



CALIFORNIA SENATE REPUBLICANS

Highlights and Analysis of the Governor's 2021-22 Budget Proposal

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SENATE REPUBLICAN
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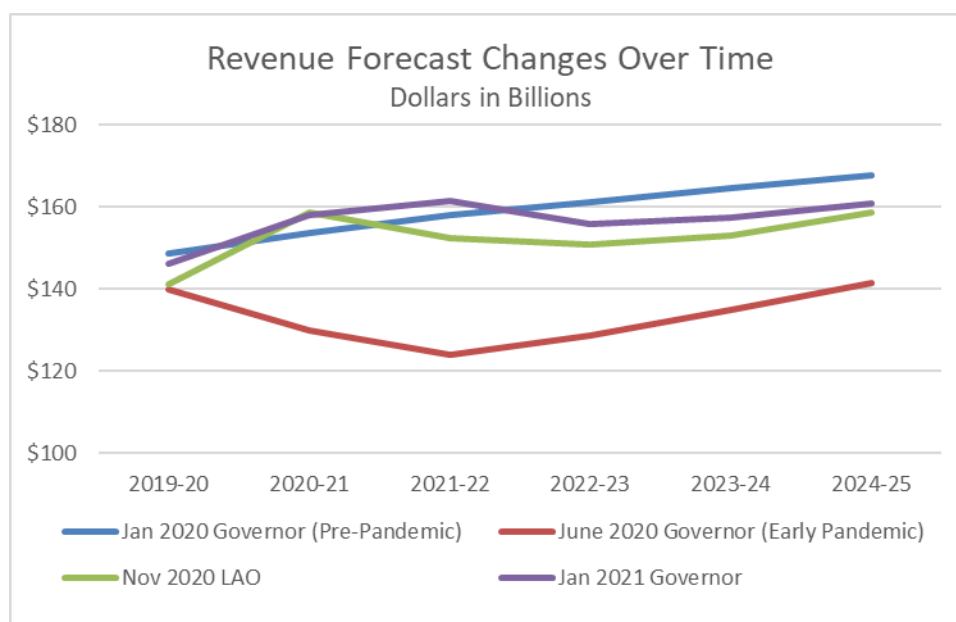
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Executive Summary

Overview. The budget picture looks dramatically better now than it did just seven months ago. California tax revenues, which are heavily reliant on higher-income earners, have shown to be less affected by COVID-19 and the government's response than expected. The Governor's budget estimates that \$15 billion in one-time revenues are available to spend, though it also projects major ongoing budget deficits in future years. The Governor appropriately calls for early legislative votes to approve certain proposals, including school assistance and economic stimulus. However, some of the details and the Governor's other spending proposals are misguided. There are no investments to fix the embattled Economic Development Department, for example, but the Governor proposes to borrow \$1 billion for zero-emission vehicle subsidies. The state needs to focus heavily on helping California workers and businesses recover normal lives and get back on their feet, but although the Governor's budget includes some critically needed steps, it also throws a grab-bag of budget trinkets around.

One-Time Revenue Surprise. The Governor's budget reflects substantially higher one-time revenues that dramatically improve the budget outlook compared to just seven months ago, when the 2020 Budget Act was signed under a high degree of uncertainty. General Fund revenues for 2021-22 are now estimated to be \$161 billion, which is 30 percent higher than forecast as part of the 2020 Budget Act plan. However, these temporarily higher revenues are followed by a projected drop in revenue to \$156 billion for 2022-23 and minimal growth after that point. The chart below shows these trends as well as the dramatic changes in revenue forecasts over the past year, starting from the pre-pandemic January 2020 forecast.



Spending One-Time Available Revenues. The Governor's budget estimates the unexpected one-time discretionary revenues to be nearly \$15 billion, compared to an estimate of \$26 billion by the nonpartisan Legislative Analyst's Office. The Governor proposes to spend most of these revenues on a Jobs and Economic Stimulus package (26 percent) and on building reserves (20 percent), though a long list of other programs would also receive funds.

Overall Expenditures Also Increase. General Fund spending would reach nearly \$156 billion in the current year, an increase of \$22 billion (16 percent) from the level authorized by the 2020 Budget Act, and would rise again to reach nearly \$165 billion in 2021-22. This new spending level for 2021-22 would be 5.5 percent higher than the updated current year level. Spending from all state funds would reach \$227 billion in 2021-22, virtually identical to the revised current year. Federal funds would provide an astonishing \$228 billion in 2020-21, tens of billions more than normal, and another \$151 billion in 2021-22, while additional federal assistance would flow directly to individuals.

Deficits and Budget Cuts Loom. Despite the short-term revenue surprise, rapid spending increases prior to the pandemic had already put the state on the verge of operating deficits. Expenditures continue to grow faster than revenues in the forecast for at least the next several years. Thus, the Governor's budget predicts operating deficits that grow to more than \$11 billion by 2024-25. Also, while the Governor's budget proposes billions in new spending in some areas, the budget also includes cuts of \$1.3 billion expected beginning in 2022-23, mostly to Health and Human Services programs like Medi-Cal and developmental services. These planned cuts call into question the prudence of some of the proposed new expenditures in the Governor's plan.

Combined Reserves Reach Nearly \$22 Billion. The state's Rainy Day Fund (Proposition 2 of 2014) is projected to reach \$15.5 billion by the end of 2021-22. The Governor's budget also includes a discretionary reserve of nearly \$2.9 billion, a Safety Net Reserve of \$450 million, and a public school reserve of \$3 billion, which would bring total reserves to \$21.9 billion when combined with the Rainy Day Fund. This combined reserve would reach 12.8 percent of revenues.

Early Budget Approvals Sought in Several Areas. The Governor is asking the Legislature to approve two groups of proposals faster than normal, an "Immediate Action" package in January and an "Early Action" package by March, as follows:

- The "Immediate Action" package totaling \$5 billion in January to respond quickly to the pandemic's effects on schools and businesses:
 - \$2 billion to assist schools with reopening efforts.
 - \$2.4 billion for stimulus efforts such as \$600 payments each for people who receive Earned Income Tax Credits.
 - \$575 million for grants to businesses and nonprofits.
- The "Early Action" package totaling more than \$6.5 billion for various proposals, some of which do not appear directly tied to COVID-19 response:
 - \$4.7 billion in Proposition 98 to address learning loss by extending school in person instruction time.
 - \$973 million for various jobs and workplace training efforts.
 - \$561 million for environmental sustainability, primarily for zero-emission vehicles or agricultural sustainability.
 - \$50 million for county probation improvements.
 - \$100 million to support emergency student financial aid.
 - \$20 million to bolster Community College student retention and recruitment.

More Funding for COVID-19 Health Response. The Governor plans on spending an additional \$4.4 billion on direct COVID-19 response above the \$8.6 billion estimated in last year's budget. This

new funding will include \$2 billion for COVID testing, \$473 million for contact tracing, \$372 million for vaccines, and \$1.2 billion for supporting programs for vulnerable populations. The Governor estimates that at least 75 percent of this spending will be reimbursed by the federal government.

School Reopening Payments. The Governor’s budget proposes \$2 billion in one-time Proposition 98 General Fund for incentive grants to schools to offer in-person instruction as early as February 2021 for all students in transitional kindergarten through grade 6 and high-needs students. The funding is subject to immediate action by the Legislature and is available on a per-pupil basis for schools, with the exception of non-classroom based charters and independent study programs, which are open for in-person instruction by specific dates.

Schools are eligible to receive between \$450 and \$700 per student if they meet certain requirements, including completing a plan for ongoing testing of students and staff. Funding is flexible and can be used for any purpose that supports in-person instruction. A second funding round is available for schools able to complete the requirements by March 1, 2021. Schools in counties with average daily case rates above 28 cases per 100,000 people over seven days would not be eligible to reopen, though districts could still receive funding if they meet all other requirements.

Addressing Learning Loss. The Governor’s budget proposes \$4.6 billion in one-time Proposition 98 General Fund to provide districts the ability to develop targeted strategies that address learning loss related to the pandemic. This funding is subject to early action by the legislature and can support community learning hubs, summer school, extended school year, extended school days, and other academic interventions targeted for high-needs students.

Lack of Plans to Improve EDD. The budget does not propose significant reforms for the Employment Development Department (EDD) beyond the numerous “task forces” already in place. This lack of action is despite the massive fraud, delays, and mismanagement associated with EDD in 2020. While there appear to be a significant number of additional federally-funded staff, EDD management has argued in the past that it is difficult to bring staff up to speed. Even so, the Governor has proposed no reforms to make sure staff can get the job done.

Proposition 98 Education. Proposition 98 funding for K-14 education reaches a new high at \$85.5 billion in 2021-22. This is a \$14.9 billion increase over revised budget act figures. Proposition 98 spending per pupil grows to \$13,015 in 2021-22, a 5.2 percent (or \$644) increase over revised 2020-21 levels. Per-pupil spending from all sources decreases from \$18,837 to \$18,000. This decline is related to one-time Federal Funds. Additional Proposition 98 augmentations include:

- \$2 billion base increase for the Local Control Funding Formula (LCFF), reflecting a 3.84 percent cost of living adjustment (COLA). This COLA amount is a compounded effect of applying a 2.31 percent COLA for 2020-21 (which was not provided in last year’s budget) and a 1.5 percent COLA for 2021-22. Total LCFF funding is \$64.5 billion for 2021-22.
- \$3 billion deposit into the Public School System Stabilization Account.

Pays Down Majority of School Deferrals. The June 2020 Budget Act deferred \$12.5 billion in Proposition 98 payments (\$11 billion for K-12 schools and \$1.5 billion for community Colleges). The Governor’s Budget proposes to pay down \$9.2 billion of this amount. The remaining deferral after this payment includes \$3.7 billion for K-12 schools and \$326 million for community colleges.

School Supplemental Payment Revised. The Governor proposes to remove the 2020 Budget Act multi-year plan to supplement Proposition 98 and mitigate then-expected declines due to revenue reductions. Instead and in recognition of the extraordinary needs of students and the public school

system related to the COVID-19 Pandemic, the Budget includes a one-time supplementary payment to K-14 schools of \$2.3 billion in 2021-22.

Educator Professional Development. The budget proposes \$315 million in one-time Proposition 98 General Fund for educator professional development. Notable augmentations include the following:

- \$250 million for the Educator Effectiveness Block Grant. This will provide local educational agencies with resources to expedite professional development for teachers, administrators, and other in-person staff, in high-need areas including accelerated learning, re-engaging students, restorative practices, and implicit bias training.
- \$50 million to create statewide resources and provide targeted professional development on social-emotional learning and trauma informed practices.
- \$8.3 million for the California Early Math Initiative to provide teachers with professional development in mathematics teaching strategies for young children pre-K through third grade through the statewide system of support.
- \$7 million to the University of California Subject Matter Projects to create high-quality professional development on learning loss in core subject matter content areas.
- \$5 million to fund professional development and instructional materials for local educational agencies who are offering, or would like to offer, courses on ethnic studies.

University Funding Increases. The California State University (CSU) would see a base increase of approximately \$200 million in ongoing General Fund, and \$225 million in one-time initiatives. The largest ongoing proposal is a 3-percent unrestricted base increase, linked with the following expectations: (1) developing a plan to eliminate their achievement gaps by 2025, (2) permanently increasing the share of courses they offer online by at least 10 percentage points over their pre-pandemic levels, and (3) establishing a “dual admissions” pathway, whereby students complete their lower division coursework at community colleges but are guaranteed admission to the public universities upon completion of their associate degree for transfer (or a University of California equivalent). This increase is not connected to specific enrollment expectations.

The Governor’s budget increases ongoing General Fund for the University of California (UC) by \$136 million and provides a total of \$225 million for one-time UC initiatives. As with CSU, the largest ongoing proposal is a 3 percent unrestricted base increase and the largest one-time proposal is for deferred maintenance. The base increase is linked with the expectations listed above, and, as with CSU, is not connected to specific enrollment expectations.

Community College. The Governor does not propose any mid-year action to roll back the \$1.5 billion in current year Proposition 98 payment deferrals. Instead, the Governor is proposing \$1.1 billion one-time Proposition 98 General Fund to pay down deferrals in the budget year. For 2021-22, \$326 million in deferrals would remain in place.

The Governor’s budget proposes \$641 million in Proposition 98 General Fund proposals. Of these, eight are new ongoing spending commitments for \$213 million and eight are one-time initiatives, totaling \$428 million. The largest ongoing proposal is to provide a 1.5 percent cost-of-living adjustment. This base increase is linked with the overarching expectations listed above.

State Stimulus Payments for Earned Income Tax Credit and Undocumented Recipients. The budget proposes nearly \$2.4 billion General Fund to provide a \$600 state stimulus payment for more than 4 million individuals eligible in 2019 for the Earned Income Tax Credit (EITC) program, as well as

for undocumented immigrants that have an Individual Taxpayer Identification Number (ITIN) and would be eligible for EITC in 2020.

New Mental Health Efforts. The Governor's budget spends new General Fund to enhance county behavioral health treatment and capacity including: \$750 million for counties to acquire and rehabilitate properties to increase treatment beds, \$532 million to implement a new Medi-Cal behavioral health treatment benefit called CalAIM, \$233 million for a 3-county pilot program to enhance treatment services for seriously mentally ill individuals deemed incompetent to stand trial, and \$200 million for Medi-Cal managed care plan incentives to increase K-12 student behavioral health services.

Wildfire and Forestry Package. The budget proposes \$1 billion to support forest health and fire prevention activities, dedicating \$323 million for early action in the spring to support fire prevention projects before the next fire season. The plan also provides \$143 million General Fund to support 30 new fire crews, and \$48 million to continue phasing in Black Hawk helicopters and large air tankers.

Deferred Maintenance. The budget proposes a \$300 million one-time General Fund for statewide-deferred maintenance, emphasizing "greening" of state infrastructure. The proposal would include projects to install electric vehicle charging stations at state-owned facilities, despite the Governor's directions for departments to rethink renewing building leases and consider permanent telework to generate savings.

Agricultural Package Triggers Two-Thirds Vote. As part of a package to create jobs and accelerate economic recovery, the budget provides \$385 million (various funding sources) for targeted climate-related investments in the agricultural industry. The budget also includes a proposal to change the flat fee model currently used to purchase pesticides and move to a tiered fee structure phased in over the next four years. Revisions of this fee would require a two-thirds vote by the legislature.

Toxic Site Cleanup, Agency Reform. The Budget includes \$300 million one-time General Fund for toxic site cleanup and investigations of high-priority contaminated properties across the state, which will be prioritized based on public health risk criteria. The Budget also proposes governance and fiscal reform for the Department of Toxic Substances Control to address future clean-ups of orphan sites.

Cap and Trade Expenditure Plan. The Governor's budget proposes a nearly \$1.4 billion Cap and Trade Expenditure Plan. While the exact details are pending, the plan currently dedicates \$394 million to achieve the state's ambitious zero-emission vehicle goals by 2035 and 2045. The plan would also provide \$323 million to accelerate fire prevention projects before the 2021 fire season by increasing the pace and scale of existing fire prevention efforts to reduce wildfire risk and jumpstart economic recovery in the forest sector.

Zero-Emission Vehicles. The Governor proposes to spend \$1.5 billion to install electric vehicle charging and hydrogen fuel stations, and to subsidize zero emission vehicles (ZEVs) for low-income individuals, as part of the strategy to ban the sale of gasoline cars in 2035. The electric and hydrogen stations will be paid for by continuing a vehicle tax that would otherwise expire, forcing Californians to continue paying higher taxes now and in the future, only to be forced to buy more expensive ZEV vehicles down the road.

Transit. Transit ridership was trending downward prior to the pandemic. COVID-19 has had a significant impact on transit ridership, with regional ridership decreases ranging between 50 and 75 percent. Despite transit's uncertain future, the Governor proposes spending \$1.3 billion on transit in the 2021-22 fiscal year.

Small Business Grants. The budget proposes a total of \$1.1 billion for the state’s Small Business COVID-19 Relief Grant Program. The total includes \$500 million announced in November for the program, and includes a set-aside of \$25 million for small cultural institutions, such as art galleries and museums.

Infill Infrastructure and Affordable Housing. The budget proposes \$500 million for the state’s Infill Infrastructure Grant (IIG) Program. The Governor estimates this funding would support the development of more than 7,500 affordable homes. Unfortunately, while providing funding for the program may benefit local jurisdictions, it will do nothing to reduce the high cost to build in this state.

Low-Income Housing Tax Credits. The budget proposes \$500 million General Fund within the Tax Credit Allocation Committee for the state housing tax credit program, which works in conjunction with two federal tax credit programs to reduce a project’s funding gap.

Federal Rental Assistance. The budget includes \$2.6 billion in federal funds for rental assistance, with an expectation that the Legislature will take early action in early 2021 to expedite the distribution of these funds. The state would receive \$1.4 billion in a direct allocation and \$1.2 billion would be allocated directly to local jurisdictions.

CalCompetes to Allocate Both Tax Credits and Grants. The budget includes \$180 million in additional CalCompetes tax credits for 2020-21 and 2021-22, and also includes a new grant program within CalCompetes for budget year, providing an additional \$250 million General Fund for this new program that is intended to reward job creation and retention.

Homelessness. The Governor’s budget includes \$1.75 billion General Fund for activities intended to address the state’s homelessness crisis, building on programs established in the current year. The proposals include the Department of Housing and Community Development’s Homekey Housing, wrap-around services within the Department of Health Care Services, and protecting vulnerable older populations through the Department of Social Services.

Corrections Pandemic Operations. The Governor’s budget includes about \$1.4 billion in new funding for the Department of Corrections and Rehabilitation’s (CDCR) operational costs of dealing with the pandemic. Major costs include \$554 million for COVID-19 testing (\$379 million for employees, \$175 million for inmates); \$241 million to continue reimbursing counties while state prison intake remains suspended; and \$241 million for medical surge capacity.

First Prison Closure Proposed. SB 118, the 2020-21 public safety budget trailer bill, requires CDCR to identify two state prison facilities as candidates for closure – the first by January 10, 2021 and the second by January 10, 2022. The Governor’s budget includes a proposal to close the Deuel Vocational Institution on September 30, 2021.

Trial Court Operations. In addition to \$118 million General Fund to backfill declining revenues to the Trial Court Trust Fund, the budget proposes \$72 million General Fund ongoing to help the trial courts maintain access to justice and address pandemic-related challenges.

Cannabis Regulatory Reform. The Governor proposes to create a single Department of Cannabis Control to perform licensing and enforcement over the cannabis industry. This will remove these functions from the Department of Food and Agriculture, Department of Public Health, and the Department of Consumer Affairs. A similar proposal was derailed by COVID-19 last year.

Workforce Development. The budget allocates \$25 million, intended for early action by the Legislature, to expand High Road Training Partnership grants—an existing workforce development demonstration project that focuses on upskilling workers.

State Employee Bargaining. The Administration indicated that CalHR would be reopening negotiations with employee organizations to potentially eliminate the compensation reductions taken last year. The 2020 Budget Act reduced state employee compensation by \$2.8 billion across the board.

Private Child Care Facilities Unionize and Begin Negotiations with State. The Public Employment Relations Board recently certified the Child Care Providers Union (CCPU) and despite not its members not being state employees, CalHR indicated they will act as the Governor’s bargaining representative and negotiations are set to begin soon. The budget does not assume funding for potentially bargained for increases to child care provider’s wages.

Growing Unemployment Insurance Debt to Federal Government The budget reflects a Unemployment Insurance Federal Trust Fund debt of \$21.5 billion by the end of 2020, growing to \$48.3 billion in 2021. This surpasses the debt California owed the federal government during the Great Recession. As a result, the budget includes a \$555 million General Fund interest payment to the federal government for these loans but provides no alternative plan to paying back the principal debt—absent an alternative plan, the debt will be paid through increased payroll taxes on businesses.

Status-Quo Pension Debt Repayment. The budget allocates \$3 billion General Fund in constitutionally-required Proposition 2 debt repayments to reduce pension obligations. It should be noted that despite the \$167.2 billion unfunded pension liability and a \$91.9 billion unfunded retiree health care liability, the budget does not commit more than what it is required constitutionally.

State “Gann” Spending Limit. The Governor’s budget estimates the state reached the constitutional spending limit (known as the Gann limit) in 2019-20, putting the state close to the trigger (the state must exceed the limit over two years before action is triggered). No action is proposed at this time as the numbers will be updated with the release of the May Revision.

Overall Revenues, Expenditures, and Deficits

Key Points

- **Budget Reflects Massive Federal Spending.** The budget reflects total federal spending of \$379 billion combined over 2020-21 and 2021-22, before counting the federal December 2020 stimulus bill.
- **One-Time Tax Revenue Surprise, but Major Long-Term Deficits.** A one-time revenue surprise of \$15 billion has dramatically improved the short-term fiscal outlook, but long-term deficits in the tens of billions of dollars remain in the forecast.
- **Reserves Rise in Short Run.** The one-time revenue surprise lifts reserves in the short-term to nearly 13 percent of General Fund revenues.
- **One-Time Revenue Spending Spread Among Programs.** The largest uses of one-time revenues are economic recovery efforts and reserves, but some uses are questionable.
- **Some Budget Cuts Left in Place.** Some actions taken to balance the 2020-21 budget remain wholly or partially in place, such as school deferrals and special fund loans.
- **Tax Policy Changes.** The Governor’s budget proposes several state tax policy changes that would also have implications for federal and local taxes.

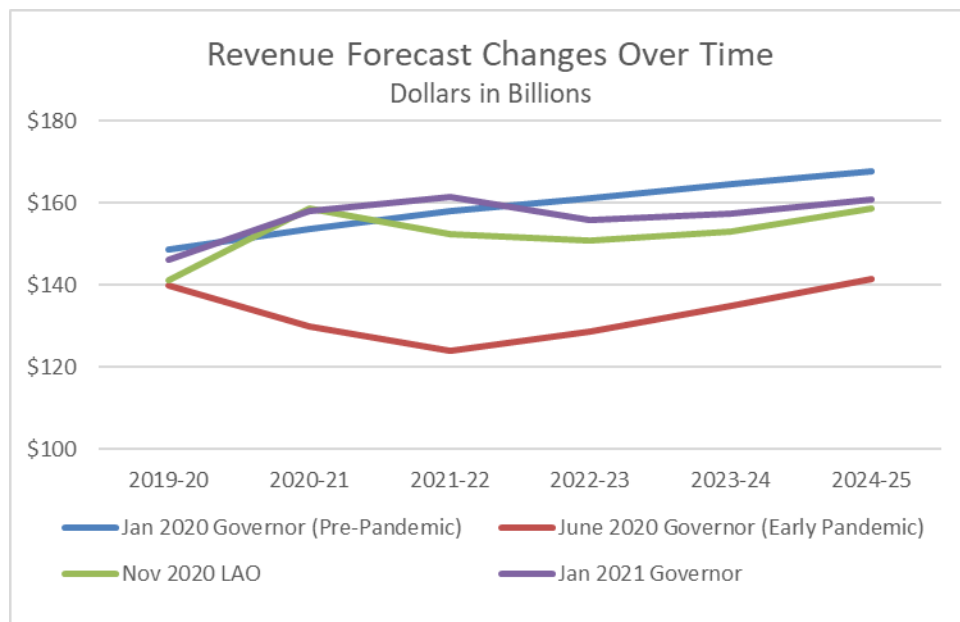
Budget Reflects Massive Federal Spending. The budget reflects General Fund spending of \$158 billion in 2020-21, an increase of nearly 22 percent from the enacted budget for 2020-21. General Fund spending would increase by another \$3 billion for 2021-22. More astounding than this recovery, though, is the staggering level of federal funds flowing through the state budget: \$228 billion in 2020-21 and another \$151 billion for 2021-22. These amounts do not yet reflect the December federal stimulus bill, which did not occur in time to be reflected in the state budget. (See the *Appendix* for a summary of the December stimulus bill.) The massive federal fund infusion means that half the state’s entire budget in 2020-21 is federally funded, as shown in the table below, compared to one-third in a more typical year.

Revenues and Expenditures by Fund						
<i>Dollars in Billions</i>						
	Budget Act 2020-21		Revised 2020-21		Proposed 2021-22	
Revenues - General Fund	\$130		\$158		\$161	
<i>Change from 2020 Budget Act</i>			21.7%		24.2%	
Expenditures		% of Total		% of Total		% of Total
General Fund	\$134	37%	\$156	34%	\$165	44%
Special & Bond Funds	\$68	19%	\$71	16%	\$63	17%
Total, State Funds	\$202	56%	\$227	50%	\$227	60%
<i>Change from 2020 Budget Act</i>			12.3%		12.5%	
Federal Funds	\$160	44%	\$228	50%	\$151	40%
Total, All Funds	\$362	100%	\$455	100%	\$378	100%
<i>Change from 2020 Budget Act</i>			25.7%		4.4%	

State Tax Revenues Show Resilience. The revenue forecasts used in June last year for the 2020 Budget Act faced unusually high uncertainty due to COVID-19, though the LAO and UCLA forecasts were more optimistic than the Governor’s estimates. California’s tax revenues rely heavily on personal income taxes paid by higher-income earners, including capital gains taxes.

Unlike the last major recession in 2009, this recession largely left higher-income earners financially unscathed as they transitioned to working from home. Asset markets also recovered quickly. After a rapid decline of 34 percent from February to March, the Standard & Poor 500 stock index recovered within five months and went on to set a new high before the end of the year. California housing prices continued to climb, and the state median house price exceeded \$700,000 for the first time in August 2020. On the other hand, lower-income workers are more concentrated in industries that the government shut down in response to the pandemic, such as restaurants and hair salons.

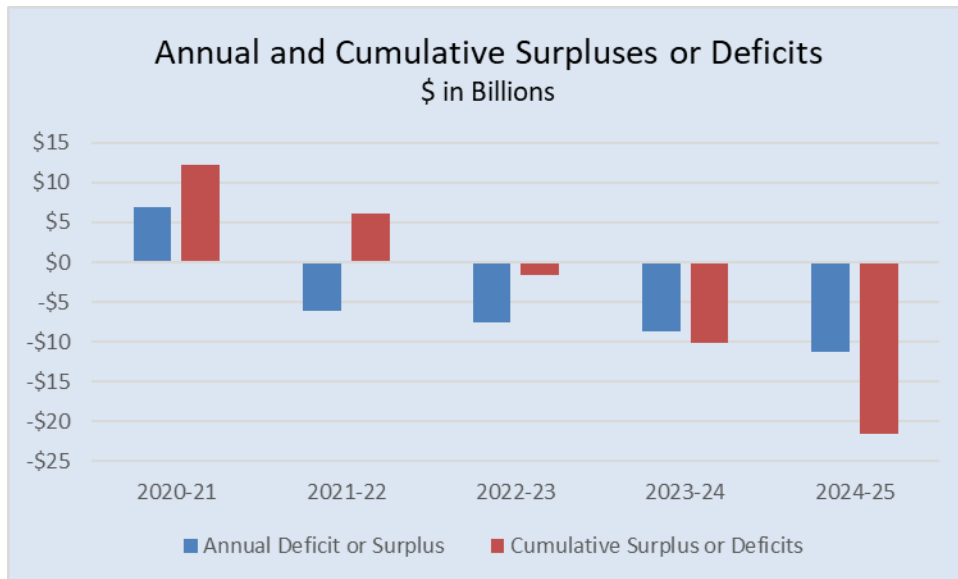
The result of the high uncertainty last June and the quick recovery of higher-paying industries is that revenue projections quickly rebounded, as shown in the chart below. The red line shows the revenue projections used for the enacted 2020-21 budget, while the green and purple lines show the most recent estimates from the LAO and the Governor’s Department of Finance. These recent estimates are actually higher for 2020-21 and 2021-22 than the pre-pandemic estimates from January 2020, shown by the blue line.



Combined Reserves of Nearly \$22 Billion. The state’s Rainy Day Fund (Proposition 2 of 2014) is projected to be \$15.5 billion by the end of 2021-22. The Governor’s budget also includes a discretionary reserve of nearly \$2.9 billion, a Safety Net Reserve of \$450 million, and a public school reserve of \$3 billion, which would bring total reserves to \$21.9 billion when combined with the Rainy Day Fund. This combined reserve would reach 12.8 percent of revenues by 2021-22, a dramatic turn after the state began withdrawing from the reserve in the 2020 Budget Act.

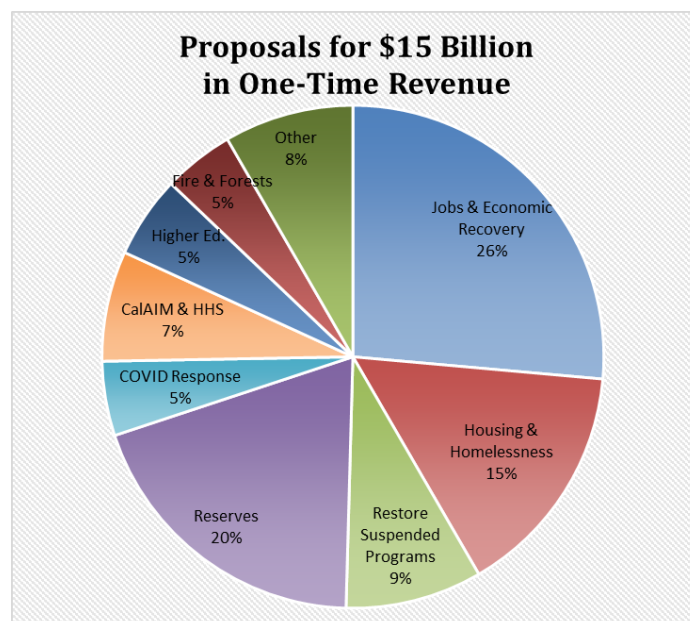
Annual Deficits Return Quickly. Despite the one-time revenue surprise, the slow growth of revenue projected forward cannot keep pace with faster state spending growth, meaning that annual operating deficit of \$7 billion returns in 2021-22 and grows thereafter, as reflected in the chart on the next page.

These structural deficits indicate the state budget is not on a sustainable path. This is largely the result of rapid spending growth in recent years prior to the pandemic.



Different “Windfall” Revenue Estimates. The LAO estimated the discretionary one-time revenues to be \$26 billion, compared to \$14.8 billion in the Governor’s budget. The Governor’s budget projects higher capital gains revenues, which mean greater adjustments to Proposition 2 reserve requirements, and it considers more COVID-19 response spending to be part of “baseline” spending (and thus not in the “windfall” revenues). The overall revenue estimates from the two projections are largely similar.

Spending One-Time Revenues. The Governor proposes to spend the nearly \$15 billion in one-time revenues on a mix of program areas and reserves, as summarized in the chart on the next page and listed in more detail below. His budget would spend \$2.9 billion (20 percent) of the one-time revenues on building reserves, while the LAO recommended committing half the amount to budget resilience in some form.



More specifically, the one-time uses consist of the following:

- **Jobs and Economic Development (26 Percent).** \$3.9 billion for various job and stimulus programs, including:
 - \$2.4 billion for \$600 refundable tax credits to lower-income residents
 - \$1.5 billion for the “California Jobs Initiative”
- **Reserves (20 percent).** \$2.9 billion for the state’s operating reserve, known as the Special Fund for Economic Uncertainties.
- **Housing and Homelessness (15 percent).** \$2.3 billion total among several programs:
 - \$1 billion for services for vulnerable populations.
 - \$750 million for Project HomeKey
 - \$500 million for infill infrastructure grants
- **Delay Program Suspensions (9 percent).** \$1.3 billion to delay the suspension of payment rate cuts and other suspensions for certain health and human services programs.¹
- **CalAIM and Other Health & Human Services (7 percent).** Over \$1 billion for the following:
 - \$532 million for CalAIM, a new integrated behavioral managed care program
 - \$200 million for kids’ mental health and other child welfare spending
 - \$317 million for other discretionary health and human services programs
- **Universities (5 percent).** \$781 million for the University of California and the California State University systems.
- **COVID-19 Response (5 percent).** \$707 million for various response action, net of federal reimbursements. Note that this category would likely be larger except that some response actions are already counted as part of the “baseline” spending.
- **Fire and Forest Management (5 percent).** \$675 million for various efforts in this category.
- **Other (8 percent).** \$1.2 billion for a long list of programs, including \$300 million for the Department of Toxic Substances Control.

While many of these proposals are worthy and helpful, others may be questionable priorities while the state seeks to recover. Also, the impact of the recent federal stimulus bill has not yet been fully considered, which may change the state’s priorities.

Some Budget Cuts Left in Place. The Governor’s budget proposes to unwind some of the budget-balancing cuts from the 2020 Budget Act but would leave others partially or wholly in place.

- Partially pays back the K-12 education deferrals by \$11 billion, but leaves \$3.7 billion deferred from the 2021-22 school year.
- Leaves the 2020-21 cuts in place for the University of California and California State University.
- Repays only \$528 million of the \$2.5 billion in borrowing from special funds.

¹ Note that these program suspensions were scheduled before the pandemic hit because rapid spending increases in recent years meant that the state was on the verge of deficits prior to COVID-19, despite record-high revenue at the time.

- Indicates the intent to renegotiate collective bargaining agreements that temporarily reduced state worker compensation, though the reductions remain in place for now.

Considering the long-term deficits looming, the Legislature should consider whether more of the one-time revenues should pay off special fund loans and school deferrals.

State “Gann” Spending Limit. The Governor’s budget estimates the state reached the constitutional spending limit (known as the Gann limit) in 2019-20. The state must exceed the limit over a two-year period before action is triggered. While the Governor is proposing no action at this point, it is possible that final 2019-20 revenue and expenditure numbers will exceed the limit, which could trigger the reallocation and refunding of any revenue over the limit. Any excess amount would be divided equally between transfers to schools and community colleges, and some form of refunds to taxpayers.

Tax Policy Changes

The Governor’s budget proposes several state tax policy changes that would also have implications for federal and local taxes:

Tax Changes for S-Corporations. The budget assumes up to \$20 million in potential General Fund revenue as a result of tax law changes that would allow S-corporations to choose a new Elective S-Corporation tax, which would provide shareholders with a credit against tax equal to 13.3 percent of their S-corporation income, essentially allowing some shareholders to pay nothing on their S-corporation income. The elective tax would shift state tax revenue from personal income tax to corporations tax.

The Administration indicates this would help taxpayers recoup some of the tax benefits lost by Californians when the State and Local Tax deduction was limited as part of the federal Tax Cut and Jobs Act of 2017. While some transactions may be net revenue neutral, depending on each shareholder’s tax rate, other transactions would result in additional tax revenue for the state, as well as provide certain shareholders with additional tax credits that could offset additional income. The changes would reduce federal tax revenue. Senator McGuire has introduced SB 104, which would essentially make the same statutory changes to the state’s tax law.

Sales Tax Exclusion. The budget includes \$100 million to provide a sales tax exclusion within the Alternative Energy and Advanced Transportation Financing Authority. The Sales Tax Exclusion Program for Manufacturers provides sales and use tax exclusions to manufacturers that promote alternative energy and advanced transportation. The current program includes authority to grant \$100 million in tax credits annually. For 2020-21, the current program resulted in lost sales tax revenue of \$37 million at the state level, and \$44 million for local governments. The Governor’s proposal would be a one-time increase in sales tax exclusions.

Delayed Property Tax for Locals. The budget proposes statutory changes to exclude the construction or addition of electric vehicle charging and hydrogen fueling stations completed by January 1, 2024, from the definition of accessible new construction for ten years, resulting in reduced property tax revenue for local governments and increased Proposition 98 General Fund expenditures for the state. The Administration does not include an estimate of lost revenue or additional long-term costs for this proposal.

State COVID-19 Response

Key Points

- **An Additional \$4.4 Billion for Public Health Response.** The Governor will spend more in the current fiscal year on testing, vaccines, contact tracing, and other support programs, but more could be done.
- **Laundry List of New Programs for Businesses, but No Fundamental Reforms.** Budget proposes a long list of new grants, loans, and credits, but lacks reforms to underlying policies that burden California business.
- **State Stimulus Payments for Low-Income Residents.** Provides \$600 to low-income Californians, including non-legal immigrants, through the Earned Income Tax Credit program.
- **Some Support for Small Businesses, But More is Needed.** Provides \$1 billion for grants to small businesses, non-profits, and cultural institutions.
- **One-Time Funds for Multiple Grant and Loan Programs.** Proposes \$678 million General Fund for a variety of tax credits, loan, and grant program through CalCompetes and other programs intended to assist business.
- **New Climate Catalyst Fund Programs.** Proposes \$97 million for the Climate Catalyst Fund to provide new programs through the IBank for wildfire, forest management, and climate smart agriculture loans.
- **Arts Council to Create Vaccine Trust Media Campaign.** Includes \$15 million for the Arts Council to coordinate a media campaign to increase trust in the COVID-19 vaccine among diverse populations.

Additional Funding for Public Health Response, but More Could be Done. The Governor plans on spending an additional \$4.4 billion in the current fiscal year (2020-21) on direct COVID-19 response above the \$8.6 billion estimated in the 2020 Budget Act. Of the \$13 billion total, \$2.5 billion is estimated to be General Fund, with federal funding covering the remainder. According to estimates by the administration, this \$4.4 billion new spending includes:

- \$2 billion for COVID-19 testing, including \$1.37 billion for the Valencia testing lab and possibly two additional testing labs.
- \$1.2 billion for support services programs such as Project Roomkey, Great Plates Delivered, food bank funding, and small business support.
- \$473 million for contact tracing, which includes funding for county public health tracers, the CalConnect contact tracing IT platform, and costs for the CA Notify phone app.
- \$372 million for vaccines, which includes costs for: a CalVax IT system to coordinate vaccine allocation, ordering, and reporting; contracts for vaccine distribution and storage equipment purchases; and a public education campaign to encourage vaccine uptake.
- \$162 million for community engagement to provide outreach to non-English populations.

As part of this response, the Governor's 2021-22 budget directs one-time General Fund to various health departments, including \$821 million to the Department of Public Health for continued testing, tracing, and COVID-19 prevention efforts, \$52 million to the Department of State Hospitals for patient isolation, and \$1.7 million to the HHS Agency for COVID-19 research.

Despite these efforts, the Governor still isn't doing enough. Local health leaders have asked that \$1.1 billion be prioritized to cover county vaccination distribution, testing, and contact tracing costs. This includes vaccine staffing and logistics for dispensing sites, specimen collection and analysis at local testing labs, and for contact tracing and disease investigation capacity. With our one-time General Fund surplus and with an influx of new federal funding, the Governor has no excuse in failing to provide these resources to the counties. (Note that these proposals are also discussed under the *Health* section.)

Laundry List of New Programs, but No Fundamental Reforms for Business. The Governor's budget proposes a long list of new grants, loans, and credits (as listed below) intended to help businesses weather the COVID-19 storm, but it lacks reforms to underlying policies that burden California business. Small businesses in particular in California need financial assistance to survive, but the pandemic is only the final piece in a puzzle of policy-created burdens for business in California. On top of its recent history of loading more regulations and taxes on businesses, state policymakers have now subjected businesses to a changing array of shut-down requirements, despite a lack of data to support the mandates. Other states have seen lower caseloads per capita than California despite far less restrictive shutdown regimes. Thus, while the budget's proposed financial assistance is a necessary move in the right direction, it is only a bandage on a broken leg for California's small businesses.

State Stimulus Payments for Earned Income Tax Credit and Undocumented Recipients. The budget proposes nearly \$2.4 billion General Fund to provide a \$600 state stimulus payment for individuals eligible in 2019 for the Earned Income Tax Credit (EITC) program, as well as for undocumented immigrants that have an Individual Taxpayer Identification Number (ITIN) and would be eligible for EITC in 2020. The Administration projects more than four million Californians would receive the state's \$600 stimulus payment in early 2021. This proposal is among those for which the Governor seeks legislative approval in January.

Small Business Grants. The budget proposes a total of \$1.1 billion for the state's Small Business COVID-19 Relief Grant Program. The total includes \$500 million announced in November for the program, and includes a set-aside of \$25 million for small cultural institutions, such as art galleries and museums. The program would offer grants up to \$25,000 to micro and small businesses, and the grants would be distributed across the state, with priority given to regions and industries affected by the COVID-19 pandemic, disadvantaged communities, and underserved small business groups.

While Senate Republicans are encouraged with the Governor's support for small business, the state has an obligation to further help businesses that are doing everything they can to stay afloat amid changing state rules. In addition to the \$1 billion proposed in the 2021-22 Governor's January budget, Senate Bill 74 (SB 74) should also be part of the Governor's early budget action request. SB 74, authored by Sen. Andreas Borgeas, would dedicate \$2.6 billion to aid businesses and put Californians back to work.

New California Dream Start-Up Grants. The budget includes \$35 million General Fund for a new grant program (providing grants up to \$10,000) intended to provide seed funding for small business creation in underserved groups. The grants would be distributed through the Small Business Technical Assistance Centers to eligible start-ups actively participating in trainings and advisory services in order to improve business outcomes. It is unclear what criteria will be considered for distribution of funds across the state, but as the program is yet another new grant program intended to support California businesses, it will be critical that the Legislature hold the Administration accountable for performance metrics and transparency of outcomes.

New CalCompetes Grant Program. The budget proposes \$250 million General Fund for a new grant program within CalCompetes, and includes the proposal as part of the "early action" package. The

Administration indicates the grant program would expand the pool of eligible business, and indicates the three types of businesses that would benefit from grants would be companies that continuously reinvest profits into the business, smaller businesses with relatively low income tax liability, and startups with little to no tax liability.

While providing additional grant funds to struggling California businesses is a priority for Senate Republicans, it is unclear why the Administration is prioritizing the creation of yet another new program to provide this support. Complicated criteria and new program requirements could lead to a lost opportunity to provide for those most in need in as expeditious a manner as possible.

CalCompetes Tax Credits. The budget includes \$90 million in additional CalCompetes tax credits in both 2020-21 and 2021-22 (bringing the total allowable tax credits up to \$240 million annually). California Competes is an economic development tax incentive program, administered by the Governor's Office of Business and Economic Development (GO-Biz) and negotiated with individual companies that agree to meet multiyear hiring and investment targets. The objective of the program is to attract or retain business investment that, without the incentive, would occur in another state.

Through tax year 2018, taxpayers have claimed a total of \$125.1 million in credits. The Legislative Analyst's Office has identified concerns in previous reviews of the program, including a lack of awareness of the program outside of California, and the risk for reduced transparency and oversight given the current program structure. It may be beneficial to require GO-Biz to develop an outreach strategy aimed at further increasing awareness of the program, especially among out-of-state businesses. Additionally, Senate Republicans will continue to seek transparency and ongoing oversight of the program.

Main Street Small Business Tax Credit (SB 1447, Statutes of 2020). The budget provides \$100 million to implement SB 1447, (Bradford, 2020), which provides a hiring tax credit to qualified small businesses and allows the credit to be applied to state income tax or sales and use tax liabilities. The hiring tax credit is for the 2020 taxable year, and is not to exceed \$100,000 per employer. The program is capped at \$100 million in tax credits.

California Rebuilding Loans. The 2021-22 budget proposes an additional \$12.5 million General Fund (\$75 million was committed to the fund as part of the 2020 Budget Act) for the California Rebuilding Fund, which is intended to help impacted and under-banked small businesses rebuild from the economic crisis. The fund was developed as a result of recommendations from the Governor's Task Force on Business and Jobs Recovery, and is a public-private partnership that is intended to increase available capital from private, philanthropic, and public sector entities to Community Development Financial Institutions (CDFIs).

Additional Small Business Loans. The budget provides \$100 million General Fund within California's Infrastructure and Economic Development Bank (IBank). The Small Business Loan Guarantee Program would use \$50 million in 2021-22 to make loan to larger small businesses with larger loan sizes. The other \$50 million would be utilized across the IBank's other programs, such as disaster loan guarantees, climate technology guarantees, and direct lending programs. While Senate Republicans continue to fight for small business, spreading funds across a number of programs may not provide the most effective level of focused support that businesses currently need.

New Funding, New Loan Programs Via the Climate Catalyst Fund. The budget proposes \$47 million General Fund in 2020-21 for the recently created Climate Catalyst Fund (established in a 2020 budget trailer bill) to provide loan support for wildfire and forest resilience activities. The budget also proposes \$50 million General Fund for the Climate Catalyst Fund to make climate smart

agriculture loans for projects such as methane reduction, water efficiency, or equipment replacement, among other eligible activities.

Arts Council Tasked With Improving Vaccine Uptake. The budget includes \$15 million General Fund (\$5 million in 2020-21, \$10 million in 2021-22) for the Arts Council to contract with various organizations to develop a media, outreach, and engagement campaign to increase trust across California's diverse populations to increase vaccine adoption. While Senate Republicans have been supportive of providing funds for the arts as they can be a way for communities to come together, it is unclear why the Arts Council, rather than the Department of Public Health, is the appropriate entity to coordinate a vaccine distribution media campaign.

California Innovation Hubs-Restart and Expand. The budget includes \$2.5 million General Fund to restart and expand the California Innovation Hub program (IHub), within GO-Biz. The funding would allow the IHub program to partner with other organizations, and within state designated regions for the purpose of stimulating partnerships that can increase economic development, and enhancing job creation by leveraging assets to provide an innovation platform for start-up businesses, economic development organizations, business groups, and venture capitalists. The budget is lacking in details, however, about how the proposed program expansion differs from its current statutory purpose. Considering the private sector's strong track record of innovation in California, it is not clear that \$2.5 million for a state agency will have a worthwhile impact. As usual, the devil will be in the details.

Fee Waivers for Restaurants and Bars. The budget includes \$45 million General Fund within the Department of Alcoholic Beverage Control to provide fee waivers in 2021 to smaller restaurants and bars impacted by COVID-19.

Wildfire Prevention, Response, and Recovery

Key Points

- **\$1 billion Forest Health and Wildfire Prevention Package.** The Governor's budget proposes \$1 billion across various departments to increase forest health activities' pace and scale to decrease fire risk, though the amount is still insufficient for adequate forest management.
- **Increases to CalFire Budget.** The budget also includes funding increases of nearly \$500 million more than last year and adds 30 more fire crews for the Department of Forestry and Fire Protection (CalFire) to prepare for the upcoming fire season and beyond.

\$1 billion Forest Health and Wildfire Prevention Package. The plan recommends dedicating \$323 million to support early action on fire prevention projects this spring and \$677 million to continue multiple wildfire and forest management activities in the 2021-22 fiscal year. Nearly 70 percent of funding (\$675 million) is a one-time General Fund investment, while the remainder (\$325 million) depends on the Greenhouse Gas Reduction Fund (GGRF). Significant and long-overdue resources for wildfire mitigation, prevention, and response efforts represent the highest spending categories. However, the plan does not consider longer-term investments for wildfire prevention and forest management strategies. For example, the budget proposes a five-year funding extension for forest health and fire prevention activities under SB 901 (Dodd, 2018). While the \$200 million in Cap and Trade Revenues would continue to support existing efforts, effective statewide wildfire mitigation requires an additional, ongoing funding source. The \$1 billion plan is a step in the right direction, but it depends on one-time General Fund spending, and it is not a long-term solution.

Not a Long-Term Solution. As mentioned above, proper and consistent forest management requires a continuous funding commitment. The state should identify a sustainable and continuous funding source to achieve the greatest benefit from the state's investments in wildfire mitigation. One option is shifting the 25 percent of Cap & Trade funds that currently go to High-Speed Rail to forest management. This would provide a consistent funding source to support forest management efforts, protect lives, and create much-needed jobs in the forest sector. The below spending categories represent the most significant projects the package would support, followed by a detailed chart on the next page.

- **\$38 million for Community Hardening.** The funds in this proposal are anticipated to help leverage federal funds to support education programs and outreach for defensible space and basic home hardening retrofits.
- **\$39 million for Light Detection and Ranging (LiDAR).** Reintroducing a similar LiDAR proposal from last year, funding would support the remote sensing program and other research efforts to track forest health and monitor wildfire threats.
- **\$47 million for Forest Sector Stimulus.** The funds would establish a low-interest lending program within the Climate Catalyst Fund to invest in climate-friendly projects and workforce preparedness in the forest sector. The goal is to stimulate the wood product market to give timber companies incentive to thin more trees in fire-prone areas.
- **\$335 million for Wildfire Fuel Breaks.** This funding would allow CalFire and the California Conservation Corps (CCC) to complete at least 45 to 60 fuel breaks annually across the state in the next few years.
- **\$512 million for Forest and Land Management.** Funding would support a variety of landscape vegetation projects, including prescribed burning. The proposal is also consistent with the state's Shared Stewardship Agreement with the United States Forest Service that establishes coordination between state and federal agencies to each meet a goal of treating 500,000 acres annually by 2025 (total of 1 million acres).

2021-22 Governor's Budget
Wildfire and Forest Resilience Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	Early Action 2020-21	Budget Year 2021-22	Total
Resilient Forests & Landscapes	CAL FIRE	Forest Health Program (GF)	\$5	\$20	\$25
		Forest Health (C&T)	\$65	\$80	\$145
		Forest Improvement Program for Small Landowners (GF)	\$0	\$40	\$40
		Forest Improvement Program for Small Landowners (GGRF)	\$10	\$0	\$10
		Forest Legacy & Reforestation Nursery (GF)	\$8	\$17	\$25
		Urban Forestry (GF)	\$10	\$13	\$23
		Tribal Engagement (GF)	\$1	\$19	\$20
	State Parks, Fish & Wildlife & State Lands Commission	Stewardship of State-Owned Land (GF)	\$19	\$123	\$142
	Sierra Nevada & Tahoe Conservancies	Project Implementation in High-Risk Regions (GF)	\$21	\$61	\$82
	Wildfire Fuel Breaks	CAL FIRE	CAL FIRE Unit Fire Prevention Projects (GF)	\$10	\$40
Fire Prevention Grants (GGRF)			\$50	\$80	\$130
Prescribed Fire & Hand Crews (GF)			\$15	\$0	\$15
Prescribed Fire & Hand Crews (GGRF)			\$0	\$35	\$35
California Conservation Corps		Forestry Corps & Fuel Reduction Projects (GF)	\$0	\$15	\$15
		Forestry Corps & Fuel Reduction Projects (GGRF)	\$0	\$5	\$5
Department of Conservation	Regional Forest & Fire Capacity (GF)	\$25	\$60	\$85	
Community Hardening	Cal OES & CAL FIRE	Home Hardening (GF)	\$25	\$0	\$25
	CAL FIRE	Defensible Space Inspectors (GF)	\$0	\$6	\$6
	CAL FIRE & University of California	Land Use Planning & Public Education Outreach (GF)	\$0	\$7	\$7
Science-Based Management	CAL FIRE	Ecological Monitoring, Research & Adaptive Management (GF)	\$3	\$17	\$20
	Natural Resources Agency	Remote Sensing (GF)	\$0	\$15	\$15
	Air Resources Board & Water Board	Permit Efficiencies (GF)	\$0	\$4	\$4
Forest Sector Economic Stimulus	IBank	Climate Catalyst Fund (GF)	\$47	\$2	\$49
	CAL FIRE	Workforce Training (GF)	\$6	\$18	\$24
	Office of Planning & Research	Market Development (GF)	\$3	\$0	\$3
Total			\$323	\$677	\$1,000
Total (GF)			\$198	\$477	\$675
Total (GGRF)			\$125	\$200	\$325

Millions Dedicated to CalFire. This year's budget proposal includes \$470 million in new discretionary spending proposals, including 617 additional fire crews, to bring total agency staffing to 8,735 positions. The funding increase would also raise CalFire's budget to \$2.9 billion annually and enhance CalFire's ability to increase fire prevention and suppression capacity. The list below highlights significant elements within the spending plan.

- **\$5 million Research Grant.** One-time General Fund to provide a research grant to California State University, San Marcos, to study firefighting equipment and strategies to protect firefighters. For years, CalFire has collaborated with various state universities specializing in wildfire science and research to understand how to respond to wildfires.
- **\$24.2 million for Capital Outlay to Support Increased Fire Crews.** The budget proposes one-time General Fund support for CalFire and the CCC to make multi-year repairs and upgrades to eleven existing Conservation Camps and make them habitable and code-compliant for firefighter crews.
- **\$48.4 million to Phase-In New Aerial Fleet.** The budget includes support for a streamlined transition to phase in new helicopters and C-130s purchased over the past few years. Funding would continue to build upon efforts to train pilots and mechanics so they are prepared to operate the new fleet and enhance CalFire's response to wildfire incidents.
- **\$267.8 million for Additional Fire Crews.** The budget includes \$143.3 million one-time General Fund in 2021-22, and \$124.5 million ongoing General Fund, for 617 positions to add 30 additional hand crews to CalFire's firefighting resources. The new positions represent a nearly eight percent increase in staffing compared to last year and would provide 16 CalFire Fire Fighter crews, eight year-round CCC crews, and six seasonal CCC crews. The crews would complete activities to accelerate vegetation management, hazardous fuel reduction projects, and wildland fire suppression.

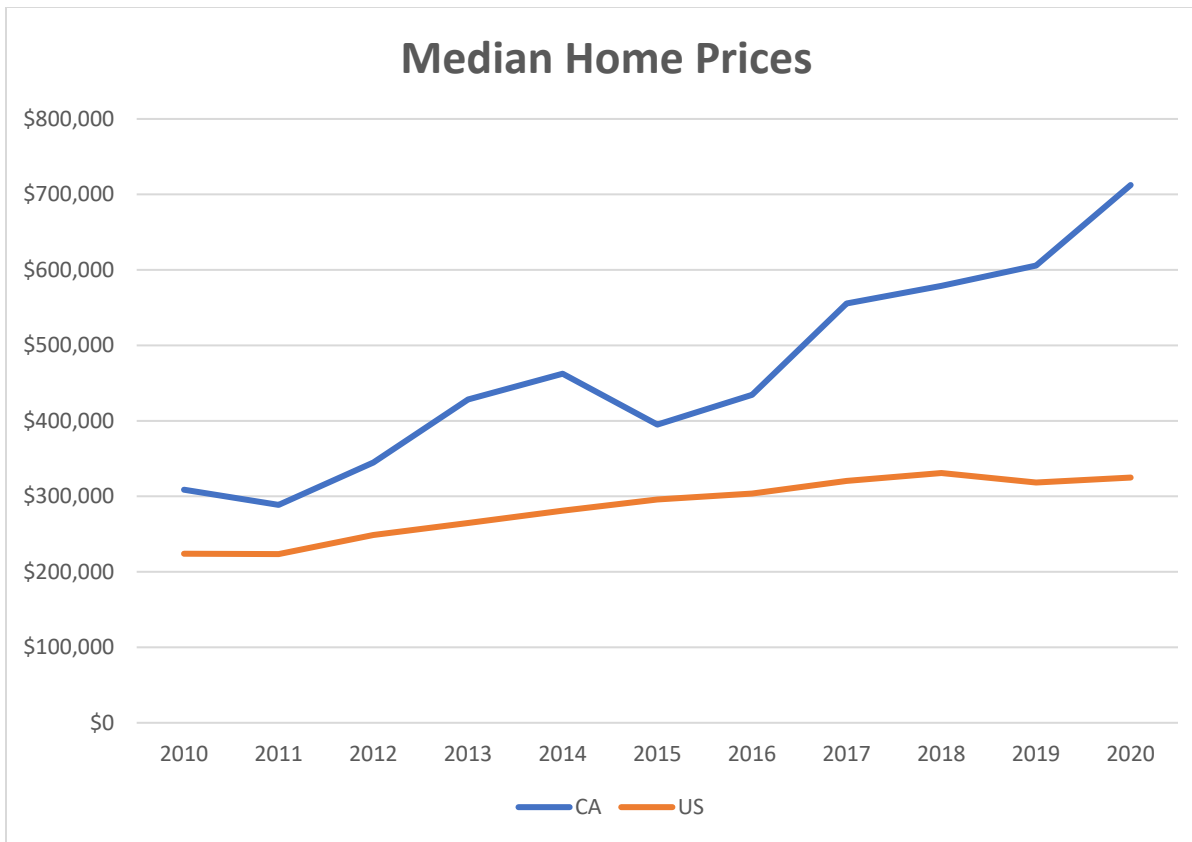
Housing and Homelessness

Key Points

- **Continued Support for State Tax Credit Program.** Proposes \$500 million for the State Housing Tax Credit Program, which works in conjunction with two federal tax credit programs to incentivize construction.
- **Infill Infrastructure Prioritized.** Includes \$500 million to provide funding to local governments that have parcels project-ready but for specific housing-related infrastructure such as water, sewer, roads, and public parks.
- **Federal Rental Assistance.** Reflects \$2.6 billion in federal funds for rental assistance for Californians impacted by COVID-19.
- **Homeless Housing and Services.** Includes \$1.75 billion for homeless housing and services, building on programs established in the current year.

Relief for Developers But Critical Housing Reform Lacking. The Governor's budget includes \$500 million in 2021-22 to continue the expansion of the State Housing Tax Credit program, which works in conjunction with two federal tax credit programs to reduce a housing development's funding gap. The 2019-20 and 2020-21 Budget Acts each included \$500 million for the program, which is intended to support new construction projects that pair with one of the underutilized federal tax credits, as well as target developments for households with incomes between 60 percent and 80 percent of the Area Median Income (the state area median income is \$77,500).

Although the low-income housing tax credit may increase housing production, the budget fails to include broader policy changes that deal with the underlying cause of expensive housing. These include restrictive environmental reviews, extensive and cost-prohibitive zoning restrictions, and a host of excessive fees, which have raised the costs of building and slowed down the production of housing units. Sacramento Democrats have failed to fix these cost drivers, which is reflected in the state's ever-growing median price of a home, now more than \$700,000 (\$712,430 in September 2020) despite the pandemic. See the graph, with data from the California Association of Realtors, comparing California and the United State, on the next page.



Infill Infrastructure and Affordable Housing. The budget proposes \$500 million for the state’s Infill Infrastructure Grant (IIG) Program. The Governor estimates this funding would support the development of more than 7,500 affordable homes. The IIG program provides grants to local governments and developers in order to defray the costs for things like sewers, roads, and site preparation that further drive up the already egregious cost to build in California. Unfortunately, while providing funding for the program may benefit local jurisdictions, it will do nothing to reduce the already-high cost to build in this state.

Federal Rental Assistance. The budget includes \$2.6 billion in federal funds for rental assistance, with an expectation that the Legislature will take action in early 2021 to expedite the distribution of these funds. The state would receive \$1.4 billion directly, and \$1.2 billion would be allocated directly to local jurisdictions.

Housing Funds from Existing Programs. The proposed 2021-22 budget includes \$1.2 billion from recent housing legislation that provides an ongoing source of funding for affordable housing and emergency shelter construction, as follows:

- \$490 million for the Veterans and Affordable Housing Bond Act of 2018 (SB 3, Proposition 1), which requires programs funded with bonds to give preference to projects where all construction workers will be paid at least the general prevailing wage.
- \$400 million for the No Place Like Home program, approved in November 2018, which dedicates \$2 billion in bond funds to provide supportive multifamily housing for individuals experiencing mental illness who are homeless or at risk of homelessness.
- \$277 million from SB 2 (Atkins), the Building Homes and Jobs Act, which established a \$75 tax on real estate transaction documents to help pay for affordable housing.

New Housing Enforcement Unit. The budget includes \$4.3 million General Fund within the Department of Housing and Community Development (HCD) for the creation of the Housing Accountability Unit. The Administration indicates the new unit will assist local jurisdictions with recent housing law changes, encouraging local pro-housing decision making, as well as providing ongoing monitoring, technical assistance, and enforcement of laws “through existing powers.” It is unknown at this time what these existing powers include or might do. As always, the devil will be in the details. It will be critical for the Legislature to provide ongoing oversight in order to ensure local jurisdictions are not being unduly restricted from managing their local priorities.

Affordable Housing Programs and Funding. The chart on the next page provides information on all state programs and funding available to support affordable housing development in 2021-22. The budget includes a total of \$8.3 billion in support of various housing programs, as shown in the table on the following page. Clearly, there is no lack of subsidies from the state for housing. The reality is that the housing affordability crisis demands fundamental policy reform; it is too big for the state to spend its way out of, though that is mostly what Sacramento Democrats attempt.

2021-22 Affordable Housing Funding
(Dollars in Millions)

<i>Department</i>	<i>Program</i>	<i>Amount</i>
Department of Housing and Community Development	Infill Infrastructure Grant Program Economic Recovery Investment	\$500.0 ^{1/}
	Veterans and Affordable Housing Bond Act Programs (Prop 1)	\$490.0
	No Place Like Home Program	\$400.0
	Building Homes and Jobs Fund Programs (SB 2)	\$277.0
	Federal Funded Programs for Housing	\$78.6 ^{2/}
	Veterans Housing and Homelessness Prevention	\$75.0
	Various	\$17.0
California Housing Finance Agency ³	Single Family First Mortgage Lending	\$3,000.0
	Multifamily Conduit Lending	\$1,200.0
	Multifamily Permanent Lending	\$410.0
	Mixed-Income Loan Program	\$40.0
	Single Family Down Payment Assistance	\$95.0
	Special Needs Housing Program	\$15.0 ^{4/}
Tax Credit Allocation Committee	Low Income Housing Tax Credits (State)	\$602.7
	Low Income Housing Tax Credits (Federal)	\$330.9 ^{5/}
	Farmworker Housing Assistance Tax Credits	\$4.2
Strategic Growth Council	Affordable Housing and Sustainable Communities	\$426.0 ^{6/}
Department of Veterans Affairs	CalVet Farm and Home Loan Program (Prop 1)	\$170.0
Office of Emergency Services	Domestic Violence Housing First Program	\$23.0
	Transitional Housing Program	\$18.0
	Specialized Emergency Housing	\$10.0
	Domestic Violence Assistance, Equality in Prevention and Services, Human Trafficking Victim Assistance, North American Domestic Violence and Sexual Assault	- ^{7/}
California Department of Corrections and Rehabilitation	Specialized Treatment of Optimized Programming, Parolee Service Center, Day Reporting Center, Female Offender Treatment and Employment Program, Proposition 47 Grant Program	- ^{7/}
Department of Social Services	CalWORKS Housing Support Program	\$95.0
	CalWORKS Family Stabilization, Housing Component	\$6.4 ^{8/}
Department of Public Health	Housing Opportunities for Persons with AIDS (HOPWA)	\$5.0
	Housing Plus Program	\$1.0
	HIV Care Program	- ^{7/}
Total		\$8,289.8

^{1/} Of this amount, \$250 million is proposed for early action in 2020-21 for the Infill Infrastructure Grant Program to stimulate economic recovery.

^{2/} This amount reflects programs that receive federal funds, such as the Community Development Block Grant program. Unawarded COVID-19 related relief funds (e.g., CARES Act) are not reflected. Additional federal funds related to COVID-19 response may become available in 2021-22.

^{3/} CalHFA is self-supporting and its single family and conduit lending programs do not rely on the state General Fund. Funding estimates are based on lending activities from 2019-20, available program resources, volume cap allocation, and multifamily lending pipeline projections.

^{4/} Funding estimate represents voluntary allocations of local Proposition 63 funds from 16 participating counties.

^{5/} This represents the estimated 9 percent tax credits to be allocated in 2021 and the estimated amount of 4 percent credits to be awarded in 2021 based on current data and remaining bond cap. Most disaster credits were allocated in 2020 and excluded from 2021 9 percent tax credits estimate.

^{6/} The Affordable Housing and Sustainable Communities program amount reflects 20 percent of projected Cap and Trade revenues.

^{7/} The state provides a number of wrap-around supportive services through these programs including housing, which cannot be separated from the program's overall budget.

Homelessness

The Governor's budget includes \$1.75 billion General Fund for activities intended to address the state's homelessness crisis, building on programs established in the current year. The proposals include the following:

- \$750 million to the Department of Housing and Community Development to continue support for Homekey, a recent homelessness program that provides grants to local jurisdictions for the purchase, conversion, and/or rehabilitation of properties to shelter the state's homeless population. To date, \$846 million has been allocated to 51 local agencies for 94 projects that are intended to provide more than 6,000 permanent housing units, at an average cost of \$124,000.
- \$750 million in one-time General Fund for the Department of Health Care Services to match county funding in acquiring and rehabilitating real estate properties in order to expand the number of county mental health treatment beds by at least 5,000 statewide. These beds will be crucial as Medi-Cal will be providing more wrap-around services through its new California Advancing and Innovation Medi-Cal (CalAIM) benefit.
- \$250 million through the Department of Social Services for local governments to purchase and rehabilitate residential care facilities to house vulnerable older adults at risk of homelessness.
- \$62 million additional funds to support Project Roomkey, which was originally funded with \$50 million General Fund. This continued funding will allow Project Roomkey to operate, with the goal of transitioning participants to more stable housing through the Homekey program.

Since 2018, the state has spent nearly \$1.5 billion on support for local governments to begin to address the state's homelessness crisis through two major programs, the Homeless Emergency Aid Program in 2018-19, and the Homeless Housing Assistance and Prevention Program, which received funding in both 2019-20 and 2020-21. Including all programs and funding for homeless activities in 2021-22, the state proposes to spend \$2 billion on homeless housing and services, as identified in the chart on the next page:

2021-22 Homelessness Funding
(Dollars in Millions)

<i>Department</i>	<i>Program</i>	<i>Amount</i>
Department of Housing and Community Development	Continued Homekey Acquisitions	\$750.0 ^{1/}
	Federal Funded Programs for Homelessness	\$43.0 ^{2/}
	Transitional Housing Program	\$8.0
Office of Emergency Services	Various Homeless Youth Programs	\$1.0
	Youth Emergency Telephone Network	\$0.6
Department of Social Services	Expanded Facilities to Support Housing	\$250.0
	CalWORKS Homeless Assistance Program	\$38.5 ^{3/}
	Housing and Disability Advocacy Program	\$25.0
Department of Health Care Services	Behavioral Health Continuum Infrastructure	\$750.0
	Project for Assistance in the Transition from Homelessness	\$8.8
Department of Transportation	Homeless Encampment Cleanup on the State Highway System	\$12.4
California Community Colleges	Basic Needs Funding - Student Hunger and Homelessness Programs	\$100.0 ^{4/}
	Rapid Rehousing	\$9.0
California State University	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 ^{4/}
	Rapid Rehousing	\$6.5
University of California	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 ^{4/}
	Rapid Rehousing	\$3.5
Total		\$2,036.3

1/ Of this amount, \$250 million is proposed for early action in 2020-21 for continued Homekey acquisitions.

2/ This amount reflects programs that receive federal funds, such as the Emergency Solutions Grant program. Unawarded COVID-19 related relief funds (e.g., CARES Act) are not reflected.

3/ Amount reflects cost of recent policy changes, but not base funding since program expenditures are embedded within the overall CalWORKs grants expenditures and cannot be extracted.

4/ These programs support basic needs partnerships for low-income students facing housing or food insecurity. These amounts exclude basic needs funding provided to address student mental health and digital equity needs.

Health

Key Points

- **An Additional \$4.4 Billion for COVID-19 Response.** The Governor will spend more in the current fiscal year on testing, vaccines, contact tracing, and other support programs, but more could be done.
- **Improving County Behavioral Health.** The Governor's budget adds resources for county mental health treatment and bed capacity.
- **Two Out of Five Californians—40 Percent—on Medi-Cal.** The pandemic and lockdowns are fueling dramatic caseload growth to reach record-high enrollment.
- **Keeps, but Delays, Cuts to Medi-Cal.** Once again the Governor chooses future cuts to Medi-Cal providers and enrollees in order to address future budget deficits.
- **Another Step towards Government-Run Healthcare.** The Governor will create a new state office to enforce price controls across the health care industry.

More Funding for COVID-19 Response, but More Could be Done. The Governor plans on spending an additional \$4.4 billion in the current fiscal year (2020-21) on direct COVID-19 response above the \$8.6 billion estimated in the 2020 Budget Act. Of the \$13 billion total, \$2.5 billion is estimated to be General Fund, with federal funding covering the remainder. According to estimates by the administration, this \$4.4 billion new spending includes:

- \$2 billion for COVID-19 testing, including \$1.37 billion for the Valencia testing lab and possibly two additional testing labs.
- \$1.2 billion for support services programs such as Project Roomkey, Great Plates Delivered, food bank funding, and small business support.
- \$473 million for contact tracing, which includes funding for county public health tracers, the CalConnect contact tracing IT platform, and costs for the CA Notify phone app.
- \$372 million for vaccines, which includes costs for: a CalVax IT system to coordinate vaccine allocation, ordering, and reporting; contracts for vaccine distribution and storage equipment purchases; and a public education campaign to encourage vaccine uptake.
- \$162 million for community engagement to provide outreach to non-English populations.

As part of this response, the Governor's 2021-22 budget directs one-time General Fund to various health departments, including \$821 million to the Department of Public Health for continued testing, tracing, and COVID-19 prevention efforts, \$52 million to the Department of State Hospitals for patient isolation, and \$1.7 million to the HHS Agency for COVID-19 research.

Despite these efforts, the Governor still isn't doing enough. Local health leaders have asked that \$1.1 billion be prioritized to cover county vaccination distribution, testing, and contact tracing costs. This includes vaccine staffing and logistics for dispensing sites, specimen collection and analysis at local testing labs, and for contact tracing and disease investigation capacity. With our one-time General Fund surplus and with an influx of new federal funding, the Governor has no excuse in failing to provide these resources to the counties.

Enhanced Mental Health Efforts Needed. For years Democrats have let the state's behavioral health system deteriorate, and the public has noticed how this neglect has impacted the mentally ill living on

our streets. Realizing that this is a crisis, the Governor's budget includes a number of new efforts to expand behavioral health treatment and capacity:

- \$750 million in one-time General Fund for the Department of Health Care Services to match county funding in acquiring and rehabilitating real estate properties in order to expand the number of mental health treatment beds by at least 5,000 statewide. These beds are crucial in getting California's mentally ill homeless off the streets and into care.
- \$532 million General Fund in 2021-22 (growing to \$756 million General Fund in 2022-23) to implement a new behavioral health treatment benefit within Medi-Cal called California Advancing and Innovating Medi-Cal (CalAIM) with a goal of case managing mentally ill enrollee care through a "whole person" combination of physical and mental health treatment, social services, and short-term housing. This effort, if successful, will integrate the many state and local programs that serve this population.
- \$233 million General Fund for the Department of State Hospitals to contract with three counties to expand and enhance restorative treatment services for seriously mentally ill individuals that are deemed incompetent to stand trial (IST) for their crimes by a judge. There is currently a backlog of 1,428 ISTs statewide pending treatment. This could signal a future trend of ending IST placements in state hospitals in favor of county treatment. The question is whether the state funding will follow.
- \$200 million in one-time General Fund to implement an incentive program for Medi-Cal managed care plans to partner with K-12 schools in increasing the number of students receiving preventative and early intervention behavioral health services. While welcome, this effort could be logistically difficult as it requires coordination between bureaucracies.
- \$25 million in one-time Mental Health Service Act (Proposition 63) funds to foster partnerships between the county mental health departments and school districts. This builds off an existing successful program to improve student mental health.
- Trailer bill language to allow county behavioral health departments to have more flexibility in their allocations of Mental Health Service Act funds. This language is not yet available, but the changes conceptually could help remove artificial barriers to counties' use of their mental health funds.
- An upcoming spring 2021 proposal to increase behavioral health delivery standards on commercial health plans. Senate Republicans will advocate that any policy changes improve care without overly burdening our managed care delivery system.

Pandemic Causes Record Medi-Cal Caseload, State Costs. The Department of Health Care Services projects that due to California's poor labor market and a federally required temporary halt of disenrollment during the pandemic, California will have a record 40 percent of its population enrolled in Medi-Cal in 2021-22 (an average of 15.6 million enrollees with an estimated peak of 16.1 million in the month of January 2022), the highest percentage in the nation. This will result in a record high total Medi-Cal program cost of \$122 billion (all funds) in 2021-22 of which \$28 billion is General Fund, a \$5.9 billion (26 percent increase) from 2020-21.

In order to serve this many Californians within Medi-Cal, Senate Republicans have repeatedly called for increases in base provider rates and for targeted incentives to lure willing providers to rural and underserved portions of the state. While a few incentives exist in the Governor's budget, Newsom unfortunately does not propose any Medi-Cal provider rate increases. California deserves better than this continual overpromising and under-delivering to Medi-Cal beneficiaries.

Telehealth Flexibility to be Made Permanent in Medi-Cal. Fortunately, the Governor's budget includes \$34 million General Fund within Medi-Cal to expand certain telehealth modalities put in place

during the COVID-19 pandemic. And as Senate Republicans have urged for months, the Governor is also proposing budget trailer bill language to make these telehealth flexibilities permanent in order to better improve access to Medi-Cal providers.

Future Cuts to Medi-Cal Delayed One Year. The proposed 2021-22 budget funds \$718 million in Proposition 56 tobacco tax supplemental payments to Medi-Cal providers as well as \$43 million for recently adopted post-partum maternal care and other benefits. However, the Governor's budget once again plans on "suspending" these provider payments in the 2022-23 fiscal year unless there is an estimated future General Fund surplus for the 2022-23 and 2023-24 fiscal years. Other such "trigger cuts" would apply to human services programs, as discussed in the *Human Services* and *Developmental Services* sections of this report. This action not only cruelly removes needed medical services to low-income Californians, it allows the Governor to supplant future General Fund spending in Medi-Cal with the Proposition 56 funds rather than fulfill the voters' desire to use the \$2 per cigarette pack tax to improve Medi-Cal access through increased provider incentives.

New Office of Health Care Affordability to Enforce Healthcare Price Controls. Despite more pressing pandemic needs, the Governor will reintroduce his early 2020 proposal to create an Office of Health Care Affordability, which would impose financial penalties on commercial health plans, hospitals, and others in the healthcare industry who fail to meet the state's dictated healthcare "cost targets." Once fully operational, the new Office will cost \$27 million in General Fund annually and will employ 123 individuals in this next step toward government-run healthcare.

Another New Office to Explore Federally-Run Medicare. The Governor also plans on submitting a proposal this spring to create an Office of Medicare Innovation and Integration in order to "explore strategies and models" to expand access to Medicare, the federal program that covers senior health care. While there are few details at this time, this effort could be a way to bend the Biden administration to enroll California's estimated 27,000 undocumented seniors in Medicare. In early 2020, Newsom had proposed to enroll this population in Medi-Cal at an eventual General Fund cost of nearly \$1 billion annually, but declined to move forward once COVID-19 impacted the budget. Whether focused on the undocumented or not, with programs across state government in disarray, it is folly to think that state employees should be hired to tinker with a completely federal program.

Investments in Alzheimer's disease and Geriatric Care Workforce. Given the "silver tsunami" of seniors expected in California, the Governor's budget includes \$3 million in one-time General Fund to increase and diversify the pipeline of senior caregivers through student loan repayment and other incentives in exchange for a geriatric-focused service obligation. In addition, the proposed budget includes \$17 million in one-time General Fund for further Alzheimer's disease efforts including disease research, a public awareness campaign, new caregiver training, and grants to cities that plan to make dementia-friendly environmental changes.

Human Services

Key Points

- **Deferral of Human Services Cuts.** The budget proposes to defer the previously authorized 2021 cuts to 2022 for various human services programs, including foster care and In-Home Supportive Services (IHSS).
- **Dramatic Caseload Fluctuations.** The budget represents reduced estimates in CalWORKs caseloads of 31 percent in the current year and 18 percent in the budget year, resulting in combined savings of about \$2 billion compared to the 2020 Budget Act.
- **\$250 Million to House Vulnerable Adults.** \$250 million General Fund for local governments house vulnerable older adults at-risk of homelessness.
- **Foster Care.** Various programs to serve foster youth including extending foster care for “aged out” youth, increased access to technology, improved training for social workers, and a return of hundreds of out-of-state foster youth to California.

Budget Defers Cuts to Human Services Programs. The 2021-22 budget defers several previously authorized human services “trigger cuts” to 2022, including a 7-percent across-the-board cut to IHSS service hours, a much-needed supplemental rate increase to developmental services providers, and various programs in child welfare. Rather than merely deferring these cuts, the Legislature should evaluate these programs against proposals for new spending elsewhere in the Governor’s budget.

Funding to House Vulnerable Older Adults. The budget allocates \$250 million for local governments to purchase or rehabilitate Adult Residential Facilities and Residential Care Facilities for the Elderly for older adults who are homeless or at risk of homelessness. These funds could be used for capital improvements and upgrades for existing care facilities.

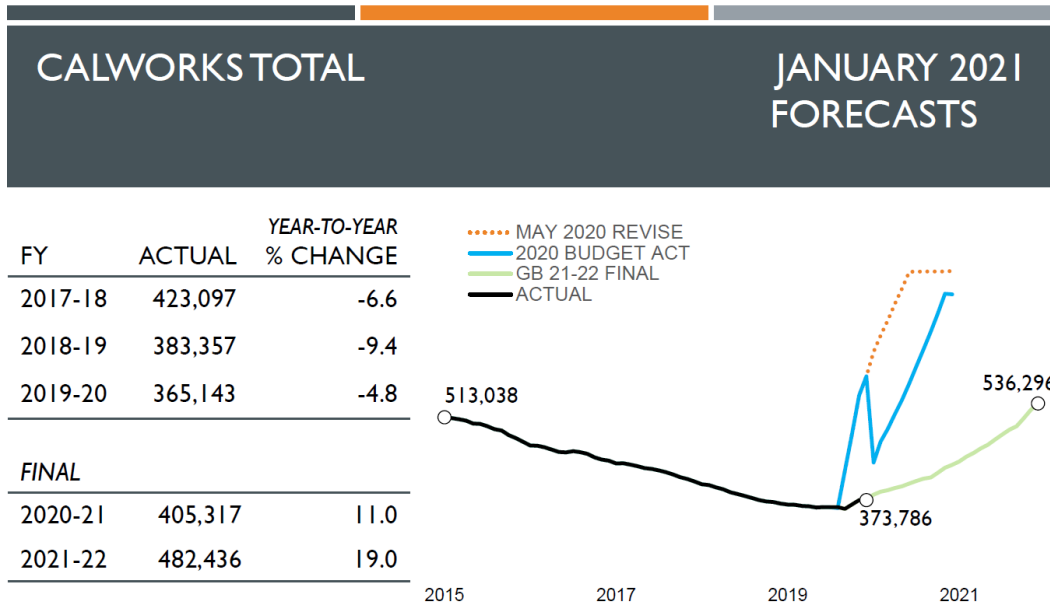
California Work Opportunity and Responsibility for Kids (CalWORKs)

CalWORKs Scheduled Grant Increase. The budget reflects an anticipated grant increase of 1.5 percent beginning October 1, 2021. This increase will bring maximum aid payments to \$891 per month for a family of three in a high cost county, which is approximately 50 percent of federal poverty level. The budget assumes a \$50.1 million allocation from the Child Poverty and Family Supplemental Support Subaccount for the proposed grant increase.

Freezing the CalWORKs Time-Clock Due to COVID-19. The budget proposes \$46 million to prevent CalWORKs recipients from losing aid if they reach their 48-month grant limit through April 2022. This budget action delays 25,300 CalWORKs adult grants from being reduced. The Budget Act of 2020 lengthened the total allowable time on aid to 60-months for all participants beginning in May of 2022, which will cost approximately \$140 million General Fund in the first year and \$70 million ongoing. It’s unclear whether this extended time on aid will actually help families become self-sufficient, or if it’s the Administration’s attempt to camouflage previous policy goals of extending time on aid under the guise of the COVID-19 public health crisis.

Dramatic Changes in CalWORKs Caseload Estimates. Despite CalWORKs caseload historically rising about two years after unemployment peaks, the 2020 May Revise estimated a historic high for CalWORKs caseload for the 2020-21 fiscal year—724,000 families. The LAO cautioned the Administration to adopt a more modest estimate based on historic lags in CALWORKs increases during economic recessions, and ultimately the Budget Act of 2020 estimated 586,000 families—roughly equal to the historic high seen during the Great Recession. This budget further revises caseload projections

downward: current year caseload is down by 31 percent for a savings of \$1.4 billion, and budget year caseload is down by 17.8 percent, even lower than the LAO’s projections last year. The chart below illustrates these changes in forecasts. Based on the revised estimate, the Department expects CalWORKs caseload to grow by 19% in 2021-22, which is 11 percent higher than the LAO’s caseload predictions. The CalWORKs program costs the state \$6.5 billion General Fund/TANF annually, so consistently estimating inflated caseload can result in millions, sometimes billions, of misallocated dollars.



Source: *The Department of Social Services 2021-22 Governor’s Budget Executive Summary*

COVID-19 Response and Supports. In addition to existing safety net programs, the Department of Social Services includes:

- \$30 million General Fund and \$15 million in federal funds for COVID-19 Food Bank and Diaper Support
- \$11.4 million General Fund to increase CalFresh allotments to the maximum allowable amounts for household size (as authorized by the Federal Families First Coronavirus Response Act--FFCRA),
- \$34.3 million General Fund and \$12.8 federal funds for Pandemic EBT grants.

CalFresh

Estimated Caseload. Overall, CalFresh includes \$2.05 billion total funds (\$730.4 million General Fund) in 2022-21, representing a decline of \$909.3 million General Fund when compared to the Budget Act estimates. The most recent six months of caseload came in 7.3 percent lower than estimated in the 2020 Budget Act, but DSS is still estimating a 17.1 percent increase for 2021-22 as Pandemic Unemployment claims are set to expire in March. These estimates include 12 months of emergency allotments (maximum amount per family size) for 2020-21 and 6 months of emergency allotments for 2021-22 as a result of federal legislation.

Increased Funding for Food Banks. The budget provides \$30 million General Fund for food banks across the state. This builds on approximately \$95 million that was provided through federal funding to

food banks in 2020. The investment in the private network of food banks is wise considering the likelihood of continued job loss into 2021.

In-Home Supportive Services (IHSS)

Rapid Enrollment and Cost Growth in IHSS. The IHSS program is a Medi-Cal benefit that provides personal care and domestic services to a projected 592,829 aged, blind, or disabled Californians. In over 70 percent of cases, recipients choose family members to be their paid service providers, which suggests that in many cases the state is paying family members for tasks that they would perform anyway, outside of any program. The Governor's budget includes \$16.5 billion (\$5.3 billion General Fund) for the IHSS program, a 10 percent increase from the revised 2020 Budget Act amount. It continues to be one of the state's fastest growing programs, both in terms of caseload and program cost. Included in the budget is an adjustment for \$1.2 billion to fund the minimum wage increases as a result of SB 3 (Leno, 2015).

COVID-19 Paid Sick Leave. The budget reflects current year costs of \$40.4 million total funds (\$16 million General Fund) to fund the federally-required 80 hours of sick leave for any public employee to recover or care for a family member with COVID-19. In the human services realm, this federal requirement primarily affects IHSS employees.

Back-up Provider System and Wage Differential. The budget provides \$6.7 million (\$2.7 million General Fund) in 2020-21 and \$3.3 million total funds (\$1.3 million General Fund) in 2021-22 to provide a temporary, per-hour wage increase of \$2 to IHSS back-up providers. The wage differential was provided as an incentive to quickly attract a back-up caregiver in the event that a primary caregiver contracted or otherwise had to care for family members with COVID-19.

Increase in Federal Reimbursement. As a result of FFCRA, the federal government increased their reimbursement rate for Medicaid-eligible services. Given this increase, IHSS forecasts \$465.2 million General Fund savings in Budget Year. The increase in reimbursement is set to expire December 31, 2021.

Child Welfare

Continued Foster Care Funds for Aging-Out Youth. For youth who have reached 21 or are expected to reach 21 in the next fiscal year, the budget provides \$49.5 million General Fund to continue support to these foster youth through December 2021.

Access to Technology. Given the need for foster youth to connect virtually for educational and social purposes, as well as with their families of origin, the Governor's Budget proposes \$2.0 million General Fund to provide various supports to foster youth for access to technology.

Returning Out-of-State Foster Youth to California. As a result of a death (not a California youth) in an out-of-state facility, the Department of Social Services began the process of investigating and re-certifying the out-of-state placements for its foster youth. In that process, DSS discovered all of the out-of-state care settings were out of compliance with California law—specifically at issue was the use of excessive force or manual restraints. As a result, California began to transition 120 foster youth back into the state. The budget reflects \$5.2 million General Fund to assist counties with intensive case management, travel costs, quarantine costs, and other one-time, temporary costs. Traditionally, out-of-state placements are expensive and harder to regulate than those in-state.

Training for Foster Youth Social Workers. The budget proposes \$10.1 million (\$6 million General Fund) to train new social workers using a field-based approach to bridge the gap between theoretical

knowledge and actual practice. Funding is also provided to train seasoned social workers on new state and federal laws and ensure best practices are consistently applied statewide. Finally, the funding will support a 5th Regional Training Academy.

Immigration

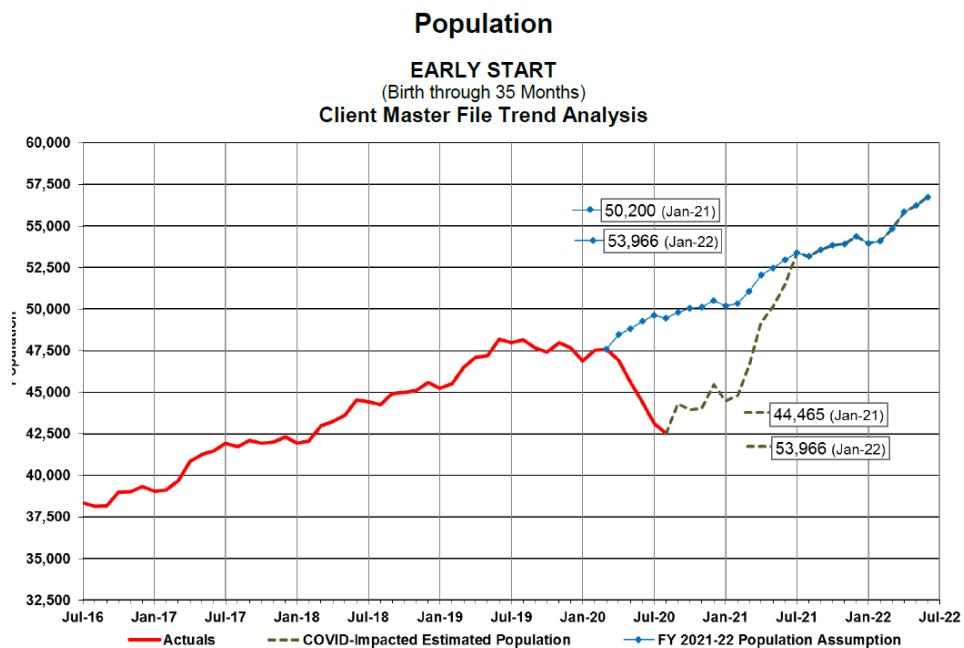
Rapid Response Funding. Building on the \$5 million provided in last year's budget, the 2021 budget provides \$5 million one-time General Fund for rapid response programs to support undocumented immigrants that are not eligible for other forms of aid. The Department of Social Services did not indicate how or when these funds would be dispersed, except that they will be disbursed to "qualified community-based organizations".

Developmental Services

Key Points

- **Cuts Deferred, but Still Proposed in Future.** The budget defers the drastic cuts scheduled for 2021 to 2022, but these services are still underfunded by approximately \$1 billion General Fund.
- **Empty Fairview Developmental Center Costs Millions.** Despite two consecutive years of projecting a population of zero residents for the Fairview Developmental Center (DC), the budget authorizes approximately \$12 million and 52 positions for “warm shutdown” costs, a zero percent decline in costs over the previous year and a decline of only two positions.
- **COVID-19 Related Expenditures.** The budget includes \$265.1 million (\$183.2 million General Fund) for increased staffing at facilities serving developmentally disabled individuals, in-home respite, and quarantine costs related to COVID-19.

Rapid Caseload Growth and Rising Costs. The Department of Developmental Services (DDS) estimates it will serve approximately 358,000 developmentally disabled Californians in 2020-21 and increase to 386,000 in 2021-22. The current year estimate reflects a reduction of 8,532 consumers compared to the enacted 2020 Budget—due to fewer referrals, primarily to the Early Start program which serves infants age 0-3, coinciding with the COVID-19 pandemic. The chart below depicts the drop in 0-3 caseload as a direct result of the COVID-19 pandemic. It is concerning that fewer consumers are being referred into the system because research indicates that early detection, diagnosis, and prevention for developmental disabilities leads to the best outcomes for adults with developmental disabilities.



Source: The 2021-22 Governor’s Budget Department of Developmental Services Estimate

While the vast majority of these consumers receive community-based services, the Governor’s budget projects that DCs will serve 322 residents in 2021, mostly in the Porterville Secure Treatment facility. Despite serving only 322 residents, the DCs’ budget is \$344 million, costing the state approximately \$1 million per consumer per year.

Cuts Deferred, But Still in Budget. The 2019-20 budget increased rates for select service providers, but also scheduled these rates to sunset December 1, 2021 unless certain overall budget conditions are met. This year's budget delays the sunset for a year. The delay gives service providers greater certainty for funding as they create their organizations' budgets, but any sunset of rates creates confusion and instability among providers. Anecdotally, providers have indicated they are hesitant to give much needed raises to employees because of the temporary nature of the rate increases. Furthermore, service provider rates are still drastically underfunded by approximately \$1 billion, according to the Administration's own 2019 study. Despite unstable revenue, the budget still includes planned expansions in other state programs, such as green energy and tax credits for undocumented immigrants. If any funds exist to expand programs, an underfunded system that serves the disabled, who are the most vulnerable and helpless among us, should be a top priority.

Fairview "Warm Shutdown" Costs Persist for Yet Another Year. Despite claiming that the "warm shutdown" of Fairview would wrap up in spring of 2021, the 2021-22 budget reflects a full year of costs associated with an extended "warm shutdown". Fairview Developmental Center has been identified as a surge site for COVID-19 patients, but these costs ought to be funded outside of the DDS operational budget. Furthermore, Fairview's staffing reduced from 54 to 52. Presumably, these staff might be assisting with surge site activities, but again, alternative funding is more appropriate so as to distinguish the different services provided.

Expanded Diversion Program. The budget proposes \$4.3 million (\$2.9 million General Fund) for the full-year implementation of the expanded program aimed at diverting felony-convicted developmentally disabled individuals deemed Incompetent to Stand Trial from institutional care to specialized community placements. Many of these individuals thrive in community-based competency training programs, however, Department staff have indicated that there have been reports of violence against the public. Generally, Senate Republicans have supported movement away from institutional care to the community, however, in the interest in public safety, prudence and caution should be recommended when attempting to support criminally-involved developmentally disabled individuals in the community.

COVID-19 Response Funds. The budget proposes \$265.1 million (\$183.2 General Fund for COVID-19 related expenses including increased staffing, quarantine support, and overtime costs.

Operations Adjustments. The budget also proposes the following for regional center operations and other administration:

- The budget proposes an increase of \$4.5 million for the Systemic, Therapeutic, Assessment, Resources, and Treatment Training (START) program to support individuals in crisis in their community placement and avoid more restrictive settings. The 2020 Governor's Budget proposed this increase, but the May Revision withdrew it. The final 2020 Budget Act agreement deferred funding and implementation to the 2021-22 year.
- Increase of \$2.0 million (\$1.4 million General Fund) for Regional Center Emergency Coordinators to coordinate emergency preparedness and response for consumers.
- Increase of \$5.3 million (\$3.2 million General Fund) to implement a statewide navigator model to increase access and utilization of needed services in diverse communities. Utilization for diverse communities has been an ongoing issue and was the genesis of the disparity funding program. However, this funding did not appear to increase utilization or access for these communities, and it is unclear how this proposal will differ from previous funding. More details on this proposal were unavailable at the time of publication.

K-12 Education

Key Points

- **Early Action Proposals.** The Governor's budget seeks early action by the Legislature for two proposals totaling \$6.6 billion: the Safe Schools for All proposal and the Expanded Learning and Academic Interventions proposal. Early action on these proposals would allow the funds to become available in the 2020-21 school year.
- **Partial Deferral Repayment.** The Governor's budget proposes to repay \$9.2 billion of the \$12.5 billion in Proposition 98 General Fund deferrals. The budget pays the full 2019-20 deferral amount of \$1.9 billion and \$7.3 billion of the K-12 deferral in 2020-21. This leaves an ongoing balance of \$3.7 billion for 2021-22.
- **Proposition 98.** Proposition 98 funding is proposed at \$85.8 billion, the highest level of funding for K-14 schools ever. This increase is almost entirely a result of the state General Fund revenue being higher than previously projected. The Governor's budget contains \$19.1 billion in new Proposition 98 spending proposals for K-12 schools.

Early Action Proposals. The Governor's budget includes two proposals for early action. The Governor is asking the Legislature to take early action on both of these proposals in order for funds to become available in the 2020-21 school year.

- **Safe Schools for All.** The Governor's Budget includes \$2 billion one-time Proposition 98 General Fund to provide incentive grants to schools, with the exception of non-classroom based charter schools and independent study programs, to offer in-person instruction starting mid-February. Districts would receive additional funding if they agree to a timetable for reopening, a COVID-19 testing regiment for both students and staff, and a strict health and safety plan that teachers and employee unions consent to. Schools are eligible to receive between \$450 and \$700 per student if they meet certain requirements by February 1, 2021. A second funding round is available for schools able to complete the requirements by March 1, 2021. Schools in counties with an average COVID-19 daily case rate above 28 cases per 100,000 people over seven days are not eligible to reopen, though districts could still receive funding if they meet all other requirements.

Superintendents and teacher unions have expressed concerns regarding the Administration's proposal. Superintendents of seven urban school districts, including the state's four largest, strongly criticize the Governor's Safe Schools for All plan. In a letter to the Governor, dated January 6, they indicate they won't pursue the funding incentives. "A funding model which supports only schools in communities less impacted by the virus is at odds with California's long-standing efforts to provide more support from low-income families," they argue. "It also reverses a decade-long commitment to equity-based funding."

Likewise, the California Teachers Association (CTA) has also expressed a lukewarm reception to the Safe Schools for All proposal. Their objections allege the proposal's timeline is too aggressive and the funding is insufficient. According to the CTA website, "The Governor's proposed timeline is aggressive, and unfortunately, COVID-19 does not follow a calendar or a political timetable...It's unclear if many of the increased safety requirements, testing and data collection would even be in place to fit the proposed schedule." Additionally the CTA, "believes all schools will need additional funding and supports to open for in-person instruction safely whenever the local parents, educators and communities make those decisions. Those decisions

should be driven by the community and local health conditions, rather than “incentives” tied to an arbitrary date.”

- **Expanded Learning Time and Academic Interventions Grants.** To address learning loss due to the pandemic, the Governor’s budget proposes \$4.6 billion in one-time Proposition 98 General Fund for schools to offer additional academic support in response to school closures. Funding is flexible and can support community learning hubs, summer school, extended school year, extended school days, and other academic interventions targeted for high-needs students.

Partial Repayment of K-12 Deferral. The Governor’s budget proposes to pay off \$9.2 billion of the original \$12.5 billion in deferred Proposition 98 General Fund payments. To help address the state’s large budget deficit estimated in June 2020, the 2020 Budget Act deferred \$12.5 billion in General Fund payments to K-12 schools and community colleges. The state revenue situation has improved considerably since the initial June 2020 estimates.

More specifically, the Governor’s Budget proposes to repay the full 2019-20 K-12 deferral amount of \$1.9 billion, plus \$7.3 billion of the 2020-21 deferral amount. This leaves an ongoing deferral balance of \$3.7 billion. The Administration states that the new lower level will result in local schools experiencing only a few weeks of delay in receiving their 2021-22 payment, as opposed to a ten-month delay. The new deferral will only impact the June 2022 payment which will be delayed into July 2022.

It is unclear why the Administration is proposing only a partial payment of the K-12 deferrals. Eliminating deferrals requires a one-time Proposition 98 payment, as well as a Proposition 98 minimum guarantee that is high enough to accommodate the ongoing program spending moving forward. The Legislative Analyst’s Office (LAO) notes one consideration for the partial repayment may be that state revenues could still come in at a lower amount than currently estimated.

New High for Proposition 98. The Governor’s budget estimates the Proposition 98 minimum guarantee at \$85 billion, the highest level of funding for K-14 schools ever. This represents an increase of \$14.9 billion over the 2020-21 level funding in the 2020 Budget Act, as shown in Figure 1.

Figure 1

Proposition 98 funding <i>Dollars in Millions</i>											
	2020 Budget Act		2021 Governors Budget					2019 Budget Act Difference Amount %		2020 Budget Act Difference Amount %	
	2019 Budget Act Revised	2020 Final Budget	2019 Budget Act Revised	2020 Budget Act Revised	2021 Governor’s Budget	Difference between 2021 GB and revised 2020 BA Amount %					
P98 General Fund	\$52,656	\$45,066	\$54,470	\$56,195	\$58,594	\$2,399	4%	\$1,814	3%	\$11,129	20%
P98 Local property tax	25,022	25,824	25,073	25,887	27,270	1,383	5%	51	0%	63	0%
<i>P98 Subtotal</i>	\$77,678	\$70,890	\$79,543	\$82,082	\$85,864	\$3,782	9%	\$1,865	3%	\$11,192	20%
Supplemental Payment	-	-	-	-	\$2,300	\$2,300	\$0	-	-	-	-
Federal Funds	-	4,400	-	4,400	-	-	-	-	-	-	-
Pension Shift	-	2,300	-	2,300	-	-	-	-	-	-	-
Total		\$77,590		\$88,782	\$88,164	\$6,082	\$0	\$1,865	3%	\$11,192	20%

Total K-12 per-pupil expenditures from all sources are projected to be \$18,837 in 2020-21 and \$18,000 in 2021-22 – the highest levels ever. The decrease between 2020-21 and 2021-22 is largely a result of one-time federal funds in 2020-21. Proposition 98 per-pupil expenditures are \$13,015 in 2021-22, an increase of \$644 or 5.2 percent over the revised 2020-21 level, as shown in Figure 2 on the next page.

Figure 2

Proposition 98 Funding by Segment and Source (Dollars in Millions Except Funding Per Student)					
	2019-20 Revised	2020-21 Revised	2021-22 Proposed	Change From 2020-21	
				Amount	Percent
K-12 Education					
General Fund ^a	\$48,409	\$50,021	\$52,181	\$2,160	4.3%
Local property tax	21,822	22,473	23,672	1,199	5.3%
Subtotals	\$70,231	\$72,494	\$75,853	\$3,359	4.6%
California Community Colleges					
General Fund	\$6,062	\$6,174	\$6,413	\$239	3.9%
Local property tax	3,252	3,414	3,598	184	5.4%
Subtotals	\$9,314	\$9,588	\$10,011	\$423	4.4%
Reserve Deposit/Withdrawal (+/-)^b	—	\$747	\$2,241	\$1,494	—
Totals	\$79,545	\$82,082	\$85,864	\$3,782	4.6%
Enrollment					
K-12 attendance	5,891,369	5,859,694	5,828,073	-31,621	-0.5%
Community college FTE students ^c	1,109,723	1,100,046	1,107,695	7,649	0.7%
Funding Per Student					
K-12 Education	\$11,921	\$12,372	\$13,015	\$643	5.2%
California Community Colleges	8,393	8,716	9,038	322	3.7%
^a Includes funding for instruction provided directly by state agencies and the portion of state preschool funded through Proposition 98. ^b Proposition 98 Reserve established by Proposition 2 (2014). Amounts consist entirely of General Fund. ^c Change from 2019-20 to 2020-21 reflects lower baseline enrollment, partially offset by proposed growth.					
FTE = full-time equivalent.					

Total Local Control Funding (LCFF) is proposed at \$64.5 billion, and funds all local schools at their full LCFF target. This amount includes a cost of living adjustment (COLA) of 1.5 percent or \$2 billion. The COLA reflects a compounded effect of applying a 2.31 percent increase for 2020-21, which was not provided in last year’s budget, and a 1.5 percent COLA for 2021-22. K-12 categorical programs that receive COLA, such as special education, are provided only the statutory 1.5 percent COLA associated with 2020-21.

School Stabilization Account Deposits. The Governor’s Budget projects that deposits into the Public School System Stabilization Account will be required in both 2020-21 and 2021-22 of \$747 million and \$2.2 billion respectively. The two deposits bring the total projected balance of the reserve to \$3 billion, which exceeds 3 percent of the Proposition 98 funding allocated for schools. Under state law, exceeding this threshold triggers a cap on local school district reserves in 2022-23. Republicans have raised concerns in the past about this cap trigger requirement, which unfairly reduces local school districts’ control over their finances.

Supplemental Payment. The Governor’s budget proposes to remove the supplemental payment statute authorized in the 2020 Budget Act. However, the Administration states that in recognition of the needs of students and the public school system related to the COVID-19 pandemic, the budget includes a one-time supplemental payment to K-14 schools of \$2.3 billion. This payment is in addition to the \$2 billion proposed for the Safe Schools for All early action proposal.

The 2020 Budget Act included a multi-year plan to supplement Proposition 98 and mitigate projected declines as a result of estimated revenue reductions. However, instead of a projected \$12.4 billion reduction in Proposition 98 funding, the budget estimates the Proposition 98 minimum guarantee at the highest level of funding for K-14 schools ever. COVID-19 has impacted student learning and support services on a multitude of levels. While the Governor’s recognition of the needs of students and schools is meritorious, Senate Republicans may want to consider proposing the one-time supplemental payment be redirected toward bolstering other efforts such as the Governor’s Safe Schools for All plan.

Federal COVID-19 Relief. The recent passage of HR 133, the Coronavirus Response and Relief Supplemental Appropriations Act, provides new funding for K-12 education. Based on prior allocations, the LAO estimates California’s share of the new funding is approximately \$6 billion, as summarized in Figure 3 below. This round of funding maintains the same flexibilities and allowable uses as the federal CARES Act. The most notable difference in the new relief package is that it reserves funding from one pot of funds, the Governor’s Emergency Education Relief Fund (GEER), for states to provide assistance to private schools.

Figure 3

Federal COVID-19 Relief Funds <i>In Millions</i>				
State-Level Flexible Funding				
Program	Allowable Uses	Awarding Deadline	Spending Deadline	California Estimate
Elementary and Secondary School Emergency Relief Fund (ESSER)	Statewide emergency needs related to COVID-19 response in schools.	1 year after receiving funds	September 30, 2022	\$676
Governor’s Emergency Education Relief Fund (GEER)	Statewide emergency needs related to COVID-19 response in schools and IHEs.	1 year after receiving funds	1 year after receiving funds	\$157
Local Assistance				
Program	Allowable Uses	Awarding Deadline	Spending Deadline	California Estimate
Grants to public schools (ESSER)	Broad array of activities, including those related to COVID-19. Funding distributed based on counts of low-income and disadvantaged children.	1 year after receiving funds	September 30, 2022	\$6,087
Grants to private schools (GEER)	Broad array of activities, including those related to COVID-19. Priority for private schools serving more low-income students.	6 months after receiving funds ^b	September 30, 2022	Unclear ^c
Notes				
^a States are required to submit two reports, with details forthcoming. The Secretary of Education may require reports to include details on how				
^b States have 6 months to award funds to private schools. Any remaining funds will be made available for the Governor’s Emergency Education				
^c Funding allocated to states based on proportion of low-income students attending private schools. No publicly available data to estimate COVID-19 = coronavirus disease 2019 and IHE = institution of higher education.				

Professional Development and Teacher Recruitment. The Governor’s budget includes \$545 million in both Proposition 98 and non-Proposition 98 General Fund for professional development for teachers and improving the state’s teacher pipeline.

Professional Development Augmentations include the following:

- \$250 million one-time Proposition 98 General Fund for the Educator Effectiveness Block Grant to provide schools with resources to expedite professional development for teachers, administrators, and other in-person staff in high-need areas.
- \$50 million one-time Proposition 98 General Fund to create statewide resources and provide targeted professional development on social-emotional learning and trauma-informed practices.

- \$7 million one-time non-Proposition 98 General Fund to the University of California Subject Matter Projects to create high-quality professional development on learning loss in core subject matter content areas such as reading and math.
- \$5 million one-time Proposition 98 General fund to fund professional development and instructional materials for schools who are offering, or would like to offer, courses on ethnic studies.

Teacher Pipeline Augmentations include the following:

- \$100 million one-time non-Proposition 98 General Fund for continued investments in the Golden State Teacher Grant Program. This program provides grants to students enrolled in teacher preparation programs who commit to working in high-need fields and at schools with high rates of under-prepared teachers.
- \$100 million one-time Proposition 98 General Fund to expand the Teacher Residency Program, which supports clinical teacher preparation programs dedicated to preparing and retaining teachers in high-need communities and subject areas.
- \$25 million one-time Proposition 98 General Fund to expand the Classified School Employees Credentialing Program. This program provides grants to schools to recruit non-certificated school employees, such as cafeteria workers, to become certificated classroom teachers.

Special Education. The budget provides just over \$300 million Proposition 98 General Fund for Special Education programs primarily focused on early interventions

- \$300 million ongoing Proposition 98 General Fund for Special Education Early Intervention Grants to increase the availability of evidence based services for infants, toddlers, and preschoolers.
- \$5 million one-time Proposition 98 General Fund to establish professional learning networks to increase capacity for schools to access federal Medi-Cal funds, and \$250,000 for a lead county office of education to provide guidance for Medi-Cal billing within the statewide system of support.
- \$500,000 one-time Proposition 98 General Fund for a study to examine certification and oversight of non-public school special education placements.

Prior years have seen larger investments in special education and advocates argue that COVID-19 has only drawn more attention to the needs of students receiving special education services. The Governor's budget proposes millions of dollars in spending on efforts outside of special education such as Climate Surveys and Community Schools. Absent the devastating effects of COVID-19, these programs maybe worthy of receiving funds but in light of the struggles within special education and given the especially deleterious effects of the pandemic on special education services, it seems the Governor has missed the mark on funding priorities for California students.

Early Learning and Care. The budget includes \$300 million one-time Proposition 98 General Fund and \$200 million one-time General Fund to provide grants to schools related to strengthening and expanding transitional kindergarten (TK) programs. \$250 million would be available to schools that offer early access to TK in an effort to assist with the up-front costs associated with program expansion. \$50 million would be available to support the preparation of TK teachers and provide both TK and kindergarten teachers with training related to instruction in inclusive classrooms, support for English Language learners, social-emotional learning, trauma-informed practices, restorative practices, and

mitigating implicit biases. \$200 million one-time General Fund is available for school districts to construct and retrofit existing facilities to support TK and full-day kindergarten programs.

Student Health and Well-Being. The Governor’s budget includes several notable K-12 budget augmentations addressing student health and well-being. These adjustments address the barriers associated with poverty, food insecurity, housing, and employment stability that have been further exacerbated by the COVID-19 pandemic.

- \$246.9 million one-time Proposition 98 General Fund for Community Schools. These funds will support existing community school programs, expand existing networks of community schools and establish new community schools, and to coordinate a wide range of services to these schools.
- \$25 million ongoing Proposition 98 General Fund to fund partnerships with county behavioral health to support student mental health services. The funding is intended to provide schools the ability to match funding in the county Mental Health Services Act spending plans dedicated to the mental health needs of students. \$400 million one-time (mix of General Fund and federal funds) is also available under the Health and Human Services umbrella. These funds would flow through the Department of Health Care Services to implement an incentive program with Medi-Cal Managed Care Plans and administered by county behavioral health departments and schools. The purpose is to build infrastructure, partnerships, and statewide capacity to increase the number of students receiving preventive and early intervention behavioral health services from providers in schools or school-based health centers.
- \$10 million one-time Proposition 98 General Fund to support widespread access and use of school climate surveys. More specifically, the funds are intended to help schools better assess community needs stemming from COVID-19 and distance learning. Grants will be available to schools to implement enhanced survey instruments and support start-up costs associated with conducting these annual surveys. Last, the funds are intended to provide training for schools on interpreting data to inform continuous improvement efforts.

Additional K-12 Policy Considerations. The Governor’s proposed budget includes several policies that build on the lessons learned from the 2020-21 school year, and establish new expectations for schools in how they serve students and how the state funds them.

- The budget assumes that in-person instruction is the default in 2021-22. However, keeping in mind special circumstances and continued health and safety concerns, the Administration acknowledges the need to offer alternative models of instruction for students. Therefore, the Administration states that it will continue to work with the Legislature and stakeholders to support more efficient and effective models of instruction. The goal is to allow schools the ability to use well-designed models of instruction if in-person instruction is suspended temporarily for health and safety reasons in 2021-22 and beyond.
- The budget does not include a new average daily attendance (ADA) “hold harmless” provision in 2021-22. School districts that experience enrollment declines in 2021-22 will retain the ability to receive funding based on the higher of their 2019-20 or 2020-21 ADA, pursuant to the existing hold harmless provisions included in statute.
- The budget includes statutory changes to address concerns that some school districts allocate funds for increased and improved services and then leave them unspent, reallocating them for other purposes in future years. Specifically, additional language requires that, once established, a school districts’ responsibility to increase and improve services continue until fulfilled. Additionally, language is included to increase the specificity required of county offices of education in their review of schools’ local control and accountability plans (LCAPs).

- The budget clarifies existing law related to adults in charter schools exclusively in partnership with specified state or federal job-training programs. The Administration states there is inconsistency in how some charter schools interpret the phrase “exclusively in partnership with” which has resulted in tens of millions of dollars in funding being allocated for adult students in charter school programs that do not align with the intent of the existing statute. The budget clarifies the existing law, eliminates uncertainty, and provides the Department of Education with the authority to collect information from charter schools that receive funding for adult students and validate their compliance with the governing statute.
- The budget includes statutory language requiring school districts to confirm that all high school seniors complete a Free Application for Federal Student Aid or California Dream Act application beginning in the 2021-22 school year.

Higher Education

Key Points

- **Early Action Proposals.** The Governor's budget proposes four items for early action by the Legislature to make funds available in the 2020-21 academic year. These proposals address Emergency Student Financial Aid, California Community College (CCC) Retention, Delay of the Associate Degree for Transfer (ADT) for Private Nonprofit Universities and Restore Cal Grant A Eligibility.
- **Partial Repayment of Deferrals.** The Governor's budget would repay the CCC Proposition 98 General Fund deferral down by more than \$1.1 billion. This would leave a remaining 2021-22 deferral balance of \$326.5 million.
- **Base Growth Tied to Expectations.** The Governor's budget proposes base increases for all three higher education systems, linked to the colleges and universities meeting three expectations: (1) developing a plan to eliminate their achievement gaps by 2025, (2) permanently increasing online courses, and (3) establishing a "dual admissions" pathway.

Early Action Proposals. The Governor proposes several early action items for consideration by the Legislature in order to make funds available in the 2020-21 academic year:

- **Emergency Student Financial Assistance.** \$100 million one-time Proposition 98 General Fund to support emergency student financial assistance grants for full-time, low-income community college students and other students who were previously working full-time, or the equivalent of full-time, who can demonstrate an emergency financial need.
- **CCC Student Retention and Enrollment.** \$20 million one-time Proposition 98 General Fund to support efforts to strengthen CCC student retention and enrollment rates. The funds are targeted primarily to engage former students who may have withdrawn from college due to the impacts of COVID-19 and to engage current and prospective students who may be hesitant to remain enrolled or prospectively enroll in college due to impacts of COVID-19.
- **ADT for Private Nonprofit Institutions.** Amend statute to delay the requirement for private nonprofit institutions to offer admission to at least 2,000 ADT students for the 2020-21 academic year. This delay would maintain the maximum Cal Grant tuition award for students attending private nonprofit institutions at \$9,084 in 2021-22. The proposal would delay the shift in the requirement from applying in 2021-22 to 2022-21.
- **Restore "Cal Grant A" Eligibility.** Amend statute to restore Cal Grant A eligibility for students impacted by a change in their living status due to the pandemic. The estimated cost to amend the statute is \$58.8 million ongoing General Fund starting in 2020-21.

Community College Deferral Repayment. The Proposition 98 minimum guarantee is now projected to increase considerably relative to the estimate for the 2020 Budget Act. While the Governor does not propose a midyear action to rescind the entire \$1.5 billion in current year Proposition 98 deferrals for the CCC, the budget proposes a \$1.1 billion one-time Proposition 98 General Fund to pay down deferrals. The remaining deferral balance for 2021-22 is \$326 million.

Base Growth and Expectations. The Governor's budget proposes base increases for all three public higher education systems (detailed in their respective section below) linked to certain expectations. Specifically, the base increases to the colleges and universities are linked to meeting the following:

- Developing a plan to eliminate their achievement gaps by 2025.

- Permanently increasing the share of courses they offer online by at least 10 percentage points over their pre-pandemic levels.
- Establishing a “dual admissions” pathway, whereby students complete their lower division coursework at community colleges but are guaranteed admission to the public universities upon completion of their associate degree for transfer (or a University of California equivalent).

The administration also expects the universities to improve the alignment of their courses and programs with workforce needs. Additionally, the administration keeps community college enrollment fee at \$46 per unit (for students who are enrolling beyond their second year and those students attending that possess a Bachelor’s Degree or higher) and expects the universities to hold their tuition flat at 2020-21 levels.

California Community Colleges. The budget proposes \$111.1 million ongoing Proposition 98 General Fund to provide a 1.5 percent cost-of-living-adjustment (COLA) for community colleges. This is the largest ongoing proposal for the CCC and is linked with the overarching expectations listed above. There is an additional \$23.1 million ongoing Proposition 98 General fund to support 0.5 percent enrollment growth. Fall 2020 enrollment for CCC declined by approximately 8 percent, according to an initial survey done by the CCC and final enrollment numbers won’t be available until later this year. As a result of the COVID-19 pandemic, it is difficult to predict enrollment for the upcoming academic year. The Governor’s early action proposals for higher education are related to addressing the immediate needs of students and to assist the underrepresented student populations that are disproportionately represented in the enrollment decline.

Specific adjustments related to supporting students to help alleviate financial hardship and improve access as a result COVID-19 are as follows:

- \$150 million one-time Proposition 98 General Fund for emergency financial assistance for full-time, low-income community college students and other students who were previously working full-time or the equivalent of full time, can demonstrate financial need, and can demonstrate at least a 2.0 GPA in one of their last three semesters or for quarters. This proposal is separate from the early action proposal noted above, which proposes an additional \$100 million toward this effort.
- \$100 million one-time Proposition 98 General Fund to address food and housing insecurity.
- \$30 million ongoing Proposition 98 General Fund to support student technological access to higher education. This funding would enable students to have electronic devices and high-speed connectivity, as well as increase student mental health resources.
- \$20 million one-time Proposition 98 General Fund for a system-wide effort to provide culturally competent online professional development for CCC faculty.
- \$10.6 million on-going Proposition 98 General Fund to support the continuity of education and quality distance learning. The funds would support access to online tutoring, online counseling, and online student support services to include mental health services.

Other notable Proposition 98 General Fund budget adjustments include:

- \$35 million to support work-based learning, including \$15 million ongoing to augment the California Apprenticeship Initiative and \$20 million one-time to expand work-based learning modes and programs at community colleges.
- \$15 million one-time to develop and implement zero-textbook-cost degrees using open educational resources.

- \$2.5 million one-time to provide instructional materials for dual enrollment students.
- \$600,000 one-time to support the implementation of Ethnic Studies courses as authorized by AB 1460, (Weber, 2020) as well as system wide anti-racism initiatives.
- \$8 million ongoing for cost increases associated with continued broadband access provided by the Corporation for Education Network Initiatives (CENIC) in California.
- \$9 million ongoing related to Adult Education. \$8 million reflects a 1.5 percent COLA and \$1 million is to support technical assistance.

University of California (UC). Undergraduate enrollment in the UC is projected to increase slightly in 2021-22 but the projection is uncertain due to potential COVID-19 relate impacts. The Governor’s budget proposes an increase of \$136 million in ongoing General Fund for the UC and provides a total of \$225 million for one-time initiatives. The largest ongoing proposal is a 3 percent unrestricted base increase at \$104 million, and the largest one-time proposal is for deferred maintenance at \$175 million. The base increase is linked with the expectations listed above, and is not connected to specific enrollment expectations. Additional ongoing and one-time proposals are provided below. None of the proposals are part of the Governor’s early action package.

Ongoing General Fund Adjustments include:

- \$104 million for a 3 percent base increase to campuses, the Office of the President, the UC Path Center, and Agriculture and Natural Resources (ANR). The expectation is that the UC will maintain resident undergraduate tuition and fees at existing levels for the 2021-22 academic year.
- \$15 million focused on Student Basic Needs related to digital equity and mental health services. This funding is expected to enable students to have the necessary technological access to electronic devices and high-speed internet connectivity, and to increase student mental health resources.
- \$13 million to support and expand UC Programs in Medical Education (PRIME) and to establish a new UC PRIME focused on Native American communities.
- \$1.2 million to continue support for immigrant legal services.
- \$1 million to offset declining Proposition 56 revenue supporting a statewide grant program to maintain \$40 million ongoing for graduate medical residency slots.
- \$1 million to continue support for the UC Davis Firearm Violence Research Center. In prior years, Senate Republicans have objected to the Research Center developing a curriculum for medical providers to address and prevent firearm-related incidents. Objections relate to the potential unintended consequences of having physicians enter into personal conversations with firearm owners.
- \$1 million to support the adoption of a common learning management platform for online courses at each campus that aligns with the platform used by the CCC system (Canvas), by the 2023-24 academic year.

One-time General Fund adjustments include:

- \$175 million to support deferred maintenance and energy efficiency projects at UC campuses.
- \$20 million for four science and innovation institutes to support student stipends over a five-year period. This funding is intended to better enable student workers to connect with industry

employers, and for research teams to form industry partnerships to better align educational programs with workforce needs.

- \$15 million to support emergency student financial aid grants for full-time, low-income students and other students who were previously working full-time, or the equivalent of full-time.
- \$7 million to support the UC Subject Matter Projects for K-12 teacher professional development related to learning loss mitigation and ethnic studies.
- \$5 million to provide culturally competent professional development for UC faculty.
- \$2 million for UC Fire Advisors through the UC ANR.
- \$1.25 million to support a health modeling consortium partnership between UC San Francisco and the California Department of Public Health. Funding is available over a two-year period.

The Governor's budget proposes to shift the suspension date for the UC Summer Financial Aid program from December 31, 2021 to December 31, 2022. If the Administration determines through the 2022 Budget Act that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years, this suspension may be lifted.

In addition to above listed General Fund adjustments, the budget proposes new language that would authorize new campus assessments of up to \$7.3 million for ANR. Though the 2020-21 budget allowed the UC to charge campus assessments to support the UC Path Center, it prohibited campus assessments to support the UC Office of the President and ANR. In combination with the 3 percent base increase, the new campus assessments for ANR would restore ANR's base budget to its 2019-20 level.

California State University (CSU). Enrollment in CSU is projected to increase slightly in 2021-22 but the projection is uncertain due to potential COVID-19 relate impacts. The Governor's budget increases ongoing General Fund for CSU by \$200 million and provides a total of \$225 million for one-time initiatives. The largest increase includes \$144.5 million in ongoing General Fund to provide a three percent unrestricted base increase to support CSU operational costs. This increase is linked with the expectations specified above and, similar to the Governor's base proposals in previous years, is not connected to specific enrollment expectations. Specific augmentations are listed below, and none of the proposals are part of the Governor's early action package.

Ongoing General Fund adjustments include:

- \$15 million to sustain and expand support for the Basic Needs Initiative component of Graduation Initiative 2025. The funding is expected to support students experiencing food and housing insecurity, financial distress, and other challenges that could disrupt their academic success and degree completion.
- \$15 million focused on Student Basic Needs related to digital equity and mental health services. This funding is expected to enable students to have the necessary technological access to electronic devices and high-speed internet connectivity, and to increase student mental health resources.
- \$2 million to support the adoption of a common learning management platform for online courses at each campus that aligns with the platform used by the CCC system (Canvas), by the 2023-24 academic year.
- \$1 million to increase full-time equivalent student enrollment at the CSU Stanislaus Stockton campus by 115 students.

- \$246,000 to support increases associated with continued broadband access provided by CENIC.

One-time General Fund adjustments include:

- \$175 million to address deferred maintenance and energy efficiency projects at CSU campuses.
- \$30 million to support emergency student financial aid grants for full-time, low-income students and other students who were previously working full-time, or the equivalent of full-time.
- \$10 million for the CSU Monterey Bay Computing Talent Initiative. This funding would enable additional cohorts of computer science students in the program.
- \$10 million to provide culturally competent professional development for CSU faculty.

Additionally, the budget proposes to shift the suspension date for the CSU Summer Financial Aid program from December 31, 2021 to December 31, 2022. If the Administration determines through the 2022 Budget Act that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years, this suspension may be lifted.

California Student Aid Commission. The Governor's budget proposes total financial aid expenditures at \$2.8 billion, of which \$2.7 billion supports the Cal Grant Program and Middle Class Scholarship Program. This amount reflects a 5 percent increase over the revised 2020-21 expenditure level. Two of the proposals listed below are presented for early action.

Additional adjustments to the Cal Grant program include:

- \$35 million ongoing General Fund to add 9,000 Cal Grant Competitive awards, increasing the total number of awards to 50,000.
- \$20 million ongoing General Fund to increase access awards for all former or current foster youth, as follows for eligible students:
 - Cal Grant A: Award of up to \$6,000
 - Cal Grant B: Increase from \$1,648 to \$6,000
 - Cal Grant C: Book and supply award increase from \$1,094 to \$4,000
- \$58 million ongoing, beginning in 2020-21, to restore Cal Grants for students who lost eligibility due to a change in residency requirements (part of the early action proposals).

Other adjustments include:

- \$100 million one-time General Fund to support the Golden state Teacher Grant program. This program provides support for grants to students enrolled in teacher preparation programs who commit to working in a high-need field at school sites with the highest rates of non-credentialed or waiver teachers.
- Amending the statute to delay the requirement for private nonprofit institutions to offer admission to at least 2,000 ADT students for the 2020-21 academic year in order to maintain the maximum Cal Grant tuition award of \$9,084 for students attending private nonprofit institutions in 2021-22 (part of the early action proposals).

Labor and Workforce Development

Key Points

- **No Plan for Failing EDD.** The budget proposes no significant plan to reform the Employment Development Department (EDD), despite issuing billions in fraudulent unemployment payments and months-long delays in issuing benefits.
- **Rising Federal Unemployment Insurance Debt.** The budget reflects a growing Unemployment Insurance (UI) federal debt of \$21.5 billion by the end of 2020, growing to \$48.3 billion in 2021. This debt is paid back through increased payroll taxes on employers.
- **Heavy-Handed Enforcement of Complex COVID-19 Policies.** The budget proposes various increases in funding to the Department of Industrial Relations to double-down on enforcing the complex and often unreasonable COVID-19 laws recently imposed on business owners.
- **Still Enforcing AB 5?** It appears that the 2020-21 budget still includes \$22 million that was approved to enforce AB 5's provisions, despite voters' approval of Proposition 22.

Lack of Plans to Improve EDD. The budget does not propose significant reforms for EDD beyond the numerous "task forces" already in place. This lack of action is despite the massive fraud, delays, and mismanagement associated with EDD in 2020. While there appear to be a significant number of additional federally-funded staff, EDD management has argued in the past that it is difficult to bring staff up to speed. Even so, the Governor has proposed no reforms to make sure staff can get the job done. The Governor proposes to add or reorganize eight other departments or divisions in different agencies, but no administrative or systems improvements for EDD. Californians deserve a plan from their leaders with concrete next steps and accountability to improve the efficiency and accuracy of unemployment payments.

Increase in UI Benefits and Staffing Funds. The budget estimates a \$10.9 billion reduction in UI benefits in 2021-22 to reflect the expiration of federal UI programs. However, these estimates were calculated in October, and it's unclear whether they take into account the December 2020 extension of UI benefits through March 2021.

The budget estimates an increase of \$766 million in federal funds and 3,976 positions in the UI program to align with workload needs. The increase in funding and position to EDD represents the historic increase in UI claims.

Rising UI Federal Debt; Interest Payment Due. The projected deficit for UI federal debt will surpass the amount owed following the Great Recession. For 2021-22, the federal debt is expected to rise to \$48.3 billion. The budget includes a \$555 million interest payment on the debt, due by September 2021—which is required to be paid with state funds. The proposal also includes budget language to adjust the final amount based on final amounts, as the estimate does not take into account the recent federal legislation that waives interest on federal loans through March 2021. The principal, however, is repaid through increased employer contributions through a reduction in the FUTA tax credit. Despite the unemployment being spurred by government shutdowns of businesses, the budget assumes the debt will be repaid by employers and does not propose any alternatives or mitigation factors for businesses.

High-Road Apprenticeships. The Budget allocates \$25 million, proposed for early action by the Legislature, to expand High Road Training Partnership grants—an existing workforce development

demonstration project that focuses on “upskilling” workers (training workers for higher-skill jobs). The current project has allocated \$10 million in grants in the last year.

Increased Staffing to the Department of Industrial Relations’ Cal/OSHA Office. The budget includes \$14.4 million and 70 additional positions for Cal/OSHA to hire workplace safety inspectors. Additional information on this proposal was not available at the time of publication.

Still Enforcing AB 5’s Damaging Effects? It appears that the 2020-21 budget still includes \$22 million that was approved to enforce AB 5’s provisions. In light of the voters’ approval of Proposition 22 and the shutdown-induced unemployment, the Legislature should reconsider the funds intended to enforce the damage inflicted by AB 5.

COVID-19 Worker’s Compensation Enforcement. Despite the outcry from the business community on the potential adverse effects to already struggling businesses, the Governor’s budget would double down on enforcing and implementing the worker’s compensation laws passed last year. Together, these laws make it very difficult for an employer to prove that an employee did not contract COVID-19 in the workplace. These resources allow DIR to investigate additional workplaces that are “violating” COVID-19 guidelines and to regulate businesses for providing “adequate” personal protective equipment stockpiles for future crises.

Re-Proposes the “Department of Better Jobs and Higher Wages.” In 2020, the Governor proposed plans to create a new department to consolidate the various workforce and training programs in the state, dubbing it the Department of Better Jobs and Higher Wages. However, the proposal was not included in the final 2020 budget and was “deferred without prejudice” to a later date. Despite the Legislature not including the proposal in their final or deferred versions of the budget, the Governor is re-proposing the Department. It’s questionable whether this is yet another reorganization that will increase an already bloated bureaucracy, or whether the consolidation will actually produce improved workforce development outcomes. Furthermore, with the government shutdown of businesses and unemployment rising, the title “Better Jobs and Higher Wages” seems out of touch with the reality that many would just like the “good-enough” job they already had back.

Transportation

Key Points

- **Gas and Diesel Taxes Set to Increase Again.** Already among the highest in the nation, California's gas and diesel taxes are set to increase again on July 1, 2021.
- **COVID-19 Impacts.** Gas consumption, tax revenues, and local allocation data reflect significant decreases resulting from the COVID-19 shutdown. State transportation projects appear on track for a few years, but local projects may see significant delays.
- **Department of Motor Vehicles.** The budget includes \$186 million for REAL ID and other operational improvements to meet the extended federal deadline.
- **High-Speed Rail Continues Down Path of Folly.** The budget includes \$612 million to continue the high-speed rail project. The 2020 Business Plan is expected to be finalized in April 2021, after deadlines were extended, as proponents hope for a federal bailout.

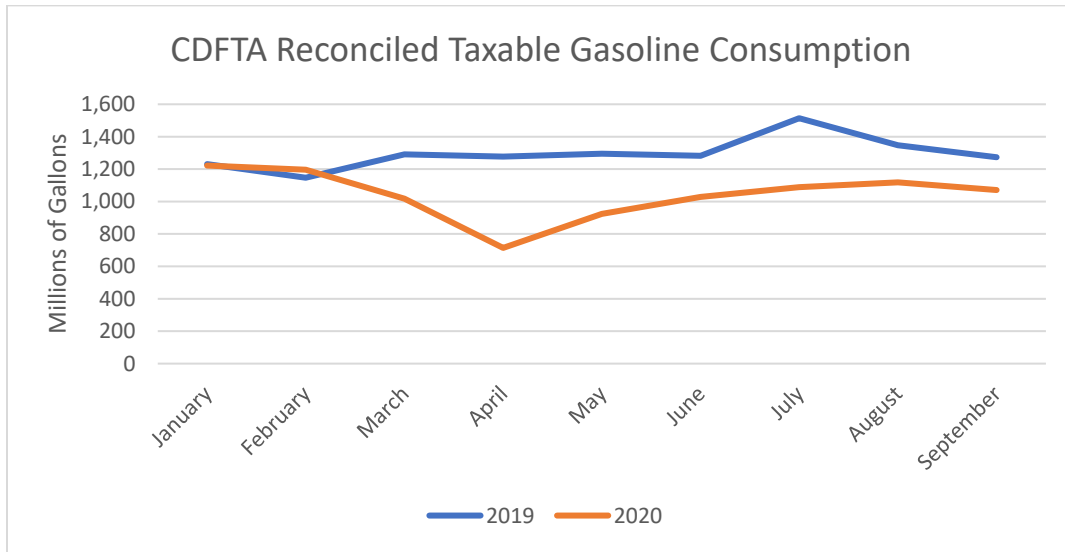
Gas and Diesel Taxes Increase Again. Pursuant to SB 1, the 2017 gas and car tax bill, the tax on gasoline will increase by another 1.5 cents per gallon on July 1, 2021. Similarly, the diesel excise tax will increase by 1.1 cents per gallon. These inflationary adjustments will continue to increase gas and diesel taxes each year on July 1st. The above increases are projected to generate nearly \$250 million in 2021-22. Lower-income workers are less likely to be able to work from home during pandemic shutdowns, meaning that the gas tax's burden will fall more disproportionately on them rather than on higher-income workers.

Transportation Revenues Take a Pandemic Hit. When various shelter-in-place and travel restriction orders were announced to reduce the spread of COVID-19, Californians significantly reduced vehicle travel. The subsequent drop in demand for fuel results in less gas and diesel tax revenue. Despite an estimated 5.6 percent revenue loss over three years (2019-20 to 2021-22), equivalent to \$1.5 billion, total revenues over the same period are projected to be \$24.5 billion.

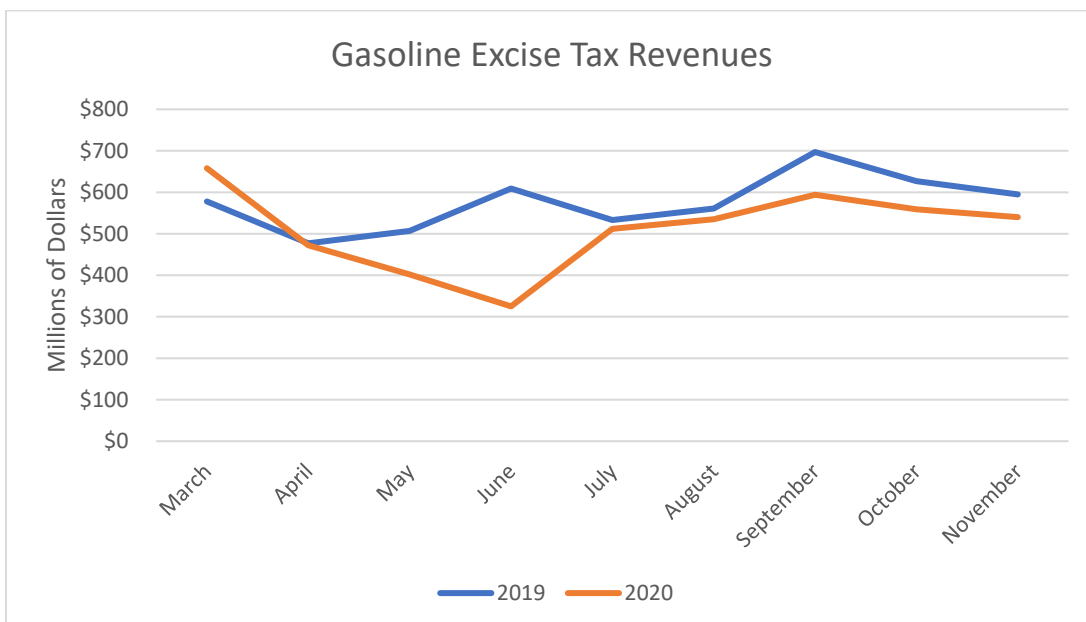
As the economy begins to recover, losses are projected to diminish significantly, with total losses through 2024-25 estimated at \$1.8 billion or about 3 percent. Furthermore, the California Department of Transportation (Caltrans) continues to accelerate projects to achieve cost savings. These savings will help offset revenue losses; however, the magnitude of savings is unknown at this time.

Transit Ridership Plummet. Transit ridership, which was already declining before COVID-19, fell 50 to 75 percent on buses, light rail, and commuter rail as telework became prevalent and the need to social distance made transit vehicles impractical. While fare revenue is a small piece of the transit funding pie, nearly half of the revenues come from local sales taxes, which have also dramatically declined. The remaining funding is from state and federal taxes on gas and diesel, which, as previously mentioned, have also decreased. The federal CARES Act included funding for California transit entities of about \$3.7 billion and HR 133 is expected to provide \$2 billion more to keep transit afloat. Additionally, AB 90 (2020), a transportation budget trailer bill, modified existing transit funding formulas and requirements to hold transit entities harmless for the impact of COVID-19, allowing transit agencies to continue to receive hundreds of millions of state dollars annually for operations and capital expenses. Time will tell if transit can adjust and again become an option for travel or if this is the end for an already heavily subsidized industry.

COVID-19 Impact on Gasoline Consumption. As a result of shelter-in-place orders, taxable gasoline consumption fell significantly compared to the same months in 2019, according to the California Department of Tax and Fee Administration (CDTFA). Consumption bottomed out in April 2020 at 44 percent below the prior year, with recovery trending in the subsequent months. The chart below reflects this data.



COVID-19 Impact on Gas Tax Revenue. The decreased gasoline consumption reflected above translates into reduced gas tax revenues. The chart below reflects the year-over-year change in gas tax revenues by month, though, for technical reasons, each month reflects delayed data from the prior three months. Since the March figures reflect revenues for prior months, the data do not show an impact from COVID-19 at that time. The increase of 13.8 percent shown in March aligns with the 13.4 percent gas tax increase, from 41.7 cents per gallon to 47.3 cents per gallon, which took effect on July 1, 2019. The largest decrease is in June at 46.6 percent below the prior year. However, when considering the 13.4 percent increase in the tax rate, the impact is actually a 60 percent decrease from anticipated revenues.



Impact on Road Projects. No impact is expected for any project in the queue for 2021-22 in the two main **state** programs for road projects, the State Highway Operation and Protection Program (SHOPP) and the State Transportation Improvement Program (STIP). The current four-year SHOPP (2020-21 through 2023-24) plans to fund \$17.4 billion in projects, and the five-year STIP (through 2024-25) plans to fund \$2.4 billion in projects. There are various reasons that no immediate impact would occur. First, there are a couple of stable funding sources like federal funds and the Transportation Improvement Fee paid by vehicle owners when registering a vehicle. Second, project bids are generally lower during a recession, and there are efforts to expedite road projects during this time due to decreased traffic; both of these factors would result in lower project costs. Additionally, California expects to receive about \$900 million in federal funds from HR 133 and already received \$500 million in additional federal funds that went unused in other states.

Any impact to state programs from decreased gas tax revenue is not expected until at least 2022-23 or later. At this time, no projects are expected to be canceled, though some could be delayed. Notably, there are often shifts of projects for many reasons in the out-years of a program, so impacts are anticipated to be minimal.

Conversely, **local** transportation projects are likely to be affected more immediately because cities and counties receive state gas tax revenues throughout the year, and reductions in those revenues are already apparent. It is also unlikely local governments have significant reserves to offset these reductions. There are some reports of delays to planned projects that have not yet begun construction. Much of the funding for a project is secured before a project begins, but if there is a shortfall, future projects can be delayed and funds shifted to current projects. Since control of these funds and projects resides with each local government, any changes to projects are made at the local government level. Below is a chart showing year-over-year gas taxes to local governments for the months of March through December.

Apportioned State Gasoline Excise Tax to Local Governments										
(Millions of Dollars)										
	March	April	May	June	July	August	September	October	November	December
2019	\$244	\$206	\$242	\$268	\$217	\$283	\$313	\$276	\$259	\$225
2020	\$280	\$196	\$171	\$120	\$234	\$234	\$275	\$255	\$243	\$272
Change	\$36	-\$11	-\$71	-\$149	\$16	-\$49	-\$38	-\$21	-\$16	\$47
% Change	14.8%	-5.2%	-29.3%	-55.3%	7.5%	-17.3%	-12.1%	-7.6%	-6.2%	20.9%

Department of Motor Vehicles

Department of Motor Vehicles (DMV) REAL ID. The Governor proposes \$186 million (Motor Vehicle Account) to support 258 permanent positions and up to 1,383 temporary positions, largely to handle the expected workload related to issuing federally compliant driver’s licenses and identification cards, known as REAL IDs. The previously provided REAL ID resources expire June 30, 2021. As a result of COVID-19 challenges, the federal government extended the deadline for REAL ID by one year, to October 1, 2021. However, with 9.3 million REAL IDs issued as of November 2020, DMV anticipates only 16 million Californians will have Real IDs by October 1st. Another nearly 11 million Californians are expected to seek REAL IDs after the deadline. Given the large amount of one-time workload expected, this request proposes a large number of temporary positions and resources decline each year until 2025-26, when ongoing resources remain at \$32 million.

Additionally, the proposed budget includes ongoing resources to fund a communication campaign and customer service improvements, such as the REAL ID Automated Document Verification Project and online chat services intended to improve access to DMV's services outside of field offices. The proposed resources also continue funding for operational improvements, such as increased management, training, and kiosks. Finally, the proposed budget includes ongoing funding for IT improvements, such as replacing outdated and unreliable terminals, servers, circuits, and IT resources to support new online services. Modernization of the DMV is overdue and many challenges could have been avoided if changes, including adjustments necessary to process REAL IDs in a timely manner, had been initiated sooner rather than waiting until the need was critical.

California High-Speed Rail Authority

High-Speed Rail Continues Down a Path of Folly. The budget includes \$612 million, including \$532 million from Cap and Trade revenues, to continue construction and administration of High-Speed Rail. This is a small spending proposal considering there is more than \$2 billion from Cap and Trade revenues sitting in a high-speed rail account waiting to be spent. However, the budget will likely be adjusted after the finalization of the 2020 Business Plan, which was delayed to April 15, 2021. The High-Speed Rail Authority is likely to seek renegotiated federal contracts with the new Biden administration to extend project delivery deadlines.

Adoption of 2020 Business Plan Strategically Delayed. AB 90 (2020), a transportation budget trailer bill, extended the adoption of the final 2020 High-Speed Rail Business Plan from May 1, 2020 to December 15, 2020. Legislative Democrats argued the extension provided more time for the Legislature to weigh-in on the existing draft plan. However, it seems the delay was political, hoping for a change of federal leadership, or perhaps a bailout, before finalizing the business plan. On December 4, 2020, Senate President pro Tempore Atkins sent a letter to Chair of the California High-Speed Rail Authority Board of Directors, Tom Richards, indicating the statutory deadline was extended to April 15, 2021. It is unknown how Senator Atkins could unilaterally extend a deadline established in state law merely by writing a letter.

The draft 2020 Business Plan released by the High-Speed Rail Authority in February 2020 detailed another cost increase of \$1.3 billion as compared to the prior year estimate, largely a result of project delays. While this report is expected to be updated, it is likely the costs will continue to increase. The 171-mile Merced-Fresno-Bakersfield segment is expected to be operational at the end of 2029. The current draft 2020 Business Plan also assumed Phase I, Anaheim to San Francisco, will cost \$80.3 billion and begin operations in 2033. However, the Phase I costs and completion date can only be realized if more money is sent to the project faster. ***With the current flow of money to the project, cost escalation outpaces the project and there will never be enough money to actually build it.***

Public Safety and Judiciary

Key Points

- **Prison Population Artificially Low Due to COVID-19.** Majority party and Governor chomping at the bit to close prisons, but population uncertainty and federal prison cap suggest proceeding with caution.
- **Prison Pandemic Costs Rise Exponentially.** Previous estimates of COVID-19 prison costs proved far too low as estimates now reach \$1.4 billion.
- **Strained Police-Community Relationships at Crossroads.** Future relations could hinge on fairness of Attorney General's use-of-force investigations.
- **Wildfire Prevention Funds Proposed.** A proposed \$25 million would help with home hardening efforts, though more funds likely needed.
- **One-Time Funds Requested to Help Pay Local Pandemic Response Costs.** State spending on local disaster assistance payments would nearly triple due to COVID-19.
- **Court Efficiency Measures Benefit Public and Courts.** Online options provide needed relief for low-income individuals and free up court resources for more serious matters.
- **Early Action Requested for Surge in Tenancy Cases.** Current-year funding needed for courts to process volume of unlawful detainer and small claims filings precipitated by recently-enacted COVID-19 protections.

Department of Corrections and Rehabilitation (CDCR)

The Governor's proposed 2021-22 budget includes total funding of \$13.1 billion (\$12.7 billion General Fund) for CDCR. This is approximately \$337 million lower than spending levels approved in the Budget Act of 2020. The decrease is almost entirely attributable to shrinking prison populations resulting from actions to mitigate the effects of the COVID-19 pandemic on inmates and from the scheduled closure of the Deuel Vocational Institution on September 30, 2021.

Prison Population Dwindles, but Significant Portion of Decrease Will be Temporary. At enactment of the 2020-21 budget last June, the projected adult inmate average daily population (ADP) for 2020-21 was 122,536. Due primarily to various population-reducing actions CDCR has taken to mitigate the impact of COVID-19, including expediting releases, increasing sentence credits, and halting intake, the projection for 2020-21 ADP has decreased 20 percent to 97,950. ADP is expected to further decrease by another 2,626 inmates in 2021-22. This significant reduction leads to an estimated budget-year savings of \$257 million General Fund. However, at some point, the temporary intake suspension will be lifted and the courts, which have experienced significant delays in adjudicating criminal matters in the COVID-19 environment, will return to their normal pace. These realities will result in a surge of new admissions that will erase an unknown, but likely substantial portion of the reduction in ADP.

Prison Closure May be Premature. In September 2020, pursuant to the requirements of SB 118 (Committee on Budget and Fiscal Review, 2020), CDCR announced plans to permanently close the Deuel Vocational Institution (DVI) in Tracy on September 30, 2021. If prison beds are truly not needed, then closing one or more prisons is a laudable goal that appears to be supported by falling ADP projections. However, the state is still under a federal court-ordered prison population cap that is based on total prison design capacity. Notably, while SB 118 requires CDCR to identify two prisons for closure, it does not mandate if or when the closures must actually occur. Premature closure of prisons

would reduce design capacity and could result in a court-appointed moderator forcing the early release of thousands of unrehabilitated felons. The state should proceed with caution as it evaluates its prison capacity needs, especially given the intake- and court-related uncertainties surrounding the pandemic.

COVID-19 Drives Prison Operational Cost Explosion. When the Budget Act of 2020 was enacted, the costs of mitigating COVID-19 in the state prisons, from the time the pandemic began through fiscal year 2020-21, were budgeted at \$17.3 million. The Governor's proposed 2021-22 budget now estimates those costs, from the pandemic's inception through 2021-22, to be approximately \$1.4 billion, with the largest cost factors being employee and inmate testing (\$554 million), reimbursement to counties for holding inmates sentenced to prison in local jails while prison intake is suspended (\$241 million), medical surge capacity (\$241 million), and personal protective equipment (\$89 million). In addition to these costs, CDCR is requesting \$51 million in 2021-22, increasing to \$78 million by 2024-25, to pay additional workers' compensation claims arising from SB 1159 (Hill, 2020). SB 1159 created a rebuttable workers compensation presumption and established eligibility for temporary disability benefits for specific public safety employees who were ordered by their employer to report to work and then tested positive for COVID-19 within 14 days.

Implementation of Transgender Legislation Could Endanger Biologically Female Inmates. The Governor's budget requests \$4.6 million General Fund over the next two years (\$1.2 million annually thereafter) for CDCR to develop and implement policies and procedures in response to SB 132 (Wiener, 2020). Among other things, SB 132, which was strongly opposed by Senate Republicans, grants inmates the right to change their preferred gender identity at any time and, except in specified circumstances, requires CDCR to house an inmate at a correctional facility consistent with the inmate's preferred gender. Unless CDCR executive-level staff find that the transfer would present a security risk or some other management challenge, they would be prohibited from denying the request. Implementation of SB 132 must be closely monitored to ensure the safety of all affected inmates.

Department of Justice (DOJ)

Budget Implements Previous Gun-Restricting Legislation. The Governor's budget includes \$1.1 million Dealers' Record of Sale Special Account in 2021-22, increasing to \$2 million in 2022-23, for DOJ to implement three firearms bills that were enacted in 2020 (AB 2061, AB 2362, and AB 2847). These bills serve to further erode Californians' constitutionally protected right to keep and bear arms by directly and indirectly restricting access to firearms and ammunition. All three bills passed the Senate with no Republican votes.

Consolidation of Forensic Laboratory Services. The budget includes a request for \$6.5 million General Fund for the initial phase of a design-build project to consolidate DOJ's Sacramento and Richmond forensic laboratory operations into a single new facility in the Sacramento area. DOJ provides forensic services to many small and medium-sized counties throughout the state. This service is critical, as many counties lack the resources to establish their own forensic labs. This proposal would address numerous deficiencies with existing forensic laboratory space and would improve DOJ's ability to recruit and retain forensic staff. Total project costs are estimated at \$435 million.

Budget Implements Police Use-of-Force Investigation Bill. Tensions between police and the communities they serve remain near all-time highs, especially within inner cities and communities of color. There is a deep distrust of the police amongst community members that many believe is attributable to unnecessary, and in some cases unlawful, use of force by the police. The Governor's budget includes \$13 million General Fund for DOJ to establish three regional teams to investigate police use of force incidents pursuant to AB 1506 (McCarty, 2020). AB 1506 requires the Attorney General to investigate all incidents of officer-involved shooting resulting in the death of an unarmed

civilian with the option of prosecuting if the investigation determines criminal charges are appropriate. Effective implementation of AB 1506, with transparent investigations and outcomes perceived by all to be fair, could begin to restore relations that are currently strained. To be successful, however, the Attorney General must be objective, keeping politics out of the investigations and findings. Furthermore, communities must be willing to accept the results without prejudice. It is not at all clear, however, that either of those prerequisites are currently in place. Much remains to be done.

Office of Emergency Services (OES)

Wildfire Preparedness Grants. As part of a wildfire and forest resiliency package (see *Wildfire Prevention, Response, and Recovery* section), the budget proposes \$25 million one-time General Fund in 2020-21 for OES (\$21.9 million) and the Department of Forestry and Fire Protection (\$3.1 million) to provide assistance to homeowners in making their homes more resistant to damage and destruction caused by wildfires. Research, common sense, and experience bear out that creating and maintaining defensible space, in conjunction with other home-hardening measures, can greatly reduce the damage and associated costs of recovery from wildfires. It is good to see that the Governor is awakening to the folly of decades of heavy-handed state environmental policy and poor natural resource management. This proposal is a small step in the right direction, but dramatically more funds would be needed to harden a significant number of homes.

COVID-19 Drives California Disaster Assistance Act (CDAA) Claims. Due to a recent surge in CDAA claims submitted by local governments impacted by the COVID-19 pandemic and other recent disasters, the budget includes a one-time augmentation of \$193 million to the baseline budget for the CDAA, which would bring total CDAA expenditures in 2021-22 to \$256 million. These funds will assist local governments in their response to and recovery from state-declared disasters for activities that are not eligible for federal reimbursement.

Federal Funds for Next Generation (NextGen) 9-1-1 Fix. Following years of promises to improve caller location accuracy, response times, and system reliability, and after repeatedly assuring the Legislature that NextGen 9-1-1 was ready for prime time and that the only thing holding it up was a stable long-term funding source (necessitating the restructuring and expansion of an existing telecommunications tax), OES installed and began testing NextGen 9-1-1 equipment statewide in 2020. In the process, deficiencies in the geographic information system (GIS) data needed to support the NextGen 9-1-1 system were discovered. The Governor's 2021-22 budget requests \$570,000 in Federal Trust Fund authority for staff to address the GIS deficiencies in the budget year. It is unclear whether addressing these deficiencies will also necessitate an increase in the State Emergency Telephone Network Account surcharge. If it does, the Legislature will have little opportunity for oversight, since OES has the authority to autonomously set the amount of the surcharge each year.

Judicial Branch

The Governor's proposed budget includes total funding of \$4.1 billion (\$2.2 billion General Fund) in 2020-21 for the Judicial Branch, including \$3.1 billion to support the trial courts. Relative to the Budget Act of 2020, proposed 2021-22 state spending levels are about \$120 million higher. This includes a \$72 million augmentation for the trial courts' overall operational costs, as well as several other smaller adjustments to deal with increasing employee costs, deferred maintenance, and special fund revenue shortfalls.

Trial Court Operational Costs. As reference above, the Governor's budget includes a \$72 million General Fund increase for the trial courts' operational costs. This funding will allow them to further

efforts to increase access to justice, improve court processes, and implement new laws. The budget also includes \$118 million General Fund to continue the relatively recent practice of backfilling Trial Court Trust Fund revenues. This funding is intended to maintain existing service levels despite declining revenues.

Ability to Pay Pilot Expansion. The Budget Act of 2018 authorized the Judicial Council to administer pilot projects in eight courts for online traffic infraction adjudication and ability-to-pay determinations. This budget proposes \$12 million in new General Fund spending to capitalize on the efficiencies realized from those pilots by expanding them to include all infractions (not just traffic), and by rolling out both online ability-to-pay and online infraction adjudication statewide. The vast majority of the funding (between 64 and 96 percent) would backfill trial court revenues that would decrease as ability-to-pay determinations reduce court-ordered debts for online applicants. The benefits of expanding the pilots would be that 1) more low-income individuals would get relief from over-burdensome court-ordered debt, and 2) fewer scarce court resources would be tied up resolving routine infraction citations and ability-to-pay determinations in person, making those resources available for other, more complex court matters.

Surge Funding for COVID-19-Related Tenancy Cases. Included in the Governor's proposed spending plan is an early-action request for \$11.7 million General Fund (one time) for the trial courts to process an anticipated increase in unlawful detainer and small claims filings resulting from the pandemic protections provided in AB 3088 (Chiu, 2020). AB 3088 was intended to alleviate the financial strain resulting from the pandemic on both tenants and small landlords. It generally prohibits eviction of a COVID-19-impacted tenant for failure to pay their rent during a specified period, enhances a landlord's ability to collect those rents after the designated period expires, and protects landlord/borrowers by making it more difficult for a mortgage servicer to deny a request for forbearance. Without this additional funding, the trial courts, which are already facing massive case backlogs from operational changes implemented in response to the pandemic, would see backlogs grow and civil litigants would experience long delays before having their cases heard.

Court Facilities Projects. The Governor's budget includes \$4.9 million one-time General Fund and \$66.5 million in lease-revenue bond authority for various stages of two approved court construction projects. The New Lakeport Courthouse project in Lake County has total estimated project costs of \$73 million and the New Ukiah Courthouse in Mendocino County has total estimated project costs of \$118 million. Both projects would replace existing, outdated court facilities. The budget also proposes \$3.2 million General Fund (one time) for two studies of court construction options (in Nevada and Los Angeles Counties). These are all part of the ongoing effort to modernize the state's aging court facilities that began in earnest in 2007.

Resources & Environmental Protection

Key Points

- **Early Action Package.** The Governor's budget requests early Legislative approval of \$990 million to promote economic recovery efforts through programs within the Natural Resources and Environmental Protection Agencies.
- **Pesticide Mill Fee Increase.** The proposed budget also includes a new risk-based tiered mill assessment plan that would raise fees on pesticide sales and impose burdensome regulations on businesses battling the economic impacts of COVID-19.
- **Agricultural Package.** The proposed budget would further provide nearly \$454 million to advance multiple proposals geared toward varying assistance levels within the agriculture industry.
- **Cap and Trade Program.** After a year of inaction, the proposed expenditure plan reappears and would consolidate the current 2020-21 budget year and the 2021-22 fiscal year to provide nearly \$1.4 billion in resources for various programs.
- **Agency Reform and Site Cleanup.** Obscure, Governor-backed proposals contain sweeping policy to reforms for the Department of Toxic Substances Control (DTSC), and new fees to aid site contamination abatement.

Early Action Package

Early Action Priorities Appear Misguided. While transportation ridership is down due to COVID-19, Pandemic-induced job loss, and economic hardship, the proposed budget includes nearly \$990 million in early action items to "jumpstart economic recovery" across various sectors, emphasizing climate-smart technologies. The package contains support for some programs and activities that have merit and would address some of the state's highest priorities, such as fast-tracking wildfire prevention efforts. However, the plan would also immediately dedicate millions from the Greenhouse Gas Reduction Fund (GGRF) to enhance the number of zero-emission vehicles (ZEVs) within the state. While jobs and financial relief are needed, prioritizing zero-emission technologies under the guise of job creation seems like a flagrant attempt to propel the Administration's costly climate initiatives into action. The below list provides a breakdown of the funding categories.

- **\$5 million** (special fund) for the Department of Resources Recycling and Recovery (CalRecycle) to expand pilot programs to increase consumer redemption of beverage containers in communities underserved by recycling centers.
- **\$162 million** (\$53 million General Fund and \$105 million GGRF) for the Department of Food and Agriculture (CFDA) to provide technical assistance to underserved farmers, support regulatory relief efforts, farming water efficiencies, sustainable groundwater management, and climate-smart agricultural programs.
- **\$170 million** (GGRF) for various departments to support grants and incentives to improve air quality, reduce emissions, and increase soil health. *(Please refer to the Cap and Trade Expenditure Plan for more details).*
- **\$323 million** (\$198 million General Fund and \$125 million GGRF) for the Department of Forestry and Fire Protection (CalFire) to accelerate fire prevention projects before the 2021 fire

season by increasing the pace and scale of existing fire prevention efforts to reduce wildfire risk and jumpstart economic recovery in the forest sector. (This proposal is also discussed in the *Wildfire* section of this report.)

- **\$329 million** (GGRF) for the Air Resources Board (CARB) to support existing transportation equity programs such as Clean Cars 4 All, Clean Mobility Options, and Financing Assistance, as well as heavy-duty vehicle programs such as the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project and the Clean Off-Road Equipment Voucher Incentive Project.

Mill Assessment

Program Expansion. The proposed budget includes nearly \$30 million (various funds) for the Department of Pesticide Regulation (DPR) and the CDFA to implement policies that discourage the use of certain pesticides. The proposal expands a pest management workgroup supported by one-time funding in 2019-20. The newly proposed budget would support various research, education, and enforcement activities. It would additionally finance 44 positions in 2021-22 for DPR. Investing in alternatives to harmful pesticides is a worthy goal, but this proposal fails to consider the impacts on those paying the bills. Regardless of the merits, this proposal would raise taxes on existing options and would do more harm than good to a variety of consumers in a year when many industries are struggling to stay afloat.

Risk-based Tiered Mill Assessment. Currently, the mill assessments have a statutory cap of 21 mills (\$0.021/dollar). The budget proposal would replace the current flat-fee mill assessment on pesticide sales with a risk-based tiered mill assessment. The proposal would impose a maximum mill assessment of 26, 40, and 45 mills on products that correlate with the corresponding tiers. The tiered mill assessment would phase in over four years and be based on U.S. Environmental Protection Agency guidelines, using the "signal words" in the chart below.

Tiered Mill Assessment by Signal Word

Signal Word	2021-22	2022-23	2023-24	2024-25
Tier 1: None & Caution	21 mills	25 mills	25 mills	26 mills
Tier 2: Warning	30 mills	30 mills	35 mills	40 mills
Tier 3: Danger & Danger/Poison	35 mills	35 mills	40 mills	45 mills

New Taxes. Once fully phased in by 2024-25, the proposed tiered mill assessment will generate approximately \$45 million in additional revenue annually to the DPR Fund. The additional revenue will fund various DPR and CDFA programs and increase support to the County Agricultural Commissioners (CACs) for local pesticide use enforcement activities.

Agricultural Package

The proposed \$454 million spending plan would depend on a mix of the General Fund, federal, and special funds to support various agricultural programs. While the budget includes funding for projects that would benefit agricultural producers and aid COVID-19 recovery efforts, it also contains plans to expand low-priority programs. For example, the package would commit \$12 million ongoing (General Fund) to research and develop less toxic pesticides. The agricultural sector is among many that experienced the worst economic impacts of the pandemic. Now is not the time to expand programs that

promote increased fees on less environmentally friendly options. The below list outlines significant spending proposals within the agricultural package.

- **Assistance to Farms.** \$6.7 million one-time General Fund (\$3.35 million in 2020-21 and \$3.35 million in 2021-22) to contract with the University of California Cooperative Extension and provide direct technical assistance and grants to technical assistance providers and small, mid-sized, and underserved farmers.
- **Federal Funding.** \$8.7 million in ongoing federal fund authority and 24 positions to continue and expand CDFA's Produce Safety Program. Funding would address the planning of enhancements needed to bring California farms into compliance with the Act.
- **Fairgrounds.** \$60 million one-time General Fund to continue supporting state-affiliated fairgrounds operational costs while the state evaluates alternative business models (\$50 million) and deferred maintenance on fairgrounds that support emergency operations (\$10 million).
- **Sustainable Groundwater Management Act (SGMA).** \$100 million one-time General Fund to support the following grant programs:
 - \$60 million one-time General Fund (\$30 million in 2020-21 and \$30 million in 2021-22) to the Department of Water Resources (DWR) for grants to support SGMA implementation.
 - \$40 million one-time General Fund (\$20 million in 2020-21 and \$20 million in 2021-22) to CDFA to support grants for the State Water Efficiency and Enhancement Program (SWEEP).
- **Climate-Related Spending in Agriculture.** \$250 million (\$200 million GGRF and \$50 million General Fund) in one-time funding for the following programs and proposals:
 - \$170 million one-time GGRF (\$90 million in 2020-21 and \$80 million in 2021-22) to CARB to support the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program.
 - \$30 million one-time GGRF (\$15 million in 2020-21 and \$15 million in 2021-22) to CDFA for the Healthy Soils Program.
 - \$50 million one-time (General Fund) to the California Infrastructure and Economic Development Bank (IBank) for deposit into the Climate Catalyst Fund to support Climate Smart Agriculture loans. (Note that this proposal has different parameters than a much larger proposal by the same name last year that was ultimately not approved.)

Cap and Trade Expenditure Plan

The Prodigal Fund Returns. Nearly a year after the majority party tabled 2020-21 expenditure plans for the Cap and Trade Program, the Governor proposes over a billion dollars in spending. After less-than-stellar auction revenues due to the economic impacts of COVID-19 in the 2020-21 fiscal year, the expenditure plan reappears in the form of a two-year spending proposal—to make up for lost time, no doubt. The proposed plan would commit nearly \$1.4 billion from the GGRF to various climate-related programs and projects.

Spending Based on Estimates and Assumptions. The Governor's expenditure plan considers Cap and Trade auctions generating an estimated \$2.121 billion in 2020-21 and assumes that auctions will generate \$2.256 billion in 2021-22. Based on the above revenue estimates, the proposal would provide \$624 million for the current 2020-21 budget year and \$745 million for the 2021-22 fiscal year to fast-track economic recovery. While most of the expenditures would build upon and continue to support existing programs, the expenditure plan would also prioritize accelerating the Governor's recent Climate Executive Orders (N-79-20 and N-82-20), relating to zero-emission vehicles and natural and working lands.

The proposal also includes budget bill language that would place parameters on spending during the current 2020-21 budget year and 2021-22 fiscal year. Specifically, the language would 1) restrict departments from committing more than 75 percent of their GGRF appropriations before the fiscal year's fourth quarterly Cap and Trade auction, and 2) provide adequate funding (\$130 million annually) to the Safe and Affordable Drinking Water Program pursuant to SB 200 (Wieckowski, 2018). The Governor also proposes trailer bill language to revise the provisions of SB 901 (Dodd, 2018) to extend the annual commitment of \$200 million for forest health and fire prevention activities through 2024 by six years, to 2030, instead.

Unfortunately, as with years past, the majority of overall Cap and Trade spending for the current budget year and the 2021-22 fiscal year would continue to be directed at programs with no nexus to measurable GHG reductions (High-Speed Rail, sustainable communities, and transit). However, at least \$525 million would be directed toward sustainable forests and agricultural programs proven to reduce GHG emissions in California. Specifically, the proposal contains (1) \$325 million for healthy forests, prescribed burns, and thinning projects (described further in the *Wildfire* section) and (2) \$200 million for healthy soils and for engine replacements and upgrades that benefit agriculture. Given the catastrophic economic impacts of the COVID-19 pandemic on the agricultural industry, millions more should be dedicated toward methane reduction programs and SWEEP.

As described above, the \$1.4 billion represents a two-year spending period and makes up 35 percent of total auction revenues subject to legislative discretion. Under current law, the remaining 65 percent of Cap and Trade revenues (\$4.2 billion) are continuously appropriated for transit, affordable housing, sustainable communities, Safe Drinking Water Program, and High-Speed Rail. Details are outlined in the below chart.

Cap and Trade Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	Early Action 2020-21	Budget Year 2021-22	Total
Equity Programs	California Air Resources Board	AB 617 - Community Air Protection	\$125	\$140	\$265
		AB 617 - Local Air District Implementation	\$0	\$50	\$50
		AB 617 - Technical Assistance to Community Groups	\$0	\$10	\$10
	Water Board	Safe & Affordable Drinking Water (\$130 million total)	\$30	\$24	\$54
Low Carbon Transportation & ZEV Strategy	California Air Resources Board	Clean Trucks, Buses, & Off-Road Freight Equipment	\$165	\$150	\$315
		Clean Cars 4 All & Transportation Equity Projects	\$74	\$76	\$150
		Agricultural Diesel Engine Replacement & Upgrades	\$90	\$80	\$170
Natural & Working Lands	CAL FIRE	Healthy & Resilient Forests (SB 901) (\$75 million included in 2020 Budget)	\$125	\$200	\$325
	Department of Food & Agriculture	Healthy Soils	\$15	\$15	\$30
Total			\$624	\$745	\$1,369

Agency Reform and Site Cleanup

DTSC Reform. The budget would provide \$39 million one-time (General Fund) to support a multi-pronged reform proposal that would create a new five-member Board, grant new fee authority, and streamline revisions to current fee structures. Key funding and reform elements include:

- **New Regulatory Board.** \$3 million to establish and staff a five-member "Board of Environmental Safety" that will set fees through regulation, hear permit appeals, and provide guidance to DTSC.
- **New Fee Authority.** Provide statutory authority for the new Board to revise fees through a public fee-setting process.
- **Streamline Fee Setting.** The budget proposes \$22.5 million to backfill the Hazardous Waste Control Account (HWCA). The plan would also provide statutory authority for the new Board to streamline the HWCA's existing fee structure and set new fees based on the "polluter pays" principle.
- **Adjust Current Fees.** The budget proposes \$13 million to backfill the Toxic Substances Control Account and statutory authority for the Board to adjust fees.

Site Cleanup. The budget presents nearly \$900 million one-time (General Fund) support to accelerate cleanup efforts for contaminated properties throughout the state. Projects include:

- **\$14 million** General Fund and \$2.5 million ongoing funding from the Lead-Acid Battery Cleanup Fund to pursue future cost recovery efforts from Exide. Last spring, Exide's assets were liquidated after successfully filing for bankruptcy. This proposal would continue to support outside bankruptcy counsel and legal services to recover taxpayer-funded cleanup costs.
- **\$31.4 million** loan for DTSC to meet the state's existing commitment to clean up 3,200 residential properties with specified lead contamination levels surrounding the Exide facility. As mentioned above, cleanup is currently funded by taxpayers while the state pursues legal action to recover costs from Exide.
- **\$300 million** to clean up orphan sites eligible for remediation in the next four years. The funding for this plan is contingent upon the enactment of the above DTSC reform proposal.
- **\$500 million** for infill infrastructure grants to facilitate infill housing development on brownfield sites. *(Please refer to the Housing and Homelessness section for more information).*

Energy & Utilities

Key Points

- **Zero-Emission Vehicle Policies Drive-Up Cost of Living.** The Governor proposes a vehicle tax increase to provide \$1.5 billion for ZEV infrastructure and ZEV vehicle subsidies.
- **Broadband.** Greater investment is needed to close the digital divide in California.

Zero-Emission Vehicle (ZEV) Policies Drive-Up Cost of Living. On September 23, 2020, Governor Newsom issued Executive Order N-79-20, seeking to ban the sale of gasoline-powered passenger cars and trucks by 2035. To meet this goal, the Governor proposes to raise money by extending a vehicle tax, currently set to expire January 1, 2024, to instead remain in place until June 30, 2046. The government plans to borrow \$1 billion to install electric vehicle charging stations and hydrogen fuel stations for ZEVs and repay the money over time with this tax revenue. While this is a relatively small tax of \$2 each year, included in vehicle registration fees, it adds to a lengthy list of other taxes and fees Californians pay. The proposal also includes \$465 million from Cap and Trade revenues to fund vehicle subsidies and \$50 million (General Fund) to install electric charging stations at state-owned facilities. The Governor's proposal increases taxes, to borrow funds at a higher cost, to build infrastructure currently lacking demand, and ultimately forces Californians into more expensive vehicles.

In addition to this tax extension, ten other vehicle-related taxes, including on items like car tires and boats, are also proposed for an extension to 2046. Together, these taxes generate over \$300 million annually. While the Governor's proposal is not completely clear, it appears these taxes will be focused on phasing out gasoline vehicles and forcing a transition to ZEVs across all vehicle classes, including medium- and heavy-duty trucks, off-highway vehicles, and agricultural equipment.

This proposal serves as a prime example of Sacramento Democrats driving up the cost of living in California. Not to mention the timing appears tone-deaf. In the midst of a global pandemic, with over 1 million jobs lost, tens of thousands of businesses shuttering, people struggling to pay for necessities, one of the Governor's top priorities is forcing Californians to pay more for transportation.

Broadband

California's Digital Divide. The COVID-19 pandemic has exposed California's digital divide. According to the California Public Utilities Commission's (CPUC) 2019 Annual Report on the California Advanced Services Fund, 33 percent of rural households do not have access to high-speed broadband at 25 Megabits per second (Mbps) download speed and 3 Mbps upload speeds (25/3 Mbps). In contrast, 97.9 percent of households in urban areas have access at that speed. In total, more than 490,000 households are unserved at 25/3 Mbps. However, these speeds are not meeting the needs of Californians today, many of whom are working from home, distance learning, and utilizing telehealth services.

Existing State Efforts to Close the Digital Divide. California has long recognized the need for broadband access. In 2008, California began taxing telephone consumers to subsidize broadband infrastructure in areas that were otherwise cost-prohibitive for private companies to install broadband. Since program inception, \$645 million has been budgeted for expanding broadband service, with a goal of providing service to 98 percent of households in each specified region of the state by the end of 2022. It is apparent the program has not kept pace with the needs of Californians, especially rural Californians. This program, and the related funding stream, is set to expire at the end of 2022.

Additionally, high-speed broadband service is often available, but affordability can mean access is out of reach. For example, more than one-third of Californians with access to broadband at 25/3 Mbps or greater speeds do not have a subscription for service. Not only is the service often expensive, but the devices required to use the service are expensive as well.

Federal COVID-19 Relief. A recently approved federal COVID-19 relief bill, HR 133, will provide \$7 billion for broadband access assistance nationwide, including the following (**note:** it is unknown what portion of this funding will directly benefit California):

- \$3.2 billion nationally to reimburse broadband providers for discounted emergency broadband service and subsidized devices to eligible households. These subsidies for low-income households will be \$50-\$75 per month for broadband access.
- \$1.9 to reimburse internet providers for the cost of removing and replacing unsecure equipment from their networks in an effort to secure communication networks from threats of foreign adversaries.
- \$1 billion for a grant program to support broadband connectivity, telehealth, distance learning, broadband affordability, and digital inclusion, on tribal lands.
- \$300 million nationally for competitive grants to public-private partnerships to install broadband in areas with insufficient access, with priority to projects connecting the greatest number of households or projects in rural areas.
- \$285 million nationally for grants to minority-serving colleges to expand broadband access in their communities.
- \$250 million nationally to expand telehealth service offerings.
- \$65 million for the Federal Communication Commission to create broadband data maps.

Federal Rural Digital Opportunity Fund. The federal government established the Rural Digital Opportunity Fund to award up to \$20.4 billion nationally to support broadband infrastructure deployment and network operations over a 10-year period. Funds are awarded for eligible areas around the country that lack broadband service of at least 25/3 Mbps. In the first round of funding recently awarded, projects across California were granted \$695 million.

Future Investments in Broadband. The Governor does not include a specific proposal in the budget to provide additional funding to close the digital divide. The Governor calls for a coordinated state effort over the next five years with collaboration between state, federal, and local governments, regional agencies, Native American tribes, the private sector, and the public. Perhaps he missed an opportunity to create another strike team. With one-time General Fund revenues of \$15 billion to \$26 billion available, and immediate needs for broadband access, a one-time expenditure on broadband infrastructure and access would be a prudent use of funds. A significant contribution now, potentially over \$1 billion, would significantly help with distance learning, telework, and telehealth needs, now and into the future.

General Government

Key Points

- **State IT Department Expansion.** Proposes millions to increase personnel within the Department of Technology in an attempt to bolster review of state projects.
- **New Energy Unit Within GO-Biz.** Creates a new unit within the state's business and economic development department with a "green" focus.
- **New Education IT Unit Within Government Operations Agency.** Proposes \$15 million to create a new unit in the Government Operations Agency responsible for a Cradle to Career data system.

IT Department Expansion. The budget includes \$11.4 million General Fund to increase personnel within the Department of Technology in an attempt to bolster review of state IT projects and improve critical state IT systems before a failure occurs. Unfortunately, the proposal provides the department with resources that already should have been dedicated to these activities, given that CDT's mission is to provide oversight of the state's IT systems, and especially in light of the most recent, disastrous IT failures within the Employment Development Department and the Department of Motor Vehicles.

New Energy Unit Within GO-Biz. The budget includes \$1 million for the creation of a new Energy Unit within the Governor's Office of Business and Economic Development (GO-Biz), yet another new bureaucracy proposed in the 2021-22 budget. The unit would be tasked with facilitating the implementation of projects that could help achieve the Governor's climate goals. Like other proposals in the 2021-22 budget, the proposal is lacking specific details that could provide justification for how the state department tasked with business and economic development is appropriately determining the viability of whether a project is "green" enough.

Deferred Maintenance and "Greening" Infrastructure. The budget proposes a \$300 million one-time General Fund for statewide-deferred maintenance, emphasizing "greening" of state infrastructure. The proposal would include \$50 million to the Department of General Services to install electric vehicle charging stations at state-owned facilities, despite the Governor's directions for departments to rethink renewing building leases and consider permanent telework to generate savings.

Cradle To Career Data System. The budget includes \$15 million General Fund within the Government Operations Agency to establish a new bureaucracy that would be responsible for acquiring, developing, and maintaining a new Cradle to Career data system, including analytic tools, data storage, and other querying functions. The new office would also have responsibility for hiring data system coordinators within the state's higher education system. It is unclear why Gov-Ops, as opposed to the California Department of Education, is the most appropriate agency to develop, support and maintain an educational data system. It is also concerning when the government feeds its appetite for data on its citizens, information that is unnecessary in the course of doing business, and for which there is a high risk of government abuse.

Local Property Tax Adjustments. The state's Proposition 98 education formula directs how much state General Fund and local property tax revenue each must contribute toward education costs. The budget includes \$54.1 million in additional Proposition 98 General Fund in 2020-21 as a result of reduced property tax revenues. The 2021-22 budget includes a decrease of \$1.2 billion in Proposition 98 General Fund for school districts and county offices of education, as a result of increased projections for property tax revenue. For the state's higher education system, the 2021-22 budget includes a decrease of \$292.7 million in Proposition 98 General Fund due to increased property tax revenue.

Cannabis

Key Points

- **New Department of Cannabis Control.** The proposed consolidation of regulatory entities would create a single point of contact for licensees, consumers, local governments, and the Legislature.
- **Cannabis Tax Allocation.** The Governor proposes \$443.1 million in cannabis tax revenue to be allocated in 2021-22, as required by a specified formula.

New Department of Cannabis Control. The Governor proposes \$154 million and 621 positions for a new Department of Cannabis Control (DCC). The proposal would consolidate the cannabis licensing and enforcement functions of the three existing entities, the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health, into the DCC.

Centralizing this industry's regulatory functions would create a single point of contact for cannabis licensees, cannabis consumers, and local governments. It would also create a singular enforcement entity, which, if structured correctly, should be more effective than current enforcement of licensed and unlicensed activities. Finally, legislative oversight should improve, as it is easier to oversee one department, rather than divisions within three different departments. As this transition occurs, Senate Republicans will look for opportunities for efficiencies to limit cost increases and advocate for more effective enforcement of the cannabis industry.

Funding for Proposition 64 Programs. The Governor's budget projects \$443.1 million will be available in 2021-22 to fund the required programs under Proposition 64 (2016, Adult Use of Marijuana Act). After funding specified priority activities such as regulatory administration, local equity programs, and research, the remaining funds are allocated between youth education, prevention, and treatment programs (60 percent), environmental remediation of illegal grows (20 percent), and public safety (20 percent). The funding proposed in the budget includes:

- Education, prevention, and treatment of youth substance use disorders and school retention:
 - \$190.4 million to the Department of Education to subsidize child care for school-aged children of income-eligible families, though child care subsidies may not be an intended use of cannabis tax revenues under Proposition 64.
 - \$50.8 million to the Department of Health Care Services for competitive grants to develop and implement new youth substance prevention and treatment programs.
 - \$12.7 million to the California Natural Resources Agency for grants to fund youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities.
 - \$12 million to the Department of Public Health for cannabis surveillance and education.
- Clean-up, remediation, and enforcement of environmental impacts of illegal cannabis grows:
 - \$53.1 million to the Department of Fish and Wildlife for clean-up, remediation, and restoration of watersheds and enforcement activities on public lands.
 - \$35.5 million to the Department of Parks and Recreation to identify illegal cannabis grows, remediate and restore illegal grow sites on state park land, and make roads and trails accessible for peace officer patrol.

➤ Public safety-related activities:

- \$60.2 million to the Board of State and Community Corrections to fund a grant program for local health and safety programs in localities that have not imposed cannabis bans.
- \$28.4 million to the California Highway Patrol's (CHP's) impaired driving and traffic safety grant program and for training, research, and policy development related to impaired driving.

Proposition 64 Spending Bypasses Legislature. Proposition 64 states that cannabis tax revenues are continuously appropriated, meaning the funds are spent without any further action by the Legislature. The general categories for spending are spelled out in Proposition 64, but the Governor's Department of Finance asserts that it can select the specific activities to fund within those categories and enact them unilaterally. Any changes to Proposition 64's general spending categories prior to July 1, 2028 would need voter approval.

Employee Compensation & Retirement

Key Points

- **State Employee Raises Back on the Table.** The state may reopen negotiations with employee organizations to eliminate the compensation reductions taken last year. The 2020 Budget Act reduced state employee compensation by \$2.8 billion total funds.
- **Lukewarm Effort to Pay Down Pensions.** Although the budget does commit \$3 billion in Proposition 2 debt payments to paying down pensions, it does not allocate any more than the constitutionally-required formula dictates.
- **Childcare Union Begins Negotiations with State.** As a result of recent legislation authorizing private childcare providers to unionize and negotiate with the state, the first childcare union—Child Care Providers Union (CCPU) begins negotiations with the state.

State Employee Compensation Held Flat—But Not For Long. The budget includes an additional \$48.1 million (\$35.1 million General Fund) for employee pay adjustments and benefits in 2021-22. With these increases, mostly to health benefits, the state is on pace to spend over \$12 billion (\$6.2 billion General Fund) cumulatively for increased employee compensation and benefits over the past five years. The budget does not reflect pay raises for the majority of state employees as a result of the planned reductions in last year's budget. However, the Administration has signaled that they potentially could open up negotiations to alter agreements after the May Revision if there are sufficient revenues. When many in the state have no income or greatly reduced income because of government shutdowns, it seems inappropriate to be giving raises to certain state workers, many of whom received extra vacation days to offset their reduced wages. However, an argument could be made for restoring pay for state employees serving essential functions during COVID-19, such as first responders, public safety officers, or firefighters.

Private Child Care Providers Unionize For First Time. Despite not being traditional state employees, approximately 45,000 child care providers who receive state subsidies recently organized and were certified by the Public Employment Relations Board (PERB). The state indicates negotiations will commence in 2021. Giving these private providers the ability to circumvent the normal budget process which determines subsidies and reimbursements means that the cost of child care will likely increase substantially. A more expensive system means less access and less choices for California working families.

Pension and Retiree Health

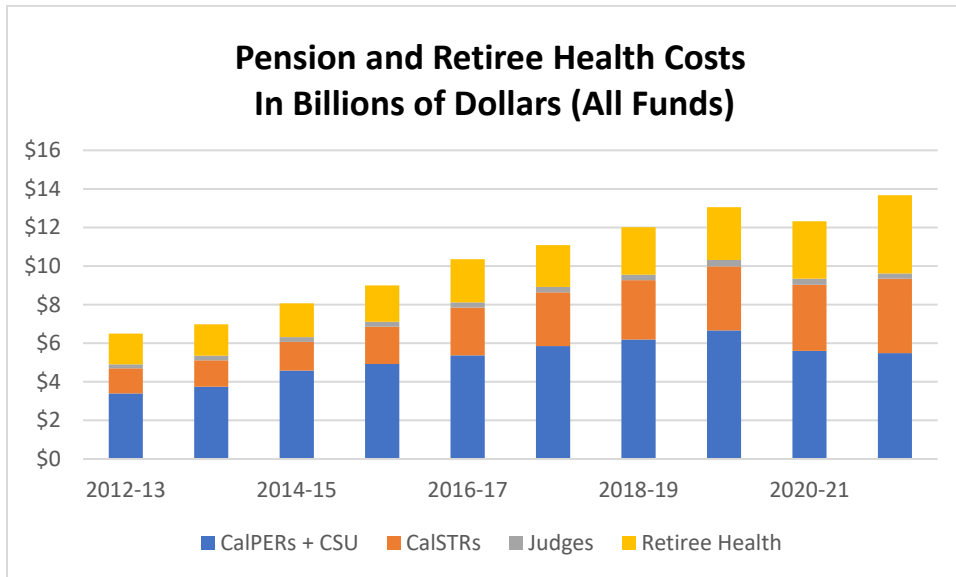
Public Employee Pension Costs. The budget provides \$5.5 billion total funds (\$2.9 billion General Fund) in employer contributions to Public Employee Retirement System (PERS) for state employees' retirement costs, including \$682 million for California State University employees. This is \$1.5 billion less than budgeted towards pensions in 2020-21, due to reduced employer contribution rates resulting from a \$2.5 billion pension payment to the state's unfunded liabilities over fiscal years 2019-20 through 2021-21, and the impact of the state employee pay reductions from last year.

Teacher Pension Costs Continue to Rise. The budget provides \$3.9 billion General Fund to pay for the state's share of State Teacher Retirement System (STRS) costs. This is a 12.5 percent increase above 2021-22 spending, due to suspending the planned .5 percent increase in the state's contribution for 2020-21 and instituting a 1 percent increase in contributions for 2021-22

Retiree Health Care Benefits. The budget includes \$2.8 billion General Fund for health care benefits for state retirees, California State University retirees, and dependents. Retiree health care benefits

continue to be paid out mostly on a “pay-as-you-go” approach, which has led to the creation of a \$92 billion unfunded liability, a 6.8 percent increase over last year’s liability. Pre-funding contributions from the state will provide \$1.2 billion in the budget year.

Total State Cost for Retirement Programs. To evaluate the total effects of the budget actions described above, the graph below illustrates combined budgetary costs for employer contributions to CalPERS and CalSTRS, along with retiree health costs for the past decade.



State pension and retiree health costs combined will reach almost \$14 billion in 2020-21 and have roughly doubled since 2012-13. During that same period the state’s overall budget grew by approximately 50 percent, indicating that these costs are taking an increasing share of the overall budget.

The Legislature and Governor Brown enacted “funding plans” for both PERS (2012) and STRS (2014) in an effort to reduce unfunded liabilities. While these plans did help to mitigate the creation of some future liabilities, pension and retiree health liabilities still exceed \$250 billion. Without additional reforms, state programs will see larger portions of their budgets siphoned off to pay for pension and retiree health costs. However, Democrats have taken only modest steps to address this problem, while repeatedly awarding significant new raises to employees, thus increasing the challenge of addressing retiree costs.

Statewide Debts and Liabilities

Key Points

- **Local Governments to Receive Minor Mandate Relief.** Provides \$5.3 million General Fund to repay local agencies for one mandate, but state still has \$564 million in local mandate debt outstanding.
- **Zero-Emission Vehicles.** Proposes the securitization of \$1 billion in future vehicle tax revenues to fund electric and hydrogen fueling stations and zero-emission vehicle subsidies.

Local Governments Get Minor Relief for Mandates. The budget includes \$5.3 million General Fund to repay local agencies for costs related to the Peace Officer Training: Mental Health Crisis Intervention mandate. Given the projected \$15 billion in unallocated additional revenue, as well as the \$564 million in outstanding suspended mandate debts, the Governor misses an opportunity to provide critical fiscal relief to cash-strapped local governments for state mandated activities, leaving those governments with less funding for critical programs and services. It is unfortunate that in the past several years of rapid spending growth, the state did not use a portion of its surpluses to pay local governments back for these long-overdue debts that deprive local governments of resources.

State Debt Estimated at \$283 Billion. The state continues to face voluminous debts from various sources, which are estimated to reach nearly \$283 billion. This total does not count pension and other retiree debts faced by the University of California (\$39 billion) or teacher pension debts held by local school districts. The table on the following page summarizes all these public debts.

Bond and Proposition 2 Debt Payments. The Budget Act includes \$11.2 billion to pay down the state's current debts and liabilities, as required by the state constitution and bond covenants. Debt payments include the following components:

- **Normal Bond Debt Service.** \$8.2 billion to pay debt service costs for the state's outstanding and planned general obligation and lease-revenue bonds in 2021-22, as required by the California Constitution and debt issuance documents. According to the State Treasurer, the state currently has outstanding general obligation bonds totaling \$71.9 billion and has authorization to issue \$35.6 billion more. Outstanding lease-revenue bonds total \$8.2 billion, and the state has authorization to issue \$7.6 billion more.
- **\$3 Billion in Required Pension Debt Repayment.** The budget proposes using the constitutionally-required Proposition 2 debt repayment to pay down unfunded pension liabilities. Specifically, the budget allocates \$1.5 billion for CalPERS debt, \$410 million for CalSTRS debt, \$310 million for retiree health debt, and \$844 million for the pension loan from the Surplus Money Investment Fund (SMIF). The Governor does not propose any supplemental payments for unfunded liabilities, despite the availability of surplus revenue.

Securitization of \$1 Billion for Zero-Emission Vehicles Requires Tax Extension. The Governor proposes the securitization of \$1 billion in future vehicle tax revenues to fund electric and hydrogen fueling stations and zero-emission vehicle subsidies. The securitization will require the extension of a \$2 annual vehicle tax, paid as part of vehicle registrations, until June 30, 2046. The securitization of these tax revenues will not affect General Fund debts or liabilities. For more details on this proposal, please see the *Energy & Utilities* section.

State and Other Public Debts and Liabilities						
<i>(Dollars in Millions)</i>	At Start of 2021-22	Estimated Payments				Remaining Liabilities
		2021-22	2022-23	2023-24	2024-25	
Special Fund Loans	\$2,416	\$444	\$1,035	\$120	\$726	\$91
Education Deferrals						
K-12	\$3,723	-	-	-	-	\$3,723
Community Colleges	\$327	-	-	-	-	\$327
Subtotal	\$4,050	\$0	\$0	\$0	\$0	\$4,050
State Retirement Liabilities						
State Retiree Health	\$91,929	\$926	\$305	\$325	\$340	\$90,033
State Employee Pensions	\$61,409	\$1,474	\$1,978	\$1,614	\$475	\$55,868
Teachers' Pensions (state portion)	\$33,064	\$410	\$307	\$210	\$85	\$32,052
Judges' Pensions	\$3,170	-	-	-	-	\$3,170
SB 84 Loan from SMIF	\$3,700	\$228	\$56	\$14	\$768	\$2,634
Deferred payments to CalPERS	-	-	-	-	-	-
Subtotal	\$193,272	\$3,038	\$2,646	\$2,163	\$1,668	\$183,757
Other State Debts						
Long-Term Bonds - General Obligation & Lease-Revenue	\$80,100	\$8,246	7,859	8,004	8,231	\$47,760
Suspended Local Mandates	565	-	-	-	-	\$565
Education Mandates	1,118	-	-	-	-	\$1,118
Zero-Emission Vehicle Securitization	1,000	-	-	-	-	\$1,000
Subtotal	\$82,783	\$8,246	7,859	8,004	8,231	50,443
State Total Debt	\$282,521	\$11,728	\$11,540	\$10,287	\$10,625	\$238,341
Other Public Debts						
Teachers' Pensions (Local Districts)	\$69,572	-	-	-	-	N/A
University of California Liabilities*						
UC Employee Pensions	18,118	-	-	-	-	N/A
UC Retiree Health	19,862	-	-	-	-	N/A
UC Subtotal	\$37,980	-	-	-	-	
Total, State and Other Public	\$390,073	\$11,728	\$11,540	\$10,287	\$10,625	

*UC liabilities technically belong to the UC system alone, not the State of California, due to UC's constitutional autonomy, but these

** Loans and education deferrals will be made and withheld, respectively, at start of budget year and will be repaid using federal funds if those funds become available.

Appendix: Recent Federal COVID-19 Stimulus Summary

On December 27, 2020, President Trump signed HR 133 into law, of which a major component is a fifth round of federal COVID-19 assistance totaling a little over \$900 billion. Although HR 133 does not provide any more funding directly for state or local government operations, it does extend the deadline by which state and local governments must spend previously authorized Coronavirus Relief Fund (CRF) resources by one year, from December 30, 2020, to December 31, 2021. In addition, it authorizes a second round of stimulus payments for citizens, provides additional tax relief, expands unemployment benefits, increases assistance for small businesses, and targets aid to vital sectors of the economy hardest hit by the pandemic. Key elements of the assistance provided include the items below.² The dollar amounts shown are the nationwide amounts; allocations to specific states are not known yet for many of the programs, though California accounts for roughly 12 percent of the nation's population.

Small Businesses (\$325 billion)

- \$284 billion for another round of the Paycheck Protection Program (PPP). The Department of Finance (DOF) estimates California businesses could receive more than \$45 billion.
- \$20 billion for Economic Injury Disaster Loan (EIDL) advances for entities in low-income communities.
- \$15 billion to assist certain live venues.
- Extends and expands PPP loan program and EIDL grant program, and streamlines PPP loan forgiveness process.

Stimulus Checks (\$166 billion)

Provides \$166 billion for an additional \$600 refundable tax credit (stimulus checks), using similar phase-out limits as the previous round of stimulus checks. DOF estimates Californians could receive as much as \$18 billion in financial relief.

Unemployment Insurance (\$120 billion)

- Reintroduces the unemployment insurance (UI) bump, which previously was \$600 per week and expired in July. HR 133 provided an additional \$300 per week for all workers receiving UI benefits through March 2021.
- Extends the PUA program for UI benefits which provides UI to self-employed, gig, or other non-traditional workers not normally eligible for UI.
- Extends the PEUC program which provides additional weeks of federally funded UI benefits to anyone who exhausts the state maximum in benefit weeks.
- Provides an additional \$100 per week for certain workers who have wage and self-employment income but whose base UI benefit calculation excludes their self-employment income.

² Unless otherwise noted, the source for all information regarding HR 133 is Federal Funding Information for the States' Budget Brief 20-25.

Education (\$82 billion)

- \$77 billion for maintenance of effort payments to states, proportional to a state's share of all-state spending, averaged over three years (2017, 2018, and 2019), including:
 - \$54 billion for public elementary and high schools.
 - \$23 billion for higher education.
- \$4 billion for private schools and other non-public schools.
- \$819 million for tribal education and schools in outlying areas.

Health Care (\$63 billion)

- \$22.4 billion for contact tracing, surveillance, containment, and mitigation.
- \$4.5 billion for vaccine distribution.
- \$4.3 billion for addiction and mental health programs.
- \$3 billion for providers to cover financial losses and changes in operating expenses.

Transportation (\$45 billion)

- \$14 billion for transit infrastructure grants to cover operating expenses and revenue losses.
- \$10 billion for federal-aid highways for regular expenses as well as revenue losses.
- \$2 billion for airports.
- Extends availability for certain motor carrier safety and highway safety grants.

Tax Relief (\$30 billion)

Provides \$30 billion in additional tax cuts, including:

- Extending the refundable payroll tax credits for paid sick and family leave.
- Authorizing deductions for otherwise deductible expenses paid with PPP loan proceeds.
- Extending federal tax credits that incentivize construction of new wind and solar power plants, as well as tax credits for carbon capture, biofuels and alternative fuels, fuel cells and energy efficiency.^{3,4}
- Authorizing a \$600 refundable child tax credit.

Nutrition (\$26 billion)

- \$11 billion for payments to specified types of agricultural producers, including through Coronavirus Food Assistance Program (CFAP), which was established in the CARES Act.
- Increases monthly Supplemental Nutrition Assistance Program (SNAP) benefits by 15 percent through June 30, 2021.

³ <https://www.forbes.com/sites/allanmarks/2020/12/21/clean-energy-investments-get-a-bipartisan-boost-from-congress-in-relief-bill/?sh=8c2849a36f28>

⁴ <https://www.natlawreview.com/article/sun-also-rises-congress-votes-to-stimulate-renewable-energy-efficiency-carbon>

- Allocates funding for state administrative costs.
- Excludes certain federal pandemic relief payments from SNAP eligibility income calculations.
- Temporarily waives SNAP exclusion for certain students.
- Expands the Pandemic Electronic Benefit Transfer Program in areas where schools or child care facilities are closed due to the pandemic.
- Authorizes reimbursement to states for part of their emergency operational costs for school meal programs and child and adult care food programs

Rental Assistance (\$25 billion)

- Provides \$25 billion to states, allocated by population, for financial assistance to low income individuals. DOF projects the state would receive a \$1.4 billion allocation directly, while California's local governments would receive \$1.2 billion in a direct allocation.
- Eligible costs include rent, utilities, or other housing expenses incurred as a result of the pandemic (for up to 12 months).
- Extends the federal eviction moratorium through January 31, 2021.

Commercial Lender Support (\$12 billion)

- Provides funding to encourage lenders to participate in PPP lending.

Child Care (\$10 billion)

- Provides an additional \$10 billion through the Child Care and Development Block Grant. DOF estimates that Californians could receive as much as \$1 billion for child care.

Broadband (\$7 billion)

- \$3.2 billion for the FCC to reimburse providers of discounted emergency broadband service to eligible households through the end of the public health emergency associated with the pandemic.
- \$1.9 to reimburse internet providers for the cost of removing and replacing unsecure equipment from their networks in an effort to secure communication networks from threats of foreign adversaries.
- \$1 billion for a grant program to support broadband connectivity, telehealth, distance learning, broadband affordability, and digital inclusion, on tribal lands.
- \$285 million for a pilot program to expand broadband in minority communities
- \$300 million for a grant program for public-private partnerships to install broadband in areas with insufficient access, such as rural areas.
- \$250 million in additional funding for the CARES Act COVID-19 Telehealth Program to help providers offer services to patients in their homes or at mobile locations.
- \$65 million for the Federal Communication Commission to create broadband data maps.

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