



The Rural Rundown

***Governor's 2019-20 May Revision
and Other Budget Items***

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RCRC'S ANALYSIS OF THE GOVERNOR'S 2019-20 MAY REVISION AND OTHER BUDGET ITEMS

Summary

Earlier today, Governor Gavin Newsom unveiled his May Revision of the 2019-20 State Budget (May Revision) – his first since taking office in January. The Governor's May Revision is an attempt to more accurately reflect revenue and expenditure projections, and then apply those projections to the overall spending package originally proposed in January. The \$213.5 billion budget reflects a spending plan that includes \$147 billion in General Fund expenditures, as well as \$65 billion in funding allocations derived from special funds, federal dollars, and bond proceeds.

“The California Dream must be built on a strong fiscal foundation,” said Governor Gavin Newsom. “This budget fortifies California’s fiscal position while making long-sighted investments to increase affordability for California families...”

Enjoying the inheritance of a budget surplus, in January Governor Newsom highlighted his Administration's commitment to building budget resiliency, and paying down the state's unfunded pension liabilities in an effort to “build the foundation for the California dream.” With revenue projections \$3.2 billion higher than anticipated in January, these commitments remain, while the Governor's May Revision also prioritizes one-time investments to tackle the “affordability crisis that California families face on health care, housing, early education and higher education.”

The Rural Rundown is an in-depth look at Governor Newsom's 2019-20 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 2019-20 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 2019-20 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 2019-20;
- Provides an additional \$87 million to assist counties in replacing antiquated voting systems;
- Provides an additional \$251 million in Cap-and-Trade revenues for various greenhouse gas reduction programs, while reaffirming the Governor's commitment in January to support forest health activities;
- Includes an additional \$70.3 million to offset In-Home Support Services (IHSS) Maintenance of Effort costs based on revised caseload projections and restoration of service hours; and,
- Provides a one-time \$75 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 \$41 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 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 2019-20 have been revised downward from \$1.41 billion to \$1.38 billion, reflecting a lower-than-expected performance in state sales tax. In addition, the Governor's May Revision estimates that counties will see the following in "growth" funds associated with the Community Corrections Subaccount: \$66.7 million in 2018-19 (which will be distributed in Fall 2019), and \$85.7 million in 2019-20 (which will be distributed in Fall 2020). These growth figures were pegged, respectively, at \$102.3 million and \$93.6 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.

Assembly Bill 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 updates its estimate of state savings associated with the implementation of Proposition 47 at a slightly lower amount of \$78.4 million, attributable to reduced levels of adult incarceration and taking into account changes to court and parole system workload.

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 state savings figure for the current year will be finalized, pursuant to provisions in the proposition, in August 2019.

Proposition 57. The Governor's May Revision includes a slight change 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 \$14.8 million – up \$2.9 million over the amount estimated in the Governor's January proposed Budget – given a modest increase 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 \$112.8 million in 2019-20 – down slightly (\$548,000) 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. The current year budget contains \$1.3 billion in lease revenue bonds (backed by the state General Fund) for design activities and construction of 10 courthouses over a two-year period, which includes facility projects in the following RCRC member counties: Imperial, Shasta, Siskiyou, and Tuolumne (in 2018-19), and Glenn (in 2019-20). The Governor's January proposed Budget contained no additional resources beyond the \$1.3 billion for courthouse construction, but did commit \$40 million to address deferred maintenance projects in courthouses as well as \$20.2 million to support operations and maintenance of facilities constructed since 2007.

In April, the Department of Finance made several related requests to address changes in projects costs for construction underway, including an additional appropriation of \$17.2 million to cover higher-than-anticipated bids associated with the construction of the New El Centro Courthouse in Imperial County.

Trial Court Budget Reserves. The Governor's May Revision amends an action taken in the 2013-14 State Budget, which limited trial courts to a 1 percent year-over-year budget reserve. In recognition that this restriction has presented considerable operational challenges for trial courts, the Governor proposes increasing the trial court reserve cap to 3 percent beginning June 30, 2020.

Juvenile Justice. The Governor's January proposed Budget proposed moving the Division of Juvenile Justice (DJJ) out of the California Department of Corrections and Rehabilitation (CDCR) to a new unit within the Health and Human Services Agency. Recently released trailer bill language provides more details about the proposed Department of Youth and Community Restoration, which would become operational on July 1, 2020. The Governor's May Revision now proposes \$1.2 million for staff needed to facilitate the transition, and to launch a new independent training institute that will train staff on best practices and cultivate the cultural change needed to accompany the department's enhanced focus on rehabilitative and therapeutic approaches. Further, the

Governor's May Revision proposes to invest \$1.4 million to establish a partnership between DJJ (and its successor) and the California Conservation Corps for an apprenticeship program.

Judgeship Funding. The Governor's May Revision includes \$30 million in 2019-20 (and \$36.5 million annually beginning in 2020-21) to fund 25 previously authorized superior court judgeships. Distribution of the judicial positions will be determined by the Judicial Council's Judicial Needs Assessment, expected to be updated in late summer 2019. The 2018 preliminary update demonstrates that 127 additional judicial officers are needed to meet statewide workload demands. Although Riverside and San Bernardino Counties have – by a significant margin – the most severe judgeship need, a number of RCRC member counties also have a demonstrated shortfall between funded judicial positions and assessed judicial need.

California Environmental Protection Agency

Assembly Bill 32 Cap-and-Trade Proceeds. The Governor's January proposed Budget allocated a little more than \$1 billion from the state's Cap-and-Trade auction proceeds to support programs that decrease or sequester emissions from greenhouse gases (GHG). The Governor's May Revision proposes an additional \$251.5 million from the Greenhouse Gas Reduction Fund (GGRF) to promote affordable housing, sustainability, and resilience priorities, including:

- \$92 million to the Strategic Growth Council to support transit-oriented development and neighborhood projects that reduce emissions in California's most disadvantaged communities.
- \$135 million for low-carbon transportation programs with a focus on diesel emissions reductions, including \$65 million to replace and upgrade diesel engines and equipment in the agricultural sector, and \$50 million to provide incentives for zero-emission trucks, transit buses, and freight equipment. An additional \$15 million is proposed to help individuals replace older, higher emission passenger vehicles.
- \$20 million for climate smart agriculture programs, including an additional \$10 million for the Healthy Soils Program and \$10 million for methane reduction programs.
- An additional \$8 million to the Workforce Development Board for apprenticeship programs to help prepare workers for a carbon-neutral economy.
- \$1.5 million for a study to determine the key actions the state must take to achieve a carbon-neutral economy.

The Governor's May Revision does not alter the commitments to forest health programs, nor how those funds should be spent. Besides forest health programs, RCRC will continue to advocate for an increased allocation of auction proceeds to waste diversion programs to aid in the implementation of Senate Bill 1383 (Lara) requirements going forward. RCRC will also continue to pursue a change in the current definition of "disadvantaged communities" to disseminate Cap-and-Trade proceeds, as the current definition excludes most rural communities from receiving these targeted funds.

The updated proposed 2019-20 Cap-and-Trade Expenditure Plan is as follows:

2019-20 Cap-and-Trade Expenditure Plan

Investment Category	Department	Program	January Proposed	May Proposed	Total (In Millions)
Air Toxic and Criteria Air Pollutants	Air Resources Board	AB 617 - Community Air Protection	\$200		\$200
		AB 617 - Local Air District Implementation	\$20		\$20
		Technical Assistance to Community Groups	\$10		\$10
Low Carbon Transportation	Air Resources Board	Clean Vehicle Rebate Project	\$200		\$200
		Clean Trucks, Buses & Off-Road Freight Equipment	\$132	\$50	\$182
		Enhanced Fleet Modernization Program	\$50	\$15	\$65
		Agricultural Diesel Engine Replacement and Upgrades	\$25	\$65	\$90
Climate Smart Agriculture	Department of Food & Agriculture	Healthy Soils	\$18	\$10	\$28
		Methane Reduction	\$25	\$10	\$35
Healthy Forests	CAL FIRE	Healthy & Resilient Forests	\$165		\$165
		Prescribed Fire & Fuel Reduction	\$35		\$35
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion	\$25		\$25
Integrated Climate Action: Mitigation and Resilience	Coastal Commission & SF Bay Conservation and Development Commission	Coastal Resilience	\$3		\$3
	Community Services & Development	Low-Income Weatherization	\$10		\$10
	California Conservation Corps	Energy Corps	\$6		\$6

	Strategic Growth Council	Transformative Climate Communities	\$40	\$92	\$132
Climate and Clean Energy Research	Strategic Growth Council	Climate Change Research	\$10		\$10
	California Environmental Protection Agency	Transition to a Carbon-Neutral Economy		\$1.5	\$1.5
Workforce Training	Workforce Development Board	Apprenticeships for a Green Economy	\$27	\$8	\$35
Total			\$1,001	\$252	\$1,253

Department of Toxic Substances Control (DTSC) Insolvency. The Governor’s May Revision includes a one-time appropriation of \$37.5 million from the General Fund to the Department of Toxic Substances Control (DTSC) to offset DTSC’s structural budget imbalance for FY 2019-20. This one-time augmentation is a stop-gap solution while the Administration develops a fee package that adequately supports DTSC’s operations and considers how to improve its management. DTSC’s structural deficit will impair its ability to effectively oversee hazardous waste management, impact the state’s ability to perform post-cleanup monitoring of Superfund/National Priority List sites (as required by federal law), and significantly delay the clean-up of newly identified contaminated sites for which there are no responsible parties.

RCRC will closely track attempts to modify and increase those fees that support DTSC’s operations, and will engage in attempts to improve DTSC’s permitting and oversight operations and its responsiveness to stakeholders.

State Water Resources Control Board. The Governor’s May Revision maintains the funding proposed in the Governor’s January proposed Budget, which included an additional \$193.4 million to the State Water Resources Control Board (SWRCB) to fund safe drinking water for disadvantaged communities. This includes \$168.5 million from Proposition 68 funds to provide technical assistance, grants, and loans to public water systems in disadvantaged communities; \$10 million from the General Fund to provide emergency water supplies; another \$10 million from the General Fund for the SWRCB to contract for administrative services in communities that are not achieving compliance with current drinking water standards; and \$4.9 million from the General Fund to the SWRCB and California Department of Food and Agriculture to take initial steps toward implementing a “Safe and Affordable Drinking Water Fund.” The Governor’s May Revision reiterates the Administration’s commitment to working with the Legislature and stakeholders on a comprehensive package and affordable drinking water for all Californians.

Sustainable Pest Management. The Governor’s May Revision proposes a one-time increase of \$5.7 million from the General Fund to the Department of Pesticide Regulation (DPR) to assist in the transition to safer pesticide alternatives, particularly as DPR commences the regulatory process to cancel the registration of chlorpyrifos. This action

was announced on May 6, 2019, thus this funding was not included in the Governor's January proposed budget.

Chlorpyrifos is an insecticide used primarily on nut and fruit trees as well as vegetable and grain crops grown in California. Acute exposure has been under close scrutiny for some time given the serious risks to human health, especially in children and sensitive populations. Over the last few years, DPR has taken actions to significantly reduce the use and exposure through protective mitigation measures to further restrict its use. This action by DPR does not affect RCRC member counties directly; however, it may have implications to the workload of County Agricultural Commissioners.

Education

Community Colleges. The Governor's May Revision includes an additional \$5.2 million in Proposition 98 General Fund spending to support first and second year tuition-free community college attendance. This additional funding reflects revised estimates of eligible students for the tuition waiver. The Governor's January proposed Budget included \$40 million to fund the existing first year of the tuition waiver and estimated funding for a second year of tuition-free community college. First-time students enrolled in classes full-time at any of California's 115 community colleges already have the first year of tuition waived at participating campuses through the "California College Promise."

Full-Day Kindergarten. The Governor's May Revision includes \$600 million in one-time non-Proposition 98 funding for the construction of new facilities (or to retrofit existing facilities) for full-day kindergarten programs, a decrease in funding of \$150 million from the Governor's January proposed budget. Additionally, the Governor's May Revision makes funding available over a three-year period, but limits eligibility during the first two-years to schools that will convert from part-day to full-day kindergarten program. Governor Newsom stated that the \$150 million in funding for this item was redirected to teacher training and retention programs. Additionally, the Governor's May Revision also increases the state share of the facility grant program from 50 percent to 75 percent for schools converting from part-day to full-day kindergarten, prioritizing available grants to school districts with high levels of low-income students.

School Broadband Infrastructure. The Governor's May Revision includes \$15 million in one-time non-Proposition 98 from the General Fund for investment in school district broadband infrastructure to assist in access to computer science education.

RCRC continues to advocate for a systematic and holistic approach to addressing the lack of quality broadband service in rural areas of the state. Despite continued efforts through state and federal telecommunication provider funding programs, the digital divide remains a significant impediment to economic growth in RCRC member counties.

Teacher Training and Retention. The Governor's May Revision includes a total of \$148.5 million in one-time non-Proposition 98 from the General Fund for teacher training and retention to address educator shortages in areas of special education, science, and math. Specifically, the Governor's May Revision allocates \$89.8 million to provide loan repayments for up to \$20,000 for newly credentialed teachers to work in high-need schools for at least four years. Funds will be prioritized for teachers in hard-to-hire subject

matter areas and school sites with the highest rates of non-credentialed or waiver teachers.

Additionally, the Governor's May Revision includes \$44.8 to provide training and resources for classroom educators to build capacity around different types of learning models and subject matter competency, and \$13.9 million for professional learning opportunities for public K-12 school administrators to provide the knowledge, skills, and competencies to support the diverse student population served in California public schools.

University of California/Cooperative Extension. The Governor's May Revision maintains the funding proposed in the Governor's January proposed Budget of \$72.6 million for the UC Agriculture and Natural Resources division (commonly referred to as UCCE). This level of funding has remained virtually unchanged since the early 2000's. However, in the 2018-19 State Budget, the Legislature created a specific line item to ensure monies for UCCE are provided. To some degree, the line item inoculates the UCCE program from being swept into the overall budget for the University of California.

Emergency Preparedness, Response and Recovery

In 2018, California suffered its most devastating wildfire year to date, with more than 100 fatalities, 22,700 structures lost, and 1.8 million acres destroyed. Many of these devastating wildfires have occurred in RCRC member counties, and as wildfire becomes the most urgent natural disaster facing California, Governor Newsom has shown continued commitment to responding to the ongoing wildfire crisis.

Disaster Preparedness, Response and Recovery. The Governor's May Revision augments the \$769.6 million proposed in the Governor's January proposed Budget for disaster response and recovery with an additional \$39.9 million, and 160 positions for various departments to enhance the state's disaster response and preparedness capabilities, including several programs to assist local governments. The additional allocations include:

- \$5.9 million ongoing (\$5.1 million General Fund) to the California Office of Emergency Services (CalOES) to enhance CalOES disaster preparedness and response capacity for future state disasters.
- \$2 million in General Fund, \$740,000 of that ongoing, to the Department of Housing and Community Development to create a permanent Disaster Response and Recovery Unit to provide housing expertise during statewide disaster recovery efforts and to hire a consultant to conduct local needs assessments related to the 2018 Camp and Woolsey Fires.
- \$1 million ongoing from the General Fund to the State Water Resources Control Board (SWRCB) to improve emergency response capabilities between the SWRCB, regional boards, and other state entities during emergencies to help lessen the water impacts of disasters on vulnerable populations.
- \$2.8 million ongoing from the General Fund to the Department of Resources Recycling and Recovery (CalRecycle) to establish a dedicated debris removal

team and to assist local governments in the preparation of debris removal plans for future incidents.

- \$979,000 ongoing from the General Fund for the Emergency Medical Services Authority to increase disaster medical services capacity.
- \$959,000 ongoing from various funds for the Department of Public Health to support health care facilities and mass care shelters during emergencies.
- \$996,000 ongoing from the General Fund for the Department of State Hospitals to improve emergency coordination and preparedness to more effectively care for patients and coordinate staff during a disaster.
- \$2.9 million ongoing from the General Fund for the Department of Social Services to support mandated disaster planning, coordination and training activities related to mass care and shelter responsibilities.

Property Tax Backfills. The Governor’s May Revision includes \$518,000 from the General Fund to reimburse local governments for 2018-19 property tax losses resulting from the 2018 wildfires. This is in addition to the \$31.3 million in the Governor’s January proposed Budget, which was already enacted by the Legislature earlier this year. The additional proposed funds will be allocated to local agencies in Los Angeles, Mendocino, Napa, Orange, San Diego, Solano, Tuolumne, and Ventura counties that suffered property tax losses due to the 2018 wildfires, but had not been able to calculate the totals in time to be included in the Governor’s January proposed Budget.

The Governor’s May Revision also includes a corresponding \$530,000 property tax backfill for K-12 schools under the Proposition 98 school funding mechanism.

Camp Fire Recovery. The Governor’s May Revision dedicates \$10 million from the General Fund to support local communities in Butte County in the recovery process from the devastation of the 2018 Camp Fire, which destroyed more than 18,000 structures, and 90 percent of the Town of Paradise.

Department of Forestry and Fire Protection. The Governor’s May Revision provides a one-time General Fund increase of \$15.7 million to the Department of Forestry and Fire Protection (CAL FIRE) to enhance forest health and fire prevention activities. This funding is an outcome of the recommendations contained in CAL FIRE’s *Community Wildfire Prevention and Mitigation Report*, as well as the strike force’s report, *Wildfires and Climate Change: California’s Energy Future*, resulting from Executive Orders issued in January. One of the central recommendations in CAL FIRE’s report is the completion of 35 priority fuel reductions projects, with the 1,112 acre Highway 44 fuel break project in Shasta County as the number one priority project.

Public Safety Power Shutdown. The Governor’s May Revision includes \$75 million in one-time General Fund dollars to improve critical infrastructure and assist communities during Investor-Owned Utilities (IOUs) preemptive “Public Safety Power Shutoffs” (PSPS), also known as De-Energization. Further, the Governor’s May Revision also includes \$41 million to the California Public Utilities Commission (CPUC) to fund compliance oversight and evaluation of IOUs with regard to wildfire mitigation plans. De-energization of powerlines during high wind or severe weather events is likely to

substantially increase in many rural communities, leaving affected areas without power for extended periods of time.

RCRC has been very active at the CPUC and has party status in both the De-Energization Rulemaking Proceeding (R. 18-12-005) and the Utility Wildfire Mitigation Plans Rulemaking Proceeding (R. 18-10-007). How IOUs conduct their de-energization events when there are elevated threats of wildfire was created as a separate proceeding from implementation of Wildfire Mitigation Plans pursuant to Senate Bill 901 (Dodd). De-Energization procedures, including how they provide notice to local governments, will be included in 2019 Wildfire Mitigation Plans and beyond. RCRC continues to believe that PSPS should be used by utilities as a last resort.

Statewide Disaster Reserve Corps. The Governor's May Revision proposes \$711,000 ongoing from the General Fund to develop a statewide Disaster Reserve Corps resource pool for surge capacity needs. This will enable the state to backfill departments, assist with continuity planning, and identify qualified candidates for needed incident support teams to assist in state preparedness.

Catastrophic Livestock Disease Prevention and Emergency Response. The Governor's May Revision includes \$3.3 million in ongoing from the General Fund to the California Department of Food and Agriculture (CDFA) to perform a variety of tasks related to enhanced prevention and response to livestock disease outbreaks, such as the recent outbreak of Newcastle Disease affecting poultry in Los Angeles County, as well as community preparedness and response for pet and livestock evacuation and housing during disasters.

Livestock Disease Prevention & Emergency Response. The Governor's May Revision proposes an ongoing increase of \$3.3 million from the General Fund for CDFA as well as 23 positions for enhanced prevention and response infrastructure. This includes funding to support community preparedness and volunteer mobilization for pet and livestock evacuation, housing, and treatment during disasters. This funding was not included in the Governor's January proposed budget.

Driving this new funding is the virulent Newcastle Disease, a fatal viral disease affecting birds and poultry. CDFA has been actively engaged in eradicating this disease, which has spread into new areas of Los Angeles, San Bernardino, Riverside, Ventura, and Alameda counties.

While this new funding for CDFA does not affect RCRC member counties directly, it may have implications to the workload of various County Agricultural Commissioners.

General Government

Cannabis Regulatory Structure. The Governor's May Revision projects that cannabis excise taxes are expected to generate a more modest amount than previously forecast - \$288 million in 2018-19, and \$359 million in 2019-20. Relative to those projections, it should be noted that Proposition 64, which was approved by California voters in 2016 to allow for adult-use cannabis and is accompanied by a state and local regulatory structure, specifies the allocation of proceeds resulting from taxation on cultivation and retail

activity. The measure prioritizes workload costs necessary to administer and enforce the regulatory scheme. Allocation of tax proceeds are then designated for research and activities related to the legalization of cannabis, and the past effects of its criminalization. Once those priorities have been met, the remaining funds are allocated to youth education, prevention, early intervention, and treatment; environmental restoration; and public-safety related activities.

As such, the Governor's May Revision estimates \$198.8 million will be available for these purposes, and allocates them in 2019-20 as identified below:

In the education, prevention and treatment of youth substance disorders and school retention, \$119 million will be made available. Of note, \$80.5 million will be provided to the Department of Education to subsidize child care for school-aged children of income-eligible families to keep these children occupied and engaged in a safe environment, thus discouraging potential use of cannabis, and \$21.5 million to the Department of Health Care Services for competitive grants to develop and implement new youth programs in the areas of education, prevention and treatment of substance use disorders along with preventing harm from substance use.

In the area of clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation, \$39.8 million is available in the following manner:

- \$23.9 million to the Department of Fish and Wildlife, of which \$13.8 million will support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation, and \$10.1 million to support enforcement activities aimed at preventing further environmental degradation of public lands.
- \$15.9 million to the Department of Parks and Recreation, of which \$7.1 million will be used to identify unknown areas of cannabis cultivation to assist with prioritizing resources for effective enforcement, \$5.6 million for remediation and restoration of illegal cultivation activities on state park land, and \$3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development.

In the area of public safety-related activities, \$39.8 million is available in the following manner:

- \$2.6 million to the California Highway Patrol for training, research, and policy development related to impaired driving and for administrative support.
- \$11.2 million to the California Highway Patrol's impaired driving and traffic safety grant program for non-profits and local governments.
- \$26.0 million to the Board of State and Community Corrections for a competitive grant program for local governments that have not banned cannabis cultivation or retail activities that will prioritize various public health and safety programs, including, but not limited to, local partnerships focused on prevention and intervention programs for youth and to support collaborative enforcement efforts aimed at combating illegal cannabis cultivation and sales.

In addition, the Governor's May Revision includes \$15 million to provide grants to local governments to assist in the creation and administration of equity programs, and to support equitable access to the regulated market for individuals through financial and technical assistance. The Governor's Office of Business and Economic Development will administer the grant program on behalf of the Bureau of Cannabis Control. The Governor's May Revision also includes statutory language to address technical, clean-up issues including the streamlining of provisional licenses, strengthening administrative penalties for unlicensed cannabis activity, and extending the existing California Environmental Quality Act (CEQA) exemption for municipalities who are attempting to enact local regulatory frameworks.

Fairs. The Governor's May revision maintains the commitment proposed in the Governor's January proposed Budget to include \$7 million to address deferred maintenance within the network of the state's fairs. It also maintains the ongoing commitment of approximately \$2.6 million for the support of local fairs, which is consistent with the last five enacted State Budget Packages. Commencing in the 2015-16 State Budget Package, \$2.6 million in ongoing monies was to be directed to the Fairs and Expositions Fund for redistribution to improve the financial situation of smaller fairs, as well as provide training for Fair Board members.

Prior to 2009-10, fairs received state support primarily from horse race wagering proceeds. In 2009, the state supplanted horse race wagering with General Fund support. The 2011-12 State Budget Package eliminated the \$32 million General Fund for the support of fairs. Subsequent State Budget Packages did not replace the funding for fairs until the 2015-16 State Budget Package.

In 2017, the Legislature enacted RCRC-supported Assembly Bill 1499 (Gray), which dedicates the state portion of the Sales and Use Tax collected from transactions at fairgrounds to support the network of fairs.

RCRC will continue to work with the California Department of Food and Agriculture and other stakeholders to ensure the long-term viability of fairs in light of the elimination of state funding in prior years. The previous lack of support placed several of the small and medium-sized fairs in jeopardy of closure, and the ongoing funding – both in operations and capital improvements – should provide some relief until a long-term solution is realized.

Paid Family Leave. The Governor's May Revision continues to prioritize the expansion of California's Paid Family Leave program with the goal that all newborns and newly adopted babies could be cared for by a parent or close family member for the first six months. Earlier this year, the Governor's January proposed Budget suggested a revision of the program to allow for six months of paid leave for parents after the birth of a child, effective July 1, 2020. The proposal will also allow claimants to take a full eight weeks to assist a family member for military deployment.

California's current system offers six weeks of paid leave for new parents, at levels ranging from 60 to 70 percent of their compensation. The current paid family leave scheme is funded by a payroll tax on employees. To help deliver this expanded benefit,

the Governor's May Revision suggests a minimum reserve in the Disability Insurance Fund be reduced by 15 percent, which still maintains an adequate reserve. The remaining details on how to finance this expansion remain unclear; however, raising an employee payroll tax requires a two-thirds vote of the Legislature.

The Administration will soon convene a task force to consider different options to phase-in and expand Paid Family Leave to meet the Administration's Paid Family Leave goal. By November, the task force will issue recommendations for consideration in the 2020-21 Governor's Budget. It is expected that public employees would be eligible for this benefit and that some costs would be borne by the public employer (i.e. counties), and it is likely that some aspects of implementation of this benefit will be subject to collective bargaining.

Sales Tax Exemption for Menstrual Products and Diapers. The Governor's May Revision exempts menstrual products, including tampons, sanitary napkins, menstrual sponges and cups, and children's diapers from sales tax (both the state and local portions) for two years – from January 1, 2020 to December 31, 2021. This proposal is part of the Governor's "Parents Agenda" to address cost-of-living issues faced by young parents. The local government revenue losses are expected to be \$20.5 million statewide in 2019-20, and \$41 million each subsequent year.

Voting Systems Replacement. The Governor's May Revision includes an additional one-time allocation of \$87.3 million in state General Fund support to counties in replacing and upgrading county voting equipment. The Governor's May Revision builds upon last year's budget enactment of \$134 million to assist counties in replacing outdated voting equipment. Last year's effort, contained in Assembly Bill 1824, creates a dollar-for-dollar match program for the purchase of hardware, software, and initial licensing for the replacement of voting systems purchased after April 29, 2015.

With the enactment of Senate Bill 450 (Allen, 2016), counties are undergoing dramatic changes in the way elections are administered. SB 450 authorizes counties to conduct elections using the "vote center" model. SB 450 allows specified counties on or after January 1, 2018 to conduct any election as an all-mailed ballot election at the discretion of the Board of Supervisors, if certain conditions are satisfied. In 2020, all other counties could utilize this option, with the exception of Los Angeles County. This voting system assistance program anticipates that counties with more than 50 precincts will go to a vote center model, and counties with fewer than 50 precincts will continue with the precinct model.

Williamson Act. The Governor's May Revision does not propose to fully or partially restore state subventions to counties under the Open Space Subvention Act (OSSA). The Governor's January proposed Budget includes \$1,000 for the OSSA, 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. Since state

subventions were eliminated nearly 13 years ago, RCRC has requested the Legislature provide for a return of funding subventions; however, given that there have been very few Williamson Act contract cancellations/non-renewals, it remains difficult to convince the Legislature and the Administration to restore these monies via an appropriation from the State's General Fund.

Health and Human Services

Affordable Care Act. The Governor's May Revision includes changes to address health care affordability. The Governor's May Revision expands the subsidies being offered to individuals purchasing coverage in Covered California to 200 percent of the federal poverty level (FPL) from 250 percent. The Governor's May Revision also proposes subsidies for individuals with incomes of up to 600 percent FPL. Approximately 75 percent of the subsidy expenditure will be on individuals with incomes between 400 and 600 percent FPL, and subsidies would average \$100 per month. Individuals with incomes between 200 and 400 percent FPL would receive subsidies that average \$10 per month. These subsidies will sunset in three years.

CalWORKs

Single Allocation Budgeting Methodology: The Governor's May Revision provides an additional ongoing \$41.4 million from the General Fund and the Temporary Assistance for Needy Families (TANF) funds to reflect a revised budget methodology for the employment services portion of the CalWORKs single allocation.

CalWORKs Outcomes and Accountability Review: The Governor's May Revision provides an additional ongoing \$13.2 million from the General Fund and TANF funds for counties to perform required Continuous Quality Improvement activities consistent with Cal-OAR implementation.

CalWORKs Stage One Child Care: The Governor's May Revision provides an increase of \$40.7 million from the General Fund in 2019-20 (\$54.2 million annually thereafter) to establish a 12-month eligibility period for CalWORKs Stage One Child Care services.

CalWORKs Home Visiting Initiative: The Governor's May Revision provides an increase of \$10.7 million from the General Fund and federal TANF funds to reflect updated projections of CalWORKs cases eligible for home visiting.

Health Care Workforce. In addition to the \$122 million in the Governor's January proposed Budget for health workforce, the Governor's May Revision includes an additional \$220 million, bringing the total to over \$600 million over the next few years, including:

Medi-Cal Loan Repayment Program: \$120 million Proposition 56 funds for the Medi-Cal loan repayment program – making \$340 million available over the next several years, including \$290 million for physicians and \$50 million for dentists.

Mental Health Workforce Education and Training: \$100 million from the Mental Health Services Fund for the new 2020-25 Workforce Education and Training Five-Year Plan to

address the shortage of qualified mental health professionals in the public mental health system.

In-Home Supportive Services. The Governor's May Revision updates two In-Home Support Services (IHSS) proposals from the Governor's January proposed Budget:

County IHSS Maintenance of Effort Adjustment: The Governor's May Revision provides an increase of \$55 million from the General Fund related to resetting the County IHSS Maintenance of Effort to reflect revised 1991 Realignment revenue projections, and revised IHSS caseload and cost projections.

IHSS Restoration of the 7-Percent Across-the-Board Reduction to Service Hours: The Governor's May Revision includes an increase of \$15.3 million General Fund to reflect the updated costs for restoring the 7 percent across-the-board reduction to IHSS services.

Medi-Cal. The Governor's May Revision makes several adjustments to the Medi-Cal caseload and revenue estimates. The Governor's May Revision assumes that caseload will decrease by 2.4 percent from 2017-18 to 2018-19 and increase by 0.02 percent from 2018-19 to 2019-20. The Governor's May Revision also projects General Fund expenditures of \$23 billion in 2019-20, which is \$3.3 billion more than 2018-19. The Governor's May Revision continues to assume the expiration of the managed care organization tax and does not propose a replacement tax.

Full-Scope Medi-Cal Expansion for Undocumented Young Adults: The Governor's May Revision adjusts the implementation date to no sooner than January 1, 2020 – which is six months later than what was proposed in the Governor's January proposed Budget. The Governor's May Revision includes \$98 million (\$74.3 million General Fund) for the expansion.

Redirection of County Realignment Savings Linked to the Medi-Cal Expansion: The Governor's May Revision: 1) Adjusts the Realignment direction to reflect a six-month delay in implementation for certain counties; 2) Recognizes Yolo County as a County Medical Services Program County; and, 3) Proposes to withhold Realignment revenues from the County Medical Services Program Board until the Board's total reserves reach two years of total annual expenditures. Once that reserve level is reached, 75 percent of the revenue will be redirected.

Medi-Cal County Administration: The Governor's May Revision provides an additional \$15.3 million (total funds) over the Governor's January proposed Budget for county Medi-Cal eligibility determinations.

Whole Person Care: The Governor's May Revision includes an additional \$20 million in one-time funding (Mental Health Services Fund) over five years to expand the Whole

Person Care to counties that do not currently operate a pilot. This is in addition to the \$100 million in the Governor's January proposed Budget.

Peer-Run Mental Health Crisis Line: The Governor's May Revision includes \$3.6 million (Mental Health Services Fund) annually for three years to provide support for a statewide peer-run mental health crisis line.

Substance Use Disorder: The Governor's May Revision includes \$21.5 million in Proposition 64 funds for competitive grants to develop and implement new youth programs in the areas of education, prevention and early intervention of substance use disorders. The funds are continuously appropriated.

Proposition 56. The Governor's May Revision includes approximately \$263 million in additional Proposition 56 revenues, due to a one-time fund reconciliation. New investments include:

Optician and Optical Lab Services: \$11.3 million to restore optician and optical lab services for adult beneficiaries in the Medi-Cal program, effective no sooner than January 1, 2020.

Child Welfare Services

Resource Family Approval Administration and Application Backlog: The Governor's May Revision includes a one-time increase of \$14.4 million from the General Fund in 2019-20 to support county efforts in eliminating the backlog of foster care resource family applications that are pending review and approval.

Foster Parent Recruitment, Retention and Support: The Governor's May Revision includes a one-time increase of \$21.6 million General Fund in 2019-20 to recruit, retain and support foster parents, relative caregivers, and resource families.

Foster Care Emergency Assistance: The Governor's May Revision includes an increase of \$21.7 million General Fund and federal TANF funds in 2019-20 to provide caregivers with up to four months of emergency assistance payments pending resource family approval. Beginning in 2021 and beyond, the state will fund emergency assistance payments for up to three months. The Governor's May Revision includes a TANF reserve of \$31.2 million to fund emergency assistance costs through 2020-21.

Public Health. The Governor's May Revision includes \$40 million one-time from the General Fund to slow infectious disease epidemics. The funding will be available over four years through local public health departments and tribes to assist in providing prevention, testing, and treatment services. Additional public health adjustments include \$22.9 million in Medicaid funds to support the California Home Visiting Program, in addition to the \$23 million in the Governor's January proposed Budget.

Homelessness

Homeless Emergency Aid. The Governor's May Revision includes \$650 million in one-time funding for local jurisdictions to construct and expand emergency shelters and Navigation Centers – an increase of \$150 million from the Governor's January proposed

Budget. Additionally, the Governor's May Revision changes the funding allocation structure for cities, counties and Continuums of Care (CoCs). Of the \$650 million, cities with populations over 300,000 will receive \$275 million, counties will receive \$275 million, and CoCs will receive \$100 million, based on the 2019 federal point-in-time count. In order to be eligible for funding, regional plans for the use of funds by cities and counties must be submitted to their respective CoCs and approved by the state. The Governor's January proposed Budget allocated \$200 million to CoCs, and \$100 million to 11 of the most populous California cities that establish joint regional plans to address homelessness. The remaining \$200 million outlined in the Governor's January proposed Budget was to be distributed as incentive funding to jurisdictions that demonstrated progress toward addressing homelessness. The Governor's May Revision also expands the eligible uses for the funds to include innovative projects such as hotel/motel conversions, traditional and non-traditional permanent supportive housing, rapid rehousing, or jobs programs.

Housing

Expanded State Housing Tax Credit Program. The Governor's May Revision makes changes to the State Housing Tax Credit Program to expand project eligibility to include preservation projects. The Governor's January proposed Budget included \$500 million in 2019-20, and every year thereafter subject to appropriation, to expand the program. The state's tax credit program, in conjunction with federal tax credits, help close the gap in available funding for affordable housing developments. Additionally, the Governor's May Revision extends indefinitely the ability for developers using state tax credits to sell "certificated" credits to investors, without requiring an ownership interest in the properties being built. This has the effect of ensuring a wider investor pool.

Long-Term Housing Production Goals. The Governor's May Revision maintains the Administration's commitment to increasing housing production through revamping the Regional Housing Needs Assessment (RHNA) process, which determines the amount and type of housing regions and local jurisdictions must produce to meet their need. Additionally, the Governor's May Revision maintains the linkage between local housing production and distribution of transportation funding. Specifically, the Governor's May Revision states:

Housing and transportation are inextricably linked. Given this nexus and to support local jurisdictions' ability to contribute to their fair share of the state's housing supply, the Governor's Budget provided that local streets and roads funds from the Road Repair and Accountability Act of 2017 (Chapter 5, Statutes of 2017) (SB 1) be distributed upon compliance with housing element law and zoning and entitling to meet updated housing goals. This linkage remains part of the housing proposal at the May Revision.

The Governor's May Revision consistently references housing production targets based on RHNA (a planning goal). It is unclear if short-term production goals based on RHNA will be included with the final budget, or how transportation funding will be tied to long-term local housing goals.

Short-Term Planning, Production Grants. The Governor's May Revision maintains the \$750 million in one-time General Fund support to incentivize counties and cities to increase housing production with the following changes to the structure of that funding:

- Includes school districts and county offices of education as eligible entities for a portion of the \$250 million in planning and technical support funding. The Governor's January proposed Budget allocated \$250 million of the \$750 million for housing production incentives to cities and counties for technical assistance and other development related costs, such as rezoning, environmental review, permitting, etc. to help reach to-be-established short-term housing production goals.
- Shifts the remaining \$500 million to the existing Infill Infrastructure Grant Program (IIGP) administered by the Department of Housing and Community Development. The Governor's January proposed Budget previously directed this funding to jurisdictions that had met undetermined housing production milestones, as general-purpose funding for those local governments.

The IIGP provides gap funding for infrastructure improvements necessary to support specific residential or mixed-use infill development projects. Eligible projects are subject to numerous conditions, including location within built-up urbanized areas, significant minimum densities, and inclusion of affordable housing. IIGP funded projects have historically been predominantly suburban and urban, although there have been several projects in RCRC member counties, primarily within city limits.

Because the Governor's May Revision does not include details on how eligibility will be determined for any of the \$750 million, it is unclear to what extent this funding will be available to RCRC member counties. Additionally, it is unknown at this time whether the budget trailer language to implement this allocation will alter the IIGP eligibility criteria or otherwise enhance the distribution of funding to rural unincorporated areas. It is also unclear if the Administration is abandoning the creation of short-term housing production milestones in connection to \$750 million in one-time funding.

Resources

Department of Parks and Recreation. The Governor's May revision makes no changes to the Governor's January proposed Budget, which included additional funding of \$45.6 million to address the California Department of Parks and Recreation's deferred maintenance backlog: \$34 million from the General Fund, and \$11.6 million from Proposition 68 funds.

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.

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.