate housing production through monitoring, technical assistance, and enforcement of existing housing production laws.

Improving HCD's Funding Process. AB 434 (Daly), Chapter 192, Statutes of 2020 directed HCD to align its major rental housing programs with a single application and scoring system. The Budget includes \$2.7 million from the General Fund for HCD to implement the requirements of this bill.

Housing Acquisition for Homelessness. The budget includes \$1.75 billion in one-time General Fund resources to develop housing needed to combat homelessness. This includes:

- \$750 million for additional acquisitions via Project Homekey, which was funded with federal Coronavirus Relief Funds in the 2020 budget. This includes a request for early action on \$250 million of these funds.
- \$750 million, available over three years, for the Department of Health Care Services to provide competitive matching grants to counties for the acquisition and rehabilitation of real estate assets to expand the community continuum of behavioral health treatment resources.
- \$250 million for the Department of Social Services to work with counties on the acquisition or rehabilitation of Adult Residential Facilities (ARF) and Residential Care Facilities (RCF).

Department of Technology (CDT)

Stabilizing Critical Services. The budget proposes \$11.4 million one-time General Fund for CDT to target critical services, perform assessments of vital and at-risk services, develop report cards, drive interventions and improvements, and identify key safeguards.

IT Security Assessments. The budget proposes \$20.1 million ongoing General Fund to conduct IT security assessments of state departments by funding those assessments up front, allowing departments the ability to use the savings from not having to reimburse CDT for the cost of assessment.

Department of Cannabis Control

Consolidation. The budget proposes a consolidation of the licensing and associated regulatory functions into a new Department of Cannabis Control, and proposes \$153.8 million Cannabis Control Fund to reflect the consolidation of the functions and positions of the Bureau of Cannabis Control, the Department of Food and agriculture, and the Department of Public Health into a new, stand-alone Department of Cannabis Control within the Business, Consumer Services, and Housing Agency.

Cannabis Tax Fund. The budget also reflects an increase of \$146.2 million Cannabis Tax Fund compared to the allocation estimates in the 2020 Budget Act.

Local Equity Grant Program. The budget also includes \$15.5 million ongoing Cannabis Tax Fund and statutory changes to permanently support the local equity grant program that is administered by the Governor's Office of Business and Economic Development.

Other State Administration

Savings through Efficiencies. The budget proposes \$57.4 million ongoing General Fund savings to reflect operational efficiencies within state departments and agencies.

State Infrastructure. The budget proposes \$52 billion in state infrastructure over the next five years, with investments in projects to renovate state office buildings, state hospitals and correctional facilities, and to replace fire stations and courthouses, among others.

Creation of the California Privacy Protection Agency. The budget includes \$5 million General Fund in 2020-21 and \$10 million ongoing General Fund beginning in 2021-22 to support the operations of the California Privacy Protection Agency, which was created by Proposition 24, the California Privacy Rights Act of 2020.

Fee Waivers. The budget proposes \$70.6 million one-time General Fund to provide fee waivers for barbers, cosmetologists, and manicurists, as well as bars and restaurants.

California Creative Corps. The budget proposes \$5 million to provide resources for the Arts Council to partner with various organizations to develop a media, outreach, and engagement campaign to increase vaccine adoption.

California Department of Tax and Fee Administration (CDTFA): Centralized Revenue Opportunity System (CROS). The proposed budget includes \$23.9 million to support the final implementation phase and transition to the maintenance and operations phase of the CROS Project, which is an information technology modernization effort designed to enable the CDTFA to expand tax and fee payer services, to improve the efficiency and effectiveness of its operations, and to enhance its ability to generate increased revenues, reducing the tax gap.

Department of Financial Protection and Innovation: Debt Collector Licensing and Regulation. The proposed budget includes \$10.7 million Financial Protection Fund and 44 positions in 2021-22, \$10.3 million and 51 positions in 2022-23, and \$10.9 million and 55 positions in 2023-24 to implement SB 908 (Wieckowski), Chapter 163, Statutes of 2020, the Debt Collection Licensing Act, which creates oversight of the industry through licensing, examining, and regulating debt collectors.

Governor's Office of Business and Economic Development

Climate Catalyst Fund. The Governor's proposed budget includes an additional \$97 million for the Climate Catalyst Fund, which was established in the 2020 Budget Act to provide loans for climate-related projects. It includes \$47 million one-time General Fund in 2020-21 in the wildfire and forest resilience package and \$50 million one-time General Fund for agriculture-specific activities (i.e., methane reduction projects; equipment replacement; water efficiency; healthy soils; and energy efficiency for food processing).

Expansion of Small Business Grants. The proposed budget includes an additional \$550 million one-time General Fund allocation for relief grants to small businesses that have been impacted by the COVID-19 Pandemic, to be administered by the California Office of the Small Business Advocate (CalOSBA) within the Governor's Office of Business and Economic Development (GO-Biz). This, along with the initial \$500 million

investment made in November, would bring the total investment in small business grants to \$1.05 billion. An additional \$25 million is available for small cultural institutions, such as museums and art galleries. The proposal also includes \$901,000 from the General Fund and permanent authority for six positions in 2021-22 and ongoing for CalOSBA to provide the extensive and scalable direct support to small businesses.

CalCompetes Tax Credit Expansion and Grant Program. CalCompetes incentivizes businesses to locate or stay and grow in California.

- The proposed budget increases the amount of credit available for allocation by \$90 million in both 2020-21 and 2021-22 for a total of \$270 million per year, in line with recent demand which has far exceeded available credits.
- The proposed budget includes \$250 million one-time General Fund to establish a grant component of CalCompetes for businesses that meet one or more of the following criteria: establish at least 500 net new jobs; make a significant infrastructure investment; commit to a high-need, high-opportunity area of the state; or receive a designation from the Director of GO-Biz that the application is a strategic priority of the state. The new program will dedicate at least \$50 million of the \$250 million one-time General Fund to high-need, high-opportunity areas of the state.

California Dream Fund. The proposed budget includes \$35 million one-time General Fund to support micro-grants up to \$10,000 to seed entrepreneurship and small business creation in underserved groups that are facing opportunity gaps.

IBank. The proposed budget includes \$50 million one-time General Fund to use across The California Infrastructure and Economic Development Bank (IBank) programs, with a focus on programs that benefit underserved businesses in California. This includes the Small Business Finance Center and the California Rebuilding Fund.

The proposed budget also includes \$50 million one-time General Fund to the principal program of the Small Business Finance Center, the Small Business Loan Guarantee Program, so this program can continue to provide loans as businesses recover from the COVID-19 Recession. This will be leveraged to provide up to \$250 million in loans. This program is utilized by larger small businesses with larger loan sizes (average amount of \$500,000 or more).

Franchise Tax Board (FTB)

Golden State Stimulus. The proposed budget includes \$2.4 billion to provide a \$600 refund to all 2019 taxpayers who received a California Earned Income Tax Credit (Cal EITC) in 2020 as well as to 2020 taxpayers with individual tax identification numbers (ITINs) who receive a Cal EITC in 2021. The payments would be distributed in February through April, in order to immediately help low-income households. Californians with annual incomes of \$30,000 or less may be eligible for CalEITC, and last year nearly 3.9 million CalEITC tax returns were filed.

Extended Main Street Small Business Tax Credit. The Governor's budget proposes an additional \$100 million to expand a hiring tax credit for qualified small business employers. This is in addition to a similar hiring credit enacted in statute (Chapter 41, Statutes of 2020, SB 1447) with a \$100 million cap. It is intended to encourage hiring new employees and rehiring former employees.

S-corporation Shareholder Tax Credit. The proposed budget contains a provision that allows S-corporation shareholders a credit against tax equal to 13.3 percent of their S-corporation income in order to help them recoup some of the tax benefits lost by Californians when the State and Local Tax (SALT) deduction was limited as part of the 2017 federal Tax Cut and Jobs Act. The Elective S-corporation Tax is an additional 13.3 percent rate on taxable income on top of the regular 1.5 percent. As corporations, S-corporations are allowed to deduct that tax from their taxable income for federal and state tax purposes. Shareholders pay personal income taxes on S-corporation income, at a rate of up to 13.3 percent. In return for the Elective S-corporation Tax, the S-corporation shareholders are allowed a credit against tax equal to 13.3 percent of their S-corporation income. The Elective S-corporation Tax is expected to on net produce a revenue gain between \$0 and \$20 million starting in 2021-22.

California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) Sales Tax Exclusion. The proposed budget includes an additional one-time investment of \$100 million in 2021-22 to the CAEATFA sales tax exclusion program, which is available to manufacturers that promote alternative energy and advanced transportation.

Delayed Property Tax Assessment of Zero-Emission Vehicle Charging and Fueling Stations. The proposed budget includes statutory changes to exclude the construction or addition of electric vehicle charging and hydrogen fueling stations completed by January 1, 2024 from the definition of accessible new construction for ten years.

Enterprise Data to Revenue Project – Phase 2. The proposed budget includes \$55.6 million General Fund to begin the Enterprise Data to Revenue (EDR2) project, which is the second phase of the FTB's tax system modernization information technology project.

Public Safety, Corrections, The Judiciary, Transportation and Labor

California Department of Corrections and Rehabilitation (CDCR)

The budget proposes total funding of \$13.1 billion (\$12.7 billion General Fund and \$345 million other funds) for the CDCR in 2021-22.

Adult Institution Population. The adult inmate average daily population is projected to decrease by 20 percent from 122,536 in spring 2020 to 97,750 in 2021-22. The overall current projections, show that the adult inmate population is trending downward and is expected to decrease by another 2,626 incarcerated people between 2019-20 and 2020-21. The significant decrease over the last year is due to the COVID-19 pandemic, which forced a variety of actions to mitigate the spread of the virus.

Parolee Population. The average daily parolee population is projected to decrease by four percent from 47,929 in spring 2020 to 45,924 in 2021-22.

Workers' Compensation due to COVID-19. The budget includes \$51 million General Fund in 2021-22, growing to \$77.6 million through 2024-25 for increased workers' compensation costs associated with SB 1159 (Hill), Chapter 85, Statutes of 2020. SB 1159 re-defines "injury" for an employee to include illness or death resulting from the 2019 novel coronavirus disease (COVID-19) under specified circumstances, until January 1, 2023.

Project Hope and CDCR due to COVID-19. The Project Hope program was created to protect people releasing from prison during the COVID-19 pandemic and the California communities to which they are returning. This voluntary initiative, a collaboration between the CDCR, Office of Emergency Services, and Department of General Services provides free hotel accommodations to people released from state prison who have a need to quarantine or isolate due to COVID-19 exposure or positive status. As of December 17, 2020 the program served around 930 people returning from prison.

Intake Suspensions at Prisons and Budget Implications. To reduce the risk of exposure to COVID-19, the state halted the intake and transfer of people from county jails to state prisons. Intermittently, the practice of resuming intake and transfers has occurred but largely remains suspended. Per legislation, the state is required to reimburse counties

for every day that a person eligible for transfer to state prison is held in jails. As of December 1, 2020, the state provided \$38.8 million General Fund to county sheriffs, with an additional \$40.4 million General Fund pending. The budget estimates a total of \$163.4 million in additional reimbursement through June 30, 2021.

Prison Closure. Due to the steady declines in prison population pre-COVID-19, the Administration reduced its reliance on contract prison capacity. CDCR terminated six of seven in-state contracts by October 2020 and will close its final in-state contract facility by May 2021. The Administration anticipates the closure of the Deuel Vocational Institution by September 2021. The closure is estimate to achieve savings of \$113.5 million General Fund in 2021-22 and \$150.6 million General Fund beginning in 2022-23. The Administration plans to close a second state-operated prison in 2022-23.

The Division of Juvenile Justice (DJJ) Realignment. Consistent with the provisions in SB 823 (Committee on Budget), Chapter 337, Statutes of 2020, DJJ will stop the intake of youth on June 30, 2021 with limited exceptions. The estimated population is 729, which is 126 fewer than projected in the spring. The projected decrease reduces costs by \$10.1 million General Fund in 2021-22. Moreover:

- The budget announces that DJJ is expected to close on June 30, 2023.
- A one-time \$9.6 million General Fund allocation in the 2020-21 budget year will be made by the Board of State and Community Corrections in concurrence with a new office to assist counties in the development of a local continuum of care. This funding shall not be used by counties to enter into contracts with private entities whose primary business is the custodial confinement of adults or youth in a prison or prison-like setting.
- SB 823 makes the following appropriations by the Controller for fiscal years 2021-22 through 2023-24 to the counties for use by the county to provide appropriate rehabilitative housing and supervision services of the defined population:
 - For the 2021-22 fiscal year, \$46.5 million General Fund
 - For the 2022-23 fiscal year, \$122.9 million General Fund
 - For the 2023-24 fiscal year, \$195.9 million General Fund
 - For the 2024-25 fiscal year and each year thereafter, \$212.7 million General Fund

Additional information is contained in the Health and Human Services chapter.

Inmate Rehabilitation. The budget proposes \$546.9 million General Fund for providing rehabilitative programming for incarcerated individuals. Most significantly, the budget includes \$23.2 million General Fund in 2021-22, declining to \$18 million ongoing to

provide increased access to modern technology for inmates participating in academic and vocational training. The proposal includes the purchase of approximately 38,000 laptop computers for use by academic program participants.

Staff Support and Development. The budget proposes \$21.2 million General Fund in 2021-22, declining to \$16.1 million ongoing General Fund in 2024-25 to give new training for correctional officers for better interactions with incarcerated populations. This involves repurposing the former Northern California Women's Facility.

Inmate Medical Care and Mental Health Services. The budget proposes \$3.4 billion for inmate health care services programs. This includes \$4 million General Fund in 2021-22 growing to \$11.6 million General Fund in 2023-24 and ongoing to provide staff that will evaluate risks and implement best practices to improve health care delivery.

Support for Roof Replacements. The budget includes \$33.6 million General Fund over two years for roof replacement projects at California State Prison, Los Angeles County.

Health Care Facility Updates at California Rehabilitation Center. The budget includes a one-time allocation of \$6.8 million General Fund to replace damaged flooring, walls, wall-mounted air conditioning units, counters, and storage spaces in existing health care treatment areas at California Rehabilitation Center.

Deferred Maintenance. The budget includes \$50 million General Fund one-time to address the CDCR's highest priority deferred maintenance projects.

Cellular Interdiction. The budget includes \$1.8 million General Fund in 2021-22 and ongoing to maintain the use of a technology that blocks unauthorized cellular usage in prison.

Armstrong Court Compliance. The U.S. District Court of California ordered CDCR to develop a plan within 21 days after finding that systemic abuses against incarcerated people with disabilities existed, were documented in more than one hundred declarations, and that the CDCR were aware of these abuses violated the Americans with Disabilities Act and court orders previously issued in *Armstrong v. Newsom*. The budget includes \$13.5 million General Fund in 2020-21, \$10.1 million General Fund in 2021-22, and \$6.9 million General Fund in 2022-23 to implement court-ordered reforms at the Richard J. Donovan Correctional Facility. Notable, these reforms include the installation of security cameras throughout the prison within 90 days, use of body-worn cameras within 60 days, and modifications of the staff complaint and disciplinary processes and increases to supervisory staffing and training. This funding is also for the installation of security cameras on two yards at the California State Prison, Los Angeles County. The state is currently appealing the order.

Increased Healthy Menu Options. The budget includes \$7.5 million General Fund ongoing to implement healthier menus at its institutions based on U.S. Department of Agriculture dietary guidelines.

Transgender, Nonbinary, and Intersex Inmate Housing and Search Preferences. The budget includes \$2.8 million General Fund in 2021-22, declining to \$1.2 million in 2022-23 and ongoing to develop and implement policies as a result of SB 132 (Wiener), Chapter 182, Statutes of 2020. SB 132 requires the CDCR for a person who is transgender, nonbinary, or intersex to only conduct a search of that person according to the search policy for their gender identity or according to the gender designation of the facility where they are housed, based on the individual's search preference. The bill additionally requires the department to house the person in a correctional facility designated for men or women based on the individual's preference, except as specified. Finally, the bill requires the CDCR to, during initial intake and classification, and in a private setting, ask each individual entering into the custody of the department to specify the individual's gender identity whether the individual identifies as transgender, nonbinary, or intersex, and their gender pronoun and honorific as well as prohibit the department from disciplining a person for refusing to answer or not disclosing complete information in response to these questions.

Local Public Safety

County Jail Relinquishments. The Board of State and Community Corrections administers five financing programs for adult jail facilities in counties statewide. The budget proposes reallocating \$202 million currently available for allocation, due to project savings that went unspent and awards that were relinquished, to purchase or modify community mental health facilities.

Proposition 47 State Savings. The Administration estimates that the net savings associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014), will be \$114.8 million, an \$11.9 million increase over estimated savings in 2020-21.

Adult Probation Reform. The Governor's budget includes \$122.9 million General Fund ongoing to county probation departments based on the highest payment to individual counties over the prior three fiscal years as determined by the California Community Corrections Performance Incentive Act of 2009.

Youth Probation. The budget includes \$46.5 million General Fund in 2021-22 to provide county probation departments with support to implement DJJ Realignment. The funding is proposed for development of appropriate placements and rehabilitation programs especially given that intake to DJJ will close on July 1, 2021 except for specified cases in SB 823.

Department of Justice (DOJ)

The budget includes total funding of approximately \$1.1 billion, including \$358 million General Fund, to support the DOJ.

Police Use of Force Investigations. The budget includes \$13 million in 2021-22 and \$13.5 million in 2022-23 and ongoing to implement the provisions of AB 1506 (McCarty), Chapter 326, Statutes of 2020. AB 1506 requires a state prosecutor to investigate incidents of an officer-involved shooting resulting in the death of an unarmed civilian and makes the Attorney General the state prosecutor unless otherwise specified or named. The proposed funding would be used to establish three teams—one in each of northern, central, and southern regions of California to conduct investigations across the state.

Bureau of Forensic Services. The budget proposes \$16 million (\$6 million General Fund and \$10 million Fingerprint Fees Account) in 2021-22, increasing to \$28.3 million ongoing (\$18.3 million General Fund and \$10 million Fingerprint Fees Account) to backfill the continued decline in fine and fee revenues in the DNA Identification Fund. This funding will enable the DOJ to continue processing forensic evidence for client counties.

Healthcare Rights and Access Section. The budget includes \$2.1 million Public Rights Law Enforcement Special Fund to address workload concerns in the recently established Healthcare Rights and Access Unit within the Division of Legal Services.

Consolidated Forensic Science Laboratory. The budget includes \$6.5 million General Fund one-time to build a new facility to expand forensic capacity and capability.

Juvenile Court and Probation Statistical System (JCPSS). The budget includes \$1.9 million General Fund in 2021-22 and \$1 million in 2022-23 to convene a working group to submit a plan for the replacement of the JCPSS. The plan to update this system is part of the Division of Juvenile Justice Realignment.

Task Force to Study and Develop Reparation Proposals for African Americans. The budget includes \$1.1 million General Fund in 2021-22 and 2022-23 to support the implementation of AB 3121 (Weber), Chapter 319, Statutes of 2020. AB 3121 established the Task Force to Study and Develop Reparation Proposals for African Americans, with a Special Consideration for African Americans Who are Descendants of Persons Enslaved in the United States, consisting of 9 members, appointed as provided. The bill also requires the Task Force to, among other things, identify, compile, and synthesize the relevant corpus of evidentiary documentation of the institution of slavery that existed within the United States and the colonies. Finally, the bill requires the Task Force to recommend, among other things, the form of compensation that should be awarded, the

instrumentalities through which it should be awarded, and who should be eligible for this compensation.

Penal Code Review

Committee on Revision to the Penal Code. The budget includes \$494,000 General Fund ongoing for additional staffing. The Committee is expected to produce its first set of recommendations in January 2021.

The Judicial Branch

The budget includes total funding of \$4.1 billion (\$2.1 billion General Fund and \$2 billion other funds) in 2021-22 for the Judicial Branch, of which \$2.2 billion is provided to support trial court operations.

Pandemic Response. In response to the impacts that the COVID-19 pandemic had on court operations, the budget includes multiple proposals to provide ongoing support to the trial courts. The budget includes:

- \$72.2 million General Fund in 2021-22 and ongoing to assist courts in providing access to justice, modifications to improve court process, and implement recently enacted legislation.
- \$19.1 million General Fund in 2021-22 and ongoing to provide self-help services for underrepresented litigants.
- \$11.7 million General Fund one-time to implement the provisions in AB 3088 (Chiu), Chapter 37, Statutes of 2020. AB 3088 provided relief to tenants and landlords by delaying the date that trial courts could process unlawful detainers until February 1, 2021 and allowing landlords to recover unpaid rental debt through small claims court until February 1, 2025. This funding will be used to process the anticipated increase in filings due to AB 3088.

Pandemic Early Disposition Calendar Program. The budget proposes the creation of a Pandemic Early Disposition Calendar to dismiss charges for defendants who have no new charges or violations during their participation in a diversion program. This proposal builds on a program, initiated by the Chief Justice, in response to the significant COVID-19 related processing delays in criminal cases.

Reducing Criminal Fines and Fees for Low-Income Californians. The budget includes \$12.3 million General Fund in 2021-22, increasing to \$58.4 million General Fund ongoing by 2024-25 for the statewide expansion of a program that allows low-income and indigent individuals to apply online to have their fines and fees for traffic and non-traffic

infractions reduced. This proposal is an expansion of a pilot project enacted as part of the 2018 Budget Act. The 2018 Budget Act included \$3.4 million General Fund and seven positions in 2018-19, and \$1.4 million and seven positions ongoing, for an eight-court pilot with the goal of moving toward a civil model for adjudication of minor traffic violations and simplifying current criminal procedures. The \$58.4 million in 2024-25 includes two components:

- \$2.7 million General Fund to implement an online application system.
- \$55.7 million General Fund to backfill the estimated loss in revenue to support trial court operations as a result of penalty reductions.

Trial Court Trust Fund Revenue Backfill. The budget includes \$118.3 million General Fund to continue backfilling the Trial Court Trust Fund for the revenue decline expected in 2021-22.

Facility Operations and Maintenance. The budget includes \$53.5 million General Fund in 2021-22 and ongoing to support maintenance, utility, and lease costs for trial court and Courts of Appeal facilities.

Deferred Maintenance. The budget includes \$30.1 million General Fund one-time to support deferred maintenance projects for trial court and Courts of Appeal facilities.

Trial Court Employee Adjustment. The budget includes \$39.1 million General Fund ongoing General Fund for trial court employee health benefit and retirement costs.

Trial Court Facility Modifications. The budget includes \$18.9 million General Fund in 2021-11 and \$48.8 million in 2022-23 to make facility modifications at two trial courts in Orange and San Diego Counties to correct deficiencies identified by the State Fire Marshal.

Construction Fund Consolidation. The budget combines the Immediate and Critical Needs Account and the State Court Facilities Construction Fund which were facing insolvency due to steady decreases in fine and fee revenue. Consolidation allows the remaining fund to be solvent in 2021-22.

Governor's Office of Emergency Services (Cal OES)

California Disaster Assistance Act (CDAA). The budget proposes \$256.1 million one-time General Fund available through the CDAA to assist local governments in serving their communities during and in the wake of emergency events. This funding will be used to repair, restore, or replace public real property damaged or destroyed during disaster

events or reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclamation by the Governor.

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

Regional Hazardous Materials Response. The budget proposes \$3.6 million ongoing General Fund to build the state's ability to respond to regional emergencies involving hazardous materials.

Home Hardening Pilot Grant Program. The budget proposes \$25 million one-time General Fund in 2020-21 for Cal OES (\$21.9 million) and the Department of Forestry and Fire Protection (\$3.1 million) to support implementation of a home hardening pilot grant program.

Emergency Response Capabilities. The Administration is still developing a spring proposal to strengthen Cal OES' ability to respond to emergencies and support recovery efforts, especially in vulnerable communities.

Deferred Maintenance. The budget proposes \$5 million one-time General Fund to address identified deferred maintenance needs as described in the Five-Year Infrastructure Plan.

Transportation

Impact of COVID-19 Pandemic on State Transportation Funds. Fuel excise tax revenues, while still growing moderately, are expected to be lower than pre-pandemic forecasts by roughly \$1.5 billion through 2024-25. However, the recently-enacted federal COVID-19 relief bill provides \$10 billion for highway projects, of which California is expected to receive roughly \$900 million. Additionally, California received roughly \$500 million in the most recent annual August Redistribution of unused federal funds, closing nearly the entirety of the \$1.5 billion funding gap. The budget continues to provide roughly \$3 billion in fuel excise tax revenue directly to cities and counties for local streets and roads.

Multiyear Funding. For the four-year period from 2020-21 through 2023-24, the \$17.4 billion is programmed through the State Highway Operations and Protection Program (SHOPP), \$2.4 billion through the State Transportation Improvement Program, \$1 billion

for traffic congestion, \$900 million for active transportation projects, and \$800 million for partnerships with local transportation agencies.

Transit Funding. The budget includes nearly \$1.3 billion in baseline formula funding for transit and rail, including \$667 million in State Transit Assistance funds, \$487 million for the Transit and Intercity Rail Capital Program, and \$107 million for the Low Carbon Transit Operations Program.

Climate Action Plan for Transportation Infrastructure. The California Transportation Agency is working to produce the Climate Action Plan for Transportation Infrastructure by July 15, 2021 and implement Executive Orders N-19-19 and N-79-20. Eventually, the Agency is directed to leverage \$5 billion in annual state transportation funds to reduce greenhouse gas emissions from the transportation sector.

Department of Motor Vehicles. The budget includes \$186 million for a variety of workload and operational issues. This includes \$152 million in one-time funding for up to 1,300 temporary positions to address REAL ID demands prior to the enforcement date in October 2021, as well as \$34 million ongoing for 258 positions to continue a number of ongoing operational improvements.

Transportation Development Act. The budget includes statutory changes to provide transit agencies with regulatory and reporting relief related to the Transportation Development Act.

Labor, Public Employment and Retirement

California Workforce Development Board (CWDB)

Early Budget Action. As a part of the Early Action Package, the Administration proposes \$25 million one-time General Fund to the CWDB to provide over 2,000 new apprenticeship and pre-apprenticeships as follows:

- **Construction.** The budget proposes \$8.5 million one-time General Fund to expand construction and apprenticeship and multi-craft pre-apprenticeship programs that will result in 650 jobs.
- **Forestry and Agriculture.** The budget proposes \$6.5 million one-time General Fund for training center jobs with utility tree contractors for wildfire prevention, resulting in 500 jobs.
- **Healthcare.** The budget proposes \$4 million one-time General Fund to expand training for allied health roles to address COVID-19 related health care needs and

a pilot for registered dental assistance in partnership with the Dental Association, resulting in 350 jobs.

- **Trade and Logistics.** The budget proposes \$4 million one-time General Fund through Youth Work for a pilot training program for youth in Ontario Los Angeles, Visalia, and the Bay Area, resulting in 500 jobs.
- **Information Technology.** The budget proposes \$2 million to expand cyber security apprenticeship with public and private employers, resulting in 200 jobs.

Workforce Innovation Opportunity Act (WIOA). The budget proposes \$407 million in federal funds to continue training and apprenticeship services for adults, youth and dislocated workers.

Employment Development Department (EDD)

Unemployment Insurance (UI) Trust Fund. The budget proposes \$555 million one-time General Fund for the anticipated interest payment associated the loan from the federal UI Trust Fund. EDD estimates that the state will have a \$21.5 billion UI Trust Fund deficit as of the end of 2020, rising to \$48.3 billion by the end of 2021.

Department of Industrial Relations (DIR)

Division of Occupational Health and Safety (Cal-OSHA). The budget proposes language to allow DIR to increase resources of \$14.4 million and 70 positions for additional workplace safety inspectors.

California Public Employees' Retirement System (CalPERS)

Annual Contribution. The budget proposes \$5.5 billion one-time (\$3 billion General Fund) for the statutorily required annual state contribution to CalPERS for state pension costs. This is a \$115 million net decrease compared to 2020-21 associated with the reduced employer contribution rates due to the supplemental payments from 2019-20 to 2021-22 and payroll impact of the 2020 Personal Leave Program.

Supplemental Pension Payment. The budget proposes a \$1.5 billion one-time Proposition 2 debt supplemental pension payment for 2021-22 to reduce the unfunded liability.

California State Teachers' Retirement System (CalSTRS)

Annual Contribution. The budget proposes \$3.9 billion one-time General Fund for the statutorily required annual state contribution to CalSTRS. This is an increase of \$430 million compared to 2020-21 due to payroll growth and the anticipated decision by the Board to increase the state contribution rate, as permitted by statute.

Supplemental Pension Payment. The budget proposes a \$410 million one-time Proposition 2 supplemental pension payment in 2021-22 to reduce the unfunded liability.

Employee Compensation

Minimum Wage Adjustments. The budget includes an increase of \$42.1 million (\$29.5 million ongoing General Fund) for increases related to minimum wage changes, increases in health care and dental premiums and enrollment for active state employees, and savings related to health affordability payments for various bargaining units.

Health Care Benefits. The budget proposes \$6.8 billion ongoing on health care benefits in 2021-22 for more than the 850,000 state employees, retirees and their families. This includes \$2.8 billion for retiree health care benefits for 2021-22, which has grown by 74 percent compared to 2012-13.

Prefunding Retiree Health. The budget also proposes \$310 million one-time Proposition 2 funding for the employer's share of General Fund prefunding retiree health care contributions, and an additional \$616 million one-time Proposition 2 payment on behalf of employees because employee prefunding contributions are suspended in 2020-21 due to the Personal Leave Program 2020 to help reach full funding for retiree health benefits by 2046.

Other Budget Proposals

Department of Better Jobs and Higher Wages. The budget proposes to create the Department of Better Jobs and Higher Wages, which would consolidate functions of the CWDB, Employment Training Panel, the Workforce Services Branch and Labor Market Information Division of the EDD, and the Division of Apprenticeship Standards at DIR.