

STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

This Chapter describes items in the Budget that are statewide issues or related to various departments.

HOUSING AND HOMELESSNESS

California has 25 percent of the nation’s homeless population. According to 2017 data from the U.S. Department of Housing and Urban Development (HUD), California’s homeless population has risen to nearly 135,000 individuals, up 13.7 percent since 2016. Of this number, more than 91,000 are considered unsheltered—meaning their primary nighttime location was a public or private space not ordinarily used for sleeping, such as a vehicle, park, or street. The majority of individuals experiencing homelessness belong to vulnerable populations including those with severe mental illness (34,673), victims of domestic violence (32,217), individuals with chronic substance use disorders (24,500), and unaccompanied youth (15,458).

Homelessness is fundamentally a local government responsibility, with cities responsible for the zoning and siting for housing and counties responsible for the provision of health and social services. Local jurisdictions are best positioned to address homelessness and identify solutions to meet local needs. Addressing homelessness requires collaboration between cities and counties to provide facilities and wraparound services. Many local jurisdictions have taken steps to mitigate homelessness but efforts to address identified problems have often been hindered by resistance to permitting and financing housing for this population. Over the years, the state

has provided supplemental funding and a number of policy solutions to address homelessness—including the establishment of Enhanced Infrastructure Financing Districts and Community Revitalization and Investment Authorities, which utilize property taxes and other available funds for affordable housing projects, California Environmental Quality Act (CEQA) streamlining, and planning and zoning density bonuses.

More recently, the state has made sizeable investments to tackle the state's growing homelessness problem. Notably, on July 1, 2016, Governor Brown signed legislation enacting the No Place Like Home program, which dedicates \$2 billion in bond proceeds to invest in the development of permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The bonds are to be repaid by funding from the Mental Health Services Act. The issuance of the bonds, however, has been delayed by legal challenges to the program.

The May Revision proposes placing the No Place Like Home program on the November 2018 ballot, allowing voters to validate the bonds, rather than waiting for validation through the courts. In anticipation of voter approval, the May Revision includes a \$1.2 million General Fund loan to the Department of Housing and Community Development to issue an initial Notice of Funding Availability prior to November and make awards before the end of the calendar year.

The 2017 Budget Act included a housing package with various long-term statutory solutions that collectively shorten the housing development approval process, promote local accountability to adequately plan for needed housing, and invest in affordable housing production through dedicated real estate transaction fee revenues, as well as a \$4 billion housing bond that will be on the November 2018 ballot.

The Governor's Budget included \$4.4 billion in state and federal funding across various departments and programs to develop affordable housing, provide assistance to first-time homebuyers, and offer various supports for individuals experiencing homelessness.

Many of these policy changes and construction investments will take time to result in additional units.

In recognition of the longer time frame existing investments and policies may take to implement, the May Revision includes targeted local dollars to provide assistance to local governments in tackling homelessness. These largely one-time investments will serve as a funding bridge to continue and/or initiate local efforts until additional, significant dollars are available or programs are implemented—in particular, the housing bond and revenues from the real estate transaction fees.

The May Revision proposes \$359 million one-time and \$64 million General Fund ongoing (see Figure SWE-01) to focus state homelessness funding on planning, prevention, and emergency aid.

Figure SWE-01
Homelessness Response Proposal
 (Dollars in Millions)

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

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

PLANNING

Given the many state resources that will be available in the coming years, the May Revision proposes \$500,000 and three positions to expand the Homeless Coordinating and Financing Council established by Chapter 847, Statutes of 2016 (SB 1380), and move it to the Business, Consumer Services, and Housing Agency. The Council will provide statewide guidance on homelessness issues and develop a statewide plan, in collaboration with state and local entities, to support the coordination of the various housing and homelessness investments throughout the state. Additionally, the Council will work in collaboration with other stakeholders to evaluate grant proposals for a \$250 million General Fund homelessness emergency aid block grant described in more detail below.

PREVENTION

The May Revision proposes \$47.3 million in 2018-19 and \$63.6 million ongoing to support safety net programs operated by the Department of Social Services to prevent vulnerable Californians from becoming homeless or help them obtain housing, as referenced in the Health and Human Services Chapter:

- Establish a senior homelessness prevention pilot program with \$15 million in one-time funding over three years, and require participating counties to match funds received.

- Expand the existing \$47 million CalWORKs housing support program with an increase of \$24.2 million in 2018-19. With an additional increase in 2019-20, the program will reach \$95 million ongoing to provide assistance to low-income families obtaining and maintaining permanent housing.
- Increase funding for the CalWORKs Homelessness Assistance program by \$8.1 million in 2018-19 and \$15.3 million ongoing to raise the payment from \$65 per day to \$85 per day to provide families with up to 16 days of temporary shelter.

EMERGENCY AID

To assist locals in addressing homelessness until more state resources are available next year, the May Revision proposes emergency assistance funds as follows:

- Create a one-time Homelessness Emergency Aid block grant of \$250 million administered through Continuums of Care (federal HUD designations) for cities, counties or joint powers authorities that declare a local shelter crisis and identify city-county coordination. Grants can be used for emergency housing vouchers, rapid rehousing, emergency shelter construction, and use of armories to provide temporary shelters, among other activities.
- Provide one-time funding of \$1 million through the California Office of Emergency Services to augment the Homeless Youth and Exploitation Program for homeless and exploited youth shelters that serve unaccompanied minors.
- Increase funding by \$10 million through the California Office of Emergency Services for additional domestic violence service providers for projects that include emergency “safe” homes or shelters for victims and their families.
- Provide a one-time augmentation of \$50 million for the Department of Health Care Services to provide counties with funding for intensive outreach, treatment and related services for homeless persons in need of mental health services, as referenced in the Health and Human Services Chapter.

WILDFIRE RESPONSE AND RECOVERY

California was faced with unprecedented and historic disasters in 2017—floods, wildfires and mudslides—leading to the loss of lives and homes. The Governor's Budget included funding of \$419.1 million for various recovery, response, and preparation activities. The May Revision includes additional investments for recovery efforts and to create a stronger emergency response system in California.

OFFICE OF EMERGENCY SERVICES

Public Safety Communications—The May Revision includes \$15 million State Emergency Telephone Number Account (SETNA) to begin a five-year plan to upgrade the California Public Safety Microwave Network from an analog system to a digital system for emergency response continuity. The Network provides connectivity for public safety radio systems that link responders and dispatchers, provides redundancy and resiliency, and enhances disaster recovery and the ability to support the Next Generation 9-1-1 system proposed in the Governor’s Budget. Next Generation 9-1-1 provides various benefits compared to the legacy system, including faster call delivery, increased routing accuracy and functionality, call overflow and backup functionality, updated geographic information capability and wireless location data, and incoming text capability. Combined, these proposals will improve public safety and significantly advance California’s emergency response capabilities.

Immediate Aid to Restart School Operations—\$14.4 million Federal Trust Fund to provide assistance or services to local educational agencies, including charter schools and private schools to help defray expenses related to the restart of operations, reopening, and reenrolling students in elementary and secondary schools, that serve an area affected by a covered disaster or emergency.

Recovery Program Workload—\$2.8 million General Fund and \$8.4 million Federal Trust Fund to address increased workload related to disaster recovery activities, including working with impacted communities to implement and administer the California Disaster Assistance Act (CDAA) and federal disaster programs.

Disaster Service Worker Volunteer Program—\$675,000 General Fund to provide sufficient and timely workers’ compensation benefits to injured volunteers and eligible survivors, and to issue medical provider payments without incurring penalty and interest fees.

Emergency Response Operations—\$1.6 million General Fund to increase staffing within the Office of Emergency Services’ Homeland Security Branch and Regional Response and Readiness Branch. These branches support liaison efforts between federal, state, and local partners, and assist with responding to disasters and emergency management coordination.

Situational Awareness and Collaboration Tool—\$353,000 General Fund and \$325,000 reimbursements for the Office of Emergency Services to manage and train local agencies on the effective use of this tactical tool, which is deployed in the field to coordinate various disaster response efforts, including, but not limited to, evacuations, warnings, and shelters.

Hazard Mitigation Program—\$3.2 million Federal Trust Fund to handle the increased workload in hazard mitigation activities throughout the state due to the increase in available federal fund resources. Mitigation programs provide funding for eligible activities that reduce disaster losses and protect life and property from future disaster damages.

Regional Hazardous Materials Response Program—\$3.4 million General Fund for the Office of Emergency Services to provide regional and on-site support for planning, response, and mitigation capabilities in the event of a release of hazardous materials.

CALIFORNIA DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

CalRecycle Debris Removal Assistance Program—\$1.3 million Integrated Waste Management Fund for CalRecycle to lead a disaster response and recovery team that would become the subject matter experts for disaster recovery and debris removal. The team will respond to disaster events, train internal staff, support local agency requests for technical assistance, and assist with disaster response and debris removal plans.

CALIFORNIA DISASTER ASSISTANCE ACT

The May Revision includes a one-time augmentation of \$49.5 million General Fund to increase the amount of funding available through CDAA, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster, and to reimburse local government costs associated with certain emergency activities undertaken in response to a state of emergency. This augmentation increases total CDAA funding to \$121.7 million in 2018-19.

DISASTER RESPONSE EMERGENCY OPERATIONS ACCOUNT

As of the May Revision, the Director of Finance had accessed \$375.8 million in resources available in the State Fund for Economic Uncertainties for various departments related to unexpected equipment, personnel, and other disaster assistance costs incurred under the Governor's State of Emergency Proclamations related to the wildfires. The majority of these costs are associated with the removal of hazardous waste and debris that threaten public health and the environment if not immediately addressed. Resources were also made available to the Department of Social Services for the purchase and distribution of food to individuals affected by the Northern California fires, as well as rental/mortgage vouchers and utility assistance for those who would otherwise be ineligible to receive federal assistance.

The May Revision includes statutory changes to amend Government Code section 8690.6 to clarify that allocations from the Disaster Response Emergency Operations Account may be used for activities that commence within 120 days after a proclamation of emergency by the

Governor and remove the sunset date of January 1, 2019.

LOCAL PROPERTY TAX BACKFILL AND DEBRIS REMOVAL COST SHARE WAIVER

The May Revision includes \$32.8 million General Fund to backfill the property tax revenue losses that cities, counties, and special districts will incur in 2017-18 and 2018-19 due to the 2017 wildfires and resulting mudslides in Southern California. Of this amount, \$21.8 million is for Northern California jurisdictions and \$11 million is for Southern California jurisdictions. This funding level is based on information provided by the county assessors.

The wildfire-related property tax revenue losses incurred by K-14 schools are generally backfilled under the Proposition 98 school funding mechanism. Without the backfill, the Budget estimates K-14 schools would have incurred \$22.6 million in cumulative property tax revenue losses in 2017-18 and 2018-19 due to the Northern California wildfires and \$14.5 million due to the Southern California disasters.

Additionally, the May Revision includes \$29.1 million General Fund to waive the local match for Northern California counties' costs of debris removal.

FEDERAL SUPPLEMENTAL APPROPRIATIONS BILL FOR 2017 DISASTERS

The Governor declared emergencies in all of the disasters discussed above, and secured a Presidential Major Disaster Declaration for the Northern and Southern California wildfires, and subsequent Southern California mudslides, providing direct federal aid for residents of those counties who suffered related losses. Workers in these counties who have lost jobs or had work hours substantially reduced as a result of the fires are also now eligible for federal Disaster Unemployment Assistance benefits.

In addition to investments made by California, Congress passed a supplemental disaster-related appropriations bill totaling \$4.4 billion to support the state's recovery efforts associated with these disasters. The Administration, through the Office of Emergency Services, is working closely with local officials to provide technical assistance and guidance to enable local governments to access these funds to support local recovery efforts that will boost the economy as well as reinstate essential services.

MEDICINAL AND ADULT-USE CANNABIS

The Medical Marijuana Regulation and Safety Act enacted in 2015 created a regulatory framework for medical cannabis in California, and distributed the responsibility for state licensing between three state entities—the Department of Food and Agriculture, the

Department of Public Health, and the Bureau of Cannabis Control. In November 2016, voters approved Proposition 64, the Adult Use of Marijuana Act, which legalized the recreational sale and use of cannabis to people over the age of 21. In addition, Proposition 64 levied new excise taxes on the cultivation and retail sale of both adult use and medical cannabis. Chapter 27, Statutes of 2017 (SB 94), integrated medical and adult use regulations to create the Medicinal and Adult-Use Cannabis Regulation and Safety Act (Cannabis Act), which established the overall regulatory framework of medicinal and adult-use cannabis in California.

As approved in Proposition 64, new excise taxes will be levied on the cultivation and retail sale of both recreational and medical cannabis with tax revenues being deposited into the Cannabis Tax Fund. The cannabis excise taxes are forecast to generate \$185 million in 2017-18 and \$630 million in 2018-19. The first quarterly deposit was due on April 30, 2018, and based on tax returns received through May 2, 2018, \$33.6 million in excise tax has been reported. While the forecast assumes revenues will be phased in over time, preliminary data indicates revenue receipts are slower than anticipated. Cannabis revenue projections are subject to great uncertainty.

Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are not subject to appropriation by the Legislature. Pursuant to Proposition 64, expenditures are prioritized as follows:

- Regulatory and administrative costs necessary to implement, administer, and enforce Proposition 64. The Administration will use initial revenues to repay General Fund loans totaling \$120 million to support these activities while cannabis tax proceeds were unavailable.
- Research and activities related to the legalization of cannabis, and the past effects of its criminalization.
- Programs to support substance use disorder treatment, environmental impacts of cannabis cultivation, and public safety. Because the tax proceeds dedicated to these programs are based on prior year actual tax collection, the May Revision assumes that initial funding for these programs will be available in 2019-20, consistent with Proposition 64. Potentially lower tax proceeds noted above would impact the amount available for these programs in 2019-20.

The May Revision includes an additional \$133.3 million for cannabis-related activities, including the processing of licenses and permits, enforcement, laboratory services, information technology, quality assurance, and environmental protection. The proposals are funded by the Cannabis Tax Fund and the Cannabis Control Fund, which receives revenue from licensing fees.

Given that the state is in the early stages of implementation, the May Revision provides funding for these programs on a two-year limited-term basis. This will provide the Administration the opportunity to evaluate the ongoing level of funding needed to support these activities.

The May Revision includes funding for the following activities:

Licensing and Enforcement—Continues implementation of licensing and enforcement programs for the cultivation, manufacturing, testing, distribution, and retail sale of recreational and medicinal cannabis, including support for the Cannabis Track and Trace system to report the movement of cannabis through the distribution chain, the establishment of regional offices for licensing and cash collection, resources to audit the Bureau of Cannabis Control as required by law, and a public awareness campaign of the benefits of the legalized market. Specifically, funding is authorized for the following entities: California Department of Food and Agriculture (\$28.3 million), California Department of Public Health (\$10.6 million), Department of Consumer Affairs (\$33.9 million), and Department of Finance (\$440,000). Also, the May Revision includes a General Fund loan of up to \$59 million to the Cannabis Control Fund to provide sufficient cash for 2018-19.

Tax Collection and Business Filings—Supports ongoing tax collection activities, including collection of cash payments, information technology system enhancements, and security upgrades at state offices, as well as the Secretary of State's ability to process cannabis-related business and trademark filings. Specifically, funding is authorized for the following entities: Employment Development Department (\$3.7 million), California Department of Tax and Fee Administration (\$2.4 million), Franchise Tax Board (\$193,000), and Secretary of State (\$440,000 Business Fees Fund).

Hearings and Appeals—Provides funding for the Cannabis Control Appeals Panel (\$1.4 million) and the Department of General Services (\$13 million Service Revolving Fund) to conduct administrative hearings and appeals that result from denying, transferring, conditioning, suspending, or revoking issued licenses.

Illegal Cannabis Market Enforcement—Provides funding for the Department of Justice (\$14 million) to establish four investigation teams and one interdiction team to investigate illegal cannabis activity with an emphasis on complex, large-scale financial and tax evasion investigations as well as reducing environmental and other crimes associated with the illegal cannabis market.

The May Revision also includes funding for the following programs, as specified in Proposition 64:

Community Engagement—\$10 million for the Governor's Office of Business and Economic Development to support the Community Reinvestment Grants Program that will be awarded on a competitive basis to local health departments and qualified community-based non-profit organizations to support substance use disorder treatment, job placement, legal services, and other cannabis use-related programs.

Research—\$2 million for the University of California San Diego's Center for Medicinal Cannabis Research to further the objectives of the Center, including the enhanced understanding of the efficacy and adverse effects of cannabis as a pharmacological agent; and \$10 million to a public university or universities chosen by the Bureau of Cannabis Control to research and evaluate the implementation and effect of Proposition 64, and make recommendations to the Legislature and Governor regarding possible amendments to the Act.

Drug Recognition—\$3 million for the California Highway Patrol to establish and adopt protocols to determine whether a driver is operating a vehicle while impaired, including best practices to assist law enforcement agencies.

Based on estimated revenues and pursuant to Proposition 64, the remaining programs will not receive funding until 2019-20 and funding will be based on collections received in 2018-19. Once funding is available beginning in 2019-20, Proposition 64 allocates resources for the following activities: (1) education, prevention, and treatment of substance use disorders; (2) clean-up, remediation and enforcement of environmental impacts created by cannabis cultivation; and (3) various public safety programs.

CLIMATE SMART AGRICULTURE

California's agricultural sector offers substantial opportunities to reduce greenhouse gas emissions while improving air quality and maintaining our food economic security. Through Climate Smart Agriculture programs, farmers and ranchers will achieve greenhouse gas reductions and build resilience across diverse agricultural systems and landscapes.

The Administration's Cap and Trade Expenditure Plan provides \$244 million for multiple Climate Smart Agriculture programs. The May Revision builds on the Cap and Trade proposal with additional one-time investments to reduce greenhouse gas emissions.

Significant Adjustments:

- **Agricultural Diesel Engine Replacement and Upgrades**—An increase of \$30 million General Fund on a one-time basis to the Air Resources Board to replace existing diesel agricultural vehicles and equipment with the cleanest available diesel or advanced technologies. Emissions from agricultural equipment are a significant source of air pollution, especially in the San Joaquin Valley, and reducing these emissions is critical for meeting federal ozone and particulate matter air quality standards.
- **Agricultural Energy Efficiency Program**—An increase of \$30 million General Fund on a one-time basis for the Energy Commission to fund innovative projects that reduce energy costs, increase efficiency, and reduce greenhouse gas emissions in the food processing sector. Funded technologies will accelerate the adoption of advanced energy efficiency and renewable energy technologies, and help contribute to meeting the state’s energy efficiency and greenhouse gas reduction goals.

PAYMENT OF EXPIRED AND REPEALED STATE MANDATES

The May Revision includes a one-time payment of \$282.2 million General Fund plus interest to repay local agencies for costs incurred for 14 state mandates that have expired or been repealed. The repayment amount represents the retirement of state obligations to local agencies for costs incurred between 2004 and 2011. The majority of the repayment, \$253.9 million plus interest, is owed as a result of mandates associated with mental health services for severely emotionally disturbed children (AB 3632), and local agencies are expected to use the repayment toward services for youth, as referenced in the Housing and Homelessness section and related issue in Health and Human Services Chapter.

STATE RETIREMENT CONTRIBUTIONS

The May Revision includes the following adjustments for retirement contributions:

- State contributions to the California Public Employees’ Retirement System (CalPERS) have decreased by \$18.1 million (\$12.4 million General Fund) relative to the Governor’s Budget. The reduction is a result of CalPERS’ adjustment to the state’s contribution rates, which is mainly driven by CalPERS’ higher than expected investment return in 2016-17, the benefit of the state’s additional \$6 billion pension payment in 2017-18, and higher than projected enrollment of members under the Public Employees’ Pension Reform Act of 2013, who have lower benefit formulas.

- State contributions to the California State Teachers’ Retirement System (CalSTRS) increased by \$5.6 million General Fund due to a revision in reported compensation for K-12 and community college teachers.
- State contributions to the Judges’ Retirement System II (JRS II) decreased by \$5.3 million General Fund due to a decrease in the employer contribution rate, which is attributed to CalPERS’ newly adopted demographic assumptions.

Figure SWE-02 provides a historical overview of contributions to CalPERS, CalSTRS, the Judges’ Retirement System (JRS), JRS II, and the Legislators’ Retirement System (LRS) for pension and health care benefits.

Figure SWE-02
State Retirement and Health Care Contributions ^{1/}
(Dollars in Millions)

| | CalPERS ^{2/} | CSU CalPERS | CalSTRS | JRS | JRS II | LRS | Active Health & Dental ^{3/} | Retiree Health & Dental | CSU Retiree Health | Employer OPEB Prefunding ^{4/} |
|-----------------------|-----------------------|---------------------|---------|-------|--------|-----|--------------------------------------|-------------------------|---------------------|----------------------------------------|
| 2008-09 | \$3,063 | | \$1,133 | \$189 | \$40 | | \$2,146 | \$1,183 | | |
| 2009-10 | 2,861 | | 1,191 | 184 | 32 | | 2,120 | 1,182 | | \$3 |
| 2010-11 | 3,230 | | 1,200 | 166 | 54 | | 2,277 | 1,387 | | 2 |
| 2011-12 | 3,174 | | 1,259 | 195 | 58 | | 2,439 | 1,505 | | 0 |
| 2012-13 | 2,948 ^{5/} | \$449 ^{5/} | 1,303 | 160 | 51 | | 2,567 | 1,365 ^{5/} | \$222 ^{5/} | 0 |
| 2013-14 | 3,269 | 474 | 1,360 | 188 | 52 | \$1 | 2,697 | 1,383 | 225 | 22 |
| 2014-15 | 4,042 | 543 | 1,486 | 179 | 63 | 1 | 2,797 | 1,462 | 256 | 38 |
| 2015-16 | 4,338 | 585 | 1,935 | 190 | 67 | 1 | 2,968 | 1,556 | 263 | 63 |
| 2016-17 | 4,754 | 621 | 2,473 | 202 | 68 | 1 | 3,104 | 1,623 | 272 | 342 ^{7/} |
| 2017-18 | 5,188 | 661 | 2,790 | 197 | 76 | 1 | 3,252 | 1,771 | 291 | 189 |
| 2018-19 ^{6/} | 5,506 | 683 | 3,082 | 195 | 74 | 1 | 3,435 | 1,891 | 311 | 373 |

^{1/} The chart does not include contributions for University of California pension or retiree health care costs, and does not reflect the \$6 billion supplemental pension payment in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84).

^{2/} In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

^{3/} These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and California State University (CSU).

^{4/} Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

^{5/} Beginning in 2012-13, CSU pension and health care costs are displayed separately.

^{6/} Estimated as of the 2018-19 May Revision to the Governor’s Budget. 2018-19 General Fund costs are estimated to be \$2,890 million for CalPERS, \$683 million for CSU CalPERS, \$1,613 million for Active Health and Dental, \$2,198 million for Retiree Health & Dental (including CSU), and \$194 million for OPEB Prefunding. The remaining totals are all General Fund.

^{7/} Amount includes a one-time prefunding contribution of \$240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The May Revision decreases employee compensation by \$8.1 million to reflect corrections to 2019 health rates, natural changes to enrollment in health and dental plans, updated employment information for salary increases and other post-employment benefit contributions, revised pay increases for judges, and updated costs related to the salary survey estimates for the California Highway Patrol (Bargaining Unit 5).

Additionally, the May Revision includes costs associated with the salary and benefit increases resulting from the pending completion of contract negotiations with the California Correctional Peace Officers Association. The Administration will begin or continue collective bargaining negotiations with the three remaining bargaining units whose contracts with the state will expire in late June or early July 2018.

DEPARTMENT OF HUMAN RESOURCES

Consistent with the policy memorandum issued by the Governor's Office to state agencies and departments, the May Revision includes \$1.4 million (\$720,000 General Fund) for the Department of Human Resources to establish a tracking system to collect data regarding complaints, judgments, and settlements related to workplace discrimination and harassment across all state entities. A unit will be established within the Office of Civil Rights to identify and monitor trends and patterns of problematic behavior, prepare executive and legislative reports related to the data being tracked, and expand policies, procedures, and training related to preventing discrimination and harassment.

INFRASTRUCTURE INVESTMENTS

The May Revision provides a \$630 million General Fund transfer to the State Project Infrastructure Fund. The funding will provide for the completion of several office building projects in the Sacramento area over the next few years, including demolition of the State Printing Plant, and renovation of the Unruh, Bateson, and Resources buildings.

In addition, the May Revision allocates one-time resources of \$1.21 billion—\$1.06 billion General Fund, \$143.5 million Proposition 98 General Fund, and \$7 million Motor Vehicle Account—to address critical deferred maintenance needs. The proposed investments in deferred maintenance are as follows:

- California Community Colleges: \$143.5 million (Proposition 98 General Fund)

STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

- Department of Corrections and Rehabilitation: \$174 million
- Department of Water Resources: \$100 million for levee repairs
- Judicial Branch: \$100 million
- Department of State Hospitals: \$100 million
- California State University: \$100 million
- University of California: \$100 million
- Department of Parks and Recreation: \$100 million
- Department of General Services: \$75 million
- Department of Developmental Services-Porterville Facility: \$60 million
- California Military Department: \$50 million
- Department of Veterans Affairs: \$50 million
- State Special Schools: \$16 million
- Network of California Fairs: \$10 million
- Office of Emergency Services: \$8 million
- California Highway Patrol: \$5 million (Motor Vehicle Account)
- Department of Food and Agriculture: \$4 million
- Employment Development Department: \$4 million
- Department of Forestry and Fire Protection: \$4 million
- Department of Motor Vehicles: \$2 million (Motor Vehicle Account)
- California Conservation Corps: \$2 million
- California Science Center and Expo Park: \$2 million
- Hastings College of the Law: \$1 million

State agencies may use a portion of their allocation to assess their existing facilities to help the state better manage its infrastructure to be resilient to the effects of climate change in the future. The Department of General Services will be developing guidance and standards to assist agencies.

STATE APPROPRIATIONS LIMIT CALCULATION

Pursuant to Article XIII B of the California Constitution, the 2018-19 limit is estimated to be \$107.818 billion. The revised limit is the result of applying the growth factor of 4.03 percent. The revised 2018-19 limit is \$964 million below the \$108.782 billion estimated in January. This decrease is primarily due to changes in the following factors:

- Per Capita Personal Income
 - January Percentage Growth: 4.25%
 - May Revision Percentage Growth: 3.67%

- State Civilian Population
 - January Percentage Growth: 0.82%
 - May Revision Percentage Growth: 0.77%

- K-14 Average Daily Attendance
 - January Percentage Growth: -0.22%
 - May Revision Percentage Growth: -0.23%

-