



The Rural Rundown

***Governor's 2018-19 May Revision
and Other Budget Items***

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RCRC'S ANALYSIS OF THE GOVERNOR'S 2018-19 MAY REVISION AND OTHER BUDGET ITEMS

Summary

Earlier today, Governor Jerry Brown unveiled his May Revision of the 2018-19 State Budget (May Revision) in an attempt to more accurately reflect revenue and expenditure projections. The \$131.7 billion General Fund Budget reflects a spending plan that includes \$124 billion in General Fund expenditures, \$56 billion in a one-time surplus and increases funding for education, health care, and other core priorities of the Administration.

While the revenue shortfall predicted in January is less severe, the Governor's May Revision remains considerably more constrained than in any year since 2012. Many cuts from the Governor's January proposed Budget remain, however, the "modestly improved fiscal outlook" allows the Governor's May Revision to increase funding for schools through the Local Control Funding Formula, and provide funding to mitigate the increase in In-Home Supportive Services (IHSS) costs to counties, among others.

"I'm going to try and leave the most responsible budget I can to the next governor... So I'm reluctant to embark upon programs that will continue and grow into the future... We are already over-extended given the economic cycle we are a part of."

The Governor's May Revision touts maintaining a balanced budget while preserving the state's core achievements from the past four years, including K-12 education, higher education, counteracting the effects of poverty, strengthening infrastructure, and paying down debts and liabilities. However, citing the Legislature and the Administration's focus on spending to counteract the effects of poverty, the Governor cautioned "in the coming year, I don't think even more spending will be possible... we have ongoing pressures from Washington, and an economic recovery that won't last forever."

The Rural Rundown of the Governor's 2018-19 May Revision and Other Budget Items highlights the changes from the Governor's January proposed Budget, and outlines key issues and changes on high priority items for RCRC member counties. *The Rural Rundown* of the Governor's 2018-19 January proposed Budget can be accessed [here](#).

Key Issues/Changes for RCRC Member Counties

The Governor's May Revision:

- Continues to provide \$644,000 for the State's Payment in Lieu of Taxes (PILT) Program for 2018-19;
- Maintains transportation funding;
- Includes an additional \$96 million for wildfire prevention and forest health activities;
- Includes an additional \$33.3 million for cannabis-related activities;
- Includes an additional \$24 million for IHSS county administration;
- Proposes an additional \$295 million from the General Fund to meet flood control infrastructure needs, including deferred maintenance;
- Includes substantial investments in mental health and homelessness; and,

- Includes one-time funding for Continuum of Care Reform.

Administration of Justice

2011 Realignment of Public Safety Responsibilities to Counties. In 2011, the Governor and Legislature enacted the realignment of various state programs to counties. The Governor's May Revision updates estimates for revenues available to support these programs, including funds in the Community Corrections Subaccount (implementation of Assembly Bill 109). Comparing January revenue estimates to those in the May Revision, "base" funding estimates for the Community Corrections Subaccount in 2018-19 have been revised upward from \$1.325 billion to \$1.328 billion. In addition, the Governor's May Revision estimates that counties will see more "growth" funds associated with the Community Corrections Subaccount – \$87 million in 2017-18 (which will be distributed in Fall 2018), and \$105.6 million in 2018-19 (which will be distributed in Fall 2019). These growth figures were pegged, respectively, at \$84.3 million and \$81.5 million in the Governor's January proposed Budget.

The 2011 Realignment fiscal structure also ensures continued funding for several local public safety subventions (rural sheriff grants, COPS, etc.). Funding for Realignment is made primarily via a dedication of 1.065 percent of the state portion of the sales tax rate, and secondarily through a portion of Vehicle License Fee revenues. These revenue commitments are now constitutionally protected following the passage of Proposition 30 (Temporary Taxes to Fund Education) in 2012.

AB 109 funding is directed to counties from the state-level Community Corrections Subaccount. Annual funding from the Community Corrections Subaccount is dictated by the 2011 Realignment fiscal structure set forth in statute, and the overall funding level produced by the dedicated state sales tax within a given fiscal year. Actual allocations to counties are made according to a permanent formula developed several years ago by a nine-member County Administrative Officer committee, with the assistance of the California State Association of Counties.

Proposition 47. The Governor's May Revision does not reference a change to its estimate of state savings associated with the implementation of Proposition 47. In January, the Administration estimated total state savings of \$64.4 million, attributable to reduced levels of adult incarceration, and taking into account changes to court and parole system workload. As of this writing, it is assumed that the January estimate of Proposition 47 savings remains the same.

Approved by voters in 2014, Proposition 47 reduces penalties for a variety of specified offenses, and dedicates the 'savings' from prosecuting and housing these offenders into programs that support K-12 schools for at-risk youth, victim services, and mental health and drug treatment. Proposition 47 requires the Department of Finance to calculate savings associated with the measure annually. The actual level of Proposition 47 revenue available for these purposes will be finalized in August 2018.

Proposition 57. The Governor's May Revision makes a slight revision to the Governor's January proposed Budget estimate in funding for county probation departments to supervise a temporary increase in the Post-Release Community Supervision (PRCS)

population as a result of implementation of Proposition 57. The Governor's May Revision proposes \$28.2 million – down from the \$29 million from the Governor's January proposed Budget – given a modest decrease in the estimated PRCS caseload. California voters approved Proposition 57 in November 2016, allowing certain non-violent felons serving a sentence in state prison to seek early parole consideration. The measure also empowered the Department of Corrections and Rehabilitations to readjust credit-earning rules so that inmates can earn earlier release opportunities.

Additional County Probation Funding (Senate Bill 678). The Governor's May Revision includes a proposed allocation of \$109.3 million in 2018-19 – up by \$2.9 million from the Governor's January proposed Budget – for incentive payments to county probation departments as a result of ongoing efforts to reduce state prison commitments of felony probationers. Under the provisions of Senate Bill 678 (Leno, 2009) and a revised allocation methodology enacted in 2015, counties share in the state savings that result from reduced felony probationers sent to state prison.

Courthouse Construction and Judicial Branch Deferred Maintenance. Funding to restart the stalled courthouse capital program by transferring \$32.2 million from an existing account and additional resources from the sale of lease revenue bonds remains unchanged from the Governor's January proposed Budget. These resources are intended to fund construction of ten new courthouse projects over the next two years, including facilities in the following RCRC member counties: Imperial, Shasta, Siskiyou, and Tuolumne (in 2018-19), and Glenn (in 2019-20).

As part of the Governor's May Revision, an additional, one-time investment of \$100 million will be directed to address deferred maintenance across the judicial branch. This investment appears as a component of the Governor's larger commitment of one-time resources for statewide infrastructure purposes.

California Environmental Protection Agency

Office of the Secretary for Environmental Protection/Rural Certified Unified Program Agency Assistance. The Governor's May Revision maintains the same level of funding, \$835,000, for the continued reimbursement of qualified Certified Unified Program Agencies (CUPAs) located in thirteen low-population counties. However, it does not include the additional \$1.065 million one-time appropriation that was included in the 2017-18 State Budget Package to expand the rural CUPA support program to an additional 11 rural counties that do not receive the money. This one-time funding was included as a Budget Change Proposal (BCP), and was the precursor to an expected permanent legislative fix.

RCRC has long advocated for the expansion of the program to those counties that do not receive the funding. RCRC staff is participating in a rural CUPA working group that continues to seek a permanent fix.

Each county CUPA is required to perform a number of hazardous material programs to ensure local environmental health. Under current law, thirteen RCRC member counties receive additional General Fund monies for the operation of their local CUPA, which is

calculated based upon population thresholds and other criteria. This funding is important to the counties to maintain a reasonable fee structure for their local CUPA programs.

Education

Career Technical Education. The Governor's May Revision makes clarifying changes to the K-12 component of the Strong Workforce Program (SWP), including the addition of resources to consortia for administering the regional grant process. The Governor's January proposed Budget provided \$200 million to establish a K-12 specific component of the SWP to support Career Technical Education (CTE) programs that are aligned with needed industry skills. The Governor's January proposed Budget also included \$12 million ongoing to fund local industry experts who will provide technical support to local educational agencies operating CTE programs.

Online Community College. The Governor's May Revision includes more details on the Administration's proposed online college, including specifics on measuring student success, improving governance, developing curriculum, obtaining accreditation, and undertaking collective bargaining. The Governor's May Revision does not include any funding modifications. The Governor's January proposed Budget included \$120 million, with \$20 million on going, to establish a fully online community college.

General Government

Cannabis Regulatory Structure. The Governor's May Revision notes that cannabis tax "revenue receipts are slower than anticipated," which reflects initial quarter tax collections substantially lower than earlier projections. Nonetheless, the Governor's May Revision includes an additional \$133.3 million for cannabis-related activities, supported in part through an additional loan from the General Fund. The most notable new proposal would provide \$14 million for the Department of Justice to establish four investigation teams and one interdiction team to investigate illegal cannabis activity with an emphasis on complex, large-scale financial and tax evasion investigations, as well as reducing environmental and other crimes associated with the illegal cannabis market. The three main cannabis licensing agencies will each additionally receive a significant funding augmentation (\$28.3 million to the Department of Food and Agriculture; \$33.9 million to the Department of Consumer Affairs; and \$10.6 million to the Department of Public Health), as will the state agencies responsible for collecting taxes and fees from cannabis businesses. The Governor's May Revision also includes \$10 million to the Governor's Office of Business and Economic Development (GO-Biz) for a grant program to support substance use disorder treatment, job placement, legal services, and other cannabis use-related programs; \$12 million for research relating to Proposition 64 and cannabis use; and, \$3 million for the California Highway Patrol to establish and adopt protocols to determine whether a driver is operating a vehicle while impaired.

Williamson Act. The Governor's May Revision does not propose any change to the Open Space Subvention Act (OSSA) from the Governor's January proposed Budget, which included \$1,000 for the OSSA. This is the lowest possible dollar figure that allows the program to remain in the State Budget.

The Williamson Act, also known as the California Land Conservation Act of 1965, authorizes cities and counties to enter into agricultural land preservation contracts with

landowners who agree to restrict the use of their land for a minimum of 10 years in exchange for lower assessed valuations for property tax purposes.

Climate Smart Agriculture. The Administration's Cap-and-Trade Expenditure Plan provides \$244 million for multiple Climate Smart Agricultural programs. The Governor's May Revision builds upon that proposal, and includes additional one-time investments to reduce greenhouse gas emissions, including:

- Agricultural Diesel Engine Replacement and Upgrades: An increase of \$30 million from the General Fund to the Air Resources Board for the replacement of existing diesel agricultural vehicles and equipment with the best, cleanest available technologies.
- Agricultural Energy Efficiency Program: An increase of \$30 million from the General Fund to the California Energy Commission to fund innovative projects that reduce energy costs, increase efficiency, and reduce greenhouse gas emissions in the food processing sector.

Infrastructure Investments. The Governor's May Revision transfers a total of \$630 million from the General Fund to the State Project Infrastructure Fund. In addition, the Governor's May Revision allocates one-time resources of \$1.21 billion (\$1.06 billion General Fund, \$143.4 million Proposition 98 General Fund, and \$7 million Motor Vehicle Account) to address a variety of deferred maintenance needs across state agencies, departments, and programs, including:

- Department of Water Resources: \$100 million for levee repairs
- Department of Developmental Services, Porterville Facility: \$60 million
- Department of Parks and Recreation: \$100 million
- Network of California Fairs: \$10 million
- Department of Food & Agriculture: \$4 million
- Department of Forestry and Fire Protection: \$4 million

Health and Human Services

CalWORKs Single Allocation Methodology. The Governor's May Revision includes an increase of \$55.8 million to reflect the adoption of a revised budgeting methodology for county administration of the CalWORKs eligibility determination process.

Children's Health Insurance Program Reauthorization. The Governor's May Revision reflects the Children's Health Insurance Program reauthorization, which will decrease General Fund obligations by \$898.1 million in 2017-18 and 2018-19.

Continuum of Care Reform. The Governor's May Revision acknowledges delays in implementation of Continuum of Care Reform (Assembly Bill 403, Chapter 773, 2015), in part related to slower-than-anticipated decline in congregate care caseload. The Governor's May Revision provides an additional \$49.5 million in 2017-18 and \$56 million in 2018-19. Additionally, one-time funding of \$3.2 million is provided to support county efforts to eliminate the backlog of foster care family applications that are pending review and approval. The Governor's May Revision includes \$2.5 million General Fund to

address county workload associated with implementation of an assessment tool to assess a child's level-of-care needs. The Governor's May Revision also includes \$13.4 million to provide caregivers with up to six months of emergency assistance payments pending approval as a resource family. Beginning in 2019-20, and annually thereafter, emergency assistance payments will be available for up to three months.

While the Administration is proposing significant additional investments in Continuum of Care Reform implementation, it is less than what counties have advocated for within the budget hearings.

County Medi-Cal Administration Costs. The Governor's May Revision rescinds the Administration's proposed trailer bill language that would have restricted the ability to reallocate Medi-Cal county administrative funds between counties that over and under spend. The funding provided in the Governor's January proposed Budget remains the same and is sufficient to meet county workload.

In-Home Support Services. The Governor's May Revision provides an increase of \$24 million General Fund in 2018-19 for In-Home Support Services (IHSS) county administration. The additional funding reflects higher estimates of county workload related to the IHSS program. However, it may still fall short of reflecting actual county costs for administration as the methodology did not use actual county salary and benefit data.

Mental Health Investments. The Governor's May Revision includes a package of additional investments in mental health:

- No Place Like Home: Places the No Place Like Home (NPLH) program on the November 2018 ballot in order to validate the use of Mental Health Services Act funds for that program. The NPLH program will finance permanent supportive housing for people living with a severe mental illness who are homeless, or at risk of chronic homelessness. The Governor's May Revision includes a \$1.2 million General Fund loan to the Department of Housing and Community Development to issue an initial Notice of Funding Availability prior to November and make awards before the end of the calendar year – contingent on voter approval.
- Children's Mental Health Mandate Repayment: Includes repayment of approximately \$254 million plus interest for services that counties provided to children from 2004-2011 (known as the Assembly Bill 3632 mandate). The Administration states that they expect counties to use the funding for early intervention and prevention mental health services for youth, with an emphasis on teens.
- Homeless Mentally Ill Outreach and Treatment: Provides a one-time augmentation of \$50 million for the Department of Health Care Services to provide counties to support intensive outreach, treatment and related services for homeless individuals.

- **Graduate Medical Education:** Provides an increase of \$55 million one-time General Fund to support psychiatric graduate medical education programs serving the Health Professional Shortage Areas or Medically Underserved Areas in rural portions of the state.
- **Oversight and Planning:** Includes \$6.7 million for 48 staff at the Department of Health Care Services to oversee county mental health programs, review Mental Health Services Act expenditures, plan for system and data improvements to support the evaluation of county mental health programs.

Medi-Cal. The Governor’s May Revision includes a proposal regarding a federal audit of county Specialty Mental Health Services. The Administration anticipates that a recent audit by the federal Office of the Inspector General will result in the disallowance of approximately \$180.7 million in federal Medi-Cal claims for county specialty mental health services. The Administration is proposing to repay the funds in 2018-19 and allow counties to repay the state over the next four years.

Housing

Homelessness. The Governor’s May Revision includes \$359 million in one-time funding and \$64 million in General Fund on-going for planning, prevention, and emergency aid assistance to local governments to address homelessness. The Administration’s proposal makes clear that the responsibility for addressing California’s homelessness issue is the responsibility of local governments – both cities and counties.

In recognition that many of the housing and homelessness proposals adopted in the Legislature (No Place Like Home, the 2017 housing package, the \$4 billion housing bond on the November 2018 ballot) will take time to implement, the Governor’s May Revision includes targeted investments in homelessness.

Homeless Coordinating and Financing Council. The Governor’s May Revision includes \$500,000 and three positions to expand the Homeless Coordinating and Financing Council (Senate Bill 1380, Chapter 847, 2016) and moves it to the Business, Consumer Service, and Housing Agency. The Council will provide guidance on homelessness and develop a statewide plan in collaboration with state and local agencies.

CalWORKs Housing Support Program. The Governor’s May Revision includes an increase of \$24.2 million to help CalWORKs families’ secure permanent housing. This increase brings total program funding to \$95 million annually.

CalWORKs Homeless Assistance Program. The Governor’s May Revision includes an increase in the daily payment rate for temporary assistance for families who are homeless or face imminent eviction. For a family of four, the rate will increase from \$65 to \$85 beginning January 1, 2019. The May Revision includes \$8.1 million in 2018-19 and \$15.3 million in 2019-20.

Home Safe Pilot Program. The Governor’s May Revision includes \$15 million one-time funding for a pilot program with Adult Protective Services; funding will be available over a three-year period with a local match. The pilot was proposed by the County Welfare Directors Association and was supported by several counties. The pilot will provide housing-related support to seniors experiencing homelessness or at risk of losing their homes by providing temporary rental or utility assistance, housing repairs, landlord mediation and case management.

Homelessness Emergency Aid Block Grant. The Governor’s May Revision provides a one-time augmentation of \$250 million to be administered through Continuums of Care for cities, counties or joint powers that declare a local shelter crisis and identify city-county coordination. Grants can be used for emergency housing vouchers, rapid rehousing, emergency shelter construction, and use of armories to provide temporary shelters. The Homeless Coordinating and Financing Council will be responsible for evaluating grant proposals.

Homeless Youth and Exploitation Program. The Governor’s May Revision includes one-time funding of \$1 million through the California Office of Emergency Services to augment the Homeless Youth and Exploitation Program for homeless youth shelters.

Domestic Violence Services. The Governor’s May Revision increases funding by \$10 million for the California Office of Emergency Services to provide additional domestic violence service providers for projects that include emergency “safe” homes or shelters for victims and their families.

Outreach and Treatment Services. The Governor’s May Revision provides a one-time augmentation of \$50 million for the Department of Health Care Services (DHCS) to provide counties with funding for multi-disciplinary teams to support intensive outreach, treatment and related services for homeless individuals in need mental health services.

Resources

Department of Parks and Recreation. The Governor’s May Revision provides an increase of \$100 million from the General Fund for the Department of Park and Recreation to construct a new museum to protect, preserve, and celebrate the history of California’s tribal peoples. The total cost of the project is estimated to be \$200 million. The new museum will replace the current State Indian Museum, located on the grounds of Sutter’s Fort Historic Park, which was built in 1940.

The Governor’s May Revision includes an increase of \$852,000 from Proposition 12 bond funds to design a cultural trail at Fort Ross State Historic Park. The trail will focus on increasing the interpretive program, and completion of a multimedia interpretive program for park visitors. The total project costs are estimated to be \$3.4 million.

In addition, the Governor’s May Revision includes \$643,000 from the General Fund to expand the Native American Heritage Commission.

Department of Water Resources. The Governor's May Revision includes no changes from the Governor's January proposed Budget. Specifically, the Governor's May Revision provides no additional funding for the California WaterFix (twin tunnels) project.

State Payment in Lieu of Taxes. The Governor's May Revision makes no changes to the \$644,000 in funding to pay State Payment in Lieu of Taxes (PILT) to local governments from the Governor's January proposed Budget. The Governor's May Revision does not include funding for arrearages of approximately \$8 million, accumulated over several budget cycles in the early 2000's.

California's State PILT was established in 1949 to offset adverse impacts to county property tax revenues that result when the state acquires private property for wildlife management areas. However, the Department of Fish and Wildlife, prior to 2017, had not made annual State PILT payments in more than a decade, resulting in arrearages of approximately \$8 million to 36 counties.

RCRC will continue to advocate in the budget process for the arrears in State PILT funding owed to counties, as well as reversing the language that makes State PILT payments permissive.

Wildfire Prevention and Forest Health. The Governor's May Revision includes an additional \$96 million from various funds for forest health and wildfire prevention activities. The allocations are consistent with the Executive Order issued by the Governor on May 10, 2018, and will largely be focused on carrying out the key recommendations in the newly released Forest Carbon Plan, including doubling the acres treated on state and private lands from 250,000 acres to 500,000 acres and establishing a wood products market in California. The proposed funding is in addition to the \$160 million from the Greenhouse Gas Reduction Fund (GGRF) for forest health programs included in the Governor's January proposed Budget as part of the Cap-and-Trade Expenditure Plan.

The forest health allocations are proposed as follows:

- Prescribed Fire and Fuels Reduction: An additional \$26.8 million from the GGRF to the California Department of Forestry and Fire Protection (CAL FIRE) to complete additional fuel reduction projects through the operation of six year-round prescribed fire crews and implementation of a forest health research and monitoring program, allowing CAL FIRE to treat 60,000 acres per year.
- Sierra Regional Forest Health Projects: An additional \$30 million from the California Drought, Water, Parks, Climate, Coastal Protection and Outdoor Access for All Fund (Proposition 68) to the Sierra Nevada Conservancy to expand its Watershed Improvement Program (WIP) and implement Forest Carbon Plan activities. These funds are dependent on passage of Proposition 68 in June.
- Northern, Coastal and Southern California Regional Forest Health Projects: An additional \$20 million from the GGRF to the California Natural Resources Agency

to provide block grants to support regional implementation of landscape-level forest restoration projects that leverage non-State funding.

- Legacy Forests at State Parks: An additional \$15 million from Proposition 68 funds for the Department of Parks and Recreation to protect and restore forests in state parks.
- Watershed Coordinator Grants: An additional \$1.9 million from the Environmental License Plate Fund for the Department of Conservation to provide local grants for the development of watershed improvement plans.
- Markets for Wood Products: An additional \$2.3 million from the Timber Regulation and Forest Restoration Fund for programs to encourage the development of an innovative wood products market in California, including establishment of a Joint Institute for Wood Products Innovation, financial support for wood product manufacturing, and local grants to showcase the design of mass timber buildings.

A Forest Management Task Force will be convened to coordinate the forest health and wildfire prevention efforts, and is likely to be formed within the next month. RCRC expects to be engaged in the new Task Force to carry over our efforts from our membership on both the Forest Climate Action Team, which was responsible for drafting the Forest Carbon Plan, and the Governor's Tree Mortality Task Force.

Wildfire Response and Recovery. The Governor's May Revision includes a number of additional investments in the state's emergency response and recovery capacity as a result of the devastating 2017 wildfires that occurred in Northern and Southern California and the ongoing flooding and other lingering consequences of the fires.

California Office of Emergency Services

The Governor's May Revision provides nearly \$50 million to The Office of Emergency Services (CalOES) for various programs, including:

- Public Safety Communications: An additional \$15 million from the State Emergency Telephone Number Account (SETNA) to begin a five-year plan to upgrade the California Public Safety Microwave Network from an analog system to a digital system. Among other things, the upgraded network would support the Next Generation 9-1-1 system provided in the Governor's January proposed Budget.
- Immediate Aid to Restart School Operations: An additional \$14 million from the Federal Trust Fund to assist local educational agencies that serve an area impacted by a covered disaster or emergency in the restart of operations, reopening, and reenrolling students in elementary and secondary schools.
- Recovery Program Workload: An additional \$2.8 million from the Federal Trust Fund to address increased workload related to disaster recovery activities.

- Disaster Service Worker Volunteer Program: An additional \$675,000 from the General Fund to provide timely worker's compensation benefits to injured workers and eligible survivors.
- Emergency Response Operations: An additional \$1.6 million from the General Fund to increase staffing within the CalOES Homeland Security Branch and Regional Response and Readiness Branch.
- Situational Awareness and Collaboration Tool: An additional \$353,000 from the General Fund and \$325,000 in reimbursements for CalOES to manage and train local agencies on the use of the tool, which is used to coordinate various disaster response efforts.
- Hazard Mitigation Program: An additional \$3.2 million from the Federal Trust Fund for hazard mitigation activities throughout the state.
- Regional Hazardous Materials Response Program: An additional \$3.2 million from the General Fund to provide support for planning, response and mitigation in the event of a release of hazardous materials.

California Department of Resources, Recycling and Recovery

The California Department of Resources, Recycling and Recovery (CalRecycle) would receive an additional \$1.3 million from the Integrated Waste Management Fund to establish a disaster recovery and response team of subject matter experts for disaster recovery and debris removal.

California Disaster Assistance Act

The Governor's May Revision includes a one-time allocation of \$49.5 million from the General Fund to the California Disaster Assistance Act (CDAA) fund, which is used to restore public real property destroyed by disaster and reimburse local government costs associated with certain activities undertaken in response to a state of emergency. This augmentation brings the total proposed CDAA funding for 2018-19 to \$121.7 million.

Disaster Response Emergency Operations Account

As of the release of the Governor's May Revision, the Department of Finance has accessed \$375.8 million from the State Fund for Economic Uncertainties for various departments related to disaster assistance in the wake of the 2017 wildfires. The Governor's May Revision proposes to make statutory changes allowing funds from the Disaster Response Emergency Operations Account to be used for activities commencing within 120 days of proclamation of emergency by the Governor and removes the current January 1, 2019 sunset.

Local Property Tax Backfill and Debris Removal Cost Share Waiver

The Governor's May Revision includes \$32.8 million from the General Fund (\$21.8 million for Northern California jurisdictions and \$11 million for Southern California jurisdictions) to backfill the property tax revenue losses that cities, counties and special districts will incur in 2017-18 and 2018-19 due to the 2017 wildfires and resulting mudslides.

Additionally, the Governor's May Revision includes \$29.1 million from the General Fund to waive the local match for Northern California counties' costs for debris removal.

Transportation

The Governor's May Revision includes no significant changes in transportation funding from the Governor's January proposed Budget. The Governor's January proposed Budget provided substantial new transportation funding for both the state and local governments, primarily from the enactment of Senate Bill 1 (Beall). This funding is maintained in the Governor's May Revision. An initiative measure to repeal SB 1 revenues appears likely to qualify for the November 2018 ballot. If this measure is successful, it would necessitate sharp reductions in the transportation funding currently proposed part-way through the 2018-19 fiscal year. The RCRC Board of Directors has adopted a "Support" position on SB 1, and an "Oppose" position on the initiative to repeal these revenues.

Water

California Water Action Plan. The Governor's May Revision does not propose any change to the California Water Action Plan from the Governor's January proposed Budget.

Flood Protection

The Governor's May Revision includes an additional one-time investment of \$295 million to increase flood system resiliency and reduce catastrophic flooding. This funding includes \$170 million to support the state cost-share of the U.S. Army Corps of Engineers' urban flood control projects, \$100 million for deferred maintenance, and \$25 million to support ongoing levee maintenance. These allocations will largely focus on carrying out key recommendations outlined in the Central Valley Flood Protection Plan (CVFPP). This funding is in addition the Governor's January proposed Budget of \$98.5 million from Senate Bill 5 (De León) funds for (1) multi-benefit flood control projects that achieve public safety and fish and wildlife improvements; and, (2) a new floodplain management program.

The CVFPP identified an integrated systemwide approach to flood management and implementation at a cost of \$17 to \$20 billion in flood system investment needs over the next 30 years. California voters approved several General Obligation bonds that provided approximately \$5 billion for flood control improvement, of which approximately \$284 million is remaining. In addition, if approved by the voters, Proposition 68 would provide \$550 million for flood control projects.