



**2020-21 GOVERNOR'S MAY REVISION  
MAY 14, 2020**

**TO:** CSAC Board of Directors  
County Administrative Officers  
CSAC Corporate Partners

**FROM:** Graham Knaus, CSAC Executive Director  
Darby Kernan, CSAC Deputy Executive Director, Legislative Services

**RE: Governor's May Revision for 2020-21**

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In a normal year, the May Revision is a chance for the Governor to make relatively minor revisions to his budget proposals base on April income tax revenues and public reaction to his earlier proposals. But this is not a normal year, and the May Revision reflects that by putting forth an entirely different set of proposals than we saw in January.

For the first time in a decade, a Governor in California is proposing deep spending reductions, attempting to balance cuts against the desire to help those most in need and prime the state for as quick and robust a recovery as possible. As the Governor repeated several times during his press conference this afternoon, the state's circumstances have changed, but our values have not.

For counties, four of the major proposals include:

- Realigning to counties responsibility for juvenile offenders from the Division of Juvenile Justice.
- Distribution of \$1.3 billion to all counties from the Coronavirus Relief Fund, part of the CARES Act.
- Negotiating purchase of hotels being used for Project Roomkey using additional money from the Coronavirus Relief Fund.
- Eliminating most of the funding for CalWORKs Subsidized Employment, which helps small businesses hire recently unemployed individuals.

Those proposals, along with dozens of others, are reviewed in more detail later in this summary.

The [summary document](#) released as the Governor spoke outlines two tiers of budget solutions, with some—about \$14 billion-worth—only going into effect if the federal government fails to

provide sufficient additional funding, such as that contained in the HEROES Act Congress is scheduled to vote on soon. Those conditional cuts would fall heavily on health programs, human services, schools, and state workers, who would see a 10 percent cut to their salaries.

Regardless of federal aid, though, the situation is grim. State General Fund revenues have dropped nearly 10 percent from last year's budget. Funding for realignment, which depends largely on the volatile sales tax, is projected to drop by 13 percent. The school funding guarantee has fallen from \$81.1 billion in last year's Budget Act to just \$70.5 billion, although the Governor proposes to use a significant piece of CRF funding to cushion that blow.

Fortunately, as the Governor and Director of Finance Keely Martin Bosler pointed out, the state is better prepared for this economic downturn than it has been for any other. To cushion the blow of plummeting revenue, the state plans to use \$16.2 billion from the voter-created Budget Stabilization Account (Rainy Day Fund) over three budget years, as well as nearly a billion from the legislatively created Safety Net Reserve. Having recently paid off the so-called 'Wall of Debt', the state has several one-time borrowing options at its disposal, such as borrowing \$4.1 billion dollars from special funds, along with other deferrals and one-time solutions.

As part of his strategy to maintain support as much as possible for those most vulnerable and those most affected by the coronavirus, the Governor proposes to maintain the state's Earned Income Tax Credit, CalWORKs and SSI/SSP grant levels, and eligibility for middle-income families for Medi-Cal and Covered California.

Thus begins a frenzied season of budget negotiations in the Capitol, even if less of the frenzy than usual will physically take place in the Capitol. The Legislature faces a constitutional deadline of June 15 to pass a balanced budget, although it's likely they will have to make adjustments mid-year due to the income tax filing deadline being delayed to mid-July. This, on top of a compacted schedule of committee hearings and continuing struggles with holding open meetings at a safe distance, and a Governor who is still only in his second year on the job, will put a strain on policymakers. Your personal calls to them to advocate for county priorities are more important than ever.

CSAC will continue to keep counties up to date as negotiations progress. Feel free to contact our [legislative staff](#) for more information about any of the proposals described below.

***If you would like to receive the Budget Action Bulletin electronically, please e-mail Karen Schmelzer, CSAC Legislative Assistant at [kschmelzer@counties.org](mailto:kschmelzer@counties.org).***

**ACTION**

**2020-21 May Revision**  
**General Fund Budget Summary\***  
(\$ in millions)

	2019-20	2020-21
<b>Prior-Year Balance</b>	\$11,280	\$1,619
Revenues and Transfers	\$136,836	\$137,417
<b>Total Resources Available</b>	<b>\$148,116</b>	<b>\$139,036</b>
Non-Proposition 98 Expenditures	\$94,145	\$89,030
Proposition 98 Expenditures	\$52,352	\$44,871
<b>Total Expenditures</b>	<b>\$146,497</b>	<b>\$133,901</b>
<b>Fund Balance</b>	\$1,619	\$5,135
Reserve for Liquidation of Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	-\$1,556	\$1,960
<b>Safety Net Reserve</b>	\$900	\$450
<b>Budget Stabilization Account / Rainy Day Fund</b>	\$14,358	\$16,515

**2020-21 May Revision**  
**General Fund Revenue Sources\***  
(\$ in millions)

	2019-20	2020-21	\$ Change	% Change
Personal Income Tax	\$94,773	\$76,841	-\$17,932	-18.9%
Sales and Use Tax	24,941	20,613	-4,328	-17.4%
Corporation Tax	13,870	16,577	2,707	19.5%
Insurance Tax	3,052	2,986	-66	-2.2%
Alcoholic Beverage Taxes and Fees	385	389	5	1.0%
Cigarette Tax	58	56	-2	-3.4%
Motor Vehicle Fees	31	40	9	29.0%
Other	1,887	12,109	10,222	541.7%
<b>Subtotal</b>	<b>\$138,997</b>	<b>\$129,611</b>	<b>-\$9,386</b>	<b>-6.8%</b>
Transfer to the Budget Stabilization/ Rainy Day Fund	-\$2,160	\$7,806	\$9,966	-461.4%
<b>TOTAL</b>	<b>\$136,837</b>	<b>\$137,417</b>	<b>\$580</b>	<b>0.4%</b>

**2020-21 May Revision**  
**General Fund Expenditures by Agency\***  
(\$ in millions)

	2019-20	2020-21	\$ Change	% Change
Legislative, Judicial, Executive	\$6,848	\$4,144	-\$2,704	-39.5%
Business, Consumer Services & Housing	1,262	291	971	-76.9%
Transportation	289	239	-50	-17.3%
Natural Resources	3,771	3,547	-224	-5.9%
Environmental Protection	723	42	-681	-94.2%
Health and Human Services	41,920	45,275	3,356	8.0%
Corrections and Rehabilitation	13,444	13,351	-93	-0.7%
K-12 Education	54,578	47,689	-6,889	-12.6%
Higher Education	17,041	15,372	-1,669	-9.8%
Labor and Workforce Development	186	159	-27	-14.5%
Government Operations	2,331	1,329	-1,002	-43.0%
General Government:				
Non-Agency Departments	1,076	911	-165	-15.3%
Tax Relief / Local Government	505	432	-73	-14.5%
Statewide Expenditures	2,523	1,120	-1,403	-55.6%
<b>Total</b>	<b>\$146,497</b>	<b>\$133,901</b>	<b>-\$12,596</b>	<b>-8.6%</b>

\*Note: Numbers may not add due to rounding

**Coronavirus Relief Fund Allocations**  
(\$ in thousands)

Cities & Counties	Direct Allocations	State Allocations	Total Allocations	Cities & Counties	Direct Allocations	State Allocations	Total Allocations
Alameda County	\$291,634	\$38,577	\$330,211	Riverside County	\$431,091	\$57,024	\$488,115
Alpine County	--	116	116	Sacramento	181,199	25,210	206,409
Amador County	--	4,069	4,069	San Benito County	--	6,428	6,428
Butte County	--	22,433	22,433	San Bernardino	380,408	50,320	430,728
Calaveras County	--	4,698	4,698	San Diego County	334,062	54,224	388,286
Colusa County	--	2,205	2,205	City/County San	153,824	20,347	174,171
Contra Costa	201,281	26,625	227,906	San Joaquin	132,989	17,592	150,581
Del Norte County	--	2,847	2,847	San Luis Obispo	--	28,976	28,976
El Dorado County	--	19,737	19,737	San Mateo County	133,761	17,694	151,455
Fresno County	81,580	16,228	97,808	Santa Barbara	--	45,698	45,698
Glenn County	--	2,906	2,906	Santa Clara County	158,100	31,314	189,414
Humboldt County	--	13,874	13,874	Santa Cruz County	--	27,963	27,963
Imperial County	--	18,547	18,547	Shasta County	--	18,431	18,431
Inyo County	--	1,846	1,846	Sierra County	--	308	308
Kern County	157,078	20,778	177,856	Siskiyou County	--	4,456	4,456
Kings County	--	15,653	15,653	Solano County	--	45,815	45,815
Lake County	--	6,590	6,590	Sonoma County	--	50,594	50,594
Lassen County	--	3,129	3,129	Stanislaus County	96,086	12,710	108,796
Los Angeles	1,057,341	163,064	1,220,405	Sutter County	--	9,925	9,925
Madera County	--	16,102	16,102	Tehama County	--	6,661	6,661
Marin County	--	26,490	26,490	Trinity County	--	1,257	1,257
Mariposa County	--	1,761	1,761	Tulare County	--	47,714	47,714
Mendocino County	--	8,879	8,879	Tuolumne County	--	5,576	5,576
Merced County	--	28,420	28,420	Ventura County	147,622	19,527	167,249
Modoc County	--	905	905	Yolo County	--	22,568	22,568
Mono County	--	1,478	1,478	Yuba County	--	8,052	8,052
Monterey County	--	44,425	44,425	City of Fresno	92,756	--	92,756
Napa County	--	14,098	14,098	City of Los Angeles	694,405	--	694,405
Nevada County	--	10,210	10,210	City of Sacramento	89,623	--	89,623
Orange County	554,134	73,300	627,434	City of San Diego	248,451	--	248,451
Placer County	--	40,768	40,768	City of San Jose	178,295	--	178,295
Plumas County	--	1,925	1,925	<b>TOTAL</b>	<b>\$5,795,720</b>	<b>\$1,289,065</b>	<b>\$7,084,785</b>

## CARES Act Funding

The CARES Act provided direct allocations of \$9.5 billion to California and \$5.8 billion collectively to the 16 counties and five cities with populations over 500,000. The funds must be used before the end of the calendar year for expenses related to the COVID-19 pandemic. The May Revision proposes to allocation \$1.3 billion to counties for certain expenses (described below) and \$450 million to cities that did not receive a direct allocation from the federal government.

Cities with populations over 300,000 will receive funding directly from the state, while smaller cities will be provided funding through their counties. These funds must be spent consistent with federal law. The Governor is advising cities to prioritize these dollars to supplement existing efforts by counties and Continuums of Care to address COVID-19 impacts on homeless individuals, including outreach and housing supports.

Funding for counties is based on population size and is intended to address the public health, behavioral health, and other health and human service needs that have arisen as a result of COVID-19. The funds will be released upon jurisdictions' certification that the spending adheres to [federal guidance](#) and the state's stay-at-home orders.

## Homelessness

The May Revision overhauls the Governor's January Budget proposal for the California Access to Housing Act. The original proposal called for the creation of a fund with an initial \$750 million, one-time General Fund investment. The funding would have been provided to "regional administrators" to focus on paying rent for individuals facing homelessness, supporting regions to bring on more dwelling units, and helping stabilize board and care facilities/homes.

Given that the state is not in a fiscal position to expand programs, the new proposal replaces the \$750 million General Fund with an equal amount of Federal Cares Act funding. The new proposal directs the use of these funds to purchase hotels and motels secured through Project Roomkey. Project Roomkey is a multi-agency state and local partnership to provide safe isolation motel rooms for vulnerable individuals experiencing homelessness. This occupancy program is currently supported by the Federal Emergency Management Agency (FEMA) only through May 31, 2020, but the state will request 30-day extensions as necessary.

The state also proposes to use these funds to provide technical assistance to local jurisdictions or other parties seeking to purchase and operate former Project Roomkey hotels and motels to address homelessness in their localities.

More details will be shared as they are released.

## Administration of Justice

### Closure/Realignment of the Division of Juvenile Justice

While previous proposals would have shifted the state Division of Juvenile Justice (DJJ) to the Health and Human Services Agency, the May Revision proposes eliminating DJJ and realigning responsibility for those youthful offenders to county probation departments. To effectuate this change, the proposal calls for state DJJ intake to cease beginning January 1, 2021, and begin closing state facilities upon the attrition of current wards. While the cost is currently unclear, the proposal also specifies the state will direct a portion of the state savings from the closure to county probation departments. Lastly, the proposal includes initial funding of \$2.4 million General Fund in 2020-21, increasing to \$9.6 million ongoing, for competitive grants to county probation departments which will serve as hubs to meet the specific treatment needs of youth throughout the juvenile justice system.

### Local Public Safety

#### *2011 Public Safety Realignment*

The Governor's May Revision updates revenue assumptions for 2011 Public Safety Realignment programs. Due to the impacts of COVID-19, Sales and Use Tax revenue is expected to sharply decline and reduce funding for the Local Revenue Fund 2011. For the Community Corrections Subaccount (AB 109), 2019-20 revenue is estimated to only total \$1.152 billion, which does not fulfill the statewide base of \$1.366 billion (\$214 million short of base funding). Consequently, there is no growth estimated for 2019-20, compared to the \$92.6 million estimated in the Governor's January Budget.

For 2020-21, Community Corrections Subaccount projections total \$1.174 billion, a reduction of \$284.5 million compared to the January projections, and again short of reaching the \$1.366 billion base. Therefore, there is also no growth projected for 2020-21. Given these substantial changes, and the unprecedented nature of 2011 Public Safety Realignment revenues decreasing, [CSAC recently distributed a Fact Sheet/FAQ to help answer county questions](#). CSAC will provide individual county base estimates in the coming weeks.

#### *Other Probation Reforms and Investments*

The May Revision withdraws the following probation reforms and proposals which were included in the Governor's January Budget proposal.

- \$60 million General Fund annually for three years and \$30 million General Fund in 2023-24, to provide additional supervision and services for misdemeanor probationers.



- A reduction in probation terms to two years for both felony and misdemeanor probationers and an opportunity for earned discharge for probationers.
- \$11 million General Fund ongoing to augment the \$113.8 million General Fund base for the Community Corrections Performance Incentive Grant program (SB 678). This augmentation allows for each county to receive their highest ever payment under the last three years of the program and is intended to stabilize the grant program going forward.

In lieu of the previously proposed change to the SB 678 grant program, the May Revision maintains the existing SB 678 calculation, which will provide county probation departments \$112.7 million in 2020-21.

The May Revision also includes \$12.9 million General Fund for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision as a result of the implementation of Proposition 57. This is a decrease of \$902,000 from the amount estimated in the Governor's January Budget.

#### *Board of State and Community Corrections (BSCC)*

The BSCC budget includes a trigger cut tied to the receipt of federal funds. Specifically, the Adult Reentry Grant (\$37 million) program originally funded in the 2019-20 Budget, which provides competitive awards to community-based organizations to support offenders formerly incarcerated in state prison, would be eliminated.

#### *Peace Officers Standards and Training (POST)*

The May Revision proposes to use \$10 million previously appropriated to POST for: (1) creating a Distance Learning Grant Program, (2) increasing the functionality of POST's Learning Portal, and (3) upgrading previously produced and developed distance learning courses and videos.

The May Revision also proposes the establishment of 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.

#### *Proposition 47 Savings Estimate*

Proposition 47, passed by the voters in November 2014, requires misdemeanor rather than felony sentencing for certain property and drug crimes, and permitted inmates previously sentenced for these reclassified crimes to petition for resentencing. Each year, state savings from the implementation of Proposition 47 is required to be transferred and re-allocated in grant programs, as specified in the initiative. The May Revision estimates total state savings of



\$102.9 million for 2019-20, a decrease of \$19.6 million from the Governor's January Budget estimate for 2019-20.

### *Indigent Defense*

Absent additional Federal funds, the May Revision reduces the Governor's January Budget proposal to expand the mission of the Office of the State Public Defender to include improving the quality of indigent defense services provided by counties. Funding will be used for training and technical assistance for attorneys providing indigent defense. The proposal would be reduced from \$3.5 million General Fund ongoing to \$2.1 million General Fund ongoing.

Given the impacts of COVID-19 on the overall budget picture, the May Revision withdraws the Governor's January Budget proposal to provide \$10 million General Fund one-time for the BSCC to supplement local funding for indigent criminal defense.

### **California Department of Corrections and Rehabilitation (CDCR)**

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

### *Capacity and Population*

Revised CDCR population projections indicate a total adult inmate population of 122,536 in 2020-21, a decrease of 1,180 compared to the January projections. Given the continued decline of the state prison population, the May Revision continues the plan to close private in-state contract correctional facilities for male inmates with all expected to be closed by July 2022.

The May Revision also proposes to close one state prison beginning in 2021-22 and a second prison beginning in 2022-23. The closures are estimated to result in savings of \$100 million in 2021-22, \$300 million in 2022-23 and \$400 million ongoing. This plan will partially be aided by an expansion of Good Conduct Credits for adult offenders.

CDCR will also close eight existing inmate fire camps throughout the state by consolidating crews at other camps. CDCR's savings are estimated to be \$7.4 million General Fund in 2020-21 and \$14.7 million ongoing from these closures.

### *Existing Program Eliminations and Modifications*

Due to funding constraints, and in a stated interest to provide continuity of care long-term, the May Revision proposes to eliminate two existing programs for state parolees: the Integrated Services for Mentally Ill Parolees Program (ISMIP) and the Parole Outpatient Clinics (POC). The elimination of the ISMIP program is expected to result in savings of \$8.1 million General Fund in 2020-21 and \$16.3 million ongoing General Fund. The elimination of POC is expected to result in estimated savings of \$9.1 million General Fund in 2020-21, and \$17.6 million ongoing General

Fund. Counties will need to carefully evaluate the void left by the elimination of these programs and the cost pressures it may have on county budgets.

The May Revision also proposes to implement operation modifications to ensure existing CDCR Community Reentry Programs can draw down federal funds for health care. This will require aligning operations with the Centers for Medicare and Medicaid Services guidance generally requiring freedom to seek employment in the community and access resources available to the general public, such as education, libraries, and healthcare facilities.

### *Parole Terms*

Not dissimilar from the probation reforms originally proposed in the Governor's January Budget, the May Revision proposes changes to state parole term lengths. Specifically, it proposes to cap supervision for most parolees at 24 months, establish earned discharge for non-Penal Code section 290 registrants at 12 months, and establish earned discharge at 18 months for certain Penal Code section 290 registrants. This proposal is expected to result in estimated savings of \$23.2 million General Fund in 2020-21, increasing to \$76 million ongoing General Fund in 2023-24.

### **Judicial Branch**

The May Revision includes total funding of \$4.3 billion (\$2.2 billion General Fund and \$2.1 billion other funds) in 2020-21 for the Judicial Branch, of which \$1 billion General Fund is provided to support trial court operations. There are several changes to the Judicial Branch budget; but most notably, the May Revision withdraws the following proposals included in the Governor's January Budget given the drastic impact of the COVID-19 pandemic on the state's economy:

- Trial Court Operations—\$107.6 million ongoing General Fund to support trial court operations.
- Court Facilities—\$43.6 million General Fund to begin the design and construction of courthouse projects, consistent with the Judicial Council Facilities Reassessment. This action suspends \$2 billion (\$505 million General Fund) over the next five years as the courts reassess how they use their facilities in the wake of the COVID-19 pandemic.
- Information Technology Initiatives—\$10.3 million General Fund in 2020-21 to advance three information technology initiatives. These initiatives can be funded from the \$25 million for modernization.
- Court Navigator Program—\$8.1 million General Fund in 2020-21 and \$15.5 million ongoing to fund court navigators in trial courts.
- Digitizing Documents—\$6.9 million General Fund in 2020-21 and \$11.3 million General Fund in 2021-22 to digitize court records in approximately 15 courts, including appellate and trial courts. This initiative can be funded from the \$25 million for modernization.

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- Appellate Court Appointed Counsel Projects—\$1.2 million ongoing General Fund to support increased costs for contractual services provided by the Supreme Court and the Courts of Appeal Court Appointed Counsel projects.
- Statutory Statewide External Audit Program—\$1 million ongoing General Fund to support audits conducted by the State Controller’s Office.

Instead, the May Revision includes \$25 million ongoing General Fund for modernizing court operations with the goal of achieving efficiencies and increasing access to court services online.

Similar to other areas of the May Revision, the Judicial Branch budget also includes several trigger cuts tied to the receipt of Federal funds:

- Trial Courts—A base reduction of \$178.1 million General Fund in 2020-21 and ongoing and an additional decrease of \$28.1 million General Fund beginning in 2021-22 associated with a 5 percent reduction in operating expenses, which will be achieved through efficiencies.
- State Level Judiciary—A decrease of \$23.2 million General Fund in 2020-21 and ongoing and an additional decrease of \$10.6 million in 2021-22 associated with a 5 percent reduction in operating expenses, which will be achieved through efficiencies.
- Other Judicial Branch Programs—A decrease of \$15.2 million ongoing General Fund to reflect a 5 percent reduction to the following programs: Dependency Counsel; Court Interpreters; California Collaborative and Drug Court Projects; Court Appointed Special Advocate Program; Model Self-Help Program; Equal Access Fund; Family Law Information Centers; and Civil Case Coordination.

### *Reducing Criminal Fines and Fees*

The May Revision maintains the Governor’s January Budget proposal for \$11.5 million General Fund, increasing to \$56 million ongoing General Fund, to expand statewide an existing pilot program that allows indigent and low-income individuals to apply online to have their fines and fees from traffic infractions reduced in accordance with their ability to pay. The proposal also assumes the backfill of \$54 million in lost revenue for trial court operations. Notably, the proposal does not backfill lost local revenue.

### **Department of State Hospitals**

The May Revision includes \$2.1 billion in 2020-21 for the support of the Department of State Hospitals (DSH) programs. This is a significant increase from the Governor’s January Budget proposal. The patient population for DSH is expected to increase to 6,791 individuals by the end of 2020-21 which includes individuals receiving jail-based competency treatment. Also, the Governor’s May Revision withdraws the Governor’s January Budget proposal of \$24.6 million in 2020-21 and \$364.2 million over six years for the implementation of the Community Care Collaborative Pilot Program (CCCP). This program would have established a pilot in three counties that focused on placing individuals with mental health needs, specifically those

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designated Incompetent to Stand Trial, into stable placements in the community instead of state hospitals.

## **Agriculture, Environment and Natural Resources**

The Governor's January budget included significant investments to prepare for and protect against our changing climate and disasters. His proposal built on legislative efforts, previous budget allocations, and ongoing policies to ensure that the state has adequate resources to mitigate climate risk, prepare for future events, and protect our the environmental health and safety. The Governor's May Revision Budget significantly reduces General Fund expenditures, particularly for new and one-time programs that have not been established.

### **Emergency Preparedness and Response**

With the ever-present threat of catastrophic wildfire, the Governor's proposed budget expands investments in CAL FIRE, the Governor's Office of Emergency Services, and local agencies to prepare for ongoing threats.

### **Department of Forestry and Fire Protection (CAL FIRE)**

#### *CAL FIRE Relief Staffing and Early Ramp-Up of 2020 Fire Season Surge Capacity*

The Governor's January budget included \$120 million General Fund to CAL FIRE for operational flexibility and ongoing investments in staffing, infrastructure and pre-positioning of fire equipment. The May Revision maintains \$85.6 million General Fund for permanent firefighting positions to provide CAL FIRE with operational flexibility through the peak fire season and beyond. The budget withdraws \$34.3 million for direct mission support.

The May Revision maintains an increase of \$4.4 million General Fund to enable CAL FIRE to implement the Innovative Procurement Sprint process that supports a predictive wildfire simulation software program. This is addressed in further detail under the Office of Emergency Services section. The May Revision withdraws funding for the Wild Land Firefighting Research Grant program (\$5 million).

### **Office of Emergency Services**

The May Revision includes \$127 million for the Office of Emergency Service (CAL OES). This includes funding and support for efforts that would provide local match grants for public safety power shutoff preparedness, increased California Disaster Assistance Act funding, and funding and new positions at Cal OES. The May Revision also proposes decreased funding for the state's recently created wildfire threat center and AB 38's Home Hardening pilot programs. In addition, the May Revision proposes and funds a move of the Seismic Safety Commission to Cal OES for better integration of earthquake preparedness and seismic safety programs.

### *Community Power Resiliency (PSPS)*

The Administration is proposing to maintain a \$50 million one-time General Fund expenditure to support additional preparedness measures that bolster community resiliency during de-energization. Intended uses for these funds include supporting critical services like schools, county election offices, and food storage reserves. This proposal will support a matching grant program to help local governments prepare for, respond to, and mitigate the impacts of public safety power shutdowns.

### *California Disaster Assistance Act (CDAA) Funds*

The May Revision proposes to include a total of \$38.2 million one-time General Fund to increase the amount of funding available through CDAA. This \$38.2 million includes the \$16.7 million that was in the Governor's January budget, plus an additional investment of \$21.5 million. These CDAA funds are available help 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 emergency proclaimed by the Governor. These funds increase the total CDAA funding available in the Budget to \$100.8 million.

### *Increased Resources for Cal OES*

The May Revision maintains \$9.4 million and 50 new positions from the Governor's January Budget to help Cal OES to prepare for, respond to, and assist the state in recovering from disasters while maximizing eligible federal reimbursements.

### *Reduced Funding for Wildfire Forecast & Threat Intelligence Integration Center*

The May Revision proposes \$2 million General Fund for the state's emergency response capabilities for wildfire threat and weather monitoring. This is a proposed reduction of \$6.7 million from the Governor's January Budget.

However, the May Revision also includes \$4.4 million to CAL FIRE to implement a new prediction and modeling technology system that was procured through an Innovative Procurement Sprint process through Executive Order N-04-19. The recently-executed contract will enable CAL FIRE to access a wildfire predictive software program. 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.

### **Climate Resilience**

When the January Budget was released, the Administration proposed \$12.5 billion collectively over the next five years in three major priority areas, including a climate resiliency bond, ongoing investments from the state's cap and trade program, and a new climate catalyst fund, which would have provided low interest loans for climate- related projects. The May Revision

does not mention the Climate Resilience Bond, however the Administration has signaled that they are no longer pursuing the bond due to out-year debt service concerns.

### *Cap & Trade Expenditure Plan*

The Governor's January Budget included the allocation of \$965 million in Cap and Trade expenditures. The annually appropriated revenues from Cap and Trade are focused on several existing program areas, including CAL FIRE's forest health and fuels reduction program, the AB 617 Air Quality Program, and investments in low carbon transportation, such as the Clean Vehicle Rebate Program. Notably, the plan only included \$15 million for organic waste diversion to CalRecycle to help implement waste diversion requirements.

The May Revision does not change the allocations in the January Budget, however, it acknowledges that there is significant uncertainty surrounding the amount of Cap and Trade proceeds that will be generated in upcoming auctions. The May Revision proposes a "pay-as-you-go" budget mechanism that would authorize budget act expenditures based on actual proceeds authorized at each quarterly auction. The budget mechanism prioritizes the following programs:

- AB 617 — Community Air Protection Program and agricultural diesel emission reduction.
- Forest Health and Fire Prevention
- Safe and Affordable Drinking Water

The May Revision does not include further changes to the expenditure program, and proposes to allocate the "pay-as-you-go" funding proportionally across the rest of the program areas.

### *Climate Catalyst Fund*

The May Revision withdraws the Governor's January Budget proposal to create a new Climate Catalyst Revolving Loan Fund to provide low-interest loans for a portfolio of climate-related projects that would help meet the state's greenhouse gas and resiliency goals, reducing the budget by \$250 million General Fund.

### **Natural Resources**

The Governor's January Budget proposed spending \$6.7 billion on programs in the California Natural Resources Agency. The May Revision withdraws several January proposals and shifts some funding to non-General Fund sources. In addition, the May Revision pauses construction on the new California Natural Resources building, saving \$4.8 million General Fund for the relocation of staff until an evaluation on telework opportunities is completed.

### **Department of Water Resources**

The May Revision maintains funding for the American River Common Features Flood Control Project, a one-time allocation of \$46 million General Fund, sustaining the state's matching share on this local flood control project. The budget also maintains \$18 million General Fund

for the New River Improvement Project to address solid waste and pollution exposure in the County of Imperial (City of Calexico). Finally, the May Revision sustains bond funding for the Salton Sea Management Plan, providing funds to reduce long-term air pollution issues downwind due to the receding sea.

The May Revision withdraws the following funding proposals:

- \$40 million General Fund to support local Groundwater Sustainability Agencies in their efforts to balance groundwater use over the next decades. The May Revision shifts \$28 million of this funding to existing Proposition 68 bond funds to maintain allocations to local agencies in critically overdraft basins, in order to help defray the cost of project implementation.
- \$35 million for the Tijuana River Project and seeks to replace these funds with other non-state funds.

### **Department of Parks and Recreation**

The January Budget included \$65.1 million for the “Parks for All Initiative,” which included the establishment of a new park and several programs designed to increase access to state parks.

The May Revision reduces these expenditures, as follows:

- Establishing a new state park – reduces from \$20 million to \$5 million General Fund to create a new state park at an undisclosed location. The state seeks to increase funding from non-state funds for this purchase;
- \$4.6 million in bond funds to acquire inholding properties that expand existing state parks;
- Improving facilities in urban areas – reduces from \$8.7 million to \$6.1 million in Proposition 68 funds to expand access to state parks in urban areas; and,
- Enhancing access programming – reduces from \$11.8 million to \$8.8 million Proposition 68 funds to expand both technological and physical access to parks.

The May Revision reduces or eliminates the following January Budget proposals:

- Eliminates \$95 million General Funds for the Indian Heritage Center and seeks to shift this project to lease revenue funds.
- Shifts \$45 million General Fund for deferred maintenance to Proposition 68 bond funds.
- Eliminates the Outdoor Equity Grants Program, a \$20 million program to establish outdoor equity grants.
- Absent federal funding related to the COVID-19 emergency, the May Revision anticipates base reductions of \$30 million, ongoing, General Fund, to the State Parks and Recreation Department budget.

### **Department of Conservation**

The Governor’s January Budget proposed changes and increased funding to the state’s oil and gas regulatory division, now known as California Geologic Energy Management Division. The

**ACTION**



changes will lead to stronger oversight of oil and gas extraction. The May Revision withdraws the Light Detection and Ranging (LiDAR) and Remote Sensing – \$80 million General Fund that was intended to collect and make publicly available high-quality airborne LiDAR data for the entire state.

### **California Conservation Corps**

The May Revision cancels the expansion of the Corps residential center program, reducing funding by \$3.5 million General Fund.

### **Cannabis**

The Governor's January Budget proposed to consolidate the state's three cannabis licensing entities into a single Department of Cannabis Control by July 2021, however, due to COVID-19 this proposal has been delayed for consideration to the 2021-2022 Budget. As part of this delay, the May Revision proposes the use of special funds to support the existing regulatory framework. The use of these funds will address expiring limited-term funding and positions. The proposals include \$68.2 million for the Department of Consumer Affairs, Bureau of Cannabis Control, \$20.8 million for the Department of Public Health, and \$54.8 million for the Department of Food and Agriculture to continue cannabis licensing and enforcement activities. This also includes a proposed statutory change to shift investigators from the Department of Consumer Affairs Division of Investigations to the Bureau of Cannabis Control.

#### *Allocations from the Cannabis Tax Fund*

Under 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 Governor's January Budget estimated that \$332.8 million would be available for these purposes in 2020-21, while the the May Revision now estimates it to be \$296.9 million. These figures reflect a total reduction of \$35.9 million, compared to the Governor's January Budget estimate, due to lower than expected tax receipts as result of the COVID-19 pandemic. Despite lower estimated revenues, the structure of these allocations is unchanged from 2019-20:

- Youth education, prevention, and early intervention and treatment and school retention—60 percent (\$178.1 million)
- Environmental protection—20 percent (\$59.4 million)
- Public safety-related activities—20 percent (\$59.4 million)

#### *Cannabis Tax Reform*

The Governor's January Budget proposed to move the responsibility for the cultivation excise tax from the final distributor to the first distributor and for the retail excise tax from the

distributor to the retailer. This proposal has been postponed for inclusion in the budget next year.

### **Environmental Protection**

The May Revision sustains many the Environmental Protection Program proposals from the January Budget. However, several programs have been eliminated, including \$4.2 million General Fund for new cleanup at sites contaminated by leaking petroleum where there are no responsible parties (orphan sites).

The May Revision uses Air Pollution Control Fund penalty revenues, on a one-time basis, to replace \$59 million General Fund at the Air Resources Control Board and \$24 million at the State Water Resources Control Board. Going forward, it is unclear how these General Fund reductions will be maintained or if program cuts will be necessary.

The May Revision withdraws the proposed \$6 million General Fund that would have been used to evaluate un-assessed chemicals using precision prevention at the Office of Environmental Health Hazard Assessment.

### **Agriculture**

The Network of State Fairs, consisting of 77 fairgrounds throughout the state, are heavily impacted by the COVID-19 emergency. Fairs have canceled events and, in many cases, been redeployed as emergency centers. Fairs are projected to lose approximately 98 million in revenue between March and June 2020. Of the 77 fairs, 53 are state-affiliated fairs with state civil servants. The May Revision sustains a \$40.3 million current year allocation 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.

The May Revision withdraws the following January proposals:

- \$20 million for the State Water Efficiency and Enhancement Program (SWEEP) grants. These grants support local efforts to reduce water use on farms and ranches.
- \$2.25 million for Cal Expo fiscal support and assessment.
- \$3.9 million, ongoing, for the California Biodiversity Initiative, should federal funds not materialize.

## **Government Finance and Administration**

### **Revenue Solutions**

The May Revision includes several provisions designed to combat the budget deficit by raising revenues and stimulating economic growth. In total the provisions are expected to net \$4.4 billion in 2020-21, \$3.3 billion in 2021-22, and \$1.4 billion in 2022-23. The provisions are:

**ACTION**

- Extending the sales tax exemption for diapers and menstrual products through the end of 2022-23.
- Extending the carryover period for film credits awarded under Program 2.0 from 6 years to 9 years.
- Extending the current exemption from the minimum tax for first year corporations to first year LLCs, partnerships, and LLPs.
- Establishing a new tax on e-cigarettes based on nicotine content.
- 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
- Requiring the use of market value for determining price for private auto sales.

### **Sales & Property Taxes**

Due to the COVID-19 Recession, taxable sales are expected to decline by 4.6 percent in 2019-20 and a further 17.3 percent in 2020-21. The Administration estimates consumer spending to decline by 15.6%, which is a substantial decrease even when compared to the Great Recession, when consumer spending declined by 8.9 percent.

The Governor's January Budget anticipated a 6.4 percent growth in 2019-20 statewide property tax revenues. This estimate has been revised down to 5.8 percent, based on preliminary data, which takes in to account counties cancelling penalties and charges related to late payments. In 2020-21, property tax revenues are expected to grow 3.5 percent, which accounts for an anticipated increase in delinquencies, which typically rise in a recession.

### **Elections**

The May Revision notes that California received \$36.3 million from the CARES Act specifically for voting activities, including increasing the state's ability to vote by mail, and it notes that the Governor's Executive Order N-64-20 requires counties to send mail ballot to all registered voters. However, it does not propose any specific uses for the federal funds, nor does it propose to provide any funding to counties for these increased costs. The budget summary declares the intention of the Administration "to work with the Legislature and the Secretary of State", but not necessarily county officials, "to determine how requirements for in-person voting opportunities and other details of the November election will be implemented."

### **Broadband**

The May Revision includes \$2.8 million and 3 positions in additional resources from the Public Utilities Commission Utilities Reimbursement Account for the Commission to identify which

areas of the state lack sufficient access to broadband. 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 May Revision also proposes statute intended to increase the ability of the state to compete for federal funding to improve access to broadband Internet in California.

## Health and Human Services

### Realignment

The Governor's May Revision updates revenue assumptions for 1991 Realignment and 2011 Realignment. Due to the impacts of COVID-19, Sales and Use Tax revenue is expected to sharply decline and reduce Realignment funding.

For Social Services, the total of the 1991 Realignment Social Services sales tax and VLF subaccounts is estimated to only total \$2.23 billion (\$335 million short of base funding). For 2011 Realignment, the Protective Services Subaccount is estimated to only total \$2.02 billion (\$375 million short of base funding). Consequently, there is also no growth estimated for 2019-20 that would cover 1991 caseload growth or provide 2011 growth revenues.

For the Health Subaccount in 1991 Realignment, the base will decline from \$911 million in 2019-20 to \$886 million in 2020-21. There is no estimated growth from 2019-20 anticipated. Additional budget year impacts related to the Department of Finance's estimates for diverting Health Realignment under AB 85 (Chapter 24, Statutes of 2013) are unknown at the time of this writing.

For Mental Health in 1991 Realignment, the residual subaccount funding of \$129 million drops to zero in 2020-21. Please note that 2011 Realignment "backfills" 1991 Mental Health revenues with \$1.12 billion. In 2011 Realignment, Behavioral Health current year revenues dip by \$170 million from 2018-19, are estimated at \$1.25 billion in 2019-20 and receive a slight increase to total \$1.28 billion in 2020-21.

The precipitous drop in overall Realignment revenues and eradication of growth funding has significant implications for social services provided by counties, especially for child welfare, adult protective services, and extended foster care, as counties will need to continue to meet entitlements and MOEs. In the Health and Public Health realm, these decreases could not come at a worse time as county Public Health Departments grapple with the extreme demands of the COVID-19 pandemic. For Behavioral Health, the preservation of 1991 Realignment funding is helpful, and the effects in the budget year are not as steep as for other subaccounts, but the

increase in demand for behavioral health services and costs related to shifting to telehealth and alternative modes of treatment greatly exceed the estimated Realignment revenues.

## **HUMAN SERVICES**

### **In-Home Supportive Services**

The In-Home Supportive Services (IHSS) program provides assistance and services to eligible older or disabled individuals to help them remain safely in their homes. The Governor's May Revision contains no changes to the structure of the new county IHSS Maintenance of Effort (MOE) that was included in last year's budget trailer bill SB 80 (Chapter 27, Statutes of 2019) and went into effect July 1, 2019. For 2020-21, the May Revision includes \$14.7 billion for IHSS, of which \$4.3 billion is from the General Fund. The May Revision estimates that average monthly caseload will be 0.4 percent lower than the estimate from the Governor's January Budget for a total of 581,901 recipients in 2020-21.

#### *IHSS Administration*

The May Revision proposes to maintain county administration and public authority administration funding at 2019-20 funding levels, resulting in savings of \$12.2 million General Fund in 2020-21. This freeze on county administration and public authority administration funding will not occur if the federal government provides sufficient funding.

#### *IHSS Hours Restoration*

The May Revision includes a seven percent reduction in IHSS service hours that would go into effect on January 1, 2021, resulting in a General Fund savings of \$205 million in 2020-21. This differs from the January Budget proposal, which would have restored the seven percent cut in IHSS service hours until July 1, 2023. This seven percent reduction in hours will not occur if the federal government provides sufficient funding.

### **Child Welfare and Foster Care**

Child welfare services and foster care provides a range of services for children who are at risk of or have been victims of abuse and neglect. The May Revision includes \$506.1 million General Fund for these programs, which is a reduction of \$90.5 million General Fund from the January Budget proposal.

#### *Continuum of Care Reform*

The Continuum of Care Reform (CCR) enacted significant changes in the child welfare program that are intended to reduce the use of group homes, increase the availability of trauma-informed services and improve outcomes for foster youth. Current law requires a CCR true-up and a methodology has been developed to determine the appropriate amount of funding owed to counties for increased workload for CCR implementation. It does not appear that the May

Revision provides any funding for the CCR true-up and CSAC will continue to gather additional information.

#### *Family Urgent Response System*

The May Revision proposes to eliminate the Family Urgent Response System (FURS), which was recently enacted. FURS was sponsored by the County Welfare Directors Association (CWDA) and County Behavioral Health Directors Association (CBHDA), and supported by CSAC, and would provide foster youth and their caregivers with the immediate support and services they need during times of emotional crisis. The elimination of FURS would save \$30 million General Fund in 2020-21.

#### *Rate Increases*

The May Revision reduces the CCR short-term residential treatment program provider rates by 5 percent and suspends certain additional level of care rates. This would save \$28.8 million General Fund. The CCR rate reduction and suspension would not occur if the federal government provides sufficient funding.

#### **CalWORKs**

The California Work Opportunity and Responsibility to Kids program is California's version of the federal Temporary Assistance for Needy Families (TANF) program, which provides temporary cash assistance to low-income families with children to meet basic needs as well as welfare-to-work services to help families become self-sufficient. The Governor's May Revision indicates that CalWORKs caseload is anticipated to increase by 102 percent from the estimate in the January Budget. The May Revision proposes to utilize funds from the Safety Net Reserve including \$450 million in 2020-21 and \$450 million in 2021-22, and will maintain grant levels for CalWORKs families and individuals.

#### *County Administration*

The May Revision includes an increase of \$82.3 million for CalWORKs County Administration for increased enrollment in the program and services. In addition, the May Revision assumes savings of \$665 million from a reduction in utilization of the CalWORKs employment services and child care. CSAC continues to gather additional details on these items, but overall there appears to be a slight increase in the CalWORKs Single Allocation that reflects the increased caseload and the reduced use of employment services and child care.

#### *CalWORKs Expanded Subsidized Employment*

The Governor's May Revision proposes a decrease to the base funding for CalWORKs Subsidized Employment, resulting in a FY 2020-21 savings of \$134.1 million General Fund. This reduction will not occur if sufficient federal funding is received.

*CalWORKs Home Visiting*

The Governor's May Revision will reduce CalWORKs Home Visiting funds, resulting in a savings of \$30 million General Fund for FY 2020-21. This reduction will not occur if additional federal funding is received.

*CalWORKs Outcomes and Accountability Review (CalOAR)*

Absent additional federal funding, the May Revision will eliminate funding for the CalOAR program. The program provided funds for counties to conduct continuous quality improvement activities. Counties have the option to continue with the program. The estimated savings to the state will be \$21 million General Fund for FY 2020-21. This elimination will not occur if additional federal funding is received.

**Child Support Programs**

The Governor's May Revision proposes to reduce funding for local child support agencies (LCSAs) to the 2018 funding levels, pulling back on increases that resulted from a new budget methodology. This results in a savings of \$38.2 million General Fund in 2020-21. This reduction will not occur if the federal government provides sufficient funding. In addition, the May Revision withdraws the January budget proposal that would have increased the amount of child support payments that pass through to CalWORKs families.

**HEALTH****Medi-Cal***California Advancing and Innovating Medi-Cal (CalAIM)*

The Governor proposes delaying the California Advancing and Innovating Medi-Cal (CalAIM) initiative indefinitely, including nearly \$40 million in direct funding for counties under the proposed Behavioral Health Quality Improvement Program. This will save the state \$740 million in 2020-21, but also closes the door for achieving efficiencies within county-run Mental Health Plans and Drug-Medi-Cal.

*Optional Benefits*

Just last year the state had bolstered the provision of optional benefits in the Medi-Cal program, but is now pulling those back unless additional federal funding is provided. First, the state will reduce the adult dental benefit back to 2014 levels, which means only basic emergency dental care will be covered by Medi-Cal. The Governor also proposes to eliminate audiology, incontinence creams and washes, speech therapy, optician/optical lab, podiatry, acupuncture, optometry, nurse anesthetists services, occupational and physical therapy, pharmacist services, screening, brief intervention and referral to treatments for opioids and other illicit drugs in Medi-Cal, and diabetes prevention program services. These eliminations will save the General Fund \$54.7 million in 2020-21.



### *Managed Care Rates*

The Governor proposes \$91.6 million in cost savings in 2020-21 by implanting various efficiency and cost containment adjustments. Further, the Governor proposes a 1.5 percent capitated rate reduction through December 31 for savings of \$182 million in 2020-21.

However, the state is realizing \$1.7 billion in revenue for Medi-Cal in 2020-21 from the recently approved Managed Care Organization (MCO) Tax.

### *Medi-Cal Expansion Elimination*

Governor Newsom announced in January that he wanted to increase health care coverage for full-scope Medi-Cal to all individuals 65 years and older, regardless of immigration status. The Governor's May Revision withdraws this proposal for an estimated savings of \$112.7 million (\$87 million General Fund) in 2020-21. However, the recently implemented expansion of full-scope Medi-Cal to undocumented youth up to age 26 remains in place. The May Revision also proposes to eliminate implementation to the expansion of Medi-Cal to aged, blind, and disabled individuals with incomes between 123 percent and 138 percent of the federal poverty level, resulting in a savings of \$135.5 million (\$67.7 million General Fund). Additionally, the Governor proposes not to implement the Aged, Blind and Disabled Medicare Part B disregard.

### *Supplemental Payments for 340B Clinics*

The Governor's May Revision will withdraw the January's proposed investment of \$52.5 million (26.3 million General Fund) to create a supplemental payment pool for the pharmacy services for non-hospital 340B clinics. The withdrawal will save \$52.5 million for FY 2020-21 and \$105 million (52.5 million General Fund) in 2021-22.

### *Proposition 56 Adjustments*

The Governor's May Revision proposed adjustments to the California Healthcare, Research and Prevention Tobacco Tax Act (Proposition 56). Absent any additional federal funds the Governor's May Revision proposes to shift \$1.2 billion in Proposition 56 supplemental payments for several services, developmental screening, and non-emergency medical transportation, value based payments, and loan repayments. The May Revision does maintain approximately \$67 million in Proposition 56 funding.

### *Managed Care Organization (MCO) Tax*

The Governor's May Revision reflects a decrease of \$1.7 billion General Fund costs for 2020-21, due to the April Federal approval of the Managed Care Organization (MCO) provider tax.

### **Elimination of CBAS and MSSP**

Absent additional federal funding, the Governor's May Revision will eliminate the Community-Based Adult Services (CBAS) and Multipurpose Senior Services Program (MSSP) to assist with the state's budget shortfall. CBAS will be eliminated effective January 1, 2021 for an estimated savings of \$106.8 million GF for 2020-21 and \$255.8 million ongoing. MSSP will be eliminated

no sooner than July 1, 2020 for an estimated savings of \$22.2 million General Fund in FY 2020-21 and \$21.8 million ongoing.

### **E-Cigarette Tax**

The Governor's May Revision continues the Governor's proposal for a new e-cigarette tax on top of existing tobacco taxes, but adjusts the estimated revenue downward to \$10 million in 2020-21 and \$33 million in 2021-22 as certain revenues from the proposed tax would be instead used for the state's Medi-Cal costs.

### **Public Health**

The Governor's May Revision focuses primarily on bolstering state public health activities at the expense of local public health departments. For instance, the May Revision earmarks \$5.9 million General Fund for 2020-21 and \$4.8 million General Fund ongoing for the state's public health lab, but allocates nothing to support the remaining local public health labs during the pandemic.

The May Revision does retain \$5 million General Fund for each of three new infectious disease programs administered at the local level: Sexually Transmitted Diseases (STD), human immunodeficiency virus (HIV), and hepatitis C virus prevention and control. But the May Revision also eliminates proposed increases to the Department of Public Health Home Visiting and Black Infant Health programs to save \$4.5 million General Fund.

The Governor also proposes eliminating the life-changing physician and psychiatrist loan repayment program called the Song-Brown Healthcare Workforce Training Program , which provided educational loan repayment in exchange for service to Medi-Cal enrollees. The savings is \$33 million General Fund.

### **Mental Health Services Act (Proposition 63)**

The May Revision defers the Governor's plan to explore reforms to the Mental Health Services Act (Proposition 63). Noted above is also the elimination of the Behavioral Health Quality Improvement Program, which would have provided nearly \$40 million for county Specialty Mental Health Plans in 2020-21 and 2021-22.

### **New Offices**

The Governor's January Budget announced the creation of several new offices to lead on vital issues across health and human services programs. The Governor's May Revision provides updates to the creation of the new offices.

- *The Office of Health Care Affordability* was proposed to increase price and quality transparency, developing strategies and cost targets across health care systems, and financial penalties for not meeting cost targets. The May Revision specifies the proposal for this office has been withdrawn.

- *The Department of Early Childhood Development* was a proposed office to promote a high-quality, affordable early childhood system by consolidating funding streams and programs under one state department. This January's budget included a \$8.5 million investment to transition staffing within the Department of Education and the Department of Social Services. The May Revision has an investment of \$2 million General Fund for FY 2020-21 to transition programs to the Department of Social Services and no longer proposes to create a standalone department.

## Housing, Land Use, and Transportation

### Housing

#### *Funding for Housing Production and Homeowner/Tenant Assistance*

The May Revision retains budget year investments proposed in January, including \$500 million in state housing tax credits and \$30 million in technical assistance funding to the Department of Housing and Community, but proposes reverting current year funds not yet allocated to specific projects, as follows:

- \$250 million in mixed-income development funds over the next three years (of the \$500 million appropriated last year).
- \$200 million in infill infrastructure grant funds.
- \$115 million in other housing program funds.

The May Revision proposes to expend the \$300 million from the National Mortgage Settlement funds for housing counseling and mortgage assistance to be administered by the California Housing Financing Agency, with the remaining \$31 million allocated to the Judicial Council to provide grants to legal aid services organizations

Finally, the May Revision notes that California is estimated to receive \$532 million in federal funding for housing and homelessness programs under the CARES Act, which will help the state and local governments to house homeless individuals and secure low- and moderate-income housing in response to COVID-19. The state plans to use this funding to promote housing production. For more details, please see the homelessness section of the Budget Action Bulletin.

#### *Policy Changes to State Housing Processes*

The May Revision highlights the Administration's continued interest in changing procedures to streamline housing production and eliminate barriers. These efforts include:

- Creation of a joint application for tax credits between the Tax Credit Allocation Committee and California Debt Limit Allocation Committee.

# ACTION

- Realignment of the Department of Housing and Community Development's program award schedules to expedite funding awards and have a greater impact on the ground.
- Improvements to revamp the state's regional housing needs planning process with input from key stakeholders and local governments.

The May Revision proposes to leverage federal funding and existing state programs and properties to implement a comprehensive strategy to:

- Preserve the existing subsidized affordable housing stock by stabilizing existing deed-restricted affordable housing and protecting against private sector actors buying up distressed assets.
- Seek strategies to stabilize tenants in existing units.
- Significantly streamline, upzoning and producing new housing units, especially on excess and surplus lands, in transit-oriented infill areas and on public land.
- Build a workforce development strategy to support a skilled and trained housing workforce pipeline with high-road wage rates, and promoting innovative alternative construction methods.

### Transportation

As a result of the statewide shelter-in-place order in response to the COVID-19 pandemic, fuel consumption has decreased as demonstrated in the chart below. Based on revenue estimates from the Department of Finance, CSAC estimates a \$129 million reduction in county formula transportation revenues in the current year, and a \$116 million reduction in the budget year, as compared to January estimates. These totals include Highway User Tax Account (HUTA) and Road Maintenance and Rehabilitation Account (RMRA) revenues. CSAC will distribute detailed county-by-county estimates separately.

Transportation Funding Source	2019-20 May Revision*	Difference from January*	2020-21 May Revision*	Difference from January*
<b>Gasoline Excise</b>	\$6,604	<b>-\$565</b>	\$6,990	<b>-\$543</b>
<b>Diesel Excise</b>	1,197	<b>-12</b>	1,134	<b>-127</b>
<b>Weight Fees</b>	1,165	<b>-61</b>	1,139	<b>-131</b>
<b>Diesel Sales</b>	943	27	578	<b>-386</b>
<b>Transportation</b>	1,725	190	1,727	85
<b>Road Improvement Fee</b>	1	1	10	<b>-1</b>

\*dollars in millions

In the budget year, estimated decreases in fuel consumption will be partially offset by inflationary increases in the fuel excise tax rates and the Transportation Improvement Fee, as authorized by SB 1 (Beall, 2017). The projected increases, which will go into effect on July 1, are as follows:

*Gasoline Excise Tax*

- 12 cents added by SB 1 increases to 12.8 cents
- 17.3-cent increment increases to 18.5 cents
- 18-cent base increases to 19.2 cents

*Diesel Excise Tax*

- 20 cents added by SB 1 increases to 21.4
- 16-cent base increases to 17.1

The Transportation Improvement Fee increases estimated to take effect on July 1 are shown in the chart below.

Vehicle Value	Current Fee	Fee beginning July 1, 2020	Estimated % of Vehicles
<b>\$0 to \$4,999</b>	\$25	\$27	43%
<b>\$5,000 to \$24,999</b>	\$50	\$54	42%
<b>\$25,000 to \$34,999</b>	\$100	\$107	8%
<b>\$35,000 to \$59,999</b>	\$150	\$161	6%
<b>\$60,000 and higher</b>	\$175	\$188	1%