



COMMITTEE ON BUDGET & FISCAL REVIEW
Room 5019, State Capitol
Sacramento, CA 95814

SENATOR HOLLY J. MITCHELL, CHAIR

Summary of the Governor's Proposed 2019-20 Budget

January 10, 2019

The purpose of this Summary is to provide members and staff of the Legislature with an overview of the Governor's proposed budget for 2019-20. More detailed reviews of the proposals will be developed as the Committee reviews the proposals in public hearings. If you have questions, please contact the committee at (916) 651-4103.

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Overall Budget Proposal

The Governor has proposed a budget for the 2019-20 fiscal year that includes General Fund resources—carry-forward balance, revenues and transfers—of \$147.9 billion and expenditures of \$144.2 billion. Based on the budget proposal, the General Fund would end the 2019-20 fiscal year with a Special Fund for Economic Uncertainties (SFEU) balance of \$2.3 billion, a Safety Net Reserve of \$900 million, and include a deposit of \$1.8 billion to the Budget Stabilization Account (BSA), resulting in an expected balance in this account of \$15.3 billion at the end of the budget year.

As a result of the budget strategies utilized the last few years, the General Fund continues to be in a strong position. In total, from the 2018-19 adopted budget, General Fund revenues are up by approximately \$8.2 billion. The proposed 2019-20 budget uses this adjusted base, incorporating a general reserve, Safety Net Reserve and BSA of approximately \$18.5 billion (with another \$1.4 billion reserved for encumbrances). Overall, General Fund spending in 2019-20 is expected to increase by \$109 million from the 2018-19 fiscal year. This relatively flat year over year growth is driven by significant additional one-time expenditures in the current fiscal year.

The \$18.5 billion in reserves, as reflected in the Governor's 2019-20 proposal, represents an approximately \$43.5 billion turnaround from the shortfall facing the state just eight years ago as the state was battling through the Great Recession. California continues to make tremendous strides in building the fiscal strength of the state and ensuring that we are well positioned to protect the critical services and programs that citizens depend upon should another downturn occur. California's fiscal strength is also important given the ongoing uncertain impacts of actions at the federal level. Due to these risks, the Governor's 2019-20 budget proposal prioritizes the maintenance of a balanced budget, the building up of budgetary reserves, building budgetary resiliency, and paying down unfunded retirement liabilities.

The Governor's proposal of a budget for the 2019-20 fiscal year begins the annual budget process, during which the Legislature will review and analyze the Governor's proposals, engage with the Administration and the public regarding the state's resources and priorities, and then negotiate a final budget with the Governor that reflects our shared values across the branches of government.

Overall Structure. The Governor's budget includes \$147.9 billion in General Fund revenues and other resources and \$144.2 billion in total General Fund expenditures (\$88.9 billion in non-Proposition 98 and \$55.3 billion in Proposition 98 funds), providing for a \$2.3 billion unencumbered reserve balance in the SFEU, a \$900 million Safety Net Reserve, and reflecting \$15.3 billion in the BSA. The Governor's proposed 2019-20 budget strategically targets significant one-time investments while committing \$3 billion on an ongoing basis. Additional funding is proposed for K-14 education, higher education, health and human services, emergency response, and housing and homelessness. The General Fund budget details are summarized below.

2018-19 and 2019-20 General Fund Summary (Dollars in Millions)		
	Revised 2018-19	Proposed 2019-20
PRIOR YEAR BALANCE	\$12,377	\$5,240
Revenues and transfers	\$136,945	\$142,618
TOTAL RESOURCES AVAILABLE	\$149,322	\$147,858
Non-Proposition 98 Expenditures	\$90,054	\$88,896
Proposition 98 Expenditures	\$54,028	\$55,295
TOTAL EXPENDITURES	\$144,082	\$144,191
FUND BALANCE		
Encumbrances	\$1,385	\$1,385
Special Fund for Economic Uncertainties	\$3,855	\$2,283
BUDGET STABILIZATION ACCOUNT	\$13,535	\$15,302

Budget Resiliency and Paying Down Retirement Liabilities – The Governor's proposed 2019-20 budget allocates \$13.6 billion (including debt payments and BSA reserve deposits) to building budgetary resiliency and paying down the state's unfunded pension liabilities. This includes \$4 billion to eliminate debts and reverse deferrals, \$4.8 billion to build reserves, and an additional \$4.8 billion to pay down unfunded retirement liabilities. These investments are intended to better enable the state to protect funding for schools and other core programs that serve the state's neediest individuals during the next economic slowdown.

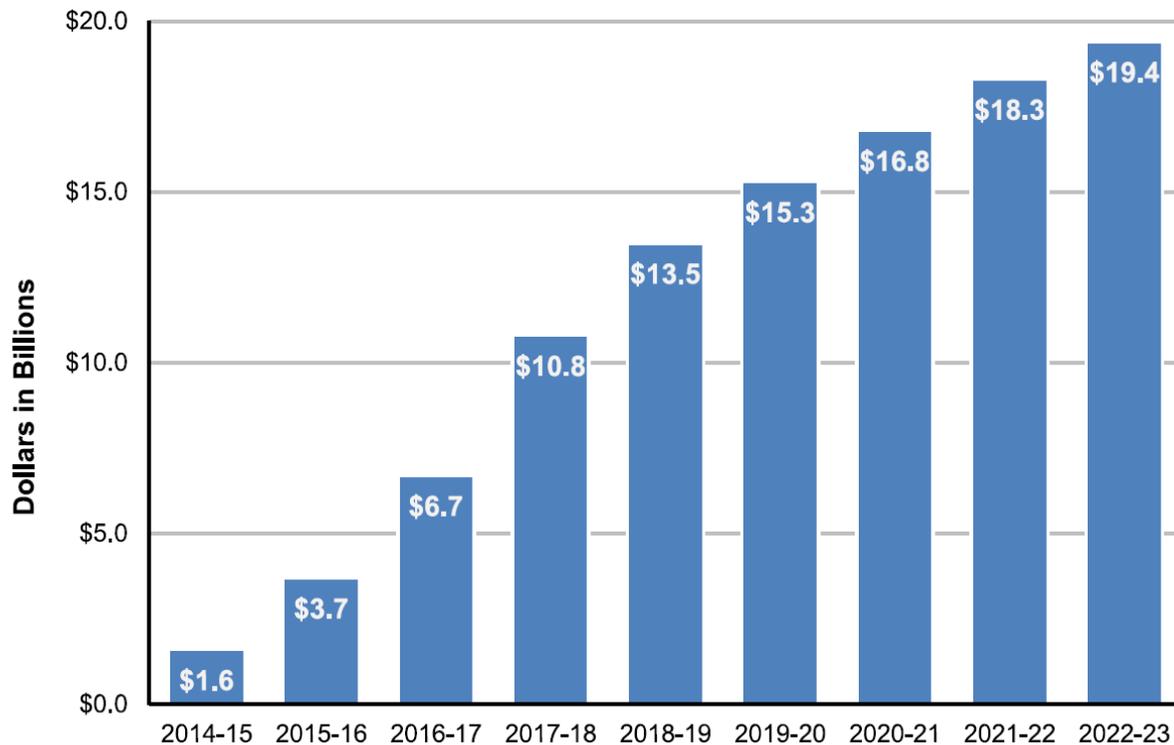
The debt and deferral payments include:

- \$2.4 billion to pay off the state's budgetary debts, including the elimination of all outstanding loans from special funds and transportation accounts. This marks the first time in over a decade that these debts have been completely paid off.
- \$1 billion to eliminate the annual payroll deferral. The one-month deferral of the June payroll provided a one-time budget savings that was used to help balance the budget nine years ago. The state has been deferring this payment ever since; this action eliminates this long-standing practice.
- \$700 million to eliminate the deferral of the fourth-quarter payment to the California Public Employees' Retirement System (CalPERS). Similar to the payroll deferral, this action reverses a one-time budget savings that was used to help balance the budget over a decade ago.

In order to continue to build the state's budgetary reserves, the Governor's budget assumes an additional \$1.8 billion transfer to the BSA in the budget year and an additional \$4.1 billion over the remainder of the forecast period, bringing the Rainy Day Fund to \$19.4 billion by 2022-23.

Of significance and per a legal opinion, the budget assumes that supplemental payments made in prior years do not count toward calculating the 10 percent of General Fund tax revenues target set in the Constitution. Consistent with this opinion, the budget continues to make required deposits in the Rainy Day Fund. The following table displays BSA growth.

Budget Stabilization Account Balance



The Governor's proposed budget also adds \$700 million to the Safety Net Reserve created in the 2018 Budget Act, bringing the total in this reserve to \$900 million. This reserve sets aside funds specifically to protect safety net services during the next recession. Finally, the budget reserves \$2.3 billion in the SFEU to address emergencies and unforeseen events.

Unfunded liability payments include:

- \$3 billion supplemental contribution to pay down the state's share of unfunded liabilities within CalPERS. This investment is estimated to result in savings of \$7.2 billion over the next three decades.
- Dedicating all of the Proposition 2 debt payments—\$1.8 billion in 2019-20 (including \$1.1 billion to CalSTRS)—toward paying down the state's retiree health and unfunded pension liabilities.
- \$1.8 billion over the forecast period to pay down the state's share of the CalSTRS unfunded liability. Paying down this liability will result in estimated savings of \$7.4 billion over the next three decades.

Current-Year Budget Recap

As a reminder of progress made last year that the Governor's budget builds upon, following is a recap of some of the highlights of the 2018-19 budget. In addition to continuing the ongoing efforts to strengthen California's fiscal stability, the 2018-19 budget included significant investments in K-14 education, anti-poverty efforts, housing and homelessness, and infrastructure.

Specific Investments included in the 2018-19 budget include:

- \$78.4 billion in Proposition 98 funding for K-14 education in 2018-19, which represents an all-time high and a \$31 billion increase (66 percent) since 2011-12. Highlights for K-12 include 1) \$3.7 billion for the Local Control Funding Formula (LCFF), 2) \$1.1 billion in one-time discretionary funds for K-12 schools, and 3) \$300 million in one-time funding to support Low-Performing Students.
- \$360 million in ongoing resources to take the first of three steps to increase CalWORKs grants to no less than 50 percent of the Federal Poverty Level and ensure that no child lives in deep poverty.
- \$230 million to hold harmless any existing Supplemental Security Income recipients who would lose net benefits once they are allowed to also receive federal Supplemental Nutrition Assistance Program benefits.
- \$500 million for local emergency homelessness grants.
- \$1 billion in Proposition 56 revenue for rate increases and loan repayments for Medi-Cal providers.
- \$1.2 billion in bond funds for the first year of implementation of the Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68).
- \$195 million General Fund for flood control infrastructure to support operations, maintenance, repair, rehabilitation, and replacement projects.
- \$5 billion in SB 1 Transportation funds, including \$2.2 billion for local cities and counties.

Proposed Budget Expenditures and Revenues

The proposed budget includes additional required programmatic increases and new spending. The table below summarizes the Governor's proposed expenditures by program area. The largest dollar changes in expenditures by program are in health and human services and K-12 education.

General Fund Expenditures Current and Budget Year (Dollars in Millions)

Program Area	Revised 2018-19	Proposed 2019-20	Change
K-12 Education	\$57,861	\$58,746	\$885
Higher Education	16,348	17,180	832
Health and Human Services	37,098	40,302	3,204
Corrections and Rehabilitation	12,495	12,482	-13
Business, Consumer Services, Housing	449	1,693	1,244
Transportation	214	296	82
Natural Resources	3,909	3,509	-400
Environmental Protection	358	123	-235
Labor and Workforce Development	159	125	-34
Government Operations	4,876	1,253	-3,623
General Government:			
Non-Agency Departments	1,145	821	-324
Tax Relief / Local Government	472	461	-11
Statewide Expenditures	4,055	2,641	-1414
Legislative, Judicial and Executive	4,643	4,559	-84
Total	\$144,082	\$144,191	\$109

The Governor's budget proposes some major policy and budgetary changes. Some of the more important aspects of the budget proposal are outlined below:

Education

- **K-12 Education.** In K-12 education, the Governor proposes to provide \$2 billion in ongoing Proposition 98 General Fund to provide a cost-of-living adjustment for the Local Control Funding Formula of 3.46 percent. In addition, the Governor proposes to provide \$576 million (\$186 million is one-time) in Proposition 98 General Fund for expanded special education services and school readiness supports at local education agencies that have high percentages of both students with disabilities and low income, foster youth, and English language learners.
- **Early Childhood Education.** The Governor proposes \$124.9 million non-Proposition 98 General Fund in 2019-20, increasing over 3 years, to expand state preschool for all low-income 4 year olds. In addition, the Governor proposes \$750 million in one-time non-Proposition 98 General Fund to increase full-day Kindergarten facilities, \$300 million in one-time non-Proposition 98 General Fund to expand child care facilities and invest in the child care workforce, and \$247 million to expand child care infrastructure for students on college campuses.
- **K-14 Pensions.** The Governor proposes \$3 billion one-time non-Proposition 98 General Fund over three years to the California State Teachers' Retirement System (CalSTRS) to buy down employer contribution rates and reduce the long-term pension liability for local educational agencies and community colleges.
- **Higher Education.** The Governor proposes an increase of over \$300 million ongoing General Fund for the California State University, over \$200 million ongoing General Fund for the University of California, and over \$275 million ongoing for the California Community Colleges, for operational costs, enrollment growth, and other purposes. In addition, the budget proposes to increase Cal Grant Access awards for student-parents to \$4,000 or \$6,000, and increases the number of competitive Cal Grant awards by 4,250 awards for a total of 30,000 awards. The budget also proposes increased investments in immigrant legal services, student hunger and housing initiatives, and mental health services for students.

Health and Human Services

- **Safety Net Reserve.** The budget increases the Safety Net Reserve Fund by \$700 million, bringing the total amount in the fund to \$900 million.

- **CalWORKs.** The budget includes \$347.6 million General Fund in 2019-20 to raise grant levels to 50 percent of the projected 2019 federal poverty level, effective October 1, 2019. Additionally, the budget includes \$78.9 million in 2019-20 to provide home visiting services to an estimated 16,000 eligible CalWORKs families. Services will be provided to pregnant women and families with a child under the age of two for up to 24 months, with priority given to first-time parents.
- **Revised County IHSS Maintenance-of-Effort (MOE).** The budget proposes to adjust the IHSS MOE inflation factor, redirect 1991 realignment back to county indigent health and mental health services, and reduce counties' IHSS MOE to \$1.56 billion, causing an increase of \$241.7 million in General Fund costs.
- **Medi-Cal Eligibility for Young Adults Regardless of Immigration Status.** The budget proposes \$260 million (\$196.5 million General Fund) to extend Medi-Cal eligibility up to age 26 for all individuals regardless of immigration status. The expansion of eligibility will also result in a \$2.2 million General Fund cost to the Department of Social Services for additional In-Home Supportive Services (IHSS) for this population. The Administration is also proposing to modify the formula for redirection of county health realignment funds under AB 85 (Committee on Budget), Chapter 24, Statutes of 2013, to account for counties' reduced costs of providing care to these newly eligible individuals. Accounting for increased IHSS costs and additional redirection of county funds, the net General Fund cost of this expansion of Medi-Cal eligibility will be \$133.5 million.

Resources and the Environment

- **Wildfire prevention and protection.** The Governor proposes \$415.1 million for fire prevention and suppression.
- **Cap-and-Trade Expenditure Plan.** The Governor proposes a total of \$1 billion in discretionary spending.
- **Safe and Affordable Drinking Water.** The Governor proposes to create a Safe and Affordable Drinking Water Fund, with a dedicated funding source from new water, fertilizer, and dairy fees.

Transportation

- **Road Repair and Accountability Act Funding** – The budget includes \$4.8 billion in SB 1 funding for a variety of transportation programs.
- **Local Streets and Roads** – The budget provides \$1.2 billion in SB 1 funding to be distributed by formula to cities and counties for local road maintenance.

General Government and Public Safety

- **Housing Production Strategy.** The Administration proposes to encourage jurisdictions to contribute to their fair share of the state's housing supply by linking housing production to certain transportation funds and other applicable sources, if any, following discussions with appropriate stakeholders.
- **Homelessness.** The budget includes \$500 million in one-time General Fund resources for jurisdictions that site and build emergency shelters, navigation centers, or supportive housing.
- **Short-Term Planning and Production Grants.** The budget includes \$750 million in one-time General Fund resources to partner with and incentivize local governments to plan for and produce additional housing.
- **Moderate-Income Housing Production.** The budget includes \$500 million General Fund one-time in the development of housing for moderate-income households.
- **Expanded State Housing Tax Credit.** The budget includes up to \$500 million in additional state housing tax credits in 2019-20, and up to \$500 million annually thereafter upon an appropriation.
- **Economic Development Tools.** The budget encourages the formation of additional Enhanced Infrastructure Financing Districts (EIFDs) by removing the 55-percent voter approval requirement to issue debt, and by actively pairing with the federal Opportunity Zones program.
- **Earned Income Tax Credit.** The budget proposes to rename the program as the "Working Families Tax Credit" and to increase the credit from approximately \$400 million to \$1 billion to help families, particularly those with young children, receive a bump in their income to address the costs of housing, rent, and child

care. The expanded credit is proposed to be funded as part of a revenue neutral tax conformity package.

- **Labor and Employee Compensation.** The budget proposes \$3 billion cash supplemental pension payment to California Public Employees' Retirement System. In addition, the budget also provides \$390 million in Proposition 2 debt funding to pay the General Fund's share of the loan that funded the \$6 billion supplemental pension payment to CalPERS in 2017-18. The budget summary notes the convening of a taskforce to consider options to phase in and expand Paid Family Leave to allow children to be cared for by a parent or close relative for up to six months.
- **Division of Juvenile Justice Reform.** The budget proposes to move DJJ facilities from the California Department of Corrections and Rehabilitation to a new department under the Health and Human Services Agency.
- **Human Trafficking Victim Assistance Program.** The budget proposes an ongoing amount of \$10 million General Fund for the Office of Emergency Services to continue funding for the Human Trafficking Victim Assistance Program. The program assists victims of sex and/or labor trafficking in recovering from the trauma they experience and reintegrating into society.

Overall Proposition 98 – K-14 Education

Budget Year – Overall Funding Levels – The proposed budget estimates a total Proposition 98 funding level of \$80.7 billion (K-14). This is a \$2.3 billion increase over the 2018-19 Proposition 98 level provided in the 2018 Budget Act (a \$2.8 billion increase over the revised 2018-19 Proposition 98 level, as discussed below). The Administration estimates that the Proposition 98 calculation for 2019-20 will be a Test 1 calculation.

Prior – and Current Year Adjustments – The budget proposes to provide total Proposition 98 funding (K-14) for 2017-18 of \$75.5 billion, a decrease of \$120 million over the 2018 final budget act level, but \$44 million above the revised 2017-18 Guarantee level. For 2018-19, the Governor estimates a decrease in the total Guarantee of \$526 million (for a total of \$77.9 billion), but provides \$475 million in settle-up funding to offset the need for expenditure reductions. These adjustments are the result of revised average-daily attendance (ADA) numbers for each of the years and the certification of prior year Guarantee levels. The Administration estimates that the Proposition 98 calculation for 2017-18 is a Test 1 and for 2018-19 is a Test 3.

Proposition 98 Settle-Up – The proposed budget includes \$687 million in Proposition 98 settle-up payments, \$475 million in the 2018-19 year, and \$212 million in 2019-20 that will count toward meeting the 2009-10 Proposition 98 minimum Guarantee. The need for settle-up results when the Proposition 98 Guarantee estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum Guarantee. Proposition 98 requires the state to make a "settle-up" payment, or series of payments, in order to meet the final Guarantee for that year. After these payments, the state will have paid off all settle-up obligations to date.

Proposition 98 Changes – The proposed budget includes a Proposition 98 funding level of \$71.2 billion for K-12 programs. This includes a year-to-year increase of \$2.6 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2018-19. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$11,568 provided in 2018-19 (revised) to \$12,003 in 2019-20, an increase of 3.8 percent.

The proposed budget also includes changes to the process for the certification of Proposition 98 Guarantee levels adopted as part of the 2018-19 Budget Act package. Under current law, prior years' Guarantee levels would be automatically adjusted downward to meet revised Guarantee levels through the use of a Proposition 98 true-up

account. The Administration proposes to eliminate this true-up account and prohibit the state from adjusting Proposition 98 levels for a prior fiscal year.

The proposed budget also shifts State Preschool Program costs for non-local education agencies (LEAs) providers from Proposition 98 to non-Proposition 98 General Fund. The 2019-20 Guarantee is rebenched, or reduced, by a like amount to account for this shift.

K-12 Education – Major Spending Proposals

K-12 Local Control Funding Formula – The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and provided an additional cost-of-living adjustment (COLA). The proposed budget provides a COLA of 3.46 percent, approximately \$2 billion, for the 2019-20 fiscal year, bringing total LCFF funding to \$63 billion. The Administration also proposes to cap the continuous appropriation of COLA for LCFF, existing in current law, during future years if the COLAs for LCFF and other K-14 programs would exceed growth in the minimum Guarantee.

K-12 Pensions – The proposed budget includes a \$3 billion one-time non-Proposition 98 General Fund payment to the California State Teachers' Retirement System (CalSTRS). Of this total, \$700 million (\$350 million in each of 2019-20 and 2020-21) is proposed to buy down employer contribution rates. The Administration estimates this would reduce the scheduled employer rate for 2019-20 from 18.1 percent to 17.1 percent and for 2020-21 from 19.1 percent to 18.1 percent. The remaining \$2.3 billion is proposed to pay down employers' long-term unfunded liability.

K-12 School Facilities – In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell \$9 billion in general obligation bonds for K-14 facilities (\$7 billion for K-12 and \$2 billion for community colleges). The proposed budget includes approximately \$1.5 billion in bond authority in 2019-20 for new construction, modernization, career technical education, and charter facility projects, an increase of \$906 million over bond sales authorized in 2018-19.

Full- Day Kindergarten Facilities – The proposed budget includes \$750 million in one-time non-Proposition 98 General Fund for eligible LEAs to retrofit or expand existing facilities to allow for an expansion of full-day kindergarten programs.

K-12 Special Education – The proposed budget includes \$576 million in Proposition 98 General Fund (\$390 million of this is ongoing) for special education-related services for LEAs with significant numbers of students with disabilities and low-income, foster youth, and English language learner students. The funds would support services that are supplemental to those identified in a student's individualized education plan, preventative services to prevent the need for additional services in future years, and other strategies to improve outcomes for students with disabilities.

Kindergarten Child Savings Account – The proposed budget includes \$50 million in one-time non-Proposition 98 General Fund to support pilot projects and partnerships with First 5 California, local First 5 Commissions, local governments, and philanthropy to create models for working towards providing Child Savings Accounts for incoming kindergartners.

K-12 Statewide System of Support – The proposed budget includes \$20.2 million in Proposition 98 General Fund for county offices of education to support school districts that are in need of improvement under the state's accountability system to be distributed pursuant to a statutory formula enacted in the 2018-19 budget. These funds would support 374 school districts identified in 2018-19 through the state's accountability measures (displayed in the recently created online tool, the California School Dashboard) to need targeted technical assistance.

Longitudinal Education Data System – The proposed budget includes \$10 million in one-time non-Proposition 98 General Fund for the planning and initial implementation of a longitudinal data system to connect student information from early education through K-12, higher education, workforce and other agencies.

K-12 Enrollment - The proposed budget reflects an estimated decrease in student enrollment in the K-12 system. Specifically, it reflects a decrease of \$388 million Proposition 98 General Fund in 2018-19, as a result of a decrease in the projected ADA, as compared to the 2018 Budget Act. For 2019-20, the Governor's proposed budget reflects a decrease of \$187 million Proposition 98 General Fund to reflect a projected further decline in ADA for the budget year.

Cost-of-Living Adjustments –The proposed budget also provides \$187 million Proposition 98 General Fund to support a 3.46 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

Local Property Tax Adjustments – The proposed budget includes a decrease of \$283 million in Proposition 98 General Fund in 2018-19 and a decrease of \$1.25 billion in Proposition 98 General Fund in 2019-20 for school districts and county offices of education related to higher offsetting local property taxes.

Child Care and Early Education

The Governor's budget increases funding for child care and preschool programs, including Transitional Kindergarten, by \$665 million for a total of \$5.3 billion in state and federal funds. This reflects an increase of 14.2 percent from 2018-19. Major changes are described below:

State Preschool Program Expansion

- The proposed budget includes \$125 million non-Proposition 98 General Fund for 10,000 additional full-day State Preschool slots for non-LEA providers in 2019-20. The Administration proposes to also increase slots in 2020-21 and 2021-22, bringing the total to 30,000 slots by the end of the three-year period and serving all low-income four year olds.
- The budget also shifts \$297 million provided for non-LEA provider State Preschool programs from Proposition 98 to non-Proposition 98 General Fund. The Administration notes that non-LEA providers already receive funding for the wraparound portion of full- day State Preschool through non-Proposition 98 General Fund and this proposal would unify the funding source for the program for non-LEA providers.
- The proposed budget would also eliminate the requirement that families must be working or in school for their children to be eligible for full-day State Preschool.
- Finally, the proposed budget includes \$27 million in Proposition 98 General Fund to annualize the 2,959 full-day State Preschool Slots for LEAs included in last year's budget that commence in April 1, 2019.

Other Child Care and Early Education Changes:

Child Care Quality and Facilities – The proposed budget provides \$500 million in one-time non-Proposition 98 General Fund to improve the state's child care system. Of this, \$245 million is to increase the educational attainment of the child care workforce, \$245 million is to expand facilities for subsidized child care, and \$10 million is to

contract for the development of a universal preschool blueprint and plan for improving child care.

Non-CalWORKs Child Care – The proposed budget includes \$79 million for a 3.46 percent cost-of-living adjustment for non-CalWORKs child care and State Preschool programs and decreases slots by \$20 million to reflect a decrease in the birth to age four population.

CalWORKs Child Care – The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net increase of \$103 million, reflecting a \$16 million decrease in Stage 1, a \$36 million increase in Stage 2, and a \$83 million increase in Stage 3.

Transitional Kindergarten. – The proposed budget also includes an increase of \$24 million (for a total of \$890 million) Proposition 98 General Fund for Transitional Kindergarten, reflecting ADA growth and COLA. This funding is included within LCFE totals as discussed earlier in this report.

Other Adjustments – The proposed budget also makes several other technical adjustments to annualize the costs of actions taken in prior years including \$40 million to annualize funding for the January 1, 2019 increase to adjustment factors for infants, toddlers, children with exceptional needs, and children with severe disabilities and \$3 million to annualize the 2,100 Alternative Payment slots for LEAs that began September 1, 2018.

Higher Education

University of California (UC)

Operational Costs. The budget proposes a \$119.8 million General Fund unrestricted base increase for the University of California (UC). The budget assumes that undergraduate resident tuition remain, flat at 2018-19 levels.

The budget summary notes that this investment should begin a conversation between the Administration and UC on the short and long-term goals to provide fiscal certainty for students, increase access and improve student success, creating a more cost-efficient UC, and improving linkages between UC and the workforce.

Enrollment. The budget proposes \$10 million ongoing General Fund to support

enrollment of 1,000 additional resident students above previously budgeted levels. UC used one-time funds in the 2018-19 budget to support this enrollment. The budget does not propose any additional funding for enrollment in 2019-20.

UC Extension Programs. These programs provide continuing education for adults and are self-supported programs. The budget proposes \$15 million one-time General Fund to provide outreach to Californians and to reform existing program and course offerings. The budget summary notes the administration's expectation that programs will continue to be supported by student fees.

Degree Attainment and Student Success. The budget proposes \$50 million ongoing General Fund to improve student success and timely degree completion.

Mental Health Services. The budget proposes \$5.3 million ongoing General Fund to hire additional clinicians to serve students.

Student Hunger and Housing Initiatives. The budget proposes \$15 million ongoing General Fund to augment UC's existing efforts to address student hunger and housing needs.

Immigrant Legal Services. The budget provides \$1.3 million ongoing General Fund to support immigrant legal services programs starting in 2022-23. The budget summary notes that the \$4 million one-time General Fund provided in the 2018-19 budget is sufficient to support the program until 2022-23.

Graduate Medical Education. The budget provides an increase of \$40 million General Fund ongoing to end the shift of Proposition 56 funds supporting medical residency programs.

Firearms Violence Research Center. The budget provides \$1 million ongoing General Fund starting in 2021-22 to support the Center at UC Davis. The 2016-17 Budget provided \$5 million General Fund one-time for this purpose.

Deferred Maintenance. The budget proposes \$138 million one-time General Fund to address deferred maintenance at UC.

California State University (CSU)

Operating Costs. The budget provides \$193 million ongoing General Fund to support operational costs. The budget assumes that tuition at CSU will remain flat at 2018-19 levels.

Enrollment. The budget proposes \$62 million ongoing General Fund to increase enrollment by two percent, or 7,000 students.

Degree Attainment and Student Success. The budget provides \$45 million ongoing General Fund to continue investments in the Graduation Initiative.

Immigrant Legal Services. The budget provides \$7 million ongoing General Fund to provide legal services to undocumented students, family and staff at the CSU. The budget summary specifies services that this funding may support.

Project Rebound. The budget provides a \$250,000 General Fund ongoing increase to support Project Rebound, which provides assistance to formerly incarcerated individuals seeking to enroll in participating CSU campuses.

New CSU Campus. The budget proposes \$2 million one-time General Fund for the Chancellor's Office to undertake a review of a potential CSU campus in San Joaquin County, likely in the City of Stockton.

Student Hunger and Housing Initiatives. The budget proposes \$15 million one-time General Fund to assist each campus's existing efforts to address student hunger and housing needs.

Deferred Maintenance and Childcare Centers. The budget proposes \$247 million one-time General Fund for CSU to address its deferred maintenance backlog and improve and expand on-campus childcare centers.

California Community Colleges (CCC)

Please see the K-12 Education section of this report for additional information on the overall K-14 Proposition 98 budget.

Student Centered Funding Formula. The Governor proposes to postpone a scheduled increase in the share of apportionments tied to student outcomes. Under current law, the share of funding tied to student outcomes is scheduled to increase from 10 percent in 2018-19 to 15 percent in 2019-20, and then to 20 percent in 2020-21. Over the same period, the share tied to enrollment is scheduled to decline from about 70 percent to 60 percent. Instead of changing the shares in these ways, the budget keeps the 2018-19 rates (adjusted by COLA) in place for 2019-20. The Administration indicates that the postponement would "better ensure that the CCC Chancellor's Office and the Oversight

Committee have sufficient time to consider revisions that would further the goals of the formula.”

In addition, the Governor proposes to limit a district's year-to-year growth in its student outcome allotment to 10 percent so as to “make the formula more sustainable over the long run.”

The budget proposes \$435,000 one-time General Fund to support the Student Centered Funding Formula Oversight Committee.

College Promise Program. The budget provides \$40 million ongoing Proposition 98 General Fund to support a second year of the California College Promise Program. Additionally, the budget proposes \$5 million one-time General Fund for the Chancellor's Office to increase outreach for the program.

Apportionments. The budget includes \$248 million to cover a 3.46 percent cost-of-living adjustment (COLA) and \$26 million to cover 0.55 percent enrollment growth (equating to about 6,000 additional full-time equivalent [FTE] students).

Capital Outlay Projects. The budget proposes \$18 million (Proposition 51 bond funding) to fund 12 new projects submitted by the Chancellor's Office for 2019-20. In addition, the budget proposes \$341 million in Proposition 51 funds to continue 15 projects that were approved in previous years.

Legal Services. The budget provides \$10 million Proposition 98 General Fund to provide legal services to undocumented and immigrant students, faculty and staff on CCC campuses.

Adult Education Block Grant Program. The budget provides \$18 million ongoing Proposition 98 General Fund to fund the cost-of-living adjustment of 3.46 percent for the program.

Hastings College of the Law

Base Increase. The budget proposes a \$1.4 million, or 2.5 percent, base increase to Hastings. The Administration indicates that the increase is contingent on the school rescinding planned tuition increases in 2019-20.

Deferred Maintenance. The budget proposes \$1 million one-time for deferred maintenance.

Student Financial Aid

Access Award for Student Parents. The budget provides \$122 million ongoing General Fund provide greater assistance to certain student parents. The Governor proposes to expand Cal Grant nontuition awards for CCC, CSU, and UC students who have dependent children. Specifically, these students would qualify for a nontuition award of up to \$6,000 if they receive Cal Grant A or Cal Grant B, and up to \$4,000 if they receive Cal Grant C.

Cal Grant Competitive Awards. The budget provides \$9.6 million ongoing General Fund to fund an additional 4,250 Cal Grant competitive awards, which would raise the total number of new competitive awards available annually to 30,000.

Higher Estimated Caseload-Driven Costs. The Governor's budget revises 2018-19 Cal Grant spending upward by \$32.5 million (1.5 percent). Compared to this revised spending level, the Governor's budget provides a \$158.1 million (7.0 percent) increase for 2019-20. (These adjustments do not include proposed funding for the two California Student Aid Commission (CSAC) policy changes described above.)

Grant Delivery System. The Governor's budget includes \$6.2 million one time for CSAC to continue replacing its online grant delivery system. The 2018-19 Budget Act included \$5.5 million one time for that purpose.

California State Library

Local Assistance. The Governor proposes a second year of funding for the "Lunch at the Library" program (\$1 million), as well as funds to support specified internet activities at public libraries (\$1 million).

Other Investments

In addition, the Governor's budget includes one-time General Fund support for the following higher education-related initiatives.

Higher Education Innovation in San Joaquin and the Inland Empire. The budget proposes \$10 million General Fund one-time to the Office of Planning and Research for grants to spur greater higher education innovation in the San Joaquin Valley and Inland Empire. According to the Department of Finance, the initiative is intended to expand capacity of higher education, reduce achievement gaps, and permanently break cycles of poverty in these areas.

Student Loan Awareness. The budget provides \$5 million General Fund one-time to the Office of Planning and Research to fund an outreach initiative to educate student loan borrowers about their loans and available repayment options.

Natural Resources and the Environmental Protection

Natural Resources

Wildfire prevention and protection. The Governor proposes \$415.1 million for fire prevention and suppression as follows:

- \$213.6 million from various funds for increased fire prevention actions, such as fuel reduction projects and implementation of the wildfire prevention recovery legislative package of last year.
- \$120.8 million General Fund for aviation resources, including \$11.4 million General Fund for the first year of operating C-130 air tankers that will be transferred from the U.S. Air Force and \$109.4 million General Fund for new helicopters.
- \$64.4 million General Fund to expand firefighting surge capacity, including 13 new year-round fire engines, expansion of heavy fire equipment operator staffing, and acceleration of replacement of fire engines and other mobile equipment, and five additional CalFire/California Conservation Corps fire crews.
- \$6.6 million from various funds for support of emergency responders by expanding CalFire's health and wellness program to provide medical and psychological services.
- \$9.7 million General Fund for (1) improving the use of technology by providing dedicated staff to review data gathered via remote sensing technology, situational awareness software and satellite imagery, which will support CalFire's incident commanders in developing initial and extended attack fire suppression strategies during wildfire events; and, (2) 100 additional fire detection cameras.

The Governor also proposes \$3.4 million Greenhouse Gas Reduction Fund (GGRF) for air quality and smoke monitoring, forecasting, reporting and

modeling activities, and for local air district public education efforts related to prescribed burns and other fuels reduction activities.

Additionally, the budget includes \$9.2 million from several special funds for 48 positions in 2019 and ongoing to perform wildfire-related workload required by SB 901 (Dodd), Chapter 626, Statutes of 2018.

Environmental Protection

Cap and Trade Expenditure Plan. The Governor proposes a total of \$1 billion GGRF discretionary spending. Among the proposed investments, the Governor's plan includes:

- \$230 million for air toxic and criteria air pollutants;
- \$407 million for low carbon transportation;
- \$200 million for Healthy Forests;
- \$43 million for Climate Smart Agriculture;
- \$25 million for short-lived climate pollutants;
- \$59 million for Integrated Climate Action: mitigation and resilience;
- \$27 million for workforce training; and,
- \$10 million for climate and clean energy research.

Safe and Affordable Drinking Water. The Governor proposes the following to address safe and affordable drinking water needs:

- \$168.5 million in Proposition 68 funds for public water systems in disadvantaged communities for infrastructure improvements, including drinking water and wastewater treatment projects.
- \$10 million General Fund for emergency water supplies in disadvantaged communities.
- Creation of the Safe and Affordable Drinking Water Fund, with a dedicated funding source from new water, fertilizer, and dairy fees, to assist communities in paying for costs of obtaining access to safe and affordable drinking water. The Governor also proposes \$4.9 million General Fund one-time for implementation of a proposed Safe and Affordable Drinking Water Program.

Energy and Climate Legislation – The budget includes \$9.3 million ongoing for 11 positions at the California Public Utilities Commission to support regulation and

oversight of new or enhanced activities to combat the effects of climate change and promote responsible utilization of California's energy resources.

Transportation

Transportation

Department of Transportation (Caltrans) Funding – The budget provides for total expenditures of \$20.6 billion by the department. The primary sources of funding are federal funds, state taxes on gasoline and diesel fuel, and other fees (about \$19.3 billion), with additional funds from Proposition 1B bonds (about \$91.5 million), and reimbursements from local governments (about \$1.2 billion).

Road Repair and Accountability Act Funding – The budget includes \$4.8 billion in SB 1 funding for a variety of transportation programs. This includes \$1.2 billion for highway maintenance and repairs, \$400 million for the repair of state-owned bridges and culverts, \$307 million to improve trade corridors, and \$250 million for congested commute corridors. It also provides \$200 million for Local Partnership projects, \$100 million for the Active Transportation Program, \$25 million for expanded freeway service patrols, and \$25 million in local planning grants.

Local Streets and Roads – The budget provides \$1.2 billion in SB 1 funding to be distributed by formula to cities and counties for local road maintenance.

Transit and Intercity Rail Capital – The budget provides \$386 million from SB 1 revenues for transit, commuter, and intercity rail.

State Transit Assistance – The budget provides \$458 million in SB 1 revenues for formula-based assistance to local transit operators, in addition to roughly \$600 million in other base funding.

High-Speed Rail – The budget provides capital outlay funding of \$614 million (\$494 million in cap-and-trade funds and \$120 million in Proposition 1A bond funds) for phase one of the blended system.

Department of Motor Vehicles – The budget provides \$63 million in Motor Vehicle Account (MVA) funding for 780 positions for workload related to the federal REAL ID mandate, which is consistent with current-year funding levels. Additionally the

department will be the first state department to pilot the digital services and innovation academy with the Office of Digital Innovation in the budget year.

California Highway Patrol (CHP) – The budget proposes \$44 million in General Fund resources, plus \$18 million in Motor Vehicle Account (MVA) resources, to modernize in-vehicle communication systems. The budget also provides \$15 million in General Fund resources to equip officers with multi-function tablet devices, and \$9.5 million in General Fund resources to replace aging IT infrastructure.

Organized Retail Task Forces – The budget includes \$5.8 million General Fund on a limited-term basis for the CHP to coordinate with the Department of Justice in the creation of regional task forces aimed at reducing organized theft activities, as required by AB 1065 (Jones-Sawyer), Chapter 803, Statutes of 2018.

Health and Human Services

The Governor's budget includes a total of \$158.6 billion (\$40.3 billion General Fund and \$118.3 billion other funds) for health and human services that serve low-income, vulnerable individuals and families.

Health

Department of Health Care Services (DHCS)

The budget includes \$104.2 billion (\$23.4 billion General Fund) for DHCS, which provides Californians with access to affordable, integrated, high-quality health care including medical, dental, mental health, substance use disorder services, and long-term care. Of this amount, the budget includes \$744.1 million (\$237.7 million General Fund) for state operations and \$103.5 billion (\$23.2 billion General Fund) for local assistance.

Medi-Cal Program – The budget proposes total expenditures of \$100.7 billion (\$22.9 billion General Fund) for 2019-20, a 10.6 percent increase in General Fund spending compared to the revised 2018-19 estimate. Medi-Cal is projected to provide health care services to approximately 13.2 million Californians in 2019-20, which represents a decline of 1.2 percent since 2016. According to the Administration, this decline is the result of lower unemployment and a recovering California economy. The budget assumes costs of \$19.9 billion (\$2.2 billion General Fund) in 2019-20 for the 3.8 million Californians covered through the optional expansion of Medi-Cal.

The budget includes decreased General Fund expenditures in Medi-Cal of \$2.3 billion General Fund in 2018-19 compared to the 2018 Budget Act. According to the Administration, this significant reduction is primarily due to the following factors: 1) the timing of payments for the Hospital Quality Assurance Fee and prescription drug rebates, 2) one-time reconciliations from prior fiscal years including adjusted estimates of deferred federal claims and higher withheld payments for skilled nursing facilities, and 3) reductions in estimated Medi-Cal caseload which lead to reductions in managed care capitation costs.

Medi-Cal Eligibility for Young Adults Regardless of Immigration Status – The budget proposes \$260 million (\$196.5 million General Fund) to extend Medi-Cal eligibility up to age 26 for all individuals regardless of immigration status. The expansion of eligibility would also result in a \$2.2 million General Fund cost to the Department of Social Services for additional In-Home Supportive Services (IHSS) for this population. The Administration is also proposing to modify the formula for redirection of county health realignment funds under AB 85 (Committee on Budget), Chapter 24, Statutes of 2013, to account for counties' reduced costs of providing care to these newly eligible individuals. Accounting for increased IHSS costs and additional redirection of county funds, the net General Fund cost of this expansion of Medi-Cal eligibility would be \$133.5 million.

Governor's Executive Order on Reducing Prescription Drug Costs. On January 7, 2019, the Governor issued an Executive Order aimed at reducing the price of prescription drugs for taxpayers, employers, and consumers. In the Medi-Cal program, the budget proposes to transition all pharmacy services from Medi-Cal managed care to fee-for-service no sooner than January 2021. According to the Administration, this carve-out would result in annual savings of hundreds of millions of dollars beginning in 2021-22 by strengthening the state's ability to negotiate supplemental rebates and would create consistent access and standardization of the pharmacy benefit throughout all regions of the state.

The Administration also proposes to strengthen the existing California Pharmaceutical Collaborative to establish a bulk purchasing prescription drug program. The program would use the state's collective purchasing power to make available lower cost prescription drugs for both public and private payers.

The budget also proposes to create a new special fund, the Medi-Cal Drug Rebates Fund, to create additional transparency for the use of prescription drug rebates received by Medi-Cal through its federal and state supplemental rebate programs.

Proposition 56 Provider Payments and Other Investments. The budget includes \$3.2 billion (\$1.05 billion Proposition 56 tobacco tax revenue) for supplemental payments to Medi-Cal providers to improve access to care for beneficiaries, as well as several new investments. \$769.5 million of the Proposition 56 revenue would fund supplemental payments to physicians, dentists, women's health service providers, intermediate care facilities-developmental disabilities, HIV/AIDS Waiver service providers, home health agencies, private duty nursing, and pediatric day health programs.

In addition, the budget includes three new programs funded by Proposition 56 revenue:

- \$180 million to establish a Value-Based Payment Program through Medi-Cal managed care plans. The program would provide incentive payments to providers for meeting specific measures to improve care for high-cost or high-need populations. These measures include behavioral health integration, prenatal and postpartum care, and chronic disease management.
- \$52.5 million to provide developmental screenings for all children ages 0 to 21 and trauma screenings for all children and adults in the Medi-Cal program.
- \$50 million to provide additional supplemental payments for family planning services. This allocation is in addition to the existing Proposition 56 allocation for family planning services, currently estimated at \$54.2 million in 2018-19 and \$41.9 million in 2019-20.

Mental Health and Homelessness Investments – The budget includes the following investments in improving mental health services and housing individuals who are homeless or at risk of homelessness:

- Whole Person Care Housing Services - \$100 million General Fund in 2019-20 to provide local entities with funding for supportive housing services for individuals who are homeless or at risk of homelessness, with a focus on those with mental illness. These funds would be available for expenditure until June 30, 2025.
- Early Psychosis Outreach, Detection, and Intervention - \$25 million General Fund in 2019-20 to provide grants to support development of innovative approaches to detect and intervene when young people have had, or are at risk of, psychosis. Eligible entities would include, but not be limited to, county mental health plans, non-profit organizations, behavioral health providers, or academic institutions.

County Administration Budget – The budget includes \$2.1 billion (\$723.6 million General Fund) in 2019-20 for county administration of the Medi-Cal program, an increase of \$53 million over the 2018-19 level of funding. According to the Administration, this increase in funding is based on the 2.63 percent growth of the California Consumer Price Index.

Department of Public Health (DPH)

The budget includes \$3.2 billion (\$183.7 million General Fund) for DPH, which is dedicated to optimizing the health and well-being of all Californians through a variety of public health monitoring, protection, education, direct services and emergency preparedness activities.

Licensing and Certification: Los Angeles County Contract – The budget includes an additional \$17.2 million from the Licensing and Certification Program Fund to begin implementation of a new, expanded contract with Los Angeles County for health care facility licensing and certification activities. This augmentation would result in a total 2019-20 contract cost of \$65.5 million. According to the Administration, the new contract reflects a focus on quantity, quality, and customer service and would shift all regulatory work to the County. Some of the increased cost of the Los Angeles County contract would be offset by the supplemental licensing fee for health care facilities in the county adopted as part of the 2018 Budget Act.

Licensing and Certification: Hospital Licensing Application Timelines – The budget includes \$3.4 million from the Licensing and Certification Program Fund to achieve more timely processing of hospital licensing applications pursuant to the provisions of AB 2798 (Maienschein), Chapter 922, Statutes of 2018.

Alzheimer's Disease Program Grant Awards – The budget includes an additional \$3 million General Fund to support research relating to the study of Alzheimer's disease and related disorders. This allocation is in addition to the \$3.1 million General Fund authorized for this purpose in the 2018 Budget Act. The new budget allocation would focus on research to understand the greater prevalence of Alzheimer's disease and related disorders among women and communities of color, as well as establishing a Governor's Task Force on Brain Health.

Expansion of California Home Visiting Program – The budget includes \$23 million to expand the California Home Visiting Program, a preventive intervention focused on promoting positive parenting and child development. The additional funding would be focused on young, low-income mothers and provide a wider range of home visiting models based on varying family needs.

Expansion of Black Infant Health Program – The budget includes an additional \$7.5 million General Fund to expand services in the Black Infant Health Program, which improves African-American infant and maternal health. This allocation is in addition to the \$8 million General Fund augmentation approved by the Legislature in the 2018 Budget Act.

Sexually Transmitted Disease Prevention – The budget includes \$2 million General Fund annually for local jurisdictions to support sexually transmitted disease prevention activities. The Legislature approved \$2 million General Fund in 2018-19 for this purpose in the 2018 Budget Act.

Department of State Hospitals (DSH)

The budget includes \$2 billion (\$1.8 billion General Fund) in 2019-20 for DSH, which administers five state mental health hospitals, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Administration estimates that the population served by the five state hospitals will reach a total of 6,722 in 2019-20.

Incompetent to Stand Trial (IST) Admissions – According to the Administration, DSH continues to experience a significant number of IST commitments from local courts, with the number of individuals awaiting placement into the state hospital exceeding 800 as of December 2018. DSH has undertaken several significant efforts over recent years to address the waiting list of IST commitments, including capacity expansions and the implementation of a mental health diversion program to provide local grants and judicial flexibility for community-based treatment of individuals at risk of IST commitment.

The budget includes \$18.6 million General Fund for the second phase of its capacity expansion at Metropolitan State Hospital, which would provide a total of 236 secured forensic beds for the IST population.

The budget also includes \$12.3 million General Fund to contract for an additional 74 jail-based competency restoration treatment beds through county jail treatment programs.

Clinical Staffing Study – Based on a Clinical Staffing Study initiated by DSH in 2013, the budget includes the following augmentations based on a data-centered approach to standardizing staffing at the five state hospitals:

- **Direct Care Nursing** – The budget includes \$15 million General Fund for the first year of a three-year phase-in of 128 medication rooms and to provide nighttime

nursing supervisors. According to DSH, these resources are designed to reduce patient violence, staff injuries, and staff turnover and absenteeism by increasing the number of direct-care nursing staff.

- Court Evaluation and Reports – The budget includes \$8.1 million General Fund to standardize forensic workload across state hospitals. This workload includes forensic evaluations, court reports, court testimony, court report coordination, neuropsychological assessments, and treatment.
- Workforce Development – The budget includes \$1.8 million General Fund to expand partnerships with community colleges and increase capacity in existing psychiatric technician training programs. The additional allocation would also support establishment of a Forensic Psychiatry Residency Program at Napa State Hospital.

Other Health and Human Services Issues

Health Insurance Affordability in Covered California – The budget proposes to increase subsidies for individuals with incomes between 250 and 400 percent of the federal poverty level (FPL) who purchase coverage in Covered California's Health Benefit Exchange. The budget also proposes to expand subsidies to individuals to individuals with incomes between 400 and 600 percent of the FPL. These subsidy expansions would be funded by revenues from the establishment of a California-based individual mandate for individuals to purchase health care coverage and would promote health care affordability, coverage, and use of preventive care, as well as decrease uncompensated care and county indigent health care costs. The Administration has indicated it will be requesting legislative changes to implement these provisions.

Health Care and Mental Health Workforce Development – The budget includes \$33 million General Fund annually to support health care workforce initiatives at the Office of Statewide Health Planning and Development (OSHPD). This augmentation extends permanently a three-year, \$100 million allocation for this purpose approved by the Legislature in the 2017 Budget Act.

The budget also includes \$50 million General Fund in 2019-20 to increase training opportunities for mental health workforce programs administered by OSHPD. The Administration is encouraging universities, health clinics, and philanthropic organizations to contribute to this effort, as well.

Human Services

Department of Social Services (DSS) – The Governor proposes an overall 2019-20 budget of \$26.2 billion (\$9.5 billion General Fund) for DSS.

California Work Opportunity and Responsibility to Kids (CalWORKs) – The Governor proposes an overall 2019-20 budget of \$5.5 billion in federal, state, and local funds for the program and estimates a caseload of 371,000 families (a decrease of 8.9 percent).

- **Home Visiting Services.** The budget includes \$78.9 million in 2019-20 to provide home visiting services to an estimated 16,000 eligible CalWORKs families. Services will be provided to pregnant women and families with a child under the age of two for up to 24 months, with priority given to first-time parents.
- **CalWORKs Grant Increase.** The budget includes \$347.6 General Fund in 2019-20 to raise grant levels to 50 percent of the projected 2019 federal poverty level, effective October 1, 2019.
- **Single Allocation methodology.** The budget includes a one-time augmentation of \$93.6 million for the county single allocation.
- **County Indigent Health Savings.** The budget reflects a \$617.7 million savings in 2019-20 to offset General Fund costs in the CalWORKs program.
- **Safety Net Reserve.** The budget increases the Safety Net Reserve Fund by \$700 million, bringing the total amount in the fund to \$900 million.

In-Home Supportive Services (IHSS) – The budget includes \$12.7 billion (\$4.3 billion General Fund), a 15.2 percent increase in General Fund costs over the current year, and estimates a 564,000 person caseload in 2019-20.

- **IHSS Administration.** The budget includes an ongoing increase of \$15.4 million General Fund for county IHSS administrative costs to reflect benefit rate assumptions.
- **Restoration of the 7-percent Service Hours Reduction.** The enactment of the managed care organization tax restored the 7-percent reduction in IHSS service hours. Under current law, the managed care organization tax will expire on July

1, 2019. The budget restores the 7-percent reduction in IHSS service hours, at a cost of \$342.3 million General Fund in 2019-20.

- **Revised County IHSS Maintenance-of-Effort (MOE).** The budget proposes to adjust the IHSS MOE inflation factor, redirect 1991 realignment funds back to county indigent health and mental health services, and reduce counties' IHSS MOE to \$1.56 billion; causing an increase of \$241.7 million in General Fund costs.
- **Electronic Visit Verification.** The budget includes \$34.9 million (\$5.3 million General Fund) to implement an electronic visit verification solution to the case management, information, and payroll system for personal care services.
- **Medi-Cal Expansion for Undocumented Adults.** The budget proposes to expand full-scope Medi-Cal coverage to undocumented adults aged 19 through 25, resulting in costs of \$2.2 million General Fund to the IHSS program in 2019-20.

Child Welfare Services: Continuum of Care Reform (CCR) – The budget includes \$416.9 million (\$301.7 million General Fund) for the department, county child welfare agencies, and county probation departments to continue implementation of CCR reforms.

Supplemental Security Income/State Supplementary Payment (SSI/SSP) – The estimated caseload for the SSI/SSP program is 1.22 million recipients (28.8 percent aged; 1.2 percent persons who are visually impaired or blind; 70 percent persons with disabilities). Effective January 2019, maximum SSI/SSP grant levels are \$931 per month for individuals and \$1,564 per month for couples. The Governor's budget includes \$2.75 billion General Fund for the SSI/SSP program.

The budget includes an estimated growth factor of 2.8 percent in 2019 and 2.5 percent in 2020 for the SSI (federal) portion of the grants. The budget also assumes an increase in costs for benefits under the state-only Cash Assistance for Immigrants (CAPI) program. Beginning June 1, 2019, CAPI benefits will be equivalent to SSI/SSP payment standards.

- **Elimination of SSI Cash-Out Policy.** The budget includes \$86.7 million General Fund in 2019-20 and makes permanent the offset of the loss of food benefits for households that would otherwise experience a reduction resulting from the elimination of the Cash-Out policy.

- **SSI Advocacy.** The budget includes an ongoing \$25 million General Fund for the Housing and Disability Advocacy program.

Immigration Services – The budget includes \$75 million in 2019-20 and annually thereafter for immigration-related services. Although not included in the CDSS budget, the overall state budget also includes \$20 million General Fund in 2019-20 and \$5 million General Fund in 2018-19 to address immigration-related emergencies. This funding would be set aside in a reserve account to be allocated by Executive Order for use by CDSS or the California Office of Emergency Services.

California Statewide Automated Welfare System (CalSAWS) – The budget includes \$148.2 million (\$31.2 million General Fund) in 2019-20 for the design and implementation of CalSAWS.

CalFood Program and Food Bank Capacity – The budget continues to provide \$8 million General Fund for the CalFood program. Additionally, the budget includes a one-time augmentation of \$20 million General Fund to support infrastructure needs of California food banks.

Department of Developmental Services – The Governor proposes an overall 2019-20 budget of \$7.8 billion (\$4.8 billion General Fund) and estimates that approximately 350,000 individuals will receive developmental services by the end of 2019-20.

Expanded Crisis Services – The budget includes \$5.3 million (\$4.8 million General Fund) to expand state-operated crisis services to the Central Valley.

Community Services – The budget includes \$7.4 billion for the Community Services program within the department. An additional focus on community services and rate reforms is expected given a statutorily required rate study that is due in March 2019.

- **Specialized Caseload Ratios** – The budget includes \$5.4 million (\$3.7 million General Fund) to establish a reduced caseworker caseload ratio for consumers with specialized medical and behavioral needs.
- **Community Crisis Homes for Children** – The budget includes a one-time augmentation of \$4.5 million General Fund to expand the development of community crisis homes for children.

Department of Rehabilitation – The Governor proposes an overall 2019-20 budget of \$476 million. The budget includes \$1.2 million General Fund annually to fund the Traumatic Brain Injury program, which has been extended through 2023-24.

General Government and Local Government

The budget includes several proposals related to statewide issues and cross-departmental functions.

Homelessness – The budget includes \$500 million in one-time General Fund resources for jurisdictions that site and build emergency shelters, navigation centers, or supportive housing. Specifically, it includes:

- \$300 million for expanding or developing shelters and navigation centers. Jurisdictions must establish joint regional plans to address homelessness to be eligible. The budget proposes to make \$200 million available for federally designated areas and \$100 million for the eleven most populous cities in the state.
- \$200 million in additional funding for general purposes for jurisdictions that show progress towards developing housing and shelters, including permitting new supportive housing units or constructing emergency shelters and navigation centers.

Streamlining California Environmental Quality Act (CEQA) – The administration will propose legislation to accelerate the approval and construction of homeless shelters, navigation centers, and new supportive housing units by allowing for a streamlined CEQA process similar to that created by AB 900 (Buchanan), Chapter 354, Statutes of 2011.

Airspace – The administration will develop a statewide policy for the use of Department of Transportation (Caltrans) airspace for emergency shelters. Airspace is land located within the state highway's right-of-way used for non-transportation purposes. This proposal will build on 2018 legislation that allowed for parcels to be used for emergency shelters in Oakland, San Jose, Los Angeles, San Diego, and Stockton.

2020 Census – The budget includes \$50 million in one-time General Fund resources for additional statewide outreach efforts for the upcoming federal Census. This funding augments the \$90.3 million provided in 2018-19, bringing the total to \$140.3 million for Census related outreach. The budget also includes \$4 million in General Fund resources for the California Housing and Population Sample Enumeration, which will identify barriers to a complete count and identify successful outreach approaches that can be used to develop recommendations for the 2030 Census.

Housing Production Strategy - The Administration will develop a strategy to revamp the current Regional Housing Needs Assessment (RHNA) process, which determines the amount and type of housing that regions and local jurisdictions must produce to meet their need. Under AB 72 (Santiago), Chapter 370, Statutes of 2017 and AB 686 (Santiago), Chapter 958, Statutes of 2018, HCD will be taking a more active role in housing element reviews. Moving from an advisory role, HCD will now oversee and enforce regional housing goals and production. HCD will determine a methodology for allocating housing needs to regions and local jurisdictions, with local input. The Administration proposes to encourage jurisdictions to contribute to their fair share of the state's housing supply by linking housing production to certain transportation funds and other applicable sources, if any, following discussions with appropriate stakeholders.

Short-Term Planning and Production Grants – The budget includes \$750 million in one-time General Fund resources to partner with and incentivize local governments to plan for and produce additional housing. Local governments will receive grants (\$250 million of the \$750 million) to support technical assistance and staffing to develop plans to reach these higher goals. This includes, but is not limited to: rezoning for greater density, completing environmental clearance, permitting units, and revamping local processes to speed up production. The state will review these efforts and certify that certain milestones have been reached. As jurisdictions reach these milestones, funding (\$500 million of the \$750 million) will be available to cities and counties for general purposes.

Moderate-Income Housing Production – The budget includes \$500 million General Fund one-time for the development of housing for moderate-income households. The California Housing Finance Agency (CalHFA) will expand its Mixed-Income Loan Program, which provides loans to developers for mixed-income developments that include housing for moderate-income households at a lower subsidy level than traditional state programs. This will augment the estimated \$43 million in annual Chapter 364, Statutes of 2017 (SB 2) revenues dedicated for this purpose, and pair with the proposed tax credit program targeting households with incomes between 60 to 80 percent of Area Median Income (see below).

Expanded State Housing Tax Credit – The budget includes up to \$500 million in additional state housing tax credits in 2019-20, and up to \$500 million annually thereafter upon appropriation. The additional authority includes \$300 million for the existing state tax credit program, targeted at new construction projects that pair with the underutilized 4 percent federal tax credit program. The remaining \$200 million will be allocated through a new program that targets housing development for households with incomes between 60 to 80 percent of Area Median Income, a population not typically served by the state's housing programs.

Economic Development Tools – The budget encourages the formation of additional Enhanced Infrastructure Financing Districts (EIFDs) by removing the 55-percent voter approval requirement to issue debt, and by actively pairing with the federal Opportunity Zones program. This change will allow EIFDs to support longer-term infrastructure commitments.

Emergency Preparedness and Response – The budget includes \$172.3 million for the Office of Emergency Services to improve the state's emergency response and preparedness capabilities.

- **State Emergency Telephone Number Account (SETNA).** The budget includes a one-time investment of \$60 million General Fund - \$10 million in 2018-19 and \$50 million in 2019-20 – to continue improvements to the state's 9-1-1 system.
- **California Earthquake Early Warning System.** The budget includes a one-time augmentation of \$16.3 million General Fund to finish the build-out of the California Earthquake Early Warning System.
- **Public Education.** The budget includes \$50 million General Fund one-time to begin a comprehensive, statewide education campaign on disaster preparedness and safety.
- **Mutual Aid.** The budget includes \$25 million General Fund ongoing for repositioning of existing OES and local government resources that are part of the statewide mutual aid system.
- **California Disaster Assistance Act (CDAA).** The budget includes \$20 million General Fund one-time 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 emergency activities. This augmentation increases total CDAA funding to \$82.6 million in 2019-20.

- **Public Safety Radios** – The budget includes \$59.5 million General Fund over five years to develop and implement the California Interoperable Public Safety Radio System.

Office of Digital Innovation – The budget includes start-up costs of \$36.2 million (\$33.7 million General Fund) and 50 positions to establish the Office of Digital Innovation within the Government Operations Agency. The budget proposes one-time funding of \$20 million 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 office will have the authority to develop and enforce requirements for departments to assess their service delivery models and underlying business processes from an end-user perspective.

Cannabis – The budget includes \$200.6 million from the Cannabis Tax Fund and the Cannabis Control Fund. The budget also includes \$2.9 million for the California Department of Tax and Fee Administration for a cannabis tax enforcement program.

Earned Income Tax Credit – The budget proposes to rename the program the “Working Families Tax Credit” and to increase the credit from approximately \$400 million to \$1 billion to help families, particularly those with young children, receive a bump in their income to address the costs of housing, rent, and child care. The expanded credit is proposed to be funded as part of a revenue neutral tax conformity package.

Deferred Maintenance – The budget includes one-time resources of \$315.8 million (\$287.2 million General Fund) to address the most critical statewide-deferred maintenance projects.

AmeriCorps – The budget includes \$20 million General Fund to begin the expansion of the state’s AmeriCorps members to 10,000, which would more than double the current number of members.

Centralized Revenue Opportunity System – The budget includes \$13.8 million General Fund and \$10.8 million special funds for the continued implementation of the California Department of Tax and Fee Administration’s major information technology system replacement project.

Mainframe Enterprise Tape Library Refresh – The budget includes \$7.2 million (\$6.9 million General Fund and \$308,000 Special Funds) to refresh the Franchise Tax Board's (FTB) on-site data storage system and create a more reliable off-site data recovery system.

Local Area Network Infrastructure Refresh – The budget includes \$5.7 million General Fund to allow FTB to refresh its aging local area network infrastructure.

Unclaimed Property Holder Compliance Audits – The budget includes \$1.6 Unclaimed Property Fund to support 11 positions to perform audits of holders to ensure compliance with the California Unclaimed Property Law, reunite unclaimed property with its rightful owners or heirs, and provide administrative support.

Public Safety, Law Enforcement and Corrections

California Department of Corrections and Rehabilitation (CDCR)

The budget proposes total funding of \$12.6 billion (\$12.3 billion General Fund and \$303 million other funds) for the CDCR in 2019-20.

Adult Institution Population – The adult inmate average daily population is projected to increase by 1.1 percent from 126,890 in spring 2018-19 to 128,334 in 2019-20. The overall current projections, however, show that the adult inmate population is trending downward and is expected to decrease by 1,360 offenders between 2018-19 and 2019-20.

Parolee Population – The average daily parolee population is projected to increase by less than one percent over spring projections from 48,535 in 2018-19 to 48,701 in 2019-20.

Division of Juvenile Justice (DJJ) Population – The DJJ's average daily ward population is increasing when compared to 2018 Budget Act projections. The current ward population is projected to be 662, an increase of 2.5 percent over spring projections. This population is projected to increase by 97 wards between 2018-19 and 2019-20, for a total population of 759 wards. The activation of the Young Adult Program and increase in age of jurisdiction to 25, as authorized in the 2018 Budget Act drives this increase in 2019-20.

Reorganization of DJJ to the Health and Human Services Agency – The budget proposes to move youth correctional facilities from the CDCR to a new department under the Health and Human Services Agency.

Focus on Inmate Rehabilitation and Reentry – The budget proposes \$475.3 million General Fund for providing rehabilitative programming for adult inmates. Specifically, the budget proposes the following increases:

- \$5.5 million General Fund for a package of programs specifically aimed at improving literacy rates among the offender population. Major components of this program include a diagnostic remedial reading program, computer-based learning, literacy programming for English as a second language learners, teacher-learner programs for literacy instruction, literacy coaches, and literacy mentor programs to train inmates as literacy tutors.
- \$2.5 million General Fund for an expanded tattoo removal program for the adult offender population.

Support for Aging Infrastructure – The budget proposes \$18.5 million General Fund in 2019-20, growing to \$55.6 million beginning in 2021-22 to establish a new funding methodology and baseline budget for annual prison maintenance and repair costs. In addition, the budget includes one-time \$25 million General Fund to address the CDCR's highest priority deferred maintenance projects. Finally, the budget includes a total of \$71.7 million over two years for roof replacement projects, including 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. This funding would replace aging and outdated fire alarm systems and bring existing fire suppression systems into compliance.

Accessibility Improvements – The budget proposes 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. This proposed funding continues efforts by the CDCR to make its prison facilities accessible to inmates with disabilities.

Fleet Asset Replacement – The budget proposes \$24 million General Fund to establish a seven-year replacement schedule for fleet assets that serve mission-critical functions and meet the Department of General Services' replacement threshold criteria.

California Volunteers Partnership – The budget includes \$2 million to provide matching funds for a California Volunteers/AmeriCorps federal grant, which will support 40 half-time AmeriCorps members in organizations assisting youth released from the DJJ. The DJJ and AmeriCorps have coordinated to develop a program to assist youth with reentry and earning an Honorable Discharge from the Board of Juvenile Hearings.

Inmate Medical Care and Mental Health Services – The budget proposes \$3.3 billion for inmate health care services programs. Of this amount, \$2.3 billion General Fund is included for prison medical care. This includes:

- A \$6 million General Fund augmentation 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.
- \$1.8 million General Fund on a limited-term basis to expand the Educational Partnerships Program. This program places students and recent graduates in medical professions in temporary residency and internship positions within state prisons.

Local Public Safety

Commission on Peace Officer Standards and Training (POST) – The budget includes \$14.9 million 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.

Use of force, de-escalation, and engaging with individuals experiencing a mental health crisis, POST – The budget proposes \$20 million General Fund to make permanent a one-time augmentation included in the 2018 Budget Act for training on use of force, de-escalation and engagement with individuals experiencing a mental health crisis.

Post Release Community Supervision – The budget proposes \$11.8 million General Fund for county probation departments to supervise the temporary increase in offenders on post release community supervision as a result of the implementation of court-ordered measures and Proposition 57.

Community Performance Incentive Grant – The budget includes \$116.4 million General Fund for county probation departments to support the continued efforts of counties to reduce the number of offenders sent to prison.

Proposition 47 State Savings – The Administration estimates that the net savings associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014), between 2013-14 and 2018-19 will be \$78.5 million. This represents an estimated savings increase of \$13.8 million over 2017-18.

Department of Justice (DOJ)

The budget includes total funding of approximately \$1 billion, including \$330.9 million General Fund, to support the DOJ.

Sex Offender Registry – The budget includes \$17.2 million General Fund to continue the state's commitment to implementing SB 384 (Wiener), Chapter 541, Statutes of 2017, which requires tiered registration of sex offenders.

Armed Prohibited Persons System (APPS) – The fund source for APPS, the Dealers' Record of Sale Account, currently has a structural deficit and cannot sustain additional expenditures for this program. The budget includes a total of \$16.9 million General Fund for APPS—\$11.3 million to shift the existing APPS program from the Dealers' Record of Sale Account to the General Fund and \$5.6 million General Fund to support increased APPS workload.

Bureau of Firearms Workload – The budget includes \$6.9 million Dealers' Record of Sale Account to address increasing workload related to firearm sales.

Bureau of Forensic Services — The budget proposes \$15 million General Fund and \$10 million Fingerprint Fees Account to backfill the continued decline in fine and fee revenues in the DNA Identification Fund. This funding will enable the DOJ to continue processing forensic evidence for client counties. Moreover, the budget includes \$5.8 million General Fund to establish a replacement schedule to regularly maintain and replace forensic laboratory equipment.

The Judicial Branch

The budget includes total funding of \$4.1 billion (\$2.1 billion General Fund and \$2.0 billion other funds) in 2019-20 for the Judicial Branch, of which \$2.4 billion is provided to support trial court operations.

Pre-trial Pilot Project – The budget includes a \$75 million General Fund allocation over a two-year period for the Judicial Council to fund the implementation, operation, or evaluation of programs or efforts, in eight to ten courts, related to pretrial decision-making. In selecting its pilot courts, the Judicial Council should seek a diversity in court size, location, case management systems, and other appropriate factors.

Increasing Access to Justice and Court Operation Modernization – The budget proposes \$41.9 million General Fund to improve access to justice and modernize court operations. This proposed funding will be for the following:

- \$23.1 million General Fund to replace 14 case management systems in 10 trial courts across California.
- \$7.7 million General Fund to complete the first step in migrating to an updated Phoenix personnel system, enable additional payroll deployments for seven trial courts, and shift \$3.2 million in existing Improvement and Modernization Fund costs to the General Fund.
- \$5.6 million General Fund to establish a pilot program to digitize paper and film case files at approximately six trial courts.
- \$5.5 million General Fund 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.

Dependency Counsel – The budget proposes a \$20 million augmentation for court-appointed dependency counsel who represent children and parent clients at every stage of the dependency proceeding. The additional funding is intended to help reduce attorney caseloads statewide.

Trial Court Trust Fund Backfill – The budget proposes \$52.5 million General Fund to backfill reductions in fine and penalty revenue in 2019-20.

Facilities, Operation and Maintenance – The budget proposes \$40 million for deferred maintenance projects, and \$20.2 million to support operations and maintenance of trial court facilities constructed since 2007.

Health and Retirement Benefits for Trial Court Employees – In addition, the budget proposes \$25.9 million General Fund for trial court employee benefit increases that were implemented in 2018-19.

Cannabis Conviction Resentencing Workload – The budget includes \$13.9 million for anticipated resentencing workload associated with AB 1793 (Bonta), Chapter 993, Statutes of 2018, which expedites the identification, review, and notification of individuals who may be eligible for recall or dismissal, dismissal or sealing, or re-designation of a conviction for specified cannabis-related offenses.

Compensation for State-Level Judiciary Staff – The budget includes \$9.5 million General Fund to fund a general salary increase for state-level judiciary employees at the Judicial Council, California Supreme Court, and Appellate Courts.

Trial Court Security Systems and Equipment – The budget proposes \$6 million to refresh, maintain, and replace trial court security equipment and systems.

Information Technology Investments – The budget includes \$2.3 million General Fund to advance three new technologies recommended by the Chief Justice's Commission: (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.

Labor and Employee Compensation

Employment Development Department

Paid Family Leave. The budget proposes to increase paid family leave for care of newborns or newly adopted babies from up to six weeks to up to six months. The Governor's budget summary notes the convening of a taskforce to consider options to phase-in and expand Paid Family Leave. The budget proposes to adjust the reserve requirement for the fund that supports the program, which will allow the state to make a down payment toward the new policy in the budget year.

California Public Employees' Retirement System (CalPERS)

Supplemental Payment. The budget proposes a \$3 billion General Fund supplemental pension payment in 2018-19. The Administration estimates this payment will reduce state employer contribution rates beginning in 2020-21 and provide additional savings of approximately \$7.2 billion over the next 30 years.

Additionally, the budget proposes \$390 million in Proposition 2 debt funding to pay down the General Fund share of the \$6 billion supplemental pension payment that was included in the 2017-18 budget.

California State Teachers' Retirement System (CalSTRS)

Supplemental Payment. The budget proposes \$2.9 billion Proposition 2 funds to make a supplemental pension payment for the state's share of the unfunded liability for CalSTRS. Of this amount, the budget proposes a \$1.1 billion payment in 2019-20, with the remainder to be paid through 2022-23. The Administration assumes an estimated savings of approximately \$7.4 billion over the next 30 years.

Additionally, the budget proposes a \$3 billion General Fund payment in 2018-19 to CalSTRS for the school employers share of CalSTRS. Of this amount, \$700 million would be provided to pay down the employer contribution rates in 2019-20 and 2020-21. The Administration estimates the rate would decrease from 18.13 percent to 17.1 percent in 2019-20, and from 19.1 percent to 18.1 percent in 2020-21. The remainder of the funds would be paid towards the employers' long-term unfunded liability, which will save employers approximately \$6.9 billion over the next 30 years.