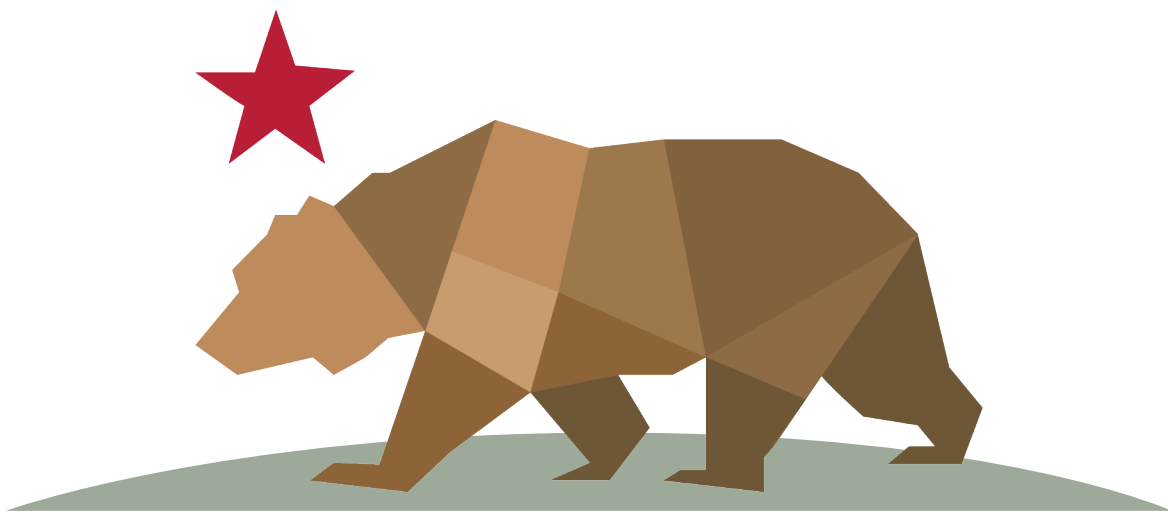


# CALIFORNIA STATE BUDGET

# 2020-21



**Gavin Newsom, Governor**  
State of California

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# INTRODUCTION

The Budget closes a \$54.3 billion gap in 2020-21 and significantly reduces the state's ongoing structural deficit. Despite the global economic crisis caused by the COVID-19 pandemic, the state's prudent fiscal management, including its structurally balanced budgets and record reserves, puts it in a much better position to contend with these challenges.

The COVID-19 pandemic has impacted every sector of the state's economy and has caused record high unemployment—almost 1 in 5 Californians who were employed in February were out of work in May—and further action from the federal government is needed given the magnitude of the crisis. The Governor continues his efforts to secure \$1 trillion in flexible federal aid to state and local governments across the country. This additional support is critical to mitigate the worst effects of the public health crisis, encourage recovery, and support Californians in need.

The Budget makes critical investments to save lives and promote economic recovery by continuing critical purchases of personal protective equipment and other safeguards necessary to safely reopen the economy during the COVID-19 pandemic. It protects public education and supports Californians facing the greatest hardships. This is important since the pandemic is having a disproportionate impact on lower-wage workers and is further exacerbating income inequality. Finally, the Budget supports job creation, economic recovery and opportunity by recognizing and supporting the role small businesses play in job creation in the state.

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### BUDGET POSITIONS THE STATE FOR THE FUTURE

At the Governor's Budget in January, the state was projecting a surplus of \$5.6 billion. At the May Revision, the state confronted a budget deficit of \$54.3 billion—a four-month swing of \$60 billion caused by the COVID-19 Recession. The Budget closes this gap and brings the state's resources and spending into balance while preserving reserves for future years.

The Budget significantly reduces the structural deficit over the next several years, but there is still more work to do to eliminate it. To reduce the structural deficit in the coming years, the Budget sustains the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the 2019 Budget Act. In addition, the Budget accelerates the suspension of most Proposition 56 rate increases to July 1, 2021. Despite these measures, the Administration forecasts an operating deficit of \$8.7 billion in 2021-22, after accounting for reserves.

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### BALANCED APPROACH TO CLOSING THE BUDGET GAP

The Budget takes a balanced approach to closing the \$54.3 billion budget deficit and sets aside \$2.6 billion in the Special Fund for Economic Uncertainties, including \$716 million for the state to respond quickly to the changing conditions of the COVID-19 pandemic. The Budget is balanced as follows:

- **Reserves**—The Budget draws down \$8.8 billion in reserves from the Rainy Day Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all of the funds in the Public School System Stabilization Account.
- **Triggers**—The Budget includes \$11.1 billion in reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the state receives a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred spending on schools, approximately \$970 million in funding for the University of California and the California State University, \$2.8 billion for state employee compensation, \$150 million for courts, and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing. The trigger would also fund an additional \$250 million for county programs to backfill revenue losses.
- **Federal Funds**—The Budget relies on \$10.1 billion in federal funds that provide General Fund relief, including \$8.1 billion already received. This includes the

enhanced Federal Medical Assistance Percentage (FMAP), a portion of the state's Coronavirus Relief Fund allocation and funds provided for childcare programs.

- **Revenues**—The Budget temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in the 2020-21 fiscal year.
- **Borrowing/Transfers/Deferrals**—The Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. (Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.)
- **Cancelled Expansions, Updated Assumptions and Other Solutions**—The remaining \$10.6 billion of solutions includes:
  - Cancelling multiple program expansions and anticipating increased government efficiencies.
  - Higher ongoing revenues above the May Revision forecast.
  - Lower health and human services caseload costs than the May Revision estimate.

#### Summary of Solutions

(Dollars in Billions)

Category	2020 Budget Act
1 Reserves	\$8.8
2 Borrowing/Transfers/Deferrals	9.3
3 Revenues	4.4
4 Federal Funds	10.1
5 Cancelled Expansions, Updated Assumptions, and Other	10.6
6 Trigger Reductions/Additional Deferrals	11.1
<b>Total</b>	<b>\$54.3</b>

## STRENGTHENING EMERGENCY RESPONSE AND PROTECTING PUBLIC HEALTH

The Budget reflects estimated spending of \$5.7 billion to respond directly to the COVID-19 pandemic. Expenditures include the necessary personal protective equipment to reopen the economy, hospital surge preparation, and other expenditures to support populations at greater risk of contracting COVID-19. Under federal law, at least 75 percent of these expenditures will be reimbursed by the federal government. The Budget also includes a \$716 million reserve within the Special Fund for Economic

Uncertainties so the state can respond to the changing conditions of the COVID-19 pandemic.

The Budget also strengthens the state's emergency preparedness in other areas. It makes new investments in wildfire prevention and mitigation, including \$85.6 million to CAL FIRE for firefighting resources and surge capacity and \$50 million for community power resiliency. The Budget also supports the new state Earthquake Early Warning Program, integrates the Seismic Safety Commission into the California Office of Emergency Services, and significantly expands efforts to address cybersecurity threats.

The Budget also includes support for counties that are on the front lines of addressing the public health impacts of the pandemic. Of the \$9.5 billion in Coronavirus Relief Fund received by the state, \$4.5 billion is allocated to local school districts, \$1.3 billion is allocated to counties, and \$500 million to cities. The Budget also includes \$750 million General Fund to provide support for counties experiencing revenue losses due to the pandemic. Funds are available for all local governments in compliance with federal guidance and state health requirements on COVID-19 response. If sufficient federal funds are made available by October 15, 2020, the Budget provides an additional \$250 million in support to counties in protecting programs serving vulnerable populations.

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## PROTECTING PUBLIC EDUCATION

Due to declining revenue, the constitutional Proposition 98 guarantee level of \$70.9 billion is more than \$10 billion below the minimum guarantee at the 2019 Budget Act. However, the Budget offsets this loss in several ways and defers \$12.9 billion in payments into the next fiscal year to preserve programs and give K-12 schools and California Community Colleges the resources needed to safely reopen. The state has also committed to purchasing personal protective equipment and other supplies needed to reopen schools safely.

Furthermore, the Budget allocates \$5.3 billion (\$4.8 billion federal funds) to mitigate learning loss and support the immediate needs of students and schools, with a focus on students disproportionately impacted by the pandemic. The Budget also redirects \$2.3 billion designated for long-term unfunded pension liabilities to reduce school (district and community college district) employer contribution rates in the next two years. Finally, the Budget commits to making supplemental appropriations above the Proposition 98 guarantee for several years starting in 2021-22, which will accelerate General Fund support for schools over the multi-year forecast period.



In addition to these funding changes, the Budget also increases support for students in special education programs by raising per-pupil base rates, and initiates a process to inform future changes in school policing.

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## **SUPPORTING CALIFORNIANS FACING THE GREATEST HARDSHIPS**

The Budget takes several steps to support Californians who are facing the greatest hardships. It maintains eligibility for the Medi-Cal program, including the expanded senior eligibility enacted in the 2019 Budget Act, and preserves optional benefits and Proposition 56 provider rate increases in the budget year. The Budget also maintains In-Home Supportive Services (IHSS) service hours and developmental services rates at current levels for the budget year. It includes an increase in the overall maximum Supplemental Security Income/State Supplemental Payment grant by passing the federal cost-of-living adjustment onto recipients. In CalWORKs, the Budget maintains eligibility and grant levels and extends the time limit for aid to adult recipients from 48 months to 60 months, the maximum under federal law. These steps will reduce childhood poverty and provide vital support for families in need during the current economic crisis.

The Budget also protects programs for working families and students. It preserves last year's expansion of the state Earned Income Tax Credit, including the Young Child Tax Credit, and expands eligibility to include undocumented filers with a child age five and under. It also preserves the Covered California health insurance subsidies for middle-income households enacted in the 2019 Budget Act, and it protects Cal Grants at current levels of eligibility, including the recently established supplemental Cal Grant access award for students with dependent children. These steps will enable more workers and families to cope with the impact of the pandemic.

The Budget also prioritizes funds to mitigate homelessness and takes a new approach by allocating \$600 million to the Department of Housing and Community Development for HomeKey to acquire permanent housing through the purchase and renovation of motel properties throughout the state. The Budget also includes \$300 million General Fund to cities, counties, and continuums of care to support efforts to reduce homelessness.

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## **ENHANCING GOVERNMENT EFFICIENCY**

Historically, state government has been slow to adopt modernizations in the workplace. But the COVID-19 pandemic has forced a massive experiment in telework and allowed

state managers, led by the Government Operations Agency, to rethink business processes.

This transformation will allow for expanded long-term telework strategies, increased modernization and delivery of government services online, reconfigured office space, reduced leased space, and when possible, flexible work schedules for employees.

Nearly all state operations will be reduced by approximately 5 percent over the next two years. Nonessential contracts, purchases, and travel are suspended and departments have been directed to fill only the most essential vacant positions.

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## PROMOTING ECONOMIC RECOVERY

Small businesses will play a critical role in California's economic recovery. For this reason, the Budget provides an additional \$75 million for loan loss mitigation and reducing the cost of capital for small businesses to address gaps in available federal assistance. These funds will be administered by the California Infrastructure and Economic Development Bank. The Budget also expands the \$800 Minimum Franchise Tax exemption for first-year corporations to all businesses, removing a barrier to small business creation for all types of small businesses.

A strong recovery must lift people and small businesses up in all parts of the state. For this reason, the Budget includes funding for additional staff at the Governor's Office of Business & Economic Development to connect businesses with opportunities to create jobs in regions of the state that have historically experienced less economic growth. The Budget also includes funding to expand University of California medical training in Fresno and Riverside and supports an economic development effort in the Fresno region.

The Administration is committed to creating the necessary conditions for a more equitable recovery; to this end, the Budget reflects an increase of the statewide minimum wage to \$15 per hour by 2022. The increases over the next few years will affect roughly 60 percent of Californians who earn the minimum wage. The Budget also maintains last year's historic expansion of the Earned Income Tax Credit, providing a tax credit to households making up to \$30,000 annually (full-time at minimum wage), and provides a credit of \$1,000 for every family that otherwise qualifies for a credit and has at least one child age 5 and under.

The Governor has convened a Task Force on Business and Jobs Recovery—a diverse group of leaders from business, government, labor, and the non-profit sector—to

develop actionable recommendations and advise the state on how economic recovery can be expedited and address the effects of wage disparity exacerbated by COVID-19. The Administration will work with the Legislature as well as the Task Force, the Governor's Council of Economic Advisors, and other stakeholders to develop further actions that support a safe, swift, and equitable economic recovery.

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## DEFINING THE PATH FORWARD

California's history has been marked by periods of great challenge—brought on by global conflict and change, natural disasters, and economic crises. California's history has also been one of innovation, ingenuity, resiliency and resurgence. The COVID-19 pandemic and the recession that has accompanied it pose a new challenge for the state. The Budget takes steps to reduce spending commitments and address long-term structural deficits, but deficits remain and further actions will be needed especially if the federal government does not act.

California will overcome this challenge as it has overcome challenges in the past. The state, its businesses and its families will recover and will emerge stronger and more resilient. However, the size and scale of this crisis has not been seen in recent times and the federal government must do more to prevent exacerbating income inequality that existed before the pandemic.

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# SUMMARY CHARTS

This section provides various statewide budget charts and tables.

**2020 Budget Act**  
**General Fund Budget Summary**  
(Dollars in Millions)

	2019-20	2020-21
<b>Prior Year Balance</b>	\$11,280	\$1,972
Revenues and Transfers	\$137,625	\$137,719
<b>Total Resources Available</b>	<b>\$148,905</b>	<b>\$139,691</b>
Non-Proposition 98 Expenditures	\$94,277	\$88,834
Proposition 98 Expenditures	\$52,656	\$45,066
<b>Total Expenditures</b>	<b>\$146,933</b>	<b>\$133,900</b>
<b>Fund Balance</b>	<b>\$1,972</b>	<b>\$5,791</b>
Reserve for Liquidation of Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	-\$1,203	\$2,616
COVID Reserve	-	(\$716)
<b>Safety Net Reserve</b>	<b>\$900</b>	<b>\$450</b>
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$16,116</b>	<b>\$8,310</b>
Note: Numbers may not add due to rounding.		

**General Fund Expenditures by Agency**

(Dollars in Millions)

	2019-20	2020-21	Change from 2019-20	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$6,860	\$4,522	-\$2,338	-34.1%
Business, Consumer Services & Housing	1,262	341	-921	-73.0%
Transportation	295	239	-56	-19.0%
Natural Resources	3,770	3,616	-155	-4.1%
Environmental Protection	723	123	-600	-83.0%
Health and Human Services	41,925	44,808	2,884	6.9%
Corrections and Rehabilitation	13,444	13,353	-91	-0.7%
K-12 Education	54,849	48,067	-6,782	-12.4%
Higher Education	17,067	15,795	-1,272	-7.5%
Labor and Workforce Development	186	159	-27	-14.5%
Government Operations	2,333	1,578	-755	-32.4%
General Government:				
Non-Agency Departments	1,098	908	-190	-17.3%
Tax Relief/Local Government	505	1,182	676	133.9%
Statewide Expenditures	2,616	-791	-3,407	-130.2%
<b>Total</b>	<b>\$146,933</b>	<b>\$133,900</b>	<b>-\$13,033</b>	<b>-8.9%</b>

Note: Numbers may not add due to rounding.

**2020-21 Total State Expenditures by Agency**

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$4,522	\$3,631	\$566	\$8,719
Business, Consumer Services & Housing	341	1,072	1,154	2,567
Transportation	239	17,484	641	18,364
Natural Resources	3,616	1,622	1,399	6,636
Environmental Protection	123	3,174	18	3,316
Health and Human Services	44,808	25,602	-	70,410
Corrections and Rehabilitation	13,353	2,576	-	15,929
K-12 Education	48,067	127	1,541	49,736
Higher Education	15,795	180	723	16,698
Labor and Workforce Development	159	848	-	1,007
Government Operations	1,578	351	8	1,937
General Government				
Non-Agency Departments	908	1,873	8	2,789
Tax Relief/Local Government	1,182	2,774	-	3,956
Statewide Expenditures	-791	801	1	11
<b>Total</b>	<b>\$133,900</b>	<b>\$62,115</b>	<b>\$6,059</b>	<b>\$202,074</b>

Note: Numbers may not add due to rounding.

## General Fund Revenue Sources

(Dollars in Millions)

	2019-20	2020-21	Change from 2019-20	
			Dollar Change	Percent Change
Personal Income Tax	\$95,566	\$77,567	-\$17,999	-18.8%
Sales and Use Tax	24,941	20,583	-4,358	-17.5%
Corporation Tax	13,870	16,534	2,664	19.2%
Insurance Tax	3,052	2,986	-66	-2.2%
Alcoholic Beverage Taxes and Fees	385	389	4	1.0%
Cigarette Tax	58	56	-2	-3.2%
Motor Vehicle Fees	31	40	9	27.4%
Other	1,842	11,758	9,916	538.3%
<b>Subtotal</b>	<b>\$139,745</b>	<b>\$129,913</b>	<b>-\$9,832</b>	<b>-7.0%</b>
Transfer to/from the Budget Stabilization Account/Rainy Day Fund	-2,120	7,806	9,926	468.2%
<b>Total</b>	<b>\$137,625</b>	<b>\$137,719</b>	<b>\$94</b>	<b>0.1%</b>

Note: Numbers may not add due to rounding.

## 2020-21 Revenue Sources

(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2019-20
Personal Income Tax	\$77,567	\$1,874	\$79,441	-\$18,601
Sales and Use Tax	20,583	10,025	30,608	-4,644
Corporation Tax	16,534	-	16,534	2,665
Highway Users Taxes	-	8,124	8,124	324
Insurance Tax	2,986	-	2,986	-66
Alcoholic Beverage Taxes and Fees	389	-	389	4
Cigarette Tax	56	1,848	1,904	-21
Motor Vehicle Fees	40	10,004	10,044	585
Other	11,758	20,490	32,248	4,614
<b>Subtotal</b>	<b>\$129,913</b>	<b>\$52,365</b>	<b>\$182,278</b>	<b>-\$15,140</b>
Transfer to/from the Budget Stabilization Account/Rainy Day Fund	7,806	-7,806	-	-
<b>Total</b>	<b>\$137,719</b>	<b>\$44,559</b>	<b>\$182,278</b>	<b>-\$15,140</b>

Note: Numbers may not add due to rounding.



# SAVING LIVES AND EMERGENCY RESPONSE

As of late June, COVID-19 resulted in over 125,000 deaths in the United States, and more than 5,900 in California. Since the initial outbreak, the Administration has taken action to reduce the spread of the virus, becoming the first in the nation to implement a statewide stay-at-home requirement to mitigate the spread of COVID-19.

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## RESPONDING TO COVID-19

In early March, the Governor proclaimed a state of emergency for the novel coronavirus outbreak. Within two weeks, the Administration issued the statewide stay-at-home order. Even prior to these actions, the State Operations Center had been activated, informed by the state's public health officers, to prepare for an expected surge of patients infected with the virus. Based on data from medical models, projections indicated that hospitals would be inundated with patients, outstripping medical resources both in terms of available beds as well as the staffing and supplies needed to care for them. Necessary actions to address the immediate needs for various vulnerable populations and healthcare workers were identified and taken, and local governments were provided state assistance to stop the spread of COVID-19 and mitigate the impacts. In addition, food banks were supported and staffed as the demand for these services began to increase.

Moving forward, the state continues to take action to safely reopen the state's economy based on six specific indicators informed by science and public health

guidance. This approach necessitates the continuation of the state's proactive measures to mitigate potential outbreaks and surges in positive cases and hospitalizations. The state is now better prepared for a potential resurgence of positive cases and increased pressure on the state's health care system. The state has procured personal protective equipment, issued public health guidance, is expanding contract tracing programs, and made other preparations to strengthen hospital capacity and protect vulnerable populations.

The state has also developed a data portal for the public—<https://covid19.ca.gov/roadmap-counties/>—which reflects information by county to better understand local COVID-19 statistics. With a focus on health equity, the state continues to monitor data and make adjustments to both guidance and support to respond to the changing conditions of the COVID-19 pandemic.

Pursuant to a Presidential Disaster declaration, funds from the Federal Emergency Management Agency (FEMA) became available to help pay for the state's response efforts. The Budget reflects \$5.7 billion in estimated planned expenditures for the state's direct emergency response efforts for the COVID-19 pandemic. We expect that the federal government will reimburse the majority of these expenditures. Also, to prepare for needs that may occur in the coming months, the Budget sets aside \$716 million General Fund within the Special Fund for Economic Uncertainties.

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## COVID-19 FEDERAL ASSISTANCE

The federal government has provided temporary federal funding to support the state's response to the COVID-19 pandemic. This funding was made available through four federal bills to help pay for emergency response, testing and contact tracing, health care, and financial relief to individuals, families, and businesses as well as state and local governments, including schools and higher education institutions. The following summarizes the four bills passed by Congress since March 2020:

- **Coronavirus Preparedness and Response Supplemental Appropriations Act (HR 6074)**—Provided emergency funding for public health and health care.
- **Families First Coronavirus Response Act (HR 6201)**—Provided some early assistance to families and temporarily increased the federal match for some state programs including Medi-Cal and In-Home Supportive Services. Federal funding was also extended for testing and testing-related services for uninsured individuals.

- **Coronavirus Aid, Relief, and Economic Security (CARES) Act (HR 748)**—Broadened the assistance available to include funding for states, local governments, education, child care, individuals and families. Funding was also expanded, extended, and supplemented for unemployment insurance benefits. Finally, this measure provided assistance to businesses, including the health care sector, small businesses, farmers, airports, and transit agencies.
- **Paycheck Protection Program and Health Care Enhancement Act (HR 266)**—Expanded funding for small businesses, hospitals, community and rural health centers, and substantially expanded funding for testing and contact tracing to support reopening businesses and the economy.

As of late June, California expects to receive over \$72 billion in assistance to state programs. Unemployment insurance represents about \$52 billion of this total. In addition, over \$142 billion in direct assistance is expected to be provided to individuals and families, small businesses, hospitals and providers, including rural and community clinics, higher education institutions and college students, local housing authorities, airports, farmers, and local government. Funds identified to date are detailed in the chart below:

#### Summary of Federal Stimulus Funds

(Dollars in Thousands)

Federal Vehicle	To/Thru State	Direct Stimulus	Total
Preparedness and Response (HR 6074)	\$63,754	\$1,535,765	\$1,599,519
Families First (HR 6201)	11,460,393	2,726,574	14,186,967
CARES Act (HR 748)	60,197,032	81,702,154	141,899,186
Payroll Protection/Health Care (HR 266)	499,203	56,117,934	56,617,137
<b>Total</b>	<b>\$72,220,382</b>	<b>\$142,082,427</b>	<b>\$214,302,809</b>

### CORONAVIRUS RELIEF FUND

The CARES Act allocated Coronavirus Relief Funds (CRF) to state and local governments for expenditures incurred between March 1, 2020 and December 30, 2020 in response to COVID-19, not previously accounted for in the most recent state and local budgets.

Based on the state's population, California received a total of \$15.3 billion with \$9.5 billion paid to the state. Cities and counties with populations over 500,000 (15 counties, city and county of San Francisco, and 5 cities) received \$5.8 billion directly from the U.S. Treasury. The funding allocated to five large cities was deducted from the county share.

The \$9.5 billion in state CRF allocations are summarized in the following chart:

### Coronavirus Relief Fund Allocations

(Dollars in Thousands)

State Directed Coronavirus Relief Fund Allocations	Amount
State Offsets: Vulnerable Populations and Public Safety	\$2,692,681
Housing for Homeless Individuals and Families	\$550,000
K-14 Learning Loss Mitigation	4,493,819
County Homelessness, Public Health, Public Safety, and Other Services	1,289,065
City Homelessness, Public Health, Public Safety, and Other Services	500,000
<b>Total</b>	<b>\$9,525,565</b>

## DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health has continued to be at the forefront of the state's response to the COVID-19 pandemic—extensively planning for, preparing for, and responding to the pandemic since mid-January.

The Budget maintains and increases the Department's ongoing disease surveillance and identification workforce. Specifically, the Budget includes \$5.9 million General Fund for 2020-21 and \$4.8 million General Fund ongoing, to support state laboratory staff and to purchase equipment and laboratory supplies. In addition, the Budget includes ongoing funding for infectious disease prevention and control that had previously been scheduled for suspension on January 1, 2022.

In early April, the Governor announced the COVID-19 Testing Task Force, a public-private collaborative charged with boosting California's testing capacity. The task force efforts have led to significant increases in testing, improvements to the supply chain for testing supplies, and the establishment of specimen collection sites across the state, including mobile labs. In addition, the State has built up significant testing capacity in partnership with private and public laboratories, including high throughput capacity to improve the turnaround time for test results.

California is now completing more than 80,000 COVID-19 tests per day, but more work is necessary to reduce the cost of testing, create more equitable access to testing, and improve disease surveillance. Control Section 11.95 will allow for the allocation of more than \$600 million in federal funds to support testing and contact tracing.

In the ongoing effort to mitigate the spread of COVID-19, the Administration launched California Connected, the state's effort to greatly expand county contact tracing programs, which redirects state employees to begin contact tracing efforts. This effort includes contracts with the University of California, San Francisco and University of California, Los Angeles to launch an online training academy to develop a culturally competent and skilled contact tracing workforce.

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## ENHANCING EMERGENCY RESPONSES AND PREPAREDNESS

In response to the global COVID-19 pandemic, the state has had to implement an unprecedented emergency response effort necessary to protect the health of Californians. However, the state remains at risk from other types of emergencies. The Budget continues the Administration's prioritization of enhancing emergency response and preparedness.

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### OFFICE OF EMERGENCY SERVICES

The Budget reflects \$117.6 million for the Office of Emergency Services (Cal OES) to enhance the state's emergency preparedness and response capabilities.

- **Community Power Resiliency**—\$50 million one-time General Fund to support additional preparedness measures that bolster community resiliency. Building on this year's investments, these measures will support critical services still vulnerable to power outage events, including schools, county election offices, and food storage reserves.
- **California Disaster Assistance Act (CDAA)**—\$38.2 million one-time General Fund to increase the amount of funding available through the CDAA, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclaimed by the Governor. This augmentation increases total CDAA funding available in the Budget to \$100.8 million.
- **California Earthquake Early Warning Program**—\$17.3 million, supported by a one-time loan of the same amount from the School Land Bank Fund, to operate this new, innovative program that uses science, monitoring, and technology to alert people, businesses, and transit agencies via devices before the anticipated strongest seismic activity arrives.

- **California Cybersecurity Integration Center**—\$11.1 million General Fund in 2020-21 for various departments (including \$7.6 million General Fund in 2020-21 for Cal OES), to enhance the state's critical cybersecurity infrastructure. This investment will provide a full-time Joint Incident Response Team to bolster the state's capabilities in preventing, mitigating, and responding to cyberattacks.
- **Seismic Safety Commission Transfer**—\$2.5 million (\$503,000 General Fund) to transfer the Seismic Safety Commission to Cal OES. These resources will be critical to supporting the effective integration of the Seismic Safety Commission into Cal OES, resulting in increased coordination with other components of the state's multi-hazard strategy, earthquake preparedness, and broader distribution of seismic safety policies and recommendations.
- **Wildfire Forecast and Threat Intelligence Integration Center**—\$2 million General Fund ongoing to enhance the state's emergency response capabilities through improved forecasts for tracking and predicting critical fire weather systems, which improves situational awareness of fire threat conditions in real-time, consistent with Chapter 405, Statutes of 2019 (SB 209).

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## DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Over the past several years, the state has experienced unprecedented increases in wildfire activity driven by climate change. Furthermore, 2020 is likely to be an active fire year, as evidenced by year-to-date fire activity, given lower than average precipitation, snowpack, and fuel moisture levels.

The Budget reflects \$90 million General Fund (\$93.2 million General Fund ongoing) to further enhance CAL FIRE's fire protection capabilities.

- **CAL FIRE Relief Staffing and Additional Surge Capacity**—\$85.6 million General Fund ongoing for additional firefighting resources to provide CAL FIRE with operational flexibility throughout the peak fire season and beyond as fire conditions dictate. These resources will be leveraged to provide relief for frontline firefighting staff, which will directly benefit employee health and wellness. Additionally, these resources will serve as an immediate resource pool to be deployed strategically, based on fire risk, to build CAL FIRE's surge capacity by staffing additional engines during the late fall, winter, and early spring, and adding a fourth firefighter on a portion of engines.

- **Innovation Procurement Sprint**—\$4.4 million General Fund (\$7.6 million ongoing) to enable CAL FIRE to implement the new, pioneering wildfire prediction and modeling technology that was procured through the Innovation Procurement Sprint process initiated through Executive Order N-04-19. The recently-executed contract will enable CAL FIRE to access a wildfire predictive software program that can perform hundreds of millions of simulations daily, over large geographic areas, and generate predictions and wildfire forecasts based on simulated or reported ignition points throughout the state. The data from this software program will be used to inform fire pre-positioning and suppression tactical operations, with the intent to more readily control and contain wildfires, and to protect people and assets at risk.

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## ENCOURAGING RECOVERY

Until February, California enjoyed an historic economic expansion that reduced unemployment from a peak of 12.3 percent to 3.9 percent, and lowered the poverty rate from a peak of over 16 percent to under 12 percent. Real per capita personal income had increased by almost 25 percent between 2007 and 2018. This strong economic growth enabled billions of dollars in investments to improve schools and roads, to increase access to and affordability of higher education, to create a robust state earned income tax credit program, and to steadily increase the state's minimum wage. But even during this period of expansion, growth was uneven and unequal, and too many people continued to struggle to make ends meet.

The COVID-19 Recession ended the longest recovery period in the state's history. The ensuing recession has caused massive job losses, precipitous drops in family and business income, and has exacerbated inequality. The May Revision forecast included a peak unemployment rate of 24.5 percent in the second quarter of this year and a decline in personal income of nearly 9 percent in 2020. The official unemployment rate exceeded 16 percent in April and May.

Since February, more than 1 million Californians have left the labor force, meaning they are no longer employed nor actively searching for work. Including those individuals, as well as reclassifying employees who had been furloughed without pay, would increase the unemployment rate to close to the May Revision forecast. Although there are signs of improvement as businesses reopen, there were fewer than 15.5 million employed Californians in May, the lowest level since April 1999.

The Budget enacts policies and investments to encourage recovery for all Californians. With additional funding and policy changes at the federal level, there are greater opportunities for state and local government to shape a safe, swift recovery that will promote greater resilience and sustainability.

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### REVENUE SOLUTIONS

The Budget maintains three tax measures included in the Governor's Budget:

- Extending the sales tax exemption for diapers and menstrual products through the end of 2022-23.
- Extending the carryover period for film credits from 6 years to 9 years.
- Extending the current exemption from the minimum tax for first year corporations to first year Limited Liability Corporations, partnerships, and Limited Liability Partnerships.

In addition, the Earned Income Tax Credit (EITC) has been expanded to taxpayers that use an Individual Taxpayer Identification Number (ITIN) rather than a Social Security number for taxpayers with at least one child age 5 or younger.

As part of a balanced approach to managing the budget deficit, the Budget also includes two significant temporary changes to tax law, as well as a measure to reduce the sales tax gap. These measures are intended to raise revenue, stimulate economic growth, and help those in need. They are:

- Suspending Net Operating Losses for 2020, 2021, and 2022 for medium and large businesses.
- Limiting business incentive tax credits from offsetting more than \$5 million of tax liability for 2020, 2021, and 2022.
- Requiring used car dealers to remit sales tax to the Department of Motor Vehicles with the registration fees.

These revenue measures net \$4.3 billion in 2020-21, \$3.1 billion in 2021-22 and \$1.3 billion in 2022-23.

While the Budget does not include a new tax on e-cigarettes based on nicotine content, the Administration remains committed to working with the Legislature to enact this measure.

**Changes in Revenues**  
(Benefit to General Fund, Dollars in Millions)

	2020-21	2021-22	2022-23
Suspend Net Operating Losses for 2020, 2021, and 2022	\$1,820	\$1,300	\$380
Limit Business Incentive Tax Credits to Offset no more than \$5 million of Tax Liability Per Year for 2020, 2021, and 2022	1,955	1,505	890
Interaction Between NOL Suspension and Credit Limitation	611	454	206
Require Used Car Dealers to Remit Sales Tax to DMV with Registration Fees	12	24	24
Expand EITC to ITIN taxpayers with children age 5 or younger	-65	-60	-60
<b>New May Revision General Fund Revenue Solutions</b>	<b>\$4,333</b>	<b>\$3,223</b>	<b>\$1,440</b>
Provisions included in Governor's Budget			
Extension of Sales Tax Exemption for Diapers and Menstrual Products through 2022-23	0	-23	-46
Extend the First Year Exemption from Minimum Tax to LLCs, Partnerships, and LLPs	-50	-100	-100
Extend Carryover Period for Program 2.0 Film Credits from 6 years to 9 years	0	0	-1
<b>General Fund Revenue Solutions</b>	<b>\$4,283</b>	<b>\$3,100</b>	<b>\$1,293</b>

## SUPPORTING THE RECOVERY OF SMALL BUSINESS

Small businesses are the core of California's economy—nearly 4 million businesses employ approximately half of the private workforce.

Small businesses have suffered massive losses as a result of the COVID-19 Recession and they are facing increased costs to modify their operations in order to reduce the transmission of COVID-19. Given their critical role in California's economy, the Budget increases funding to support the recovery of this sector in the near- and long-term.

### MINIMUM FRANCHISE TAX

To support new business creation and innovation, the Budget waives the \$800 minimum franchise tax—often a costly barrier for start-up businesses—for the first year of operation.

### SMALL BUSINESS LOAN GUARANTEES

The California Infrastructure and Economic Development Bank's (IBank) Small Business Finance Center manages California's small business loan guarantees, disaster loan guarantees, and direct lending programs. The Budget includes \$50 million additional

General Fund to provide a total of \$100 million General Fund for the Small Business Finance Center to address gaps in available federal assistance and grow California's program. This increase will be leveraged to access existing private lending capacity and philanthropic funding to increase the funds available to provide necessary capital to restart California small businesses.

Further, the Budget includes \$25 million General Fund for IBank to provide capital to Community Development Financial Institutions (CDFIs) and other mission based lenders to enable the origination of more loans in underbanked communities. IBank works with the CDFI network to serve economically disadvantaged small businesses, including the underbanked and unbanked. This funding will increase liquidity and available capital in these areas.

As part of the federal Payroll Protection Program, over 750,000 California small businesses have received a combination of grants and loans totaling over \$85 billion primarily to support continued payment of employees and to help overcome the temporary loss of revenue they are experiencing. While these amounts are significant, the awards to date benefit less than 20 percent of California's 4 million small businesses. The recently enacted Paycheck Protection Flexibility Act of 2020 (HR 7010) extends the time to spend funds from 8 to 24 weeks, reduces the percentage of funds required to be spent on payroll from 75 percent to 60 percent, and provides more time to return to pre-COVID-19 staffing levels.

### **SMALL BUSINESS AND ECONOMIC DEVELOPMENT**

To further support the needs of underserved communities and direct small businesses to capital options, California helps fund a network of federally contracted centers to consult and train California small business owners. The Governor's Office of Business and Economic Development administers a grant program that funds business technical assistance centers to expand services to underserved small businesses, and the Capital Infusion Program to help small businesses access capital.

The Budget includes an investment of \$758,000 ongoing General Fund for four positions to bring business and economic development to Inland and Northern California.

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### **SUPPORTING JOB CREATION**

This Budget includes measures to support job creation including: assistance to help spur the recovery of small businesses and the jobs they create, support for increased housing

affordability and availability, and investments in human and physical infrastructure. The investments and actions will focus on equity, shared prosperity and long-term growth.

The Governor has also convened a Task Force on Business and Jobs Recovery—a diverse group of leaders from business, labor, and the non-profit sector—to develop actionable recommendations and advise the state on how economic recovery can be expedited and address the effects of wage disparity that are being made even worse by the COVID-19 Recession. The Administration is committed to additional actions, informed by the Legislature, the Governor's Council of Economic Advisers, the Task Force, and other stakeholders to support a safe, swift and equitable economic recovery.

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## TRANSPORTATION INVESTMENTS

In the immediate term, the Department of Transportation (Caltrans) will accelerate projects to achieve cost savings, support the creation of new jobs in the transportation sector, and improve roads. The Federal Highway Administration estimates that approximately 13,000 jobs are created for every billion dollars spent on highway infrastructure. While fuel tax revenues used to fund transportation projects are expected to decline by a total of \$1.8 billion through 2024-25, the Budget maintains current planning and engineering staffing levels to continue developing and designing previously programmed projects. Not only does Caltrans plan to award all of the projects it currently has programmed for construction in the coming year, but the continued project development work will support preparedness for when additional stimulus funding becomes available.

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## HOUSING

The COVID-19 pandemic and resulting recession has impacted vulnerable communities and made the housing shortage crisis more acute. In response, the Budget prioritizes expanded state tax credits and maximizing federal funds to focus on housing.

This builds upon the Governor's series of actions earlier this year to temporarily halt evictions statewide and financial institutions' foreclosure proceedings. Additionally, the federal government has prohibited federally backed mortgage lenders from initiating foreclosure proceedings for 60 days and provided certain homeowners a right of forbearance for 180 days due to COVID-19-related financial hardships.

## LOW-INCOME HOUSING TAX CREDITS

The 2019 Budget Act provided expanded state tax credits for low-income housing that pair with a federal 4-percent tax credit. With continued increased demand for these tax credits, the Budget allocates up to \$500 million in additional tax credits in 2021, provided the committees involved in the tax credit allocation process, the California Debt Limit Allocation Committee and the California Tax Credit Allocation Committee, adopt regulations that further align their programs to continue to increase production, contain costs, and take into consideration maximizing the efficient use of public subsidies and benefits that would be created. New data collection and reporting requirements are also included.

### Other Significant Adjustments

- **Mixed-Income Program**—The 2019 Budget Act included a one-time \$500 million General Fund investment to the California Housing Finance Agency (CalHFA) over four years for mixed-income development loans (between 30 and 120 percent of the Area Median Income) at a lower subsidy level than traditional state programs. This investment served to help a target population that had not been assisted by other state housing programs. The Budget reverts \$45 million planned for expenditure in 2020-21, that will be restored, should federal funds become available by October 15, 2020. In addition, there also remains a dedicated annual revenue provided by real estate transaction fees (estimated at \$40 million in 2020-21) and up to \$200 million in state low-income housing tax credits to help develop moderate income housing.
- **Infill Infrastructure Grants**—The 2019 Budget Act also provided \$500 million General Fund in grants for necessary infill infrastructure improvements that will stimulate and facilitate residential or mixed-use development. The Budget reverts \$203 million of this one-time investment. To the extent the federal government provides sufficient federal funds by October 15, 2020, this funding will be restored. The Department of Housing and Community Development also has \$300 million in Proposition 1 bond funds for infill infrastructure grants.

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## NATIONAL MORTGAGE SETTLEMENT RELIEF

As California homeowners and renters struggle to make payments during this time, the Budget provides \$331 million in National Mortgage Settlement funds to help prevent avoidable foreclosures and evictions. Of this amount, \$300 million will be available for

housing counseling as well as mortgage assistance through CalHFA. Specifically, CalHFA will partner with U.S. Department of Housing and Urban Development certified counselors to help homeowners, former homeowners, and renters take advantage of rights and resources available to them. Additionally, CalHFA will provide mortgage assistance to help qualified residential mortgage borrowers avoid defaults on their payments and maintain ownership of their homes and buildings. The remaining \$31 million will provide legal assistance and counseling for renters and homeowners through Judicial Branch grants to local legal service organizations throughout the state.

Housing production and affordability remains a priority for the Administration. With strategic funding to maintain fiscal sustainability while making impactful long-term investments, the 2020 Budget includes \$8.3 billion across multiple departments and programs to address housing throughout the state.

**2020-21 Affordable Housing Funding**  
(Dollars in Millions)

<i>Department</i>	<i>Program</i>	<i>Amount</i>
Department of Housing and Community Development	Federal Funded Programs for Housing	\$1,276.0 <sup>1/</sup>
	Veterans and Affordable Housing Bond Act Programs (Prop 1)	\$630.0
	No Place Like Home Program	\$400.0
	Building Homes and Jobs Fund Programs (SB 2)	\$277.0
	Veterans Housing and Homelessness Prevention	\$75.0
	Various	\$43.0
California Housing Finance Agency <sup>2/</sup>	Single Family First Mortgage Lending	\$2,500.0
	Multifamily Conduit Lending	\$600.0
	National Mortgage Settlement (Mortgage Counseling and Assistance)	\$300.0
	Multifamily Permanent Lending	\$140.0
	Mixed-Income Loan Program	\$90.0 <sup>3/</sup>
	Single Family Down Payment Assistance (SB 3)	\$85.0
	Special Needs Housing Program	\$25.0 <sup>4/</sup>
Tax Credit Allocation Committee	Low Income Housing Tax Credits (Federal)	\$436.0 <sup>5/</sup>
	Low Income Housing Tax Credits (State)	\$602.0
	Farmworker Housing Assistance Tax Credits	\$4.0
Strategic Growth Council	Affordable Housing and Sustainable Communities	\$452.0 <sup>6/</sup>
Department of Veterans Affairs	CalVet Farm and Home Loan Program (SB 3)	\$170.0
Office of Emergency Services	Domestic Violence Housing First Program	\$23.0
	Transitional Housing Program	\$18.0
	Specialized Emergency Housing	\$10.0
	Domestic Violence Assistance, Equality in Prevention and Services, Human Trafficking Victim Assistance, North American Domestic Violence and Sexual Assault	- <sup>7/</sup>
Judicial Council	National Mortgage Settlement (Renter and Homeowner Legal Assistance)	\$31.0
California Department of Corrections and Rehabilitation	Specialized Treatment of Optimized Programming, Parolee Service Center, Day Reporting Center, Female Offender Treatment and Employment Program, Proposition 47 Grant Program	- <sup>7/</sup>
Department of Social Services	CalWORKS Family Stabilization, Housing Component	\$4.9 <sup>8/</sup>
	CalWORKS Housing Support Program	\$95.0
Department of Public Health	HIV Care Program	- <sup>7/</sup>
	Housing Opportunities for Persons with AIDS (HOPWA)	\$5.0
	Housing Plus Program	\$1.0
<b>Total</b>		<b>\$8,292.9</b>

1/ This amount reflects programs that receive federal funds, such as the Community Development Block Grant program. Unawarded COVID-19 related relief funds (e.g., CARES Act) are not reflected.

2/ Amount is based on lending activities from 2018/19.

3/ An additional \$45 million may become available in federal funds for this program.

4/ Amount represents voluntary allocations of local Proposition 63 funds from 16 participating counties.

5/ This represents the estimated 9 percent tax credits to be allocated in 2020, including an increase for disaster credits provided by the federal government, and the estimated amount of 4 percent credits to be awarded in 2020 based on current data and remaining bond cap.

6/ The Affordable Housing and Sustainable Communities program amount reflects 20 percent of the projected Cap and Trade revenues. The Transformative Climate Communities (TCC) program (\$44.6 million in carryover available for 2020-21) funds various activities, including affordable housing.

7/ The State provides a number of wrap-around supportive services through these programs including housing, which cannot be separated from the program's overall budget.

8/ Of the \$46.9 million available for CalWORKs Family Stabilization in 2020-21, \$4.9 million is estimated to be spent on housing.



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## **SUPPORTING THE RECOVERY**

The CARES Act provides temporary program enhancements and expanded unemployment insurance benefits to millions of workers no longer employed due to the COVID-19 Recession. Most notably, the CARES Act included a federally funded temporary emergency benefit increase of \$600 per week through July 31, 2020 and a federally funded Pandemic Unemployment Assistance program to provide up to 39 weeks of unemployment insurance benefits to individuals who do not qualify for traditional unemployment compensation, including business owners, the self-employed, independent contractors, individuals with limited work history, and other individuals not usually eligible for regular state unemployment insurance benefits who are unemployed as a direct result of the COVID-19 Recession. From March until mid-June, over \$37 billion has been paid out through these expanded unemployment insurance programs.

The Short-Term Compensation program included in the CARES Act is another benefit that helps employers retain workers at reduced time and wages—ready to restart operations once stay-at-home orders are eased. Unlike regular unemployment insurance, these benefits are fully funded for up to 26 weeks by the federal government through the end of 2020. It is intended to support businesses in retaining their workers as the economy reopens and customers come back. The Administration is working to address the cumbersome process that has delayed enrollment to increase the number of businesses participating in this program.

Finally, \$27.9 billion in direct economic impact payments from the U.S. Treasury has been allocated to nearly 16.9 million California families who have filed a federal tax return in 2018 or 2019, as well as individuals who receive Social Security retirement, SSDI, Railroad Retirement benefits, SSI and Veterans Affairs beneficiaries who have not filed a tax return in the last two years.

## **A STRONGER, MORE INCLUSIVE ECONOMY**

While average per capita income had increased almost 25 percent in real terms from 2007 to 2018, median household income was flat over the same period. Most of the jobs added since the Great Recession were in lower-wage sectors. Job growth was also uneven across regions. Income inequality persisted, and prosperity was not shared by all regions of the state.

The COVID-19 Recession is disproportionately impacting low-wage workers and communities of color, and worsening inequality and opportunity. Informed by the Future of Work Commission, and advised by the Task Force on Business and Jobs

Recovery and the Governor's Council of Economic Advisers, the Administration will continue to work on actions to protect those facing the greatest hardships from the COVID-19 Recession. It will also work on tangible actions to broaden opportunity, better prepare the state's workforce, and modernize worker safety net protections.

The California state minimum wage increased by \$1 per hour on January 1, 2020 to reach \$12 per hour for businesses with 25 or fewer employees, and \$13 per hour for businesses with 26 or more employees. These increases will affect roughly 60 percent of Californians. Annual increases of \$1 per hour are scheduled to continue until the statewide minimum wage reaches \$15 per hour for everyone, with indexing for inflation after that. The Budget maintains these scheduled increases.

The 2019 Budget Act significantly expanded the EITC beginning in tax year 2019, by more than doubling the existing credit from \$400 million to \$1 billion. The expanded program extends credits to 1 million additional households, raising the number of households receiving the credit to 3 million. The expanded credit includes a \$1,000 credit for every family that otherwise qualifies for the credit and has at least one child age 5 and under. The Budget continues the EITC at this expanded level and extends the EITC to more Californian taxpayers including those who file using ITIN and have at least one child age 5 or younger. This expansion allows more families with young children to receive additional help to address the costs of food, rent, and other basic necessities.

The Budget also maintains increased resources to protect employees and address the misclassification of employees.

# K-12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, 1,000 local school districts, and more than 1,200 charter schools provides students with instruction in English, mathematics, history, science, and other core competencies to enable them to develop the skills they will need upon graduation for either entry into the workforce or higher education.

The Budget includes total funding of \$98.8 billion (\$48.1 billion General Fund and \$50.7 billion other funds) for all K-12 education programs.

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## PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The Guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The Local Control Funding Formula is the primary mechanism for distributing these funds to support all students attending K-12 public schools in California.

The COVID-19 Recession has heavily impacted the economy and the state's General Fund revenues, creating a parallel negative impact on the state's K-14 Proposition 98 Guarantee. The Budget estimates Proposition 98 levels of \$78.5 billion, \$77.7 billion, and

\$70.9 billion in 2018-19, 2019-20, and 2020-21. For K-12 schools, this results in Proposition 98 per pupil spending of \$10,654 in 2020-21—a \$1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all state, federal, and local sources decreased by approximately \$542 per pupil to \$16,881.

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## ADDRESSING IMMEDIATE NEEDS AND AVOIDING PERMANENT DECLINE

To help mitigate the negative impacts of the state's revenue decline on funding for K-12 schools and California Community Colleges, the Budget includes the following:

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### DEFERRALS

The COVID-19 Recession requires \$1.9 billion of Local Control Funding Formula (LCFF) apportionment deferrals in 2019-20, growing to \$11 billion LCFF apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels in both fiscal years; the Budget suspends the statutory LCFF cost-of-living adjustment in 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in 2020-21 if the federal government provides sufficient funding that can be used for this purpose.

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### LEARNING LOSS MITIGATION

The Budget includes a one-time investment of \$5.3 billion (\$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 General Fund, and \$355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures.

Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs. The funds are intended to track and mitigate the inequitable impact that the COVID-19 pandemic has had on different student populations, including low-income students and students with disabilities. Specifically, funds will be allocated in the following manner:

- \$2.9 billion based on the LCFF supplemental and concentration grant allocation.
- \$1.5 billion based on number of students with exceptional needs.

- \$979.8 million based on total LCFF allocation.

Funds may be used for:

- Learning supports that begin prior to the start of the school year, and the continuing intensive instruction and supports into the school year.
- Extending the instructional school year, including an earlier start date, by increasing the number of instructional minutes or days.
- Providing additional academic services for pupils, including diagnostic assessments of student learning needs, intensive instruction for addressing gaps in core academic skills, additional instructional materials or supports, or devices and connectivity for the provision of in-classroom and distance learning.
- Providing integrated student supports to address other barriers to learning, such as the provision of health, counseling or mental health services; professional development opportunities to help teachers and parents support pupils in distance-learning contexts; access to school breakfast and lunch programs; or programs to address student trauma and social-emotional learning.

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## **SUPPLEMENTAL APPROPRIATIONS**

In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level (Test 2), by a total of approximately \$12.4 billion. To accelerate the recovery from this funding reduction, the Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of General Fund revenues per year, up to a cumulative total of \$12.4 billion. This appropriation will accelerate growth in the Guarantee, which the Administration proposes to increase as a share of the General Fund. Currently, Proposition 98 guarantees that K-14 schools receive approximately 38 percent of the General Fund in Test 1 years. The Budget increases this share of funding to 40 percent by 2023-24.

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## **REVISED CALPERS AND CALSTRS CONTRIBUTIONS**

To provide local educational agencies with increased fiscal relief, the Budget redirects \$2.3 billion appropriated in the 2019 Budget Act to CalSTRS and CalPERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will further reduce the CalSTRS employer rate from 18.41 percent to

approximately 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22. The CalPERS Schools Pool employer contribution rate will be further reduced from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent in 2021-22.

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### FEDERAL FUNDS

In addition to the federal Coronavirus Relief Fund and Governor's Emergency Education Relief Fund allocated to K-12 education above, the Budget appropriates \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds that California was recently awarded. Of this amount, 90 percent (\$1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs. The remaining 10 percent (\$164.7 million) is available for COVID-19 related state-level activities, as follows:

- \$112.2 million to provide up to \$0.75 per meal for local educational agencies participating in the National School Lunch Program, School Breakfast Program, Seamless Summer Option, or Summer Food Service Program and serving meals between March 2020 and August 2020 due to physical school closures caused by the COVID-19 pandemic. These funds will enable local educational agencies to address food insecurity in their communities, especially for students and families who rely on school meals.
- \$45 million for grants to local educational agencies, including county offices of education, to coordinate or expand community schools to increase access to health, mental health, and social service supports for high-needs students. These funds will enable improved delivery of mental health and social-emotionally supportive services for students experiencing the stress, anxiety, and trauma caused by the COVID-19 pandemic.
- \$6 million for the University of California Subject Matter Projects to provide educator professional development for providing high-quality distance learning and addressing learning loss in mathematics, science, and English language arts due to the COVID-19 pandemic.
- \$1.5 million for the Department of Education for state operations costs associated with the COVID-19 pandemic.

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## TEMPORARY REVENUE INCREASES

The Budget proposes the temporary three-year suspension of net operating losses and limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. This, along with other tax changes, generates a net \$4.3 billion in General Fund revenues and approximately \$1.6 billion in benefit to the Proposition 98 Guarantee.

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## SPECIAL EDUCATION

The Budget increases special education resources and creates new mechanisms to improve special education financing, programs, and student outcomes. Specifically, the Budget increases special education base rates to \$625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides \$100 million to increase funding for students with low-incidence disabilities.

The Budget also includes: (1) \$15 million federal Individuals with Disabilities Education Act (IDEA) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, (2) \$8.6 million federal IDEA funds to assist local educational agencies with developing regional alternative dispute resolution services and statewide mediation services, and (3) \$1.1 million federal IDEA funds for a study of the current special education governance and accountability structure, as well as three workgroups to create a statewide Individualized Education Program template, provide recommendations on alternative pathways to a diploma for students with disabilities, and study the costs of out-of-home care.

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## AVERAGE DAILY ATTENDANCE

Since the beginning of the COVID-19 pandemic in early March, local educational agencies across the state closed for classroom instruction, transitioning students and teachers to distance learning models. The loss of classroom-based instruction has had unprecedented impacts on students and families, especially the most vulnerable students.

To help minimize additional learning loss related to COVID-19, the budget presumes that local educational agencies should transition back to providing in-classroom instruction in the 2020-21 school year. However, if local or state public health official orders necessitate a school closure, local educational agencies will need flexibility to

provide distance learning. To ensure funding stability regardless of the instructional model, the Budget includes a hold harmless for the average daily attendance used to calculate school funding for all local educational agencies. Additionally, the Budget includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

Specifically, the Budget includes:

- A hold-harmless for the purpose of calculating apportionment in the 2020-21 fiscal year; average daily attendance shall be based on the 2019-20 year, except for new charter schools commencing instruction in 2020-21.
- An exemption for local educational agencies from the annual minimum instructional minutes requirement. The minimum daily instructional minutes and minimum instructional day requirements are maintained, but may be met through a combination of in-person and distance learning instruction.
- Requirements for distance learning services, including the provision of devices and connectivity and supports for students with exceptional needs, English language learner students, youth in foster care, and youth experiencing homelessness, as well as students in need of mental health supports. Daily interaction with students in distance learning is required and local educational agencies are required to provide access to nutrition programs.
- Distance learning attendance requirements, including documentation of daily student participation, weekly engagement records, and attendance reporting for purposes of chronic absenteeism tracking. The Budget also requires local educational agencies offering distance learning to develop tiered re-engagement strategies for students who do not participate and to regularly engage with parents or guardians regarding academic progress.
- Fiscal penalties for local educational agencies offering distance learning that do not meet instructional day requirements or the attendance-related requirements.
- A material revision exemption for site-based charter schools offering distance learning.

Additionally, the Budget provides \$750,000 one-time Proposition 98 General Fund for the Sacramento County Office of Education to develop distance learning curriculum and instructional guidance for mathematics, English language arts, and English language development, for adoption by the State Board of Education by May 31, 2021.



## 2020-21 LEARNING CONTINUITY AND ATTENDANCE PLAN

In April, the Governor issued Executive Order N-56-20, which allowed local educational agencies to submit local control and accountability plans, normally due July 1, 2020, by December 15, 2020, in recognition of the challenges that local educational agencies would have faced in completing the plans during the COVID-19 pandemic this spring. Federal funds provided to schools for COVID-19 must be expended by local educational agencies on an accelerated timeline. In order to ensure transparency around the expenditures of these new federal funds, and in alignment with new flexibilities related to distance learning, the Budget replaces the December local control and accountability plan with a Learning Continuity and Attendance Plan, to be completed by September 30, 2020.

The Budget requires the Superintendent of Public Instruction, in consultation with the executive director of the State Board of Education, to develop the template for the Learning Continuity and Attendance Plan by August 1, 2020, and requires the template to include all of the following:

- A description of how the local educational agency will provide continuity of learning during the COVID-19 pandemic and address all of the following:
  - Distance learning
  - Learning loss
  - Mental health and social-emotional well-being
  - Professional development
  - Pupil engagement and outreach
  - School nutrition
- Local educational agency expenditures related to addressing the impacts of the COVID-19 pandemic.
- How local educational agencies are increasing or improving services in proportion to funds generated on the basis of the number and concentration of English learners, youth in foster care, and low-income students pursuant to the local control funding formula.

In adopting the Learning Continuity and Attendance Plan, local educational agencies must consult with stakeholders, solicit stakeholder input, and hold public hearings on the plan.

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## SCHOOL POLICING

Schools serve a foundational role in the social development of students. This development can be advanced or hindered by the presence of police officers on school campuses. To better promote student mental health, restorative justice, and social-emotional well-being, state and local leaders must evaluate opportunities for improvement in school safety infrastructure.

To this end, the Budget includes \$200,000 one-time non-Proposition 98 General Fund for the creation of a Young People's Task Force, whose members can speak to the lived reality of school policing and will inform changes in policy, contingent on the enactment of future legislation. The Budget also includes intent language for the Legislature to evaluate the presence of law enforcement on school campuses and consider reforms informed by local needs to improve student safety.

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## EMPLOYEE PROTECTIONS

To ensure the continuity of employment for essential school staff during the COVID-19 pandemic, the Budget includes the following:

- Suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff.
- Suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021.

The Budget also includes the intent of the Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in the 2020-21 fiscal year.

### Other Significant Adjustments

- **Classified School Employees Summer Assistance Program**—An increase of \$60 million Proposition 98 General Fund to provide a match of state funds for participating classified employees to be paid during the summer recess period.

- **Department of Education State Operations**—A total increase of \$436,000 non-Proposition 98 General Fund for the following:
  - \$336,000 ongoing non-Proposition 98 General Fund for the School Fiscal Services Division for workload associated with deferrals and average daily attendance changes.
  - \$100,000 one-time non-Proposition 98 General Fund for the Department of Education to develop a template for the Learning Continuity and Attendance Plan in consultation with the executive director of the State Board of Education.

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## EARLY LEARNING AND CARE PROGRAMS

Investing in early learning and care supports the success of children and families of color, the majority of people served by these programs. The Budget preserves funding for early learning and care programs to the greatest extent possible, given the constraints of the COVID-19 Recession. Access, reimbursement rate levels, and quality investments are all maintained or grown, with a specific focus on serving the children of income-eligible workers essential to the fight against COVID-19.

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## PROTECTING ESSENTIAL SERVICES

To support access for families and provide stable funding for early learning and care programs and providers, the Budget:

- Maintains early learning and care provider reimbursement rates at 2019-20 levels.
- Eliminates the application of negative statutory growth adjustments for early learning and care programs.
- Provides a hold harmless provision in 2020-21 for providers that contract directly with the Department of Education.
- In 2020-21, provides reimbursement at a child's maximum certified level of need for all providers accepting vouchers.

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## CARES ACT FUNDING FOR CHILD CARE

California received \$350.3 million through the federal CARES Act for COVID-19 related child care activities. To maximize the benefits of these funds to providers and families, the Budget includes the following expenditure plan:

- \$144.3 million for state costs associated with SB 89 expenditures, family fee waivers, and provider payment protection.
- \$125 million for voucher provider hold harmless and stipends.
  - Up to \$62.5 million to fund providers accepting vouchers at the maximum certified level of need.
  - At least \$62.5 million for one-time stipends for providers accepting vouchers that offer care during the COVID-19 pandemic.
- \$73 million to continue care for at-risk children and essential workers.
- \$8 million to extend family fee waivers until June 30, 2020.

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## FUTURE FEDERAL COVID-19 FUNDS FOR CHILD CARE

To allow for the quick deployment of potential future federal COVID-19 funds for child care, the Budget includes language allowing up to \$300 million of such funds to be allocated by the following schedule:

- \$150 million to extend access for families being served through limited-term subsidies and expand access for unserved, eligible families.
- \$125 million to provide limited-term stipends for state-subsidized child care providers offering care during the COVID-19 pandemic.
- \$25 million to assist licensed child care providers with costs to re-open child care facilities closed due to the COVID-19 pandemic, and to supplement unfunded costs caused by low attendance or temporary closures due to the COVID-19 pandemic.

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## SHIFT OF CHILD CARE PROGRAMS TO THE DEPARTMENT OF SOCIAL SERVICES

To promote a high-quality, affordable, and unified early childhood system, the Budget includes \$2.3 million General Fund in 2020-21 to transition the existing child care and child development programs from the Department of Education to the Department of

Social Services. This will align all child care programs within a single department in state government and will ease the administration of collective bargaining commencing later this year.

**Other Significant Adjustments**

- \$9.3 million one-time federal funds to develop and implement an early learning and care data system.
- A decrease in new federal Child Care and Development Block Grant funding available for child care vouchers of \$6 million, bringing the total allocation for increased access in the Alternative Payment Program from \$53.3 million to \$47.2 million. Additionally, the Budget specifies that first priority for these funds will be to extend subsidized care for income-eligible essential worker families and at-risk children from a limited-term to an ongoing basis.

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# HIGHER EDUCATION

The Budget makes adjustments that reduce the overall level of support for the state's public higher education segments—the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC). However, the Budget will increase state support for those systems if sufficient federal funds are received.

The Budget includes total funding of \$19.4 billion General Fund and local property tax for all higher education entities in 2020-21.

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## UNIVERSITY OF CALIFORNIA

In addition to supporting undergraduate instruction, the UC is the state's primary institution for awarding doctoral degrees and professional degrees. The UC's ten campuses provide education to approximately 280,000 undergraduate and graduate students, and UC's university extension programs reach an additional 400,000 students. In 2018-19, the UC awarded 77,000 degrees.

The Budget reflects a net General Fund decrease of \$258.4 million, which is the result of investments totaling \$44 million, a base increase of approximately \$169.2 million, and contingent reductions totaling \$471.6 million. As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the state budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for

purposes identified below, funds will be appropriated for the 2020-21 fiscal year, pursuant to Control Section 8.28.

The federal CARES Act provided UC with approximately \$260 million. The Act requires 50 percent be allocated to emergency financial aid. The remaining funds should be used to help the UC maintain their programs in the 2020-21 fiscal year.

The Budget is based on the expectation that UC will uphold the Administration's equity principles, minimize the potential impact of these reductions on disadvantaged students, and implement the budget adjustments associated with these reductions in ways that do not disproportionately impact disadvantaged students. The UC is also expected use their unrestricted reserves to mitigate the impact of these reductions from one fiscal year to the next.

### Other Significant Adjustments

- **General Fund Adjustments**—An increase of \$213.2 million General Fund, of which \$678,000 is one-time, consisting of:
  - \$169.2 million for a base adjustment to mitigate the impact of contingent General Fund reductions.
  - \$25 million for UC Riverside School of Medicine operational costs.
  - \$15 million for the UC Merced-UCSF Fresno Partnership for a Branch Medical School Campus.
  - \$3.7 million (\$3.1 million of which is ongoing) to offset declining Proposition 56 revenue supporting a statewide grant program to increase the number of available graduate medical residency slots.
  - \$345,000 for a baseline immigrant legal services adjustment.
- **Contingent General Fund Reductions**—As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the state budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:
  - \$428.4 million for UC operational costs.
  - \$43.2 million for UC Office of the President (UCOP), UC PATH, and the UC Division of Agriculture and Natural Resources.



- **Animal Shelter Grants**—If sufficient philanthropic support does not materialize by April 1, 2021, the Budget authorizes the Director of Finance to provide up to \$5 million one-time General Fund to support a one-time animal shelter demonstration grant program through the UC Davis Koret Shelter Medicine Program.
- **UC Subject Matter Project**—The Budget provides \$6 million in one-time federal funds to support the mitigation of learning loss in mathematics, science, and English and language arts through existing UC Subject Matter Projects.
- **UC PATH**—The Budget increases UCOP's authority to assess campuses in support of UC PATH from \$15.3 million to \$46.8 million, while also requiring UCOP to collaborate with campuses to maximize their use of non-core funds to support the assessment.
- **Deferred Maintenance**—The Budget authorizes UC to redirect up to \$21.6 million in deferred maintenance funding from the 2019 Budget Act to support for undergraduate instruction, undergraduate resident enrollment, student support services, and other core academic operations.

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## CALIFORNIA STATE UNIVERSITY

The CSU is the state's broadest platform for providing four-year education, with a focus on undergraduate and master's-level graduate instruction. The CSU educates approximately 475,000 students on 23 campuses, including many based in underserved regions, while also providing additional opportunities through professional and continuing education programs. In 2018-19 the CSU awarded 127,400 degrees.

The Budget reflects a net General Fund decrease of approximately \$299.1 million, which is the result of a base increase of approximately \$199 million, and contingent reductions totaling approximately \$498.1 million. As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the state budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year, pursuant to Control Section 8.28.

The federal CARES Act provided CSU with approximately \$525 million. The Act requires 50 percent be allocated to emergency financial aid. The remaining funds should be used to help CSU maintain programs in the 2020-21 fiscal year.

The Budget is based on the expectation that CSU will uphold the Administration's equity principles, will minimize the potential impact of these reductions on disadvantaged students, and implement the budget adjustments associated with these reductions in ways that do not disproportionately impact disadvantaged students. The CSU is also expected use their unrestricted reserves to mitigate the impact of these reductions from one fiscal year to the next.

### Other Significant Adjustments

- **Ongoing General Fund Adjustment**—An increase of approximately \$199 million for a base adjustment to mitigate the impact of contingent General Fund reductions.
- **Contingent General Fund Reductions**—As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the state budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:
  - Approximately \$498.1 million for CSU operational costs.
- **Deferred Maintenance**—The Budget authorizes CSU to redirect up to \$146 million in deferred maintenance funding from the 2019 Budget Act to support for undergraduate instruction, undergraduate resident enrollment, student support services, and other core academic operations.

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## CALIFORNIA COMMUNITY COLLEGES

The CCCs serve as the foundation of the state's higher education system by providing Californians with open access to early-stage undergraduate instruction, basic skills, career education, and transfer opportunities. The CCCs support 2.1 million students across 73 districts, 115 colleges, and 78 educational centers. In 2018-19, the community colleges awarded more than 101,000 certificates and 187,000 degrees.

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## COMMUNITY COLLEGE FLEXIBILITIES

To assist CCCs in their recovery from the impacts of the COVID-19 Recession and provide additional near-term certainty, the Budget enacts statutory changes to:

- Exempt direct COVID-19-related expenses incurred by districts from the 50 Percent Law. This excludes revenue declines.
- Provide a hardship exemption for districts unable to meet their financial obligations due to the deferrals enacted in the Budget.
- Extend the Student-Centered Funding Formula hold harmless provisions for an additional two years, and authorize the use of past-year data sources that have not been impacted by the COVID-19 pandemic for the calculation of the Student-Centered Funding Formula for 2020-21.
- Encourage and expedite the development of short-term career technical education courses to address the impacts of the COVID-19 pandemic.

### Other Significant Adjustments

- **Staff for Working Group on Community College Athlete Compensation**—An increase of \$700,000 one-time non-Proposition 98 General Fund for the CCC Chancellor's Office to contract with an external organization to staff a working group on a community college athlete's use of the athlete's name, image, and likeness for compensation, pursuant to Chapter 383, Statutes of 2019 (SB 206).
- **2019-20 Deferrals**—A deferral of approximately \$330.1 million Proposition 98 General Fund of community college apportionments from 2019-20 to 2020-21.
- **2020-21 Deferrals**—A deferral of approximately \$662.1 million Proposition 98 General Fund of community college apportionments from 2020-21 to 2021-22.

- **2020-21 Deferrals Subject to Control Section 8.28**—As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the state budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:
  - A deferral of approximately \$791.1 million Proposition 98 General Fund of community college apportionments from 2020-21 to 2021-22.
- **COVID-19 Response Block Grant for CCCs**—A one-time increase of approximately \$120.2 million, which is comprised of approximately \$54 million from the Coronavirus Relief Fund (CARES Act) and approximately \$66.3 million Proposition 98 General Fund, for a COVID-19 Response Block Grant for the community colleges to support student learning and mitigate learning loss related to the COVID-19 pandemic.
- **Dreamer Resource Liaisons**—An increase of \$5.8 million Proposition 98 General Fund to fund Dreamer Resource Liaisons and student support services, for immigrant students including undocumented students in community colleges, pursuant to Chapter 788, Statutes of 2019 (AB 1645). These services provide an opportunity to address disparities and advance economic justice by supporting educational attainment, career pathways and economic mobility for students who may face barriers related to their immigration status.
- **Legal Services**—An increase of \$10 million ongoing Proposition 98 General Fund to provide legal services to immigrant students, faculty, and staff on community college campuses.
- **Calbright College**—A decrease of \$5 million ongoing Proposition 98 General Fund for Calbright College, and a decrease of \$40 million one-time Proposition 98 General Fund provided to Calbright College that is redirected to offset apportionments costs for 2020-21.
- **Revised CalPERS/CalSTRS Contributions**—As referenced in the K-12 Education Chapter, to provide local educational agencies and community college districts with increased fiscal relief, the Budget redirects \$2.3 billion appropriated in the 2019 Budget Act to CalSTRS and CalPERS for long-term unfunded liabilities to further reduce employer contribution rates in 2020-21 and 2021-22.

- **CCC Facilities**—An increase of general obligation bond funding of \$223.1 million, including \$28.4 million to start 25 new capital outlay projects and \$194.7 million for the construction phase of 15 projects anticipated to complete design by spring 2021. This allocation represents the next installment of the \$2 billion available to CCCs under Proposition 51.
- **Local Property Tax Adjustment**—A decrease of \$60.9 million Proposition 98 General Fund as a result of increased offsetting local property tax revenues.
- **Food Pantries**—The Budget enacts statutory changes to support food pantries within available Student Equity and Achievement Program funding.
- **CCC State Operations**—An ongoing increase of \$116,000 non-Proposition 98 General Fund for a new position to support the Chancellor's Office accounting operations.

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## CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission, which administers the state's financial aid programs, the largest of which is the Cal Grant, supports over 410,000 financial aid awards to students accessing higher education. The Budget reflects a sustained commitment to financial aid programs as a cornerstone of our dedication to providing the least resourced students access to higher education.

### Other Significant Adjustments

- **Cal Grant Program Adjustment**—A decrease of approximately \$149 million in 2019-20 and approximately \$63.3 million in 2020-21 to reflect revised estimates of the number of new and renewal Cal Grant awardees in 2019-20 and 2020-21.
- **Temporary Assistance for Needy Families (TANF) Adjustment**—A decrease of \$600 million in federal TANF reimbursements in 2019-20 which increases General Fund support for the Cal Grant program by an equal amount.
- **Golden State Teacher Grant Program**—As referenced in the K-12 Education Chapter, an increase of \$15 million one-time federal funds to support grants to students enrolled in special education teacher preparation program at a high-need school site.

- **Grant Delivery System**—An increase of \$5.3 million one-time General Fund to fund the third year and final year of project development costs for the Grant Delivery System Modernization Project.
- **Student Loan Debt Service Work Group**—An increase of \$250,000 one-time General Fund to convene a work group to analyze student loan borrowing patterns and develop more affordable loan repayment alternatives.
- **Cal Grant B Service Incentive Grant**—A reappropriation of \$7.5 million one-time General Fund from the 2019 Budget Act and a redirection of the Program's \$7.5 million funding in 2020-21 to support the Disaster Relief Emergency Student Financial Aid Program, which will provide emergency financial aid to students at the University of California, California State University, and California Community Colleges.
- **Child Savings Account Grant Program**—A decrease of \$15 million one-time General Fund to the Child Savings Account program, established in the 2019 Budget Act.
- **Contingent General Fund Reduction**—As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the state budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:
  - A decrease of \$88.4 million one-time General Fund for the Golden State Teacher Grant program, established in the 2019 Budget Act.

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## UC HASTINGS COLLEGE OF THE LAW

Affiliated with the UC system, but governed by its own board, the Hastings College of the Law is one of the state's important legal institutions. Hastings primarily serves students seeking a Juris Doctor degree, but also offers programs leading to Master of Laws and Master of Studies in Law degrees. In 2018-19, UC Hastings enrolled 964 full-time equivalent students.

### Other Significant Adjustments

- **Base Adjustment**—An ongoing increase of approximately \$1.4 million General Fund to mitigate the impact of contingent General Fund reductions.

- **Contingent General Fund Reduction**—As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the state budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:
  - Approximately \$1.9 million General Fund for operating costs.

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## CALIFORNIA STATE LIBRARY

The California State Library offers a wide range of services, including timely information for the Governor and Legislature, archival access for researchers, and technical assistance for libraries across California. The State Library also administers state- and federally-funded programs to support local libraries.

### Other Significant Adjustments

- **Braille Institute of America in Los Angeles**—An increase of \$500,000 ongoing General Fund to support services provided by the Braille Institute of America in Los Angeles.
- **Statewide Library Broadband Services Augmentation**—An increase of \$170,000 ongoing General Fund for continued participation in the Corporation for Education Network Initiatives in California.
- **Library Services Act**—A decrease of \$1.75 million ongoing General Fund.

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## FRESNO DRIVE

The Budget includes \$2 million one-time General Fund to support the Fresno Developing the Region's Inclusive and Vibrant Economy (DRIVE) initiative's Fresno-Merced Food Innovation Corridor concept. This funding will support planning, community engagement, and financial planning needed to secure the private and philanthropic resources to launch and scale the Fresno-Merced Future of Food (F3) Innovation Initiative over the next ten years.

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# HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities that provide health and social services to California's vulnerable and at-risk residents.

The Budget includes \$179.6 billion (\$44.8 billion General Fund and \$134.8 billion other funds) for all health and human services programs.

The Budget utilizes \$450 million of the Safety Net Reserve in 2020-21 to prevent reductions that otherwise would occur in California Work Opportunity and Responsibility to Kids (CalWORKs) and Medi-Cal services and benefits.

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## DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services. Medi-Cal is a public health care program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government mandates basic services be included in the program, including: physician services; family nurse practitioner services; hospital inpatient and outpatient services; laboratory and radiology services; family planning; and early and periodic screening, diagnosis, and treatment services for children. In addition to these mandatory services the state provides optional benefits, such as outpatient drugs, dental, home and community-based services, and medical equipment. The Department also operates the California Children's Services and the Primary and Rural Health programs, and

oversees county-operated community mental health and substance use disorder programs.

The Medi-Cal budget is \$99.5 billion (\$22.7 billion General Fund) in 2019-20 and \$115.4 billion (\$23.6 billion General Fund) in 2020-21. The 16-percent increase in total fund cost in 2020-21 compared with 2019-20 is generally attributable to the COVID-19 pandemic, including a projected increase in caseload. This increase is associated with higher projected unemployment as well as the temporary suspension of program disenrollment as a condition of receiving the temporary increase in the Federal Medical Assistance Percentage (FMAP). The Budget assumes caseload will peak at 14.5 million in July 2020, or about 2 million above what caseload would have been absent the COVID-19 pandemic. The Budget includes \$898.6 million (\$319.0 million General Fund) in 2019-20 and \$6.9 billion (\$2.4 billion General Fund) in 2020-21 for increased caseload.

### Other Significant Adjustments

- **Enhanced Federal Funding**—A decrease of \$5.1 billion General Fund—and corresponding increase in federal funds—associated with the assumed receipt of an enhanced FMAP through June 30, 2021. This includes impacts reflected in the Department of Social Services and Department of Developmental Services budgets for Medicaid-covered services.
- **Nursing Facility Financing**—\$185.6 million (\$92.8 million General Fund) in 2020-21 to extend through December 1, 2022 the financing system for skilled nursing facilities (SNFs), originally established pursuant to Chapter 875, Statutes of 2004 (AB 1629). In addition, the Budget includes a 10-percent rate increase for SNFs assumed to be in effect for four months during the COVID-19 pandemic, at a General Fund cost of \$72.4 million in 2019-20 and \$41.6 million in 2020-21.
- **340B Supplemental Payment Pool**—\$52.5 million (\$26.3 million General Fund) in 2020-21 to provide supplemental payments to specified non-hospital clinics who participated in the federal 340B pharmacy program. These payments grow to \$105 million (\$52.5 million General Fund) in 2021-22 and annually thereafter.
- **Managed Care Efficiencies**—The Budget implements changes to the way that managed care capitation rates are determined. These changes include various acuity, efficiency, and cost containment adjustments. These adjustments would be effective for the managed care rate year starting January 1, 2021, and would yield savings of \$193.6 million (\$63 million General Fund) in 2020-21. The Budget includes a 1.5 percent rate reduction for the July 1, 2019, through December 31, 2020 period, resulting in savings of \$586 million (\$182 million General Fund) in 2020-21. The Budget

also includes a risk corridor for the period of July 1, 2019 to December 31, 2020. The Budget does not implement a maximum fee schedule for inpatient services in the managed care program.

- **Hearing Aids**—\$352,000 General Fund in 2020-21 to administer and establish a program to assist with the cost of hearing aids and related services for children without health insurance coverage in households with incomes up to 600 percent of the federal poverty level, no sooner than July 1, 2021. The Budget assumes ongoing costs of approximately \$15 million General Fund to provide and administer this benefit.
- **Proposition 56 Medi-Cal Investments**—\$1.1 billion Proposition 56 funding for supplemental payments, rate increases, and value-based payments. The Budget also maintains funding for the Physicians' and Dentists' Loan Repayment Program allocated in the 2018 and 2019 Budget Acts. All Proposition 56 programs other than women's health, family planning, and the Loan Repayment Program are subject to suspension on July 1, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- **Optional Benefits**—The Budget maintains funding for the Community Based Adult Services (CBAS) and Multipurpose Senior Services Program (MSSP). Additionally, the Budget continues ongoing funding for full adult dental services, acupuncture, optometry, nurse anesthetists services, occupational and physical therapy, pharmacist services, and the Diabetes Prevention program.
- **Suspended Programs**—The Budget maintains the suspension framework in the 2019 Budget Act for audiology and speech therapy, incontinence creams and washes, optician and optical lab services, podiatry, screening, brief intervention and referral to treatments for opioids and other illicit drugs in Medi-Cal. The funding will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- **Medi-Cal Aged, Blind, and Disabled**—\$135.5 million (\$67.7 million General Fund) to expand Medi-Cal to aged, blind, and disabled individuals with incomes between 123 percent and 138 percent of the federal poverty level and the Medi-Cal Aged, Blind, and Disabled Medicare Part B disregard.
- **Postpartum Mental Health Expansion**—\$34.3 million General Fund to implement the 2019 Budget Act expansion of Medi-Cal to post-partum individuals who are receiving health care coverage and who are diagnosed with a maternal mental

health condition. The increased funding for postpartum care will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

- **County Administration**—An increase of \$67.7 million (\$23.7 General Fund) in 2020-21 relative to the 2019 Budget Act for county eligibility determination activities based on growth in the California Consumer Price Index. The Budget also reflects an increase of \$12.7 General Fund in 2019-20 and matching federal funds approved through the Control Section 36.00 process.
- **Behavioral Health Counselors in Emergency Departments**—The Budget maintains one-time \$20 million General Fund to hire behavioral health providers and peer navigators in emergency departments to screen patients and offer intervention and referral to mental health or substance use disorder programs.
- **Medical Interpreters Pilot Project**—The Budget maintains one-time \$5 million General Fund for the Medi-Cal Interpreters Pilot Project.
- **Medi-Cal Enrollment Navigators**—The Budget maintains one-time \$15 million General Fund for the Medi-Cal Health Enrollment Navigators program.
- **Caregiver Resource Centers**—The Budget maintains \$10 million General Fund in both 2020-21 and 2021-22 for caregiver resource center information technology improvements.
- **Martin Luther King, Jr. Hospital**—The Budget maintains \$8.2 million General Fund for a supplemental payment to this hospital.
- **Dental Managed Care**—The Budget maintains dental managed care in Los Angeles and Sacramento Counties for calendar year 2021.

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## DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Department's major programs include CalWORKS, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment, Child Welfare Services, Community Care Licensing, and Disability Determination. The Budget includes \$37.1 billion (\$11.6 billion General Fund) in 2020-21 for the Department.

## Other Significant Adjustments

- **CalWORKs Time Clocks**—Statutory changes to establish a single 60-month CalWORKs time limit and allow clients to participate in a greater array of welfare-to-work activities for the entire 60 months, effective May 1, 2022 or when automation is possible. The Budget includes \$2.6 million General Fund/Temporary Assistance for Needy Families (TANF) block grant funding in 2020-21, growing to \$66.2 million General Fund in 2023-24.
- **CalWORKs Single Allocation**—\$2.4 billion General Fund/TANF for counties' CalWORKs Single Allocation which funds employment services, county administration, Stage One child care, and Cal-Learn.
- **CalWORKs Expanded Subsidized Employment**—The Budget maintains \$134.1 million General Fund/TANF for CalWORKs Expanded Subsidized Employment.
- **CalWORKs Outcomes and Accountability Review (Cal-OAR)**—Statutory changes making components of Cal-OAR optional for counties in 2020-21, resulting in a one-time reduction of \$21 million General Fund/TANF.
- **CalWORKs Home Visiting Program**—The Budget includes a one-time reduction of \$30 million General Fund/TANF and continues to serve clients already enrolled in the CalWORKs Home Visiting program.
- **CalFresh Simplifications**—The Budget includes statutory changes that: (1) require state CalFresh verification rules be no more restrictive than federal rules, (2) clarify counties must use the most up-to-date information to determine eligibility, (3) require counties to contact clients electronically and telephonically to collect information for reporting changes, (4) require counties to implement flexible interview scheduling techniques, (5) require DSS create a workgroup to consider reporting structure and submit recommendations to the Legislature, (6) require counties to maximize integrated application for Medi-Cal and CalFresh, including the development and automation of a pre-populated CalFresh application for Medi-Cal recipients, and (7) require the development and automation of a pre-populated semi-annual reporting form. The Budget includes \$27.5 million General Fund in 2020-21 and \$8.4 million annually thereafter for these purposes.
- **IHSS Hours Restoration**—The Budget includes \$410 million General Fund in 2020-21 to avoid 7-percent across-the-board reduction to IHSS service hours. The increased funding for IHSS service hours will be suspended on December 31, 2021. The suspension will not occur if the Administration determines through the 2021

Budget process that there is sufficient General Fund revenue to support all suspended programs.

- **Conform IHSS Residual Program to Timing of Medi-Cal Coverage**—Savings of \$72.6 million General Fund ongoing by conforming use of the IHSS Residual Program to the timing of Medi-Cal coverage.
- **IHSS County Administration**—The Budget includes ongoing savings of \$12.2 million ongoing to freeze IHSS county administration funding at the 2019-20 level.
- **Extended Foster Care**—\$32 million one-time General Fund in 2020-21 to temporarily extend foster care support for youth who turn 21 while in the extended foster care program, thus allowing them to continue to remain in the program and receive assistance.
- **Emergency Assistance for Pending Resource Families**—\$13.4 million one-time General Fund in 2020-21 to provide caregivers with up to four months of emergency assistance payments pending resource family approval and up to twelve months for cases that meet good cause criteria. Beginning in 2021-22 and annually thereafter, the state will fund up to three months of emergency assistance payments for caregivers pending approval, as local child welfare agencies and probation departments are anticipated to complete the resource family approval process on a timelier basis.
- **Transitional Housing Supplement for Older Foster Youth**—\$4 million ongoing General Fund ongoing to provide transitional housing supplement for foster youth over 18 years of age.
- **Continuum of Care Reform Reconciliation for Fiscal Years 2016-17 and 2017-18**—\$2.6 million one-time General Fund in 2020-21 to reflect Continuum of Care Reform true-up related to county Child and Family Teams actual expenditures for fiscal years 2016-17 and 2017-18 and \$80 million one-time General Fund in 2020-21 to support county child welfare departments.
- **California Newcomer Education and Well-Being Project**—\$15 million one-time Proposition 98 General Fund for the California Newcomer Education and Well-Being Project to assist school districts in supporting refugee and unaccompanied undocumented minor students' well-being and academic performance. The funding, which is available over three years, also will provide school-based supports to immigrant families for access to safety net and wellness programs including through guidance about federal immigration policies like the public charge, that contribute to a chilling effect on government assistance and deeper inequities.

- **Food Banks**—A one-time increase of \$50 million General Fund for existing Emergency Food Assistance Program providers, food banks, tribes, and tribal organizations to mitigate increases in food needs among low-income and food-insecure populations.
- **Transition of Child Care Programs**—\$2.3 million General Fund in 2020-21 to transition existing early learning and child care programs from the Department of Education to the Department of Social Services, effective July 1, 2021. This transition will promote a high-quality, affordable, and unified early childhood system; and maximize the integration of early learning and care programs with other social safety net programs that support children and families.

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## DEPARTMENT OF AGING

The California Department of Aging administers programs that serve older adults, adults with disabilities, family caregivers, and residents in long-term care facilities throughout the state to increase choices, equity, and well-being for all Californians as we age. The Budget includes \$406.5 million (\$84.3 million General Fund) in 2019-20 and \$258.9 million (\$68.0 million General Fund) in 2020-21 for the Department.

### Other Significant investments

- **Community-Based Adult Services**—The Budget maintains the CBAS program and includes \$3.2 million General Fund in 2020-21 and \$2.7 million ongoing. These figures reflect impacts to CBAS state operations; CBAS local assistance is in the DHCS budget.
- **Multipurpose Senior Services Program**—The Budget maintains MSSP and includes \$22.2 million General Fund in 2020-21 and \$21.8 million ongoing

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## DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides individuals with developmental disabilities a variety of services that allow them to live and work independently or in supported environments. California provides services to individuals with developmental disabilities as an entitlement. The Budget includes \$8.5 billion (\$5 billion General Fund) in 2019-20 and \$9.8 billion (\$5.9 billion General Fund) in 2020-21 for the Department.



### Other Significant Adjustments

- **Supplemental Rate Increases for Additional Service Codes**—\$18 million (\$10.8 million General Fund) in 2020-21 and 2021-22 to provide supplemental rate increases for Early Start Specialized Therapeutic Services, Infant Development and Independent Living Services. This approach is consistent with the supplemental rate increases included in the 2019 Budget Act. The increased funding for the three services will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget process that there is sufficient General Fund revenue to support all suspended programs.
- **Uniform Holiday Schedule**—\$31.3 million General Fund in 2020-21 to suspend implementation of the Uniform Holiday Schedule. The funding will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget process that there is sufficient General Fund revenue to support all suspended programs.
- **COVID-19 Impacts**—\$336.7 million (\$237.5 million General Fund) in 2020-21 to reflect impacts of the COVID-19 pandemic on the developmental services system. These changes reflect increased costs associated with increased utilization in purchase of services specific to residential settings, respite, and personal attendants. These costs also reflect surge development at the developmental centers and in the community.
- **Incompetent to Stand Trial (IST) Capacity**—\$16.4 million General Fund in 2020-21 to activate a 20-bed unit at Porterville Developmental Center (PDC) and develop five enhanced behavioral support homes to increase capacity for IST placements and secure community resources for individuals at PDC. The increased capacity at PDC will sunset on June 30, 2023.
- **Fairview Developmental Center Warm-Shutdown**—\$11.9 million General Fund to extend the warm-shutdown period at Fairview Developmental Center through 2020-21 until a site assessment is completed to inform the disposition of the property.

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## DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people of California. The Budget includes \$3.2 billion (\$214.1 million General Fund) in 2020-21 for the Department.



The Department of Public Health is at the forefront of the state's response to the COVID-19 pandemic—extensively planning, preparing, and responding to the pandemic since mid-January. The Department's efforts have included issuing a stay-at-home order to save lives, increasing testing capacity, increasing hospital surge capacity, issuing statewide public health guidance, and providing guidance to local governments as the state works to reopen.

### Other Significant Adjustments

- **COVID-19 Testing and Resources**—\$5.9 million General Fund (\$4.8 million ongoing) to support laboratory staff to increase the state laboratories' testing capacity, and to purchase equipment and laboratory supplies used specifically for COVID-19 testing. Additionally, resources will support emergency coordination, communication, and response, and provide ongoing support for public health laboratory capacity and disease surveillance.
- **Licensing and Certification**—\$3.1 million State Licensing and Certification Program Fund and 75 positions to increase staff capacity to support health facility evaluations, provider technical support services, and healthcare-associated infection monitoring workload needs. The Department's budget and position authority will increase over the following two fiscal years in order to perform 100 percent of estimated workload in 2020, depending on the future fiscal outlook of the state.
- **Ongoing Infectious Disease Prevention**—\$5 million ongoing General Fund each for STD, human immunodeficiency virus (HIV), and hepatitis C virus prevention and control that otherwise would have been suspended on January 1, 2022.
- **Cannabis Surveillance and Education**—\$20.8 million (\$20.3 million Cannabis Control Fund and \$527,000 in reimbursements) in 2020-21 and \$20.6 million (\$20 million Cannabis Control Fund and \$527,000 in reimbursements) in 2021-22 and ongoing to support 87 existing permanent positions and mandated activities of the Medicinal and Adult-Use Cannabis Regulation and Safety Act and to continue the Medical Marijuana Identification Card Program.
- **Other Public Health Programs**—The Budget maintains funding for the Black Infant Health Program, the Safe Cosmetics Program, mental health disparities reduction grants, a farmworker health study, and sickle cell anemia monitoring activities.

## DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Budget includes \$2.1 billion (\$1.9 billion General Fund) in 2020-21 for the Department.

### Other Significant Adjustments

- **Mission-Based Review**—\$5 million General Fund and 12.5 positions in 2020-21 and \$10 million General Fund and 30 positions in 2021-22 and ongoing to support critical needs identified as part of the treatment team and protective services staffing studies.
- **State Hospital System Infrastructure**—\$26.7 million General Fund in 2020-21 for three critical roof repair and replacement projects at three state hospitals. The Budget also includes \$5.3 million General Fund in 2020-21 to mitigate ligature risks at four hospitals. This funding is for the first year of a seven-year project totaling \$73.6 million General Fund.

### Other Health and Human Services Adjustments

- **Behavioral Health Focused Investigations**—\$2.8 million in 2020-21 and \$4.7 million in 2020-21 and annually thereafter from the Managed Care Fund to further enforce full service commercial health plan's compliance with laws requiring parity of the behavioral health service delivery system with that of the medical and surgical service delivery system.
- **Child Support Disregard**—The Budget increases the child support disregard and pass-through up to the federal share limit, \$100 for a family with one child and \$200 for a family with two or more children.
- **CBAS and MSSP**—\$3.2 million General Fund in 2020-21 and \$2.7 million ongoing for CBAS and \$22.2 million General Fund in 2020-21 and \$21.8 million ongoing for MSSP. These programs are also discussed in detail under the Department of Health Care Services section. The figures in this section only reflect impacts to the Department of Aging budget.
- **Health Care Workforce Investment**—\$33.3 million ongoing General Fund to support the Song-Brown Healthcare Workforce Training Program at the Office of Statewide

Health Planning and Development. This funding will primarily pay for new and existing residency slots for primary care physicians.

- **Independent Living Centers**—The Budget maintains funding for the Independent Living Centers funded by the Department of Rehabilitation
- **Realignment Backfill for Counties**—\$750 million to provide support for counties experiencing revenue losses for realigned programs, and to the extent the federal government provides sufficient eligible funding by October 15, 2020, an additional \$250 million may be provided. For additional information, see the Homelessness and Local Government chapter.

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# HOMELESSNESS AND LOCAL GOVERNMENT

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## HOMELESSNESS AND LOCAL GOVERNMENT

The Budget continues California's commitment to resolve the state's homelessness crisis. California has experienced significant increases in the number of unsheltered individuals in recent years, a problem inextricably linked to the state's underproduction of affordable housing. The state's approach has been to simultaneously focus on preservation and new affordable housing production while also investing in comprehensive solutions to address homelessness.

The unprecedented COVID-19 pandemic has significantly impacted state finances, but the state's broad goals to reduce homelessness remain unchanged—moving individuals and families experiencing homelessness into stable housing and providing support to help stabilize and prevent homelessness. However, the strategy to achieve these goals has evolved given the state's fiscal constraints and immediate needs.

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## PROJECT ROOMKEY AND HOMEKEY

At the outset of the COVID-19 pandemic, the state acted quickly to prioritize vulnerable populations by initiating Project Roomkey, a multi-agency state effort to provide safe isolation hotel and motel rooms for vulnerable individuals experiencing homelessness.

Chapter 2, Statutes of 2020 (SB 89), provides emergency expenditure authority of up to \$1 billion for COVID-19 relief. In March, the Administration issued \$150 million for

COVID-19-related emergency assistance, including \$100 million for local governments and Continuums of Care to help protect Californians experiencing homelessness, administered through the Homeless Coordinating and Financing Council within the Business, Consumer Services and Housing Agency (BCSH) using the existing Homeless Housing Assistance Prevention (HHAP) allocation formulas. It also included \$50 million to the Department of Social Services to secure hotel and motel rooms and acquire trailers to safely house the most at-risk homeless populations.

As of late June, Project Roomkey and its county partners had secured over 15,700 hotel and motel units, of which more than 10,600 are occupied, providing safe shelter for an estimated 13,000 individuals in total. In addition, the state purchased and distributed over 1,300 trailers to local governments for the same purposes.

This housing provides short-term emergency shelter for homeless individuals to mitigate the spread of COVID-19 among this vulnerable population and were intended to keep hospitals and emergency rooms available for a surge in treating critically ill COVID-19 patients. The opportunity now is to acquire as many of these hotels and motels as possible, together with other appropriate residential settings, and convert them into permanent and affordable housing opportunities for Californians experiencing homelessness.

Building off the success of the state's short-term emergency solution, Project Roomkey, the Budget includes \$550 million of the state's direct allocation of federal Coronavirus Relief Fund (CRF) for *Homekey*—a statewide effort to acquire hotels, motels, residential care facilities, and other housing that can be converted and rehabilitated to provide permanent housing for persons experiencing homelessness, and who are also at risk of COVID-19. Through the Department of Housing and Community Development (HCD), the state will provide grants to local jurisdictions to acquire these facilities, which will be owned and operated at the local level. This funding must be expended by December 30, 2020, per federal requirements. The Budget also includes an additional \$50 million General Fund for the acquisition of and to provide initial operating subsidies for Homekey sites. These funds will provide a critical supplement to allow cities and counties to support interim needs of these facilities and their residents.

HCD will accept applications from cities and counties that choose to participate in Homekey, and will distribute resources in a way that considers the needs of areas throughout the state, including the number of unsheltered persons, the incidence of COVID-19 infection rates, and the ability of applicants to support projects on an ongoing basis. The state will also provide significant technical assistance to local jurisdictions seeking to purchase and operate former Project Roomkey hotels and

motels to address homelessness in their localities. In addition to CRF funds, the state will use future eligible federal stimulus funds and existing state housing/homeless program funds to further encourage local jurisdictions to invest their dollars toward the same goal—acquiring properties to house people experiencing homelessness.

The Budget also provides exemptions to the California Environmental Quality Act and local zoning restrictions to expedite the acquisition of these units prior to the December 30, 2020 deadline to expend CRF funds.

In light of COVID-19, the Budget also allows certain hotel and motel unit conversions and the preservation of certain mobile homes to count toward local agencies' Regional Housing Needs Allocation and help keep Californians in their homes.

Additionally, to build upon Executive Order N-06-19 on developing innovative affordable housing projects on excess state lands, the Budget allows the Department of General Services to conduct land swaps with local governments. This will allow the state to further bolster affordable housing development, as well as permanent supportive or transitional housing and emergency shelters.

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## HOMELESS HOUSING, ASSISTANCE, AND PREVENTION PROGRAM

Cities, counties, and Continuums of Care are key to solving the homelessness challenge by coordinating to provide homeless individuals and families with the necessary housing and services. The Budget builds onto the framework of supporting local action on homelessness that began with the \$500 million provided in 2018-19 for the Homeless Emergency Aid Program (HEAP) and the \$650 million provided in 2019-20 for the HHAP.

The Budget provides \$300 million General Fund for additional HHAP grants to be distributed based on the 2019 homelessness point-in-time counts, of which \$130 million is for cities with populations of 300,000 or more, \$90 million is for Continuums of Care, and \$80 million is for counties. These funds will build on the regional collaboration that began with HEAP and with Round 1 of HHAP to develop unified regional responses to homelessness. To receive funds, eligible entities will apply to the Homeless Coordinating and Financing Council (HCFC) demonstrating how they have coordinated, and will continue to coordinate, with other local agencies in resolving homelessness on a regional level. The \$300 million may be used for operating costs for Homekey facilities and for evidence-based solutions that include rapid rehousing; rental subsidies; subsidies for new and existing housing and emergency shelters; services such as workforce, education, and training programs to support housing stability; and increasing permanent housing through efforts that include hotel and motel conversions.

With strategic funding to maintain fiscal sustainability while continuing to make investments, the Budget includes \$1.2 billion across multiple departments and programs to aid local governments addressing homelessness:

### 2020-21 Homelessness Funding

(Dollars in Millions)

<i>Department</i>	<i>Program</i>	<i>Amount</i>
State/Local Governments	CARES Act - Coronavirus Relief Fund: Homekey	\$550.0
	Federal Funded Programs for Homelessness	\$45.0 <sup>1/</sup>
Department of Housing and Community Development	Local Aid for Homelessness	\$300.0
	Homekey Operating Subsidies	\$50.0
	Various	\$6.0
Office of Emergency Services	Various Homeless Youth Programs	\$6.0
	Youth Emergency Telephone Network	\$0.6
Department of Social Services	CalWORKS Homeless Assistance Program	\$154.3 <sup>2/</sup>
	Housing and Disability Advocacy Program	\$25.0
Department of Health Care Services	Project for Assistance in the Transition from Homelessness	\$8.8
University of California	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 <sup>3/</sup>
	Rapid Rehousing	\$3.5
California Community Colleges	Rapid Rehousing	\$9.0
California State University	Rapid Rehousing	\$6.5
<b>Total</b>		<b>\$1,179.7</b>

1/ This amount reflects programs that receive federal funds, such as the Emergency Solutions Grant program. Unawarded COVID-19 related relief funds (e.g., CARES Act) are not reflected.

2/ Amount is dependent on caseload and utilization.

3/ This program supports basic needs partnerships for low-income students facing housing or food insecurity.

## LOCAL GOVERNMENT

### DIRECT CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES ACT) ALLOCATIONS FOR CITIES AND COUNTIES

The Budget provides a portion of the state's CARES Act funding to local governments—\$500 million to cities and \$1.3 billion to counties—to combat the COVID-19 pandemic.

- **Cities**—The Budget provides \$225 million to cities with populations greater than 300,000 that did not receive a direct CARES Act allocation from the federal government, with the funds distributed according to their relative populations. Another \$275 million is provided to cities with populations less than 300,000, with the funds distributed according to their relative populations, with each city guaranteed



a minimum of \$50,000. Recipients must use the funds according to federal law, and are encouraged to prioritize these funds to support efforts by counties and Continuums of Care to address the impact of the COVID-19 pandemic on people experiencing homelessness.

- **Counties**—The Budget provides \$1.3 billion to counties, with the funds distributed according to their relative populations. Recipients must use the funds according to federal law, and are encouraged to prioritize these funds to address the public health, behavioral health, and other health and human services needs that have arisen as a result of the COVID-19 pandemic.

Funding is contingent on adherence to federal guidance, the state's stay-at-home and other health requirements as directed in executive orders, statutes, and all State Department of Public Health orders, directives, and guidance issued in response to the COVID-19 pandemic. To receive funds, cities and counties must submit an application to the Department of Finance certifying their agreement to comply with these requirements. This certification form can be found on Finance's website and must be submitted by July 10.

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## REALIGNMENT BACKFILL FOR COUNTIES

The Budget includes \$750 million General Fund to provide support for counties experiencing revenue losses for realigned programs. Counties will prioritize support for health and human services, entitlement programs, and programs that serve vulnerable populations. In using these funds, counties will adhere to federal guidance and state health requirements related to the COVID-19 pandemic. To the extent the federal government provides sufficient eligible funding by October 15, 2020, an additional \$250 million may be provided to counties for the aforementioned purposes.

### Other Significant Adjustments

- **Homeless Coordinating and Financing Council Administrative Resources**—The Budget includes \$1.5 million General Fund ongoing and 10 permanent positions to effectively carry out statutory mandates and strengthen its strategic coordination of the state's efforts to address homelessness.
- **Homeless Data Integration System**—The Budget includes statutory changes to allow the HCFC to establish a statewide Homeless Data Integration System. The system will consolidate existing homelessness data from the individual Continuums of Care

throughout the state and allow the state to understand the demographics and shared characteristics of the homeless population.

# LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency addresses issues relating to California workers and their employers and helps businesses and workers thrive in California. In light of the unprecedented increase in unemployment due to the COVID-19 Recession, the Budget includes vital investments as California begins to recover.

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## ENFORCEMENT OF LABOR LAWS

Chapter 296, Statutes of 2019 (AB 5) established a new statutory employment test to determine whether a worker may be classified as an independent contractor instead of an employee for certain purposes. Under AB 5, all workers are classified as employees unless the employer can demonstrate a worker meets specified conditions, known as the ABC test. The Budget provides resources to implement AB 5, including \$17.5 million for the Department of Industrial Relations, \$3.4 million for the Employment Development Department (EDD), and \$780,000 for the Department of Justice. These resources will allow these state entities to train employees on the employment determination test and to conduct more hearings, investigations, and litigation related to AB 5.

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## PAID FAMILY LEAVE

Throughout the year, the Administration convened several Task Force meetings comprised of experts representing workers, early education, legislative staff, and employers to develop recommendations to expand the Paid Family Leave (PFL)

program. The Task Force developed a long-term, step-by-step plan so that policy changes could be phased in over time. As a first step, the Task Force focused on expanding job protections.

The Administration is committed to expanding job protections this year, and the Budget includes \$1 million General Fund to support the training needs of small businesses with employees utilizing the PFL program.

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## UNEMPLOYMENT INSURANCE

Demand for unemployment insurance (UI) benefits in California continues to grow as a result of the impact of the COVID-19 Recession. Since mid-March, the EDD has received approximately 6 million UI claims, including 5 million regular UI claims and 1 million Pandemic Unemployment Assistance (PUA) claims, and provided \$37 billion in UI claim benefits.

The Budget includes an increase of \$38 billion to reflect the projected increase in UI benefit payments. The Budget also includes \$126.3 million and 777 positions to reflect additional federal funding and the projected workload increase to process UI benefit claims. Much of these resources are federally funded as a result of recently enacted federal legislation in response to the COVID-19 pandemic. This includes the Federal Pandemic Unemployment Compensation program that provides a temporary emergency increase of \$600 per week in addition to the regular UI weekly benefit through July 31, 2020. It also includes the PUA program to provide up to 39 weeks of UI benefits to individuals who do not qualify for traditional unemployment compensation, including business owners, the self-employed, independent contractors, and other individuals not usually eligible for regular state UI benefits who are unemployed as a direct result of the COVID-19 pandemic. The PUA program runs through December 26, 2020.

Under federal law, states that exhaust their UI trust fund may borrow from the federal UI trust fund to continue UI benefit payments. Pursuant to the Families First Coronavirus Response Act enacted in March, interest on federal loans are waived through December 31, 2020. The federal government has also authorized California to borrow as needed to continue paying benefits to eligible UI benefit claimants. Like other states, California has already begun borrowing.

The Budget also includes statutory changes through January 1, 2021 that conform the state's UI program to federal guidelines in order to receive additional federal UI administration funds. States must ease eligibility requirements and access to

unemployment compensation for claimants and relieve employers of benefit charges related to the COVID-19 pandemic. California qualifies for approximately \$120 million in federal unemployment administration funds.

**Other Significant Adjustments**

- The Budget also includes \$46 million to continue implementation of the Benefit Systems Modernization project. This project will modernize and consolidate the EDD's UI, Disability Insurance, and PFL benefit systems. The state of EDD's information technology system and the need to replace it has come into sharp focus during the COVID-19 pandemic as millions of Californians have accessed the system to apply for UI benefits.
- Finally, the Budget provides a \$10 million General Fund investment for the Social Entrepreneurs for Economic Development initiative, providing entrepreneurial training for individuals, including those who are undocumented. The purpose of this initiative is to support economically disadvantaged communities facing significant barriers to employment by advancing economic mobility through entrepreneurial opportunities and spurring economic and racial justice alongside economic contributions to the state.

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# JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, Courts of Appeal, trial courts, and the Judicial Council. The trial courts are funded with a combination of General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund.

The Budget includes total funding of \$4.0 billion (\$2.1 billion General Fund and \$1.9 billion other funds) in 2020-21 for the Judicial Branch, including \$1.5 billion General Fund and \$1.2 billion other funds to support the trial courts. The Budget also includes \$190 million General Fund and \$147 million other funds to support programs offered by trial courts such as Court Appointed Dependency Counsel, California Collaborative and Drug Court Projects, and the Equal Access Fund, among others. For the State Level Judiciary, which is comprised of the Supreme Court, Courts of Appeal, the Judicial Council, and the Habeas Corpus Resource Center, the Budget includes \$491.3 million General Fund and \$497.2 million other funds.

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## MAINTAINING ACCESS TO JUSTICE

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### OPERATIONAL CHANGES IN RESPONSE TO COVID-19

The Judicial Branch has had to radically change its operations to protect the public from the spread of COVID-19 while also maintaining access to justice. Actions taken by the Judicial Council include extending court deadlines, suspending jury trials, using

technology to conduct proceedings remotely, and suspending evictions and foreclosures. Trial courts have also taken actions to protect the public by closing courthouses and courtrooms, limiting operations to only essential court functions, and suspending collection activities, among others.

These actions have resulted in delays in court operations and a backlog of cases that will take time for the courts to process as they continue to practice physical distancing. In an effort to help the trial courts address the backlog and resume normal operations, the Budget includes \$50 million one-time General Fund in 2020-21.

The COVID-19 pandemic has required the Judicial Branch to reevaluate processes and like the rest of state government, the Judicial Branch should use this opportunity to improve court operations. The Budget includes \$25 million General Fund in 2020-21 and 2021-22 for modernizing court operations with the goal of achieving efficiencies and increasing access to court services online. For example, the Judicial Council may allocate this funding for projects such as enabling electronic case filing, digitizing court documents, resolving disputes online, and utilizing video technology to facilitate remote participation in hearings. These efficiency efforts are even more important now to maintain access to justice.

As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the state budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:

- **Trial Courts**—A base reduction of \$176.9 million General Fund in 2020-21 and ongoing. If the federal government provides sufficient funding, \$126.9 million will be triggered off in 2020-21. The amount that would be restored in 2020-21 is lower because the Budget includes a \$50 million one-time augmentation for the trial court caseload backlog.
- **State Level Judiciary**—A decrease of \$23.1 million General Fund in 2020-21 and ongoing, all of which will be triggered off if the federal government provides sufficient funding.



**Other Significant Adjustments**

- **Fine and Fee Revenues**—The Budget includes an additional \$238.5 million one-time General Fund in 2020-21 to backfill declining fine and fee revenues: \$90.9 million in 2019-20 and \$147.6 million for 2020-21.
- **Trial Court Employee Benefits**—\$30 million ongoing General Fund for trial court employee health benefit and retirement costs.
- **Language Access**—\$9.9 million General Fund in 2020-21 and \$9.6 million General Fund annually thereafter for increased costs for court interpreters and to purchase equipment for the newly established Video Remote Interpreting Program.
- **County Law Libraries**—\$7 million one-time General Fund to backfill the County Law Libraries for lost revenue due to the reduction in civil case filings from the COVID-19 pandemic.

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# PUBLIC SAFETY

This Chapter describes items in the Budget related to California's correctional system and public safety programs.

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## DEPARTMENT OF CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) incarcerates people convicted of the most violent felonies, supervises those released to parole, and provides rehabilitation programs to help them reintegrate into the community. The Department strives to facilitate the successful reintegration of the individuals in its care back to their communities equipped with the tools to be drug-free, healthy, and employable members of society by providing education, treatment, and rehabilitative and restorative justice programs.

The Budget sustains prior investments that support the Administration's long-term goals of further improving rehabilitation, reentry and restorative justice programs. It also reflects the Administration's commitment to limit the expansion of new programs due to the drastic budget impacts of the COVID-19 Recession, reduce costs through efficiencies, and implement long-term prison reform strategies.

The Budget includes total funding of \$13.4 billion (\$13.1 billion General Fund and \$311 million other funds) in 2020-21 for the Department.

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## PRISON CAPACITY

The adult prison population has declined steadily over many years, presenting opportunities for CDCR to reduce its reliance on contract prison capacity. After more than a decade, CDCR terminated its final remaining contract to house inmates out-of-state in June 2019. In addition, CDCR terminated its final remaining contract with a private in-state facility for male inmates in May 2020. Based on current population trends, the Administration plans to close the remaining three male, public in-state contract correctional facilities in 2020-21.

In addition, the Budget plans to close one state-owned correctional facility beginning in 2021-22 and a second facility beginning in 2022-23. While statutory authority is not necessary to implement the prison closure plan, the Budget agreement included statutory changes that would have specified a reporting timeline and considerations to be made in determining which prisons should be prioritized for closure. These closures will be achieved through various actions that will further reduce the prison population through rehabilitation, which are described below.

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## COVID-19 RESPONSE

CDCR took a series of proactive measures to reduce the presence and spread of COVID-19 in its institutions. Among other things, CDCR restricted inmate movement, activated gyms and dayrooms to create physical distancing, modified the parole suitability hearing process to take place by video and telephone conference, restricted family visitation and provided inmates with free telephone calls, initiated a staff screening process upon entering facilities, suspended large-scale construction projects within the secure perimeter of CDCR facilities, and suspended in-person rehabilitative programs and education classes. CDCR also delayed the Basic Correctional Officer Academy and modified the training to provide for social distancing, and employed the California Prison Industry Authority to produce cloth face masks and hand sanitizer for inmates and staff.

Before an incarcerated person is released from any institution, they are offered testing for COVID-19 within seven days of their anticipated release. For those who test positive, CDCR works with state and local public health and law enforcement officials to find housing where the incarcerated person can be safely isolated and monitored. Individuals are also released with reusable cloth barrier masks provided by the Department with appropriate precautionary measures taken during transportation.

Beginning in June 2020, CDCR also began expanded employee testing for COVID-19 at skilled nursing facilities consistent with guidance from the California Department of Public Health. This guidance includes baseline testing of all employees by the end of June, and separate protocols for continued testing, the frequency of which is dependent on whether an institution has active outbreaks. Beginning in July 2020, CDCR expects to expand employee testing protocols to the remaining institutions without skilled nursing facilities.

On March 24, 2020, the Governor issued Executive Order N-36-20, to mitigate the spread of COVID-19 in the state's adult institutions by stopping intake for 30 days, which was subsequently extended to 60 days. While intake resumed on May 29, 2020, CDCR is proceeding with an abundance of caution. For example, the Department is offering testing to all inmates upon intake and has instituted a mandatory 14-day quarantine period in its reception centers. CDCR estimates that approximately 8,200 inmates will be held in county jails as a result of the suspension of intake for 60 days and anticipates transferring all those inmates to CDCR in the coming months.

In addition, CDCR initiated the release of inmates who were within 60 days of release at the beginning of April 2020, and who were not serving a current term for domestic violence, a violent felony, or required to register as a sex offender. These actions have contributed to a significant decline in the prison population. As of June 17, 2020, the adult inmate population was 114,643, compared to 122,941 as of March 25, 2020, a reduction of 8,387 inmates.

At the time of this publication, court orders and changing conditions are requiring additional actions to mitigate the spread of COVID-19 and protect staff and inmates.

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## EARNING RELEASE THROUGH REHABILITATION

The Budget sustains academic, vocational and rehabilitative program investments made in recent years to continue the progress made to support inmates in preparing for release. These investments in rehabilitation, as well as additional actions highlighted below, will allow the Department to safely reduce the prison population and achieve the prison closures described above.

- **Reducing Reception Center Process to 30 days**—The suspension of intake provided CDCR the opportunity to move the majority of inmates from reception centers to mainline institutions, thereby creating space in the reception centers to facilitate safely reopening intake. CDCR plans to reduce the reception center process to as

few as 30 days instead of 90 to 120 days. This will allow inmates to begin participating in academic and rehabilitative programs sooner and will likely enable CDCR to convert some existing Reception Center housing to General Population housing in 2020-21. This change is expected to save \$3.7 million General Fund in 2020-21, and significantly more in future years with the exact amount depending on the timing and details of future prison closures.

- **Changes to Good Conduct Credits**—CDCR will pursue changes to good conduct credits that will be applied prospectively. These changes will provide greater incentives for individuals to engage in good conduct such as by participating in work and program assignments. While the changes are still being developed, the preliminary estimate is that these changes will save \$2.7 million General Fund in 2020-21.

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## TEMPORARY MODIFIED WORK ASSIGNMENTS

The Budget includes \$16.7 million General Fund annually for two years to provide modified work assignment posts for staff with medical conditions that result in restrictions or limitations, such as pregnancy, to provide them opportunities to continue working or return to work earlier than would otherwise be possible. This proposal advances the Administration's commitment to the health and wellness of its correctional staff and promotes the recruitment and retention of a diverse workforce. The Department will use the period covered by the limited term funding to determine the appropriate level of ongoing resources for this program.

The Budget also includes the following General Fund investments:

- **Mental Health Psychiatry Registry**—\$13.3 million for contract psychiatry services to meet the federal court order to fill at least 90 percent of the state prison system's psychiatry positions.
- **Intake Cell Retrofits for Suicide Prevention**—\$3.8 million one-time to retrofit 64 intake cells across the state to provide a safer environment for inmates entering segregated housing.
- **Expansion of Statewide Telepsychiatry Program**—\$5.9 million to support expansion of telepsychiatry, which uses secure videoconferencing to increase inmate access to mental health care services.

- **Legionella Remediation at California Health Care Facility**—\$9.7 million in 2019-20 and \$4.3 million ongoing to establish new water system protocols to control Legionella bacteria and minimize the risk of illness at the California Health Care Facility.
- **Information Technology Security Staffing and Tools**—\$2.9 million for additional resources to strengthen security and cybersecurity infrastructure to protect patient health records.
- **Medical Imaging Equipment**—\$1 million to replace and maintain CDCR's medical imaging equipment.
- **Secure Electronic Data Share Unit for Patient Health Records**—\$377,000 to support an electronic health care data exchange process to transfer health records to counties for inmates who are transitioning to county custody or the community.

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## VALLEY STATE PRISON YOUTH OFFENDER REHABILITATIVE COMMUNITY

The Budget includes \$1.3 million General Fund in 2020-21, and \$2 million ongoing, to establish a Youth Offender Rehabilitative Community at Valley State Prison in Chowchilla. The program will house individuals under the age of 26 together in a campus-style environment conducive to positive behavioral programming and will deliver educational programs targeted to their unique needs.

### OTHER SIGNIFICANT ADJUSTMENTS

- **Consolidate Fire Camps**—The Budget includes the closure of eight camps, currently not at capacity, that will be selected in coordination with the California Department of Forestry and Fire Protection. The locations selected will take into consideration proximity to other fire camps in an effort to minimize impacts to communities that rely on the services provided by inmate fire crews. CDCR's savings are estimated to be \$7.4 million General Fund in 2020-21 and \$14.7 million ongoing.
- **Draw Down Federal Funds for Health Care for Community Reentry Programs**—Under federal policy, individuals who are considered prison inmates are ineligible for Medicaid benefits. However, this exclusion does not apply to individuals residing in supervised residential treatment facilities, such as reentry facilities designed to transition individuals from prison to the community. The Centers for Medicare and Medicaid Services (CMS), which sets these policies, recently issued guidance outlining how it distinguishes between prisons and supervised residential treatment facilities. Specifically, CMS has stated that in order to qualify for Medicaid eligibility residents must generally have freedom to seek employment in the community and

access resources available to the general public, such as education, libraries, and healthcare facilities. CDCR is implementing operational changes at its reentry facilities to adhere to these guidelines in a manner that ensures public safety, thereby allowing the state to draw down federal funding for residents' health care and saving \$4.2 million General Fund in 2020-21 and \$8.5 million ongoing.

- **Eliminate the Integrated Services for Mentally Ill Parolee Program**—The Integrated Services for Mentally Ill Parolee Program provides wraparound services, including some transitional housing, for approximately 1,500 of 18,000 mentally ill parolees. As this program is costly at \$10,000 per parolee annually and has shown limited effectiveness at reducing recidivism, the Budget eliminates the program. The Department will adjust policies to connect these individuals with community resources, which ultimately provide better continuity of care long-term. Elimination of this program is expected to result in savings of \$8.1 million General Fund in 2020-21 and \$16.3 million ongoing General Fund. Although the Budget reduces funding for the program, statutory changes are necessary to eliminate the program.
- **Remote Court Appearance**—CDCR will pursue efforts to increase video capabilities to enable remote court appearances by inmates and staff. This will result in efficiencies associated with transportation of inmates from their assigned prison to a prison closer to the court, and daily transportation of inmates to court. This will also reduce inmate absences from rehabilitation and work assignments. Statutory changes are needed to implement this proposal.
- **Suspension of the Transition-Aged Youth Pilot in the Division of Juvenile Justice**—The Budget suspends the seven-year pilot program operated by the Division of Juvenile Justice to divert transition-aged youth from adult prison to a juvenile facility. The pilot had limited participation and its suspension will result in estimated savings of \$3.1 million General Fund in 2020-21 and ongoing. Although the Budget reduces funding for this program, statutory changes are necessary to suspend the pilot.
- **Integrated Substance Use Disorder Treatment Program Reduction**—The Budget implements a one-time reduction of \$30 million to the Integrated Substance Use Disorder Treatment Program reflecting expected challenges in full program implementation due to the COVID-19 pandemic.



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## **PAROLE**

### **CAP PAROLE TERMS**

In an effort to align community supervision terms with evidence that most recidivism occurs earlier in the supervision period, create incentives for positive behavior change, and more effectively use limited state resources, the Budget will cap supervision for certain parolees at 24 months and establish earned discharge for non-Penal Code section 290 registrants at 12 months. The estimated savings are expected to be \$23.2 million General Fund in 2020-21, increasing to \$64.6 million ongoing General Fund in 2023-24. The Budget includes a reduction of funding associated with this proposal. However, statutory changes are necessary to implement the proposal and realize these projected savings.

### **EXPANDING THE ELDERLY PAROLE PROGRAM AND COMPASSIONATE RELEASE**

The Budget agreement includes additional opportunities for elderly and terminally ill inmates to be released from custody. Statutory changes are necessary to modify the existing Elderly Parole Program to lower the criteria for eligibility for an elderly parole suitability hearing from inmates aged 60 or older who have served 25 continuous years of a sentence to inmates aged 50 or older who have served 20 continuous years.

The Budget agreement also expands the compassionate release process whereby the Secretary of the CDCR can request the court resentence an inmate diagnosed with an incurable condition that will result in death within twelve months. Statutory changes are necessary to implement this proposal.

These changes are anticipated to result in General Fund cost savings in future years while simultaneously providing consideration for release to inmates at high-risk for COVID-19 and who are not likely to recidivate.

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## **INMATE MEDICAL CARE AND MENTAL HEALTH SERVICES**

The Budget continues the state's significant financial commitment to improve the Department's delivery of health care services to inmates. The Budget dedicates \$3.6 billion General Fund for health care services programs, which provide access to mental health, medical, and dental care that is consistent with the standards and scope of services appropriate within a custodial environment.

### **OTHER SIGNIFICANT ADJUSTMENTS**

The Budget also removes \$20.6 million from CDCR's baseline budget to eliminate the Tattoo Removal Program (\$2.1 million) and by reducing ongoing prison maintenance funding (\$18.5 million).

Although the state is not in a fiscal position to expand many programs given the drastic budget impacts of the COVID-19 Recession, the Budget provides \$943,000 to promote objectivity and fairness in the investigation of equal opportunity complaints and \$37.6 million for necessary roof replacements at California State Prison, Sacramento.

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### **REALIGN DIVISION OF JUVENILE JUSTICE**

The Division of Juvenile Justice currently houses approximately 800 youth. The Governor's Budget proposed to transfer the Division of Juvenile Justice to a newly created independent department within the Health and Human Services Agency. That approach was intended to align the rehabilitative mission of the state's juvenile justice system with trauma-informed and developmentally appropriate services supported by programs overseen by the state's Health and Human Services Agency. The May Revision proposed instead to transfer the responsibility for managing all youth to local jurisdictions and direct a portion of the state savings to county probation departments.

The Administration continues to support the shift of this population to local jurisdictions and will continue to work with the Legislature and relevant stakeholders over the coming weeks to develop a plan for implementing a successful realignment.

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### **CONFORMING STATUTE TO REALIGNMENT**

The Budget agreement includes changes to existing law to clarify that an individual's underlying offense determines whether their sentence is served in a county jail or state prison. Currently, if an enhancement qualifies for state prison, the entire sentence is served in state prison—even though the underlying offense would otherwise be served in a county jail. CDCR estimates these changes will affect several dozen individuals annually and reduce the prison population by around 150 inmates on an ongoing basis. Statutory changes are necessary to implement this proposal.

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## LOCAL PUBLIC SAFETY

**Proposition 47 Savings**—In November 2014, voters passed Proposition 47 which requires misdemeanor rather than felony sentencing for certain property and drug crimes and permits inmates previously sentenced for these reclassified crimes to petition for resentencing. The Department of Finance currently estimates net savings of \$102.9 million General Fund for Proposition 47 when comparing 2019-20 to 2013-14. These funds will be allocated according to the formula outlined in the initiative.

**Post Release Community Supervision**—The Budget includes \$12.9 million General Fund for county probation departments to supervise the temporary increase in the average daily population of individuals on Post Release Community Supervision as a result of the implementation of Proposition 57.

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## COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

To meet the short-term needs of local law enforcement training due to the COVID-19 pandemic and the potential long-term impact of reduced state and local budgets, the Commission on Peace Officer Standards and Training (POST) will leverage existing funding provided in the 2018 Budget Act to provide for the strategic development and implementation of a framework to support distance learning opportunities for all California law enforcement agencies.

Specifically, the Budget reappropriates \$10 million General Fund to: (1) create a Distance Learning Grant Program, (2) increase the functionality of POST's Learning Portal, and (3) upgrade previously produced and developed distance learning courses and videos.

The Budget establishes a Distance Learning Grant Program to allocate \$5 million to governmental entities and non-profit law enforcement educational institutions to develop and deliver training through innovative, distance learning modalities with a focus on use of force and de-escalation, implicit bias and racial profiling, community policing, cultural diversity, and organizational wellness.

The POST Learning Portal is a secure website available for California peace officers, dispatchers, and law enforcement instructors to access self-paced training courses and applications to support law enforcement training in California. Access to the Learning Portal is free to California law enforcement in the POST program. POST will explore replacing, enhancing, and/or modernizing the functionality of the Learning Portal by

adding and incorporating additional modules that would provide law enforcement agencies the ability to develop their own agency-specific courses to develop and deliver their own instructor-led distance training.

Finally, POST will identify and upgrade existing distance learning courses and videos that are in legacy software formats no longer supported. By converting these materials, POST can ensure that relevant training materials continue to be accessible to local law enforcement agencies. POST also anticipates continued creation of high-quality, online in-service and specialized training videos that enable law enforcement to meet Continuous Professional Training mandates through distance learning options.

To reduce costs, the Budget also reverts \$16.5 million General Fund appropriated in prior budgets provided to POST for training reimbursements and grants that are unlikely to be expended given the restrictions associated with the COVID-19 pandemic.

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## VICTIM SERVICES

Crime victims and their families bear significant physical, emotional, and financial burdens. The Budget reflects the Administration's continuing commitment to both assist crime victims and their families in recovering from such traumas, and to proactively make strategic investments to protect those who face a high risk of victimization by including the following proposals:

- **Restitution Fund Backfill**—\$23.5 million one-time General Fund to backfill declining fine and fee revenues in the Restitution Fund, allowing the Victim Compensation Board to continue operating at its current resource level.
- **California Violence Intervention and Prevention (CalVIP) Grant Program**—\$9 million ongoing for the Board of State and Community Corrections to continue funding the CalVIP program, which provides competitive grants to cities and community-based organizations to support services such as community education, diversion programs, outreach to at-risk transitional age youth, and violence reduction models.

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## IMPROVING INDIGENT DEFENSE

Currently, the Office of the State Public Defender's mission is focused on assisting individuals sentenced to death with post-conviction appeals. The Budget includes \$4 million General Fund in 2020-21 and \$3.5 million annually thereafter to expand the Office's mission to include improving the quality of indigent defense services provided

by counties. Specifically, these resources are intended to provide training and technical assistance for attorneys providing indigent defense, with the goal of promoting more effective representation statewide. While there is funding in the Budget, statutory changes are needed to expand the Office's mission to allow for these activities.

In addition, the Budget includes \$10 million one-time General Fund for the Board of State and Community Corrections to administer a pilot program, in consultation with the Office of the State Public Defender, to supplement local funding for indigent criminal defense. This funding will also support the completion of an evaluation to determine the effectiveness of the grants in improving indigent defense services.

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## DEPARTMENT OF JUSTICE

As chief law officer of the state, the Attorney General has the responsibility to see that the laws of California are uniformly and adequately enforced. This responsibility is fulfilled through the diverse programs of the Department of Justice (DOJ). The Department provides legal services on behalf of the people of California; serves as legal counsel to state agencies; provides oversight, enforcement, education, and regulation of California's firearms laws; provides evaluation and analysis of physical evidence; and supports data needs of California's criminal justice community. The Budget includes total funding of approximately \$1.1 billion, including \$369.2 million General Fund in 2020-21, to support DOJ.

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## BUREAU OF FIREARMS

The Bureau of Firearms regulates and enforces the manufacture, sale, ownership, safety training, and transfer of firearms. In recent years, several laws have been enacted that affect the purchase and ownership of a firearm in California, thereby increasing the Bureau's workload. The Budget continues the Administration's commitment to strengthen gun violence protections by including the following significant investments:

- **Firearm Precursor Parts (AB 879)**—\$5.9 million General Fund in 2020-21 and \$8.3 million in 2021-22 to regulate and track the sale of firearm precursor parts. AB 879 requires the sale of firearm precursor parts to be conducted by or processed through a licensed firearm precursor part vendor beginning July 1, 2024. Precursor parts can be used to manufacture “ghost guns” that are untraceable due to a lack of serial numbers or identifying markers. Given the risk that such guns present to

public safety, the Budget includes resources to accelerate the implementation of these requirements to July 1, 2022. However, statutory changes are needed to facilitate this acceleration.

- **Firearms Information Technology Modernization**—\$2.4 million Dealers' Record of Sale (DROS) Special Account to begin the planning and analysis phase of combining and modernizing the existing firearms tracking systems. DOJ currently tracks firearms using 11 information technology systems that are antiquated, costly to update, and inefficient at data collection. New firearms policies and reporting requirements are difficult to implement given the disconnected structure of these systems. Modernizing these systems will enable DOJ to respond to changing business needs and legislative mandates efficiently and in a cost-effective manner.
- **Semiautomatic Rifle Sales (SB 61)**—\$2.1 million DROS Special Account in 2020-21, \$1 million in 2021-22, and \$379,000 annually thereafter to implement and enforce the provisions of SB 61 that prohibit the sale of semiautomatic centerfire rifles to any person under 21 years of age, except a law enforcement officer or active duty member of the Armed Forces, and prohibit a person from making an application to purchase more than one semiautomatic centerfire rifle in any 30-day period.
- **Tracking Firearms Sales (SB 376)**—\$981,000 DROS Special Account in 2020-21, \$306,000 in 2021-22, and \$232,000 annually thereafter to track and report annual firearms sales, loans, and transfers to enforce the provision under SB 376 that reduces the threshold for which a manufacturer's license is required from 100 firearms manufactured annually to 50.
- **"Other" Firearm Registration**—\$128,000 DROS Special Account in 2020-21, \$862,000 in 2021-22, and \$14,000 annually thereafter to close regulatory loopholes for assault weapons that are not currently defined as a rifle, pistol, or shotgun. This proposal enables DOJ to appropriately define and regulate such weapons. While this funding is included in the Budget, statutory changes are needed to close this loophole and allow DOJ to regulate these firearms.

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## LEGAL SERVICES

### HEALTHCARE RIGHTS AND ACCESS SECTION

In recent years, there has been an increase in healthcare litigation due to issues such as the opioid crisis, drug price-fixing, antitrust cases, and defenses of the Affordable Care Act. Currently, healthcare-related litigation is handled by separate units throughout DOJ. The Budget includes \$6.9 million in 2020-21 (\$3.7 million Attorney General Antitrust

Account and \$3.2 million Unfair Competition Law Fund) and \$6.7 million annually thereafter (\$3.6 million Attorney General Antitrust Account and \$3.1 million Unfair Competition Law fund) to establish the Healthcare Rights and Access Section to consolidate and centralize healthcare litigation within DOJ. This approach allows DOJ to handle the increase in healthcare litigation and develop expertise and specialization in this area of law.

### Other Significant Adjustments

- **Bureau of Forensic Services**—\$35.8 million one-time (\$25.8 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 DOJ to continue processing forensic evidence for client counties.
- **Criminal Records: Automatic Relief (Chapter 578, Statutes of 2019 (AB 1076))**—\$3.7 million Fingerprint Fees Account in 2020-21, \$4 million in 2021-22, and \$1.9 million annually thereafter to review records in statewide criminal justice databases to identify persons eligible to have their arrest or criminal conviction records withheld from disclosure and modify existing systems to grant such relief automatically. Statutory changes are needed to delay the implementation of AB 1076 until July 1, 2022. This will provide DOJ sufficient time to make the necessary information technology improvements to implement this bill.
- **California Law Enforcement Telecommunications System: Immigration (Chapter 789, Statutes of 2019 (AB 1747))**—\$2.8 million General Fund in 2020-21, \$2.9 million in 2021-22, and \$2.5 million annually thereafter to conduct investigations and audits to monitor compliance with AB 1747, which limits the use of the California Law Enforcement Telecommunications System for immigration enforcement purposes.
- **Replacement of License 2000 System**—\$724,000 one-time Gambling Control Fines and Penalties Account for the initial planning and analysis phase of replacing the License 2000 System, which is used by the Bureau of Gambling Control and Gambling Control Commission to manage cardroom licensing, registration, and auditing functions.
- **Sex Offender Registration (Chapter 541, Statutes of 2017 (SB 384)) Funding Alignment**—A net change of zero by moving \$4.8 million General Fund expenditures from 2020-21 and 2021-22 to 2022-23 and 2023-24, to align the funding to implement SB 384 with an updated implementation timeline. Statutory changes are needed to implement modifications to SB 384 that will ease the workload burden for DOJ, the courts, and local law enforcement agencies.

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## **ELIMINATION OF CERTAIN CRIMINAL ADMINISTRATIVE FEES**

State law authorizes state and local governments to charge administrative fees to individuals in the criminal justice system to recover costs for various activities, including probation supervision, representation by counsel, and diversion programs, among others. These fees can have a significant impact on low-income individuals and people of color who are disproportionately represented in the state's criminal justice system. Specifically, these fees often place an undue burden on those who cannot afford to pay and can create financial hardship for individuals seeking to get their lives back on track following a criminal conviction. Therefore, the Administration is committed to working with the Legislature to provide economic relief to this population by eliminating certain criminal administrative fees.



# NATURAL RESOURCES

The Natural Resources Agency consists of 26 departments, boards, commissions and conservancies responsible for administering programs to conserve, restore, and enhance the natural, historical, and cultural resources of California. The Budget includes \$6.6 billion (\$3.6 billion General Fund, \$1.6 billion special funds, and \$1.4 billion bond funds) for programs included in this Agency.

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## DEPARTMENT OF WATER RESOURCES

The Department of Water Resources (DWR) protects, conserves, develops, and manages California's water. The Department also works to prevent and minimize flood damage, oversee the safety of dams, and educate the public about the importance of water and its efficient use.

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## SUSTAINABLE GROUNDWATER MANAGEMENT ACT

The Sustainable Groundwater Management Act (SGMA) was signed into law in September 2014. SGMA assigns the primary responsibility for ongoing groundwater management to local entities. Local agencies are required to form Groundwater Sustainability Agencies (GSAs) to then develop and implement Groundwater Sustainability Plans (GSPs) that identify actions and implementation measures to halt overdraft and bring groundwater basins into balanced levels of pumping and recharge within 20 years of adoption. DWR is charged with two key responsibilities under SGMA:

(1) establishing the regulations for how a GSP must be prepared and assessing the GSP's likelihood of achieving sustainability, and (2) assisting the locals in preparing and implementing their GSPs through technical, planning, and other support.

The Budget includes \$9.6 million and 37 positions to further develop DWR's Sustainable Groundwater Management Program and provide critical assistance to GSAs. The resources included in the Budget are critical to advancing SGMA while assisting local communities with implementation of strong GSPs that can achieve groundwater sustainability and helping communities plan for major changes in groundwater management that could affect economic activity.

The state remains committed to supporting local communities' transition to sustainable groundwater use, and DWR will allocate \$26 million of existing Proposition 68 bond funds to local agencies in critically overdrafted basins to help defray the cost of implementation projects. In addition, a state interagency team will be created to work with stakeholders to identify tools and strategies to address the economic, environmental, and social effects of changing land use and agricultural production.

### Other Significant Adjustments

- **American River Common Features Flood Control Project**—\$46 million one-time General Fund for the 2020-21 cost associated with a Sacramento region flood control project that leverages \$1.5 billion in federal funding.
- **New River Improvement Project**—\$18 million one-time General Fund and \$10 million Proposition 68 bond funds to support the New River Improvement Project, which will address solid waste and pollution exposure challenges in the City of Calexico, and support health, recreation, and economic benefits in the area.
- **Salton Sea Management Plan**—\$19.3 million Proposition 68 bond funds to address the air quality and habitat restoration objectives at the Salton Sea through implementation of the North Lake Pilot Project.

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## DEPARTMENT OF FISH AND WILDLIFE

The Department of Fish and Wildlife, which serves as a trustee for California's natural resources, has worked with stakeholders on a statutorily mandated service-based budget analysis. Preliminary results have identified gaps in specified levels of service. The Budget continues to support the Department in addressing service-based budget

gaps by making permanent approximately \$23.4 million General Fund that expires in 2020-21, and funding new mandates associated with recently chaptered legislation.

## STATE PARKS

Many Californians lack access to parks, open spaces, and natural and cultural amenities. The Budget includes the following initiatives to expand access to state parks and open spaces and invest in cultural resources to share their value with the public and protect them for future generations:

- **Improving Access for Underserved Populations**—\$20 million General Fund to establish the Outdoor Equity Grants Program under Chapter 675, Statutes of 2019 (AB 209) to enable underserved and at-risk populations to participate in outdoor environmental education experiences at state parks.
- **Eliminate Cost as Barriers for Low-Income Individuals**—To increase participation in a program that provides free day-use entry, the Department will partner with state and county social and public health programs to increase use of the low-income pass program.
- **Establishing a New State Park**—\$5 million General Fund to create a new state park that is inclusive and supports equitable access for all Californians. The Department will work with various philanthropic, conservation, and park interest groups to secure a property and design the vision and operations for the new park.
- **Acquiring Lands to Expand Parks**—\$4.6 million bond funds to acquire inholding properties that expand existing state parks and provide other co-benefits such as protecting biodiversity.
- **Improving Facilities in Urban Areas**—\$6.1 million Proposition 68 bond funds to expand access to state parks in urban areas and make other improvements to parks that serve disadvantaged communities.
- **Enhancing Access Programming**—\$8.8 million Proposition 68 bond funds to expand both technological and physical access to parks, as well as culturally inclusive enhancements to park programming and interpretive exhibits.

The Budget includes the following fund shifts:

- **Indian Heritage Center**—\$95 million from the General Fund to lease revenue bonds. State Parks is in the process of completing the preliminary plans for the

project. Once the plans are finalized, the state can explore the option of financing the project from lease revenue bonds.

- **Deferred Maintenance**—\$44 million from the General Fund to Proposition 68 bond funds for deferred maintenance projects in the state parks system.

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## DEPARTMENT OF CONSERVATION

California is the nation's leader in reducing reliance on fossil fuels, limiting greenhouse gas emissions, and transitioning to a low-carbon economy. This transition includes strengthening oversight of oil and gas extraction to better protect people and the environment in a manner that facilitates a thoughtful economic transition.

The mission of California Geologic Energy Management Division (CalGEM) is to protect human health, safeguard the environment, and advance the state's climate and energy goals. The economic downturn resulting from the COVID-19 pandemic has increased the need to focus on the environmental and health and safety risks resulting from idle and deserted wells.

The Budget includes \$7.2 million Oil, Gas, and Geothermal Administrative Fund and 25 new positions for activities related to private oil companies operating in California having adequate financial coverage for idle and orphaned wells, and to improve public transparency related to natural gas and oil leaks and CalGEM's regulatory actions.

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## STRENGTHENING PARTNERSHIPS WITH TRIBES AND COMMUNITIES

Tribal communities have protected and preserved California's natural resources since before the state's inception. The Budget includes the following significant investments to strengthen collaboration with California Native American tribes directly affected by natural resource management decisions:

- **Truth and Healing Council**—\$100,000 annually through 2024-25 from the Environmental License Plate Fund to the Native American Heritage Commission to support the establishment of the Truth and Healing Council as identified in the Governor's Executive Order N-15-19.
- **Environmental Justice**—\$360,000 ongoing from the Environmental License Plate Fund to the Agency to establish the positions of Assistant Secretary for Environmental

Justice and Assistant Secretary for Tribal Affairs to support and expand the Agency's effort to institutionalize environmental justice and tribal consultation practices into its program planning, development and implementation.

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# ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency's programs promote the state's economic vitality in a sustainable manner by reducing greenhouse gas emissions, enhancing environmental quality, and protecting public health. The Secretary coordinates the state's regulatory programs and provides fair and consistent enforcement of environmental law. The Budget includes \$3.3 billion (\$126.6 million General Fund, \$3.2 billion special funds, and \$18.3 million bond funds) for programs included in this Agency.

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## PROTECTING VULNERABLE COMMUNITIES

The impacts of climate change and environmental pollution continue to be an urgent threat to the environment and vulnerable populations. The Budget continues to prioritize the protection of these vulnerable populations.

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## AIR QUALITY IN DISADVANTAGED COMMUNITIES

The Budget provides \$50 million Air Pollution Control Fund to support local air districts' implementation of Chapter 136, Statutes of 2017 (AB 617). This one-time funding supports local programs addressing the air quality disparities suffered by California's most disadvantaged communities. This funding will support local efforts to deploy community-scale air pollution monitoring, as well as to develop and execute community-driven pollution-reduction strategies.

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## **CAP AND TRADE EXPENDITURE PLAN**

The Cap and Trade Program is one of the key policies included in the 2017 Scoping Plan to achieve the 2030 emission-reduction target specified in Chapter 249, Statutes of 2016 (SB 32). The 2022 Scoping Plan Update will evaluate the state's progress towards achieving the SB 32 target and provide a path for achieving carbon neutrality by mid-century.

As part of the 2022 Scoping Plan Update, the Air Resources Board will evaluate and identify if any policies, including the Cap and Trade Program, should be adjusted through a subsequent rulemaking to keep the state on track to achieve the 2030 target and support further emission reductions to achieve carbon neutrality by mid-century.

While the enacted Budget does not include funding, the Administration will work with the Legislature in the coming months to enact a Cap and Trade Expenditure Plan for the 2020-21 fiscal year. Programs that are most protective of vulnerable communities, such as the Safe and Affordable Drinking Water program and the Community Air Protection program, should be prioritized.

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## **DEPARTMENT OF TOXIC SUBSTANCES CONTROL**

Over the past year, the Administration has developed a vision for the future of the Department through stakeholder engagement, input from members and committees of the Legislature, and three public workshops conducted in Sacramento, Bakersfield and Los Angeles.

The Budget provides \$27.3 million General Fund to maintain current levels of funding at the Department.

Consistent with its commitment to protecting the state's most vulnerable communities from toxic pollutants, the Administration will work with the Legislature to secure long-term sustainable governance and fiscal reforms before the end of the legislative session.



# STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

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

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## TRANSFORMING STATE GOVERNMENT

The COVID-19 pandemic has disrupted state government operations, forcing the state to find creative ways to adapt and deliver core functions. It has also created an opportunity to rethink the way the state delivers services to its nearly 40 million residents. Investments in technology have already advanced the ability of government to deliver services during the current pandemic, and the state is committed to building on this progress to make California an example of what government should look like in the 21st century.

Transforming state government will include lessons learned from the state's real-time experiment with a statewide telework program. The state's response has shown that teleworking on a large scale is possible, and the ability to optimize a telework approach can reduce the state's carbon footprint and leased office space, while increasing the state's digital presence for the benefit of both California's employees and the people they serve.

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## GOVERNMENT EFFICIENCY

Led by the Government Operations Agency, the Administration will work with agencies and departments to examine their workforce to determine classifications and/or positions that can telework without disruption to serving the citizens of California. Increased telework can reduce statewide absenteeism, increase employee retention, promote inclusion, and move the state toward being an “employer of choice.” Telework is also environmentally favorable, as it reduces vehicle miles traveled and improves air quality.

The COVID-19 pandemic has challenged the state to reexamine in-person processes to protect state employees and the public. For example, the Department of Motor Vehicles (DMV) temporarily closed its field offices, but encouraged the public to use its alternative service channels such as online, mail, kiosks, and a new Service Advisor on DMV’s website. Additionally, DMV launched its Virtual Field Office to create new digital options for transactions with DMV staff that previously required an in-person office visit. As a result, a substantial majority of all DMV transactions can now be processed without a field office visit. The state will build on DMV’s successful pilot program and look to implement similar digital-based services in other agencies or departments that provide a direct service to the public.

In an effort to transform the way the state conducts business and serves Californians, the Administration will use the Office of Digital Innovation to assist agencies and departments to rethink how to meet the public’s needs, including by delivering more government services online. The state will build on the lessons learned through establishing the— <https://COVID-19.ca.gov> —website to build a new CA.gov website. The new site will be user-centered to allow Californians simple, easily understood transactions and to access all state information at a single portal.

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## WORKSPACE INNOVATIONS

With an increased remote workforce, the Administration, led by the Department of General Services (DGS), will evaluate the state’s real estate portfolio to determine which agencies and departments may be able to reduce lease space. Agencies and departments may be able to reconfigure their workspace to include additional meeting rooms and hoteling space, thereby reducing their lease footprint. Reducing space will decrease not only lease costs, but also energy costs. Additionally, DGS will look for possible restacking opportunities in state-owned buildings.

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## ADDITIONAL EFFICIENCY AND COST SAVINGS MEASURES

In addition to the efficiencies described above, the Budget includes a 5-percent reduction to nearly all state department budgets beginning in 2021-22.

- **Reduce Travel**

- Reduce statewide travel costs by using video conferencing for meetings or trainings, where possible.
- Reduce state fuel and insurance costs by assessing use of telematics (a mini GPS device that tracks distance, time, location, and speed) in state vehicles.

- **Improve State Processes**

- Improve processes and quality of services from the customer's point of view by encouraging agencies and departments to attend the Department of Human Resources' Lean Academy.
- Establish performance-based oversight of regulatory programs to better measure, track, and allocate limited resources based on predetermined program performance measures.

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## EMPLOYEE COMPENSATION

As a result of the COVID-19 Recession, and absent the receipt of additional federal funds, reductions in state employee compensation costs are necessary to balance the Budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year.

The Budget includes a provision providing flexibility for the state and bargaining units to negotiate savings totaling roughly \$2.8 billion (\$1.4 billion General Fund), which is an approximate 10-percent reduction in employee compensation. As of June 26, 2020, the State has reached agreements with 16 of the 21 bargaining units, including the State Employees' International Union, Local 1000; California Association of Highway Patrolmen; California Correctional Peace Officers' Association; California Statewide Law Enforcement Association; Professional Engineers in California Government; California Association of Professional Scientists; International Union of Operating Engineers (bargaining unit 12); and American Federation of State, County, and Municipal Employees. The Administration continues to negotiate with the remaining

bargaining units. To achieve the necessary employee compensation savings, bargaining units that do not have ratified agreements prior to July 1, 2020, will be subject to furloughs.

The Budget authorizes the suspension of various employee compensation increases scheduled for Fiscal Year 2020-21; however, priority is given to targeted salary increases for the state's lowest paid workers. The Budget also authorizes funding for increases in health care premiums and enrollment for active state employees, and retiree health care prefunding for active employees.

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## STATE RETIREMENT CONTRIBUTIONS

The state makes all required pension payments for 2020-21. The Budget reflects the following actions:

- **California Public Employee's Retirement System (CalPERS) State Annual Pension Contribution Payment Offset**—Chapter 33, Statutes of 2019 (SB 90) authorized a \$3 billion General Fund supplemental pension payment toward the CalPERS state plans' unfunded liabilities with the goal of maximizing the state's savings over the next three decades. Of the \$3 billion, \$2.5 billion was paid to CalPERS in 2019. CalPERS applied approximately \$100 million of the \$2.5 billion to produce savings in the 2019-20 employer contributions. The Budget redirects the remaining \$2.4 billion over the next two years to pay the state's obligations that will produce more immediate savings to the state and results in a reduction in the state's retirement contribution in fiscal years 2020-21 and 2021-22.
- **Elimination of \$500 Million General Fund Supplemental Pension Payment to CalPERS**—The Budget eliminates the remaining \$500 million General Fund supplemental pension payment towards the CalPERS state plans' unfunded liabilities as authorized under SB 90. SB 90 was subsequently amended by Chapter 859, Statutes of 2019 (AB 118) to specify that of the \$500 million payment to CalPERS, \$243 million will be applied to the California Highway Patrol (CHP) retirement plan. The Budget instead authorizes the use of Proposition 2 debt repayment funding to make the \$243 million payment to the CHP retirement plan.
- **Suspension of the 2020-21 California State Teachers' Retirement Systems (CalSTRS) Defined Benefit Annual Rate Increase**—The Budget suspends the annual rate increases authorized by the Teachers' Retirement Board at the 2019-20 level in 2020-21.

**Other Significant Adjustments**

- **Surplus Money Investment Fund Loan**—The Budget includes \$221 million within the 2020-21 Proposition 2 debt payment requirement to pay down the General Fund's share of the internal cash loan authorized by Chapter 50, Statutes of 2017 (SB 84) to make a \$6 billion supplemental pension payment to the CalPERS state plans in 2017.
- **State Employees' Retirement Contributions**—The Budget includes \$7.0 billion (\$4.0 billion General Fund) for state contributions to CalPERS for state pension costs. This includes \$733 million General Fund for California State University pension costs.
- **Teachers' Retirement Contributions**—The Budget includes \$3.4 billion General Fund for state contributions to CalSTRS. The Budget also makes a \$297 million supplemental payment from the Proposition 2 required debt repayment funds.

The State Retirement and Health Care Contributions figure provides an historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), JRS II, and the Legislators' Retirement System for pension and health care benefits.

State Retirement and Health Care Contributions <sup>1/ 2/ 4/</sup>

(Dollars in Millions)

	CalPERS <sup>4/</sup>	CSU CalPERS	CalSTRS	JRS	JRS II	LRS <sup>5/</sup>	Active Health & Dental <sup>6/</sup>	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding <sup>7/</sup>
2011-12	\$3,174		\$1,259	\$195	\$58		\$2,439	\$1,505		0
2012-13	2,948 <sup>8/</sup>	\$449 <sup>8/</sup>	1,303	160	51		2,567	1,365 <sup>8/</sup>	\$222 <sup>8/</sup>	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 <sup>10/</sup>
2017-18	5,188	661	2,790	199	80	1	3,192	1,695	285	189
2018-19	5,506	683	3,082	194	84	1	3,255	1,759	313	394
2019-20	5,946	716	3,323	263	87	1	3,443	1,892	331	562
2020-21 <sup>3/ 9/</sup>	6,259	733	3,428	225	85	1	3,713	2,068	362	703

<sup>1/</sup> The chart does not include contributions for University of California pension or retiree health care costs.

<sup>2/</sup> The chart does not reflect the \$6 billion supplemental pension payment to CalPERS in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84), Chapter 33, Statutes of 2019 (SB 90), and Chapter 859, Statutes of 2019 (AB 118), authorized multiple one-time supplemental pension payments to CalPERS and CalSTRS, which are also not reflected in the chart. The impact of the adjustments to the SB 90 and AB 118 supplemental pension payments, as authorized as part of the 2020 Budget, are also not reflected in the chart.

<sup>3/</sup> The Budget suspends the Teachers' Retirement Board's statutory authority to adjust the state contribution rate for fiscal year 2020-21. The amount shown excludes the additional \$297 million in supplemental pension payment from Proposition 2 debt payment funding authorized in the Budget.

<sup>4/</sup> 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. Amounts displayed in this column reflect statewide contributions to the five CalPERS state plans, including contributions from employers that are not included in the annual Budget Act.

<sup>5/</sup> The state continues to make employer contributions to the Legislators' Retirement System. CalPERS reported the estimated 2020-21 contribution amount is \$84,308.

<sup>6/</sup> These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and the California State University (CSU).

<sup>7/</sup> Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

<sup>8/</sup> Beginning in 2012-13, CSU pension and health care costs are displayed separately.

<sup>9/</sup> Estimated as of the 2020 Budget Act. Of the total estimated 2020-21 contributions, contributions sourced from the General Fund are estimated to be \$4,015 million for CalPERS, \$733 million for CSU CalPERS, \$1,744 million for Active Health and Dental, and \$335 million for OPEB Prefunding. Fiscal year 2020-21 contributions to CalSTRS, JRS, JRS II, LRS, and Retiree Health & Dental (including CSU) are all General Fund costs.

<sup>10/</sup> Amount includes a one-time prefunding contribution of \$240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

## CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

### FAIRGROUNDS

The 77 fairgrounds throughout California that make up the Network of California Fairs have historically supported operations through revenue-generating activities with limited supplemental state support. A total of 53 of the 77 fairgrounds are state-affiliated

fairs and have state civil service employees. As a result of the COVID-19 pandemic, fairs are canceling revenue-generating activities and are projected to lose approximately \$98 million in revenue between March and June 2020, with revenue losses expected to continue.

Many fairs have little to no reserves and must initiate the layoff process immediately as they may become insolvent. The Budget includes \$40.3 million General Fund in 2019-20 to support state-affiliated fairs that are projected to have insufficient reserves to pay legally mandated costs that may be incurred during the state civil service layoff process, including staff salaries, payout of leave balances, and unemployment insurance.

The Administration will work with fairs, local governments, and partners toward alternative options given limited General Fund resources. The Administration plans to engage the Legislature and stakeholders over the course of the next year to develop a thoughtful approach to transition the state's relationship with fairs, while acknowledging the need to continue supporting properties that may be necessary for emergency operations.

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## **FARM TO SCHOOL PROGRAM**

Farm to School Programs are a vital way to improve the health and well-being of California schoolchildren through integrated nutrition education and healthy food access. Hundreds of millions of meals are served each year in California schools, and expanding opportunities for local food procurement that is tied to nutrition education is essential for establishing healthy eating habits that children can carry into adulthood. Procurement of more California Grown food also supports connecting California's agriculture to California consumers.

The Budget includes \$10 million one-time General Fund in 2020-21 and \$1.5 million annually thereafter for the California Department of Food and Agriculture to establish a Farm to School Grant Program. This program will help support California farmers and expand healthy food access in schools by providing grants to schools to establish programs that coordinate local and California Grown food procurement and utilization in school meals. It will also support food and agriculture education in classrooms and cafeterias through experiential learning opportunities in school gardens, on farms and through other culinary agricultural pathways. This funding will also support the Farm to School Working Group to advance farm to school implementation and explore how to create a more resilient and climate-smart food supply in California.

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## PROPOSITION 12

In November 2018, California voters approved Proposition 12, which expanded current animal housing requirements and established new, more stringent minimum space standards on housing for calves raised for veal, breeding pigs and egg-laying hens. The measure also makes it illegal for businesses in California to knowingly sell eggs or uncooked pork or veal that came from animals housed in a manner that does not meet the new confinement requirements, including products from animals raised and maintained at facilities located in California and out-of-state. The Department is finalizing statutorily mandated regulations to establish comprehensive program requirements.

The Budget includes \$1.4 million and 6 positions in 2020-21, and \$2.8 million and 15 positions ongoing to support full implementation of Proposition 12, and also includes statutory changes to establish new fee authority that will support associated program costs. This will be funded for two years by a short-term loan from the Food and Agriculture Fund until this new fee revenue can support all program costs.

### Other Significant Adjustments

- Given the unprecedented budget impacts of the COVID-19 Recession, the Budget includes a baseline decrease of \$3.9 million General Fund ongoing beginning in 2020-21 associated with the reduction of funding for the California Biodiversity Initiative, which was provided in the 2019 Budget Act.

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## CALIFORNIA PUBLIC UTILITIES COMMISSION

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### BROADBAND EXPANSION

The COVID-19 pandemic has required significant numbers of Californians to telework, learn via distance education, and receive healthcare through telehealth. The movement toward these technology platforms highlights the state's inequities in access to computing devices, technology tools, and connectivity. In response, the California Public Utilities Commission (Commission) took action in April to help bridge this digital divide by making \$25 million available from the California Teleconnect Fund for hotspots and Internet service for student households, prioritizing rural, small, and medium-sized school districts. The Commission also made \$5 million available from the California Advanced Services Fund Adoption Account to help cover the cost of



computing and hotspot devices. The Commission coordinated with the California Department of Education and this funding is being prioritized toward low-income communities and communities with high percentages of residents with limited English proficiency.

To identify which areas of the state lack sufficient access to broadband, the Budget includes \$2.8 million and 3 positions from the Public Utilities Commission Utilities Reimbursement Account for the Commission to enhance its broadband mapping activities. This additional information will better inform the state's broadband infrastructure grant program, improve safety by providing broadband speed data at emergency response locations such as fairgrounds, and enhance the state's ability to compete for federal broadband funding.

The Budget also includes statutory changes intended to increase the ability of the state to compete for federal funding to improve access to broadband Internet in California.

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## **WILDFIRE MITIGATION EFFORTS**

Chapter 81, Statutes of 2019 (AB 111) added \$50.1 million in 2019-20 for the Commission to review and enforce utility wildfire mitigation plans and implement Chapter 79, Statutes of 2019 (AB 1054). These bills were enacted to facilitate consumer access to safe, reliable, and affordable power by providing a durable solution to the problems arising from utility-caused wildfires. The bills established a new Wildfire Safety Division, created procedures and standards applicable to catastrophic wildfire proceedings, and established a Wildfire Fund and mechanisms to capitalize the fund to protect ratepayers. The Budget provides 106 new positions and \$30 million for the Commission to address issues related to utility-caused wildfires.

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## **PACIFIC GAS AND ELECTRIC BANKRUPTCY**

In May, the Commission approved Pacific Gas and Electric's (PG&E) bankruptcy plan. As part of its approval of PG&E's plan, the Commission imposed a number of terms and conditions on PG&E, such as an enhanced oversight and enforcement process. Pursuant to the bankruptcy settlement, PG&E has until September 30, 2020, to successfully emerge from bankruptcy.

The Budget includes \$5 million for an observer to monitor PG&E's progress in wildfire preparation and public safety power shutoffs; conduct field visits, interviews, and

inspections. The state will seek reimbursement for these costs from PG&E through the bankruptcy process.

The Budget also provides for a loan of up to \$50 million to Golden State Energy (GSE), a nonprofit utility which will be established to take over PG&E should it fail to meet the deadline for its bankruptcy plan to become effective or to perform as a transformed utility in the future. These funds would be used for initial startup costs until GSE is able to secure revenues or financing.

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### DEPARTMENT OF MOTOR VEHICLES

In response to the COVID-19 pandemic, DMV temporarily closed its field offices to protect both its employees and the public.

DMV took several immediate actions to accommodate the needs of the public. All driver licenses that expire between March 1 and July 31, 2020, have been extended, and temporary paper extensions have been made available for seniors. The validity of expiring commercial driver licenses, endorsements, and certificates has been extended through September 30, 2020. In-person renewals have also been waived for eligible driver license and identification cardholders through July 28, 2020.

During its temporary closure, DMV began procuring personal protective equipment for its staff and developing plans to promote appropriate physical distancing within its offices for an eventual public reopening. DMV began a limited reopening of 25 field offices and 10 industry business centers on May 8 to honor existing appointments and serve customers whose unique transactions cannot be completed through one of DMV's multiple alternative service channels. All offices reopened to the public for appointments and limited services on June 11. Behind-the-wheel drive tests halted in mid-March and resumed on June 26 with additional safety protocols.

During the closures, DMV continued to encourage the public to utilize its alternative service channels such as online, mail, and kiosks. Customers can also use the Service Advisor on DMV's website to learn about service options. Additionally, DMV also quickly launched its DMV Virtual Field Office to create new digital options for transactions with DMV staff that previously required an in-person office visit. As a result, a substantial majority of all DMV transactions can now be processed without a field office visit.

The federal enforcement date by which a federally compliant driver license or identification will be required to board domestic flights or enter secure federal facilities has been extended until October 2021. DMV continues to be funded to provide REAL

IDs by this deadline. Now that offices have reopened, DMV is again able to address these and other transactional needs in field offices.

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## CANNABIS

The Governor's Budget included an announcement of the Administration's intention to consolidate the cannabis-regulatory functions in the Departments of Consumer Affairs, Food and Agriculture, and Public Health into a single Department of Cannabis Control, and stated more details would be submitted to the Legislature in the spring.

The Administration was in the process of developing a more detailed plan, including establishing workgroups tasked with building a foundation and infrastructure for the transition. However, this process was interrupted by the COVID-19 pandemic, requiring the Administration to evaluate its ability to implement the consolidation on July 1, 2020 as planned. Consequently, the consolidation and creation of the new department is on hold and will be pursued through the 2021 Budget process.

In light of the delayed cannabis consolidation effort, the Budget includes special fund proposals from each of the licensing entities to address expiring limited-term funding and positions. These proposals include \$68.2 million for the Department of Consumer Affairs, Bureau of Cannabis Control, \$20.3 million for the Department of Public Health, and \$42.4 million for the Department of Food and Agriculture to continue cannabis licensing and enforcement activities, as well as make improvements to enforcement including, but not limited to, proposed statutory changes to shift sworn investigators from the Department of Consumer Affairs' Division of Investigations to its Bureau of Cannabis Control.

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### 2020-21 ALLOCATION OF THE CANNABIS TAX FUND

Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. Pursuant to Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer, and enforce the Cannabis Act, followed by research and activities related to the legalization of cannabis and the past effects of its criminalization. Once these priorities have been met, the remaining funds are allocated to youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities. The Budget estimates \$296.9 million will be available for these purposes in 2020-21, and the structure of these allocations is unchanged from 2019-20:

- Education, prevention, and treatment of youth substance use disorders and school retention—60 percent (\$178.1 million).
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent (\$59.4 million).
- Public safety-related activities—20 percent (\$59.4 million).

These figures reflect an increase of \$86.1 million compared to the 2019-20 allocations.

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## DEPARTMENT OF CONSUMER AFFAIRS – VARIOUS FEE INCREASES

The Department of Consumer Affairs proposed fee increases at May Revision for four boards and one bureau via statutory changes with an effective date of January 1, 2021. Although fee increases for Boards and Bureaus have recently been handled by the policy committees of the Legislature, given the effects of the COVID-19 pandemic on legislative processes and the uncertainty of when these issues could be addressed, it was necessary to propose these fee increases in the May Revision to allow timely implementation of the fees.

The programs included in this proposal are: the Board of Behavioral Sciences, the Board of Podiatric Medicine, the Bureau for Private Postsecondary Education, the California Acupuncture Board, and the Medical Board of California. The fund balances for these programs have been in decline; however, the need for fee augmentations has accelerated with recent increases in the costs of government, most of which are outside of the individual programs' control. These programs are all at or near their current statutory fee limits and require a legislative change to amend their existing fees. Each program has completed, or is in the process of completing, a contracted fee study to support their respective fee augmentation requests.

The Legislature has deferred action on these fee increases to allow more discussion to take place over the coming weeks. Without a statutory fee change effective January 1, 2021, these programs will risk financial insolvency.

The Legislature also deferred proposed fee increases that are needed to support various legislative requirements enacted in 2018 and 2019 related to the Controlled Substance Utilization Review and Evaluation System, also known as CURES. Absent a fee increase, statutory relief from requirements of the recent CURES legislation will be necessary, which may endanger public health and safety, particularly as it relates to the opioid crisis. The Administration will continue to pursue this necessary fee increase.

## CALIFORNIA CONSUMER FINANCIAL PROTECTION

The Department of Business Oversight (DBO) regulates financial services and state-licensed financial institutions, including banks, credit unions, money transmitters, securities brokers and dealers, investment advisers, payday lenders, mortgage lenders, escrow agents, student loan servicers, and other commercial and consumer lenders.

The California Consumer Financial Protection Law proposal seeks to cement California's consumer protection leadership amidst a growing financial crisis and the consumer-protection retreat by federal agencies, including the Consumer Financial Protection Bureau. The fragmented oversight of financial services has left consumers vulnerable to abuse.

These problems are further exacerbated in times of crisis, including the COVID-19 pandemic and related economic fallout. Financially distressed consumers—especially communities of color, immigrant communities, and the elderly—will be targets of predatory financial products and practices. Those practices will emerge and evolve to avoid existing regulatory frameworks, requiring alert oversight and agile enforcement.

This law would expand DBO's ability to provide greater consumer protection and memorialize that intent by renaming the DBO as the Department of Financial Protection and Innovation. Additionally, this proposal:

- Creates a new Division of Consumer Financial Protection, and a related California Consumer Financial Protection Law, to expand oversight over current and emerging abusive acts and practices that cause consumers financial harm, and promote consumer-focused research and outreach.
- Establishes an Office of Financial Technology Innovation to study emerging technologies in financial services, including virtual currencies, and to engage with California companies developing new financial products and services.

The Budget includes \$10.2 million in 2020-21, growing to \$19.3 million ongoing in 2022-23, in a set-aside item for these purposes. However, expenditure of these funds is contingent upon enactment of statutory changes that authorize the California Consumer Financial Protection Law program. The Administration and Legislature will work together over the next several weeks to finalize the statutory framework needed to implement the program and other changes that aim to improve consumer protection for all Californians.

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## CALIFORNIA VOLUNTEERS

As the State Service Commission for California, California Volunteers manages programs and initiatives aimed at increasing the number of Californians engaged in service and volunteering. This includes a lead role in coordinating volunteer and donation management during the COVID-19 pandemic response and recovery. The state's response to the COVID-19 pandemic has highlighted the need to build up and support these activities.

The Budget provides \$2.9 million ongoing General Fund for administrative and strategic planning staff, including emergency volunteer coordinators that will be located in the three most populated regions of the state. This infrastructure will build the state's capacity to respond to the COVID-19 pandemic, as well as future emergencies, by increasing opportunities for Californians to serve their communities in a time of need.

The Budget also provides \$10.1 million ongoing General Fund to sustain nearly 500 AmeriCorps volunteer positions that were established with funding from the 2019 Budget Act. AmeriCorps volunteers serve statewide in programs that address critical community needs in education, public safety, health and human services, and the environment. Many of these programs provide services to underserved communities, such as low-income Californians, people of color and those transitioning out of foster care. AmeriCorps members also are participating in COVID-19 response and recovery by volunteering in food banks, assisting with meal deliveries to seniors, and meeting a variety of other COVID-19 related community needs as they arise.

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## SECRETARY OF STATE

Executive Order N-64-20, issued May 2020, required each county elections official to send vote-by-mail ballots for the November 3, 2020 General Election to all registered voters so that Californians can exercise their right to vote in a safe and accessible manner. Chapter 4, Statutes of 2020 (AB 860) codified the provisions of Executive Order N-64-20 and related election requirements for the November 3, 2020 statewide general election. In addition, Executive Order N-67-20, issued June 2020, authorizes certain counties to provide three days of early voting starting the Saturday before election day, and provides for earlier availability of ballot drop-box locations while also allowing certain counties to consolidate voting locations.

Recognizing that the COVID-19 pandemic will impact the ability of California to carry out the November 2020 General Election, the Budget includes a total of \$111.6 million

(\$46.1 million General Fund and \$65.5 million Federal Funds) to prevent, prepare for, and respond to the impacts of COVID-19 on the election and provide associated voter education and outreach. This funding includes \$35 million in new General Fund, \$11.1 million in unspent General Fund provided for state voting system replacement in the 2018 and 2019 Budget Acts, and Help America Vote Act (HAVA) funds included in the CARES Act (\$36.5 million) and the Consolidated Appropriations Act of 2020 (\$29 million). Counties will not be required to provide a match to use the remaining funding from the state's voting system allocations provided in the 2018 and 2019 Budget Acts if used for COVID-19 related costs while carrying out the November 2020 General Election.

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## CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

The California Department of Veterans Affairs (CalVet) works to serve the nearly 1.6 million veterans and their families living in California. CalVet strives to ensure that veterans of every era and their families receive state and federal benefits and services they have earned as a result of honorable military service. CalVet operates eight homes throughout the state that provide residential and medical care services to aged or disabled California veterans who served on active duty.

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### ELECTRONIC HEALTHCARE RECORD SYSTEM

The Budget includes one-time funding of \$1.2 million General Fund to begin implementation of a new information technology project for a single electronic healthcare record system to replace multiple legacy systems. The system will streamline data entry and will provide a centralized repository for the health records to modernize CalVet's medical record keeping.

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### MASTER PLAN

In January 2020, CalVet released its statutorily required Master Plan for the overall operation of the veterans homes. The Master Plan examines veteran population trends in California, the potential location of future facilities and alternate service delivery models, and includes several recommendations, some of which are reflected in the Budget as follows:

- **Realigning Levels of Care**—The Budget includes a plan to begin realigning levels of care by adjusting domiciliary populations at Chula Vista and Yountville and

converting current Intermediate Care Facilities to Residential Care Facilities at Yountville. For example, CalVet maintains a waitlist with nearly 85 percent of applicants seeking skilled nursing or memory care, while independent living and intermediate care units are underutilized. Residents needing intermediate care will be placed in either Residential Care or Skilled Nursing Facilities based on the severity of their treatment needs. This will provide a continuum of care for residents of the veterans homes. Current residents will not be displaced and realigning levels of care will be achieved over time.

- **Mental Health Services for Veterans**—The Budget includes \$1.1 million General Fund in 2020-21 and \$2.1 million ongoing to improve behavioral health services at the veterans homes by standardizing mental health support staffing.

### OTHER SIGNIFICANT ADJUSTMENTS

- **Department of General Services, Capitol Annex Projects**—A transfer of \$694.2 million from the State Project Infrastructure Fund (SPIF) to the General Fund. These funds were previously earmarked for the design and construction of a series of projects necessary for the renovation or reconstruction of the Capitol Annex. Funding in the amount of \$60 million SPIF remains available for pre-construction activities for the projects, and for modifications of the west wing in order to facilitate a fully functioning State Capitol. The remaining costs associated with the design and construction phases of the Annex Projects will be shifted to lease-revenue bond financing.



# VETO MESSAGE

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Gavin Newsom  
Governor

June 29, 2020

**State of California**  
Governor's Office

I object to the following appropriation contained in Senate Bill 74.

Item 6440-495—Reversion, University of California. I delete this item.

I am deleting this item to conform to the Legislature's intent.

With the above deletion, I hereby approve Senate Bill 74.

A handwritten signature in blue ink, appearing to read 'Gavin Newsom', with a stylized, cursive script.

GAVIN NEWSOM

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## BUDGET PROGRAM AREAS

Budget Planning and Preparation,  
Cash Management, FISCAL Project Support,  
Statewide Budget Issues, and  
Statewide Accounting Policies and Training

Corrections and Rehabilitation,  
Justice, and General Government

Education

Employee Compensation and  
State Pension, Audits and Evaluations,  
Departmental Administration and  
Information Services, and Information  
Technology and Consulting

Energy, Housing and Homelessness,  
Labor, Local Government, Tax Agencies,  
and Transportation

Health and Human Services

Natural Resources, Environment,  
and Capital Outlay

Revenue Forecasting,  
Economic Projections, and  
Demographic Data

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