

## MHSA STAKEHOLDER GROUP (MHSA-SG)

Friday, May 29, 2020 (2:00-4:00pm)

GO TO MEETING TELECONFERENCE: <https://global.gotomeeting.com/join/511501621>

To participate by phone, dial-in to this number: <tel:+18773092073,,511501621#>

MISSION	VALUE STATEMENT	FUNCTIONS
<i>The MHSA Stakeholder Group advances the principles of the Mental Health Services Act and the use of effective practices to assure the transformation of the mental health system in Alameda County. The group reviews funded strategies and provides counsel on current and future funding priorities.</i>	<i>We maintain a focus on the people served, while working together with openness and mutual respect.</i>	<p>The MHSA Stakeholder Group:</p> <ul style="list-style-type: none"> <li>• <i>Reviews</i> the effectiveness of MHSA strategies</li> <li>• <i>Recommends</i> current and future funding priorities</li> <li>• <i>Consults</i> with ACBH and the community on promising approaches that have potential for transforming the mental health systems of care</li> <li>• <i>Communicates</i> with ACBH and relevant mental health constituencies.</li> </ul>

- Welcome and Introductions 2:00
  - Community Meeting Fact Sheet & VIA Character Strengths
  - Conference call etiquette tips
  - Meeting Structure: (1) Relationship building; (2) Administration & Operations; (3) Program Planning & Development; (4) Quality Assurance & Accountability; and (5) Outreach/Communication
- MHSA-SG Membership & Bios 2:15
  - Welcome Orientation 5/28/20
- ACBH/MHSA Administration 2:25
  - CA Governor's May Revision
- MHSA CPPP Update 2:45
  - What has the CPPP experience been like for you? Feedback from the community?
  - Outreach & Community Mobilization Summary
  - Community Input Preview (Focus Group & Survey)
  - Plan Development Timeline

- |                        |      |
|------------------------|------|
| 4. Wrap-Up/Summary     | 3:50 |
| 5. Meeting Adjournment | 4:00 |

Documents Attached:

- Agenda
- Minutes from April meeting
- Community Meeting Fact Sheet
- MHSA-SG Member Card
- ACBH Reorganization MEMO
- CA May Governor's Memo
- CA May Revision Summary
- Stakeholder Meeting Calendar
- VIA Character Strengths and Virtues Poster

# Alameda County Mental Health Services Act Stakeholder's Meeting

April 24, 2020 • 2:00 pm – 4:00 pm

**\*TELECONFERENCE REMOTE MEETING\***

Meeting called to order by **Mariana Dailey (Chair)**

**Present Representatives:** Viveca Bradley (MH Advocate), Jeff Caiola (Consumer), Margot Dashiell (Alameda County Family Coalition), Sarah Marxer (Family Member), Elaine Peng (MHACC), Liz Rebensdorf (NAMI East Bay), Danielle Vosburg (Telecare), L.D. Louis (MHAB), Katy Polony (Abode/IHOT), Mark Walker (Swords to Plowshare), Shawn Walker-Smith (MH Advocate), Mariana Dailey (MHSA Senior Planner) and Terri Kennedy (Administrative Assistant for MHSA Division).

<i><b>ITEM</b></i>	<i><b>DISCUSSION</b></i>	<i><b>ACTION</b></i>
<b>Welcome and Introductions</b> (Mariana)	<p><b>Mariana</b> reviewed conference call etiquette tips, and led a brief check-in with the group utilizing the Community Meeting model to share one goal they planned to accomplish by the end of the day. <b>Stakeholders</b> answered the following questions:</p> <ul style="list-style-type: none"> <li>• How are you feeling? “I feel ____.”</li> <li>• What’s one goal you have for yourself today?</li> <li>• Who can you lean on for support to help you accomplish this goal?</li> </ul>	
<b>MHSA-SG Meeting Focus (RE: Our 5 Structure elements)</b> (Mariana)	<p><b>Mariana</b> stated that the meeting would focus on the following MHSA-SG Structure elements:</p> <ul style="list-style-type: none"> <li>• Relationship Building, Leadership &amp; Advocacy</li> <li>• Outreach</li> <li>• Administration &amp; Operations</li> <li>• Program Planning &amp; Development</li> </ul>	
<b>MHSA-SG Membership &amp; Bios</b> (Mariana)	<p><b>Mariana</b> announced a stakeholder selection panel consisting of three MHSA-SG members (Jeff C, Danielle V, Liz R.) concluded recruitment activities and selected three additional candidates to join the stakeholder group: <b>Mark Walker (provider)</b>, <b>Katy Polony (provider/family advocate)</b>, <b>Shawn Walker Smith</b> (representing as a family member/mental health advocate)</p> <p>Effective April 23, 2020, <b>Karen Grimsich</b> has retired her role as a MHSA-SG member and has identified a colleague as a replacement: Annie Bailey (City of Fremont, Social Services). Annie will join the next MHSA-SH meeting in April. The group thanks Karen for her service.</p> <p><b>New members</b> will be invited to attend a welcome orientation and learn more about their roles &amp; responsibilities. The orientation will be coordinated by Mariana at a later date. New members will include: L.D. Louis (Mental Health Advisory Board), Mark Walker, Katy Polony, Shawn Walker-Smith, and Annie Bailey.</p> <p>The stakeholder group is encouraged to welcome new members by leaving a message on the <a href="#">Kudoboard</a> (online). New members mentioned it was nice seeing the welcoming comments from peers.</p>	<ul style="list-style-type: none"> <li>• <b>Stakeholder members</b> (new and old) are encouraged to submit a biographical sketch to Mariana for inclusion on the <a href="#">acmhsa.org</a> stakeholder page</li> <li>• Terri will update the MHSA-SG contact list</li> </ul>
<b>MHSA Department Reorganization Update</b>	On April 7, 2020 stakeholder members received a message from Dr. Tibble (ACBH Director) regarding received departmental changes. A previous version of the ACBH	<ul style="list-style-type: none"> <li>• <b>Mariana</b> will send civil service announcements</li> </ul>

<b>ITEM</b>	<b>DISCUSSION</b>	<b>ACTION</b>
(Mariana)	<p>organizational chart was provided to compare to new changes. ACBH has implemented the following: (a) changed the title of a few positions, (b) filled key leadership vacancies, and (c) added 5 new departmental positions.</p> <p>Liz questioned whether the ACBH organizational chart will be updated when vacant positions are filled. Mariana confirmed changes will be made and a revised organizational chart will be sent to the MHSA-SG group once it's approved by Health Care services Agency, Human Resources, and ACBH. Another member questioned the relationship between the existing Ethnic Services Manager position and the new Health Equity Officer. Mariana confirmed the Health Equity Officer will report directly to the ACBH Director and oversee the Ethnic Services Manager (as well as the Consumer Empowerment Manger and Family Empowerment Manger) as illustrated on the new organizational chart attached to the Director's memo.</p>	when vacant positions are formally announced
<p><b>MHSA Community Planning Process (CPPP) Presentation &amp; Discussion</b> (Mariana)</p> <p>Educational PPT and gorupdiscussio Community input &amp; feedback survey Outech 7 community mobilization</p>	<p>The Community Planning Process that's required for the MHSA 3-Year plan will commence on Monday, April 27, 2020. As we've done before, there will be a survey (online) and several focus groups targeting unserved and underserved communities (e.g. African-American, Faith-based, Children/TAY, Latinx, Immigrant/Refugee, LGBTQII+) The goal is to reconvene in the fall or next spring (pending resolution of COVID-19 risks), and host 5 community input meetings/forums in each supervisorial district.</p> <p><b>Mariana</b> facilitated the 2020 MHSA Community Input Presentation available on the Community Input page of the acmhsa.org website. Following the presentation, a short focus group discussion took place. All group processing answers will be included in the three-year plan update. Members were asked to brainstorm ideas to the following two questions:</p> <ul style="list-style-type: none"> <li>• The revised survey is included in the meeting packet for review</li> <li>• Survey will be available online in 6 threshold languages</li> </ul> <p>Concern was raised by <b>Viveca</b> about how to ensure innovative programs are sustainable following implementation. <b>Mariana</b> responded that previous issues sustaining innovation projects were identified int her recent annual plan and recent state audit. Mariana developed a new Innovations web form to collect ideas throughout the year. The form is available on the acmhsa.org website on the Innovations page. The Innovations Program Specialist will receive the recommendations via email, and follow-up state protocol related to approving and implementing innovative ideas. An innovations workgroup may be convened at a later date.</p>	<ul style="list-style-type: none"> <li>• <b>Mariana</b> will draft a sample outreach email/message for stakeholder members to use and include on Monday's (4/27/20) announcement when the Community Input Website goes "live"</li> <li>• <b>Stakeholders</b> should complete the Community Input Survey by May 31<sup>st</sup>.</li> <li>• <b>Stakeholders</b> are being asked to forward the flyer and community input announcements to their networks asking for as many Alameda County residents to participate as possible</li> <li>• <b>Stakeholders</b> are encouraged to take the lead in outreach and also contact <b>Mariana</b> with any ideas on how to get this survey to our unreached and unrepresented populations who have difficulty using/accessing technology (i.e. those in SROs, homeless, etc.)</li> </ul>
<p><b>Wrap-Up/Summary</b> (Mariana)</p>	<p><b>Stakeholder members</b> will be invited to participate on the next Selection Committee and are encouraged to write a kind message to new members on the <a href="#">Kudoboard</a>.</p>	<ul style="list-style-type: none"> <li>• <b>Mariana</b> will contact applicants to coordinate welcome orientations and notify panel members</li> </ul>

<i><b>ITEM</b></i>	<i><b>DISCUSSION</b></i>	<i><b>ACTION</b></i>
	<p><b>Mariana</b> reminded each MHSA-SG member to complete the <a href="#">VIA Strength Assessment Survey</a> prior to this meeting. The VIA assessment is virtue focused, with emphasis on personal strengths, not deficits. Those who did not share can share out in our next meeting on 5/22/2020.</p> <p>Questions were raised by <b>Jeff</b>, and <b>Margot</b> around defining PEI services, (b) Average number of comments received during the 30-day public hearings for plan updates, (c) When /how recommendations submitted to Innovations can be sustainable, and (d) Defining forensic services.</p> <p>Mariana request the stakeholder members support the Community Input Process by <b>completing</b> the online survey at <a href="https://acmhsa.org">https://acmhsa.org</a> and <b>disseminating information</b> through their public and private networks on a weekly basis between April 27<sup>th</sup> and May 31<sup>st</sup>.</p>	<ul style="list-style-type: none"> <li>• <b>Stakeholder members</b> who have not completed the VIA Strengths Assessment should do so before the next meeting and be prepared to share their top 5 results</li> <li>• <b>Mariana</b> will touch base with <b>Tracy</b> around the number of community comment submitted during the 30-day public comment period for annual/three-year plan updates.</li> <li>• <b>Mariana</b> will invite the PEI and Forensic Units to a future MHSA-SG meeting to present programs outcomes</li> <li>• <b>Mariana</b> will follow-up with Mary Skinner, Innovation Unit to identify when the Unit will convene a workgroup.</li> <li>• <b>Mariana</b> will send stakeholder members detailed outreach instructions to support with outreach efforts on Monday, April 27<sup>th</sup></li> </ul>

**Next Stakeholder meeting: Friday, May 22, 2020 from 2-4 p.m. / LOCATION (Video Conference via GoToMeeting)**

## COMMUNITY MEETINGS

**Purpose:** To provide a short check-in in which you are able to connect with others and identify issues that may support or impede your work together. Community meetings structure time together in a predictable way. It models caring and building bridges. Community meetings reinforce the power of the circle- the idea of shared responsibility for each other and the community- and serves as a way to establish some safety within the group.

### The Community Meeting Questions:

**How are you feeling?** We ask this to assist and encourage feelings identification and transfer feelings into words as well as to support the importance of recognizing and managing emotions. We increase emotional intelligence by learning new words for feelings. Knowing the emotional climate of a group can help us feel safe. Participating in more than one Community meeting per day helps us to understand the transient nature of feelings. This is NOT a meeting to process, explain or justify the feeling, it is for identification purposes only. This part of the meeting is one sentence: “I feel \_\_\_\_\_.”

**What is Your Goal for the Day?** The purpose of this question is to help focus on the future (remembering that many people who experience trauma get stuck in the past or can't envision a future). This is the bridging question from the present to the future. Goals create structure and cognitive focus, help everyone stay on track and provide us with a purpose. This also implies hope and a sense of being able to master or accomplish something, linking to self esteem.

**Who Can You Ask for Help?** We ask this question to build relationships among community members. Asking for help repairs damaged relationships. Helping others takes us out of our own problems and promotes self worth. Whenever possible, we should ask for help from a member in the room. Some people may indicate they will receive help from an inanimate object (i.e. “my computer/telephone will help me with that...”). This will not serve the purpose of building relationships among community members. It can be beneficial to reframe the question “if I run into a problem with meeting my goal, who will I ask for help?”



## MHSA Stakeholder Group (MHSA-SG) Member Card

Salutation:

First Name

Last Name

Race/Ethnicity

Agency/Org:

Birth Date:

Title:

Email:

Phone no:

Mailing Address:

Please identify current level of engagement in the MHSA-SG? (0= NOT a priority, 5= HIGH priority):

0	1	2	3	4	5
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Please identify any community affiliation/s with MHSA-funded programs & initiatives (continue biographical sketch on the back):



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Please identify any community affiliation/s with MHSA-funded programs & initiatives (continue biographical sketch on the back):



To: CHEAC General Membership

From: [Michelle Gibbons](#), Executive Director  
[Betsy Armstrong](#), Senior Policy Analyst  
[Jack Anderson](#), Policy Analyst

Date: May 14, 2020

RE: Governor's 2020-21 May Revision

Today, Governor Newsom unveiled his sobering May Revision to the 2020-21 budget proposal. The updated \$203.3 billion (\$133.9 billion General Fund) proposal reflects a 5.4 percent total budget decrease (9.4 percent General Fund decrease) compared to the 2019-20 Budget Act. Recall, when the Governor released his \$222.2 billion (\$153.1 billion General Fund) 2020-21 budget blueprint in January, the state was enjoying an estimated \$5.6 billion surplus. This drastic change in the budget landscape is the result of the COVID-19 pandemic's impact on the economy.

During his press conference, the Governor painted a picture of where the fiscal health of the state stood when the 2019-20 budget was enacted versus where we stand today with 4.6 million individuals having filed for unemployment since March. California is projecting a 22.3 percent decline in total revenues including a 27.2 percent decline in Sales Tax, 25.5 percent decline in Personal Income Tax, and a 22.7 percent decline in the state's Corporate Tax.

Before accounting for the proposed changes in the May Revision, the Administration estimates a \$54.3 billion budget deficit. Governor Newsom outlined his strategy for decreasing the deficit which includes depleting reserves, withdrawing proposed expansions and spending increases, transfers from special funds, and utilizing federal funding. The Governor also pushes state agencies and departments to increase efficiency and indicates state operations will be reduced over the next two years. All nonessential contracts, purchases and travel are suspended. Only the most essential vacant positions will be filled, and per his comments, state employees are facing a 10 percent decrease in wages.

The \$16.2 billion Budget Stabilization Account, commonly called the Rainy Day Fund, would be exhausted over three years (\$7.8 billion in FY 2020-21, \$5.4 billion in FY 2021-22, and \$2.9 billion in FY 2022-23). Alternatively, \$450 million would be withdrawn annually for two years from the \$900 million Safety Net Reserve, created to support Medi-Cal and CalWORKs in a recession. The May Revision also proposes to deplete the \$524 million Public School System Stabilization Account in the budget year.



The Governor indicated that cuts to programs would make up 26 percent of the budget deficit but indicated these cuts could be eliminated with a “stroke of the pen” should President Donald Trump provide support for House Speaker Nancy Pelosi’s HEROES Act. He called on the federal government to provide states across the nation, cities, and counties, with relief so that these cuts would not have to go into effect.

Highlights of interest to local health departments are summarized below.

**Impacts on 1991 Realignment.** The Governor’s May Revision included updated 1991 realignment projections for the current year and budget year. Since January, sales tax revenue estimates dropped \$503.4 million and vehicle license fee revenues estimates decreased \$258.8 million. Current year (FY 2019-20) sales tax revenues are not projected to meet the \$3.67 billion base and instead are projected to be \$3.1 billion. Likewise, vehicle license fee revenue is projected to be \$1.9 billion, which is lower than the \$2.2 billion base.

It is important to note that in a year when base is not met, each subaccount takes a proportional reduction. Also, please note that base is calculated by the prior year realignment experience. If base declines and there is no growth, the realignment revenues realized then become the next year’s base. For example, if base is \$100 in year 1, but revenues come in at \$90, the base in year 2 is now \$90.

In the budget year (FY 2020-21), sales tax revenue is projected to meet the lower base of \$3.1 billion and estimates roughly \$2.6 million in sales tax growth, which would be dedicated to caseload growth. Please note, no sales tax growth is estimated to be received by the health subaccount in the budget year. Also, in the budget year vehicle license fee revenue is projected to meet the lower base and the health subaccount is projected to receive growth.

The 1991 Realignment estimates in the May Revision can be viewed [here](#). The January estimates can be viewed [here](#).

**AB 85 1991 Realignment Diversions.** The Governor’s May Revision estimates \$627.8 million will be redirected in FY 2020-21, which is an increase of \$38 million from the January estimate. Given estimated reductions to Realignment, most of the AB 85 estimated redirections are decreasing. However, it is important to note that since the January estimate, the public hospital redirection has increased significantly. At the time of this writing, no updated true-up numbers were provided.

As a brief background, after the passage of the Affordable Care Act and Medi-Cal expansion, the State anticipated counties would be spending less on indigent care, given more individuals would qualify for insurance through Medi-Cal or Covered California. Under this assumption, the State enacted AB 85 (Chapter 24, Statutes of 2013), which diverted health realignment dollars from the counties to the State. The State diverted either: 1) 60 percent of health realignment funding received in a given year; or 2) a specified amount of health realignment funding based on a formula that considered county revenues and costs. The State estimates the redirection in the Governor’s January budget proposal and updates those revisions in the May Revision. AB 85 includes a true-up mechanism two years after the close of the fiscal year to determine what the actual county diversion should have been, based on updated county data.

The county-by-county numbers from the May Revision can be found [here](#). The county-by-county numbers from the January estimate can be found [here](#).

**County Medical Services Program (CMSP).** The May Revision proposes to shift \$50 million from CMSP reserves starting in FY 2020-21 for four years to offset General Fund CalWORKs costs. Recall, the 2019 Budget Act suspended the CMSP Board's allocation until the reserve level reached two years of expenditures. Under the May Revision proposal, the CMSP Board allocation would be reinstated in FY 2020-21.

**COVID-19 Response.** The May Revision highlighted investments made both, through state General Fund and funding provided by the federal government in response to the pandemic. To date, the state has supported the following activities:

- *PPE and Medical Supplies* – Secured a supply of medical-grade masks as well as other necessary medical equipment, gloves, and gowns.
- *Hospital Surge* – Established 3,000 beds with the capacity to support an additional 2,000 beds in the Fall.
- *Hotels for Healthcare Workers* – Secured hotel rooms for healthcare staff who are in contact with COVID-19 patients.
- *Vulnerable Populations* – Provided housing, food, and other assistance supports to homeless individuals and families, foster youth, and seniors.
- *Support Services* – Provided resources to childcare workers, small businesses, local probation and sheriffs, and call centers for the general public.

In addition, significant federal investments have been made such as:

- \$9.5 billion to the California in Coronavirus Relief Funds.
- \$5.8 billion in Coronavirus Relief Funds directly to fifteen counties, San Francisco, and five other cities.
- \$22.5 billion in direct payments to 13.5 million Californians who filed federal tax returns in 2018 or 2019.
- \$70 billion in small business grants and loans.
- \$5.3 billion for hospitals, providers, and community care clinics.
- \$2 billion in food assistance including the Pandemic EBT Program and the Commodity Assistance Program (for food banks).
- \$500 million for public housing assistance for low-income and homeless individuals.

The state intends to allocate a portion of their \$9.5 billion allocation of Coronavirus Relief Funds to support local government activities. \$450 million will be directed to cities (less than 500,000 population) for homelessness and public safety costs associated with response activities, and \$1.3 billion will be distributed to counties based on population for **public health, behavioral health, and other health and human services** (details are unclear on how this will be allocated).

For the budget year, the May Revision reflects expenditures of \$1.8 billion in net general fund for direct response efforts with a significant portion of this amount expected to provide the 25 percent state share required to leverage Federal Emergency Management Agency (FEMA) funding.

**Home Visiting and Black Infant Health Program.** The Governor's May Revision proposes to withdraw its previous proposal to augment the California Home Visiting Program (CHVP) and the Black Infant Health (BIH) Program by \$4.5 million General Fund ongoing beginning in FY 2020-21. According to the CDPH May Revision Highlights, the full \$4.5 million is a reduction to the BIH program. Impacts on CHVP are not clear at this time.

**STD, HIV, and Hepatitis C Investments.** The Governor's May Revision maintains \$5 million General Fund for sexually transmitted disease (STD), HIV, and Hepatitis C prevention and control activities, for a total of \$15 million. Recall, this investment was made in the 2019 Budget Act.

**CDPH Laboratory Funding.** Given the ongoing COVID-19 pandemic, the Newsom Administration is proposing to allocate \$5.9 million General Fund in FY 2020-21 and \$4.8 million General Fund ongoing to support additional California Department of Public Health (CDPH) laboratory staff (three positions) to increase laboratory testing capacity and to purchase equipment and laboratory supplies specifically utilized for COVID-19 testing and other diseases.

**Lead Exposure Investments.** \$10.3 million is proposed to be provided to the Childhood Lead Poisoning Prevention Fund, consisting of \$4.1 million for state operations and \$8.9 million in local assistance to support program improvement efforts for children who have been exposed to lead.

**Cognitive Care Initiative.** The Governor's May Revision withdraws \$3.6 million General Fund as previously proposed for a one-time investment to establish a coordination and training initiative through the California Department of Public Health (CDPH) Alzheimer's Disease Center. The investment was intended to support the development of a "train the trainer" program to assist family caregivers navigate the complexities of dementia and bridge the gap between the healthcare delivery system and social services. Please note there is no proposed funding reduction for the Healthy Brain Initiative led by local health departments.

**Women, Infants, and Children (WIC) Program.** The Governor's May Revision reflects a net decrease of \$23.2 million in WIC local assistance expenditure authority from the program's November estimate and a decrease of \$5.3 million in WIC local assistance expenditure authority from the program's May estimate. According to CDPH, the declines are due to decreases in participation in the program, as well as a drop in the projected birth rate for California.

**Proposition 99 Health Education Account.** The Governor's budget reflects a decrease of \$3 million in the Proposition 99 Health Education Account for FY 2020-21. Recall the Governor's January budget proposal estimated a \$7.4 million decrease. At this time, there is no anticipated impact to local lead agencies, but a decrease of \$1 million in competitive grants and \$2 million in evaluation funding.

**Proposition 56 Tobacco Prevention and Control.** The Governor's May Revision reflects a \$4.7 million decrease in the budget year to tobacco prevention and control programs. Of this amount, local health department funding would decrease by \$1 million.

**Proposition 56 State Dental Program Account.** The Governor's May Revision reflects a decrease of \$753,000 in FY 2020-21. Recall, the Governor's January budget proposal originally estimated a decrease of \$3.9 million to local health jurisdictions. CHEAC will work with CDPH to determine if the decrease impacts local health jurisdiction allocations.

**Proposition 56 – Tobacco Tax.** In the May Revision, the Administration proposes to shift \$1.2 billion in Proposition 56 funding to support growth in the Medi-Cal program. Revenues would no longer support supplemental payments for physicians, dental, developmental screenings, non-emergency medical transportation, and for family planning and women's health. \$67 million in Proposition 56 funding would continue to support supplemental payments for home health providers, pediatric day health care facilities, pediatric sub-acute facilities, and the HIV/AIDS waiver. This reduction package would be triggered off if enough funding is secured from the federal government.

**Vaping Tax and Flavored Tobacco.** In the January Budget, the Governor proposed the institution of a new nicotine content-based electronic cigarette tax, set to begin in January 2021. This proposal remains part of the May Revision. Please recall this tax would impose \$2 on each 40 milligrams of nicotine in the product. The May Revision continues to anticipate \$33 million in new revenues raised by the tax to be used to increase enforcement and to offset Medi-Cal costs. In addition, the Administration reiterated their support for a statewide ban on all flavored tobacco products.

**Medi-Cal Overview.** The Governor's May Revision anticipates a \$99.5 billion (\$22.7 billion General Fund) budget in FY 2019-20 and \$112.1 billion (\$23.2 billion General Fund) in FY 2020-21. Medi-Cal caseload is anticipated to significantly increase due to unemployment impacts as a result of the COVID-19 pandemic, peaking at 14.5 million beneficiaries in July 2020. Notably, General Fund costs for Medi-Cal in FY 2020-21 are lower than previously projected based on the assumed receipt of an enhanced Federal Medical Assistance Percentage (FMAP) provided by the federal government in response to COVID-19; the enhanced FMAP is provided from January 1, 2020, through June 30, 2021, and is anticipated to decrease General Fund costs by \$5.1 billion.

Recall, the Governor's January Budget Proposal projected a \$105.2 billion (\$23.5 billion General Fund) Medi-Cal budget in FY 2019-20 and a \$107.4 billion (\$26.4 billion General Fund) Medi-Cal budget in FY 2020-21. The Medi-Cal caseload figure detailed in the January budget proposal stood at 12.9 million or roughly one-third of California's population.

**Medi-Cal Optional Benefits Proposed for Elimination.** The Governor's May Revision anticipates the modification and elimination of a series of Medi-Cal optional benefits absent additional federal support. The elimination of these benefits is anticipated to result in a total General Fund savings of \$54.7 million in FY 2020-21. Optional benefits slated for modification or elimination include:

- Dental (reduced to 2014 partial restoration levels)
- Audiology services
- Speech therapy services
- Optometric and optician/optical laboratory services

- Podiatric services
- Incontinence cream and washes
- Acupuncture services
- Nurse anesthetist services
- Occupational therapy services
- Physical therapy services
- Pharmacist-delivered services
- Screening, Brief Intervention, Referral to Treatments for Opioids and Other Drugs
- Diabetes Prevention Program

The Governor's May Revision proposal to eliminate and modify these optional benefits does not apply to beneficiaries under specified programs, including the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program, beneficiaries receiving pregnancy-related services and services for the treatment of other conditions that might complicate the pregnancy, emergency services, and otherwise excluded optional benefits included within the scope of federal qualified health centers (FQHCs) and rural health clinic (RHC) services.

**Health-Related 2019 Budget Act Reversions.** The May Revision proposes to revert and reduce funding augmentations for programs within the Department of Health Care Services (DHCS) implemented through the 2019 Budget Act. These include reverting funding for behavioral health counselors in emergency departments, Medi-Cal Health Enrollment Navigators, and the Medical Interpreters Pilot Project. The May Revision also proposes to eliminate the augmentation for caregiver resource centers and the California Health Information Exchange Onboarding Program (CalHOP). As a result of these reversions and eliminations, the Administration projects General Fund savings of \$38.5 million in FY 2019-20 and \$13.1 million in FY 2020-21.

**Withdrawn Health-Related January Budget Proposals.** Considering the severe budget shortfall, the Governor's May Revision withdraws a series of health-related proposals within the Department of Health Care Services (DHCS), resulting in General Fund savings of over \$596.9 million in FY 2020-21. Withdrawn proposals include:

- **CalAIM Initiative:** The California Advancing and Innovating Medi-Cal (CalAIM) Initiative implementation is proposed to be delayed, resulting in a savings of \$695 million (\$347.5 million General Fund). Recall, the Governor's January budget proposal detailed an ambitious initiative to provide for enhanced care management (ECM) and in-lieu of services (ILOS), infrastructure to expand whole person approaches statewide, and expanded dental initiatives within the state's Medi-Cal program.
- **Behavioral Health Quality Improvement Program:** The Governor's May Revision removes a \$45.1 million General Fund investment in FY 2020-21 and a \$42 million General Fund investment in FY 2021-22 for the previously proposed Behavioral Health Quality Improvement Program. The program was intended to incentivize county-operated behavioral health system changes and improvements in preparation of the CalAIM Initiative implementation.

- **Full-Scope Medi-Cal Expansion to Undocumented Older Adults.** Providing \$112.7 million (\$87 million General Fund) in savings to the state (inclusive of In-Home Supportive Services costs) in FY 2020-21, the Governor's May Revision withdraws its previous proposal to expand full-scope Medi-Cal coverage to income-eligible Californians age 65 and over regardless of immigration status.

Recall, the Governor's January budget included \$80.5 million (\$64.2 million General Fund) in FY 2020-21 and \$350 million (\$320 million General Fund) in FY 2022-23 and ongoing for this expansion. The expansion was slated to begin no sooner than January 1, 2021 and provide an estimated 27,000 older adults with full scope benefits after the first year of implementation. Full-scope Medi-Cal benefits were expanded to young adults ages 19-25 regardless of immigration status as part of the 2019 Budget Act.

- **Non-Hospital 340B Supplemental Payment Pool:** The Governor's May Revision withdraws its January budget proposal to provide payments to non-hospital clinics for 340B pharmacy services, generating a savings of \$52.5 million (\$26.3 million General Fund) in FY 2020-21 and growing to \$105 million (\$52.5 million General Fund) in FY 2021-22 and ongoing. Recall, this supplemental payment pool was intended to mitigate the impact on 340B revenue to non-hospital 340B clinics resulting from transitioning pharmacy services to fee-for-service under the Medi-Cal Rx initiative.
- **Postpartum Mental Health Expansion:** Generating a savings of \$34.3 million General Fund in FY 2020-21, the Governor's May Revision proposes not to implement the 2019 Budget Act expansion of Medi-Cal to postpartum individuals who are receiving health care coverage and who are diagnosed with a maternal mental health condition.
- **Medi-Cal Aged, Blind, and Disabled Expansions:** The Governor's May Revision proposes not to implement the Medi-Cal expansion to aged, blind, and disabled individuals with incomes between 123 percent and 138 percent of the federal poverty level (FPL) pursuant to the 2019 Budget Act. As a result, a savings of \$135.5 million (\$67.7 million General Fund) is anticipated. Furthermore, the Governor's May Revision proposes not to implement the Aged, Blind and Disabled Medicare Part B disregard for a General Fund savings of approximately \$300,000.
- **Hearing Aid Coverage:** The Governor's May Revision also withdraws its previous proposal to assist with the cost of hearing aids and related services for children without health insurance coverage in households with incomes up to 600 percent FPL. This withdrawn proposal results in savings of \$5 million General Fund.

**Managed Care Organization (MCO) Tax.** The Governor's January budget proposal did not build in revenues anticipated from the state's managed care organization (MCO) tax, at the time citing ongoing negotiations with the federal government regarding the proposal's approval. In April 2020, California received federal approval of its revised proposal. As such, the Governor's May Revision details \$1.7 billion General Fund savings in FY 2020-21 for use by the Medi-Cal program. The MCO tax is effective from January 2020 to December 2022.

**Child Health and Disability Prevention (CHDP) Case Management.** The Governor's May Revision proposes to permanently eliminate funding for the Child Health and Disability Prevention (CHDP) program case management services provided by local health departments, resulting in \$18.7 million (\$6.6 million General Fund) savings. CHDP is a preventive program that provides periodic health assessments and services to low income children and youth in California.

**Office of Health Care Affordability.** In the January budget, the Governor proposed the creation of the Office of Health Care Affordability to analyze the health care market for cost trends and drivers of spending, develop data-informed policies for lowering health care costs for consumers, and create a state strategy for controlling the cost of health care and ensuring affordability for consumers and purchasers. The May Revision withdraws this proposal.

**Department of Early Childhood Development.** Recall, the Governor's January budget proposed to establish the Department of Early Childhood Development within CHHS effective July 2021 to promote a high-quality, affordable, and unified early childhood system that improves program integration and coordination with other major programs serving young children. In January, \$6.8 million General Fund in FY 2020-21, and \$10.4 million General Fund ongoing was proposed to transition early learning and childcare programs from the California Department of Education (CDE) and the California Department of Social Services (CDSS) to the newly established department.

The Governor's May Revision modifies its previous proposal by instead transferring childcare programs to CDSS to align all childcare programs within a single state government department and ease collective bargaining administration. The May Revision maintains \$2 million General Fund in FY 2020-21 to support this transition.

**Homelessness Investments.** Recall, the Governor's January budget proposal dedicated significant resources to addressing homelessness in California, including a \$750 million General Fund investment in the California Access to Housing and Services Fund (created by Executive Order N-23-20). The investment was proposed to support service providers in delivering rental subsidies, increasing affordability housing units, and stabilizing board and care facilities. Funds were also proposed to be used for negotiating additional housing units and individual leases, providing tenancy supports and services, and coordinating case management with counties for those receiving rental subsidies.

However, considering the significant budget shortfall and activities in response to the ongoing pandemic, the Governor's May Revision details a dramatically different approach. Recall, in April 2020, the Newsom Administration struck an agreement with the Federal Emergency Management Agency (FEMA) to provide safe isolation motel rooms to vulnerable individuals experiencing homelessness. The initiative, known as Project Roomkey, currently has federal approval and financial participation through May 31, 2020; the state anticipates requesting 30-day extensions, as necessary. As of mid-May, Project Roomkey and its county partners have secured over 15,000 hotel and motel units statewide.

In a departure from its January Budget proposal, the Newsom Administration now intends to leverage \$750 million in federal funds (as opposed to General Fund) to purchase hotels and motels secured through Project Roomkey. Purchased hotels and motels are proposed to be

owned and operated by local governments and nonprofit providers. The state further anticipates using the federal funds to provide significant technical assistance to local jurisdictions and other entities seeking to purchase and operate former Project Roomkey hotels and motels.

The Governor's May Revision additionally includes \$1.5 million General Fund ongoing and 10 permanent positions to the Homeless Coordinating and Financing Council to carry out statutory mandates and strengthen strategic coordination of the state's efforts to address homelessness.

**Cannabis.** In the January budget, the Governor proposed a consolidation of the three current cannabis licensing entities – the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health – into a single newly-created Department of Cannabis Control. This proposal has been **delayed** until the Governor's 2021-22 Budget.

The May Revision decreases projected cannabis excise tax revenues from \$479 million to \$443 million for FY 2019-20 and from \$590 million to \$435 million for FY 2020-21. A January budget proposal to simplify cannabis tax administration has been postponed and the Administration will continue to work with stakeholders on a proposal for the next budget year.

Funding available from the Proposition 64 Cannabis Tax Fund dedicated to youth education, prevention, early intervention, and treatment; environmental protection, and public safety-related activities has also been revised down from \$332.8 million to \$296.9 million. The structure of the allocations remains unchanged from FY 2019-20, and the amounts are detailed below:

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

**Wildfire and Emergency Preparedness.** In addition to COVID-19 pandemic preparedness and response, the May Revision also makes investments in other emergency and preparedness activities through the Governor's Office of Emergency Services (CalOES) and through the Department of Forestry and Fire Protection (CAL FIRE). Investments include:

- Maintains \$50 million for one-time General Fund support for a local government grant program to prepare, respond and mitigate power shut offs.
- Augments \$38.2 million for one-time General Fund for the California Disaster Assistance Act (CDAA) for emergency activities undertaken under a declared state of emergency. Brings total CDAA funding to \$100.8 million.
- Maintains \$17.3 million for the California Earthquake Early Warning Program.
- Maintains \$7.6 million General Fund for the California Cybersecurity Integration Center.
- Maintains \$9.4 million to enhance CalOES's ability to prepare, respond, and assist the state in recovering from disasters.
- Maintains \$2.5 million to transfer the Seismic Safety Commission to CalOES.
- Maintains \$2 million General Fund for the Wildfire Forecast and Threat Intelligence Integration Center.



- Withdraws a proposal for \$101.8 million for the Wildfire Mitigation Financial Assistance Program, a home hardening program with a focus on homes located in low-income communities of high fire risk.
- Maintains \$85.6 million General Fund for permanent firefighting positions at CAL FIRE and \$7.6 million General Fund for CAL FIRE's Innovation Procurement Sprint, a wildfire prediction and modeling technology platform.

**Department of Youth and Community Restoration.** Recall, the Governor's January budget proposed to transfer the Division of Juvenile Justice to the newly-established Department of Youth and Community Restoration within the California Health and Human Services (CHHS) Agency by investing \$289.7 million (\$260.8 million General Fund) in FY 2020-21 and \$295.6 million (\$266.7 million General Fund) in FY 2021-22 ongoing. The department was to be tasked with providing trauma-informed and developmentally appropriate services to youth in California's state juvenile justice system.

In a significant departure from the January proposal, the Governor's May Revision instead proposes to reform the state's juvenile justice system by transferring the responsibility of management all youthful offenders to local jurisdictions. The May Revision further proposes to cease the intake of new juvenile offenders effective January 2021 and begin the closure of the state's three juvenile facilities and a fire camp through attrition. The Newsom Administration contends that closing state juvenile facilities and directing a portion of state savings to county probation departments will enable youth to remain in their communities and stay close to families during rehabilitation.

**Incompetent to Stand Trial (IST) Initiative.** Recall, the Governor's January budget proposed to establish a six-year pilot program in three counties to provide funding and incentives to treat and serve individuals deemed incompetent to stand trial in the community and increase local investments in strategies to reduce the rate of arrests, rearrests, and cycling through institutions. The proposal was set to cost \$24.6 million General Fund in FY 2020-21 and \$364.2 million General Fund over the six years. In the Governor's May Revision, the Newsom Administration withdraws this proposal and instead commits to working with the Legislature on identifying an alternative to address the current backlog of IST individuals.

**Animal Shelter Grants.** The Governor's May Revision maintains \$5 million, reduced from \$50 million, for a one-time General Fund investment to the University of California, Davis Koret Shelter Medicine Program to develop a grant program for animal shelters to achieve no-kill policies.

**Outdoor Equity Grants Program.** The Governor's May Revision withdraws a \$20 million General Fund investment to fund the Outdoor Equity Grants Program (created pursuant to AB 209 in 2019). The program is intended to enable underserved and at-risk populations to participate in outdoor environmental educational experiences at state parks.

**Improving Parks Facilities in Urban Areas.** The Governor's May Revision proposes to provide \$6.1 million in Proposition 68 bond funds to expand access to state parks in urban areas and make other improvements to parks that serve disadvantaged communities. Recall,

the Governor's January budget proposed to invest \$8.7 million in Proposition 68 bond funds for this purpose.

**ABC Responsible Beverage Service Training.** In January, the Governor's Budget proposed to provide \$3.1 million to the Alcohol Beverage Control (ABC) Fund to provide capacity and resources to implement the Responsible Beverage Service Training Act pursuant to AB 1221 in 2017. AB 1221 requires that alcohol servers receive training on responsible beverage service within 60 days of their employment date, beginning July 2021.

The Governor's May Revision instead proposes to delay implementation of responsible beverage service training to July 2022 to provide relief to licensees through the delayed collection of associated training fees. The Newsom Administration indicates that alcohol licensees, who are expected to cover the cost for servers to complete the ABC training, are being severely impacted as a result of the economic downturn and required public health orders during the COVID-19 pandemic. ABC will continue developing the training system and other associated business modernization efforts during the budget year.

**Budget Links:**

Governor's 2020-21 May Revision:

<http://www.ebudget.ca.gov/>

CDPH 2020-21 May Revision Highlights

<https://cheac.org/wp-content/uploads/2020/05/CDPH-2020-21-May-Revision-Highlights-Final-5.14.20-002.pdf>

DHCS 2020-21 May Revision Highlights:

[https://www.dhcs.ca.gov/Documents/Budget\\_Highlights/FY\\_2019-20\\_MR\\_Highlights.pdf](https://www.dhcs.ca.gov/Documents/Budget_Highlights/FY_2019-20_MR_Highlights.pdf)

Senate Budget & Fiscal Review Committee May Revision Highlights:

<https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/Overview%20of%20the%20Governors%202020-21%20May%20Revision.pdf>

Assembly Budget Committee May Revision Highlights:

<https://abgt.assembly.ca.gov/sites/abgt.assembly.ca.gov/files/Highlights%20of%20Governors%202020-21%20Budget.pdf>

**Next Steps.** The Legislature will hear all items related to the Governor's May Revision next week. We anticipate Conference Committees will meet upon Budget Subcommittees concluding their business to reconcile issues where the Senate and Assembly Actions do not align. The Constitutional deadline for the Legislature to pass the budget is June 15. Given significant changes to tax deadlines due to the ongoing COVID-19 pandemic, it is possible additional budget activity will occur later this summer or fall.

**Questions.** For questions on the items highlighted above or other budget-related inquiries, please feel free to contact your CHEAC staff via email.



## HURST+BROOKS+ESPINOSA

May 14, 2020

TO: HBE Clients

FROM: Hurst Brooks Espinosa, LLC

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

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This afternoon, Governor Gavin Newsom struck a somber, but optimistic, tone when he presented his 2020-21 May Revision with a \$54.3 billion deficit. Pre-COVID-19, the state began 2020 with a healthy economy, record low unemployment, historic budget reserves, and a January budget with an anticipated \$5.6 billion budget surplus. Now, the Department of Finance estimates a dramatic 21.2 percent reduction in state revenues and record 18 percent unemployment, disparately impacting lower-wage workers.

The Governor's [May Revision](#) and accompanying [press release](#) are available online.

To close the gap, the May Revision cancels \$6.1 billion in program expansions and spending increases, including canceling or reducing a number of one-time expenditures included in the 2019 Budget Act. It also includes redirecting \$2.4 billion in extraordinary payments to the California Public Employees' Retirement System (CalPERS) to temporarily offset the state's obligations to CalPERS in 2020-21 and 2021-22 and reflects savings from the Administration's direction to agencies to increase efficiency in state operations now and into the future. Further, the May Revision proposes drawing down \$16.2 billion in the Budget Stabilization Account (the state's Rainy Day Fund) over three years and allocates the Safety Net Reserve to offset increased costs in health and human services programs over the next two years. For 2020-21, the May Revision proposes the withdrawal of \$8.3 billion, including \$7.8 billion from the Rainy Day Fund and \$450 million from the Safety Net Reserve. An additional \$4.1 billion will be borrowed from the state's special funds. The May Revision also proposes temporarily suspending net operating losses and temporarily limiting to \$5 million the amount of credits a taxpayer can use in any given tax year. Finally, the Administration incorporates some expectation of additional federal funds that are tied to reductions to base programs and employee compensation that will be necessary if sufficient federal funding does not materialize.

## May Revision Proposes Balanced Solution

(dollars in billions)

Cancelled Expansions & Other Reductions	\$8.4
Reserves	8.8
Borrowing/Transfers/Deferrals	10.4
New Revenues	4.4
Federal Funds	8.3
Triggers	14.0
	<b>\$54.3</b>

### Trigger Cuts

The Administration is proposing to make budget reductions that will be triggered off if the federal government provides sufficient funding to restore them. Please note the Administration has not defined "sufficient." The following chart provides a summary of the "trigger cuts."

Proposal	Savings
<b>Medi-Cal</b>	
Optional benefit elimination: including adult dental; audiology; incontinence creams and washes; speech therapy; optician/optical lab; podiatry; acupuncture, optometry; nurse anesthetists services; occupational and physical therapy; pharmacist services; screening, brief intervention and referral to treatments for opioids and other illicit drugs in Medi-Cal; and diabetes prevention program.	\$54.7 million
Proposition 56: <ul style="list-style-type: none"> <li>- Eliminates supplemental payments for physicians, dental, developmental screenings, non-emergency medical transportation, family planning and women' health. Effective no later than January 1, 2021 eliminates the supplemental payments for CBAS and ICFDD.</li> <li>- Eliminates the Value Based Payment, Behavioral Health Integration Program, Pediatric Hospital Payments and the Loan Repayment Program for Cohort 2-5 with a reduction of administrative costs. DHCS will continue to support Cohort 1 commitments.</li> <li>- Reduced but not eliminated: Adverse Childhood Experience (ACEs) Screening and ACEs Provider Training.</li> <li>- There is no change to Proposition 56 supplemental payments for Home Health, Pediatric Day Health, Free Standing-Pediatric Subacute, and the HIV/AIDS Waiver.</li> </ul>	Shifts \$1.2 billion in Proposition 56 funding away from programs proposed to be eliminated, leaving \$67 million for the programs noted. The Proposition 56 funds will be used to support growth in the Medi-Cal program.
Eliminate the Community-Based Adult Services program effective January 1, 2021 and the Multipurpose Senior Services Program effective no sooner than July 1, 2020.	\$106.8 million in 2020-21 \$255.8 million in 2021-22
Eliminate Prospective Payment System (PPS) carve-outs for Federally Qualified Health Centers (FQHCs) and Rural Health Clinics for Medi-Cal	\$100 million (\$50 million General Fund)

Proposal	Savings
services including pharmacy, dental and other services; excludes Specialty Mental Health and Drug Medi-Cal Services.	
Reinstate the Medi-Cal estate recovery policy (it was eliminated in 2016).	\$16.9 million
Martin Luther King, Jr. Hospital: eliminate a supplemental payment for this hospital.	\$8.2 million General Fund in 2020-21 \$12.4 million General Fund ongoing
County Administration: hold funding to the 2019 Budget Act level.	\$31.4 million (\$11 million General Fund)
Eliminate funding for the Family Mosaic Project.	\$1.1 million in 2020-21
<b>CalWORKs</b>	
Reductions to funding for CalWORKs Employment Services and Child Care.	\$665 million General Fund in 2020-21
Reduces CalWORKs Expanded Subsidized Employment to the base funding.	\$134.1 million General Fund in 2020-21
Reduce funding for CalWORKs Home Visiting.	\$30 million General Fund in 2020-21
Eliminates funding for the CalWORKs Outcomes and Accountability Review (CalOAR) and provides counties the option to continue implementing the improvement without funding.	\$21 million General Fund in 2020-21
<b>In-Home Supportive Services (IHSS)</b>	
7-percent reduction in IHSS hours provided to IHSS beneficiaries effective January 1, 2021.	\$205 million General Fund in 2020-21
Public Authority Administration: freeze IHSS county administration funding at the 2019-20 level.	\$12.2 million General Fund in 2020-21
<b>Supplemental Security Income/State Supplementary Payment</b>	
Withhold the state cost of living adjustment for SSP portion of grants in January 2021; the federal COLA for SSI would occur.	\$33.6 million General Fund in 2020-21
<b>Child Welfare Services</b>	
5 percent reduction to Continuum of Care Reform short-term residential treatment program provider rates. Assumes the suspension of additional care rates 2 through 4.	\$28.8 million General Fund in 2020-21
<b>Public Health</b>	
Reduce funding for Home Visiting and Black Infant Health.	\$4.5 million General Fund in 2020-21
<b>Developmental Services</b>	
Establish a cost-sharing program for higher income families.	Approximately \$2 million General Fund in 2020-21 and \$4 million ongoing
Adjust provider rates and review expenditure trends.	\$300 million General Fund in 2020-21
Implement the uniform holiday schedule outlined in Welfare and Institutions Code section 4692.	Approximately \$31.3 million General Fund in 2020-21
A reduction to the operations budget for Regional Centers.	\$30 million General Fund in 2020-21 and \$55 million ongoing
<b>Child Support</b>	
Revert funding for local child support agencies to the 2018 funding level.	\$38.2 million General Fund in 2020-21
<b>Healthcare Workforce</b>	
Decrease funding for the Song-Brown Workforce Training Program.	\$33.3 million General Fund
<b>Judicial Branch</b>	
Trial courts, including a base reduction and a 5 percent reduction in operating expenses, which will be achieved through efficiencies.	Base reduction: \$178.1 million in 2020-21 5 percent reduction: \$28.1 million in 2021-22
State level judiciary, including a \$23.2 million reduction and a 5 percent reduction in operating expenses, which will be achieved through efficiencies.	\$23.2 million in 2020-21 5 percent reduction: \$10.6 million in 2021-22
Other judicial branch operations, includes a 5 percent reduction to each of the following programs: dependency counsel, court interpreters, collaborative and drug court projects, Court Appointed Special Advocate	\$15.2 million

Proposal	Savings
(CASA) program, model self-help program, Equal Access Fund, family law information centers, and civil case coordination.	
<b>State Preschool and Child Care</b>	
Eliminate 10,000 state preschool slots scheduled to begin April 1, 2020 and 10,000 additional slots scheduled to begin April 1, 2021.	\$159.4 million General Fund
Align State Preschool funding with demand.	\$130 million Proposition 98 General Fund
10 percent decrease in the State Preschool daily reimbursement rate.	\$94.6 million Proposition 98 General Fund and \$67.3 million General Fund
Suspension of a 2.31 percent cost-of-living adjustment for state preschool.	\$20.5 million Proposition 98 General Fund and \$11.6 million General Fund
Eliminate a 1 percent add-on to the full-day State Preschool reimbursement rate.	\$3.3 million Proposition 98 General Fund and \$3 million General Fund
Reduce funding for child care workforce and infrastructure.	\$363 million one-time General Fund and \$45 million one-time federal Child Care and Development Block Grant funds from the 2019 Budget Act
10 percent decrease in the Standard Reimbursement Rate and the Regional Market Rate.	\$223.8 million General Fund
Lower caseload estimates in CalWORKs Stage 2 and Stage 3 child care.	\$35.9 million General Fund
Suspension of a 2.31 percent cost-of-living adjustment for child care.	\$25.3 General Fund
Child care data systems.	\$10 million one-time General Fund from the 2019 Budget Act
Reduce resources available for the Early Childhood Policy Council, leaving \$2.2 million available for both 2020-21 and 2021-22.	\$4.4 million one-time General Fund
<b>K-12 Education</b>	
10 percent reduction to the Local Control Funding Formula (LCFF). This reduction includes the elimination of a 2.31 percent cost-of-living adjustment.	\$6.5 billion
<b>University of California</b>	
10-percent reduction in support of UC. In implementing this reduction, the Administration expects UC to minimize the impact to programs and services serving underrepresented students and student access to the UC.	\$338 million ongoing General Fund
10-percent reduction in support of UC, UC Office of the President, UC PATH, and the UC Division of Agriculture and Natural Resources.	\$34.4 million ongoing General Fund
Decrease support for summer term financial aid.	\$4 million limited-term General Fund
A 10-percent reduction in support of the Hastings College of the Law.	1.5 million ongoing General Fund
<b>California State University</b>	
A 10-percent reduction in support for the CSU. In implementing this reduction, the Administration expects the CSU to minimize the impact to programs and services serving underrepresented students and student access to the CSU.	\$398 million ongoing General Fund
A decrease in support for Summer Term Financial Aid.	\$6 million limited-term General Fund
<b>California Community Colleges</b>	
A 2.31 percent decrease in the cost-of-living adjustment for apportionments.	\$167.7 million ongoing Proposition 98 General Fund, of which \$0.6 million is attributable a revised cost-of-living adjustment at the May Revision
Cut to enrollment growth.	\$31.9 million ongoing Proposition 98 General Fund
Reduction to apprenticeship programs, the California Apprenticeship Initiative, and work-based learning models.	\$83.2 million Proposition 98 General Fund, of which \$40.4 million was one-time

<b>Proposal</b>	<b>Savings</b>
Decreasing available Student Centered Funding Formula or roughly 10 percent when combined with a foregone cost-of-living adjustment. The Administration proposes statute to proportionally reduce district allocations through adjustments to the Formula's rates, stability provisions, and hold harmless provisions.	Proposition 98 General Fund by \$593 million
Decreasing support for the CCC Strong Workforce Program.	\$135.6 million Proposition 98 General Fund
Decreasing support for the Student Equity and Achievement Program.	\$68.8 million Proposition 98 General Fund
Decreasing Support for the Part-Time Faculty Compensation, Part-Time Faculty Office Hours, and the Academic Senate of the CCCs.	\$7.3 million Proposition 98 General Fund
Reducing Support for Calbright College.	\$3 million Proposition 98 General Fund
<b>California State Library</b>	
A reduction to the Library Services Act.	\$1.75 million ongoing General Fund
<b>Board of State and Community Corrections.</b>	
Adult Reentry Grant reductions; the grants provide competitive awards to community-based organizations to support offenders formerly incarcerated in state prison.	\$37 million
<b>Indigent Defense</b>	
Reduce state funding for indigent defense.	\$2.1 million ongoing
<b>Department of Justice</b>	
Reduction to Department of Justice.	\$14 million, of which \$4.3 million is General Fund
<b>State Parks</b>	
Base reductions to state parks. State Parks will work with stakeholders to work on a reduction plan that maintains equity and regional access.	\$30 million ongoing General Fund beginning in 2021-22
<b>Department of Fish and Wildlife</b>	
Baseline General Fund reduction and repurpose of the Habitat Conservation Fund to reduce the Department's state operations General Fund expenditure level. This reduction will be partially offset by a \$18.9 million shift from the Habitat Conservation Fund to the new Biodiversity Protection Fund to support the Department's core biodiversity conservation and enforcement programs.	\$33.7 million General Fund
<b>State Employee Compensation</b>	
Approximately 10 percent, relative to June 2020 pay levels, reduction to state employee compensation. The May Revision assumes these savings will begin with the July 2020 pay period.	\$2.8 billion (\$1.4 billion General Fund)
<b>Miscellaneous State Government</b>	
Various changes to state office building projects.	\$730.6 million
California Biodiversity Initiative Baseline Reduction.	\$3.9 million General Fund ongoing beginning in 2020-21
California Arts Council: Withdrawal of a one-time increase.	\$10.5 million General Fund in 2020-21
California Military Department, California Cadet Corps: Reversal of the 2018-19 expansion of the California Cadet Corps.	\$6.3 million General Fund in 2020-21 and \$8 million General Fund in 2021-22
Precision Medicine Program: The 2016, 2017, and 2018 Budget Acts included a total of \$50 million for this program and \$30 million remains unallocated. This adjustment allows the Office of Planning and Research to retain \$2.1 million to administer previously allocated research grants as well as \$9.8 million for research related to Adverse Childhood Events.	Reversion of \$18.1 million in previously appropriated funds that have yet to be allocated

The May Revision also outlines the Administration's proposed use of federal CARES Act funding to support schools, strengthen local public health preparedness and response, and support health and

human services at the local level in response to the COVID-19 pandemic, including using \$4.4 billion for schools to run summer programs and other programs that address equity gaps that were widened during the school closures and directing \$3.8 billion to public health and safety, including \$1.3 billion to counties for public health, behavioral health, and other health and human services programs and \$450 million to cities for public safety and to support homeless individuals.

The May Revision includes proposals to protect public health and safety by:

- Investing in wildfire prevention and mitigation as well as other emergency response capabilities.
- Prioritizing \$4.4 billion in federal funding to address learning loss and equity issues exacerbated by the COVID-19 school closures this spring. In addition to using these funds for summer programs and other programs that address equity gaps, these funds will also be used to make necessary modifications so that schools can reopen in the fall.
- Reallocating \$2.3 billion in funds previously dedicated to paying down schools' long-term unfunded liability to California State Teachers' Retirement System (CalSTRS) and CalPERS to instead pay the school employers' retirement contributions, to address the decline in the Proposition 98 guarantee amount.
- Creating a new obligation of 1.5 percent of state appropriation limit revenues starting in 2021-22 to avoid a permanent decline in school funding that grows to \$4.6 billion in additional funding for schools and community colleges in 2023-24.
- Preserving the number of state-funded childcare slots and expand access to childcare for first responders.
- Preserving community college free-tuition waivers and maintain CalGrants for college students, including the grants for students with dependent children established last year.

The Governor has also prioritized those families, children, seniors, and persons with disabilities experiencing wage disparity. Specifically, the budget:

- Maintains the newly expanded Earned Income Tax Credit (EITC) for working families with incomes under \$30,000, including a \$1,000 credit for eligible families with children under the age of 6.
- Maintains grant levels for families and individuals supported by the CalWORKs and SSI/SSP programs.
- Prioritizes funding to maintain current eligibility for critical health care services in Medi-Cal and the expanded subsidies offered through the Covered California marketplace for Californians with incomes between 400 and 600 percent of the federal poverty level.

Finally, the Administration commits to working with the Legislature to help get people back to work and support the creation of good-paying jobs and notes that it is considering options to support job



creation including: assistance to help spur the recovery of small businesses and the jobs they create, support for increased housing affordability and availability, and investments in human and physical infrastructure. Specifically, for small businesses, the May Revision proposes to:

- Augment the small business guarantee program by \$50 million for a total increase of \$100 million to fill gaps in available federal assistance with the intention of leveraging existing private lending capacity and philanthropy to provide necessary capital to restart California small businesses.
- Retain Governor's Budget proposals to support new business creation and innovation by waiving the \$800 minimum franchise tax for new businesses.

The Governor notes his Task Force on Business and Jobs Recovery and commits to additional actions informed by the Task Force and other stakeholders to support a safe, swift, and equitable economic recovery. He also expresses his commitment to working with colleges and universities to build on their experience with distance learning and develop a statewide educational program that will allow more students to access training and education through distance learning.

The updated General Fund budget summary is included below.

**2020-21 May Revision**  
**General Fund Budget Summary**  
(Dollars in Millions)

	2019-20	2020-21
<b>Prior Year Balance</b>	\$11,280	\$1,619
Revenues and Transfers	\$136,836	\$137,417
<b>Total Resources Available</b>	<b>\$148,116</b>	<b>\$139,036</b>
Non-Proposition 98 Expenditures	\$94,145	\$89,030
Proposition 98 Expenditures	\$52,352	\$44,871
<b>Total Expenditures</b>	<b>\$146,497</b>	<b>\$133,901</b>
<b>Fund Balance</b>	<b>\$1,619</b>	<b>\$5,135</b>
Reserve for Liquidation of Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	-\$1,556	\$1,960
<b>Safety Net Reserve</b>	<b>\$900</b>	<b>\$450</b>
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$16,156</b>	<b>\$8,350</b>

Note: Numbers may not add due to rounding.

## Saving Lives and Emergency Response

The May Revision reflects \$1.8 billion net General Fund expenditures for the state's direct emergency response efforts for the COVID-19 pandemic. A significant portion of this funding will provide the 25-percent cost share required to leverage FEMA funding. The May Revision also includes \$716 million net General Fund as a set-aside contingency for additional response activities in the budget year, representing a 25-percent cost share, and the remainder is anticipated to be funded by additional FEMA funding, should there be a second surge.

The May Revision summary of federal stimulus funds is outlined below:

### Summary of Federal Stimulus Funds

(Dollars in Thousands)

Beneficiary	To/Thru State	Direct Stimulus	Total
Various from Coronavirus Relief Fund (CRF)	\$9,525,547	\$5,795,738	\$15,321,285
State	5,804,702	-	5,804,702
Individual	51,727,142	22,465,995	74,193,137
Business	-	1,888,981	1,888,981
Small Business	-	71,237,166	71,237,166
Local Government	525,686	3,769,009	4,294,695
Housing Authority/Local Government	63,902	468,117	532,019
Schools	2,002,533	-	2,002,533
Colleges <sup>1/</sup>	-	1,789,981	1,789,981
Community Based Organizations (CBOs)	391,612	299,149	690,761
CBO/Individual Food Assistance	964,794	2,090,559	3,055,353
Hospitals	4,216	5,339,753	5,343,969
Multiple Beneficiaries	166,479	6,711	173,190
<b>Total</b>	<b>\$71,176,613</b>	<b>\$115,151,159</b>	<b>\$186,327,772</b>

1/ The CARES Act requires that 50 percent of the funding from the Higher Education Emergency Relief Fund be allocated for emergency grants to students for food, housing, course materials, technology, healthcare, and child care.

The CARES Act allocated Coronavirus Relief Funds (CRF) to state and local governments for expenditures incurred between March 1 and December 30, 2020 in response to COVID-19, not previously accounted for in the most recent state and local budgets. These funds cannot be used to backfill lost revenues or to serve as the state match for drawing down other federal funds (such as FEMA reimbursements).

The May Revision allocates a portion of the state's \$9.5 billion CARES Act funding to local governments to further support their COVID-19 efforts - \$450 million to cities for homelessness and public safety and \$1.3 billion to counties for public health, behavioral health, and other health and human services as detailed below.

**Coronavirus Relief Fund Allocations**  
**Total by County and Selected Cities**

(Dollars in Thousands)

Cities and Counties	Direct Allocations <sup>1/</sup>	State Allocations <sup>1/</sup>	Total Allocations	Cities and Counties	Direct Allocations <sup>1/</sup>	State Allocations <sup>1/</sup>	Total Allocations
Alameda County	\$291,634	\$38,577	\$330,211	Placer County	-	\$40,768	\$40,768
Alpine County	-	116	116	Plumas County	-	1,925	1,925
Amador County	-	4,069	4,069	Riverside County	431,091	57,024	488,115
Butte County	-	22,433	22,433	Sacramento County	181,199	25,210	206,409
Calaveras County	-	4,698	4,698	City of Sacramento	89,623	-	89,623
Colusa County	-	2,205	2,205	San Benito County	-	6,428	6,428
Contra Costa County	201,281	26,625	227,906	San Bernardino County	380,408	50,320	430,728
Del Norte County	-	2,847	2,847	San Diego County	334,062	54,224	388,286
El Dorado County	-	19,737	19,737	City of San Diego	248,451	-	248,451
Fresno County	81,580	16,228	97,808	City/County San Francisco	153,824	20,347	174,171
City of Fresno	92,756	-	92,756	San Joaquin County	132,989	17,592	150,581
Glenn County	-	2,906	2,906	San Luis Obispo County	-	28,976	28,976
Humboldt County	-	13,874	13,874	San Mateo County	133,761	17,694	151,455
Imperial County	-	18,547	18,547	Santa Barbara County	-	45,698	45,698
Inyo County	-	1,846	1,846	Santa Clara County	158,100	31,314	189,414
Kern County	157,078	20,778	177,856	City of San Jose	178,295	-	178,295
Kings County	-	15,653	15,653	Santa Cruz County	-	27,963	27,963
Lake County	-	6,590	6,590	Shasta County	-	18,431	18,431
Lassen County	-	3,129	3,129	Sierra County	-	308	308
Los Angeles County	1,057,341	163,064	1,220,405	Siskiyou County	-	4,456	4,456
City of Los Angeles	694,405	-	694,405	Solano County	-	45,815	45,815
Madera County	-	16,102	16,102	Sonoma County	-	50,594	50,594
Marin County	-	26,490	26,490	Stanislaus County	96,086	12,710	108,796
Mariposa County	-	1,761	1,761	Sutter County	-	9,925	9,925
Mendocino County	-	8,879	8,879	Tehama County	-	6,661	6,661
Merced County	-	28,420	28,420	Trinity County	-	1,257	1,257
Modoc County	-	905	905	Tulare County	-	47,714	47,714
Mono County	-	1,478	1,478	Tuolumne County	-	5,576	5,576
Monterey County	-	44,425	44,425	Ventura County	147,622	19,527	167,149
Napa County	-	14,098	14,098	Yolo County	-	22,568	22,568
Nevada County	-	10,210	10,210	Yuba County	-	8,052	8,052
Orange County	554,134	73,300	627,434	<b>Total</b>	<b>\$5,795,720</b>	<b>\$1,289,065</b>	<b>\$7,084,785</b>

<sup>1/</sup> Numbers may not tie due to rounding.

Note that this chart does not include allocations of the \$450 million dedicated to those cities with populations of up to 500,000 that did not receive a direct allocation from the federal government. Those cities with a population of 300,000-499,999 will receive a direct allocation from the state, while cities smaller than that will have their share remitted to and allocated by their respective county.

Funding is contingent on adherence to federal guidance and the state's stay-at-home orders and will be released upon jurisdictions' certification of both.

The remainder of the CRF is allocated for costs related to mitigating the significant impacts of the COVID-19 pandemic as summarized below.

### Coronavirus Relief Fund Allocations

(Dollars in Thousands)

State Directed Coronavirus Relief Fund Allocations	Amount
State Offsets: Vulnerable Populations and Public Health and Safety	\$3,786,500
K-12 Learning Loss Mitigation	4,000,000
County Public Health, Behavioral Health, and Health and Human Services	1,289,065
City Homelessness and Public Safety Funding	450,000
<b>Total</b>	<b>\$9,525,565</b>

### Office of Emergency Services

The May Revision reflects \$127 million for Office of Emergency Services (CalOES) to enhance the state's emergency preparedness and response capabilities:

- Maintain \$50 million one-time General Fund to support additional preparedness measures that bolster community resiliency; specifically, schools, county elections offices, and food storage reserves. This proposal will support a matching grant program to help local governments prepare for, respond to, and mitigate the impacts of power outages.
- \$38.2 million one-time General Fund to increase the amount of funding available via the California Disaster Assistance Act (CDAA), which is used to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclaimed by the Governor. This augmentation increases total CDAA funding available in the budget to \$100.8 million.
- Maintain \$17.3 million to operate the California Earthquake Early Warning Program.
- Maintain \$76 million and 12 positions for CalOES to enhance the state's critical cybersecurity infrastructure. This investment will provide a full-time Joint Incident Response Team to bolster the state's capabilities in preventing, mitigating, and responding to cyberattacks.
- Maintain \$2.5 million to transfer the Seismic Safety Commission to CalOES. The May Revision reduces this proposal by \$446,000 General Fund.
- Maintain \$2 million General Fund to enhance the state's emergency response capabilities through improved forecasts for tracking and predicting critical fire weather systems with the Wildfire

Forecast and Threat Intelligence Integration Center. The May Revision reduces this proposal by \$6.8 million General Fund across various departments.

The May Revision withdraws \$101.8 million for CalOES and the Department of Forestry and Fire Protection (CALFIRE) for implementation of the home hardening pilot grant program authorized by [AB 38](#) (2019), but maintains \$8.3 million Greenhouse Gas Reduction Fund for CALFIRE to meet defensible space related requirements pursuant to AB 38.

## **CAL FIRE**

The May Revision reflects an additional \$90 million General Fund (\$142.7 million ongoing) to further enhance CALFIRE's fire protection capabilities for the 2020 fire season and beyond.

- Maintain \$85.6 million General Fund (\$135.1 million ongoing) for permanent firefighting positions to provide CALFIRE with operational flexibility throughout the peak fire season and beyond as fire conditions dictate.
- Provide an increase of \$4.4 million General Fund (\$7.6 million ongoing) to enable CALFIRE to implement the new pioneering wildfire prediction and modeling technology that was procured through the Innovation Procurement Sprint process. This newly-executed contract will enable CALFIRE to access a wildfire predictive software program that can perform hundreds of millions of simulations daily, over large geographic areas, and generate predictions and wildfire forecasts based on simulated or reported ignition points throughout the state. This data will be used to inform fire pre-positioning and suppression tactical operations, with the intent to more readily control and contain wildfires, and to protect people and assets at risk.
- Withdraw the January budget proposals for Direct Mission Support (\$34.3 million General Fund) and the Wildland Firefighting Research Grant Program (\$5 million General Fund).

## **Health and Human Services**

The Governor has formally withdrawn several January budget proposals in the health and human services area, including:

- CalAIM
- Expansion of full-scope Medi-Cal to undocumented older adults
- Expansion of Medi-Cal to aged, blind, and disabled individuals with incomes between 123 and 138 percent of the federal poverty level
- Behavioral Health Quality Improvement Program
- 340B supplemental payment pool for non-hospital clinics
- Expansion of Medi-Cal to post-partum individuals who are diagnosed with a maternal mental health condition

- Provide hearing aids to children without health insurance coverage in households with incomes up to 600 percent of the federal poverty level
- California Cognitive Care Coordination Initiative
- Mental Health Services Act Reform
- Office of Health Care Affordability
- Child support disregard pass-through statutory change proposal to give families more income
- Foster Family Agency social worker rate increases
- Family Urgent Response System for the child welfare system
- Public Health Nurse Early Intervention Program in Los Angeles County
- Funding for behavioral health counselors in emergency departments
- Funding for Medi-Cal enrollment navigators
- Funding for the Medical Interpreters Pilot Project
- Augmentation for caregiver resource centers
- Aged, Blind and Disabled Medicare Part B Disregard

Additionally, the Administration has proposed significant budget cuts to health and human services, which would trigger off if sufficient federal funds are received. A comprehensive list of proposed cuts is included on starting on page 2 of this document.

### **Medi-Cal**

The Department of Health Care Services (DHCS) estimates significantly increased Medi-Cal caseload peaking at 14.5 million, which is 2 million above what caseload would have been absent the pandemic, in July 2020 due to COVID-19 related unemployment. While the state maintains Medi-Cal eligibility in the May Revision (aside from the withdrawn January proposals), the Administration makes proposals to reduce services, including:

- Reduce managed care capitation rates for gross medical expenses for the period of July 1, 2019 through December 31, 2020 for a savings of \$586 million (\$182 million General Fund).
- Implement various managed care rate adjustments and efficiencies for a savings of \$283.1 million (\$91.6 million General Fund) (Trailer bill language included).
- Eliminate the county allocation for Child Health and Disability Prevention Program Case Management for a savings of \$18.7 million (\$6.6 million General Fund).

The May Revision also includes additional adjustments to Medi-Cal funding, including:

- An increase of \$5.1 billion in federal funds – and a resulting decrease of \$5.1 billion General Fund – associated with the enhanced Federal Medical Assistance Percentage (FMAP) increase through June 30, 2021.

- An increase of \$1.7 billion in federal funds – and a resulting decrease of \$1.7 billion General Fund – associated with the April 2020 federal approval of revised Managed Care Organization (MCO) tax.
- County Medical Services Program (CMSP). The Administration is proposing to shift funds from the CMSP Board reserves to offset CalWORKs costs. The narrative notes that the CMSP Board has amassed a considerable reserve since the state changed their realignment allocation in the wake of implementing the Affordable Care Act. The May Revision proposes to shift \$50 million of the reserves in each of the next four fiscal years to offset General Fund CalWORKs costs. In recognition of the expedited timeline by which the reserves would return to reasonable levels, the May Revision also proposes to restore the Board's annual allocation beginning in 2021-22.
- Utilize \$327.2 million from the Medi-Cal Drug Rebate Fund, the Children's Health and Human Services Special Fund, the Health Care Services Plan Fines and Penalties Fund, and the proposed e-cigarette tax to fund the Medi-Cal program.
- Skilled Nursing Facilities (SNFs). The May Revision maintains the nursing facility reform framework proposed in the January Governor's Budget. In addition, the May Revision assumes a 10-percent rate increase for SNFs and ICF-DDs for the duration of the public health emergency, at a General Fund cost of \$72.4 million in 2019-20 and \$41.6 million in 2020-21.
- E-Cigarette Tax. The May Revision assumes \$10 million in 2020-21 and \$33 million in 2021-22 in e-cigarette tax revenues to offset state funding for growth in the Medi-Cal program.

## Public Health

The May Revision maintains and increases the Department's disease surveillance and identification workforce. Specifically, the May Revision proposes \$5.9 million General Fund for 2020-21 and \$4.8 million General Fund ongoing, to support laboratory staff to increase the laboratories' testing capacity, and to purchase equipment and laboratory supplies that are specifically utilized for COVID-19 testing as well as other diseases. Resources will support emergency coordination, communication, and response, and provide ongoing support for public health laboratory capacity and disease surveillance.

In addition, the May Revision maintains funding for infectious disease prevention and control, including \$5 million General Fund each for STD, HIV, and hepatitis C virus prevention and control.

## Social Services

**CalWORKs.** The Administration is estimating average monthly CalWORKs caseload to be 724,000 families in 2020-21, a 102 percent increase from the January budget estimate. The budget proposal maintains CalWORKs program eligibility. The May Revision includes \$82.3 million General Fund/TANF Block Grant for CalWORKs county administration to facilitate enrollment in the program and services to beneficiaries.

**In-Home Supportive Services.** Proposed reductions include:

- Conforming the IHSS residual program to the timing of Medi-Cal Coverage, for a savings \$72.6 million General Fund in 2020-21.



- Assuming that Department of Social Services enters into a contract with the state Case Management, Information and Payroll System vendor to perform IHSS payroll functions, for a savings of \$9.2 million General Fund in 2020-21.

### **Child Support**

The Administration is proposing to reduce the Department of Child Support's state operations and contract costs, resulting in \$8.3 million General Fund savings in 2020-21.

### **Department of Early Childhood Development**

The Administration is modifying its January budget proposal that would have created a new Department of Early Childhood Development; instead, the Administration is proposing to consolidate the state's early learning and child care programs under the state Department of Social Services. The goal is to align all child care programs within a single department. The budget maintains \$2 million General Fund in 2020-21 to support this transition.

### **1991 and 2011 Realignment Revenue Updates**

As is customary, the Governor's May Revision updates revenue estimates across all accounts and subaccounts for programs realigned to counties in 1991 and 2011. Given the projected drop of more than 27 percent in Sales and Use Tax revenues, the revenue estimates look dramatically different in May as compared to January.



**1991 Realignment Estimate<sup>1</sup> - at 2020-21 May Revision**

<b>2018-19 State Fiscal Year</b>							
<b>Amount</b>	<b>CalWORKs MOE</b>	<b>Health</b>	<b>Social Services</b>	<b>Mental Health</b>	<b>Family Support</b>	<b>Child Poverty</b>	<b>Totals</b>
<b>Base Funding</b>							
Sales Tax Account	\$752,888	\$-	\$2,295,806	\$34,036	\$450,130	\$104,422	\$3,637,281
Vehicle License Fee Account	367,663	900,036	172,864	95,260	299,963	254,172	2,089,958
<b>Total Base</b>	<b>\$1,120,551</b>	<b>\$900,036</b>	<b>\$2,468,670</b>	<b>\$129,296</b>	<b>\$750,093</b>	<b>\$358,594</b>	<b>\$5,727,239</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	-	-	33,922	-	-	-	33,922
Caseload Subaccount	-	-	(33,922)	-	-	-	(33,922)
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	-	131	62,948	164	-	40,139	103,382
<b>Total Growth</b>	<b>\$-</b>	<b>\$131</b>	<b>\$96,870</b>	<b>\$164</b>	<b>\$-</b>	<b>\$40,139</b>	<b>\$137,304</b>
<b>Total Realignment 2018-19<sup>2</sup></b>	<b>\$1,120,551</b>	<b>\$900,167</b>	<b>\$2,565,540</b>	<b>\$129,460</b>	<b>\$750,093</b>	<b>\$398,733</b>	<b>\$5,864,543</b>
<b>2019-20 State Fiscal Year</b>							
<b>Base Funding</b>							
Sales Tax Account	\$655,721	\$-	\$2,029,056	\$-	\$392,037	\$90,945	\$3,167,759
Vehicle License Fee Account	339,033	911,547	201,734	-	210,842	271,393	1,934,549
<b>Total Base</b>	<b>\$994,754</b>	<b>\$911,547</b>	<b>\$2,230,790</b>	<b>\$-</b>	<b>\$602,879</b>	<b>\$362,338</b>	<b>\$5,102,308</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	-	-	-	-	-	-	-
Caseload Subaccount	-	-	-	-	-	-	-
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	-	-	-	-	-	-	-
<b>Total Growth</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>Total Realignment 2019-20<sup>2</sup></b>	<b>\$994,754</b>	<b>\$911,547</b>	<b>\$2,230,790</b>	<b>\$-</b>	<b>\$602,879</b>	<b>\$362,338</b>	<b>\$5,102,308</b>
<b>2020-21 State Fiscal Year</b>							
<b>Base Funding</b>							
Sales Tax Account	\$655,721	\$-	\$2,029,056	\$-	\$392,037	\$90,945	\$3,167,759
Vehicle License Fee Account	339,033	886,580	201,734	-	235,809	271,393	1,934,549
<b>Total Base</b>	<b>\$994,754</b>	<b>\$886,580</b>	<b>\$2,230,790</b>	<b>\$-</b>	<b>\$627,846</b>	<b>\$362,338</b>	<b>\$5,102,308</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	-	-	2,606	-	-	-	2,606
Caseload Subaccount	-	-	(2,606)	-	-	-	(2,606)
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	63,002	31,060	-	-	-	74,243	168,305
<b>Total Growth</b>	<b>\$63,002</b>	<b>\$31,060</b>	<b>\$2,606</b>	<b>\$-</b>	<b>\$-</b>	<b>\$74,243</b>	<b>\$170,911</b>
<b>Total Realignment 2020-21<sup>2</sup></b>	<b>\$1,057,756</b>	<b>\$917,640</b>	<b>\$2,233,396</b>	<b>\$-</b>	<b>\$627,846</b>	<b>\$436,581</b>	<b>\$5,273,219</b>

<sup>1</sup> Dollars in thousands.

<sup>2</sup> Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

## 2011 Realignment Estimate<sup>1</sup> - at 2020-21 May Revision

	2018-19	2018-19 Growth	2019-20	2019-20 Growth	2020-21	2020-21 Growth
<b>Law Enforcement Services</b>	<b>\$2,560.7</b>		<b>\$2,297.9</b>		<b>\$2,327.0</b>	
Trial Court Security Subaccount	559.7	7.3	478.2	-	481.1	-
Enhancing Law Enforcement Activities Subaccount <sup>2</sup>	489.9	221.3	489.9	181.6	489.9	244.9
Community Corrections Subaccount	1,311.2	54.8	1,152.0	-	1,173.8	-
District Attorney and Public Defender Subaccount	37.9	3.7	35.0	-	36.5	-
Juvenile Justice Subaccount	162.0	7.3	142.8	-	145.7	-
<i>Youthful Offender Block Grant Special Account</i>	(153.1)	(6.9)	(135.0)	-	(137.7)	-
<i>Juvenile Reentry Grant Special Account</i>	(8.9)	(0.4)	(7.8)	-	(8.0)	-
<b>Growth, Law Enforcement Services</b>		<b>294.4</b>		<b>181.6</b>		<b>244.9</b>
<b>Mental Health<sup>3</sup></b>	<b>1,120.6</b>	6.8	<b>1,120.6</b>	-	<b>1,120.6</b>	-
<b>Support Services</b>	<b>3,756.7</b>		<b>3,277.1</b>		<b>3,330.8</b>	
Protective Services Subaccount	2,336.2	61.0	2,021.8	-	2,047.2	-
Behavioral Health Subaccount	1,420.5	67.8	1,255.3	-	1,283.6	-
<i>Women and Children's Residential Treatment     Services</i>	(5.1)	-	(5.1)	-	(5.1)	-
<b>Growth, Support Services</b>		<b>135.6</b>		-		-
<b>Account Total and Growth</b>	<b>\$7,868.0</b>		<b>\$6,877.2</b>		<b>\$7,023.3</b>	
<b>Revenue</b>						
1.0625% Sales Tax	7,156.8		6,199.8		6,276.5	
General Fund Backfill <sup>4</sup>	-		6.0		12.0	
Motor Vehicle License Fee	711.2		671.4		734.8	
<b>Revenue Total</b>	<b>\$7,868.0</b>		<b>\$6,877.2</b>		<b>\$7,023.3</b>	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

<sup>1</sup> Dollars in millions.

<sup>2</sup> Base Allocation is capped at \$489.9 million. Growth does not add to the base.

<sup>3</sup> Base Allocation is capped at \$1,120.6 million. Growth does not add to the base.

<sup>4</sup> General Fund backfill pursuant to Revenue and Taxation Code sections 6363.9 and 6363.10.

## Public Safety

### Proposed Realignment of State Juvenile Detention Function

The Governor's May Revision proposes, beginning January 1, 2021, to stop intake at all remaining Division of Juvenile Justice (DJJ) facilities and begin the process of closing those facilities through attrition of the current population. Offenders older than 18 who are subject to transfer to an adult prison will be prioritized for placement in the Youth Offender Rehabilitative Community described below. Recall that the state is currently in the process of transition DJJ to a new department within the Health and Human Services Agency; efforts to reimagine DJJ as the Department of Youth and Community Restoration will presumably be scrapped.

A portion of the state's savings associated with the closure of DJJ will be directed to county probation departments who will assume the full responsibility for the housing, treatment, and rehabilitation of this population. The budget narrative recognizes the significantly underutilized capacity in the local juvenile detention systems. The DJJ closure proposal also contemplates the establishment of treatment hubs to meet the highly specialized needs of these youth – including, for example, sex behavior treatment or mental health treatment. The state would provide \$2.4 million in 2020-21 and \$9.6 million annually thereafter in competitive grants administered by the Board of State and Community Corrections (BSCC). County probation departments would be eligible to apply for the hub grants. We are seeking additional details on funding associated with the proposed realignment.

### Additional Adult Probation Items

- **Proposition 57 Funding** – County probation departments will receive \$12.9 million in 2020-21 for increased workload associated with the supervision of offenders on Post-Release Community Supervision (PRCS) who, as a result of the implementation of Prop 57, earn early release from prison. This amount represents a decrease of approximately \$900,000 from what was estimated in January.
- **SB 678 Funding** – The May Revision maintains the existing SB 678 calculation, yielding \$112.7 million in funding for probation departments that recognizes local successes in reducing the number of adult felony probationers who enter state prison. In January, the Governor proposed a permanent augmentation of \$11 million annually to stabilize SB 678, which seems to have been withdrawn.
- **Misdemeanant Probation Supervision** – The May Revision withdraws the probation reform proposal offered in January that would have invested \$210 million over three years to support increased supervision and other services for the misdemeanor probation population.

### State Prison Populations and Proposed Institution Closures

Given steady declines in the state's prison population over the last decade, which have allowed the California Department of Corrections and Rehabilitation (CDCR) to remain in compliance with the federal court population order, the state has terminated all but one private in-state contract correctional facilities. The contract on the remaining private facility was extended by 30 days to give

the state flexibility in inmate movement and physical distancing in the context of the pandemic. Three public in-state correctional facilities remain operational, but are slated to close in two phases – two will be taken offline in 2021 and the third in 2022.

As outlined in the January budget, the Governor is maintaining his commitment to close two state prison facilities within the next five years, assuming that the population trends stay on track. One facility is assumed to close beginning in 2021-22 and a second beginning in the following fiscal year. State savings associated with the anticipated closures are \$100 million in 2021-22, \$300 million in the subsequent year, and \$400 million annually thereafter. Although questioned during his press conference today, the Governor would not speculate about which institutions are being eyed for closure.

The proposal to close the institutions is based on several proposals described below:

- **Receptions Centers** – CDCR plans to reduce the reception center process to as little as 30 days (as compared to 90 to 120 days under normal circumstances). This change will produce savings in the out years and likely will allow CDCR to convert reception center housing to general population housing in 2020-21.
- **Additional Good Conduct Credits** – CDCR will seek changes to good conduct credits on a prospective basis. No details are yet available on the changes that will be implemented, but they will be based on preliminary recidivism data and will produce savings in the out years.

### **CDCR Actions to Respond to COVID-19 Outbreak**

The May Revision outlines in detail the various steps CDCR has taken to reduce the spread of COVID-19 in the prisons. Among these actions was ceasing transfer of individuals from county jails to the state's adult institutions; the original 30-day stoppage of intake was subsequently extended to 60 days. The state prisons will begin accepting inmates on May 26. The temporary pause in intake resulted in approximately 3,500 individuals extending their stay in county jail while awaiting transfer. It is expected that once CDCR reopens its intake process, it will take approximately 28 days to move these inmates to their assigned state prison facilities.

Additionally, CDCR also took steps beginning in April to release eligible inmates from prison who were within 60 days of completing their prison terms. Taken together, these two steps – the suspension of intake and the early discharge of inmates to parole or PRCS – reduced the state prison population by a net 5,443 inmates.

### **Board of State and Community Corrections**

The May Revision reiterates the Governor's statement in the January budget that his Administration intends to strengthen oversight of county jails through technical assistance and ensuring jail standards are consistent with national best practices. Elimination of a state Adult Reentry Grant administered through the BSCC is part of the trigger cuts.

## Proposition 47 Savings Estimate

The May Revision estimates that implementation of Prop 47, the 2014 ballot initiative that reduced penalties for specified property and drug crimes, will produce \$102.9 million in net state correctional savings, when comparing 2019-20 costs to the base year of 2013-14 (the last full fiscal year prior to the passage of the initiative). These savings are dedicated to three policy priorities identified in Proposition 47: (1) behavioral health treatment and diversion programs (65 percent), (2) programs to improve outcomes for K-12 students and reduce trancies (25 percent), and (3) support for trauma recovery centers (10 percent). The savings estimate represents a reduction of \$19.6 million from the January budget proposal.

## Youth Offender Rehabilitation Community

The Governor's May Revision retains the proposed establishment of a Youth Offender Rehabilitation Community, which will be sited at Valley State Prison in Chowchilla. This program will house youthful offenders (under the age of 26) in a campus environment that promotes positive behavioral programming and strong mentorship opportunities.

## Other Proposed Policy Changes and Efficiencies in State Corrections

The Governor's May Revision also proposes a change to parole terms along with several corrections system efficiencies:

- **Cap Parole Terms** – The May Revision proposes to cap parole supervision as follows: cap supervision for most parolees at 24 months, establish earned discharge for non-sex offenders at 12 months, and establish earned discharge for certain sex offenders at 18 months. Savings associated with the cap on supervision terms is \$23.2 million in 2020-21 and 2021-22, increasing to \$76 million annually beginning in 2023-24.
- **Consolidate Under Capacity Fire Camps** – Eight under capacity fire camps, selected in coordination with the California Department of Forestry and Fire Protection, will be closed. Efforts will be undertaken to consider community impacts and proximity to other fire camps. Savings associated with fire camp closures are expected to be \$7.4 million in 2020-21 and \$14.7 million annually thereafter.
- **Draw Down Federal Funds for Health Care in Community Reentry Programs** – The Centers for Medicare and Medicaid Services (CMS) recently issued guidance distinguishing between prisons and supervised residential facilities. This guidance appears to offer an opportunity to draw down federal funds for health care provided in community reentry treatment facilities. With certain operational changes to ensure that the facilities adhere to CMS guidelines regarding Medicaid eligibility, CDCR estimates it could benefit from federal funding to cover health care costs of \$4.2 million in 2020-21 and \$8.5 million ongoing.
- **Eliminate ISMIP Program** – Due to the program demonstrating limited effectiveness at reducing recidivism, the Governor proposes to eliminate the Integrated Services for Mentally Ill Parolee Program that offers wraparound services and some transitional housing for approximately 1,500

mentally ill parolees. Instead, CDCR will adjust policies to connect these individuals with community resources. Savings are estimated to be \$8.1 million in 2020-21 and \$16.3 million ongoing.

- **Eliminate Parolee Outpatient Clinics** – CDCR employs mental health clinicians to provide treatment to parolees in Parole Outpatient Clinics. The May Revision proposes to eliminate these clinics, given that parolees can access mental health services through Medi-Cal or other coverage. Despite the elimination of the clinics, psychiatrists will continue to provide emergency medication to parolees experiencing mental illness. Associated savings is \$9.1 million in 2020-21 and \$17.6 million annually thereafter.
- **Remote Court Appearance** – CDCR will seek to expand video capabilities that will enable remote court appearances by inmates and staff, thereby reducing transportation costs and increasing inmates' participation in rehabilitative programming and work assignments.

### Department of State Hospitals

The May Revision reduces or withdraws the following proposals from the January budget:

- **Community Care Collaborative Pilot Program** – The May Revision withdraws the proposal that would have invested in a six-year pilot program in three counties designed to fund and incentivize programs to provide treatment in the community for individuals deemed incompetent to stand trial (IST). The Administration commits to working with the Legislature to advance ideas to address the backlog of IST individuals, with a goal of serving this population in the community.
- **State Hospital System Operations and Administration** – The May Revision withdraws various investments in operational and administrative activities at the Department of State Hospitals, resulting in \$7.7 million savings.
- **Treatment Planning and Delivery** – The May Revision reduces the January proposal to increase treatment team ratios, which were designed to support implementation of trauma-informed care and the development of a comprehensive discharge planning program. The resulting savings totals \$22.6 million.

### Peace Officer Standards and Training

To support local law enforcement training, the May Revision proposes repurposing \$10 million previously appropriated to create a Distance Learning Grant Program, increase functionality of POST's existing Learning Portal, and upgrade previously developed distance learning program.

### Indigent Defense

The Governor's January budget proposal to augment funding for the Office of the State Public Defender for purposes of improving the quality of indigent defense services provided at the local level has been modified. The original funding amount of \$4 million in 2020-21 and \$3.5 million annually thereafter has been reduced to \$2.1 million as part of the trigger cuts. The \$10 million allocation to

BSCC to administer a grant program meant to supplement local indigent defense funding has been eliminated.

## **DOJ Adjustments**

The May Revision makes a variety of other funding adjustments in the Department of Justice. Of note, the revised budget includes \$3.8 million to backfill continued declines in fine and fee revenues in the DNA Identification Fund, for a total available in 2020-21 of \$35.8 million. A number of funding proposals to upgrade equipment, acquire a new facility for the Consolidated Forensic Science Laboratory project in Sacramento, and expand other areas of the Department's work have been withdrawn.

## **Judicial Branch**

### **Branch Augmentations and Trigger Cuts**

The Governor's May Revision recognizes the significant changes in court operations – which include extending court deadlines, suspending jury trials, expanding use of technology to conduct remote proceedings, and limiting operations to only those deemed essential – triggered by the pandemic. Public health measures have caused delays and produced backlogs in case processing. The May Revision includes two augmentations to assist the trial courts in gradually resuming operations, addressing the effects of the dramatic curtailing of court operations over the last few months, and expanding court efficiencies: (1) \$50 million one-time augmentation in 2020-21 and (2) an ongoing augmentation of \$25 million for modernizing court operations. Additionally, the May Revision assumes hundreds of millions of dollars in one-time and ongoing reductions in judicial branch trigger cuts in the case that sufficient federal government funding does not materialize. (Please see details regarding trigger cuts at the table starting on page 2.)

### **Rescission of January Budget Proposals**

In view of the dramatic economic contraction, the Governor is withdrawing the following investments proposed in his January spending plan:

- \$107.6 million proposed to support trial court operations;
- \$43.6 million in court facility projects and suspension of \$2 billion investment to court construction as part of the state's Five Year Infrastructure Plan;
- \$10.3 million in three specific information technology initiatives;
- \$8.1 million in 2020-21 and \$15.5 million ongoing for the Court Navigator Program;
- \$6.9 million in 2020-21 and \$11.3 million in 2021-22 to digitize court records in 15 appellate and trial courts;
- \$1.2 million to support increased costs for the appellate projects that support the Court-Appointed Counsel Program; and
- \$1 million to support the statewide external audit program.



## Other Adjustments

**Ability-to-Pay Pilot Program / Fines and Fees Backfill.** The Governor's proposal to expand statewide an existing pilot program that offers online application for a reduction in fines and fees associated with infractions remains part of the state's spending plan. Eligible participants can qualify for payment plans or substantial reductions in the amounts owed.

Additionally, the Administration also is providing the judicial branch with additional revenue backfill to account for losses in declining fine and fee revenue, as detailed below:

<b>Fiscal Year</b>	<b>January budget backfill estimate</b>	<b>May Revision Augmentation</b>	<b>Total</b>
2019-20	\$41.8 million	\$90.9 million	\$132.7 million
2020-21	\$35.2 million	\$147.6 million	\$182.8 million
<b>TOTAL</b>			<b>\$315.5 million</b>

**Trial Court Employee Benefits.** The May Revision includes an ongoing appropriation of to cover trial court employee benefit and retirement costs, which reflects a downward adjustment of \$5.1 million due to updated cost estimates.

**Language Access.** Reflecting an increase of \$1 million due to updated costs, the May Revision includes \$9.9 million in 2020-21 and \$9.6 million ongoing for court interpreters, including purchase of equipment for the recently established Video Remote Interpreting Program.

## Homelessness and Housing

Given the pandemic induced recession, the May Revision lays out a different strategy for investing in programs to combat homelessness which remains a top priority for Governor Newsom. The Governor notes that while the May Revision does not provide \$750 million in General Fund revenues to establish the California Access to Housing Fund as included in his January budget proposal, it proposes to use \$750 million in federal funding to make further investments into Project Roomkey, a multi-agency state effort to provide safe isolation motel rooms for vulnerable individuals experiencing homelessness. This is in addition to the \$100 million the state has allocated to local governments and Continuums of Care (CoCs) to help reduce the spread of COVID-19 among homeless individuals and \$50 million to secure hotel and motel rooms for homeless populations most at-risk.

During the ongoing COVID-19 pandemic, the Governor took steps to pause evictions and compel financial institutions to halt foreclosure proceedings. To continue to assist renters and homeowners, the May Revision proposes to use \$331 million from the National Mortgage Settlement fund for housing counseling, mortgage assistance, and renter legal aid services.

The May Revision maintains the January budget's commitment to \$500 million in low-income housing tax credits, investing \$1.1 billion in federal Community Development Block grant funds for critical



infrastructure and disaster relief related to the 2017 and 2018 wildfires, and \$532 million in federal assistance for housing and homeless programs from the CARES Act.

At the same time, the May Revision proposes to reverse the following funds that have not been allocated or dedicated to specific projects:

- \$250 million in mixed-income development funds over the next three years.
- \$200 million in infill infrastructure grants.
- \$115 million in other housing program funds.

The May Revision lays out the Governor's commitment to continue to identify and implement process improvements to streamline housing programs and increase housing production. Along these lines, the May Revision proposes to take the following non-fiscal actions:

- Stabilizing existing deed-restricted affordable housing and guarding against private sector actors buying up distressed assets.
- Seeking strategies to stabilize tenants in existing units.
- Significantly streamlining, upzoning, and producing new housing units, especially on excess and surplus lands, in transit-oriented infill areas and on public land.
- Building a workforce development strategy to support a skilled and trained housing workforce pipeline with high-road wage rates.
- Promoting innovative alternative construction methods.

## **Transportation**

Like other revenue sources, the gasoline excise and other transportation taxes have taken a hit during the COVID-19 pandemic. The May Revision reports that gas tax receipts will be reduced by \$1.8 billion in total over the next five years (budget year through 2024-25). The Department of Finance reports the following more specific revenue and program impacts, over the January Budget.

- Gasoline excise taxes are projected to generate \$1.108 billion *less* during the remainder of the current year and 2020-21 and that is for all three increments of gas tax including the base 18-cents, the 17.3-cent sales tax replacement increment, and the 12-cent SB 1 increment.
- Transportation Improvement Fee (TIF) levied by SB 1 is projected to *increase* over January estimates by \$275 million.
- In terms of programmatic impacts, the State Highway Operations and Protection Program (SHOPP) will see a reduction of \$556 million, cities and counties will lose \$282 million in local streets and roads revenues, and the State Transportation Improvement Program (STIP) which funds state highway improvements, intercity rail, and regional highway and transit improvements will see a reduction of \$91 million over the current and 2020-21 fiscal years.

	2019-20			2020-21			
Funding Source	January Budget	May Revision	Difference	January Budget	May Revision	Difference	TOTAL TWO YEAR IMPACTS
Gasoline Excise	\$7,169	\$6,604	\$ 565	\$7,533	\$6,990	\$ 543	\$ 1,108
Diesel Excise	\$1,209	\$1,197	\$ 12	\$1,261	\$1,134	\$ 127	\$ 139
Weight Fees	\$1,226	\$1,165	\$ 61	\$1,270	\$1,139	\$ 131	\$ 192
Diesel Sales	\$ 916	\$ 943	\$ (27)	\$ 964	\$ 578	\$ 386	\$ 359
Transportation Improvement Fee (TIF)	\$ 1,535	\$1,725	\$ (190)	\$1,642	\$1,727	\$ (85)	\$ (275)
Road Improvement Fee	\$ -	\$ 1	\$ (1)	\$ 11	\$ 10	\$ 1	\$ -

	2019-20	2020-21	
Program Impacts	Difference	Difference	TOTAL TWO YEAR IMPACTS
SHOPP/Highway System	\$ 199	\$ 357	\$ 556
Local Streets and Roads	\$ 116	\$ 166	\$ 282
STIP	\$ 63	\$ 28	\$ 91
Trade Corridors	\$ 4	\$ 35	\$ 39
Other State PTA Activities	\$ (7)	\$ 103	\$ 96
Intercity Rail	\$ -	\$ (2)	\$ (2)
GF Debt Service Offset	\$ 61	\$ 131	\$ 192
OHV Programs	\$ 9	\$ 14	\$ 23
Aeronautics	\$ -	\$ -	\$ -

The May Revision reports that even with the revisions to transportation revenue projections, Caltrans will accelerate projects to achieve cost savings, supporting the creation of new jobs in the transportation sector and improving roads. The May Revision maintains current planning and engineering staffing levels to continue developing and designing previously programmed projects and will help the state prepare should stimulus funding become available.

On a call with the California State Transportation Agency after the release of the May Revision, agency staff reported that the May Revision does assume \$162 million from non-Article XIX protected transportation funds. Specifically, there is \$130 million in cumulative interest earnings from the past five years in the State Highway Account and \$32 million in unencumbered funds from the Traffic Congestion Relief Fund that will assist in closing the budget deficit.

## Environmental Protection

The May Revision maintains the Governor's January proposal for the expenditure of \$965 million in Cap and Trade revenues with the caveat that the uncertain economic conditions could lead to lower auction proceeds and have implications for the overall expenditure plan. As such, the May Revision

proposed to prioritize initial Cap and Trade funding for the following programs, prior to funding other Cap and Trade investments:

- Air Quality and Disadvantaged Communities – including AB 617 Community Air Protection Program and agricultural diesel emission reduction.
- Forest Health and Fire Prevention – including AB 38 (Chapter No. 391, Statutes of 2019) implementation.
- Safe and Affordable Drinking Water.

The Governor has withdrawn his January proposal to create a Climate Catalyst Fund as well as his proposed \$4.75 billion Climate Resiliency Bond due to concerns over the cost of bond debt service.

## **Natural Resources**

### **Department of Water Resources**

The May Revision shifted funding sources for the following proposals included in the January budget:

- \$40 million for Sustainable Ground Water Management Act Implementation, but proposes \$26 million from Prop 68 bond funding to continue to support local agencies offset the costs of implementation projects.
- \$35 million General Fund for the Tijuana River project although the May Revision notes alternative funding sources are possible.

The Governor's May Revision retains three investments from his January budget proposal:

- \$46 million one-time General Fund investment for the American River Common Features Flood Control Project which will leverage \$1.5 billion in federal funding.
- \$18 million in one-time General Fund investment and \$10 million from Prop 68 bond funds for the New River Improvement Project.
- \$19.3 million from Prop 68 bond funds for the Salton Sea Management Plan.

### **State Parks**

The May Revision proposes General Fund cost savings by proposing the following fund shifts:

- \$95 million from the General Fund to a revenue bond for the Indian Heritage Center.
- \$45 million from the General Fund to Prop 68 bond funds for deferred maintenance projects in the state parks system.

The May Revision withdrew the following January budget proposal:

- \$20 million for Outdoor Equity Grant Program.

To enhance the state parks system, the May Revision maintains the following January budget investments:

- \$5 million General Fund revised from \$20 million in January to establish a new state park.
- \$4.6 million from various bond funds to acquire lands to expand parks.
- \$6.1 million in Prop 68 bond funds to improve facilities in urban areas.
- \$8.8 million in Prop 68 bond funds to enhance access programming for physical access to parks, cultural inclusivity, and interpretive exhibits.

### **Department of Fish and Wildlife**

Despite budget constraints, the May Revision maintains funding for the following purposes:

- \$4 million General Fund for the Cutting Green Tape program to increase the scale and pace of restoration work and efficiencies in grant programs.
- \$2.2 million General Fund for land management to improve wildlife areas and ecological preserves.

The May Revision proposes to withdraw a \$13.8 million General Fund proposal for advancing biodiversity protection due to budget constraints and will have to cut \$33.7 million from the Habitat Conservation Fund should additional federal resources not materialize. The Governor also withdrew the following January proposals:

- \$80 million General Fund for Light Detection and Ranging Technology.
- \$3.5 million General Fund for California Conservation Corps Residential Centers.

### **Workforce and Economic Recovery**

The May Revision document includes several proposals aimed at spurring economic recovery, including:

- **Minimum Franchise Tax.** Waive the \$800 minimum franchise tax for the first year of business creation.
- **Small Business Loan Guarantees.** The May Revision proposes to increase funding for this program by \$50 million for a total increase of \$100 million to fill gaps in available federal assistance and grow California's program. This increase will be leveraged to access existing private lending capacity and philanthropic funding to increase the funds available to provide necessary capital to restart California small businesses.
- **Small Business and Economic Development.** The May Revision maintains the Governor's Budget investment of \$758,000 ongoing General Fund for four positions to bring business and economic development to Inland and Northern California.

The May Revision maintains the Governor's January budget proposal to enforce compliance with AB 5 (Chapter 296, Statutes of 2019), including \$17.5 million for the Department of Industrial Relations, \$3.4 million for the Employment Development Department, and \$780,000 for the Department of Justice.

## **K-12 School Impacts**

The May Revision estimates that the Proposition 98 guarantee will decline by \$19 billion from the Governor's Budget. This decline in funding is approximately 23 percent of the 2019 Budget Act Proposition 98 funding level. Additionally, declining average daily attendance and declining per capita income numbers cause the guarantee to stay at a depressed level for the entire forecast period. To mitigate the impacts of the state's revenue decline impacts on funding for K-14 schools immediately, the May Revision proposes the following:

- **Temporary Revenue Increases.** The May Revision proposes the temporary three-year suspension of net operating losses and limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. These measures along with other more minor tax changes will generate \$4.5 billion in General Fund revenues and approximately \$1.8 billion in benefit to the Proposition 98 Guarantee.
- **Federal Funds.** The May Revision proposes a one-time investment of \$4.4 billion (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures, including supporting an earlier start date for the next school year.
- **Revising CalPERS/CalSTRS Contributions.** The 2019 Budget Act included \$850 million to buy down local educational agency employer contribution rates for CalSTRS and CalPERS in 2019-20 and 2020-21, as well as \$2.3 billion towards the employer long-term unfunded liability. To provide local educational agencies with increased fiscal relief, the May Revision proposes redirecting the \$2.3 billion paid to CalSTRS and CalPERS towards long-term unfunded liabilities to further reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the CalSTRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 18.2 percent to 16.02 percent in 2021-22. The CalPERS Schools Pool employer contribution rate will be reduced from 22.67 percent to 20.7 percent in 2020-21 and from 25 percent to 22.84 percent in 2021-22.

To accelerate the recovery from this funding reduction, the May Revision proposes to provide supplemental appropriations above the constitutionally required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of General Fund revenues per year, up to a cumulative total of \$13 billion. This will accelerate growth in the guarantee, which the Administration proposes to increase as a share of the General Fund. Currently, Proposition 98 guarantees that K-14 schools receive approximately 38 percent of the

General Fund in Test 1 years. The May Revision proposes to increase this share of funding to 40 percent by 2023-24.

The May Revision also reflects the withdrawal of all of the funding in the Public School System Stabilization Account, which was projected at the Governor's Budget to be approximately \$524 million in 2019-20. The May Revision projects that no additional deposits will be required and the entire amount is available to offset the decline in the Guarantee.

## **Higher Education**

The May Revision maintains the state's investment in two years of free community college while providing students with continued access to major financial aid programs, including the California College Promise fee waiver, CalGrant awards, the students with dependent children CalGrant supplement, and the Middle Class Scholarship.

The Administration anticipates that the higher education entities adapt to expanding enrollment while facing limited resources, requiring additional investment in technology that allows for broadly available online educational opportunities. Further, the Administration commits to seeking statutory changes that enable the UC, CSU, and community colleges to use restricted fund balances, except lottery balances, to address COVID-19 related impacts and the loss of revenue from university enterprise functions. In addition, the Administration expects that this authority would come with a requirement to mitigate impacts to programs and services that predominantly support underrepresented student access to, and success at, a college or university, and to expand the number of students served in online courses and programs. The Administration will pursue statutory changes authorizing the UC to temporarily use the savings from the refinancing of specified debt to address COVID-19 related impacts that the loss of revenue from university enterprise functions.

**University of California (UC).** UC is proposed to continue to receive Proposition 56 Graduate Medical Education Program funds at \$40 million, \$11.3 million ongoing General Fund to support the UC Riverside School of Medicine, \$1.3 million ongoing General Fund to support the UC San Francisco School of Medicine Fresno Branch Campus in partnership with UC Merced, and a \$5 million one-time General Fund for an animal shelter grant demonstration project. January budget proposals that are withdrawn include the 5 percent UC base increase (\$169.2 million), 5 percent increase to the UC Division of Agriculture and Natural Resources base increase (\$3.6 million), \$3 million ongoing General Fund to establish the Center for Public Preparedness Multi-Campus Research Initiative, \$4 million one-time General Fund to support degree and certificate completion programs at UC extension centers, and \$1.3 million one-time General Fund to support a UC Subject Matter Project in computer science.

**California State University (CSU).** CSU proposals that are withdrawn include \$199 million ongoing General Fund to support a 5 percent increase in base resources and \$6 million one-time General Fund to support degree and certificate completion programs.

**California Community Colleges.** The May Revision proposes a number of items to provide additional flexibilities to community colleges, while maintaining support for two years of free community college, for the Student Success Completion Grants, sustains several categorical programs at current funding levels, as well as other adjustments, including withdrawing a proposal for state funding of a working group and report required by [SB 206](#) (2019), the bill that authorizes collegiate student athlete representation and compensation.

## **California State Library**

The Administration proposes withdrawal of additional expenditures at the California State Library: \$1 million to support Lunch at the Library program; \$1 million to support the Online Services (Zip Books) program; and \$132,000 to support a Director of Legislative Affairs position at the State Library.

## **Fresno Drive**

The May Revision maintains \$2 million one-time General Fund to support the Fresno Developing the Region's Inclusive and Vibrant Economy (DRIVE) initiative's Fresno-Merced Food Innovation Corridor concept but proposes to reduce the remaining funding for this project by \$31 million. Additionally, the Administration proposes reducing by \$17 million in one-time General Fund in support to a plan to design educational pathways to improve social and economic mobility in the greater Fresno region.

## **Statewide Issues**

In an effort to improve government efficiencies, the Administration is proposing to examine workforce classifications and/or positions that can telework without disruption to serving the public and deliver more services online, including a more user-friendly CA.gov website. These actions are anticipated to allow the state to increase its remote workforce and evaluate the state's real estate portfolio to determine which agencies and departments can reduce leased space.

In addition, the Administration is proposing a 5 percent reduction to nearly all state department budgets beginning in 2021-22, including reducing travel, improving state processes, reevaluating the state fleet and vehicle home storage permits, and seeking efficiency in technology contracts.

## **Fairgrounds**

The network of California Fairs, consisting of 77 fairgrounds throughout California, have historically supported their own operations through revenue-generating activities with limited state support. Since fairs are cancelling revenue-generating activities and are projected to lose approximately \$98 million in revenue between March and June of 2020, and revenue loss is expected to continue, the May Revision includes \$40.3 million General Fund in 2019-20 to support fairs that have insufficient revenues to pay legally mandated costs that may be incurred during the state civil service layoff process, including staff salary, payout of leave balances, and unemployment insurance. The Administration commits to working with fairs, local governments, and partners toward alternative options due to the lack of General Fund subsidies available in the budget.

## **Broadband Expansion**

The May Revision includes \$2.8 million and 3 positions to enhance the California Public Utility Commission's (CPUC) broadband mapping activities and proposes statute intended to increase the ability of the state to compete for federal funding to improve access to broadband internet in California.

## **California Consumer Financial Protection**

The May Revision sustains the Governor's Budget proposal for \$10.2 million to revamp the Department of Business Oversight (DBO) as the Department of Financial Protection and Innovation and to empower the Department to provide consumers greater protection from predatory practices while facilitating innovation and ensuring a level playing field for all companies operating responsibly in California. The May Revision proposal includes budget bill language that is contingent upon passage of an accompanying statutory proposal, intended to give the Legislature more time to evaluate the proposal.

## **Cannabis**

The May Revision proposes a delay in consolidation of cannabis regulatory functions into a single Department of Cannabis Control to 2021-22 and, as a result, includes funding proposals for each of the licensing entities to address expiring limited-term funding and positions.

The May Revision estimates \$296.9 million in Cannabis Tax Fund revenues available for allocation and structures the proposed allocation in the same manner as that of 2019-20:

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

While the Administration had proposed simplifying tax administration for cannabis by changing the point of collection, the May Revision defers that plan until next year's budget.

## **Elections**

The CARES Act included \$400 million in new Help America Vote Act (HAVA) funds, made available to states to prevent, prepare for, and respond to the COVID-19 pandemic for the 2020 federal election cycle. California has received \$36.3 million, which is available for expenditure through December 31, 2020. Among other things, the funding can be used to increase California's ability to vote-by-mail, expand early voting and online registration, and improve the safety of voting in-person by providing additional voting facilities, more polling place workers, and personal protective equipment.

As we've previously reported, the Governor's Executive Order [N-64-20](#) requires each county elections official to send vote-by-mail ballots for the November 3, 2020 General Election to all registered voters.



The Administration will continue to work on how this will be implemented and how the federal funds will be expended.

### **California Arts Council**

The May Revision withdraws a one-time increase of \$10.5 million.

### **Capitol Annex Project**

The May Revision proposes a transfer of \$754.2 million from the State Project Infrastructure Fund to the General Fund, previously earmarked for the design and construction of a series of projects necessary for the renovation or reconstruction of the Capitol Annex. Funding remains available for pre-construction activities for the projects and the costs associated with design and construction phases will be shifted to lease-revenue bond financing.

### **What's Next?**

The release of the May Revision starts the horserace toward the eventual adoption of a state budget by the constitutional deadline of June 15. Look for a truncated schedule of hearings starting next week in the Legislature to accommodate the new social distancing requirements, but an abundance of behind-the-scenes work between Administration staff, legislative leadership and budget staff, and the third house. In the meantime, please do not hesitate to contact us with your questions.

### **Questions?**

Should you have questions on any aspect of the May Revision or budget process in general, please do not hesitate to reach out to any of us. Thank you!

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## MENTAL HEALTH SERVICES ACT (MHSA)

### STAKEHOLDER GROUP MEETING CALENDAR, 2020 rv1

\*\* This schedule is subject to change. Please view the MHSA [website](#) for calendar updates.

DATE	TIME	LOCATION	MEETING THEMES
January 24, 2020 (Friday)	2:00-4:00pm	2000 Embarcadero Cove, 5 <sup>th</sup> Floor, Oakland, CA 94606	<ul style="list-style-type: none"> <li>MHSA Overview</li> <li>Annual Plan Update</li> </ul>
February 28, 2020 (Friday)	2:00-4:00pm	2000 Embarcadero Cove, 5 <sup>th</sup> Floor, Oakland, CA 94606	<ul style="list-style-type: none"> <li>MHSA Goal Setting/Finding A Common Link</li> <li>Develop Operating Guidelines</li> </ul>
March 27, 2020 (Friday)	2:00-4:00pm	GoToMeeting	<ul style="list-style-type: none"> <li>MHSA Audit</li> <li>MHSA Community Planning Meetings (CPM) Outreach &amp; Evaluation Design</li> <li>Recruitment</li> </ul>
April 24, 2020 (Friday)	2:00-4:00pm	GoToMeeting	<ul style="list-style-type: none"> <li>MHSA Community Planning Meetings (CPM) Focus Group</li> </ul>
May 27, 2020 (Friday)	2:00-4:00pm	GoToMeeting	<ul style="list-style-type: none"> <li>MHSA Community Planning Meetings (CPM)</li> <li>MHSA-SG Recruitment</li> </ul>
June 26, 2020 (Friday)	2:00-4:00pm	2000 Embarcadero Cove, 5 <sup>th</sup> Floor, Oakland, CA 94606	<ul style="list-style-type: none"> <li>Quarterly Program Data Review</li> <li>Program Spotlight/Presentation</li> <li>Joint Site Visit Observations</li> </ul>
July 24, 2020 (Friday)	2:00-4:00pm	2000 Embarcadero Cove, 5 <sup>th</sup> Floor, Oakland, CA 94606	<ul style="list-style-type: none"> <li>Revisit MHSA-SG Plan &amp; Meeting Frequency</li> </ul>
August 28, 2020 (Friday)	2:00-4:00pm	2000 Embarcadero Cove, 5 <sup>th</sup> Floor, Oakland, CA 94606	<ul style="list-style-type: none"> <li>Program Spotlight/Presentation</li> <li>MHSA Policy &amp; Legislation Review</li> </ul>
September 25, 2020 (Friday)	2:00-4:00pm	2000 Embarcadero Cove, 5 <sup>th</sup> Floor, Oakland, CA 94606	<ul style="list-style-type: none"> <li>Government Funding &amp; Procurement Overview</li> <li>Joint Site Visit Observations</li> </ul>
October 23, 2020 (Friday)	2:00-4:00pm	2000 Embarcadero Cove, 5 <sup>th</sup> Floor, Oakland, CA 94606	<ul style="list-style-type: none"> <li>Program Spotlight/Presentation</li> <li>MHSA 3-Year Plan</li> </ul>

## MENTAL HEALTH SERVICES ACT (MHSA)

### STAKEHOLDER GROUP MEETING CALENDAR, 2020 rv1

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November 27, 2020 (Friday)	CANCELLED- HOLIDAY		
December 25, 2020 (Friday)	2:00-4:00pm	2000 Embarcadero Cove, 5 <sup>th</sup> Floor, Oakland, CA 94606	<ul style="list-style-type: none"> <li>• End of Year Celebration/Retreat</li> <li>• Best Practice Review</li> <li>• Renewing Commitment</li> </ul>

# VIA Classification of Character Strengths and Virtues

## *The Character Strengths of a Flourishing Life*

### WISDOM

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#### **Creativity**

Originality; adaptive; ingenuity

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#### **Curiosity**

Interest; novelty-seeking; exploration; openness to experience

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#### **Judgment**

Critical thinking; thinking things through; open-minded

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#### **Love of Learning**

Mastering new skills & topics; systematically adding to knowledge

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#### **Perspective**

Wisdom; providing wise counsel; taking the big picture view

### COURAGE

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#### **Bravery**

Valor; not shrinking from fear; speaking up for what's right

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#### **Perseverance**

Persistence; industry; finishing what one starts

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#### **Honesty**

Authenticity; integrity

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#### **Zest**

Vitality; enthusiasm; vigor; energy; feeling alive and activated

### HUMANITY

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#### **Love**

Both loving and being loved; valuing close relations with others

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#### **Kindness**

Generosity; nurturance; care; compassion; altruism; "niceness"

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#### **Social Intelligence**

Emotional intelligence; aware of the motives/feelings of self/others; knowing what makes other people tick

### JUSTICE

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#### **Teamwork**

Citizenship; social responsibility; loyalty

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#### **Fairness**

Just; not letting feelings bias decisions about others

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#### **Leadership**

Organizing group activities; encouraging a group to get things done

### TEMPERANCE

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#### **Forgiveness**

Mercy; accepting others' shortcomings; giving people a second chance

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#### **Humility**

Modesty; letting one's accomplishments speak for themselves

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#### **Prudence**

Careful; cautious; not taking undue risks

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#### **Self-Regulation**

Self-control; disciplined; managing impulses & emotions

### TRANSCENDENCE

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#### **Appreciation of Beauty and Excellence**

Awe; wonder; elevation

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#### **Gratitude**

Thankful for the good; expressing thanks; feeling blessed

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#### **Hope**

Optimism; future-mindedness; future orientation

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#### **Humor**

Playfulness; bringing smiles to others; lighthearted

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#### **Spirituality**

Religiousness; faith; purpose; meaning



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