

GENERAL GOVERNMENT AND STATEWIDE ISSUES

This chapter describes items in the May Revision that are statewide issues or related to various departments.

DATA AND INFORMATION TECHNOLOGY

California continues to reimagine the way state services are developed and provided to better support California residents. Building upon lessons learned from previous efforts, creating the Office of Data and Innovation and investing in short-term information technology projects will result in a more efficient and responsive government for all.

OFFICE OF DATA AND INNOVATION

The May Revision includes \$4.8 million ongoing General Fund and 6 positions, and \$20 million one-time General Fund, in 2022-23 for the Digital Innovation Services Revolving Fund to consolidate the Office of Digital Innovation, the Government Excellence and Transformation Center (proposed in the Governor's Budget), and the CalData Program into the Office of Data and Innovation, as a department under the Government Operations Agency.

The Office of Data and Innovation will be established as a standalone department in 2023-24, to facilitate more efficient state operations and support one-time projects targeted at improving user experiences through the Digital Innovation Services Revolving Fund. The Office of Data and Innovation will provide statewide guidance and operational support to state departments, including establishing a CalAcademy Training Program, developing user research and innovation services for departmental use, and coordinating California's data strategy across state government.

TECHNOLOGY MODERNIZATION AND STABILIZATION EFFORTS

The May Revision includes \$55.7 million one-time General Fund in 2022-23, and \$711,000 ongoing General Fund and 4 positions to support the modernization of critical state infrastructure. This investment augments the \$25 million one-time General Fund provided to the California Department of Technology (CDT) in the 2021 Budget Act for Technology Modernization Funding.

Of the funding provided, \$25 million will be used to fund additional projects through the Technology Modernization Funding process, and \$30 million to support short-term remediation efforts identified by CDT's Stabilization Services Assessment team to prevent potential system failure. CDT selected four projects in December 2021 at a total cost of \$6.6 million through the first round of Technology Modernization Funding project applications. The second round of proposals is being evaluated and those selected to receive funding are expected to begin in Summer 2022.

BROADBAND MIDDLE-MILE INITIATIVE

The May Revision includes \$600 million one-time General Fund in 2023-24 and \$500 million one-time General Fund in 2024-25 to CDT to support the completion of the Broadband Middle-Mile Initiative. The 2021 Budget Act provided \$3.25 billion to CDT for the purpose of building an open-access middle-mile broadband network. Revised estimates produced by CDT indicate a need for this additional funding to complete the Broadband Middle-Mile Initiative due to increased costs of labor and supplies.

ADDITIONAL MODERNIZATION PROJECTS

In addition to the Office of Data and Innovation and CDT efforts, there is a continued focus to support significant modernization projects. The May Revision includes the following proposals:

- \$136 million one-time funding (\$68 million General Fund) for the Employment Development Department (EDD) to continue planning and begin implementing various improvements to EDD leave benefit programs. In 2021-22, the EDD engaged in a business process re-engineering effort to analyze EDD's business operating model and assess existing technologies and pandemic lessons. This resulted in a roadmap for a multi-phase effort intended to promote responsible service, implement sustainable business operations and advance technical innovation that will ultimately improve customer service across EDD's unemployment insurance, disability insurance, and paid family leave benefit programs.
- \$108 million one-time funding (\$57.6 million General Fund) for the Department of Social Services to continue design, development, and implementation activities for the Child Welfare Services—California Automated Response and Engagement System (CARES) project. Lessons learned from proof of concept activities completed in 2021-22 informed the next iteration of development work, CARES Version 1 and Version 2. The project is replacing a legacy system with a modern technology application that aids child welfare stakeholders in assuring the safety and well-being of children at risk of abuse and neglect.
- \$19 million one-time General Fund for the California Office of Emergency Services (CalOES) to implement projects replacing manual processes and legacy systems such as Grants Management, Interagency Recovery, and Human Resources Tracking. This builds upon current modernization efforts and existing technologies to enhance CalOES's ability to respond to increasingly complex disasters more efficiently. It also includes staff resources to strengthen the department's Information Security Program.
- \$4.3 million one-time Special Funds for the Department of Consumer Affairs to continue business modernization efforts for five more boards and bureaus. The Business Modernization Cohort 2 is moving into project development activities and will begin implementing their selected software consistent with the Department's overall Business Modernization Plan. This will bring additional online services for professional licensing applicants such as application submission, tracking and electronic payments via an online portal.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The May Revision increases employee compensation by \$217.6 million in 2022-23 (\$132.2 million General Fund) and \$143.0 million ongoing (\$70.5 million General Fund) to

reflect updated estimates to the dental and vision premium rates, changes to enrollment in health and dental plans, updated employment information for salary increases and other post-employment benefit contributions, telework stipends, and Division of Juvenile Justice recruitment and retention differentials.

The May Revision also reflects a decrease of \$329 million General Fund in 2022-23 for retiree health and dental benefits reflecting lower-than-expected retirements and updated enrollment information.

Through the collective bargaining process, the state's 21 employee bargaining units agreed to prefund retiree health benefits. Additionally, as determined annually by the California Department of Human Resources (CalHR), related excluded and exempt employees also prefund retiree health benefits. As a result, more than \$5.2 billion is currently set aside in the prefunding trust fund to pay for future retiree health benefits, which has an estimated \$95.2 billion unfunded liability to be paid down by 2046. By the end of 2022-23, the trust fund balance will approach \$7.3 billion in assets.

The Administration is currently in negotiations with six bargaining units representing attorneys and administrative law judges, firefighters, engineers, scientists, stationary engineers, and psychiatric technicians, whose contracts or side letter agreements are expired or will expire in Summer 2022.

STATE WORKFORCE DEMOGRAPHIC DATA COLLECTION

CalHR will work with the State Controller to establish new demographic categories for the collection of data pertaining to the ancestry or ethnic origin of African American employees. The collection of this data continues CalHR's duties to maintain statistical information necessary for the evaluation of equal employment opportunity and upward mobility within state civil service.

STATE RETIREMENT CONTRIBUTIONS

The May Revision includes the following adjustments for retirement contributions:

- State contributions to the California Public Employees' Retirement System (CalPERS) have decreased by a net total of \$215.6 million (\$180.1 million General Fund) in 2022-23 relative to the Governor's Budget. The decrease is a result of CalPERS' adjustment to the state's contribution rates, which is largely driven by the normal progression of the existing amortization and smoothing policy; elimination of the

\$2.5 billion pension payment to the state's unfunded liabilities over fiscal years 2019-20 to 2021-22, as authorized by Chapter 16, Statutes of 2020 (AB 84); and changes in experience and actuarial assumptions (including impacts of the 21.3 percent investment return in 2020-21 and the reduction in the discount rate from 7.00 percent to 6.80 percent).

- The May Revision estimates \$2.9 billion in one-time Proposition 2 debt repayment funding in 2022-23 to further reduce the unfunded liabilities of the CalPERS state plans. Any supplemental payment made toward the state's CalPERS unfunded liability is estimated to result in a minimum long-term gross savings ratio of 2:1.
- State contributions to the California State Teachers' Retirement System (CalSTRS) increased by \$6 million General Fund in 2022-23, relative to the Governor's Budget, due to a revision in reported compensation for K-12 and community college teachers.
- Relative to the Governor's Budget, state contributions to the Judges' Retirement System (JRS) II decreased by \$3.2 million General Fund in 2022-23. The contribution rate decrease is due mainly to a decrease in the employer normal cost as a percentage of payroll.

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

State Retirement and Health Care Contributions^{1/2/3/}

(Dollars in Millions)

	CalPERS	CSU CalPERS	CalSTRS	JRS	JRS II	LRS ^{5/}	Active Health & Dental ^{6/}	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding ^{7/}
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 ^{8/}
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	242	91	1	3,371	1,844	326	562
2020-21	4,925	680	3,428 ^{4/}	225	84	1	3,665	2,023	357	600
2021-22	5,363	677	3,862	193	86	1	4,018	2,335	410	1,292 ^{9/}
2022-23 ^{10/}	7,475	744	3,712	208	86	1	3,892	2,302	408	735

^{1/} The chart does not include contributions for University of California pension or retiree health care costs.

^{2/} The chart does not reflect the following pension payments: \$6 billion supplemental payment to CalPERS in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84), additional payments to CalPERS and CalSTRS authorized in Chapter 33, Statutes of 2019 (SB 90), Chapter 859, Statutes of 2019 (AB 118), and Chapter 78, Statutes of 2021 (AB 138), and Proposition 2 payments to CalPERS proposed in the 2022-23 May Revision.

^{3/} In addition to the Executive Branch, this chart includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS. Amounts displayed in the CalPERS column include statewide contributions to the five CalPERS state plans, including contributions from employers that are not included in the annual Budget Act.

^{4/} As part of the 2020 Budget Act, the Teachers' Retirement Board's statutory authority to adjust the state contribution rate for fiscal year 2020-21 was suspended. The amount shown excludes the additional \$297 million in supplemental pension payment from Proposition 2 debt payment funding authorized in the Budget.

^{5/} The state continues to make employer contributions to the Legislators' Retirement System. CalPERS reported the estimated 2022-23 contribution amount is \$47,497.

^{6/} 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).

^{7/} Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

^{8/} Amount includes a one-time prefunding contribution of \$240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

^{9/} Amount includes \$616 million to help ensure full funding by 2046, which is provided by the employer on behalf of the employees, based on the actuarial liability for each bargaining unit, since employee prefunding contributions were suspended in 2020-21 due to the Personal Leave Program 2020.

^{10/} Estimated as of the 2022-23 May Revision, contributions sourced from the General Fund are estimated to be \$3,821 million for CalPERS, \$744 million for CSU CalPERS, \$1,827.9 million for Active Health and Dental, and \$365 million for OPEB Prefunding. Fiscal year 2022-23 contributions to CalSTRS, JRS, JRS II, LRS, and Retiree Health & Dental (including CSU) are all General Fund costs.

CANNABIS

CANNABIS TAX REFORM

California's current cannabis tax framework is overly complex and burdensome for licensees and consumers. Current tax policies disproportionately burden cannabis farmers, create additional administrative costs and instability throughout the supply chain, and lack sufficient transparency for the state, businesses, and consumers. Taken together, these outcomes undermine the societal benefits of a taxed and regulated market.

The May Revision proposes statutory changes to reform cannabis taxes. These policy changes aim to greatly simplify the tax structure, remove unnecessary administrative burdens and costs, temporarily reduce the tax rate to support shifting consumers to the legal market, and stabilize the cannabis market with policies that are more transparent and can better adjust to market changes. Major changes include:

- Setting the cultivation tax rate at zero beginning July 1, 2022.
- Shifting the point of collection and remittance for excise tax from distribution to retail on January 1, 2023, maintaining a 15 percent excise tax rate.
- Setting Allocation 3 funding for youth education/intervention/treatment, environmental restoration, and state and local law enforcement programs at a baseline of \$670 million annually for three years. Up to \$150 million one-time General Fund is available as needed through 2025-26 to backfill Allocation 3 funding, along with the authority to increase the excise tax rate through 2024-25 if tax revenues fall below the baseline for Allocation 3.
- Strengthening tax enforcement policies to increase tax compliance and collection and reduce unfair competition.

UPDATED ALLOCATION OF THE CANNABIS TAX FUND

Proposition 64 specifies the allocation of cannabis tax revenue 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 May Revision estimates \$670 million will be available for these purposes in 2022-23, and the structure of these allocations is unchanged from 2021-22:

- **Education, prevention, and treatment of youth substance use disorders and school retention**—60 percent (\$401.8 million)
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation**—20 percent (\$133.9 million)
- **Public safety-related activities**—20 percent (\$133.9 million)

These figures reflect a total increase of \$74.7 million compared to the Governor's Budget estimate. These estimates also reflect the proposed statutory changes to restructure the cannabis tax framework and maintain a baseline level of funding for this allocation.

CANNABIS LOCAL JURISDICTION RETAIL ACCESS GRANT PROGRAM

To assist the cities and counties of California that do not currently license storefront or delivery-only cannabis retailers, the May Revision includes \$20.5 million one-time General Fund to establish a cannabis local jurisdiction retail access grant program. The goal of this grant program is to aid localities with the development and implementation of local retail licensing programs and to support consumers in gaining access to regulated and tested products through an expansion of California's legal marketplace. This grant program will:

- Award funding to eligible local jurisdictions proportionally based on the population size served to support the development and implementation of a local jurisdiction retail program.
- Award funding to eligible local jurisdictions based on the number of permits issued pursuant to the local jurisdiction retail licensing program.
- Award additional funding to eligible local jurisdictions that issue permits to equity applicants pursuant to the local jurisdiction retail licensing program.

OFFICE OF PLANNING AND RESEARCH

The Office of Planning and Research (OPR) assists the Governor and the Administration in planning, research, policy development, and legislative analysis. OPR formulates long-range state goals and policies to address four key areas: land use and planning, climate risk and resilience, sustainable economic development, and targeted long-range research needs. The May Revision includes total funding of \$1.4 billion, including \$995 million General Fund, for OPR.

OFFICE OF COMMUNITY PARTNERSHIPS AND STRATEGIC COMMUNICATIONS

The Governor's Budget included \$65 million ongoing General Fund for the Office of Community Partnerships and Strategic Communications (Office) to formalize and leverage the infrastructure and work of the Census 2020 and COVID-19 public awareness and community engagement campaigns. The Office will be established within OPR and will manage the state's highest priority public awareness and community outreach campaigns, with a focus on civic and youth engagement.

The Office will work with community organizations statewide to engage Californians, including those experiencing the greatest health and social inequities, with culturally competent and actionable information that can help improve the quality of their lives. Specifically, the Office will share resources related to the specific campaigns, including funding opportunities to assist outreach and programs that support community needs and interests; helping community partners obtain information from state departments; and sharing community insights with relevant state departments.

The Office will distribute funding based on relevant data such as each region's share of hard-to-reach population as measured by the California Specific Hard-to-Count Index. The Office will use similar data-informed mechanisms to drive program decision making and responsible resource allocation, and measure program impact.

In addition to the Governor's Budget proposal, the May Revision includes significant investments for the Office to build public awareness and knowledge about key state priorities, including:

- **COVID-19 Outreach**—\$100 million one-time General Fund in 2022-23 to continue COVID-19 vaccine-related public education and outreach campaigns. The Governor's Budget included \$130 million for the California Department of Public Health (CDPH) to continue vaccine-related outreach efforts in 2022-23. This brings

the total amount for COVID-19 outreach to \$230 million in 2022-23. The May Revision transfers these resources to the Office, which will assume responsibility for COVID-19 vaccine-related outreach and education.

- **Drought Resilience and Response**—\$100 million one-time General Fund in 2022-23 for the Save Our Water outreach campaign to promote public awareness about the impacts of extreme drought and methods for water conservation. See the Climate Change Chapter for additional information.
- **Addressing Extreme Heat**—\$6 million General Fund in 2022-23 and \$14 million in 2023-24 to increase awareness and understanding of the risks posed by extreme heat, and promote knowledge of resources that are available to support impacted communities. See the Climate Change Chapter for additional information.

CALIFORNIANS FOR ALL COLLEGE SERVICE PROGRAM

The Californians for All College Service Program (College Corps), administered by California Volunteers within OPR, was created in partnership with the University of California, California State University, California Community Colleges, and private California university systems to support lower debt college pathways for low-income students, service opportunities, and career development. Specifically, the 2021 Budget included \$146.3 million one-time (\$18.8 million General Fund and \$127.5 million Coronavirus State Fiscal Recovery Funds) to provide paid service opportunities for college students in critical issue areas such as climate action, food insecurity, tutoring and mentoring, health, and disaster response. The program also provides students with the opportunity to receive both a stipend of up to \$7,000 and a scholarship of up to \$3,000, while gaining valuable experience serving in their communities. California Volunteers has awarded funding to 48 public and private higher education campuses across the state to launch the first cohort of students in the program. The investment in the 2021 Budget Act is enabling California Volunteers the opportunity to serve two student cohorts, including 3,250 students in both 2022-23 and 2023-24.

The May Revision includes \$73.1 million General Fund beginning in 2024-25 to permanently fund the College Corps program so it can continue to support 3,250 service slots annually. This state service and career development program will continue to provide opportunities for California college students, including—for the first time—AB 540 eligible students, to contribute to their communities while supporting lower debt college pathways for low-income students.

EXTREME HEAT RESILIENCE CENTERS

The May Revision includes \$170 million one-time over two years for the Strategic Growth Council, within OPR, to provide grants to communities seeking to build or upgrade existing facilities to serve as community resilience centers that mitigate the public health impacts of extreme heat and other emergency situations exacerbated by climate change. This funding will build upon \$100 million provided for resilience centers in the 2021 Budget Act. See the Climate Change Chapter for additional information.

CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

The California Department of Veterans Affairs (CalVet) serves nearly 1.6 million veterans and their families living in California. CalVet strives to ensure that veterans 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.

CALIFORNIA VETERAN HEALTH INITIATIVE

The United States Department of Veterans Affairs' 2021 National Veteran Suicide Prevention Annual Report stated that veterans die by suicide at a rate nearly double that of their non-veteran peers, and noted an emergent rise in suicides among veterans in the 18 to 34 age group and among women veterans. The Administration recognizes the importance of addressing the prevention of veteran suicide in collaboration with its stakeholders, state partners, public and private partnerships, and the community-based system of care across the state. To that end, the May Revision includes \$50 million one-time General Fund, to be spent over three years, to establish the California Veteran Health Initiative to provide a comprehensive, coordinated approach to addressing veteran suicide. The Initiative will focus on prevention, early intervention, and direct services to effectively combat the risk factors associated with suicidal ideation, thereby reducing the number of veterans who die by suicide. Specifically, the Initiative consists of the following three components:

- **Outreach and Education Campaign**—\$5 million for an awareness campaign that educates veterans and the broader community to inform the knowledge, behaviors, and attitude surrounding veteran suicide. The campaign will also promote prevention activities, along with health and wellness.

- **Veteran Suicide Surveillance and Review Program**—\$5 million to establish a multidisciplinary team of professionals and stakeholders focusing on the identification and collection of veteran-specific suicide data, and coordinate a statewide assessment of veteran's mental health and provide recommendations on future prevention, intervention, and post-intervention strategies. This program will build upon the work of the Violence Prevention Initiative at the California Department of Public Health.
- **Veteran Mental Health Support Network Grants**—\$40 million to provide competitive grants to local jurisdictions that provide matching grants to expand mental health service capacity by supporting a network of veteran-specific mental health services throughout the state. The intent of this program is to assist the creation of self-sustaining, ongoing programs that support veterans and maximize available federal programs (U.S. Veteran's Affairs and Medi-Cal).

PROMOTING EQUITABLE ACCESS TO STATE PARKS

The Administration is committed to advancing safe, equitable, and enjoyable access to parks, open spaces, natural resources, and recreational amenities for all Californians. The May Revision includes \$83.5 million to increase equitable access to state parks through the following investments:

- **K-12 and Interpretive Program Enrichment**—\$15 million one-time General Fund for outdoor environmental education and access programming through the expansion of existing K-12 programs. These programs will support outdoor environmental education for underserved youth statewide.
- **Colonel Allensworth State Park**—\$40 million one-time General Fund for the construction of a new visitor center and other interpretive enhancements. The new visitor center will better tell the story of this historic African American community and the contributions of its founders and members.
- **Partnership with CAAM**—\$15 million one-time General Fund for the Department of Parks and Recreation to partner with the California African American Museum (CAAM) to better tell the inclusive story of black history in state parks.
- **California State Library Partnership**—\$13.5 million one-time General Fund to expand a pilot program to provide state park passes for check out at local libraries. This funding will increase the number of passes available to local libraries.

REDUCING THE STATE'S LONG-TERM LIABILITIES

To strengthen budget resiliency, the May Revision includes several multi-year proposals that will contribute to a reduction in the state's long-term debt obligations. Capital projects totaling approximately \$2.7 billion currently authorized for lease revenue bond financing will be shifted to General Fund in the 2021-22 (\$836 million) and 2023-24 (\$1.9 billion) fiscal years. In addition, approximately \$1 billion in non-refundable and variable rate General Obligation (GO) bonds and approximately \$2.5 billion in callable GO bonds are proposed for redemption in the 2024-25 fiscal year. These proposals will utilize one-time funding to structure a multi-year approach to reducing the state's long-term liabilities, and provide flexibility if there is an unexpected change in the fiscal condition of the state.

DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

This recent surge in hate violence and other forms of discrimination and harassment stem from long-standing and systemic racial biases and stereotypes. The 2021 Budget Act included \$110 million General Fund over three years for the Department of Social Services to administer a multi-year grant program to support services for victims and survivors of hate crimes and their families and facilitate hate crime prevention measures. To complement these efforts, the May Revision proposes \$889,000 limited-term General Fund for the Department of Fair Employment and Housing (DFEH) to create a community conflict resolution and conciliation team to identify and provide conciliation services to communities affected by hate incidents or other discrimination.

In 2021, Chapter 712, Statutes of 2021 (AB 1126) established the Commission on the State of Hate. The May Revision proposes \$1.8 million General Fund for DFEH resources related to the bill's provisions. Further, the May Revision proposes statutory changes renaming DFEH to the California Civil Rights Department to better reflect the department's existing roles and responsibilities.

STATE APPROPRIATIONS LIMIT CALCULATION

Pursuant to Article XIII B of the California Constitution, the 2022-23 limit is estimated to be \$135.6 billion. The revised limit is the result of applying the growth factor of 7.9 percent to the prior year limit. The revised 2022-23 limit is \$4.3 billion above the \$131.4 billion estimated in January. A substantial portion of the increase is attributable to changes in the following factors:

- Per Capita Personal Income
 - January Percentage Growth: 4.42%
 - May Revision Percentage Growth: 7.55%
- State Civilian Population
 - January Percentage Growth: 0.29%
 - May Revision Percentage Growth: -0.30%
- K-14 Average Daily Attendance
 - January Percentage Growth: -0.03%
 - May Revision Percentage Growth: 1.55%