



The Rural Rundown

Governor's 2020-21 May Revision

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RCRC'S ANALYSIS OF THE GOVERNOR'S 2020-21 MAY REVISION

Summary

Earlier today, Governor Gavin Newsom unveiled his May Revision of the 2020-21 State Budget (May Revision). The Governor's May Revision is traditionally an exercise to more accurately reflect revenue and expenditure projections, and then apply those projections to the overall spending package originally proposed in January. However, this year's May Revision comes amid a worldwide pandemic and a fiscal situation that saw a \$5.6 billion surplus turn into a projected \$54.3 billion state budget deficit in a four-month span. The May Revision reflects a strategy to balance the budget by cancelling previously proposed expenditures and utilizing loans, federal funds, reserves, and other new revenue sources to close the estimated deficit. The strategy also includes "trigger" cuts that will not be implemented if certain federal funding is granted to the state.

"Now, we are confronted with a steep and unprecedented economic crisis. This is no normal year. And this no ordinary May Revision."

May Revision Proposed Balanced Solution
(Dollars in Billions)

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

Governor Newsom highlighted the careful prioritization that the extreme change from January to May would necessitate amid the need for coronavirus (COVID-19) resources and recovery. Governor Newsom underscored the need to continue significant investments in wildfire mitigation, prevention and response activities, particularly as the state prepares for a severe fire season during the summer and fall months. With the state experiencing unemployment levels higher than those during the Great Recession, Newsom stressed the need to support job creation and economic recovery while streamlining state government operations to rededicate funds to other, more urgent funding needs such as ensuring schools can reopen and expanding programs for the lowest income families.

The Rural Rundown is an in-depth look at Governor Newsom's 2020-21 May Revision of the State Budget, its implications for member counties, details of RCRC's advocacy efforts on specific issue items, and an insider perspective into the reasoning and rationale behind elements of the proposal. *The Rural Rundown* of the Governor's 2020-21 May Revision 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 2020-21 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 2020-21;
- Provides for the release of federal Coronavirus Aid, Relief, and Economic Security Act monies to counties and cities, including a schedule for counties under 500,000 in population;
- Provides \$965 million in Cap-and-Trade revenues for various greenhouse gas reduction programs, while reaffirming the Governor's January commitment to support forest health activities;
- Eliminates a \$3.6 million increase with an additional 10 percent reduction from the current baseline for the University of California, Division of Agriculture and Natural Resources;
- Eliminates the State Division of Juvenile Justice and assumes that all future youth offenders be detained and rehabilitated at the local level; and,
- Maintains a one-time \$50 million investment to respond to investor-owned utility Public Safety Power Shutdown (PSPS) actions during wildfire hazard incidents, including assistance to local governments to help prepare for PSPS events, and \$30 million to the California Public Utilities Commission to improve review of utility wildfire mitigation plans and PSPS reports.

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 dedicated 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 the current fiscal year 2019-20 have been revised significantly downward from \$1.366 billion to \$1.152 billion, reflecting an eroding performance in state sales tax. A similar downward adjustment is estimated for the Community Corrections Subaccount in 2020-21 from \$1.459 billion in the Governor's January proposed Budget down to \$1.174 in the May Revision. In addition, the Governor's May Revision estimates that counties will not see any "growth" funds associated with the Community Corrections Subaccount attributable to this fiscal year or next.

Funding for Realignment is provided primarily via a dedication of 1.06²⁵ percent of the state portion of the sales tax rate, and secondarily through a portion of Vehicle License Fee (VLF) revenues. These revenue commitments are constitutionally protected following the passage of Proposition 30 (Temporary Taxes to Fund Education) in 2012. The 2011 Realignment fiscal structure also ensures continued funding for several local public safety subventions (rural sheriff grants, COPS, etc.), which are funded through VLF. Although VLF estimates have been revised downward, it is not as precipitous a drop as the sales tax, and the state estimates the VLF will largely rebound in 2020-21.

AB 109 funding is directed to counties from the state-level Community Corrections Subaccount. Annual funding amounts to the Community Corrections Subaccount are 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.

Juvenile Justice. The Governor's May Revision proposes to transfer the responsibility of managing all youth offenders from facilities operated by the Division of Juvenile Justice (DJJ) to local jurisdictions. Under the proposal, DJJ would cease the intake of new juvenile offenders effective January 1, 2021 and commence the closure process at the state's three facilities and the fire camp through the matriculation of the current population. Furthermore, the Governor's May Revision proposal would direct a portion of the state's saving from the closure of DJJ to county probation departments. In recognition that some youth offenders in DJJ require addressing sex behavior/mental health needs, \$2.4 million would be provided in 2020-21, increasing to \$9.6 million on an on-going basis. Ultimately, these monies would be provided through a competitive grant program administered by the Board of State and Community Corrections (BSCC). RCRC is seeking additional details on the funding construct associated with the proposed closure of DJJ.

In recent years, county juvenile detention facilities have experienced a large number of vacant beds. For these counties, there exists a significant expense to operate a minimally-used facility. It is expected that counties will now utilize these facilities as a regional hubs for treating and housing youth offenders.

Proposition 47. The Governor's May Revision updates the estimate of state savings associated with the implementation of Proposition 47 to \$102.9 million – a slight reduction of \$19.6 million from the Governor's January proposed Budget estimates.

Approved by voters in 2014, Proposition 47 reduces penalties for a variety of specified offenses, and dedicates the state correctional 'savings' 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 annual savings associated with the measure. The state savings figure for the current year will be finalized, pursuant to provisions in the proposition, in August 2020.

Proposition 57. The Governor's May Revision includes \$12.9 million for county probation departments to supervise a temporary increase in the Post-Release Community Supervision population as a result of implementation of Proposition 57. This reflects a decrease of nearly \$1 million from the Governor's January proposed Budget. 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 Rehabilitation to readjust credit-earning rules so that inmates can earn earlier release opportunities.

Additional County Probation Funding and Senate Bill 678 Funding. The Governor's January proposed Budget included a proposed revenue source to support a new scope of work for county probation departments at the local level. To expand the reach and benefit of evidence-based practices to lower-level offenders, the Governor had proposed

a \$60 million investment per year for three years, as well as \$30 million in 2023-24 to support probation supervision and services for misdemeanants. It was anticipated that services would be targeted through the use of risk and needs assessments. Citing the current budget shortfall, the Governor's May Revision withdraws this probation reform proposal.

Additionally, the Governor's May Revision includes a proposed allocation of \$112.7 million in 2020-21 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. This proposed action appears to eliminate a January proposal to stabilize SB 678 funding with a permanent augmentation of \$11 million annually.

State Crime Laboratories. The Governor's May Revision continues to provide monies - \$35.8 million for 2020-21 - in one-time funds to backfill the continued decline in revenues in the DNA Identification Fund, which will help assure continued processing of evidence for counties. However, the Governor's January proposed Budget included \$7.3 million in ongoing funding to maintain and replace forensic laboratory equipment. This effort has been withdrawn. Local law enforcement agencies in 46 counties (nearly all rural) utilize state labs for analysis of forensic evidence. The purpose of the statewide laboratory system, which was established by the Legislature in 1973, was to provide quality and consistent forensic services.

Supplemental Funding for Local Indigent Defense. The Governor's January proposed Budget sought to improve the delivery of indigent defense at the local level. Specifically, the Governor proposed to include \$4 million in 2020-21, and \$3.5 million for each year thereafter to expand the Office of the State Public Defender's mission to include enhancing the quality of indigent defense at the local level. Additionally, the Governor's January proposed Budget included a one-time allocation of \$10 million for the BSCC to administer, in consultation with the State Public Defender, a pilot program to augment local funding for indigent criminal defense. The Governor's May Revision proposes to withdraw the \$10 million one-time allocation to the BSCC; however, the Governor proposes to continue the expansion of the Office of the State Public Defender albeit at a reduced level of \$2.1 million in ongoing monies, assuming an absence of federal funds.

Court Facility Construction. The Governor's January proposed Budget dedicated \$2 billion out of the state's Five-Year Infrastructure Plan to support trial court facility construction and rehabilitation. The Governor's May Revision suspends that proposal and also withdraws a \$43.6 million General Fund support to begin the design and construction of courthouse projects in a manner consistent with the facilities reassessment recently completed by the Judicial Council.

General Government

Allocation of CARES Act Monies to Counties. The Governor's May Revision allocates \$1.3 billion of the remaining municipal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding directly to counties based on population size. The CARES Act

provided nearly \$9.5 billion of relief to the State of California, counties and cities to address COVID-19 related costs. Under the CARES Act, counties and cities above 500,000 in population received a direct allocation; however, cities and counties under 500,000 are reliant upon the state for the allocation. The allocation proposed in the May Revision allows all of California's 58 counties to receive an allocation of the remaining \$1.3 billion.

It should be noted that \$450 million (above and beyond the \$1.3 billion for counties) of CARES Act monies will be allocated to cities that did not receive a direct allocation. Cities under 300,000 in population will receive their allocation via their county. The Administration advises that cities' monies be prioritized "to supplement existing efforts by counties and Continuums of Care to address the impacts of COVID-19 on people experiencing homelessness, including but not limited to outreach and hygiene efforts, shelter and housing supports, public safety and rental subsidies."

These monies must address, as required under the passage of the CARES Act, public health, behavioral health, and other health and human services costs that have arisen as a result of the COVID-19 pandemic. Allocation of these monies is contingent on adherence to federal guidance and the state's stay-at-home orders and will be released upon jurisdictions' certification of both.

**Coronavirus Relief Fund Allocations
Total by County and Selected Cities**
(Dollars in Thousands)

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

^{1/} Numbers may not tie due to rounding.

Animal Shelter Grant Program. The Governor's May Revision decreases funding for the local shelter grant program established within University of California Davis Koret Shelter Medicine Program to a one-time \$5 million allocation. The Governor's January proposed Budget provided \$50 million in General Fund monies for this five-year program, which will be available to animal shelters, prioritized by need, for training and assistance, in order to decrease dog and cat euthanization rates.

Cannabis Regulatory Structure. The Governor's May Revision postpones the Administration's intent to consolidate cannabis regulatory functions until the 2021-22 Governor's Budget. The Governor's January proposed Budget intended to restructure the state regulatory functions by consolidating the state's three main licensing agencies into one single agency to be named the Department of Cannabis Control by 2021, many details of which were to be announced in this May Revision.

Cannabis licensing and enforcement activities will continue and are paid for with special funds as a result of excise taxes levied on cannabis products. The May Revision estimates \$296.9 million will be available in 2020-21 for a variety of purposes pursuant to Proposition 64, including \$59.4 million for environmental protection and an additional \$59.4 million for public safety. This is a total reduction of \$35.9 million due to lower than expected cannabis excise tax receipts. Finally, the Governor's January proposed Budget restructured the point of collection for cannabis excise taxes. The Administration will continue to work with impacted stakeholders to propose a different point of collection and will announce that work-product in the 2021-22 Governor's Budget.

Economic Development. The Governor's May Revision maintains and expands proposed economic recovery and development tools, including:

- Waiving Minimum Franchise Tax: The Governor's January proposed Budget sought to waive the \$800 minimum franchise tax paid during the first year of operation of a new limited liability company, limited partnership, and limited liability partnership, thereby bringing their tax treatment in line with corporations. The Governor's May Revision maintains this first year franchise tax waiver, which is expected to provide approximately \$100 million in tax relief annually.
- Expanding Assistance for Small Businesses: The Governor's May Revision proposes to increase funding for the California Infrastructure and Economic Development Bank's Small Business Finance Center. Specifically, the Governor proposed doubling funding for the small business loan guarantee program (from \$50 million to \$100 million) to fill gaps in federal assistance.

RCRC will continue to monitor these proposals and work to ensure that rural California is included in the state's economic development and recovery efforts.

Elections. Earlier this month, the Governor issued an Executive Order to require counties to conduct the 2020 General Election via all-mail balloting; however, there will be a requirement to host in-person opportunities. The Governor's May Revision reinforces the recent Executive Order by suggesting that the Administration will work with

the Legislature and the Secretary of State to best determine how in-person voting opportunities will be implemented.

On a related note, with the enactment of the federal CARES Act, California will have approximately \$36 million to assist with the conducting of the 2020 General Election. The Governor's May Revision references the use of this money could be available for vote-by-mail, expanding early voting and online registration, and improving the safety of voting in-person (including the placement of polling place workers and their personal protective equipment needs).

Fairs. The Governor's May Revision projects the state's network of fairgrounds have lost \$98 million in revenue from the cancellation of events from March to June. The Governor's May Revision includes \$40.3 million in 2019-20 General Fund to support short-term, legally-mandated costs, primarily civil service positions. The Governor's May Revision also signals the beginning of a discussion with the Legislature, local governments, and stakeholders over the next year to realign the state's relationship with fairs going forward.

RCRC has been engaged on long-term solutions for fairgrounds and will continue to be involved in any conversations to maintain the integrity of fairground facilities and their continued operations.

Fresno-Merced Food Innovation Corridor. The Governor's May Revision reduces the funding for Fresno-Merced Food Innovation Corridor to \$2 million from the Governor's January proposed Budget of \$33 million. The Fresno-Merced Food Innovation Corridor would be established as an "innovation corridor" to stimulate research and development supporting advanced sustainable agricultural production and high-quality jobs in the San Joaquin Valley. The Department of Food and Agriculture will continue to lead the planning for this initiative, albeit at a modest pace, in collaboration with the Governor's Office of Business and Economic Development, regional partners, University of California Merced, and California State University, Fresno.

California Environmental Protection Agency

Assembly Bill 32 Cap-and-Trade Proceeds. The Governor's May Revision maintains the Cap-and-Trade Expenditure Plan from the Governor's January proposed Budget but establishes a "pay as you go" mechanism for spending what will likely be a fraction of the \$965 million revenue originally estimated for the auction's proceeds. The proposed budget mechanism will prioritize initial auction proceeds for three specific programs, then authorize expenditures for the remainder based on quarterly Cap-and-Trade auction proceeds. The three priority programs are:

- Funding for forest health, resilience and wildfire prevention programs. This includes \$200 million to CAL FIRE for forest health, resilience, and wildfire prevention programs, including prescribed burn projects, as prescribed in 2018's Senate Bill 901 (Dodd), as well as \$8.3 million to help fund the Wildfire Mitigation Financial Assistance Program pursuant to 2019's Assembly Bill 38 (Wood) to help with home hardening and defensible space efforts;

- Investments in air quality improvements in disadvantaged communities, including \$50 million for agricultural diesel engine upgrades and \$235 million for community air pollution mitigation measures pursuant to 2017's Assembly Bill 617 (Garcia); and,
- Funding for the Safe Drinking Water program.

With many experts predicting a challenging wildfire season this year, RCRC will continue to advocate that the state keep forest health and fire prevention funding among its top priorities. However, with what will likely be a severe cut in funding for solid waste short-lived climate pollutant regulations, RCRC has already requested a delay in implementation and will continue seeking an alternative compliance path for small, rural jurisdictions.

The originally proposed 2020-21 Cap-and-Trade Expenditure Plan is as follows:

2020-21 Cap-and-Trade Expenditure Plan

Investment Category	Department	Program	Final (In Millions)
Air Toxic and Criteria Air Pollutants	Air Resources Board	AB 617 - Community Air Protection	\$200
		AB 617 - Local Air District Implementation	\$25
		AB 617 - Technical Assistance to Community Groups	\$10
Low Carbon Transportation	Air Resources Board	Clean Vehicle Rebate Project	\$125
		Clean Trucks, Buses & Off-Road Freight Equipment	\$150
		Enhanced Fleet Modernization Program	\$75
		Agricultural Diesel Engine Replacement and Upgrades	\$50
Climate Smart Agriculture	Department of Food & Agriculture	Healthy Soils	\$18
Healthy Forests	CAL FIRE	Healthy & Resilient Forests	\$165
		Prescribed Fire & Fuel Reduction	\$35
		2019 Fire Safety and Prevention Legislation	\$8
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion	\$15
	Department of Food and Agriculture	Methane Reduction	\$20
Integrated Climate Action: Mitigation and Resilience	Coastal Commission & SF Bay Conservation and Development Commission	Coastal Resilience	\$4
	California Conservation Corps	Energy Corps	\$7

Research and Technical Assistance	Natural Resources Agency, California Energy Commission, Office of Planning and Research, and Strategic Growth Council	Climate Change Research, Technical Assistance to Disadvantaged Communities and Capacity Building	\$25
Workforce Training	Workforce Development Board	Apprenticeships and Job Creation/Just Transition Strategies for a Carbon Neutral Economy	\$33
Total			\$965

Capital Improvement Projects in RCRC Counties. The Governor's January proposed Budget supported many CAL FIRE and California Conservation Corps (CCC) capital outlay projects in RCRC counties. While the Governor's May Revision indicated the withdrawal of proposed expansions of CCC residential programs, it is unclear at this point whether the state will similarly postpone various capital outlay projects for CAL FIRE, including replacing conservation camps (Butte and Lassen Counties), improving air attack bases (Fresno, San Luis Obispo, Butte, and San Diego Counties), replacing helitack bases (Mendocino and Humboldt Counties), replacing an auto shop and warehouse project (Lake/Napa Unit), and construction of a new Shasta Trinity Unit Headquarters (Shasta County).

Climate Catalyst Fund. The Governor's January proposed Budget created a Climate Catalyst Fund and allocated \$250 million in 2020-21 and \$1 billion total to provide low-interest loans to jump-start climate-related technologies and infrastructure that currently face barriers in the private market. The Climate Catalyst Fund was to focus on, but not be limited to, promotion of such projects as zero-emission vehicles and infrastructure, climate-smart agriculture and forestry, and "circular economy" projects such as recycling, composting, wood waste utilization, and carbon/methane capture and utilization. The Governor's May Revision completely withdraws the proposal for the Climate Catalyst Fund.

Certified Unified Program Agencies. The Governor's May Revision reduces funding for the Unified Program Account, which supports the Certified Unified Program Agencies (CUPAs), by \$750,000 for 2020-21. CUPAs provide local regulatory support and inspections of hazardous waste and hazardous materials for many RCRC member counties.

Department of Toxic Substances Control Reform. The Governor's January proposed Budget suggested significant changes to improve the governance of and increase funding for the Department of Toxic Substance Control (DTSC). These changes are intended to improve management and remedy a significant ongoing structural budget deficit that compromises the state's ability to regulate hazardous waste and remediate contaminated sites.

The Governor's May Revision maintains the suggested structural and financial overhauls, which include establishing a new five-member oversight board that will set fees regulatorily, consider permit appeals, and oversee DTSC operations. The changes would

give DTSC much broader authority to set its own fees similar to the State Water Resources Control Board's process, which is still subject to an overall spending cap imposed in the annual State Budget. Specifically, the fiscal overhaul includes a tripling of many major fees, repeals many existing fee exemptions that local governments currently enjoy, and repeals a few other fees.

While understanding of the state's need to balance DTSC's budget, RCRC will continue to advocate against significant new fee increases on already-strained local governments.

Other DTSC-related changes in the Governor's May Revision shift various one-time General Fund augmentations to other sources of funding and withdraw a \$4.2 million proposal included in the Governor's January proposed Budget to clean up additional contaminated orphan sites.

Mendocino Complex Fire Cleanup. The Governor's May Revision includes an additional \$2.2 million General Fund for the Department of Resources Recycling and Recovery (CalRecycle) to complete residential debris removal operations related to the 2018 Mendocino Complex Fire.

Solid Waste Management and Recycling. The Governor's January proposed Budget included \$15 million in Cap-and-Trade auction revenues for waste diversion funding and would have made solid and organic waste recycling infrastructure projects eligible for funding from the proposed Climate Catalyst Fund. It also committed to working with the Legislature to overhaul the state's troubled Beverage Container Recycling Program and move toward a "circular economy" in which manufacturers will reduce waste, reuse existing resources, and utilize readily recyclable or compostable materials in single-use products and packaging.

Given the uncertainty associated with future Cap-and-Trade auction revenues, the Governor's May Revision does not specify any changes to waste diversion funding. Additionally, the Governor's May Revision withdrew the proposed Climate Catalyst Fund and is silent on proposals to overhaul the Beverage Container Recycling Program.

RCRC co-sponsored Assembly Bill 2612 (Maienschein) with Los Angeles County and the California State Association of Counties to increase Cap-and-Trade funding for solid and organic waste recycling to \$200 million annually. RCRC will remain extensively involved in efforts to increase funding to meet the state's solid and organic waste management requirements and to improve consumer access to beverage container redemption opportunities.

Education

University of California/Cooperative Extension. The Governor's May Revision eliminates the \$3.6 million increase from Governor's January proposed Budget. In addition, the Governor's May Revision proposed an additional 10 percent reduction to the UC Agriculture and Natural Resources Division's (commonly referred to as UCCE) current budget. This reduces the level of funding to a point whereby UCCE's budget has remained stagnant since the early 2000's. Changes made in the 2018-19 State Budget,

whereby the Legislature created a specific line item to ensure monies for UCCE are provided, has not inoculated the UCCE program from further reductions.

K-12 Education. The Governor's May Revision makes numerous one-time investments in the K-12 education system, many of which are allocations of federal COVID-19-related funding. This funding includes \$4.4 billion (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor's Emergency Education Relief Fund) to local educational agencies for COVID-19-related support. Allocations will be based on a formula that prioritizes the most significantly-impacted student populations and can fund such activities as extending the instructional school year, and providing additional academic services for pupils, including devices and connectivity related to in-classroom and distance learning.

In light of a near \$19 billion shortfall in anticipated revenue to schools, the Governor's May Revision also rescinds a number of expenditures included in the Governor's January proposed Budget, including \$193 million for Workforce Development Grants. Additionally, without further federal funding, the Governor's May Revision proposes the following reductions:

- K-12 Strong Workforce Program: \$79.4 million
- Career Technical Education Incentive Grant Program: \$77.4 million
- Career Technical Education Initiative: \$7.7 million
- Agricultural Career Technical Education Incentive Grant: \$2.1 million

Emergency Preparedness, Response and Recovery

While COVID-19 response remains California's top priority, the Governor's May Revision acknowledges the state's continued urgent need to mitigate wildfire risk and respond to the 2020 wildfire season. The Governor's May Revision maintains many of the wildfire and emergency response allocations included in the Governor's January proposed Budget, including funding to aid local governments with response to public safety power shut-offs (PSPS) and help for residents in high fire risk areas to harden their homes and maintain their defensible space.

California Department of Forestry and Fire Protection. The Governor's May Revision maintains \$85.6 million and \$135.1 million ongoing General Fund support for permanent firefighting positions to give California Department of Forestry and Fire Protection (CAL FIRE) operation flexibility through fire season based on fire conditions. The additional resources will allow for coverage when staff are undertaking training or utilizing sick/vacation days, while also providing additional staffing during major wildfire incidents and weather events. The resources will also be available to staff additional fire engines when fire conditions require an increase to the existing year-round engines, and to pre-position firefighting personnel in high-risk areas by adding a fourth firefighter on a portion of CAL FIRE engines. These additional staffing resources will augment existing permanently funded firefighting pre-positioning resources.

Community Power Resiliency. The Governor's May Revision continues to recognize the impacts from the expanded use of PSPS in 2019 by investor-owned utilities to avoid igniting catastrophic wildfire events in high fire risk areas, particularly in concert with the current COVID-19 pandemic. The proposal preserves the \$50 million one-time General Fund support from the Governor's January proposed Budget to provide critical services that are still vulnerable during PSPS events, including schools, county election offices, and food storage reserves. The allocation will support a matching grant program for local governments to help mitigate the impacts of PSPS events. RCRC strongly supported this proposal and has advocated for several changes that would significantly increase program effectiveness and waive cost-share requirements for under-resourced communities.

Wildfire Forecast and Threat Intelligence Integration Center. In 2019, the Legislature enacted Senate Bill 209 (Dodd) requiring the Office of Emergency Services (CalOES) and CAL FIRE to establish a Wildfire Forecast and Threat Intelligence Integration Center (Center). The purpose of the Center is to provide intelligence and data to government agencies to help predict wildfire threats, to develop intelligence products for entities involved in wildfire risk mitigation efforts, and to serve as a centralized hub for fire forecasting, weather information, and other analysis to help plan for wildfire response in real-time. RCRC supported SB 209 as a way to guide fire risk management, better preposition scarce resources, and coordinate responses to active fire events. The Governor's January proposed Budget included \$9 million for establishment of the Center, but the Governor's May Revision reduces the proposal to \$2 million from General Fund.

Wildfire Mitigation Financial Assistance Program—Home Hardening. The Governor's May Revision withdraws the \$110.1 million in the Governor's January proposed Budget to implement 2019's Assembly Bill 38 (Wood), which established the Wildfire Mitigation Financial Assistance Program (Program) through July 1, 2025. The Program is designed to help residents in low-income, high fire risk communities with home hardening projects and defensible space maintenance. The Governor's May Revision maintains the additional CAL FIRE defensible space inspections and a regional fire prevention capacity review, pursuant to AB 38, to be funded by an \$8.3 million Greenhouse Gas Reduction Fund allocation.

Office of Emergency Services. The Governor's May Revision maintains \$9.4 million (\$9.2 million General Fund) to enhance CalOES's overall disaster preparedness and response capabilities.

California Disaster Assistance Act. The Governor's May Revision increases the one-time funding proposed in January by an additional \$21.5 million, bringing the one-time California Disaster Assistance Act (CDAA) funding for 2020-21 to \$38.2 million. CDAA funds can be accessed by local governments in response to a state of emergency, including wildfires and flood response. The total allocation proposed for CDAA funding with this increase is \$100.8 million.

California Earthquake Early Warning. The Governor's May Revision maintains the proposed \$17.3 million from the California Earthquake Safety Fund for operation and maintenance of the California Earthquake Early Warning System, which began initial

operation in October 2019. The funds would come from a loan from the School Land Bank Fund rather than the General Fund.

Consolidation of Fire Camps. The Governor's May Revision proposes to consolidate any fire camps that are not currently at capacity and anticipates the closure of eight camps that will be selected in coordination with CAL FIRE. It is estimated that the closures will result in a cost savings of \$7.4 million in General Fund monies in 2020-21 and \$14.7 million ongoing.

Community Resiliency to De-Energization Events. The Governor's January proposed Budget included assistance to help local governments improve their resiliency to PSPS events. Specifically, it included \$50 million from the General Fund to support community power resiliency projects and \$225 million in a proposed climate resilience bond to fund new and improved community resilience centers that serve as evacuation and emergency response centers. The January proposed Budget also highlighted the Administration's involvement in Pacific Gas & Electric's (PG&E) bankruptcy proceeding to demand transformative change at the utility to improve its safety culture and management.

The Governor's May Revision maintains the \$50 million CalOES community power resiliency fund, but the \$225 million proposal for community resilience centers was withdrawn as a result of the Governor backing away from a proposed Climate Resilience Bond. Outside of the budget process, two legislative proposals to clarify authority for locals to declare PSPS emergencies will help local governments access state funding to offset PSPS response costs.

As the PG&E bankruptcy proceeding draws to a close, the utility has agreed to significant management and oversight changes. Furthermore, the California Public Utilities Commission has imposed a diverse set of new rules and requirements to reduce the risk of future wildfires, minimize the need for PSPS events, and mitigate their impacts.

RCRC continues strong legislative and regulatory advocacy to increase vegetation management, reduce wildfire risk, reduce the need for and mitigate the impacts of PSPS events, and assist local wildfire and PSPS response costs.

Health and Human Services

County Administration. The Governor's May Revision will hold funding for county administration to 2019 Budget Act levels, absent additional federal funding, saving the state \$31.4 million (\$11 million General Fund). The Governor's January proposed Budget included an increase of \$67.7 million for county Medi-Cal eligibility determinations.

County Medical Services Program. The Governor's May Revision proposes to shift funds from the County Medical Services Program (CMSP Board) reserves to offset CalWORKs costs. The Administration proposes to shift \$50 million of the reserves in each of the next four fiscal years. In recognition of the expedited timeline by which the reserves would return to reasonable levels, the Governor's May Revision also proposes to restore the CMSP's annual allocation beginning in 2021-22. The Administration notes that the CMSP Board has developed a considerable reserve since the state changed their realignment allocation in the wake of implementing the Affordable Care Act.

In-Home Supportive Services. The Governor's May Revision includes a 7 percent reduction in In-Home Support Service (IHSS) hours provided to IHSS beneficiaries effective January 1, 2021, absent additional federal funding. Similarly, IHSS county administration funding will be held at 2019-20 levels without further federal assistance. The Governor's May Revision also assumes that the Department of Social Services enters into a contract with the state Case Management, Information and Payroll System vendor to perform IHSS payroll functions, for a savings of \$9.2 million General Fund in 2020-21.

Medi-Cal Healthier California for All/CaAIM. The Governor's May Revision rescinds the Administration's proposal to transform the Medi-Cal system in 2020-21. The Governor's January proposed Budget included a \$40 million placeholder for the initiative with intent language to work on the proposal through the spring.

Mental Health Services Act. The Governor's May Revision rescinds the Administration's proposal to revamp the Mental Health Services Act (MHSA). The Governor's January proposed Budget indicated that the Administration intended to update the MHSA, which was passed in 2004, to better focus on people with "mental illness who are also experiencing homelessness, who are involved in the criminal justice system, and for early intervention for youth."

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

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

Skilled Nursing Facilities. The Governor's May Revision maintains the skilled nursing facility (SNF) reform framework proposed in the Governor's January proposed Budget which would move away from a cost-based methodology to one based on value and quality. In addition, the Governor's May Revision assumes a 10 percent rate increase for SNFs and Intermediate Care Facilities for the Developmentally Disabled for the duration of the public health emergency, at a General Fund cost of \$72.4 million in 2019-20 and \$41.6 million in 2020-21.

Homelessness

Homelessness. The Governor's May Revision provides \$750 million in federal funding for the purchase of hotels and motels, secured through the Administration's Project Roomkey, to be owned and operated by local governments or non-profit providers. These funds will also be utilized by the state to provide technical assistance to local jurisdictions in procuring facilities through the program. The Administration launched Project

Roomkey in April to provide shelter through the procurement of hotel and motel rooms for individuals experiencing homelessness and at risk for contracting COVID-19.

This funding proposal replaces the Governor's January proposed Budget item that allocated \$750 million in one-time General Fund for the creation of the California Access to Housing and Services Fund (CAHS). CAHS was intended to assist individuals in rental housing, as well as spur development of new housing units.

Housing

Housing Funds. The Governor's May Revision reverts \$565 million in unallocated state housing program funds back to the General Fund. This reversion includes: \$250 million in mixed-income development funds; \$200 million in infill infrastructure grant funds; and, \$115 million in other housing program funds.

Additionally, the Governor's May Revision includes broad policy intentions, consistent with previous statements by Governor Newsom, to increase housing production through streamlined housing programs, upzoning, and process improvements, focused on surplus public lands and transit-oriented infill housing.

State Housing Tax Credit Program. The Governor's May Revision maintains the \$500 million to the state's tax credit program included in the Governor's January proposed Budget. The state's tax credit program, in conjunction with federal tax credits, helps close the gap in available funding for affordable housing developments. The 2019-20 State Budget Package included an appropriation of \$500 million for this program, and authorized the sum annually, upon appropriation through the State Budget.

Resources

Department of Parks & Recreation. The Governor's May Revision maintains \$5 million from the General Fund, reduced from \$20 million, to create a new state park. Also maintained in the Governor's May Revision is \$4.6 million from various bond funds to acquire inholdings and \$6.1 million from Proposition 68 bond funds to expand access to state parks in urban areas and make improvements to parks serving disadvantaged communities.

New Natural Resources Building Facility Relocation. The Governor's May Revision reduces by \$4.8 million in General Fund monies associated with the move into a new building. This action will be put on hold until an evaluation on telework opportunities is completed.

State Payment in Lieu of Taxes. The Governor's May Revision makes no changes to the \$644,000 in funding to the Payment in Lieu of Taxes (PILT) program 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.

Telecommunication

Broadband Mapping. The Governor's May Revision includes \$2.8 million and three additional positions for the California Public Utilities Commission (CPUC) to enhance

broadband mapping activities, with funding provided by the CPUC's Utilities Reimbursement Account. The Governor's May Revision also references forthcoming statute changes "intended to increase the ability of the state to compete for federal funding to improve access to broadband Internet in California."

Transportation

California Department of Transportation. The Governor's May Revision reflects the need to continue planning and engineering work for projects that are slated for construction/repair. An estimated \$1.8 billion in motor fuel taxes is expected to be lost over the next several years due to the COVID-19 pandemic resulting, primarily, from stay-at-home orders. It is expected that stimulus monies (likely from the federal government) will be made available to construct these projects that have been developed and previously programmed.

Water

New River Improvement Project. The Governor's January proposed Budget included \$28 million (\$18 million General Fund and \$10 million Proposition 68) to implement projects identified in the New River Improvement Program. These projects will mitigate the impact of cross-border pollution that has made the New River the most polluted river in the United States and will improve the quality of life in Imperial County. The Governor's May Revision maintains funding for this project in light of the chronic and severe nature of the problem. RCRC supported this proposal.

Salton Sea Management Plan. The Governor's May Revision maintains the \$19.3 million of Proposition 68 bond funds to address the air quality and habitat restoration objectives at the Salton Sea through implementation of the North Lake Pilot Project.

State Water Resources Control Board. The Governor's May Revision prioritizes funding for the implementation of the Safe and Affordable Drinking Water Fund, as authorized by Senate Bill 200 (Monning, 2019), based upon proceeds from future auctions, as one of four key areas. The other three areas include: Assembly Bill 617 (Perea, 2015) implementation; funding for replacement of diesel equipment on farm; and, forest health. This contrasts with the Governor's January proposed Budget which proposed \$130 million from the Greenhouse Gas Reduction Fund to implement the program.

Sustainable Groundwater Management Act. The Governor's May Revision reduces to \$26 million (roughly a \$40 million reduction from the Governor's January proposed Budget) of existing Proposition 68 bond funds. In an attempt to provide non-financial assistance, the Department of Water Resources will establish an interagency team to work with stakeholders. The May Revision also suggests that Sustainable Groundwater Management Act-related projects may be considered for inclusion in future infrastructure investments.

Water Resilience Portfolio. The Governor's May Revision withdraws the Climate Resiliency Bond as proposed in the Governor's January proposed Budget. With this action, the Administration will focus on flood control investments, consistent with the Central Valley Flood Protection Board's recently-adopted plan, and that can draw down

federal funds. In addition, the Administration will focus on those opportunities within existing program investments to achieve the objectives identified in the Water Resilience Portfolio (Portfolio) released earlier this year.

The Portfolio was based on an April 2019 Executive Order to the Secretaries of the California Natural Resources Agency, the California Environmental Protection Agency, and the California Department of Food and Agriculture to identify and assess a suite of complementary actions to ensure safe and resilient water supplies, flood protection and healthy waterways for the state's communities, economy and environment. The Governor's January proposed Budget relied upon the proposed Climate Resiliency Bond to fund many of the Portfolios components such as:

- Integrated regional water management projects, stormwater capture, water recycling conveyance, conservation, efficiency, etc.;
- Sustainable groundwater management to support local efforts; and,
- Flood protection projects.

Under the Governor's May Revision, these agencies will now look to integrate and build on programs, policies and investments already in place to create a climate-resilient water system.