



California State Budget

2019-20

Gavin Newsom, Governor
State of California

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INTRODUCTION

The Budget addresses California's cost crisis while maintaining fiscal discipline. It makes necessary investments for a more effective government, promotes affordability and opportunity, and supports justice and dignity for all Californians.

STRONG FOUNDATION, INTENSIFIED RISKS

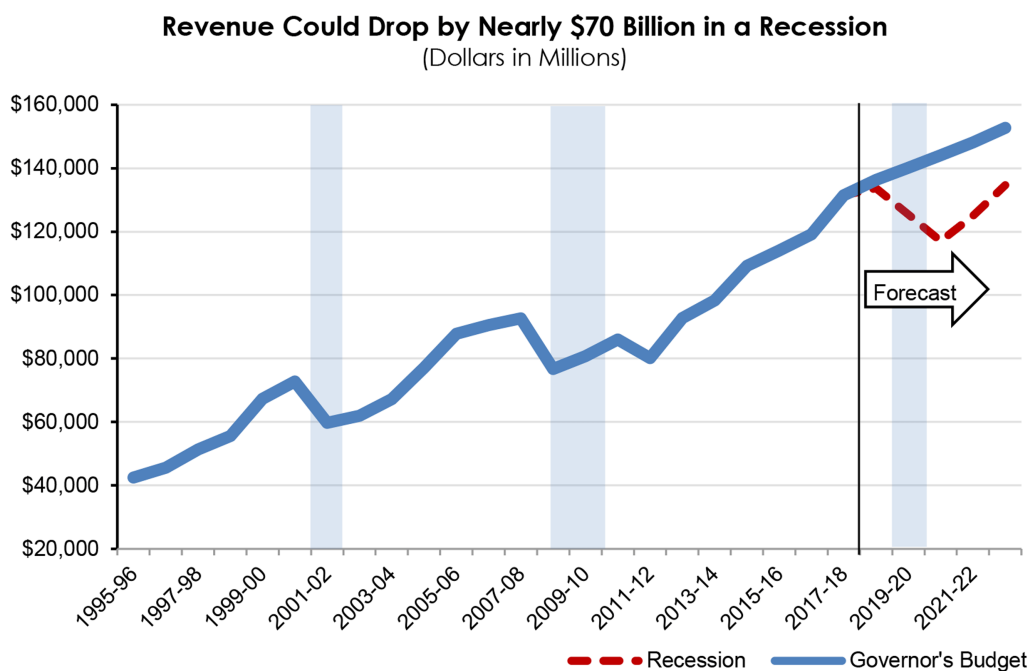
California's economy remains larger than all but four nations with an annual gross domestic product (GDP) of nearly \$3 trillion in 2018. Data for 2018 reflect that the growth in California's GDP continues to outpace the nation as a whole. However, this growth is taking place against a backdrop of increasing risks:

- The International Monetary Fund recently projected that 70 percent of the global economy would see a slowing of growth in 2019.
- The Federal Reserve Board projects slower U.S. growth.
- Total wages and salaries in 2018 grew at less than one-half the rate of growth during the last period of low unemployment (2000).
- Federal tax reform and other federal fiscal policies are also contributing to growing federal deficits, which will constrain the federal government's options to address an economic slowdown.

INTRODUCTION

The Budget recognizes these risks and the inextricable linkage between fiscal prudence and the state's ability to promote affordability and economic opportunity. Accordingly, it simultaneously builds budget resiliency and increases support for California's working families and most vulnerable populations. Growing uncertainty related to the global political and economic climate, federal policies, rising costs, and the length of the current economic expansion requires that the Budget be prudent.

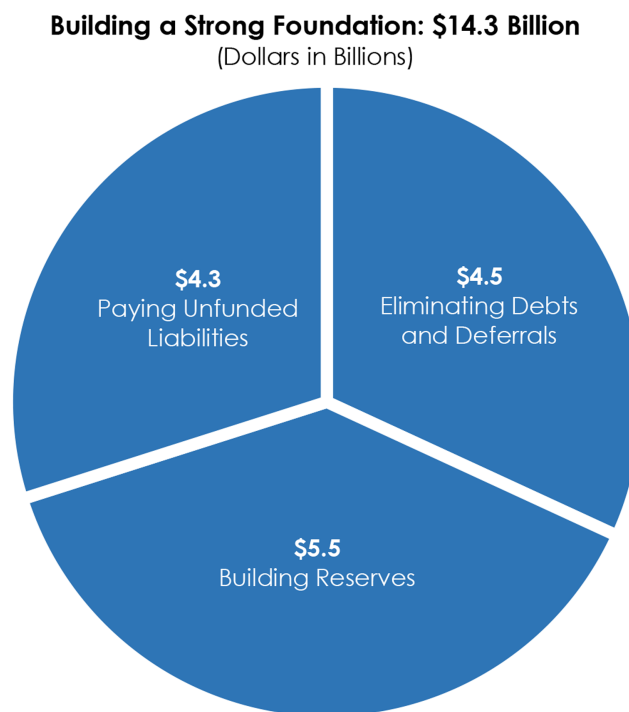
The state must be prepared for the possibility that even a moderate recession could result in revenue declines of nearly \$70 billion and a budget deficit of \$40 billion over three years.



Given the slowing economic forecast and the intensified risks, the Budget continues to save and prepare for uncertain times ahead and maintains structural balance in each year over the forecast period. To maintain this structural balance, several ongoing programmatic expansions will be suspended on December 31, 2021. The suspensions will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

BUILDING BUDGET RESILIENCY AND PAYING DOWN UNFUNDED RETIREMENT LIABILITIES

The Budget allocates \$14.3 billion in 2019-20, and an additional \$500 million over the forecast period, for a total of \$14.8 billion to build budgetary resiliency and pay down the state's unfunded liabilities. This includes \$4.5 billion to eliminate debts and reverse deferrals, \$5.5 billion to build reserves, and \$4.3 billion to pay down unfunded retirement liabilities. The supplemental payment to California Public Employees' Retirement System (CalPERS) of \$3 billion is scheduled to be made over the forecast period, with \$2.5 billion being made this year and \$500 million scheduled over the following three fiscal years.



EFFECTIVE GOVERNMENT

Building budget resiliency promotes a more effective government that can withstand downturns in the economy, as well as natural and human-caused emergencies and disasters.

The Budget includes critical investments needed to sustain and improve California's emergency preparedness, response, and recovery capabilities. This includes \$240.3 million to augment the California Department of Forestry and Fire Protection's (CAL FIRE's) firefighting capabilities by adding 13 additional year-round engines, replacing Vietnam War-era helicopters, deploying new air tankers, and investing in technology and data analytics that support CAL FIRE's initial fire suppression strategies. The Budget also provides a sizable investment in forest management to increase fire prevention and complete additional fuel reduction projects, including increased prescribed fire crews.

The Budget includes funding to continue supporting communities devastated by the 2018 wildfires by backfilling wildfire-related property tax losses and waiving the local share of costs for debris removal. Funding for impacted schools is also backfilled. Additionally, the Budget establishes a stable funding structure to implement an enhanced Next Generation 9-1-1 system and includes funding to protect vulnerable populations and preserve public safety in response to power interruptions planned by utilities during the upcoming fire season.

AFFORDABILITY AND OPPORTUNITY

The Budget makes major investments to address the fact that far too many Californians simply cannot pay basic bills, afford health care, find an affordable place to live, or provide opportunities for their children to thrive.

To provide immediate relief for working families, the Budget more than doubles the Earned Income Tax Credit (EITC) by investing \$1 billion in a new expanded EITC. The expansion includes help for low-income families with young children by providing an additional \$1,000 annually to address the costs of raising young children. This expansion will provide one million more economically distressed households with financial support to help with the costs of food, rent, and child care—bringing the total number of eligible households to three million.

The Budget reflects continued work to improve affordability and access to health care, including addressing the rising cost of prescription drugs and increasing health insurance subsidies so more middle-class Californians can afford health coverage through Covered California. The Budget also moves closer to universal coverage by expanding full-scope Medi-Cal coverage eligibility to the aged, blind, and disabled population from 123 percent to 138 percent of the federal poverty level, and to young adults ages 19 through 25 regardless of immigration status.

The Budget confronts the housing crisis head on with major one-time investments to spur housing development, and gives the courts new powers to hold persistently non-compliant cities and counties accountable to meet their housing production goals. The Budget also doubles General Fund support to legal aid resources to help renters fight back against rent gouging and other unfair practices.

The Budget prioritizes cradle-to-career opportunities by recognizing the crucial investments needed to support young children and their parents. These investments include increasing training for doctors so they can identify and treat issues related to childhood trauma, and additional funding for expanded investments in childcare.

The Budget takes initial steps to expand full-day full-year preschool to all income-eligible four-year olds, makes major investments in child care infrastructure and workforce training, and expands kindergarten facilities so more districts can offer full-day programs. The Budget also funds a master plan to develop a roadmap for providing universal preschool to all four-year olds, as well as a long-term plan to improve access to and the quality of subsidized child care.

The Budget takes a crucial first step toward the goal of expanding California's Paid Family Leave program so newborns can be cared for by a parent or close relative for the first six months of the child's life. The Budget expands paid family leave for each parent from six to eight weeks. This expansion adds an additional month of paid leave for two-parent families, allowing up to a combined four months of leave after the birth or adoption of their child.

The Budget further expands funding for K-12 schools by providing approximately \$5,000 more per pupil than eight years ago, including greater investments to assist students with the greatest needs. The Budget reflects a significant increase in funding for special education, and also makes significant investments in the recruitment and retention of qualified teachers by revamping teacher training and providing targeted grants. To provide immediate and long-term relief to school districts that face rising pension costs, the Budget also provides \$3.15 billion to the California State Teachers' Retirement System and the CalPERS Schools Pool.

For higher education, the Budget includes funding for two free years of community college tuition for first-time full-time students, and provides significant increases for the California State University and the University of California to expand enrollment at the systems by nearly 15,000 students while preventing tuition increases this year. The Budget also increases the number of competitive Cal Grants by nearly 60 percent and

provides a new Cal Grant Access Award for students with children to help meet basic family needs while increasing their likelihood of degree completion.

JUSTICE AND DIGNITY

California is facing a homelessness epidemic across the state. The Budget recognizes the importance of mental health and substance use disorder treatment services, as well as emergency shelters and housing supports, in the fight against homelessness. It invests \$650 million in one-time funds to support local governments on the front line combating this epidemic. The Budget also expands whole person care pilot projects to additional counties and makes a major investment in the workforce, education, and training of mental health professionals. In total, the Budget includes \$1 billion to prevent and mitigate the homelessness epidemic.

Access to safe and affordable drinking water is a fundamental right, yet an estimated one million Californians lack access to safe drinking water. The Budget provides ongoing funding to provide relief to communities without safe drinking water now and into the future.

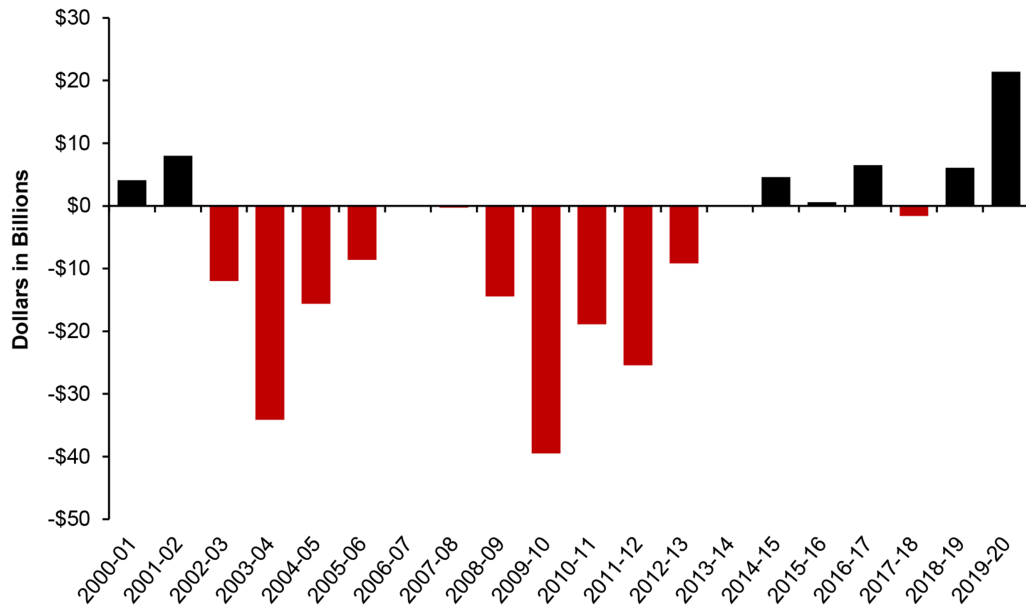
A critical component of a well-functioning correctional system is providing offenders greater opportunity for rehabilitation, starting with the youngest offenders. The Administration will transform its youth correctional facilities to focus on rehabilitation and education through therapeutic community models. The Budget also overhauls substance use disorder programs in prison, and makes major investments in reentry services to continue progress in closing gaps and supporting all Californians in having access to justice and dignity.

A STRONG FOUNDATION IS FUNDAMENTAL TO A CALIFORNIA FOR ALL

Maintaining California's fiscal health is an ongoing challenge given the state's volatile revenue base and limited spending flexibility. As shown in the graphic below, balanced budgets have been quickly followed by huge deficits. The Budget demands constant attention to stay in balance—especially in light of the record length of the economic expansion and ongoing federal uncertainty. The Budget takes a careful approach by allocating \$14.3 billion toward building more budget resiliency through paying off debts and deferrals, building reserves, and paying down unfunded liabilities. It makes strategic investments, mainly one-time, to expand affordability and opportunity, strengthen the state's readiness and emergency response capabilities, and promote

access to justice and dignity. Building a strong fiscal foundation now is the best way the state can prepare for the future and continue to build a California for all.

**Balanced Budgets Have Been Quickly
Followed by Huge Deficits^{1/}**



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

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SUMMARY CHARTS

This section provides various statewide budget charts and tables.

2019 Budget Act
General Fund Budget Summary
(Dollars in Millions)

	2018-19	2019-20
Prior Year Balance	\$11,419	\$6,772
Revenues and Transfers	\$138,047	\$143,805
Total Resources Available	\$149,466	\$150,577
Non-Proposition 98 Expenditures	\$88,249	\$91,890
Proposition 98 Expenditures	\$54,445	\$55,891
Total Expenditures	\$142,694	\$147,781
Fund Balance	\$6,772	\$2,796
Reserve for Liquidation of Encumbrances	\$1,385	\$1,385
Special Fund for Economic Uncertainties	\$5,388	\$1,412
Public School System Stabilization Account		\$377
Safety Net Reserve	\$900	\$900
Budget Stabilization Account/Rainy Day Fund	\$14,358	\$16,516

Note: Numbers may not add due to rounding.

General Fund Expenditures by Agency

(Dollars in Millions)

	2018-19	2019-20	Change from 2018-19	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$4,654	\$5,336	\$682	14.7%
Business, Consumer Services & Housing	439	1,438	999	227.6%
Transportation	208	304	96	46.2%
Natural Resources	3,992	3,680	-312	-7.8%
Environmental Protection	380	193	-187	-49.2%
Health and Human Services	36,171	41,929	5,758	15.9%
Corrections and Rehabilitation	12,575	12,783	208	1.7%
K-12 Education	57,481	58,308	827	1.4%
Higher Education	16,418	17,502	1,084	6.6%
Labor and Workforce Development	160	138	-22	-13.8%
Government Operations	5,292	1,286	-4,006	-75.7%
General Government:				
Non-Agency Departments	1,144	967	-177	-15.5%
Tax Relief/Local Government	504	504	-	0.0%
Statewide Expenditures	3,276	3,413	137	4.2%
Total	\$142,694	\$147,781	\$5,087	3.6%

Note: Numbers may not add due to rounding.

2019-20 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$5,336	\$3,827	\$555	\$9,718
Business, Consumer Services & Housing	1,438	1,002	1,032	3,472
Transportation	304	14,781	348	15,433
Natural Resources	3,680	1,737	1,127	6,544
Environmental Protection	193	4,019	405	4,616
Health and Human Services	41,929	25,189	-	67,119
Corrections and Rehabilitation	12,783	3,004	-	15,787
K-12 Education	58,308	197	1,606	60,111
Higher Education	17,502	170	808	18,479
Labor and Workforce Development	138	811	-	949
Government Operations	1,286	346	9	1,641
General Government				
Non-Agency Departments	967	1,870	10	2,847
Tax Relief/Local Government	504	2,859	-	3,363
Statewide Expenditures	3,413	1,281	5	4,699
Total	\$147,781	\$61,093	\$5,904	\$214,778

Note: Numbers may not add due to rounding.

General Fund Revenue Sources

(Dollars in Millions)

	2018-19	2019-20	Change from 2018-19	
			Dollar Change	Percent Change
Personal Income Tax	\$98,304	\$102,413	\$4,109	4.2%
Sales and Use Tax	26,100	27,241	1,141	4.4%
Corporation Tax	13,774	13,133	-641	-4.7%
Insurance Tax	2,643	2,868	225	8.5%
Alcoholic Beverage Taxes and Fees	381	386	5	1.3%
Cigarette Tax	63	62	-1	-1.6%
Motor Vehicle Fees	31	33	2	6.5%
Other	301	-174	-475	-157.8%
Subtotal	\$141,597	\$145,962	\$4,365	3.1%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-3,551	-2,158	1,393	-39.2%
Total	\$138,046	\$143,804	\$5,758	4.2%

Note: Numbers may not add due to rounding.

2019-20 Revenue Sources

(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2018-19
Personal Income Tax	\$102,413	\$2,368	\$104,781	\$4,089
Sales and Use Tax	27,241	12,388	39,629	1,685
Corporation Tax	13,133	-	13,133	-641
Highway Users Taxes	-	8,401	8,401	784
Insurance Tax	2,868	-	2,868	225
Alcoholic Beverage Taxes and Fees	386	-	386	5
Cigarette Tax	62	2,009	2,071	-19
Motor Vehicle Fees	33	9,823	9,856	349
Other	-174	22,993	22,819	-4,430
Subtotal	\$145,962	\$57,982	\$203,944	\$2,047
Transfer to the Budget Stabilization Account/Rainy Day Fund	-2,158	2,158	0	0
Total	\$143,804	\$60,140	\$203,944	\$2,047

Note: Numbers may not add due to rounding.

EMERGENCY PREPAREDNESS, RESPONSE, AND RECOVERY

California is experiencing unprecedented wildfire activity with increases in the number and severity of wildfires. Fifteen of the twenty most destructive wildfires in the state's history have occurred since 2000; ten of the most destructive fires have occurred since 2015. The fire season is getting longer each year with many parts of the state experiencing nearly year-round fire danger. Climate change has led to historic periods of drought, which has created critically dangerous fuel conditions and resulted in over 147 million dead or dying trees.

Additionally, growth in the wildland urban interface has put more Californians at risk than ever before. More than 25 million acres of the state's wildlands are classified as under very high or extreme fire threat. The catastrophic wildfire activity in 2018, including the Camp, Woolsey, and Hill fires, underscores the serious dangers that current conditions pose to individuals and communities in high-risk areas of the state.

The Administration has taken decisive action to identify and implement recommendations and solutions to reduce wildfire risk; bolster the state's emergency preparedness, response, and recovery capacity; and protect vulnerable communities. The Budget includes \$918 million (\$202 million ongoing) in additional funding to build on these efforts.

COMMUNITY WILDFIRE PREVENTION AND MITIGATION REPORT

In recognition of dangerous fire conditions, the Governor issued Executive Order N-05-19 on January 8, 2019. The Executive Order directed CAL FIRE to collaborate with other state agencies and departments to recommend a series of actions and administrative, policy, and regulatory changes needed to prevent destructive wildfires. The Executive Order further emphasized the need for these actions to be targeted to protect the populations at the greatest risk from wildfires.

On March 5, 2019, CAL FIRE released the Community Wildfire Prevention and Mitigation Report with 19 recommendations for immediate, medium-term, and long-term actions to help the state decrease the risks associated with catastrophic wildfires. The report applies risk-based factors so that implementation of the recommended activities will support the protection of communities in the highest risk areas of the state.

One of the report's central recommendations is to accelerate completion of 35 priority fuel reduction projects identified through CAL FIRE's risk-based assessment. These projects are underway and will reduce fire risk and increase resiliency for over 200 of California's most wildfire-vulnerable communities. Additionally, the state has deployed California National Guard crews and other emergency response resources to complete fire prevention projects.

WILDFIRES AND CLIMATE CHANGE: CALIFORNIA'S ENERGY FUTURE

In early January, the Governor's strike force was created to coordinate the state's efforts to provide for the safety, reliability, and affordability of energy as well as to continue progress toward achieving the state's climate commitments. The Administration directed the strike force to develop a comprehensive strategy to address the impacts of catastrophic wildfires and climate change and their destabilizing effect on the energy sector. Accordingly, the strike force's report, *Wildfires and Climate Change: California's Energy Future*, was released on April 12, 2019 and made a series of recommendations to accomplish the following objectives:

- Reduce the frequency and severity of wildfires, strengthen emergency response, and build community resiliency.
- Mitigate climate change through clean energy policies.
- Provide a fair and equitable allocation of wildfire costs and damages.
- Make necessary changes to stabilize utilities to meet the energy needs of customers and the economy.

The report provides a roadmap for the state to meet the challenges ahead and increase the safety and security of all Californians while providing continued access to safe and affordable energy. The Budget implements many of the recommendations in this report related to reducing the frequency and severity of wildfires.

COMMISSION ON CATASTROPHIC WILDFIRE COST AND RECOVERY

The Commission on Catastrophic Wildfire Cost and Recovery (Commission) is responsible for providing recommendations to the Governor and the Legislature on how to manage the long-term costs and liabilities associated with utility-caused wildfires.

The Commission convened five public meetings at locations across the state, including in cities recently impacted by wildfires, and engaged with victims, stakeholders, and experts to inform its recommendations. The Commission delivered the final report to the Governor and the Legislature on June 18, 2019.

The Commission's report is structured around the principle of equitably socializing the costs associated with catastrophic wildfires. The recommendations in the Commission's report focus on four key areas: (1) addressing utility liability, (2) creating an effective mechanism to assist in the payment of catastrophic wildfire costs, (3) stabilizing the insurance market and maintaining affordable coverage for homeowners in the wildland urban interface, and (4) reducing wildfire risk. The Commission's report builds on the strike force's report and provides another series of actionable options to consider to reduce wildfire risk and build the state's capacity to recover and rebuild in the wake of catastrophic wildfire events.

CURRENT YEAR ACTIONS

The Administration and Legislature have already taken swift action to address urgent needs associated with disaster preparedness and response as well as state and local recovery from recent catastrophic wildfire events. This includes:

- Accelerating implementation of the 35 priority fuel reduction projects identified in the Community Wildfire Prevention and Mitigation Report to protect over 200 of California's most at-risk communities using existing forest health and fire prevention funding.
- Redirecting up to 100 California National Guard personnel to create fuel reduction and fire suppression crews that are available to CAL FIRE to undertake priority projects.

- Launching the California for All Emergency Preparedness Campaign, a joint initiative between Cal Volunteers and Cal OES, to connect vulnerable populations with culturally and linguistically competent support and bolster resiliency. The \$50 million campaign is supporting the dispatch of expert disaster teams to key regions and the development of targeted public awareness and outreach campaigns.
- Providing funding from the California Disaster Assistance Act and Disaster Response-Emergency Operations Account to support critical disaster relief and recovery activities, including debris removal, shelter support, and remediation activities.
- Publishing the Alert and Warning Guidelines, pursuant to Chapter 617, Statutes of 2018 (SB 833), ahead of schedule to help local governments develop robust and effective alert and warning programs.
- Securing delegation of authority from the Secretary of Defense to fly the California National Guard's infrared-equipped Unmanned Aerial Systems in support of CAL FIRE missions throughout 2019.
- Partnering with the federal government to secure the California National Guard's access to satellite-based wildfire detection technology.
- Releasing Requests for Proposals to begin overdue modernization of California's 9-1-1 system.
- Working with California's congressional delegation to secure the state's eligibility for \$12.6 billion in federal funding for disaster relief.

The Budget builds upon these investments and the Administration's accomplishments over the last six months to further strengthen the state's emergency response capacity, reduce the threat of catastrophic wildfires, and protect communities at risk.

DISASTER PREPAREDNESS, RESPONSE, AND RECOVERY

Based on lessons learned and because of the increased magnitude, frequency, and complexity of recent disasters, the Budget includes \$19.2 million (\$20.4 million ongoing) and 153.5 positions for Cal OES and various departments to enhance the state's disaster preparedness, response, and recovery capabilities. These resources support the continuity of state government during disasters, enhance Cal OES' ability to coordinate with all state agency responders, and increase technical proficiency to best

position the state to maximize eligible federal reimbursements, which total billions of dollars.

The Budget also includes \$20 million one-time General Fund for a state mission tasking appropriation within Cal OES' budget. When state entities are mission tasked, some staffing costs associated with these activities are not absorbable within existing budgets, nor are these costs eligible for the California Disaster Assistance Act or Disaster Response-Emergency Operations Account funding. The emergency contingency funding will help meet this need.

PUBLIC SAFETY POWER SHUTDOWN

The Budget includes \$75 million one-time General Fund to work with local governments to protect vulnerable populations and improve resiliency of the state's critical infrastructure in response to utility-led public safety power shutdown (PSPS) actions.

Investor-owned utilities (IOUs) have signaled their intent to significantly increase the use of PSPS on their energized power lines to prevent wildfires during high wind or other severe weather events. As a result, affected areas may be without power for several hours, days, and in some cases, more than a week. Given the configuration of power grids and limited weather-monitoring capacities, utilities at times may be unable to implement PSPS in targeted areas, which could result in larger regional areas being affected.

This investment provides a flexible source of funding to facilitate immediate response to utility initiated power shutdowns. In addition, planning grants to improve local preparedness for PSPS events will be available to the state's Operational Areas' (Counties) Offices of Emergency Management to convene regional stakeholders to discuss PSPS preparedness efforts, update emergency plans for PSPS events, and hold trainings, discussions, and exercises to reinforce planning assumptions.

CALIFORNIA OFFICE OF EMERGENCY SERVICES

The Budget includes an additional \$120.1 million General Fund (\$25 million ongoing) to improve the state's emergency response and preparedness capabilities through the following Cal OES proposals:

- **State Emergency Telephone Number Account (SETNA) and 9-1-1 Advancements**—\$50 million one-time General Fund will be deposited in SETNA to maintain the current level of services and continue implementing improvements to the state's 9-1-1 system. Specifically, these resources are being used to upgrade the California Public Safety Microwave Network from an analog system to a digital system in the current year to enhance emergency response communications. The Network provides connectivity for public safety radio systems that link responders and dispatchers, provides redundancy and resiliency, and enhances disaster response.

The Budget includes a new fee structure that will be implemented on January 1, 2020, generating approximately \$175 million annually. The fee can be adjusted each year based on the amount of appropriation authority the Legislature authorizes from SETNA and the number of access lines reported to Cal OES by service providers.

Creating a more stable funding structure will allow Cal OES to implement a statewide Next Generation 9-1-1 system that provides faster call delivery, increased routing accuracy and functionality, call overflow and backup functionality, updated geographic information capability and wireless location data, and incoming text capability. Combined, these proposals will improve public safety and significantly advance California's emergency response capabilities.

- **Mutual Aid System**—\$25 million ongoing General Fund for prepositioning of existing Cal OES and local government resources that are part of the statewide mutual aid system with the goal of enhancing disaster response readiness. Prepositioning occurs in areas of identified potential fire threat, which is determined through various means such as weather modeling, high wind zones, low humidity, and dense fuel loads.
- **California Disaster Assistance Act (CDAA)**—\$28.8 million one-time General Fund to increase the amount of funding available through CDAA, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster, and to reimburse local government costs associated with certain emergency activities undertaken in response to a state of emergency. This augmentation increases total CDAA funding included in the Budget to \$91.4 million.
- **California Earthquake Early Warning**—\$16.3 million one-time General Fund to finish the build-out of the California Earthquake Early Warning System, including finishing

seismic stations installation, adding GPS stations to the network, improving telemetry, and launching a statewide education and outreach campaign. The system is anticipated to be operative statewide by June 2021.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The Budget includes \$240.3 million (\$140.9 million ongoing) to enhance CAL FIRE's fire protection capabilities and increase the pace and scale of forest health and fire prevention activities. These additional resources align with key recommendations from the Community Wildfire Prevention and Mitigation Report as well as the strike force's report on California's Energy Future. Significant investments include:

- **Expanding Firefighting Surge Capacity**—\$67.5 million General Fund (\$56.9 million ongoing) for CAL FIRE and the California Conservation Corps to enhance the state's fire protection capabilities, including resources to (1) add 13 new year-round fire engines that will be located in areas of the state with the highest fire risk, (2) operate 5 additional CAL FIRE/Corps fire crews, (3) expand heavy fire equipment operator staffing to support CAL FIRE's bulldozer operations during emergency wildfire events, and (4) accelerate the replacement of fire engines and other mobile equipment to address increased wear and tear on CAL FIRE's vehicles resulting from the longer fire season.
- **Enhancing Aviation Resources**—\$127.2 million General Fund (\$63.5 million ongoing) to add aircraft with increased tactical capabilities to CAL FIRE's aviation fleet to meet the challenges associated with more severe wildfire activity. Specifically, the Budget includes \$17.7 million General Fund for the first year of operating the large air tankers that will be transferred from the U.S. Air Force starting in fiscal year 2020-21. The Budget also reflects \$109.5 million General Fund, including \$95.7 million one-time General Fund, to continue the replacement of CAL FIRE's Vietnam War-era helicopters with new state-of-the-art helicopters.
- **Supporting Emergency Responders**—\$6.6 million from various funds (\$9.3 million ongoing) to expand CAL FIRE's health and wellness program and to provide medical and psychological services as well as peer support to firefighters. Catastrophic wildfires are creating an environment where first responders are working longer hours and days to mitigate these incidents, while also focusing on evacuations in the early hours of fires to get individuals safely out of harm's way. Personnel are CAL FIRE's most valuable asset, and maintaining their long-term health and well-being allows them to be ready for the next emergency.

- Improving Use of Technology and the Innovation Procurement Sprint—\$24.7 million General Fund (\$7.6 million ongoing) to enable CAL FIRE to (1) procure innovative solutions to combat the state's wildfire crisis, consistent with Executive Order N-04-19, by utilizing a modified procurement process referred to as the Innovation Procurement Sprint through which CAL FIRE will work collaboratively with vendors to identify, develop, and deploy new and innovative solutions; (2) hire dedicated staff to review data gathered via remote sensing technology, situational awareness software and satellite imagery to support incident command decision-making; and (3) operate 100 additional fire detection cameras that will be linked into the existing command centers to provide additional data on conditions.
- Increasing Fire Prevention—\$14.3 million (\$3.6 million ongoing) to (1) support the Board of Forestry and Fire Protection in certifying the Programmatic Environmental Impact Report (EIR) for the California Vegetation Treatment Program, which will help CAL FIRE and other partner agencies increase the pace and scale of fire prevention activities, (2) enhance land use planning and wildfire risk reduction efforts in the wildland urban interface, and (3) dispose of illegal and dangerous fireworks. For additional information on the \$200 million Greenhouse Gas Reduction Fund included in the Budget for CAL FIRE forest health and fire prevention projects and programs, see the Wildfire Prevention and Recovery Legislative Package section.

FOREST HEALTH AND WILDFIRE PREVENTION

The Budget includes \$225.8 million (\$14.7 million ongoing) to implement forest health and wildfire prevention efforts that build the state's resiliency to climate change-driven wildfire activity. These investments include:

- Forest Health and Fire Prevention—\$210 million Greenhouse Gas Reduction Fund (\$6.4 million ongoing) for CAL FIRE, including \$200 million for forest health and fire prevention projects and programs consistent with Chapter 626, Statutes of 2018 (SB 901). This funding will enable CAL FIRE to complete more fuel reduction projects through the operation of prescribed fire crews and grants for forest health projects. Additionally, this investment will facilitate increases in the pace and scale of fire prevention activities and enable CAL FIRE and other partner entities to continue striving towards achieving the statewide goal of increasing forest management treatments from 250,000 to 500,000 acres per year on non-federal forest lands, as recommended in the Forest Carbon Plan.

- Forestry Corps—\$4.5 million General Fund (\$4.4 million ongoing) for the California Conservation Corps to develop and implement the Forestry Corps Program and operate four Forestry Corps crews that will undertake forest health and hazardous fuel reduction projects in areas of high fire risk. This program will also provide specialized training and assistance to corpsmembers to create educational and career pathways to forestry and other related fields.
- Prescribed Fire Monitoring and Timber Harvest Plan Exemption Review—\$11.3 million from various funds (\$3.9 million ongoing) for the California Air Resources Board, Department of Fish and Wildlife, and State Water Resources Control Board to implement the requirements of the legislative package and facilitate increases in the number of prescribed fire and other fuel reduction projects while mitigating the potential for negative impacts to the environment.

SUPPORTING LOCAL RECOVERY

PROPERTY TAX BACKFILLS

Earlier this year, \$31.3 million was appropriated to fire-impacted counties for property tax losses resulting from the recent wildfires. The Budget includes an additional \$518,000 one-time General Fund to reimburse cities, counties and special districts for 2018-19 property tax losses.

The additional \$518,000 is for the local agencies in Los Angeles, Mendocino, Napa, Orange, San Diego, Solano, Tuolumne, and Ventura counties that suffered property tax losses due to the 2018 wildfires but had not been able to calculate these totals timely to be included in the Governor's Budget. They are now included in the Budget.

The corresponding property tax loss for K-14 schools is \$530,000. This will be backfilled under the Proposition 98 school funding mechanism.

CAMP FIRE RECOVERY

On November 8, 2018, a state of emergency was declared for Butte County due to the effects of the Camp Fire—the deadliest and most destructive wildfire in California history. The Camp Fire destroyed more than 18,000 structures and 90 percent of the Town of Paradise, which was home to almost 27,000 residents. The Budget includes \$10 million one-time General Fund to support local communities in their recovery from the unprecedented devastation of the Camp Fire, \$800,000 one-time General Fund for the Paradise Sewer Project, and \$2 million one-time General Fund for the Butte County

Fire Department to maintain its current level of service and continue operation of one year-round fire station through its cooperative agreement with CAL FIRE.

OTHER DISASTER RECOVERY INVESTMENTS

The Budget includes \$40 million one-time General Fund to provide relief to local governments and communities and support recovery efforts in the wake of recent disasters. These investments include (1) \$23.5 million to rebuild camps and other infrastructure destroyed by the Woolsey and Tubbs Fires, (2) \$15 million to provide additional relief to local governments most affected by the 2017 and 2018 wildfires, and (3) \$1.5 million to assist the City of Sebastopol in recovery from the February 2019 flood.

OTHER SIGNIFICANT EMERGENCY PREPAREDNESS, RESPONSE, AND RECOVERY INVESTMENTS

The Budget includes additional funding for various proposals that will further enhance the state's capacity to prepare for, respond to, and recover from disasters.

- **Public Safety Radios**—\$130.3 million one-time (\$112.3 million General Fund), including \$59.5 million General Fund for Cal OES over five years, to update and improve public safety radio communication. California currently uses antiquated conventional radio systems. They operate on different radio frequencies and dissimilar infrastructure, and do not interoperate with radio systems. This makes it difficult for a first responder on one system to communicate with a first responder on another system. To address these issues and improve public safety communication capabilities, the Budget includes funding for Cal OES to develop and implement the California Interoperable Public Safety Radio System as well as resources for the Department of Justice, the Department of Fish and Wildlife, the California Highway Patrol, and the Department of Parks and Recreation to replace aging radios and other outdated technology infrastructure.
- **Local Emergency Response**—\$26 million one-time General Fund to increase the capacity of local agencies to respond to emergency incidents by supporting emergency operations centers, local fire departments, and first responder programs.
- **Defensible Space Assistance Program**—\$5 million one-time General Fund to support increased community resiliency through regionally-led defensible space assistance programs.

- Planning Costs for Wildfire Recovery—\$2 million one-time General Fund for the State Water Resources Control Board to support planning costs to help communities recover from wildfires.

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EARLY CHILDHOOD

Early childhood programs in California serve thousands of children, improving health and quality of life. The high-quality interventions and opportunities these programs provide are supported by a growing body of research that links them to improved outcomes, including higher education levels, better health, and stronger career opportunities.

MASTER PLAN FOR EARLY LEARNING AND CARE

The Budget includes \$5 million one-time General Fund for a long-term strategic plan to provide a roadmap to comprehensive, quality, and affordable child care and preschool for children from birth through age twelve, with particular focus on early childhood. The Master Plan for Early Learning and Care, administered by the Secretary of the Health and Human Services Agency, will build on recent work by the Legislature and the California Department of Education. It will include strategies to address facility capacity, a trained workforce, universal access to preschool, and revenue options to support the Plan. The Plan will reflect the principle of shared responsibility and outline the appropriate role for parents, government, and business in meeting child care and early learning needs. All recommendations for the Master Plan are required to be submitted to the Administration and the Legislature by October 1, 2020.

INCREASING ACCESS TO EARLY LEARNING AND CARE

The Budget includes several new investments to increase access to subsidized child care for low-income families. These proposals expand the number of children in care and provide families receiving CalWORKs subsidies with additional continuity and stability in their access to care. Specifically, the Budget includes:

- A total of \$143.3 million ongoing funds (\$80.5 million Cannabis Fund, \$50 million General Fund, and \$12.8 million federal Child Care and Development Fund) to increase access for more than 9,400 children in the Alternative Payment Program and more than 3,000 children in the General Child Care Program. The \$50 million General Fund is one-time and considered an acceleration of future cannabis revenues.
- \$56.4 million General Fund in 2019-20 and \$70.5 million ongoing General Fund to: (1) fund continuous CalWORKs Stage One child care eligibility for 12 months, (2) provide authorization of Stage One child care on a full-time basis, (3) provide additional allowable program activities for which clients are eligible to receive Stage One child care services, and (4) require implementation of a data sharing system between county welfare departments and child care contractors in the Statewide Automated Welfare System. These changes will provide CalWORKs clients with more consistent access to child care.
- \$10 million ongoing General Fund to increase access to the Emergency Child Care Bridge Program for Foster Children, to bring total program funding to \$41 million ongoing General Fund. The increased funding will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- \$157.5 million ongoing General Fund to reflect a caseload increase of almost 14,000 children in CalWORKs Stages 2 and 3 child care, a 13.4-percent increase in these programs.

UNIVERSAL PRESCHOOL

Pre-kindergarten education is the basis for success in K-12 education and beyond. The Budget includes targeted, ongoing investments that put California on the path to universal preschool. Specifically, the Budget provides the following funding and eligibility expansions for state-subsidized preschool:

- \$31.4 million in 2019-20 and \$124.9 million ongoing non-Proposition 98 General Fund to increase access to the State Preschool Program for 10,000 eligible children, through non-local educational agency providers.
- Elimination of the work requirement for eligible families to access the full-day State Preschool Program, with the requirement that working families are prioritized for full-day programs.
- Expanded eligibility for the State Preschool Program for all children who live in a school attendance area where 80 percent or more students qualify for free or reduced price meals.

IMPROVING ACCESS AND QUALITY OF CHILD CARE

To increase the quality and availability of child care, the Budget provides \$460 million one-time General Fund for the following:

- Early Learning and Care Infrastructure Grant Program—\$245 million, plus an additional \$18 million transfer from the Child Care Facilities Revolving Loan Fund, for grants to child care and preschool providers for facilities expansions. The Budget also allows up to 5 percent of this funding to be used for renovation and repairs to address child care and preschool provider health and safety issues. This funding will be allocated over the next four years.
- Early Learning and Care Workforce Development Grant Program—\$195 million for grants for child care and preschool workforce professional development and education to improve the quality of care and provide accessible avenues for child care professionals to move along the early education/child care professional continuum. This funding will be allocated over the next four years.
- Early Learning and Care Data Systems—\$20 million to invest in data systems that integrate statewide provider and recipient information for the state's subsidized early learning and care programs. These data systems will (subject to future legislation) integrate with the Longitudinal Data System discussed in the K-12 Education Chapter, and will provide the state with additional information to inform policy decisions and support the implementation of child care provider organizing.

These proposals include statutory language that allows the Legislature and Administration to make programmatic changes in how funding is disbursed based on

recommendations contained in the Master Plan for Early Learning and Care, to be released by October 1, 2020.

EARLY CHILDHOOD POLICY COUNCIL

The Budget provides \$2.2 million General Fund each year for three years to establish the Early Childhood Policy Council, an advisory body that includes parents, providers, and administrative agencies from the state's system of early learning and care, to provide recommendations to the Legislature and Administration on state early learning and care policy. The Council will make recommendations on the implementation of the Legislature's Blue Ribbon Commission on Early Childhood Education Final Report and the Master Plan for Early Learning and Care and will perform duties previously under the purview of the State Advisory Council for Early Learning and Care, as required by federal law.

FULL-DAY KINDERGARTEN EXPANSION

Kindergarten is not compulsory for children in California, but attendance is beneficial to a child's long-term academic attainment. Research suggests that students attending full-day, high-quality early primary education programs are more school-ready and have better literacy acquisition than students in part-day programs. The Budget includes \$300 million one-time non-Proposition 98 General Fund to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten and address barriers to access.

To target these resources effectively and encourage participation, the Budget: (1) limits program eligibility in 2019-20 and 2020-21 to only those school districts that will convert from part-day to full-day kindergarten programs, (2) provides a 75-percent state share of grant funding for schools converting from part-day to full-day kindergarten programs, and (3) enables school districts to use project savings to fund other activities that reduce barriers to providing full-day kindergarten.

REDUCING CHILDHOOD POVERTY

CALWORKS GRANT INCREASE

The Budget includes \$331.5 million General Fund and federal Temporary Assistance for Needy Families (TANF) block grant funds in 2019-20 and \$441.8 million ongoing General

Fund and federal TANF block grant funds to increase CalWORKs Maximum Aid Payment (MAP) levels, effective October 1, 2019. In high-cost regions, the increase will help ease some of the financial burden on families by bringing a one-person assistance unit's MAP level from 38 percent of the federal poverty level to 52.8 percent of the federal poverty level, and all remaining assistance unit sizes' MAP levels to 49.4 percent of the federal poverty level.

INCREASED SUPPORT FOR LOCAL CHILD SUPPORT AGENCIES

The Budget includes \$19.1 million General Fund in 2019-20, growing to \$57.2 million General Fund beginning in 2021-22, to implement a Local Child Support Agency funding methodology for administrative costs. These resources will create more equitable funding across all local agencies, reducing geographic disparities in funding for child support case management. The additional funding strengthens supports for families with young children by increasing the ability of local agencies to collect and remit child support payments. Upon full implementation, the additional resources are anticipated to increase annual child support collections by hundreds of millions of dollars.

CAL GRANT ACCESS AWARDS FOR STUDENT PARENTS

As discussed in the Higher Education Chapter, to expand opportunities for student-parents, increase their graduation rates, and reduce child poverty, the Budget includes \$96.7 million ongoing General Fund to establish or increase access awards for students with dependent children attending the UC, CSU, or CCCs. Qualifying new or renewal Cal Grant A recipients will receive an access award of up to \$6,000, qualifying new or renewal Cal Grant B recipients will see their access award increase from \$1,648 to \$6,000, and qualifying Cal Grant C recipients will see their book and supply award increase from \$1,094 to \$4,000. These access awards and increased award levels will better enable students with dependent children to meet their families' basic needs and increase their likelihood of degree completion.

EARLY CHILDHOOD HEALTH AND WELLNESS

TRAUMA AND DEVELOPMENTAL SCREENINGS

Research shows that individuals who experienced adverse childhood experiences are at greater risk of heart disease, diabetes, and premature death. Identifying cases of trauma in children and adults and providing treatment can lower long-term health costs and support individual and family wellness and healing.

The Budget includes \$30.8 million ongoing federal funds and \$23.1 million ongoing Proposition 56 funds for developmental screenings for children in the Medi-Cal program and \$27.2 million ongoing federal funds and \$13.6 million ongoing Proposition 56 funds for trauma screenings for children and adults in the Medi-Cal program. In addition, the Budget includes \$25 million federal funds and \$25 million Proposition 56 funds (as part of a total investment of \$120 million one-time combined federal and Proposition 56 funds over three years) to train providers on delivering trauma screenings. The increased funding for these programs will be suspended on December 31, 2021. The suspension will be lifted if the administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

HOME VISITING

Nearly one-third of the state's population, and approximately 45 percent of new mothers, receive Medi-Cal benefits. In an effort to bolster early childhood supports and reduce health disparities for low-income families, the Budget proposes investments to link at-risk families to appropriate interventions and services.

The Budget includes \$89.6 million General Fund and federal TANF block grant funds in 2018-19 and approximately \$167 million ongoing for the CalWORKs Home Visiting Program, and expands program eligibility beyond first-time parents. The CalWORKs Home Visiting Program is expected to serve 18,500 cases.

The Budget also includes \$34.8 million ongoing reimbursements and \$30.5 million ongoing General Fund to expand the California Home Visiting Program and the Black Infant Health Program in the Department of Public Health. Of these amounts, \$22.9 million reimbursements and \$23 million General Fund will support expansion of the California Home Visiting Program, including implementation of a wider range of home

visiting models based on varying family needs. The remaining \$11.9 million reimbursements and \$7.5 million General Fund is to increase participation in the Black Infant Health Program, including the California Perinatal Equity Initiative, to improve African-American infant and maternal health through case management services. This funding will allow more families to receive these important services and support development and implementation of more cost-effective models and culturally appropriate services.

PAID FAMILY LEAVE

The Budget takes significant steps towards expanding California's Paid Family Leave program. Beginning July 1, 2020, California's Paid Family Leave program, a component of the State's Disability Insurance program, will allow workers to take up to eight weeks of paid leave annually—two weeks more than current law provides—to bond with a newborn or newly adopted child or to care for a seriously ill family member, with wage replacement of up to 70 percent of salary based on income level. Claimants may also take a full eight weeks to assist a family member during military deployment, pursuant to Chapter 849, Statutes of 2018 (SB 1123) when that bill takes effect on January 1, 2021.

The Paid Family Leave program is funded entirely by employee contributions. The contribution rate is adjusted each year based on a statutory formula designed to collect revenues sufficient to fund benefits and program administration, as well as maintain a reserve to accommodate fluctuations in fund revenue or disbursements. To deliver this expanded benefit with minimal impact on employee contributions, the Budget reduces the minimum reserve in the Disability Insurance Fund to enable the state to make a down payment in expanding Paid Family Leave while still maintaining an adequate reserve. The Administration estimates this new reserve amount will be sufficient to absorb fluctuations in revenues due to future economic downturns as well as increased use of benefits. The reserve rate change is effective beginning July 1, 2019.

To meet the goal that all babies are cared for by a parent or a close relative for up to six months, the Administration has convened a task force of early childhood policy and program leaders, employer groups, labor, and other experts. The task force will consider the latest research on child development and the structure of the Paid Family Leave program. It will meet throughout the remainder of the year to evaluate important policy considerations, such as the alignment of existing worker protections and non-retaliation protections for employees' use of the program, as well as increasing the wage replacement rate for low-wage workers up to 90 percent. By November, the task force will issue recommendations for consideration in the 2020-21 Governor's Budget.

CHILD SAVINGS ACCOUNTS

Child savings accounts are accounts designated for a specific child to build assets over time through contributions from family, friends, government, non-governmental organizations, and/or the child. The accounts are generally opened with an initial contribution, or seed money, from a sponsoring organization. Eligible uses of the accounts are for tuition (normally for post-secondary education such as college, vocational, or technical schools), room and board, books, supplies and equipment, and mandatory fees.

To support and encourage families to build assets for their children's post-secondary education, the Budget includes the following investments:

- Child Savings Account Grant Program—\$25 million one-time General Fund to support grants to local governments and nonprofit organizations that sponsor or create local or regional child savings account programs.
- California Kids Investment and Development Savings Program—\$25 million one-time General Fund to support college savings accounts at the ScholarShare Investment Board for eligible low-income California children born on or after July 1, 2020.

K-12 EDUCATION

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

The Budget includes total funding of \$103.4 billion (\$58.8 billion General Fund and \$44.6 billion other funds) for all K-12 education programs.

PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in 1988-89, determines education funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, local property tax revenues, per capita personal income, civilian population, and school attendance growth or decline.

In 2011-12, at the depth of the state budget crisis, the minimum guarantee declined to a relative low of \$47.3 billion. Since then, driven primarily by significant increases in state General Fund revenues, the minimum guarantee has increased to \$81.1 billion. For K-12

schools, this increase results in Proposition 98 per pupil spending of \$11,993—a \$4,989 increase over the 2011-12 per pupil spending levels. Additionally, in the same period, per pupil spending from all state, federal, and local sources increased by approximately \$6,724 per pupil to \$17,423.

PUBLIC SCHOOL SYSTEM STABILIZATION ACCOUNT

Proposition 2, enacted by voters in 2014, established the Public School System Stabilization Account, also referred to as the Proposition 98 Rainy Day Fund, within the Proposition 98 Guarantee as a formula-driven mechanism to lessen the impact of volatile state revenues on K-14 schools. In fiscal years with certain positive economic conditions, a deposit is made into the Account. These deposits can be spent in fiscal years in which the minimum Proposition 98 funding level is not sufficient to fund the prior year funded level adjusted for growth and inflation.

For 2019-20, the Budget includes a constitutionally required deposit into the Account of \$376.5 million. This deposit does not initiate school district reserve caps, as the amount in the Account (which is equal to the 2019-20 deposit) is not equal to or greater than 3 percent of the total K-12 share of the Proposition 98 Guarantee (approximately \$2.1 billion).

PROPOSITION 98 CERTIFICATION

The 2018 Budget Act amended the process for finalizing the Proposition 98 funding level for a given fiscal year, commonly referred to as the Proposition 98 certification process. Specifically, these changes: (1) provided a new mechanism for annual certifications, (2) increased certainty around the payment of future settle-up, (3) provided the state with additional budgeting flexibility through a new cost allocation schedule, (4) provided a continuous appropriation of Local Control Funding Formula (LCFF) COLA, and (5) certified the guarantee for the prior years of 2009-10 through 2016-17.

To provide more certainty, the Budget includes changes to the Proposition 98 certification process to:

- Eliminate the cost allocation schedule.
- Create a cap on increases to LCFF related to the continuous appropriation of LCFF COLA.

The Budget also includes changes in statute to specify that the state may not adjust Proposition 98 funding levels for any non-certified year outside of the fiscal years commonly referred to as “current year” and “budget year” (for the Budget, this refers to fiscal years 2018-19 and 2019-20). The result of this revised process is that prior year Proposition 98 levels will not change, protecting local educational agencies from unanticipated revenue drops in past fiscal years.

LOCAL CONTROL FUNDING FORMULA

In 2013, the LCFF was adopted to replace the prior revenue limit school finance system, which was inequitable, overly complex, and administratively costly. The formula allows for increased local control in school budgeting, and responds to research and practical experience that indicates students from low-income families, English language learners, and youth in foster care often require supplemental services and support to be successful in school.

The Budget provides \$1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26-percent COLA. Since the enactment of LCFF, the state has allocated over \$23 billion in additional ongoing resources to local educational agencies through the formula.

SPECIAL EDUCATION

Local educational agencies are required by federal law to provide appropriate and comprehensive educational programs for students with disabilities. However, historical federal underfunding of special education (especially for services to preschool-age children with disabilities), complex, unequal, and administratively costly state funding for special education, and the rising cost of special education services, especially for school districts with high proportions of students with disabilities, can impact school districts' ability to provide a comprehensive program of services for students with exceptional needs.

There is a lack of alignment between the local educational agencies that are held accountable for the outcomes of students with disabilities and the state and local agencies that control the allocation of local special education funds. This problem has persisted over time, and in 2017 and 2018, school districts were most likely to be identified as needing support from county offices of education because of poor performance on student outcome indicators for students with disabilities.

To begin the work needed to address these issues, the Budget includes \$645.3 million ongoing Proposition 98 General Fund for special education. Specifically, the Budget includes \$152.6 million to provide all Special Education Local Plan Areas (SELPA) with at least the statewide target rate for base special education funding, approximately \$557 per unit of average daily attendance, under the existing special education funding formula. The Budget also includes \$492.7 million for special education allocated based on the number of children ages 3 to 5 years with exceptional needs that the school district is serving.

Further, the Budget specifies that these ongoing funding increases are contingent upon the adoption by the Legislature and Administration of reforms to the special education funding formula and special education accountability system as part of the 2020 Budget Act. Finally, the Budget includes an additional \$500,000 one-time non-Proposition 98 General Fund to improve state agency coordination to increase local educational agencies' ability to draw down federal funds for medically-related special education services and to improve the transition of three-year-olds with disabilities from regional centers to local educational agencies.

CALSTRS AND CALPERS EMPLOYER CONTRIBUTION RATES

In response to a large unfunded liability in the system, Chapter 47, Statutes of 2014 (AB 1469) was enacted to put CalSTRS on the path to full funding over a 32-year period. Based on a model of shared responsibility, employers (local educational agencies and community colleges), employees (teachers), and the state are each required to pay their respective share of the costs of CalSTRS member pensions, and AB 1469 increased the proportional payments for all parties. Specifically, contribution rates for employers were scheduled to increase incrementally each year from 8.25 percent in 2013-14 to 19.1 percent in 2020-21 (the 2018-19 rate for schools is 16.28 percent).

The California Public Employees' Retirement System (CalPERS) Schools Pool, which includes classified school employees as members, funds pension benefits through actuarially determined contributions. Contribution rates for employers are currently expected to increase from 18.1 percent in 2018-19 to 23.6 percent by 2020-21.

To provide relief to local educational agencies and community colleges for the rising costs of pensions, both now and in the future, the Budget includes a \$3.15 billion non-Proposition 98 General Fund payment on their behalf to CalSTRS and the CalPERS Schools Pool. Of this amount, an estimated \$850 million will buy down the employer contribution rates in 2019-20 and 2020-21. With these payments, the CalSTRS employer

contribution rate will decrease from 18.13 percent to 17.1 percent in 2019-20 and from 19.1 percent to 18.4 percent in 2020-21. The payments will decrease the CalPERS Schools Pool employer contribution rate from 20.7 percent to 19.7 percent in 2019-20 and from 23.6 percent to 22.9 percent in 2020-21. The remaining \$2.3 billion will be paid toward the employers' long-term unfunded liability for both systems. Overall, this payment is expected to save employers \$6.1 billion over the next three decades, with an estimated reduction in the out-year contribution rate to CalSTRS of 0.3 percentage points, and to the CalPERS Schools Pool of 0.1 to 0.3 percentage points.

AFTER SCHOOL PROGRAMS

In response to cost pressures in the After School Education and Safety Program (ASES) related to recent increases in the state's minimum wage, the Budget includes \$50 million ongoing Proposition 98 General Fund to provide an increase of approximately 8.3 percent to the per-pupil daily rate for ASES (increasing this rate from \$8.19 to \$8.87 per day).

LONGITUDINAL DATA SYSTEM

Although state agencies collect and manage a significant amount of data, the systems that house these data are not aligned to provide a clear picture of how students advance from early education programs through K-12 schools to postsecondary education and into the workforce. This is due, in part, to the fact that California's existing databases operate under different legal and regulatory requirements, using different data definitions, and with varying levels of user-friendliness.

To improve coordination across data systems and better track the impacts of state investments on achieving educational goals, the Budget provides \$10 million one-time non-Proposition 98 General Fund to plan for and develop a longitudinal data system. This system will connect information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. A portion of this funding will be used for initial planning purposes. The bulk of the funding will be available for the initial stages of system implementation, once an expenditure plan is approved by the Administration and the Legislature has been notified. Further, as discussed in the Early Childhood Chapter, the Budget provides an additional \$10 million one-time non-Proposition 98 General Fund to begin building up the state's early learning and care data infrastructure to prepare it to connect to the longitudinal data system (subject to future legislation).

RETAINING AND SUPPORTING WELL-PREPARED EDUCATORS

California struggles with chronic teacher shortages in various regions of the state, and especially in certain subject matter areas. To recruit and retain qualified teachers in school districts with high rates of under-prepared teachers, the Budget includes \$89.8 million one-time non-Proposition 98 General Fund to provide up to 4,487 grants of \$20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years. Funds will be provided to qualifying individuals in hard-to-hire subject matter areas (including bilingual education; special education; and science, technology, engineering, and mathematics (STEM); among other areas) and school sites with the highest rates of non-credentialed or waiver teachers. The California Student Aid Commission will administer the program.

Additionally, the Budget includes \$43.8 million one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including teachers and paraprofessionals, to build capacity around key state priorities. Specifically, this funding is allocated for the following:

- \$37.1 million for the Educator Workforce Investment Grants for teachers and paraprofessionals, including:
 - \$22.1 million for professional development related to social emotional learning, computer science, restorative practices, and ethnic studies.
 - \$10 million for professional development related to the implementation of the English-Learner Roadmap.
 - \$5 million for professional development related to special education and inclusive practices.
- \$6.7 million for the California Subject Matter Projects.

Finally, the Budget includes \$13.8 million ongoing federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.

The training and resources developed as a result of these investments will be provided in alignment with the statewide system of support.

COMPUTER SCIENCE

In addition to STEM and computer science training for teachers, the Budget includes the following proposals to expand access to computer science education in the state:

- **Broadband Infrastructure**—While the state has made significant investments in school district broadband infrastructure in recent years, some districts still need infrastructure and updates to meet the growing bandwidth needs of digital learning. To expedite these solutions, the Budget includes \$7.5 million one-time non-Proposition 98 General Fund for broadband infrastructure.
- **California Computer Science Coordinator**—To provide cohesive statewide organization in implementing new computer science standards and developing a comprehensive plan to promote computer science for all California students, the Budget includes \$1 million one-time non-Proposition 98 General Fund, available over four years, to the Department of Education to establish a state Computer Science Coordinator.

CHARTER SCHOOLS

To better align the governance, transparency, and accountability requirements of school districts and charter schools, the Budget includes the following proposals to increase local accountability in charter school budget planning and to prevent families from being wrongfully turned away from the public school of their choice:

- Prohibits charter schools from discouraging students from enrolling in a charter school or encouraging students to disenroll from a charter school on the basis of academic performance or student characteristics, such as special education status.
- Prohibits charter schools from requesting a pupil's academic records or requiring that a pupil's records be submitted to the charter school prior to enrollment.
- Creates a process for families of prospective and current charter school students to report concerns to the relevant authorizer.
- Requires the Department of Education to examine the feasibility of using data from the California Longitudinal Pupil Assessment Data System to identify charter school enrollment disparities that may warrant inquiry and intervention by charter school authorizers.

SCHOOL FACILITIES BOND FUNDS

Proposition 51, approved by voters in November 2016, authorized a total of \$7 billion in state general obligation bonds for K-12 schools to be allocated through the School Facilities Program in place as of January 1, 2015. Approximately \$600 million in Proposition 51 bond funds have been expended in each of fiscal years 2017-18 and 2018-19. The Budget assumes \$1.5 billion Proposition 51 bond funds, an increase of \$906 million over the prior year, to support school construction projects. These funds will support new construction, modernization, retrofitting, career technical education, and charter school facility projects.

The Budget also includes an additional \$1.2 million ongoing Proposition 51 bond funds and State School Site Utilization Funds, and 10 positions for the Office of Public School Construction to support the increased processing of applications and program workload.

FULL-DAY KINDERGARTEN

As discussed in the Early Childhood Chapter, the Budget includes \$300 million one-time non-Proposition 98 General Fund to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

OTHER K-12 BUDGET ADJUSTMENTS

In addition to the augmentations described above, the Budget also provides:

- Proposition 98 Settle-Up—An increase of \$686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through 2017-18.
- Classified School Employees Summer Assistance Program—An increase of \$36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program, which provides a state match for classified employee savings used to provide income during summer months.
- AB 1840 Adjustments—An increase of \$3.6 million one-time Proposition 98 General Fund for Inglewood Unified School District and \$514,000 one-time Proposition 98 General Fund for Oakland Unified School District, amounting to 75 percent of the

operating deficit of these districts, pursuant to Chapter 426, Statutes of 2018 (AB 1840).

- **Special Olympics**—An increase of \$4 million one-time non-Proposition 98 General Fund for the Special Olympics of Northern and Southern California.
- **Wildfire-Related Cost Adjustments**—An increase of \$2 million one-time Proposition 98 General Fund to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, an increase of \$727,000 one-time Proposition 98 General Fund to reflect adjustments to the state's student nutrition programs resulting from wildfire-related losses. Further, the Budget holds both school districts and charter schools impacted by the 2018 wildfires harmless for state funding for two years.
- **Breakfast After the Bell**—An increase of \$500,000 one-time Proposition 98 General Fund to increase participation in the Breakfast After the Bell school nutrition program.
- **Homeless Youth Education**—An increase of \$500,000 one-time Proposition 98 General Fund for the San Diego Unified School District to support the education of homeless youth.
- **California Association of Student Councils**—An increase of \$150,000 one-time non-Proposition 98 General Fund to provide leadership development opportunities for financially disadvantaged students.
- **San Francisco Unified School District Excess Tax Correction**—An increase of \$149.1 million one-time Proposition 98 General Fund to reflect a technical adjustment to excess property taxes related to a misallocation of these funds in 2016-17. Specifically, San Francisco did not properly calculate the excess tax allocation for the school district, which received taxes that should have been allocated to the county and city and special districts.

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HIGHER EDUCATION

The Budget represents a significant investment in the state's public higher education segments—the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC)—and the students of California. The Budget provides significant ongoing increases in base funding to all three segments and unprecedented investments in financial aid programs that will increase the quality of education, expand access, improve timely degree completion, and support upward economic mobility for Californians. Overall, these investments reflect the Administration's commitment to affordability, access, and efficiency in higher education.

The Budget includes total funding of \$36.9 billion (\$20.8 billion General Fund and local property tax and \$16.1 billion other funds) for all higher education entities in 2019-20.

UNIVERSITY OF CALIFORNIA

Consisting of 10 campuses, the UC is the primary institution authorized to independently award doctoral degrees and professional degrees. The UC educated approximately 273,000 undergraduate and graduate students and awarded approximately 75,000 degrees in 2017-18.

The Budget invests \$462.5 million General Fund, of which \$248.8 million is ongoing, in the UC, representing one of the largest annual investments in the system in state history. The

Board of Regents announced that it would not raise resident tuition for the 2019-20 academic year given this significant investment in the UC.

Significant Adjustments:

- Ongoing General Fund Augmentations—An increase of \$248.8 million ongoing General Fund, which includes the following:
 - \$119.8 million to support operational costs.
 - \$49.9 million to support growth in California resident undergraduate student enrollment by 4,860 full-time equivalent students over a two-year period.
 - \$15 million to address student hunger and housing needs.
 - \$10 million to permanently support the enrollment of 1,000 additional resident students supported by one-time funds in the 2018 Budget Act.
 - \$5.3 million to improve student mental health programs.
 - \$4 million for summer financial aid programs. The funding will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
 - \$3.5 million for rapid rehousing programs.
 - \$40 million General Fund to end the shift of Proposition 56 funds supporting medical residency programs.
 - \$1.3 million to offset declining Proposition 56 revenue supporting a statewide grant program to increase the number of available residency slots.
- One-Time Augmentations—An increase of \$213.7 million one-time General Fund, to support the following:
 - \$143.5 million for deferred maintenance.
 - \$15 million for development or expansion of degree and certificate completion programs through UC extension.
 - \$10 million for conservation genomics.
 - \$7.5 million for Charles R. Drew University.
 - \$6 million to create the UC and CSU Collaborative for Neurodiversity and Learning.

- \$3.5 million for a dyslexia early intervention pilot program operated by UC San Francisco.
- \$28.2 million to support various programs, services, and research at UC campuses.

CALIFORNIA STATE UNIVERSITY

Consisting of 23 campuses, the CSU served over 365,000 undergraduate and nearly 40,000 graduate full-time equivalent students and awarded 125,920 degrees in 2017-18. The Budget invests \$676.6 million General Fund, of which \$361.4 million is ongoing, in the CSU, representing one of the largest annual investments in the system in state history. The Board of Trustees announced that it would not raise resident tuition for the 2019-20 academic year given the significant investment in the CSU.

Significant Adjustments:

- Ongoing General Fund Augmentations—An increase of \$361.4 million ongoing General Fund, which includes the following:
 - \$215.5 million to support operational costs, consisting of \$193 million for operational costs and \$22.5 million for base retirement benefit adjustments.
 - \$85 million to support growth in California resident undergraduate student enrollment of 10,000 full-time equivalent students.
 - \$45 million for the Graduation Initiative 2025.
 - \$6.5 million for rapid rehousing.
 - \$6 million for summer financial aid programs. This funding will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
 - \$3.3 million to continue and expand Project Rebound programs serving formerly incarcerated individuals attending or seeking to enroll in participating CSU campuses.
 - \$107,000 to provide a cost-of-living adjustment for the Capital Fellows Program.
- One-Time Augmentations—An increase of \$315.2 million one-time General Fund, to support the following:

- \$239 million for deferred maintenance and to improve and expand child care centers.
- \$30 million for the Graduation Initiative 2025, provided on a one-time basis in addition to the ongoing increase of \$45 million General Fund to support the Initiative.
- \$15 million to address student hunger and housing needs.
- \$2 million for the CSU Chancellor's Office to undertake a review of a potential CSU campus in San Joaquin County, likely in Stockton.
- \$2 million for the CSU Chancellor's Office to undertake a review of potential CSU campuses in Chula Vista, Concord, Palm Desert, and San Mateo County.
- \$27.2 million to support various programs, services, and research at CSU campuses.
- Legal Services—As referenced in the Health and Human Services Chapter, the Budget includes an increase of \$7 million General Fund to provide legal services to undocumented students, staff, and faculty at the CSU.

CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the nation, serving roughly one-quarter of the nation's community college students, or approximately 2.1 million students. The CCCs provide basic skills, career education, and undergraduate transfer education with 73 districts, 115 colleges, and 78 educational centers. In 2017-18, the community colleges awarded more than 96,000 certificates and 160,000 degrees.

REVISIONS TO THE STUDENT-CENTERED FUNDING FORMULA

The Administration continues to support the goals of the Student-Centered Funding Formula, including increasing students' timely completion and supporting low-income students. The Budget adopts a revised implementation plan for the Student-Centered Funding Formula, which was established as part of the 2018 Budget Act and allocates funding to community college districts based upon total enrollment, the number of low-income students enrolled, and the number of students who meet specified student success metrics, such as completion of a degree or certificate. The adopted revisions include:

- Distributing 70 percent of funding to districts based on enrollment, 20 percent based on enrollment of low-income students, and 10 percent based on student success metrics.
- Annually including only a student's highest outcome earned for specified student success metrics.
- Implementing the use of a three-year average for all student success metrics.
- Extending the existing hold harmless provision of the Formula by an additional year so that no district will receive less funding than they received in 2017-18 with cost-of-living adjustments until 2021-22.
- Clarifying the definition of a transfer student for purposes of the Formula.

TWO FREE YEARS OF COMMUNITY COLLEGE TUITION

The Budget includes \$42.6 million ongoing Proposition 98 General Fund to support a second year of free tuition for students. This extends the California College Promise to waive enrollment fees for first-time, full-time students for a second academic year. Based on 2017-18 data, approximately 33,000 first-time, full-time students are projected to be eligible for a second year of free tuition, assuming their CCC meets the participation requirements of the program.

Significant Adjustments:

- CCC State Operations—An ongoing increase of \$516,000 non-Proposition 98 General Fund for four new positions to support the Chancellor's Office state operations. These positions are for the Chancellor's Office to improve data security capacity, to support accounting operations, and to monitor districts' fiscal health and provide technical assistance to districts in need.
- Student-Focused Funding Formula—An ongoing increase of \$254.7 million Proposition 98 General Fund to support the funding formula, which includes the following:
 - An increase of \$230 million to support a 3.26-percent cost-of-living adjustment for total apportionment growth.
 - An increase of \$24.7 million for enrollment growth of 0.55 percent.

- **Rapid Rehousing**—An ongoing increase of \$9 million Proposition 98 General Fund to provide support for community college students who are homeless or experiencing housing insecurity, including connecting students to safety net resources and providing emergency grants to secure housing or prevent the imminent loss of housing.
- **Veteran Resource Centers**—An ongoing increase of \$5 million Proposition 98 General Fund to augment an existing allocation that establishes or enhances veteran resource centers at community colleges. In addition, an increase of \$2.25 million Proposition 98 settle-up funds is provided to expand veteran resource centers at specified colleges.
- **Retirement Systems' Employer Contribution Rate**—As referenced in the K-12 Education Chapter, the Budget includes a \$3.15 billion one-time non-Proposition 98 General Fund payment on behalf of local educational agencies and community college districts to CalSTRS and the CalPERS Schools Pool.
- **Deferred Maintenance and Instructional Equipment**—A one-time increase of \$13.5 million Proposition 98 settle-up for deferred maintenance, instructional equipment, and specified water conservation projects.
- **Mental Health Services**—A one-time increase of \$7 million Proposition 63 funds to create a grant program for colleges, in collaboration with county behavioral health departments, to establish or improve access to mental health services and early identification or intervention programs.
- **Workforce Development Programs**—A one-time increase of \$4.75 million Proposition 98 settle-up to support the improvement of workforce development programs at specified colleges.
- **Student Basic Needs Programs**—A one-time increase of \$3.9 million Proposition 98 settle-up to address student basic needs at community colleges, including housing and food insecurity.
- **Reentry of Incarcerated Individuals Program Grants**—A one-time increase of \$3.5 million Proposition 98 settle-up to provide support for a grant program to provide student support services for currently and formerly incarcerated students who are focused on reentry into their communities.
- **Foster Care Education Program**—An ongoing increase of \$400,000 Proposition 98 General Fund to sustain program funding at its current level for foster and relative or kinship care education and training, due to a projected decrease of federal matching funds.

- Historically Black Colleges and Universities (HBCU) Transfer Pathway Program—An increase of \$81,000 ongoing Proposition 98 General Fund to support the development of transfer guarantee agreements between the California Community Colleges and partner HBCU institutions.
- CCC Facilities—An increase of \$535.3 million in general obligation bond funding for 39 new and 20 continuing projects. This allocation represents the next installment of the \$2 billion available to CCCs under Proposition 51 and will address critical fire and life safety issues at campuses statewide.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission, which administers the state's financial aid programs, the largest of which is the Cal Grant, supports over 490,000 financial aid awards to students accessing higher education. The Budget includes significant investments in financial aid programs to provide students of all backgrounds access to higher education.

CAL GRANT ACCESS AWARDS FOR STUDENT-PARENTS

As referenced in the Early Childhood Education Chapter, to expand opportunities for student-parents, increase their graduation rates, and reduce child poverty, the Budget includes \$96.7 million ongoing General Fund to establish or increase access awards for students with dependent children attending the UC, CSU, or CCCs. Qualifying new or renewal Cal Grant A recipients will receive an access award of up to \$6,000, qualifying new or renewal Cal Grant B recipients will see their access award increase from \$1,648 to \$6,000, and qualifying Cal Grant C recipients will see their book and supply award increase from \$1,094 to \$4,000. These access awards and increased award levels will better enable students with dependent children to meet their families' basic needs and increase their likelihood of degree completion.

Significant Adjustments:

- Cal Grant Program Costs—An increase of \$27.6 million in 2018-19 and \$178.7 million in 2019-20 to reflect an increase in the number of new and renewal awardees in 2018-19 and 2019-20.

- Temporary Assistance for Needy Families (TANF) Reimbursements—A decrease of \$5.9 million in federal TANF reimbursements in 2019-20 which increases General Fund support for the Cal Grant program by an equal amount.
- Golden State Teacher Grant Program—As referenced in the K-12 Education Chapter, an increase of \$89.8 million one-time General Fund to support grants to students enrolled in teacher preparation programs who commit to working in a high-need field at school sites with the highest rates of non-credentialed or waiver teachers.
- Competitive Cal Grants—An increase of \$41.8 million ongoing General Fund to increase the number of new competitive Cal Grants available annually from 25,750 to 41,000.
- Child Savings Account Grant Program—An increase of \$25 million one-time General Fund to support grants to local governments and nonprofit organizations that sponsor or create local or regional child savings account programs. The Budget also includes \$25 million for savings accounts at the ScholarShare Investment Board (see below).
- Grant Delivery System—An increase of \$6.2 million one-time General Fund to fund the second year of project costs for the Grant Delivery System Modernization Project.

SCHOLARSHARE INVESTMENT BOARD

The ScholarShare Investment Board administers the Golden State ScholarShare 529 College Savings Trust Program, the Governor's Scholarship Programs, and the California Memorial Scholarship Program.

Significant Adjustment:

- California Kids Investment and Development Savings Program—An increase of \$25 million one-time General Fund to support college savings accounts at the ScholarShare Investment Board for eligible low-income California children born on or after July 1, 2020.

UC HASTINGS COLLEGE OF THE LAW

The Administration has continued to provide UC Hastings College of Law with base increases to support its operations and keep tuition level. In exchange for significant and reliable increases in funding, tuition at Hastings College of Law has remained flat for seven years.

Significant Adjustments:

- **Base Augmentation**—An increase of \$1.4 million ongoing General Fund to support the College's general operations.
- **UC Path Implementation**—An increase of \$594,000 one-time General Fund to support the College's implementation of the UC Path payroll, accounting, time keeping, and human resources system.
- **Deferred Maintenance**—An increase of \$500,000 one-time General Fund to support critical deferred maintenance needs and instructional equipment and information technology upgrades.

CALIFORNIA STATE LIBRARY

The California State Library serves as the central reference and research library for the Governor and Legislature. Additionally, the State Library provides critical assistance to the 184 library jurisdictions and nearly 1,200 libraries across the state.

Significant Adjustments:

- **Digitization and Cultural Preservation Activities**—\$1.7 million General Fund, approximately \$1 million of which is ongoing, for the California State Library to coordinate with state entities to identify items for digital preservation, contract for digital preservation services, and begin conducting or commissioning a statewide survey to inventory cultural heritage assets.
- **Community Outreach Vehicles and Bookmobiles**—An increase of \$3 million one-time General Fund to provide grants to underserved local libraries for the purchase of a bookmobile or community outreach vehicle.

- Early Learning and After-School Programs—An increase of \$5 million one-time General Fund to provide grants to local libraries to support early learning and after-school programs.
- Lunch at the Library—An increase of \$1 million one-time General Fund for library districts to develop summer meal programs for students in low-income communities.
- Historical Site Preservation—An increase of \$500,000 one-time General Fund to support the preservation of historical Lesbian, Gay, Bisexual, Transgender, and Queer sites.
- Funding for Local Library Improvements—An increase of \$9.4 million one-time General Fund support for various purposes at the following libraries: Whittier Library, Hunt Library, Filmore Library, Laguna Woods Library, Pomona Public Library, and the Goleta Valley Library.

OFFICE OF PLANNING AND RESEARCH

The Governor's Office of Planning and Research serves as the Administration's staff for long-range planning and research, and constitutes the comprehensive state planning agency.

Significant Adjustments:

- Higher Education Innovation Grants—An increase of \$10 million one-time General Fund to support grants to higher education institutions to implement innovative educational strategies in the San Joaquin Valley and Inland Empire regions of the state.
- Longitudinal Education Data—As referenced in the K-12 Education Chapter, an increase of \$10 million one-time General Fund to plan for and develop a longitudinal data system.

HEALTH AND HUMAN SERVICES

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

The Budget includes \$163 billion (\$41.9 billion General Fund and \$121.1 billion other funds) for all health and human services programs.

The Budget transfers an additional \$700 million General Fund to the Safety Net Reserve in 2018-19, bringing the total amount in the reserve to \$900 million. These funds will be available for California Work Opportunity and Responsibility to Kids (CalWORKs) and Medi-Cal services and benefits during an economic downturn.

COVERED CALIFORNIA

The Patient Protection and Affordable Care Act allows states to create and operate state-based health insurance exchanges. California chose to operate its own exchange, known as Covered California, to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities. Covered California allows consumers on the individual market to compare and shop for health insurance plans and administers federal Advanced Premium Tax Credits to individuals with incomes below 400 percent of the federal poverty level.

The Budget includes \$428.6 million General Fund in 2019-20, \$479.8 million in 2020-21, and \$547.2 million in 2021-22 to provide subsidies to qualified individuals between 200 and 600 percent of the federal poverty level and individuals at or below 138 percent of the federal poverty level. The Budget also includes statutory changes to allow Covered California to implement the program, which sunsets January 1, 2023.

The Budget will provide premium assistance of approximately \$10 per month to 663,000 individuals with incomes above 200 percent and at or below 400 percent of the federal poverty level. These individuals are also eligible for significant federal assistance through Covered California.

Additionally, California will become the first state in the nation to extend premium assistance to qualified individuals with incomes between 400 and 600 percent of the federal poverty level. The Budget will provide assistance of approximately \$119 per month to 235,000 individuals within this range.

The Budget includes statutory changes to implement a state individual mandate that requires individuals to obtain comprehensive health care coverage or pay a penalty, based on the original provisions of the Affordable Care Act. These penalty revenues will be used to support increased subsidies on the exchange.

INCREASED SUPPORTS FOR VULNERABLE SENIORS

The Budget includes investments designed to bolster income supports and health services for California's vulnerable aging population. These targeted investments include:

- **In-Home Supportive Services (IHSS) Restoration and County Maintenance-of-Effort Adjustment**—The Budget includes \$357.6 million General Fund to restore the 7-percent across-the-board reduction to IHSS service hours and \$296.8 million to rebench the county IHSS Maintenance-of-Effort to account for growth in program costs. See Department of Social Services for more details on these augmentations.
- **Eligibility Expansion in the Medi-Cal Aged, Blind, and Disabled program**—The Budget includes ongoing \$63 million (\$31.5 million General Fund) for 2019-20 to expand eligibility for this population from 123 percent to 138 percent of the federal poverty level, no sooner than January 1, 2020.
- **Alzheimer's Disease Program Grants and Governor's Task Force on Alzheimer's Prevention and Preparedness**—The Budget includes ongoing \$3 million General

Fund for the Alzheimer's Disease Program to support research grants, with a focus on research to understand the greater prevalence of Alzheimer's among women and communities of color. The funding will also support the creation and implementation of the Governor's Task Force on Alzheimer's Prevention and Preparedness. Additionally, the Budget includes one-time \$5 million General Fund, available over three years, for grants to develop Alzheimer's disease local infrastructure.

- **Senior Nutrition Program**—The Budget includes \$114.7 million (\$25.8 million General Fund) ongoing for the Senior Nutrition program, which provides meals to seniors in both congregate and home-delivered settings. This represents an increase of \$17.5 million General Fund beginning in 2019-20. The increased funding for the Senior Nutrition Program will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- **Multipurpose Senior Services Program**—The Budget includes a one-time increase of \$29.6 million (\$14.8 million General Fund) over three years to provide supplemental payments to Multipurpose Senior Services Program providers.
- **Long-Term Care Ombudsman Program**—The Budget includes \$4.2 million General Fund in 2019-20 and \$5.2 million General Fund annually thereafter for local Long-Term Care Ombudsman programs to provide quarterly visits to skilled nursing facilities and residential care facilities for the elderly.
- **Aging and Disability Resource Connection Grants**—The Budget includes \$5 million ongoing General Fund to provide grants to local Area Agencies on Aging and Independent Living Centers to complete the planning and application process to become Aging and Disability Resource Connections, which utilize the "No Wrong Door" model. The increased funding for Aging and Disability Resource connection grants will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- **Dignity at Home Fall Prevention Program**—The Budget includes \$5 million one-time General Fund to provide grants to local Area Agencies on Aging for injury prevention education and home modifications for seniors who are at risk of falling or institutionalization.

- **Adult Protective Services Training**—The Budget includes \$5.8 million one-time General Fund, available over three years, to support statewide training for county Adult Protective Services staff and public guardians.
- **Long Term Services and Supports Actuarial Study**—The Budget includes \$1 million one-time General Fund for a feasibility study and actuarial analysis of options to finance a long-term services and supports program.

DEPARTMENT OF HEALTH CARE SERVICES

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

The Budget includes \$2.1 billion (\$729 million General Fund) in 2019-20 for county eligibility determination activities based on projected growth in the California Consumer Price Index (3.39 percent).

MEDI-CAL

- **Full-Scope Medi-Cal Expansion for Undocumented Young Adults**—The Budget includes \$98 million (\$74.3 million General Fund) to expand full-scope Medi-Cal coverage to eligible young adults aged 19 through 25 regardless of immigration status, starting no sooner than January 1, 2020. This expansion will provide full-scope coverage to approximately 90,000 undocumented young adults in the first year. Nearly 75 percent of these individuals are currently enrolled in restricted-scope coverage in the Medi-Cal system.

- **Restoration of Medi-Cal Optional Benefits**—The Budget includes \$56.3 million (\$17.4 million General Fund) to restore the following optional benefits, effective no sooner than January 1, 2020: audiology and speech therapy services, incontinence creams and washes, optician and optical lab services, and podiatric services. The increased funding for optional benefits will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- **Medi-Cal Benefits for Mental Health**—The Budget expands the Medi-Cal benefit for a pregnant individual who is receiving health care coverage and who is diagnosed with a maternal mental health condition to remain eligible for Medi-Cal program from 60-days to one year. This benefit is expected to be implemented during fiscal year 2020-21. The increased funding for postpartum care will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- **Opioid and Other Drug Screenings**—The Budget expands the Medi-Cal benefit for adult screenings to include misuse of opioids and other drugs. This benefit is expected to be implemented during fiscal year 2020-21. The increased funding for screenings will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- **Proposition 56 Funds**—The Budget includes \$1.3 billion in increased provider payments from Proposition 56 that will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- **Whole Person Care Pilots**—The Budget includes \$100 million one-time General Fund for county pilots that coordinate health, behavioral health, and social services focused on individuals who are experiencing homelessness, or who are at risk of becoming homeless, and have a demonstrated medical need for housing and/or supportive services. In addition, the Budget includes \$20 million one-time General Fund for counties that currently do not operate pilots.

Medi-Cal Proposition 56 Investments
(Dollars in Millions)

Category		2019-20
Supplemental Payments	Physician Services	\$454.2
	Dental Services	\$195.7
	Women's Health and Family Planning	\$43.5
	Intermediate Care Facilities for the Developmentally Disabled	\$13.0
	AIDS Waiver	\$3.4
	Community-Based Adult Services	\$13.7
	Non-Emergency Medical Transportation	\$5.6
	Free-Standing Pediatric Subacute Facilities	\$4.0
	Hospital-Based Pediatric Physicians Services	\$2.0
Rate Increases	Home Health Providers	\$31.2
	Pediatric Day Health Care Facilities	\$6.9
Other	Physician and Dentist Loan Assistance	\$120.0
	Value-Based Payments Program	\$250.0
	Trauma Screenings	\$13.6
	Developmental Screenings	\$23.1
	Provider Training for Trauma Screenings	\$25.0
	Additional Funds for Women's Health	\$50.0
Total		\$1,254.9

OTHER PROGRAMS

- Behavioral Health Counselors in Emergency Departments—The Budget includes \$20 million one-time General Fund to hire trained behavioral health counselors in emergency departments of acute care hospitals to screen patients and offer intervention and referral to mental health or substance use disorder programs.
- Cannabis Allocation—The Budget includes \$21.5 million in Proposition 64 funds for competitive grants to develop and implement new youth programs in the areas of education, prevention, and early intervention of substance use disorders. These funds are continuously appropriated. See the Statewide Issues and Various Departments Chapter for more information.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal

responsibility, and foster independence. The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare Services, Community Care Licensing, and Disability Determination.

CALWORKS

- **CalWORKs Maximum Aid Payment (MAP) Increase**—The Budget includes \$331.5 million General Fund and federal Temporary Assistance for Needy Families (TANF) block grant funds in 2019-20 and \$441.8 million ongoing to increase CalWORKs MAP levels, effective October 1, 2019. See the Early Childhood Chapter for more information.
- **Update the CalWORKs Earned Income Disregard and Income Reporting Threshold**—The Budget includes \$6.8 million General Fund in 2019-20 growing to \$99 million General Fund ongoing beginning in 2022-23, to increase the current CalWORKs Earned Income Disregard using a phased approach, from the current \$225 per month in 2019-20 to \$600 per month in 2021-22. The Budget also aligns the CalWORKs Income Reporting Threshold with the CalFresh program at 130 percent of the federal poverty level beginning in 2019-20.
- **Increase CalWORKs Asset Test Limits**—Increases the CalWORKs eligibility limit on cash assets from \$2,250 to \$10,000 and the vehicle asset limit from \$9,500 to \$25,000 for purposes of program eligibility, effective June 1, 2020. The revised asset limit levels will be adjusted annually for inflation. The Budget includes \$7.5 million General Fund in 2019-20 to reflect the increased limits. Costs are estimated to be \$29.9 million General Fund ongoing beginning in 2021-22.
- **Elimination of Consecutive Day Use Requirement in the CalWORKs Homeless Assistance Program (HAP)**—The Budget includes \$14.7 million General Fund in 2019-20 and \$27.6 million ongoing General Fund to eliminate the requirement that the 16 allowable days of CalWORKs temporary homeless assistance be used consecutively in a year-long period.
- **CalWORKs Home Visiting Program**—The Budget includes \$89.6 million General Fund and federal TANF block grant funds in 2019-20 and approximately \$167 million ongoing for the CalWORKs Home Visiting Program. See the Early Childhood Chapter for more information.
- **CalWORKs Single Allocation Budgeting Methodology**—The Budget includes \$41.4 million General Fund and federal TANF block grant funds in 2019-20 to reflect

the adoption of a revised budgeting methodology for the employment services component of the CalWORKs Single Allocation to counties. Additionally, beginning in 2020-21, the Single Allocation will no longer include the Stage One Child Care component. Stage One will be budgeted separately within the CalWORKs program.

- **CalWORKs Outcomes and Accountability Review (Cal-OAR)**—The Budget includes \$13.2 million General Fund and federal TANF block grant funds in 2019-20 for counties to perform required continuous quality improvement activities consistent with Cal-OAR implementation.
- **CalWORKs Stage One Child Care**—The Budget includes \$56.4 million General Fund in 2019-20 and \$70.5 million ongoing General Fund to improve access to and utilization of CalWORKs Stage One child care services. See the Early Childhood Chapter for more information.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT

- **Supplemental Security Income (SSI) Cash-Out Policy Reversal Adjustments**—The Budget preserves ongoing funding for county administration and benefits for newly eligible CalFresh recipients, Supplemental Nutrition Benefit program recipients, Transitional Nutrition Benefit program recipients, and California Assistance Program for Immigrants program recipients as a result of expanding CalFresh eligibility to SSI recipients, effective June 1, 2019. The Budget includes \$120 million General Fund in 2019-20 and approximately \$115 million annually thereafter to fund these programs on an ongoing basis.
- **SSI Advocacy**—The Budget includes \$25 million General Fund ongoing for the Housing and Disability Advocacy Program, to assist homeless, disabled individuals in applying for disability benefit programs.

IN-HOME SUPPORTIVE SERVICES

- **In-Home Supportive Services (IHSS) Restoration**—The Budget includes \$357.6 million General Fund in 2019-20 to restore the 7-percent across-the-board reduction to IHSS service hours. The increased funding for IHSS service hours will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

- **County IHSS Maintenance-of-Effort Adjustment**—The Budget includes an increase of \$296.8 million General Fund in 2019-20 to rebench the County IHSS Maintenance-of-Effort, growing to \$615.3 million General Fund in 2022-23.
- **Electronic Visit Verification**—The Budget includes \$37.5 million (\$6.4 million General Fund) in 2019-20 to comply with the federal electronic visit verification mandate and make necessary changes to the Case Management, Information and Payrolling System.
- **IHSS County Administration**—The Budget includes an ongoing increase of \$15.4 million General Fund for IHSS county administration to reflect revised benefit rate assumptions.

CHILD WELFARE SERVICES

- **Federal Title IV-E Funds for Dependency Counsel**—The Budget includes \$34 million ongoing federal funds to support court-appointed dependency counsel representing children and parents during dependency proceedings.
- **Foster Care Emergency Assistance**—The Budget includes \$25.8 million one-time General Fund and federal TANF block grant funds in 2019-20 to provide caregivers with up to four months of emergency assistance payments pending resource family approval and up to twelve months for cases that meet good cause criteria. Beginning in 2020-21 and annually thereafter, the State will fund emergency assistance payments for up to three months, as local child welfare agencies and probation departments are anticipated to complete the resource family approval process on a timelier basis.
- **Resource Family Approval Administration and Application Backlog**—The Budget includes \$14.4 million one-time General Fund in 2019-20 to support county efforts in eliminating the backlog of foster care resource family applications that are pending review and approval.
- **Family Urgent Response System**—The Budget includes \$15 million General Fund in 2019-20 and \$30 million General Fund annually thereafter to implement a statewide hotline and enhanced county-based mobile response systems targeting youth in foster care and their caregivers. The system is intended to prevent placement disruptions, reduce traumatic experiences for foster youth, and reduce law enforcement calls and needless criminalization of youth. The increased funding for Family Urgent Response will be suspended on December 31, 2021. The suspension

will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

- **Foster Parent Recruitment, Retention, and Support**—The Budget includes \$21.6 million one-time General Fund in 2019-20 for activities and services to retain, recruit, and support foster parents, relative caregivers, and resource families.
- **Emergency Child Care Bridge**—The Budget includes an increase of \$10 million General Fund for the Emergency Child Care Bridge program. See the Early Childhood Chapter for more information.
- **Bringing Families Home**—The Budget includes \$25 million one-time General Fund, available over three years, for the Bringing Families Home Program, which is a county-optional program that provides housing-related supports to eligible families served by county child welfare agencies.

OTHER PROGRAMS

- **Immigration Services**—The Budget includes a total of \$65 million ongoing General Fund to support qualified nonprofit organizations that provide a broad array of legal services and remedies related to immigration status for individuals and families. Of this amount, the Budget allows for up to \$5 million General Fund, on a one-time basis, to be available for the provision of legal services to unaccompanied undocumented minors and Temporary Protected Status beneficiaries. Additionally, the Budget includes \$25 million one-time General Fund for the Rapid Response Program to support entities that provide critical assistance/services to immigrants during emergent situations when federal funding is not available.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services funds a variety of services for individuals with developmental disabilities that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement. The state is in the process of closing all state-operated developmental centers, but will continue to operate the secure treatment area at the Porterville Developmental Center, the Canyon Springs community facility, and state-operated acute crisis homes.

Significant Adjustments:

- Supplemental Rate Increases and Developmental Services System Accountability and Oversight—The Budget includes \$206.7 million (\$125 million General Fund) in 2019-20 and \$413.3 million (\$250 million General Fund) in 2020-21 to provide supplemental rate increases of up to 8.2 percent to providers across a broad array of specified service categories identified in the developmental services rate study submitted to the Legislature in March 2019. The increased funding for developmental services provider rates will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- Headquarters Restructure and Reorganization—The Budget includes \$8.1 million (\$6.5 million General Fund) ongoing for a reorganization of departmental headquarters to strengthen oversight and monitoring of regional centers and provider operations and enhance program compliance.
- Uniform Holiday Schedule Suspension—The Budget includes \$50.3 million (\$30.1 million General Fund) in 2019-20 to suspend implementation of the Uniform Holiday Schedule. The increased funding will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.
- Acute and Mobile Crisis Services—The Budget includes \$5.3 million (\$4.8 million General Fund) and \$7.9 million (\$4.7 million General Fund) annually thereafter to expand crisis services to the Central Valley.
- Development of Community Crisis Homes for Children—The Budget includes \$4.5 million one-time General Fund to develop community crisis housing specifically for children.
- Specialized Home Monitoring—The Budget includes \$5.8 million (\$3.9 million General Fund) ongoing to increase monitoring of Enhanced Behavioral Support Homes and Community Crisis Homes.
- Specialized Caseload Ratios—The Budget includes \$3.8 million (\$2.6 million General Fund) ongoing to establish a reduced regional center service coordinator caseload ratio for consumers with specialized behavioral needs.

- **Best Buddies**—The Budget includes \$2 million General Fund to support social inclusion, integrated employment, and leadership program services for children and adults with developmental disabilities, and will include a report of the number of persons served annually with these funds.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people of California.

Significant Adjustments:

- **Home Visiting and Black Infant Health Programs**—The Budget includes ongoing \$65.3 million (\$30.5 million General Fund) to expand services in the California Home Visiting and Black Infant Health programs. See the Early Childhood Chapter for more information.
- **Infectious Diseases Prevention and Control**—The Budget includes one-time \$40 million General Fund, available over four years, for infectious diseases prevention and control and ongoing \$2 million General Fund specifically to address sexually transmitted diseases (STDs).

The Budget includes an additional ongoing \$5 million General Fund each for human immunodeficiency virus (HIV), and hepatitis C virus prevention and control that will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

- **Licensing and Certification: Los Angeles County Contract**—The Budget includes an additional \$17.2 million Licensing and Certification Program Fund for a new, expanded contract with the Los Angeles County Department of Public Health to perform licensing and certification activities in Los Angeles County on behalf of the state.

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The patient population is expected to reach 6,761 across the state hospitals and contracted patient programs and 795 in the Conditional Release Program by the end of 2019-20.

Significant Adjustments:

- **Metropolitan State Hospital Bed Expansion**—The Budget includes \$15.5 million ongoing General Fund and 99.2 positions for the second and final expansion phase of the Metropolitan State Hospital's secured treatment area. When completed in 2020, a total of 236 additional secured forensic beds will be available for the treatment of incompetent to stand trial commitments.
- **Direct Care Nursing**—The Budget includes \$15 million ongoing General Fund and 117.3 positions for the first year of a three-year phase-in to staff 128 medication rooms and to provide nighttime nursing supervisors in units across the five state hospitals. This will increase the number of direct-care nursing staffing in an effort to reduce patient violence, staff injuries, and staff turnover and absenteeism. In addition, the Budget includes 304 positions to better reflect the State Hospital's use of temporary help staff.
- **Court Evaluations and Reports**—The Budget includes \$8.1 million ongoing General Fund and 43 positions for the first year of a three-year phase-in of additional staff dedicated to forensic evaluations, court reports, court testimony, court report coordination, neuropsychological assessments, and treatment.
- **Patient-Driven Operating Expenses**—The Budget includes \$11 million ongoing General Fund for increased patient-driven operating expenses and equipment costs, such as pharmaceuticals, outside medical costs, and food. In addition, the Budget includes a standard estimate methodology for determining State Hospital patient operating expenses and equipment needs, which is being applied beginning in 2019-20.
- **Jail-Based Competency Treatment Programs**—The Budget includes \$6.4 million ongoing General Fund to contract for up to 73 additional jail-based competency restoration treatment beds through both existing and new county jail treatment programs.

OTHER HEALTH AND HUMAN SERVICES

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- **Mental Health Workforce Investments**—The Budget includes one-time \$50 million General Fund to increase training opportunities in existing mental health workforce programs administered by the Office of Statewide Health Planning and Development. This funding includes \$2.65 million allocated for a Primary Care Clinician Psychiatry Fellowship Program and \$1 million allocated for mental health professionals formerly in the foster care system.
- **Workforce Education and Training (WET)**—The Budget includes one-time \$35 million General Fund and one-time \$25 million Mental Health Services Fund to implement the new 2020-25 WET Five-Year Plan.

DEPARTMENT OF CHILD SUPPORT SERVICES

- **Local Child Support Agency Funding Methodology**—The Budget includes \$19.1 million General Fund in 2019-20, growing to \$57.2 million General Fund beginning in 2021-22, to implement a Local Child Support Agency funding methodology for administrative costs. See the Early Childhood Chapter for more information.

MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

- **Early Psychosis Research and Treatment**—The Budget includes one-time \$20 million Mental Health Services Fund for projects that demonstrate innovative approaches to deter and intervene when a young person has experienced a first episode of psychosis.
- **Mental Health School Services**—The Budget includes one-time \$50 million Mental Health Services Fund in 2019-20 and \$10 million thereafter to encourage collaboration between county mental health or behavioral health departments and K-12 schools. The funds will be awarded through a competitive grant program to facilitate access and linkages of ongoing mental health services.

HOMELESSNESS

California's services and resources continue to be impacted due to the state's growing homeless population. Despite increased state and local investments, federal data have shown an increase in California's homeless population over recent years as more individuals are losing housing, due in large part to skyrocketing housing costs.

The Budget includes significant one-time investments in both housing and homelessness—\$1.75 billion for housing and \$1 billion for homelessness—to support local governments in developing an integrated approach to tackle their homelessness issues. Homelessness investments are described below and Housing investments can be found in the Housing and Local Government Chapter.

HOMELESS EMERGENCY AID

The Budget includes \$650 million one-time General Fund for the construction and expansion of emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs, and for innovative projects like hotel/motel conversions. California's largest cities will receive \$275 million, counties will receive \$175 million, and Continuums of Care will receive \$190 million, based on the 2019 federal point-in-time homeless count. The remaining \$10 million will be scheduled later this legislative session. Regional coordination is a priority and local jurisdictions must include how dollars will be spent with the goal to move individuals into permanent housing.

HEALTH AND HUMAN SERVICES INVESTMENTS

In addition to the aid provided above, the Budget includes investments in wraparound services to assist individuals with their housing needs and to mitigate the factors that may be contributing to individuals' homelessness, or to keep people from becoming homeless. Specifically, as described in the Health and Human Services Chapter, the Budget provides:

- \$331.5 million one-time General Fund and federal Temporary Assistance to Needy Families block grants in the California Work Opportunity and Responsibility to Kids Program to assist low-income families with paying for housing, food and other necessities.
- \$120 million one-time General Fund for expanded Whole Person Care pilots.
- \$25 million ongoing for the Housing and Disability Advocacy Program, to assist homeless, disabled individuals apply for disability benefit programs.
- \$25 million one-time General Fund, available over three years, for the Bringing Families Home Program to provide housing-related support to eligible families served by county child welfare agencies.
- \$14.7 million General Fund in 2019-20 and \$27.6 million ongoing General Fund for the CalWORKs Homeless Assistance Program to eliminate the requirement that the 16 allowable days of temporary homeless assistance be used consecutively in a year-long period.

STUDENT RAPID REHOUSING

The Budget also includes investments, as described in the Higher Education Chapter, to address student food and housing insecurity. \$3.9 million one-time Proposition 98 General Fund settle-up is provided to the California Community Colleges (CCCs), \$15 million one-time General Fund for the California State University (CSU), and \$15 million ongoing General Fund for the University of California (UC). Additionally, the Budget includes funds to support rapid rehousing of homeless and housing insecure students. Ongoing Proposition 98 General Fund of \$9 million is set aside for the CCCs, \$6.5 million ongoing General Fund for the CSUs, and \$3.5 million ongoing General Fund for the UCs.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

The California Environmental Quality Act (CEQA) requires state and local government agencies to inform the public and the Legislature about potential environmental impacts of proposed projects. This review process can take a significant amount of time and poses a barrier to building navigation centers. The Budget includes statutory amendments to help mitigate California's homelessness crisis by exempting low barrier navigation centers built on public land from CEQA review.

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HOUSING AND LOCAL GOVERNMENT

California is ranked near the top in the number of cost-burdened households nationwide, and the high and rising costs of housing is the defining concern for homeowners and renters across the state. The Budget makes significant investments in state resources and support to local governments to reduce barriers to accelerate housing production, protect renters, and preserve much-needed affordable housing in the state.

The Budget includes a comprehensive \$1.75 billion package to increase housing supply. This includes planning and infrastructure grants to local governments, an investment in the state's housing loan program, an expanded housing tax credit program, opportunities for innovative housing projects on excess state property, legal assistance for renters, strategies to improve regional housing needs planning, and a framework that holds local governments accountable for building an adequate supply of housing to meet their needs.

SHORT-TERM PLANNING AND INFRASTRUCTURE GRANTS

The Budget includes \$750 million in one-time General Fund to support local governments to increase and accelerate housing production. It establishes the Local Government Planning Supports Grant Program to provide \$250 million to regional jurisdictions for technical assistance, preparation of planning documents, and process improvements to meet ambitious housing goals in the next regional housing needs assessment.

The Budget also establishes the Infill Infrastructure Grant Program of 2019 and provides \$500 million in competitive and non-competitive grants for capital improvement projects to develop housing projects in infill areas. Local governments and developers can partner to apply for grants to provide gap financing for infrastructure projects, such as water, sewage, utility improvements, sidewalks, and roads. Moreover, these funds will be able to leverage additional investments for projects located in federal Opportunity Zones that qualify for tax benefits for investors to spur development in economically distressed communities. Overall, this program will remove barriers to building housing and support projects that will ultimately drive high-density development in areas where building is most sustainable.

INVESTMENT IN STATE HOUSING LOAN PROGRAM

The California Housing Finance Agency (CalHFA) provides loans to developers for mixed-income developments that include housing for moderate-income households at a lower subsidy level than traditional state programs. The Budget makes a sizable investment of \$500 million one-time General Fund to bolster further development of low- and moderate-income housing throughout the state. This additional investment will pair with annual revenues provided by real estate transaction fees dedicated for this purpose, and further pair with the proposed tax credit program targeting households with incomes between 30 and 120 percent of Area Median Income (see below).

EXPANDED STATE HOUSING TAX CREDIT PROGRAM

Tax credits attract private investment in affordable housing by offering a dollar-for-dollar credit against an investor's state or federal taxes owed. The state currently has a tax credit program that, when paired with federal credits, can reduce a given housing development project's remaining funding gap.

The Budget expands state tax credits up to \$500 million, and up to \$500 million annually thereafter upon appropriation. The additional authority includes a state tax credit program targeted at new construction of qualified residential rental developments (for households with an average Area Median Income of 60 percent). These state credits would pair with an underutilized 4-percent federal tax credit program. Up to \$200 million of the expanded tax credit program is also available for the development of mixed-income housing projects serving a broader range of incomes (between 30 and 120 percent of Area Median Income). Scoring criteria for these credits is also being redesigned to focus on housing production and cost containment.

Currently, developers using state tax credits may sell “certificated” credits to investors, without requiring an ownership interest in the properties being built. This has the effect of broadening the investor pool. The Budget repeals the sunset for this program to continue to build a wide investor pool and further the success of the expanded tax credit programs.

Additionally, the Budget includes deeper subsidies for specified preservation projects through the current program. This will continue important preservation efforts of affordable housing units across the state.

INNOVATIVE DEVELOPMENT OF EXCESS STATE PROPERTY

In January, the Governor issued Executive Order N-06-19 requiring departments to identify excess state properties for developing demonstration housing projects. Since then, the state has compiled an inventory of potential parcels. The Budget includes \$3.4 million one-time General Fund and \$782,000 ongoing to solicit affordable housing developers to build projects that use creative and streamlined approaches to building affordable and mixed-income housing (for example, using modular construction). Affordable housing developers selected through a competitive process will receive low-cost, long-term ground leases of excess state property. As they will not need upfront capital to purchase the land and will not need to wait for local review processes, affordable housing developers will have greater flexibility to use innovative techniques to produce units more quickly and cost-efficiently than a traditional project.

LONG-TERM STATEWIDE HOUSING PRODUCTION STRATEGY

The Budget initiates an improved statewide assessment of regional housing needs to address the state housing shortage in the long-term. The Department of Housing and Community Development, along with the Office of Planning and Research, will engage with stakeholders and develop a recommended process and methodology that promotes and streamlines housing development. Working with local governments, an improved regional housing needs assessment will help maximize the number of homes that cities zone and plan.

To bolster long-term housing production, the Budget provides incentives for jurisdictions to implement pro-housing policies that facilitate planning and construction of housing, such as reduced parking requirements, reduced development impact fees, and by-right zoning. Jurisdictions that enact pro-housing policies receive additional points or scoring preferences when applying for certain competitive state grant programs.

Additionally, the Budget gives courts new powers to hold persistently non-compliant cities and counties accountable to meet their housing goals, including escalating fines and authority to appoint an agent of the court to take actions necessary to bring a jurisdiction into compliance.

LEGAL ASSISTANCE FOR RENTERS

Recognizing the need for stable housing among renters, the Budget doubles funding to nonprofit service organizations to provide rental legal assistance. The Budget invests an additional \$20 million one-time General Fund to the Judicial Council to provide grants to over 100 legal services projects and support centers that offer legal services to renters. These services include pre-eviction and eviction legal services, counseling, advice and consultation, mediation, training, renter education, and representation. Of this investment, \$5 million is available for legal aid agencies that serve rural or underserved communities, including renters who are undocumented. Funding for these services will help protect renters' legal rights and mitigate evictions for renters throughout the state.

FOSTER YOUTH TRANSITIONAL HOUSING

Lastly, the Budget includes \$13 million General Fund in 2019-20 and \$8 million General Fund ongoing for counties to provide housing assistance to current and former foster youth. The increased funding for foster youth transitional housing will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, courts of appeal, trial courts, and the Judicial Council. The Judicial Council is responsible for managing the resources of the Judicial Branch. The trial courts are funded with a combination of General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund. The Budget includes total funding of \$4.2 billion (\$2.2 billion General Fund and \$2 billion other funds) in 2019-20 for the Judicial Branch, of which \$2.4 billion is provided to support trial court operations. This represents an increase of \$288.7 million, or 15.1 percent, over the amount of General Fund provided to the courts in 2018-19.

JUDGESHIPS

The Budget includes \$30.4 million General Fund in 2019-20 and \$36.5 million General Fund annually thereafter for 25 additional trial court judgeships. The Budget also includes \$2.9 million General Fund in 2019-20 and \$3.5 million annually thereafter for the bailiffs associated with the new judgeships. The judgeships will be allocated upon adoption of the Judicial Council's Judicial Needs Assessment expected in late summer 2019.

TRIAL COURT RESERVES

Since 2013-14, trial courts have been prohibited from carrying over more than 1 percent in reserves from their prior year operating budget. In 2018-19, this equals approximately

\$27 million statewide. This restriction has presented operational challenges for courts and limited their flexibility to address unanticipated fiscal changes.

The Budget includes statutory changes to increase the trial court reserve cap to 3 percent beginning June 30, 2020. This will enable courts to retain additional funding and flexibility to cover unanticipated mid-year changes in costs and unique local needs.

DEPENDENCY COUNSEL

Court-appointed dependency counsel represent children and parents at every stage of dependency proceedings. The Budget includes \$20 million ongoing General Fund, increasing the total dependency counsel state funding to \$156.7 million annually beginning in 2019-20.

Additionally, the recent federal Families First Prevention Services Act expanded the list of eligible Title IV-E reimbursable activities to include court-appointed dependency counsel costs. The Budget includes \$1.5 million ongoing General Fund for the Judicial Council to administer these federal reimbursements, which are estimated to be \$34 million annually. These reimbursements will be used to supplement the amount provided by the state and increase the amount of funding dedicated for dependency counsel to \$190.7 million annually beginning in 2019-20.

PRETRIAL PILOT PROJECTS

The Budget includes \$75 million General Fund to be allocated over a two-year period by the Judicial Council to fund the implementation, operation, and evaluation of programs or efforts in at least 10 courts related to pretrial decision-making. The Judicial Council will seek to select a diverse group of pilot courts with a range of different sizes, geographic locations, case management systems, and risk assessment tools. This funding continues the previous efforts of the Judicial Council to implement programs and practices to improve pretrial outcomes.

INVESTMENTS IN INFORMATION TECHNOLOGY

The Chief Justice's Commission on the Future of California's Court System recently recommended that the courts expand the use of new technology to improve access to justice. Specifically, the Commission recommended the adoption of technologies enabling (1) remote appearances for most noncriminal court proceedings; (2) voice-to-text language interpretation services at court filing, service counters, and in

self-help centers; and (3) intelligent chat technology to provide self-help services. The Budget includes \$2.3 million one-time General Fund to advance these projects.

The Budget also includes the following General Fund augmentations for the Judicial Council to improve access to justice and modernize court operations:

- Trial Court Case Management System Replacements—\$23.1 million in 2019-20 and \$6.7 million in 2020-21 to replace 14 case management systems in 10 trial courts across California. This funding will enable these trial courts to deliver services to the public more efficiently.
- Implementation and Maintenance of Personnel Management Systems—\$4.5 million ongoing to complete the first step in migrating to Phoenix, an updated personnel system, and to allow for additional payroll deployments for seven trial courts.
- Digitizing Court Records—\$5.6 million one-time to establish a pilot program to digitize paper and film case files at several trial courts. This pilot program allows the Judicial Branch to develop best practices for future statewide implementation.
- Business Intelligence and Data Analytics—\$5.5 million one-time to establish and support the foundation of a business intelligence, data analytics, and identity and access management program to improve court efficiencies and service to the public.

HEALTH AND RETIREMENT BENEFITS FOR TRIAL COURT EMPLOYEES

The state began consistently funding increased health and retirement benefit costs for the trial courts in 2014-15 when the trial courts made progress implementing the Public Employees' Pension Reform Act of 2013. However, since that time, such funding has only been provided to pay for prospective costs in the fiscal years succeeding changes in health and benefits costs; funding has not been provided to pay for costs associated with mid-year adjustments. As a result, courts have been forced to cover unbudgeted costs associated with mid-year adjustments by diverting funds provided for general trial court operations.

Beginning in 2019-20, the Budget includes a mechanism to fund trial court employee benefit increases in both the current year and budget year. The Budget includes \$22.5 million ongoing General Fund for trial court employee benefit increases, which brings the total funding provided by the state since 2014-15 to approximately \$150.5 million ongoing for these increased costs.

OTHER SIGNIFICANT JUDICIAL BRANCH INVESTMENTS

The Budget also includes the following significant General Fund augmentations for the Judicial Branch:

- **Trial Court Trust Fund Revenue Backfill**—The Budget continues the funding commitments to backfill the Trial Court Trust Fund as a result of declining fine and penalty revenues. Specifically, the Budget includes a total of \$41.8 million to backfill the decline of fine and penalty revenues expected in 2019-20.
- **Facilities, Operations and Maintenance**—The Budget includes \$20.2 million ongoing to support operations and maintenance of trial court facilities constructed since 2007, and \$15 million one-time for deferred maintenance projects.
- **Legal Aid for Renters in Landlord-Tenant Disputes**—The Budget includes \$20 million one-time to provide legal aid for renters in landlord-tenant disputes. Specifically, these additional funds will provide free legal services for landlord-tenant issues, including legal assistance for counseling, renter education programs, and preventing evictions as discussed in the Housing and Local Government Chapter.
- **Cannabis Conviction Resentencing Workload, Chapter 993, Statutes of 2018 (AB 1793)**—The Budget includes \$13.9 million in 2019-20 and \$2.9 million in 2020-21 for anticipated resentencing workload associated with AB 1793, which expedites the identification, review, and notification of individuals who may be eligible for recall or dismissal, dismissal or sealing, or redesignation of the conviction for specified cannabis-related offenses.
- **Language Access Expansion in the California Courts**—The Budget includes \$13.6 million ongoing to continue the expansion of interpreter services for civil matters and to cover increased costs in criminal cases. The expansion of interpreter services and costs associated with court interpreters have led to shortfalls that require ongoing resources.
- **Trial Court Security Systems and Equipment**—The Budget includes \$6 million ongoing to refresh, maintain, and replace trial court security equipment and systems. The security equipment and systems must be upgraded or maintained in a way that mitigates the need for additional security staffing.
- **Improvement and Modernization Fund Stabilization**—The Budget includes \$8.8 million to shift existing programs to the General Fund to maintain solvency in the Improvement and Modernization Fund. Specifically, the Budget shifts \$5.6 million for

the Litigation Management Program and \$3.2 million for the Personnel Management System.

- Courts of Appeal Workload—The Budget includes \$5 million ongoing to address general operational cost increases, workload due to more complex litigation, new case duties related to recent law changes requiring retroactive decisions related to criminal justice reforms, and voter-approved initiatives requiring appellate review.
- Shriver Act Civil Counsel—The Budget includes \$2.5 million one-time for the expansion and administration of pilot programs that provide representation to low-income Californians on critical legal issues affecting basic human needs.

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PUBLIC SAFETY

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

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) incarcerates the most violent felons, supervises those released to parole, and provides rehabilitation programs to help them reintegrate into the community. The Department provides safe and secure detention facilities and necessary support services to inmates, including food, clothing, academic and vocational training, as well as health care services.

The Budget makes important near-term investments that support the Administration's long-term goals to further improve rehabilitation, reentry and restorative justice programs. It also reflects the Administration's commitment to sound correctional practices and recidivism reduction so the state meets its paramount obligations to protect the public, correctional staff, and the incarcerated population. In the coming year, the Administration will map out a plan to further transform the state correctional system with a focus on public safety, increased rehabilitation, expanded opportunities for reentry and restorative justice.

The Budget includes total funding of \$12.7 billion (\$12.4 billion General Fund and \$305.5 million other funds) for the Department in 2019-20.

POPULATION

The Budget reflects a projected average daily adult inmate population of 125,871, an average daily parolee population of 50,442, and an average daily juvenile ward population of 782 in 2019-20.

In 2011, the U.S. Supreme Court upheld the federal three-judge panel's order requiring the Department to reduce the prison population to 137.5 percent of the prisons' design capacity by June 2013, which was subsequently extended to February 28, 2016. In January 2011, the adult inmate population totaled 162,000—approximately 178 percent of design capacity. The prison population has been below the court-ordered cap since February 2015. As of June 12, 2019, the prison population was at 134.9 percent of design capacity, or approximately 2,200 inmates below the federal court-ordered population cap.

Over the past several years, significant policy changes have put the state on track to achieve a durable solution to the federal court order. For example, in 2016 voters approved Proposition 57, the Public Safety and Rehabilitation Act, to create more incentives for inmates to participate in rehabilitative programs. The Department estimates that policy changes resulting from Proposition 57, primarily related to an increase in credits earned by inmates for good behavior and rehabilitative achievements, will reduce the average daily adult inmate population by approximately 6,500 in 2019-20, growing to a reduction of 10,600 in 2021-22.

The implementation of Proposition 57 and other actions have allowed the Department to eliminate the use of out-of-state beds from its long-term court compliance strategy. All inmates exited the last out-of-state facility in Arizona at the end of June 2019.

INMATE REHABILITATION AND REENTRY

The Budget includes several proposals that provide offenders greater opportunity for rehabilitation, thereby improving offender outcomes and increasing public safety.

INTEGRATED SUBSTANCE USE DISORDER TREATMENT PROGRAM

Across the country, substance use disorders involving alcohol, opioids, and methamphetamines are on the rise, resulting in an increasing number of overdose-related deaths each year. Treatment of individuals suffering from substance use disorders involves long-term medical and/or behavioral modification components and is important in helping prepare inmates for successful reentry to society.

To combat alcohol and opioid addiction-related issues within the state's incarcerated population, the Budget includes \$71.3 million General Fund in 2019-20, \$161.9 million General Fund in 2020-21, and \$164.8 million ongoing General Fund beginning in 2021-22 to implement an integrated substance use disorder treatment program throughout all 35 CDCR institutions. The program includes the use of medication-assisted treatment (MAT) to treat inmates with opioid and alcohol use disorders, a redesign of the current cognitive behavioral treatment curriculum, the development and management of inmate treatment plans, as well as substance use disorder-specific pre-release transition planning.

REENTRY PROGRAMS AND SERVICES

Recognizing the important role reentry facilities play in rehabilitation and successful reentry into the community, the Budget includes \$7.5 million General Fund to establish two new 60-bed female Custody to Community Transitional Reentry program facilities in Los Angeles and Riverside, and expand an existing male facility in Los Angeles by 10 beds. In addition, the Budget includes \$1.5 million ongoing General Fund to provide a five-percent contract rate increase for Male Community Reentry Program providers.

While reentry facilities provide critical services to help inmates prepare for release, a successful reentry model also requires investment in services that extend beyond prison. To that end, the Budget also includes \$33 million General Fund in 2019-20, increasing to \$37 million ongoing in 2020-21, for competitive reentry grants for community-based organizations to assist formerly incarcerated individuals transitioning into the community. These programs will support linking individuals upon release from prison to healthcare, housing and employment services.

Finally, the Budget includes \$4.1 million one-time General Fund for the Board of State and Community Corrections for grants to provide services to prepare individuals serving life sentences with the possibility of parole for parole hearings and prepare exonerated individuals for reentry into the community.

IMPROVING INMATE LITERACY

The Budget includes \$5.5 million ongoing General Fund for a program targeted at improving literacy rates among the offender population. The program establishes a statewide literacy mentorship program, allowing inmate-tutors to reach a greater number of students.

INMATE COMPLAINTS OF STAFF MISCONDUCT

The Budget includes \$9.8 million ongoing General Fund to implement a new regional model for reviewing inmate complaints of staff misconduct. This new approach is intended to improve the Department's ability to review and respond to potential staff misconduct issues. It will also improve objectivity and reduce bias, increase training for appropriate staff and management, and establish internal auditing of the inquiry process.

RESTORATIVE JUSTICE AND OFFENDER ACCOUNTABILITY PROGRAMS

The Budget includes \$5 million ongoing General Fund to expand a competitive grant program to support community-based organization-led restorative justice and offender accountability programs in prison.

PROJECT REBOUND AND UNDERGROUND SCHOLARS

The Budget includes \$3.3 million ongoing General Fund to support Project Rebound, a California State University program that provides assistance to formerly incarcerated individuals seeking to enroll at participating campuses. Additionally the Budget includes \$250,000 one-time General Fund for the Underground Scholars program for formerly incarcerated students at the University of California Berkeley.

TATTOO REMOVAL PROGRAM

The Budget includes \$1.1 million ongoing General Fund to expand the existing tattoo removal program. This funding will allow the Department to remove tattoos from approximately 3,000 additional offenders per year with a focus on those who are seeking to leave gangs or are within 1 to 2 years of release on a voluntary basis.

SIGN LANGUAGE INTERPRETER SERVICES

The Budget includes \$1.5 million ongoing General Fund to improve access to rehabilitation programs and services to inmates for whom sign language is their primary method of communication.

INMATE MEDICAL CARE AND MENTAL HEALTH SERVICES

The Budget continues the state's significant financial commitment to improve the Department's delivery of health care services to inmates. The Budget dedicates \$3.5 billion General Fund to health care services programs, resulting in inmates having

continued access to mental health, medical and dental care that is consistent with the standards and scope of services appropriate within a custodial environment.

PRISON MEDICAL CARE

The Budget includes \$2.5 billion General Fund for prison medical care.

In addition to the Integrated Substance Use Disorder Treatment Program discussed previously, the Budget includes the following significant adjustments:

- \$27.9 million ongoing General Fund for the Receiver's Medical Classification Model to provide increased staffing levels for health care operations throughout California's prison system. The Medical Classification Model uses a ratio-based methodology for adjusting medical staffing levels based on inmate medical classification. The inmate population has grown older and sicker and is experiencing an increase in trauma-related incidents, which requires an update to specific model factors that determine resource needs.
- \$6 million General Fund in 2019-20 and \$5.4 million ongoing General Fund beginning in 2020-21 to provide increased staffing, facilities, and information technology equipment for expanding utilization of telehealth, which uses audio-visual technology and other electronic means to connect patients with clinicians via the Internet. This expansion will improve access to care and reduce costly transportation of inmates to health care providers outside prison walls.
- \$1.8 million ongoing General Fund to expand the Educational Partnerships Program. The program places students and recent graduates in medical professions in temporary residency and internship positions within state prisons to develop critical on-the-job skills and to address provider recruitment and retention issues. These resources are intended to support the eventual full transition of medical care back to the state.

SUPPORT FOR AGING INFRASTRUCTURE

A prison system that is safe for inmates and staff requires investments in infrastructure to provide the necessary space and tools to operate effectively. Although the state has made significant investments in rehabilitation and health care, some of the Department's core infrastructure has deteriorated and improvements must be made.

PRISON MAINTENANCE

The Department is responsible for maintaining 34 prisons with over 41 million square feet of space. These facilities require regular maintenance and repairs. The Budget includes \$18.5 million General Fund in 2019-20, growing to \$55.6 million ongoing beginning in 2021-22, to establish a new funding methodology and baseline budget for annual prison maintenance and repair costs based on square footage. In addition, the Budget includes \$25 million one-time General Fund in 2019-20 to address the Department's highest priority deferred maintenance projects. The Department has deferred critical maintenance projects, which have resulted in critical infrastructure systems deteriorating to the point of failure. The Department now has over \$1 billion in deferred maintenance projects.

ROOF REPLACEMENT

Failing prison roofs have resulted in damage to electrical systems and housing units; interruptions in rehabilitation programs, education programs and mental health treatment; and the development of mold. In continuation of the roof replacement funding provided in the Budget Acts of 2017 and 2018, the Budget includes a total of \$71.7 million General Fund over two years for roof replacement projects, including design funding at High Desert State Prison and California State Prison, Solano.

FIRE ALARM SYSTEMS

The Budget includes a total of \$59 million General Fund over two years to replace fire alarm systems and repair fire suppression systems at Mule Creek State Prison, R.J. Donovan Correctional Facility, and California State Prison, Sacramento. The State Fire Marshal identified several deficiencies during fire and life safety inspections at these institutions between 2014 and 2017. These funds will replace aging and outdated fire alarm systems and bring the existing fire suppression systems into code compliance.

FLEET ASSET REPLACEMENT

CDCR currently maintains a fleet consisting of over 7,000 vehicles such as fire trucks, buses, and other vehicles. The Budget includes \$23.6 million one-time General Fund to replace fleet assets that serve mission-critical functions.

ACCESSIBILITY IMPROVEMENTS

While the Department has made substantial improvements that have improved access considerably for inmates with disabilities, further improvements are necessary. The

Budget includes a total of \$8.4 million General Fund over two years to fund accessibility improvements for inmates with disabilities at the California Institution for Women and Mule Creek State Prison.

JUVENILE JUSTICE REFORM

Recognizing the important need to distinguish between adult corrections and juvenile strategies, the Budget moves the Division of Juvenile Justice from CDCR to a new department, the Department of Youth and Community Restoration, under the California Health and Human Services Agency (CHHS), effective July 1, 2020. The move better aligns California's approach with its rehabilitative mission and core values—providing trauma-informed and developmentally appropriate services in order to support a youth's return to their community, preventing them from entering the adult system, and further enhancing public safety.

To begin the transition, the Budget includes \$1.2 million ongoing General Fund for key staff to plan for the transition and launch of a new independent training institute that will train all staff on best practices so they can further the new Department of Youth and Community Restoration's rehabilitative mission.

The transition will also enhance the Department's ability to build enduring partnerships with state and local agencies, as well as develop community partnerships that can provide youth with essential linkage to resources for reentry. The partnership with CaliforniaVolunteers will assist current and recent Division of Juvenile Justice-committed youths in petitioning for honorable discharge designations, by pairing those youth with credible messenger AmeriCorps volunteers who themselves have had previous experience with the criminal justice system and who can help those youths navigate the petition process.

In addition, the Budget includes \$1.4 million ongoing General Fund to establish a partnership between the Division of Juvenile Justice and the California Conservation Corps to develop and implement an apprenticeship program. This program will provide skill building and job training opportunities to participating members and support them in accessing career pathways upon returning to their communities.

The Budget also includes \$8 million ongoing General Fund to establish therapeutic communities to provide youth with opportunities to discuss, demonstrate, and practice values and skills related to building positive and supportive relationships that transcend racial and gang grouping and mentality, intended to reduce violence and improve program participation.

VICTIM SERVICES

Crime victims and their families bear significant physical, emotional, and financial burdens. The Budget includes several proposals that will both assist crime victims recovering from such traumas and proactively make strategic investments to protect those who face a high risk of victimization.

CONSOLIDATION OF VICTIM PROGRAMS

Victims and survivors need to know where to turn for services, and these services should be easily accessible. While the state offers dozens of victim services programs, it currently administers these programs through multiple state departments in a manner that is not designed to maximize ease of access for victims. Over the coming year, the Administration will develop a plan to consolidate the Office of Emergency Services and Victim Compensation Board victims programs within a new state department under the Government Operations Agency and may identify victims programs in other departments that could also be consolidated. This will provide one central place for victims and their families to obtain information and access services when they are most in need. The Administration intends to submit the consolidation of victim services proposal as part of the 2020-21 Budget.

VIOLENCE INTERVENTION AND PREVENTION PROGRAM

The Budget includes \$30 million General Fund in 2019-20, of which \$9 million is ongoing, for the California Violence Intervention and Prevention Program. These grants provide funding to support services such as community education, diversion programs, outreach to at-risk transitional age youth, and violence reduction models.

FAMILY VIOLENCE PREVENTION GRANT PROGRAM

The Family Violence Prevention Program, administered by the Office of Emergency Services, provides financial and technical assistance to local domestic and family violence centers to implement family violence prevention strategies in their community and funding for a statewide family violence prevention campaign. The Budget includes \$5 million one-time General Fund for the grant program to expand domestic and sexual violence prevention efforts.

RESTORATIVE JUSTICE

The Budget includes an additional \$2 million ongoing Inmate Welfare Fund for: (1) the Office's Victim Offender Dialogue program, which employs restorative justice principles

to provide opportunities for offenders to understand the impacts their actions have had on victims, and (2) the Department's Division of Rehabilitative Programs to establish or expand Innovative Programming Grants targeting victim impact programs. These programs are unique to CDCR and will not be included in the aforementioned victims' services program consolidation.

HATE CRIMES IN CALIFORNIA

There has been a significant increase in hate crimes in California in recent years. Crimes motivated by hate are especially damaging to communities and deserve special attention from law enforcement.

DATA COLLECTION AND REPORTING

The Budget includes \$797,000 in 2019-20 and \$693,000 ongoing General Fund beginning in 2020-21 for the Department of Justice to address audit findings identifying gaps in data collection and reporting on hate crimes. These resources will allow the Department of Justice to provide additional training and guidance to law enforcement agencies on how to accurately report hate crime data and best practices to follow when conducting outreach to vulnerable communities.

NONPROFIT SECURITY GRANT PROGRAM

The California State Nonprofit Security Grant Program, administered by the Office of Emergency Services, provides support for target hardening and other physical security enhancements to nonprofit organizations that are at high risk of a terrorist attack, particularly from hate crimes based on ideology and beliefs. Continuing previous investments to protect against attacks of this sort, the Budget includes \$15 million one-time General Fund for the grant program, to assist nonprofit organizations that have historically been targets of hate-motivated violence.

LOCAL PUBLIC SAFETY

The Budget addresses the following local public safety issues.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING (POST)

The Budget includes \$14.9 million ongoing General Fund to restore POST to its historical budget level prior to the decline in fine and fee revenues. This funding will allow POST to restore many of the program cuts it was forced to make in recent years, including the

Quality Assurance Program, Instructor Development and Academy Instructor Training, and the Robert Presley Institute of Criminal Investigations. It will also be used to implement new, and update existing, training curriculum so that courses reflect current best practices. In addition, the Budget includes \$20 million ongoing General Fund for local law enforcement to meet training standards. For fiscal years 2019-20 and 2020-21, these local assistance funds will be prioritized for use of force and de-escalation trainings.

STANDARDS AND TRAINING FOR CORRECTIONS

The Budget includes \$6.2 million ongoing General Fund for the Standards and Training for Corrections Program, which assists local corrections agencies in improving the professional competence of their staff.

COMMUNITY CORRECTIONS PERFORMANCE INCENTIVE GRANT

The Community Corrections Performance Incentive Grant, Chapter 608, Statutes of 2009 (SB 678), was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. The Budget includes \$112.8 million General Fund to continue this successful program.

POST-RELEASE COMMUNITY SUPERVISION

The Budget includes \$14.8 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.

PROPOSITION 47 SAVINGS

Voters passed Proposition 47 in November 2014, which requires misdemeanor rather than felony sentencing for certain property and drug crimes and permits inmates previously sentenced for these reclassified crimes to petition for resentencing. The Department of Finance currently estimates net General Fund savings of \$78.4 million from Proposition 47 when comparing 2018-19 to 2013-14, an increase of \$13.8 million over the estimated savings in 2017-18.

OTHER LOCAL PUBLIC SAFETY INVESTMENTS

The Budget includes approximately \$35 million one-time General Fund for various local public safety projects, of which \$20 million is dedicated to youth diversion programs and services.

DEPARTMENT OF JUSTICE

The Attorney General, as chief law officer of the state, has the responsibility to see that the laws of California are uniformly and adequately enforced. This responsibility is fulfilled through the diverse programs of the Department of Justice. The Department of Justice provides legal services on behalf of the people of California; serves as legal counsel to state agencies; provides oversight, enforcement, education, and regulation of California's firearms laws; provides evaluation and analysis of physical evidence; and supports data needs of the California criminal justice community. The Budget includes total funding of approximately \$1 billion, including \$333.4 million General Fund, to support the Department of Justice.

ARMED PROHIBITED PERSONS SYSTEM

The focus of the Armed Prohibited Persons System (APPS) program, administered by the Department of Justice, is to disarm convicted offenders, individuals experiencing mental illness, and dangerous individuals. The APPS database, which went into effect in December 2006, cross-references firearms owners across the state against criminal history records, mental health records, and restraining orders to identify individuals who have been, or will become, prohibited from possessing a firearm subsequent to the legal acquisition or registration of a firearm or assault weapon.

Workload for the APPS program—specifically, the number of persons in the APPS database—has increased significantly in recent years. The Department has been steadily increasing the number of persons it removes from the list annually. For example, between 2014 and 2018 the annual number of individuals removed from APPS grew from 8,130 to 10,681, a 31-percent increase. However, it has been unable to keep pace with the increasing rate at which new cases are added. Over the same time period, the number of new cases increased from 7,371 to 11,333, a 54-percent increase. The increase in new cases has been driven primarily by: (1) long gun records being added to the system, (2) increased firearm sales, and (3) an expansion in the number of offenses that result in firearm prohibition. As a result of these trends, the number of persons in the APPS database increased from 21,249 to 23,222, or 9 percent, between January 2014 and January 2019.

While the APPS workload has increased, the program's fund source, the Dealers' Record of Sale Account, has a structural deficit and cannot sustain additional expenditures. Therefore, the Budget includes \$17.5 million ongoing General Fund for APPS—including \$11.9 million to shift the existing APPS program to the General Fund and \$5.6 million General Fund to support increased APPS workload. Shifting these costs to

the General Fund provides a more stable fund source for APPS and allows the Dealers' Record of Sale Account to maintain solvency to continue to support other Bureau of Firearms workload.

BUREAU OF FIREARMS WORKLOAD

The Bureau of Firearms regulates and enforces the manufacture, sale, ownership, safety training, and transfer of firearms. In recent years, there have been several laws enacted that affect the purchasing and ownership of a firearm in California, thereby increasing the Bureau's workload. As noted previously, shifting support for APPS to the General Fund has made Dealers' Record of Sale Account funds available to support the Bureau's increasing workload, which the Budget allocates as follows:

- \$5.2 million in 2019-20, \$2.7 million in 2020-21 and \$1.7 million ongoing to implement and enforce the aforementioned new laws.
- \$6.9 million ongoing to maintain other critical time-sensitive firearms workload.

Other Significant Investments:

- Sex Offender Registry, Chapter 541, Statutes of 2017 (SB 384)—\$17.2 million General Fund in 2019-20, \$15.7 million in 2020-21, and \$13.2 million in 2021-22 to continue the state's commitment to implementing SB 384, which requires tiered registration of sex offenders.
- Bureau of Forensic Services—\$15 million one-time General Fund and \$10 million one-time Fingerprint Fees Account to backfill the continued decline in fine and fee revenues in the DNA Identification Fund. This funding will enable the Department of Justice to continue processing forensic evidence for client counties. The Budget also includes \$2.6 million one-time General Fund to replace critical forensic laboratory equipment. Ongoing funding for this purpose is contingent upon the department submitting a long-term replacement plan.
- Testing Sexual Assault Evidence Kits—\$2 million one-time General Fund for grants to local law enforcement agencies to submit sexual assault evidence kits to a crime lab for testing. The Budget also includes \$854,000 one-time General Fund for the Department of Justice to test sexual assault evidence kits that are submitted by local law enforcement agencies.

CALIFORNIA PENAL CODE REVIEW

The California Penal Code has dramatically increased in size from about 234,000 words in 1965 to 1.2 million in 2018. There are more than 5,000 separate criminal provisions specifying criminal behavior, penalties for convictions, additional enhancements, and credit earning once incarcerated. This complex statutory structure requires study and recommendations to revise the Penal Code. The Budget includes \$576,000 ongoing General Fund to begin an effort under the California Law Revision Commission to simplify and rationalize criminal law and criminal procedures included in the Penal Code.

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ENVIRONMENTAL PROTECTION

California's environmental protection programs promote the state's economic vitality in an environmentally sustainable manner by reducing greenhouse gas emissions, enhancing environmental quality, and protecting public health.

CAP AND TRADE EXPENDITURE PLAN

California is committed to achieving a carbon-neutral economy, including the long-term transition away from fossil fuels. The Budget proposes a \$1.4 billion Cap and Trade Expenditure Plan to support programs that reduce or sequester greenhouse gas emissions, enhance the state's resiliency to climate change, benefit disadvantaged communities most impacted by climate change, and expand the state's workforce skill base in the industries and occupations that anchor the carbon-neutral economy (see 2019-20 Cap and Trade Expenditure Plan chart). The Budget also recognizes the need for a practical roadmap to manage the decline of both the demand and supply of fossil fuels in California in a manner that is economically responsible and sustainable.

The Cap and Trade Program is a key element of California's greenhouse gas emissions reduction strategy. Cap and Trade is a market-based mechanism that establishes a statewide limit for major sources of emissions by issuing a limited number of allowances per year. This establishes a price signal necessary to drive long-term investment in cleaner fuels and more efficient energy use, and provides covered entities the flexibility to reduce emissions in a cost-effective manner. Proceeds from the Cap and Trade

Program facilitate investments throughout California that further the state's overall climate goals.

Specific highlights of the 2019-20 Cap and Trade Expenditure Plan include:

- **Healthy & Resilient Forests**—An increase of \$200 million annually for five years for the Department of Forestry and Fire Protection (CAL FIRE) to increase the rate of fuels treatment activities, improve the health and resiliency of the state's forested lands, and reduce the overall risk of wildfires across California pursuant to Chapter 626, Statutes of 2018 (SB 901). This funding will enable CAL FIRE to complete more fuel reduction projects through the operation of prescribed fire crews and grants for forest health projects.
- **Preparing Workers for a Carbon-Neutral Economy**—An increase of \$165 million over five years for the Workforce Development Board for two key areas: (1) targeted multi-craft pre-apprenticeship programs to increase access to careers in the fast-growing construction industry, which is necessary to build the infrastructure needed for climate resiliency and a carbon-neutral economy; and (2) an expanded High Road Training Partnership program to foster connections among employers, workers, and communities to analyze climate- and technology-related occupational changes, develop skills training solutions, and promote strategies that support more resilient economies in specific regions across the state. This work will be statewide, but will include a focus on areas and industries that have been traditionally dependent on fossil fuels, including Kern County, as California transitions to a carbon-neutral economy.
- **Transition to a Carbon-Neutral Economy and Zero-Emission Vehicle Strategy**—A one-time increase of \$3 million for two interagency studies coordinated by the California Environmental Protection Agency. One study will identify strategies to decrease the demand and supply of fossil fuels and evaluate pathways to achieve a carbon-neutral economy by 2045, while managing the decline of fossil fuel use in a way that is economically responsible and sustainable. The study will also assess potential impacts to disadvantaged and low-income communities and recommend focused strategies to address those impacts. The second study will identify specific policies and programs to significantly reduce emissions from the transportation sector, California's largest emissions sector. The second study will include, but not be limited to, strategies for reducing vehicle miles traveled, including increasing transit ridership.

2019-20 Cap and Trade Expenditure Plan

(Dollars in Millions)

Investment Category	Department	Program	Amount
Air Toxic and Criteria Air Pollutants	Air Resources Board	AB 617 - Community Air Protection & Local Programs to Reduce Air Pollution	\$245
		AB 617 - Local Air District Implementation	\$20
		AB 617 - Technical Assistance to Community Groups	\$10
Low Carbon Transportation	Air Resources Board	Clean Vehicle Rebate Program	\$238
		Clean Trucks, Buses, & Off-Road Freight Equipment	\$182
		Enhanced Fleet Modernization Program, School Buses & Transportation Equity Projects	\$65
		Agricultural Diesel Engine Replacement & Upgrades	\$65
Healthy Forests	CAL FIRE	Healthy & Resilient Forests	\$165
		Forest Carbon Plan: Prescribed Fire & Fuel Reduction	\$35
		Wildland-Urban Interface & Other Fire Prevention Activities	\$10
		Urban Forestry	\$10
Climate Smart Agriculture	Department of Food & Agriculture	Healthy Soils	\$28
		Methane Reduction	\$34
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion	\$25
	Air Resources Board	Fluorinated Gases Emission Reduction Incentive Program (SB 1013)	\$1
Integrated Climate Action: Mitigation & Resilience	Strategic Growth Council	Transformative Climate Communities	\$60
	Natural Resources Agency	Urban Greening	\$30
	Coastal Commission & SF Bay Conservation and Development Commission	Coastal Resilience	\$3
	Community Services & Development	Low-Income Weatherization	\$10
	California Conservation Corps	Energy Corps	\$6
Climate and Clean Energy Research & Technical Assistance	Strategic Growth Council	Climate Change Research	\$5
		Technical Assistance to Disadvantaged Communities	\$2
	California Environmental Protection Agency	Transition to a Carbon-Neutral Economy & Zero-Emission Vehicle Strategy	\$3
Workforce Training	Workforce Development Board	Apprenticeships for a Green Economy	\$35
Safe Drinking Water	State Water Resources Control Board	Safe Drinking Water	\$100
Total			\$1,387

SAFE AND AFFORDABLE DRINKING WATER

Despite over \$3 billion in investments for safe drinking water infrastructure projects since 2010, many local water systems throughout the state, particularly those serving small, disadvantaged communities, fail to provide safe drinking water to their customers. Currently, approximately 1 million Californians lack access to safe drinking water. The most significant remaining challenge is the lack of a stable funding source for long-term operation and maintenance of drinking water systems.

The Administration has worked with the Legislature on a Safe and Affordable Drinking Water package that includes a stable ongoing fund source to provide local communities, particularly disadvantaged communities, with the resources necessary to support safe and affordable drinking water for Californians.

The Budget includes: (1) \$100 million Greenhouse Gas Reduction Fund and \$33.4 million General Fund one-time in 2019-20 to begin implementation of a Safe and Affordable Drinking Water Program, and (2) statutory changes that continuously appropriate 5 percent of annual Cap and Trade proceeds (up to \$130 million) beginning 2020-21 through 2030, and provide a General Fund backstop beginning in 2023-24 in the event annual revenues for this purpose are lower than \$130 million.

These resources provide stable funding for the State Water Resources Control Board to assist communities, particularly disadvantaged communities, in paying for costs of obtaining access to safe and affordable drinking water. This includes ongoing financial support for operations and maintenance, consolidations or extensions of service, administrative and managerial services, and other long-term drinking water solutions.

The use of Greenhouse Gas Reduction Funds for safe and affordable drinking water advances the state's climate resiliency goals by helping to secure water resources statewide. Climate change adversely impacts water availability and can affect drinking water quality. Rising temperatures will impact precipitation amounts and result in less reliable water supplies, increasing the need to use water supplies that contain contaminants and require treatment to meet drinking water standards. This approach to safe drinking water also advances the state's climate change priorities by supporting and providing benefits to disadvantaged communities most impacted by climate change.

Other Significant Budget Adjustments:

- One-time \$168.5 million Proposition 68 funds for technical assistance, grants, and loans to public water systems in disadvantaged communities for infrastructure improvements to meet safe and affordable drinking water standards, including both drinking water and wastewater treatment projects.
- One-time \$31 million General Fund to support drinking water emergencies such as critical maintenance or repair of drinking water or wastewater systems, provision of temporary water tanks for short-term solutions, planning costs for recovery from wildfires, and safe drinking water projects in the Southern Central Valley and Southern California.

In addition, the Administration worked with the Legislature to accelerate the one-time \$20 million General Fund initially proposed in the Governor's Budget for the 2019-20 fiscal year, into the 2018-19 fiscal year (via Chapter 1, Statutes of 2019 (AB 72)) to support drinking water emergencies in disadvantaged communities.

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STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

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

OFFICE OF DIGITAL INNOVATION

A primary goal of government is the efficient delivery of government services. To further this goal, California must change the way it approaches service delivery and technology investments. Millions of Californians interact with government services every day: residents apply for drivers' licenses, students compare financial aid options, and small business owners apply for licenses or pay business taxes. Too often, outdated tools and complex systems make these interactions cumbersome and frustrating. Additionally, manual processes and the lack of digital service delivery often require individuals to take time off work and go to a physical office to interact directly with government staff. The state must actively seek to understand what users want to ensure government is more accessible and intuitive.

The Budget includes \$26.2 million (\$23.7 million one-time General Fund), \$14.6 million ongoing (\$9.6 million General Fund), and 50 positions to establish the Office of Digital Innovation (Office) within the Government Operations Agency to lead this charge. The Office will build on what has been learned about digital innovation in California, and scale it across the state. It will use design, technology, data, and behavioral insights to

work iteratively with departments to deliver better services for Californians. It will also bring its tools to refocus efforts through discovery and rapid prototyping. The Office has the authority to develop service delivery policies, standards, and procedures for statewide use in assessing service delivery models and underlying business processes from an end-user perspective.

A FOCUS ON THE CUSTOMER

The Office will work with departments and stakeholders to design and deliver better products and services, leveraging data and real user experiences as guides. It will strive to understand state government programs as well as the people who deliver and utilize them, and work to improve service delivery in line with iterative software development approaches. In addition to driving improved service delivery on individual projects, it will position the state to deliver better user experiences. It will champion innovative approaches to procurements, contracts, standards, and how work gets done. It will escalate and help resolve issues that inhibit better services. It will be a proponent of openness, simplicity, and common standards.

DRIVING A CUSTOMER-FOCUSED CULTURE

Scaling user-centered digital services requires a significant cultural change across the state. The Office will take a deliberate and focused approach to building a continuous improvement customer-focused culture. It will provide practical training that will include understanding users, working iteratively, improving processes, and leading cultural changes.

PROVIDING ADDITIONAL INFORMATION TECHNOLOGY TRAINING

The Office will also include additional information technology training for state staff in agile and other modern development methods to improve successful service delivery with a focus on continuous improvement. The state has already begun investing in modular procurements and agile project development (rather than depending on a single vendor for delivery), which can reduce cost and risk. While the state has developed agile curriculum, more emphasis on training is necessary for state project managers and information technology staff to realize success with these methods, which have proven successful in the private sector for years.

DIGITAL INNOVATION SERVICES REVOLVING FUND

The Budget includes \$10 million one-time General Fund to allow the Office to assist departments with the tools and resources necessary to address prioritized needs and to demonstrate transformational customer-focused digital service delivery.

The transformation of state operations and programs is essential to bringing government closer to the people and building user-friendly service delivery models. This state investment focuses on modernizing service delivery at all levels where Californians engage with government services.

STATE PENSION LIABILITIES

To mitigate growth in costs for state retirement programs and to support its obligation to providing retirement benefits, the state has taken action over the past several years to address its long-term pension liabilities. The California Public Employees' Pension Reform Act of 2013 (PEPRA) was enacted to save billions of taxpayer dollars by capping benefits, increasing the retirement age for new employees, and requiring them to pay at least half of their normal costs (or the amount of money that must be set aside today to pay for the future pension benefits that accrued that year). In 2014, the state implemented a funding strategy to shore up the California State Teachers' Retirement System (CalSTRS), which was projected to run out of money in 33 years. In 2017, the state made a \$6 billion one-time supplemental pension payment to the California Public Employees' Retirement System (CalPERS), funded by a loan from the Surplus Money Investment Fund. Based on current estimates, this payment is projected to save the state \$5.9 billion in the long term.

While the state's employee pension costs continue to grow, these efforts have placed the state in a better fiscal position. The state's current unfunded pension liability for CalPERS is \$59.7 billion, and the overall unfunded liability for CalSTRS is \$102 billion (of which the state's share is an estimated \$33.4 billion). As of June 30, 2018, the funded status for CalPERS and CalSTRS was 70 percent and 66 percent, respectively.

The Budget includes significant investments totaling \$5.9 billion over the next four fiscal years to address the state's long-term pension liabilities—including \$3 billion one-time General Fund to CalPERS and \$2.9 billion in available Proposition 2 debt payment funding to CalSTRS. These supplemental pension payments are intended to curb the growing costs of the state's retirement programs and are estimated to result in \$14.5 billion in savings over the long term. Paying off the state's other budgetary debts

from the General Fund will allow all the required Proposition 2 debt payments to go toward paying the state's retirement liabilities.

STATE EMPLOYEES' RETIREMENT CONTRIBUTIONS

The Budget includes a \$2.5 billion one-time General Fund supplemental pension payment to be paid to CalPERS in fiscal year 2018-19. The remaining \$500 million will be paid to CalPERS over fiscal years 2020-21 through 2022-23. Based on current CalPERS actuarial assumptions, this supplemental pension payment is estimated to result in a reduction in state employer contribution rates beginning in 2019-20 and additional savings of roughly \$7.1 billion over the next three decades.

TEACHERS' RETIREMENT CONTRIBUTIONS

The Budget includes a \$1.1 billion supplemental pension payment in 2019-20 toward the state's share of the unfunded liability for the CalSTRS Defined Benefit Program. This amount is the first installment of an estimated \$2.9 billion to be paid to CalSTRS over fiscal years 2019-20 through 2022-23 using available Proposition 2 debt payment funding. Based on current CalSTRS actuarial assumptions, the state will achieve estimated savings of \$7.4 billion over the next three decades as a result of the supplemental pension payments.

Significant Adjustments:

- **Surplus Money Investment Fund Loan**—The Budget includes \$723 million in 2018-19 and \$390 million in 2019-20 within the Proposition 2 debt payment requirement to pay down the General Fund's portion of the supplemental pension payment loan from the Surplus Money Investment Fund described above.
- **State Employees' Retirement Contributions**—The Budget includes \$6.8 billion (\$3.9 billion General Fund) for state contributions to CalPERS for state pension costs. This includes \$723 million General Fund for California State University retirement costs.
- **Teachers' Retirement Contributions**—The Budget includes \$3.3 billion General Fund for state contributions to CalSTRS. This roughly \$241 million year-over-year increase is due in part to the lower assumed investment rate of return adopted by the CalSTRS Board in 2017. The budgeted amount also reflects the CalSTRS Board's decision to exercise its authority to increase state contributions by 0.5 percent of teacher payroll, consistent with the funding strategy signed into law in 2014.

The State Retirement and Health Care Contributions figure 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/}

(Dollars in Millions)

	CalPERS ^{3/}	CSU CalPERS	CalSTRS	JRS	JRS II	LRS	Active Health & Dental ^{4/}	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding ^{5/}
2008-09	\$3,063		\$1,133	\$189	\$40		\$2,146	\$1,183		
2009-10	2,861		1,191	184	32		2,120	1,182		\$3
2010-11	3,230		1,200	166	54		2,277	1,387		2
2011-12	3,174		1,259	195	58		2,439	1,505		0
2012-13	2,948 ^{6/}	\$449 ^{6/}	1,303	160	51		2,567	1,365 ^{6/}	\$222 ^{6/}	0
2013-14	3,269	474	1,360	188	52	\$1	2,697	1,383	225	22
2014-15	4,042	543	1,486	179	63	1	2,797	1,462	256	38
2015-16	4,338	585	1,935	190	67	1	2,968	1,556	263	63
2016-17	4,754	621	2,473	202	68	1	3,104	1,623	272	342 ^{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	79	1	3,329	1,784	311	394
2019-20 ^{7/}	6,036	723	3,323	222	85	1	3,495	1,895	331	577

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

^{2/} The Budget Act of 2019 includes one-time supplemental pension payments to CalPERS and CalSTRS, which are not reflected in the chart. The first payment is \$3 billion General Fund to the CalPERS state plans over fiscal years 2018-19 through 2022-23. The second payment is \$2.9 billion to CalSTRS over fiscal years 2019-20 through 2022-23, on the state's behalf, using estimated available Proposition 2 debt repayment funding. The third payment is \$904 million General Fund to the CalPERS Schools Pool in 2018-19. The fourth payment is \$2.2 billion General Fund supplemental pension payment to CalSTRS in 2018-19, on behalf of CalSTRS employers.

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

^{4/} These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and California State University (CSU).

^{5/} Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

^{6/} Beginning in 2012-13, CSU pension and health care costs are displayed separately.

^{7/} Estimated as of the Budget Act of 2019. Of the total estimated 2019-20 contributions, contributions sourced from the General Fund are estimated to be \$3,179 million for CalPERS, \$1,642 million for Active Health and Dental, \$2,222 million for Retiree Health & Dental (including CSU), and \$289 million for OPEB Prefunding. Fiscal year 2019-20 contributions to CSU CalPERS, CalSTRS, JRS, JRS II, and LRS are all General Fund costs.

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

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes \$1.4 billion (\$612 million ongoing General Fund) for increased employee compensation, health care costs for active state employees, and retiree health care prefunding for active employees. Included in these costs are collectively bargained salaries and benefit increases as a result of contract negotiations, including the recently negotiated contract with the California Correctional Peace Officers Association, and pay increases related to minimum wage changes in Chapter 4, Statutes of 2016 (SB 3). Funding is also included for 2020 calendar year increases in health care premiums and enrollment.

The Administration will continue collective bargaining negotiations with Highway Patrol Officers, whose contract expired early July 2018, and will begin or continue collective bargaining negotiations with the additional four bargaining units, representing Attorney's and Administrative Law Judges, Public Safety, Stationary Engineers, and Psychiatric Technicians, whose contracts expire in late June or early July 2019.

DEPARTMENT OF FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

The Department of Financial Information System for California (FI\$Cal) is responsible for managing and implementing the state's enterprise resource planning system, which integrates budgeting, procurement, and accounting functions. At a cost of \$1.1 billion, 18,000 system users, managing \$400 billion in state expenditures, processing tens of millions of annual financial transactions, and myriad unique system requirements due to California's laws and policies, FI\$Cal represents one of the largest and most complex enterprise resource planning systems in the nation.

All 152 state departments have transitioned onto the system and 98 percent of planned functionality—budgeting, procurement, and departmental accounting—has been implemented.

During the May Revision, FI\$Cal submitted Special Project Report 8 to complete system implementation and improve the efficiency with which the system is used. The Budget includes \$63.9 million (\$39.1 million one-time, multi-year General Fund). Of this total, \$57.9 million will be used to provide additional training resources for users of the system's accounting functionality. The additional training resources will be provided by

contracted personnel familiar with the system's custom accounting functionality. The remaining \$6 million will be used for a one-year extension to complete the remaining cash management and comprehensive annual financial report (CAFR) functionality.

The Legislature also approved additional annual reporting requirements for FI\$Cal in conjunction with the approval of Special Project Report 8 resources. The reporting requirements include system integrator contractor performance, training metrics, and month-end and year-end close metrics.

PUBLIC EMPLOYMENT RELATIONS BOARD

The Public Employment Relations Board administers California's eight public sector collective bargaining statutes and provides a method through which employers, employee organizations, and employees can resolve labor relations disputes. As a result of the Department of Finance's Mission-Based Review, the Budget includes \$1.2 million ongoing General Fund, for a total of \$4.3 million ongoing General Fund provided over the last three years, to meet the department's workload needs, address the existing backlog, and improve the timeliness of case resolution.

DEPARTMENT OF GENERAL SERVICES

FAIRVIEW DEVELOPMENTAL CENTER

The Budget includes a \$2.2 million one-time General Fund appropriation to complete a site evaluation of disposition options for the Fairview Developmental Center. The Department of Developmental Services anticipates it will continue serving clients at the Fairview facility through the end of 2019. To facilitate the timely disposition of the property after the Department of Developmental Services ceases operation of the facility, the Department of General Services will hire a consultant to assist with the evaluation of appropriate reuse options. In January, the Governor issued Executive Order N-06-19, which directed state departments to prioritize development of housing on excess state properties, working in partnership with local government. Accordingly, the Fairview evaluation will include identifying constraints and opportunities, working with the City of Costa Mesa and Orange County to identify local stakeholder interest in the reuse of the property, particularly related to meeting housing and homelessness needs, and identifying options that will generate the greatest benefit to the state. Concurrently, the Department of General Services will explore options to immediately

enter into a lease with a local jurisdiction to provide housing and supportive services for up to 200 individuals with cognitive disabilities who are currently homeless.

SONOMA DEVELOPMENTAL CENTER

The Department of Developmental Services ceased operations at the Sonoma Developmental Center (Center) in December 2018. The Budget includes a \$43.7 million one-time, multi-year General Fund appropriation to support the disposition of the property separately from the state's traditional surplus property process due to the uniqueness of the site. Some of the Center's unique characteristics include the town of Eldridge, its cemetery, riparian water rights, its proximity to a regional and state park, and a main thoroughfare providing access to those parks.

The Budget includes statutory changes to outline a process for Department of General Services and Sonoma County to dispose of this site in a manner that balances several priorities, including providing affordable housing, protecting open space and access to open space, and natural and historic resources. The Department of General Services is responsible for maintaining the site and continuing shutdown activities while Sonoma County is responsible for completing an expedited land use planning process. To assist Sonoma County in expediting its planning process, the Budget provides a \$3.5 million one-time General Fund appropriation.

Assuming all milestones are completed, the disposal of the site will conclude in no more than three years consistent with the resources committed by the state to this alternate disposal process.

CANNABIS TAX FUND ALLOCATIONS

Enacted in 2015, the Medical Marijuana Regulation and Safety Act created a regulatory framework for medical cannabis in California, and distributed the responsibility for state licensing between three state entities—the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health. In November 2016, voters approved Proposition 64, the Adult-Use of Marijuana Act, which legalized the recreational sale and use of cannabis to people over the age of 21 and levied new excise taxes on the cultivation and retail sale of all state-regulated cannabis. Chapter 27, Statutes of 2017 (SB 94), integrated medicinal and adult-use regulations to create the Medicinal and Adult-Use Cannabis Regulation and Safety Act, establishing a single regulatory system to govern the commercial cannabis industry in California.

As approved in Proposition 64, effective January 1, 2018, excise taxes are levied on the cultivation and retail sale of both adult-use and medicinal cannabis with tax revenues being deposited into the Cannabis Tax Fund. The cannabis excise tax is forecast to generate \$288 million in 2018-19 and \$359 million in 2019-20. The forecast assumes continued growth of more than 15 percent annually as new businesses continue to enter the marketplace and local jurisdictions adjust to the state's legal framework. It is important to note that for the near term, revenue estimates will be subject to significant uncertainty because the market has only recently been established.

Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. Pursuant to Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer and enforce the Cannabis Act, followed by research and activities related to the legalization of cannabis, and the past effects of its criminalization. Once those priorities have been met, the remaining funds are allocated to youth education, prevention, early intervention, and treatment; environmental restoration; and public safety-related activities. The Budget estimates \$198.8 million will be available for these purposes, and allocates them for the first time in 2019-20 as identified below.

Education, prevention, and treatment of youth substance use disorders and school retention—60 percent (\$119.3 million):

- \$12 million to the Department of Public Health for cannabis surveillance and education activities.
- Remaining 75 percent (\$80.5 million) to the Department of Education to subsidize child care for children from income-eligible families to keep these children occupied and engaged in a safe environment, thus discouraging potential use of illegal substances or drugs.
- Remaining 20 percent (\$21.5 million) to the Department of Health Care Services for competitive grants to develop and implement new youth programs in the areas of education, prevention and treatment of substance use disorders along with preventing harm from substance use.
- Remaining 5 percent (\$5.3 million) to California Natural Resources Agency to support youth community access grants. These grants will fund programs to support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities. This includes but is not limited to community education and recreational amenities to support youth substance use prevention and early intervention efforts.

Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent (\$39.8 million):

- Sixty percent (\$23.9 million) to the Department of Fish and Wildlife, of which \$13.8 million will support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation and \$10.1 million to support enforcement activities aimed at preventing further environmental degradation of public lands.
- Forty percent (\$15.9 million) to the Department of Parks and Recreation, of which \$7.1 million will be used to survey the impacts and identify unknown areas of cannabis cultivation to assist with prioritizing resources for effective enforcement, \$5.6 million for remediation and restoration of illegal cultivation activities on state park land, and \$3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development.

Public safety-related activities—20 percent (\$39.8 million):

- \$2.6 million to the California Highway Patrol for training, research, and policy development related to impaired driving and for administrative support.
- Remaining 30 percent (\$11.2 million) to the California Highway Patrol's impaired driving and traffic safety grant program for non-profits and local governments authorized in Proposition 64.
- Remaining 70 percent (\$26 million) to the Board of State and Community Corrections for a competitive grant program for local governments that have not banned cannabis cultivation or retail activities that will prioritize various public health and safety programs, including, but not limited to, local partnerships focused on prevention and intervention programs for youth and to support collaborative enforcement efforts aimed at combating illegal cannabis cultivation and sales.

The dollar amounts above are subject to change and will be affected by actual cannabis tax receipts for the final quarter of 2018-19.

The Budget also includes an additional \$30 million (\$15 million Cannabis Tax Fund and \$15 million General Fund) to provide grants to local governments to assist in the creation and administration of equity programs, and to support equitable access to the regulated market for individuals through financial and technical assistance. The Governor's Office of Business and Economic Development will administer the grant program on behalf of the Bureau of Cannabis Control.

The Budget also includes an additional \$2.9 million Cannabis Tax Fund for the California Department of Tax and Fee Administration for a cannabis tax enforcement program, to increase cannabis tax compliance.

The Budget includes statutory language to address technical, clean-up issues related to the Cannabis Control Appeals Panel statute, restructure provisional licenses, enhance the equity grant program established in Chapter 794, Statutes of 2018 (SB 1294), strengthen administrative penalties for unlicensed cannabis activity, extend the existing CEQA exemption for local authorization of commercial cannabis activity, and streamline the Department of Health Care Services contracting process for its grant program.

In total, the Budget includes \$278.1 million from the Cannabis Tax Fund and \$149.4 million from the Cannabis Control Fund, which receive revenues from cannabis licensing fees, for cannabis-related activities.

2020 CENSUS

The upcoming 2020 Census is critical to California because the data collected by the decennial census determines the number of seats California will have in the U.S. House of Representatives and federal funding levels for local communities. This will be the first census conducted online, and this and other aspects of the federal census design may adversely impact participation.

California has a higher proportion of hard-to-count residents, such as limited English proficient communities, than the rest of the country. As a result, there is a heightened risk that its population will be underreported. To reduce this risk, in 2017 the state launched an extensive statewide outreach and awareness campaign, known as California Complete Count—Census 2020, to encourage and support full participation in the upcoming 2020 Census. This effort will span multiple years, be conducted in multiple languages, and implement specific strategies to obtain a complete and accurate count of all California residents.

The Budget includes \$86.9 million one-time General Fund for California Complete Count - Census 2020. This is in addition to \$100.3 million one-time General Fund approved in the Budget Acts of 2017 and 2018. This amount includes \$4 million one-time General Fund for the California Housing and Population Sample Enumeration, which is a survey that will identify barriers to a complete count and effective outreach efforts in order to prepare for the 2030 Census.

COUNTY VOTING SYSTEMS

The Budget makes additional investments to upgrade and replace voting systems and technology in all 58 counties. Specifically, the Budget includes \$87.3 million one-time General Fund for this purpose. This is in addition to the \$134.4 million General Fund included in the Budget Act of 2018, increasing total funding to \$221.7 million. This investment will support counties in their effort to replace voting systems and strengthen the security of California's election infrastructure. The additional investment in the Budget reduces the county share to 25 percent of the estimated vote center model costs for counties that have over 50 precincts. Counties with 50 or fewer precincts will not be required to provide matching funds. Full funding of the estimated polling place model costs is provided for these counties.

In addition, the Budget includes \$2.7 million ongoing (\$742,000 General Fund and \$2 million Business Fees Fund) to support the Secretary of State's continued efforts in identifying and mitigating cybersecurity risks associated with voting and other sensitive information technology systems. These resources support infrastructure replacement and monitoring and notification tools necessary to effectively detect and protect against cybersecurity threats.

CALIFORNIA ARTS COUNCIL

The California Arts Council's mission is advancing California through the arts and creativity. The Council administers grants to support the state's arts and cultural communities through the development of partnerships with the public and private sectors to enhance the cultural, educational, social, and economic growth of California. The grant programs support arts education in school and community settings; system-engaged youth; recently incarcerated individuals; local and community economic development; recent immigrants and refugee communities; native communities; veterans and their families; and various arts service organizations, and are designed to serve populations and communities who are underrepresented in the arts and have reduced access to arts programs.

The Budget includes \$10 million ongoing General Fund to expand grant programs that offer support for public access to the arts, arts education, and the state's cultural infrastructure. The Budget also includes a total of \$27.5 million one-time General Fund to promote California's arts and cultural diversity by investing in the following: Los Angeles Museum of the Holocaust (\$6 million), Armenian American Museum and Cultural Center

of California (\$5 million), National LGBTQ Center for the Arts (\$500,000), Italian American Museum (\$1 million), the Latino Theater Company (\$2 million), Korean American National Museum (\$4 million), and Navy Training Center Foundation Renovation for Performing Arts (\$9 million).

DEPARTMENT OF MOTOR VEHICLES

The Budget provides an increase of \$242.1 million Motor Vehicle Account, including \$207.7 million one-time and up to 1,873.3 temporary positions as well as \$34.4 million ongoing and 178.8 permanent positions and a number of other operational improvements to address a range of both immediate and long-term needs within DMV. These resources are targeted to implement actions identified by the Government Operations Agency's DMV Reinvention Strike Team.

The DMV is facing a temporary spike in field office visits driven primarily by the federally mandated REAL ID Act. The Budget provides resources to continue funding 900 existing temporary positions and up to 947 new temporary positions, such as temporary hires, permanent intermittent employees, retired annuitants, and staff borrowed from other departments to address this short-term increase in workload and keep wait times down.

The DMV must also address long-term operational improvements as it continues to provide vital services to the millions of Californians it serves every year. Recent significant wait times and a frustrated public have made it clear that the DMV must do better to improve its overall customer service. Acceptance of credit cards in field offices will make transactions faster and easier for customers. The redesign and streamlining of DMV's website will make it easier to complete transactions online and reduce unnecessary field office visits. These website improvements, combined with a range of new online chat services, will also help customers understand whether a field office visit is necessary, and, if so, what they need to bring to complete the transaction expeditiously. The DMV will also focus on developing mobile transaction facilities and expanding the use of kiosks to include a broader range of transaction capabilities. Taken together, these efforts and investments will improve public access by increasing DMV's ability to serve the public more efficiently and in a greater number of locations outside of field offices.

The Budget also includes \$9.5 million one time for media campaigns to reduce wait times by better informing the public regarding which transactions require a field office visit, how to make use of alternative service channels such as online services or kiosks, and what documentation to bring in for various types of transactions, such as REAL ID.

This outreach effort is intended to achieve a measurable reduction in the number of unnecessary field office visits.

Finally, the Budget provides for critical information technology improvements, including replacement of outdated and unreliable hardware such as terminals, servers, and circuits, and expanded network redundancies to stabilize the current system. This proposal will reduce vulnerability to outages so that DMV's ability to serve the public as well as the broader effectiveness of the other proposed improvements are not hindered by technical outages or faulty equipment.

The Budget includes provisional language to provide regular reporting to the Legislature and to allow for further budgetary augmentation, subject to Legislative approval, should the requested resource level be insufficient to meet the public's needs.

EARNED INCOME TAX CREDIT

The Budget significantly expands Earned Income Tax Credit (EITC) beginning in tax year 2019. The Budget more than doubles the existing credit from \$400 million to \$1 billion. The expanded program extends credits to 1 million more households, reaching 3 million households in total.

The expanded California EITC does the following:

- Provides a \$1,000 credit for every family that otherwise qualifies for the credit and has at least one child under the age of 6.
- Increases the maximum eligible earned income to \$30,000 so that those working up to full-time at the 2022 minimum wage of \$15 per hour will be eligible for the credit.
- Phases out more gradually, providing a more substantial credit for many eligible families.

FEDERAL TAX CONFORMITY

To pay for the entire cost of the newly expanded EITC and to reduce taxes on small businesses, the Budget conforms or partially conforms to a number of federal tax provisions that were enacted at the end of 2017 as part of the federal Tax Cuts and Jobs Act. The state is conforming to these provisions because they are good policy or eliminate unnecessary administrative burdens to both taxpayers and the Franchise Tax

Board. While some provisions increase revenues and others decrease revenues, in total these conformity provisions are expected to increase revenues by \$200 million in 2018-19, \$1.5 billion in 2019-20, and then about \$1.2 billion annually on an ongoing basis.

The conformity provisions included in the Budget do the following:

- Limit non-corporate business losses that can offset other ordinary income to \$500,000 per year. Only taxpayers with non-business income above \$500,000 will be affected. The average non-business income for affected taxpayers is over \$3 million. This provision ensures that wealthy taxpayers pay more of their fair share.
- Eliminate the tax-deferral on like-kind exchanges for personal property, with an exception for individuals with adjusted gross income below \$250,000 if filing single or \$500,000 if filing joint. This removes the ability of corporations and wealthy personal income taxpayers to avoid taxes on gains achieved when selling valuable personal property.
- Reduce the deduction on FDIC premiums for banks with more than \$10 billion in assets and eliminate the deduction for banks with assets above \$50 billion.
- Eliminate the business deduction for employee compensation above \$1 million for top executives of publicly traded firms.
- Require corporations that make an IRS Section 338 election to treat a purchase of a target corporation as an asset rather than a share acquisition for federal income tax purposes to make the same election for state tax purposes. This limits the ability of corporations to use tax strategies to avoid paying taxes.
- Allow an expanded population of businesses, generally those with gross receipts between \$5 million and \$25 million, to use simpler accounting methods. This will reduce paperwork burdens and generally reduce tax liabilities for small businesses.
- Do not tax student loan forgiveness when the recipient has died or has a total and permanent disability.
- Repeal the technical termination of a partnership for tax purposes when more than 50 percent of the ownership interest in the partnership changes hands within a 12-month period. Without this change, many partnerships would have been required to keep a second set of books just to comply with California tax law.
- Eliminate the 2-year Net Operating loss (NOL) carrybacks so that taxpayers cannot use current year losses to reduce their tax liability on prior year returns and receive a refund on those prior taxes.

- Expand contributions to Achieving a Better Life Experience (ABLE) accounts that support individuals with disabilities by allowing beneficiaries and their families to contribute more to them on a tax-advantaged basis, including 529 rollovers.

In order to spur housing development and promote alternative energy generation, the Administration will continue to pursue limited conformity to the federal Opportunity Zone tax benefits.

STAFF ASSIGNMENTS

EXECUTIVE OFFICE

Keely Bosler

Director of Finance
(916) 445-4141

Vivek Viswanathan

Chief Deputy Director, Budget
(916) 445-9862

Richard Gillihan

Chief Operating Officer
(916) 445-4923

H.D. Palmer

Deputy Director, External Affairs
(916) 323-0648

Gayle Miller

Chief Deputy Director, Policy
(916) 445-8582

Kari Krogseng

Chief Counsel
(916) 322-0971

Jolie Onodera

Legislative Director
(916) 445-8610

Diane Cummins

Special Advisor to the Director of Finance
(916) 445-4141

BUDGET PROGRAM AREAS

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

Corrections and Rehabilitation,
Justice, and General Government

Education

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

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

Health and Human Services

Natural Resources, Environment,
and Capital Outlay

Revenue Forecasting,
Economic Projections, and
Demographic Data

PROGRAM BUDGET MANAGERS

Thomas Todd (916) 445-5332

Amy Jarvis (916) 445-8913

Jeff Bell (916) 445-0328

Jennifer Whitaker (916) 322-2985

Erika Li (916) 445-3274

Adam Dorsey (916) 445-6423

Matt Almy (916) 324-0043

Irena Asmundson (916) 322-2263
Chief Economist and PBM

VETO MESSAGES

State of California
Governor's Office

I object to the following appropriations contained in Assembly Bill 74.

Item 0250-301-0001—For capital outlay, Judicial Branch. I delete this item.

I am eliminating the \$2,800,000 appropriation for the El Dorado County Courthouse. While I understand that there is a need to build this new courthouse, this expenditure authority is premature until the Judicial Council completes the statutorily-required statewide facilities needs assessment.

Item 0521-101-0001—For local assistance, Secretary of Transportation. I sustain this item.

Chapter 934, Statutes of 2018, requires the Transportation Agency, in consultation with the Natural Resources Agency, to conduct an assessment of the North Coast Railroad Authority to determine what is needed to dissolve the authority and dispense with its assets and liabilities, and to report on the assessment to the Legislature before July 1, 2020. I am sustaining the \$8,800,000 for expenses related to dissolving the North Coast Railroad Authority; however, these funds will not be released until the required assessment of assets and liabilities is completed. The Administration is committed to the dissolution of the North Coast Railroad Authority.

Item 0650-491—Reappropriation, Office of Planning and Research. I revise this item by deleting Provision 1.

This veto is technical in nature and deletes Provision 1 to conform to the Legislature's intent.

Item 7320-001-0001—For support of Public Employment Relations Board. I revise this item from \$17,251,000 to \$14,751,000 by reducing:

(1) 6070-Public Employment Relations Board from \$17,371,000 to \$14,871,000;

and by deleting Provision 1.

I am deleting the \$2,500,000 legislative augmentation, which would provide additional resources to the Public Employment Relations Board. The expenditure authority is premature. A recent mission-based review of the Board resulted in adding 18 positions and \$4,300,000. My Administration will continue to monitor and review workload and backlogs and propose any needed changes.

I am also deleting Provision 1 to conform to this action.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 74.

/s/ Gavin Newsom

GAVIN NEWSOM