



**RCRC**  
*THE RURAL  
RUNDOWN*

May 13, 2022

**GOVERNOR'S 2022-23  
MAY REVISION**

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## **RCRC'S SUMMARY OF GOVERNOR NEWSOM'S 2022-23 MAY REVISION**

**E**arlier today, Governor Newsom released his Administration's 2022-23 May Revision. *The Rural Rundown* captures highlights of the proposal as it relates to RCRC member counties. This revision is the next step in the State's budget negotiations with lawmakers, who must pass a budget by June 15 for the July 1 start of the 2022-2023 fiscal year.

The Governor's 2022-23 May Revision reflects an increase in the state's General Fund revenues higher than the January estimates: currently expected to be at just under \$55 billion. It also builds on the investments proposed in January, in the following program areas:

- Climate Resiliency;
- Addressing Homelessness;
- Cost of Living; and
- Public Safety Investment.

The revision includes \$18.1 billion in what is characterized as "direct relief" to help offset rising costs of fuel, etc., exacerbated by global inflationary pressures. This includes a \$400 rebate to households based on registered vehicles; in addition, the Governor is proposing a temporary reduction to the diesel sales tax rate that was proposed in March 2022. Other areas of "relief" include:

- Rental assistance;
- Payments for outstanding utility arrearages;
- Subsidizing child care programs;
- Health care subsidies if federal subsidies expires; and
- Retention bonus payments to an estimated 600,000 workers in hospitals and nursing homes.

While it was anticipated that the Governor's 2022-23 May Revision would include an updated calculation of the Gann Limit and proposals to address it, the Administration has projected that the state will exceed the State Appropriations Limit or "Gann Limit" for the 2020-21 and 2021-22 fiscal years by "a small margin". Thus, the Governor's 2022-23 May Revision does not exceed the limit: the Department of Finance has calculated that the revised 2022-23 limit is \$4.3 billion above the \$131.4 billion estimated in January. Since the May Revision relies heavily on investments in infrastructure, fiscal relief, and emergency expenditures (all Gann-excludable), revising the limit upward appears to have created the breathing room the state needs to get through another year without exceeding the limit. The Administration cautions, however, that the limit may be exceeded in future years. Committing to additional ongoing spending will also make it much more difficult to meet all constitutional obligations due to the limitations imposed by the State Appropriations Limit.

For additional detail about the Governor's 2022-23 May Revision, [see here](#) for analysis by RCRC's advocacy partners, *Hurst Brooks Espinoza, LLC*.

## General Fund Revenue Sources

(Dollars in Millions)

	2021-22	2022-23	Change from 2021-22	
			Dollar Change	Percent Change
Personal Income Tax	\$136,397	\$137,454	\$1,057	0.8%
Sales and Use Tax	32,750	33,991	1,241	3.8%
Corporation Tax	46,395	38,464	-7,931	-17.1%
Insurance Tax	3,468	3,667	199	5.7%
Alcoholic Beverage Taxes and Fees	430	435	5	1.2%
Cigarette Tax	54	49	-5	-9.3%
Motor Vehicle Fees	36	37	1	2.8%
Other	13,108	8,493	-4,615	-35.2%
<b>Subtotal</b>	<b>\$232,638</b>	<b>\$222,590</b>	<b>-\$10,048</b>	<b>-4.3%</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	-5,682	-2,958	2,724	-47.9%
<b>Total</b>	<b>\$226,956</b>	<b>\$219,632</b>	<b>-\$7,324</b>	<b>-3.2%</b>

Note: Numbers may not add due to rounding.

## General Fund Expenditures by Agency

(Dollars in Millions)

	2021-22	2022-23	Change from 2021-22	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$20,360	\$14,896	-\$5,464	-26.8%
Business, Consumer Services & Housing	2,291	1,359	-932	-40.7%
Transportation	3,109	1,270	-1,839	-59.2%
Natural Resources	14,287	8,734	-5,553	-38.9%
Environmental Protection	5,326	585	-4,741	-89.0%
Health and Human Services	53,142	67,175	14,033	26.4%
Corrections and Rehabilitation	14,422	14,647	225	1.6%
K-12 Education	81,706	78,012	-3,694	-4.5%
Higher Education	22,337	23,192	855	3.8%
Labor and Workforce Development	1,577	2,126	549	34.8%
Government Operations	11,235	4,938	-6,297	-56.0%
General Government:				
Non-Agency Departments	1,915	2,059	144	7.5%
Tax Relief/Local Government	12,138	658	-11,480	-94.6%
Statewide Expenditures	5,384	7,713	2,329	43.3%
<b>Total</b>	<b>\$249,229</b>	<b>\$227,363</b>	<b>-\$21,866</b>	<b>-8.8%</b>

Note: Numbers may not add due to rounding.

## **Community & Economic Development**

**Broadband.** The Governor's 2022-23 May Revision provides \$600 million one-time General Fund in 2023-24 and \$500 million one-time General Fund in 2024-25 to support the completion of the Broadband Middle-Mile Initiative.

This investment builds on the \$3.25 billion appropriated last year to the California Department of Technology to establish a statewide open-access middle-mile broadband network. The proposed additional funding is based on revised estimates that indicate the need for additional funding based on increased costs of labor and supplies.

**Homelessness.** The Governor's 2022-23 May Revision builds on the investment outlined in the Governor's 2022-23 Proposed Budget, including:

- An additional \$150 million in the current fiscal year for project Homekey, for a total of \$2.9 billion in funding over two years;
- An additional \$500 million over two years to house unsheltered individuals on state-owned land through grants to local governments for interim housing and site preparation;
- A commitment to continue funding for the Homeless Housing Assistance and Prevention (HHAP) program at current levels (\$1 billion annually), beyond fiscal year 2022-23, contingent on increased accountability and focus on outcomes by local jurisdictions utilizing HHAP funding; and
- An additional \$10.6 million General Fund annually for three years to continue the Returning Home Well program which provides transitional housing to youth at risk of homelessness when discharged from the Division of Juvenile Justice.

**Housing.** The Governor's 2022-23 May Revision proposes an additional \$500 million in one-time General Fund over 2023-24 and 2024-25 to remove barriers to build more downtown-oriented and affordable housing through funding adaptive reuse, such as converting existing infrastructure, underutilized retail space, and commercial buildings into residential uses. The Governor's 2022-23 Proposed Budget allocated \$100 million to adaptive reuse investments, bringing the total proposed appropriation to \$600 million over three years.

## **County Operations**

**Cannabis.** The Governor's 2022-23 May Revision proposes policy changes to simplify the cannabis tax structure and proposes temporarily reducing tax rates to stabilize the legal market, including:

- Reducing the cultivation tax rate to 0 beginning July 1, 2022;

- Maintaining the 15% excise tax rate, but shift collection and remittance to retailers; and
- Backfilling youth education, environmental restoration and state and local law enforcement programs up to \$150 million through 2025-26 if allocations fall below the \$670 million baseline.

Proposition 64 specifies the allocation of resources in the Cannabis Tax Fund, which is continuously appropriated. The Governor’s 2022-23 May Revision estimates \$670 million will be available for these purposes in 2022-23—representing a \$74.7 million total increase—and the structure remains unchanged from 2021-22 and will be allocated as follows:

- Education, prevention, and treatment of youth substance use disorders and school retention—60 percent (\$401.8 million);
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent (\$133.9 million); and
- Public safety-related activities—20 percent (\$133.9 million).

The Governor’s 2022-23 May Revision includes a one-time \$20.5 million (General Fund) to establish a cannabis local jurisdiction retail access grant program to assist cities and counties that currently do not license storefront or delivery-only cannabis retailers to aid local program development and expand the legal marketplace. This grant program will be proportionately based on the jurisdiction’s population and number of permits issued pursuant to the local retail licensing program, as well as provide additional funding to local jurisdictions that issue permits to equity applicants.

**Taxes.** The Governor’s 2022-23 May Revision includes the following observations pertaining to the anticipated revenues from sales and use tax and property tax:

Sales and Use Tax

- The sales tax forecast is higher by \$1.9 billion in 2021-22 and \$1.8 billion in 2022-23 relative to the Governor’s Budget forecast.
- Taxable sales are expected to increase by 15.8 percent in 2021-22 and a further 5.3 percent in 2022-23. In the Governor’s Budget, taxable sales were expected to grow 9 percent in 2021-22 and decline by 3.7 percent in 2022-23.
- The Governor’s 2022-23 May Revision sales tax forecast reflects two proposed policy changes:
  - Exempt diesel fuel from the General Fund (3.9375 percent) portion of the sales tax from October 1, 2022, to September 30, 2023; and

- Increase the California Alternative Energy Advanced Transportation Financing Authority's \$100 million sales tax exclusion program by \$15 million per year for 2022-23 through 2024-25 for lithium-related projects, with additional costs to backfill local revenues consistent with the base program.

These two policy changes are expected to decrease sales tax revenue by \$328 million in 2022-23.

### Property Taxes

- Preliminary data for the secured property tax roll indicates that property tax collections increased 3.7 percent in 2021-22 which is 2.5 percentage points lower than the 6.2 percent growth rate anticipated in the Governor's Budget.
- Property tax revenues are expected to grow 5.9 percent in 2022-23, which is 0.2 percentage point lower than the 6.1-percent growth expected in the Governor's Budget due to home price growth slowing.
- Approximately 42 percent (\$39.6 billion) of 2022-23 property tax revenues will go to K-14 schools.

### Energy

The Governor's 2022-23 May Revision includes the following:

- \$8 billion over five years to increase energy reliability, accelerate clean energy projects, and provide ratepayer relief. RCRC has advocated for additional funding to improve local energy reliability, reduce utility wildfire mitigation activities on ratepayers and mitigate near-term utility rate increases ([see here](#)). Of this five year allocation:
  - \$5.2 billion will support a Strategic Electricity Reliability Reserve capable of providing up to 5,000 megawatts when the grid is stressed; and
  - \$1.2 billion will address residential electric utility arrearages through the Department of Community Services and Development.
- Development of a statewide streamlined permitting process for clean energy and storage projects to enhance reliability.
- \$970 million for the California Public Utilities Commission (CPUC) to provide residential solar and storage incentives, with \$670 million set aside for low-income households.
- Proposes policy changes to allow the CPUC to pursue rate reform by adjusting electricity rates to predetermined fixed charges with considerations of low-income

customers. The May Revision endeavors to reduce charges attached to volumes of electricity consumed, help control rate volatility, and create better price signals to enhance widespread electrification efforts.

- Support for Lithium Valley development (Imperial County) by: streamlining geothermal permitting in coordination with tribes; \$5 million for geothermal development and lithium recovery in the Salton Sea region through community planning, engagement and evaluation; \$45 million over three years to incentivize manufacturing projects through a sales and use tax exclusion; establish a tax per ton of lithium extraction to benefit local governments and residents; contribute to the operations, maintenance and restoration of the Salton Sea and provide grants to support disadvantaged communities in the region; and \$80 million to expand local jobs training.

### **Forest and Public Lands Stewardship**

**Nature-Based Solutions.** The Governor's 2022-23 May Revision included additional funding to augment both the state's Natural and Working Lands Climate Smart Strategy and the Pathways to 30x30 Strategy to advance California's goals to advance climate-focused land management and protect biodiversity. Included in this funding is:

- \$50 million in one-time funds for the State Coastal Conservancy for the potential acquisition of critical shoreline properties to protect natural resources and implement the state's nature-based solutions strategy;
- \$18.3 million one-time funds to update climate monitoring data to support the initial planning and development of the California Climate Information System; and
- \$100 million one-time to support tribal initiatives that advance the use of traditional knowledge and tribal expertise, workforce development, increased access and co-management of lands, and ancestral land return. The May Revision is also proposing the establishment of a Tribal Natural Resources Council to help implement collaborative partnerships with tribes.

The Governor's 2022-23 May Revision also gives details on how the Administration proposes to allocate the \$768 million included in the 2021 State Budget Package for implementation of the two strategies, including:

- \$275 million to fund projects that will deliver climate benefits and protect biodiversity, including voluntary conservation acquisitions and easements;
- \$213 million to support regional action through investments in Natural Community Conservation Planning programs and projects funded through state conservancies and local and tribal conservation corps;
- \$90 million for inland wetlands restoration;

- \$50 million for wildlife corridors, including the Liberty Canyon Wallis Annenberg Wildlife Crossing Project;
- \$10 million over two years for the California Department of Forestry and Fire Protection's Wildland Grazing Program;
- \$30 million to accelerate climate smart land management practices across California including farms, forests, and community green spaces; and
- \$10 million to support a compost permitting pilot program that will help local government entities and facilities locate and permit small and medium-sized compost facilities.

**Promoting Equitable Access to State Parks.** The Governor's 2022-23 May Revision includes an additional \$83.5 million to increase equitable access to state parks through various investments including:

- \$15 million one-time for the expansion of K-12 educational programs for underserved youth;
- \$40 million one-time for the construction of a new visitor center at Colonel Allensworth State Park which will provide an enhanced telling of the historic African American Community and the contributions of its founders and members;
- \$15 million one-time for the Department of Parks and Recreation to partner with the California African American History Museum to enhance the inclusive story of black history in state parks; and
- \$13.5 million one-time to expand a pilot program providing state park passes for check out at local libraries.

### **Health Care and Social Services**

The Governor's 2022-23 May Revision includes \$227.6 billion (\$67.4 billion General Fund and \$160.2 billion other funds) for all health and human services programs in 2022-23.

**Behavioral Health.** The *2021 Budget Act* provided unprecedented investment to expand and enhance the behavioral health continuum of care with additional funding included in the Governor's 2022-23 Proposed Budget. The Governor's 2022-23 May Revision Budget builds on those investments with additional funding in the following areas:

- \$1.7 billion in Care Economy Workforce investments, including funding to recruit and train 25,000 new community health workers and additional psychiatric providers;

- Additional \$41.8 million one-time Opioid Settlement funds to respond to the opioid crisis; and
- \$290 million General Fund one-time investment to implement a multi-pronged approach to address the urgent youth mental health crisis.

**Behavioral Health County Recoupment Update.** The Governor’s Budget assumed that \$61 million General Fund would be recouped from counties in FY 2022-23 for psychiatric inpatient hospital claims and overpayments related to beneficiaries with unsatisfactory immigration status. The Governor’s 2022-23 May Revision updates the county recoupment amount for both issues based on updated claims data and delays these recoupments by one year, resulting in the loss of \$61 million in General Fund savings in FY 2022-23. The May Revision assumes recoupments related to an Office of Inspector General audit settlement will continue to be recouped from county realignment funds in FY 2021-22 through FY 2024-25.

**California Advancing and Innovating Medi-Cal (CalAIM) Updates.** The Governor’s 2022-23 May Revision makes a number of updates to funding for CalAIM, totalling \$1.1 billion total funds (\$459 million General Fund) in FY 2021-22 and \$3.1 billion total funds (\$1.2 billion General Fund) in FY 2022-23.

**CalWORKs.** The Governor’s 2022-23 May Revision reflects an 11-percent increase to CalWORKs Maximum Aid Payment levels, which is estimated to cost \$296.2 million in 2022-23. These increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.

**CARE Court.** The Governor’s 2022-23 May Revision includes investment for his proposed Community Assistance, Recovery, and Empowerment (CARE) Courts to create a new civil court process to reach and treat individuals living with untreated schizophrenia spectrum and psychiatric disorders. These new CARE Courts would work with public defenders, county behavioral health, and trained “supporters” to assist individuals with treatment, medication, and housing, all of which create extensive new duties. The May Revision includes the following investment to administer CARE Court:

- Supporter Program—\$10 million General Fund ongoing to the Department of Aging for the CARE Court Supporter Program to help the participant understand, consider, and communicate decisions by providing the tools to make self-directed choices to the greatest extent possible;
- Training and Technical Assistance—\$15.2 million General Fund in 2022-23, \$1.1 million General Fund annually between 2023-24 and 2026-27, and \$1.3 million General Fund annually ongoing for the Department of Health Care Services to provide training and technical assistance to counties, data collection, and evaluation; and

- Judicial Branch—\$39.5 million General Fund in 2022-23 and \$37.7 million ongoing for the Judicial Branch to conduct CARE Court hearings and provide resources for self-help centers.

The proposed investments do not include the necessary funding for counties to implement this proposal. CARE Court requires significant engagement from counties from beginning to end. RCRC in coordination with our partner county organizations, is working diligently to identify and estimate county responsibilities and potential costs to effectively serve individuals who are referred to the courts and those who ultimately enter into the program and receive a CARE plan. Based on our preliminary assessment, costs could exceed hundreds of millions of dollars annually across multiple county departments, including behavioral health, public defenders, county counsel, public guardians and conservators, and human services. The Governor acknowledges that continued discussions with counties are needed to estimate local costs associated with this new court proposal.

Housing is foundational for addressing homelessness and a critical component in the successful treatment of those with severe mental illness entering CARE Court. The Governor’s 2022-23 May Revision includes additional housing investments aimed at supporting this new population which is summarized in the homelessness section of the Rural Rundown.

**COVID-19 Response.** The Governor’s 2022-23 May Revision adds an additional \$1.1 billion to address long-term COVID-19 response called the SMARTER (shots, masks, awareness, readiness, testing, education, rx) Plan. Funding highlights of the SMARTER Plan include:

- \$100 million for medical surge staffing in 2022-23;
- \$40 million in resources for vaccine staff in 2022-23;
- \$530 million for testing, \$93 million to expanded vaccination programs, and \$230 million for vaccine public outreach; and
- \$250 million to support unanticipated COVID-19 emergency response needs.

**Felony Incompetent to Stand Trial (IST).** In the fall of 2021, the Department of State Hospitals (DSH) convened an IST Workgroup focused on identifying solutions to address the increasing number of individuals with serious mental illness who are deemed IST on felony charges. Informed by the deliberations, the Governor’s 2022-23 May Revision includes \$535.5 million General Fund in 2022-23, increasing to \$638 million General Fund per year in 2025-26 and ongoing, to support the following changes to the proposed solutions:

- Early stabilization and community care coordination to provide immediate solutions to support access to treatment for individuals currently found IST on felony charges and waiting in jail, and to reduce the flow of new incoming referrals;

- Expansion of diversion and community-based restoration capacity to increase IST treatment alternatives by investing in the community infrastructure required to support the felony IST population; and
- Improvement of the quality of IST determinations and decisions regarding the need for medication.

**In-Home Supportive Services.** The Governor’s 2022-23 May Revision includes \$19 billion (\$6.5 billion General Fund) for the IHSS program in 2022-23. The average monthly caseload in this program is estimated to be 601,000 recipients in 2022-23. Significant Adjustments include:

- \$34.4 million (\$15 million General Fund) ongoing to establish a permanent backup provider system for IHSS recipients to avoid disruptions to caregiving due to an immediate need or emergency. A portion of the funding will allow counties to maintain existing emergency backup provider services until October 2022 when the permanent system is implemented.

**Medi-Cal.** The Governor’s 2022-23 May Revision includes an updated Medi-Cal budget of \$121.9 billion (\$25.1 billion General Fund) in 2021-22, and \$135.5 billion (\$36.6 billion General Fund) in 2022-23. The May Revision assumes that caseload will increase by approximately 6.6 percent from 2020-21 to 2021-22 and decrease by 0.6 percent from 2021-22 to 2022-23. Medi-Cal is projected to cover approximately 14.5 million Californians in 2022-23, over one-third of the state’s population. Specifically, the proposal includes:

- Continued inclusion of \$146 million (\$73 million General Fund) over two fiscal years for additional county workload costs to support their work performing Medi-Cal eligibility determinations.
- A proposed \$176.5 million (\$71.2 million General Fund) to permanently extend four Medi-Cal flexibilities initiated during the COVID-19 emergency: (1) separate payments to Federally Qualified Health Centers for COVID-19 vaccinations; (2) presumptive eligibility for older adults and individuals with disabilities; (3) reimbursement rate at 100-percent of Medicare for oxygen and respiratory durable medical equipment; and (4) maintain 10 percent rates for Intermediate Care Facilities for the Developmentally Disabled.
  - The Department of Health and Human Services will also outline in an Operational Plan the continuation, modification, or conclusion of over 100 programmatic flexibilities in eligibility and enrollment, telehealth, benefit and reimbursement, HCBS services, provider enrollment, and state fair hearings.

## **Public Safety and Emergency Management**

**Community Corrections Performance Incentive Grant.** The Community Corrections Performance Incentive Grant, Chapter 608, Statutes of 2009 (SB 678), was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. The pandemic has dramatically affected prison populations, skewing existing metrics and not necessarily reflecting actual county performance.

Due to these ongoing issues, the Governor's 2022-23 May Revision contains a total of \$123.8 million General Fund annually through 2024-25 to provide county probation departments with a consistent level of funding based on prior performance, so county probation departments are not impacted by lingering impacts of the pandemic on probation populations.

**Department of Forestry and Fire Protection.** In anticipation of another record-breaking wildfire season this year, the Governor's May Revision includes enhancements for the Department of Forestry and Fire Protection's (CAL FIRE) fire suppression capacity. Those additions include:

- \$83.1 million one-time General Fund to augment fire protection resources through December 2022 to allow CAL FIRE to continue to staff 16 additional firefighting crews, expand training center capacity and fund additional maintenance and administrative costs;
- \$104.4 million, phased in over four years, to provide funding for 8 new year-round California Conservation Corps (CCC) and California Military Department (CMD) fire crews and convert 16 existing seasonal crews to year-round crews;
- \$37.8 million in 2022-23, \$35.6 million ongoing and 190 positions to provide support for CAL FIRE's direct mission functions; and
- \$8 million in 2022-23, \$7.6 million in 2023-24 and 2024-25 and \$968,000 ongoing to purchase additional firefighting helicopters and helitankers.

**Emergency Management.** The Governor's 2022-23 May Revision builds on recent investments to continue to enhance the state's ability to prepare for, respond to, and recover from future disasters and protect vulnerable communities, including:

- \$2.3 billion (\$807.6 million General Fund) and 1,777 positions for Cal OES;
- \$8.1 million General Fund to enhance emergency warning and response for the California State Warning Center;
- \$114.3 million General Fund one-time to provide warehouse space, purchase new and replace expiring personal protective equipment, increase commodity supply for an all-hazard event, and secure logistic support equipment;

- \$19 million General Fund (\$10.5 mill ongoing) to modernize technology and data analytics;
- \$29.5 million General Fund one-time for pandemic response;
- \$7.2 million General Fund (\$5.8 million ongoing) for emergency training;
- \$25 million General Fund and ongoing to provide local law enforcement mutual aid deployment resources; and
- \$5 million General Fund one-time to support the Internet Crimes Against Children Task Force Program.

**Extreme Heat Response.** The recent rise in average temperatures necessitated increased investments in measures to mitigate the impacts of extreme heat. The 2021 State Budget Package included \$300 million to implement the state’s updated Extreme Heat Action Plan, and the Governor’s 2022-23 May Revision includes proposed investments of those dollars as follows:

- \$220 million over two years to support cooling of communities at schools and through resilience centers;
- \$43 million to protect vulnerable populations and ecosystems from extreme heat impacts through enhanced enforcement of codes, standards, and regulations;
- \$20 million for a public education campaign to increase understanding of the risks posed by extreme heat and what resources are available to keep communities safe; and
- \$17 million to invest in the alignment of the state’s response to extreme heat and High Road workforce development and building California’s climate-smart workforce through training partnerships and apprenticeships in jobs and careers that address extreme heat.

**Local Public Safety.** The Governor’s 2022-23 May Revision adds various criminal justice investments to improve community policing and increase access to services. Investments include:

- \$50 million one-time General Fund to fund grants intended to improve general officer health and well-being, build resiliency, decrease stress and trauma, and improve community trust and relations;
- \$20 million one-time General Fund to establish a competitive grant program for counties to create mobile probation centers, modeled after a program established by Placer County; and

- \$12 million General Fund over three years to establish a competitive grant program to help California tribes locate and identify missing Indigenous persons.

**Post Release Community Supervision.** The Governor's Budget estimated \$23.2 million one-time General Fund for county probation departments to supervise the temporary increase in the average daily population of individuals on Post Release Community Supervision (PRCS) as a result of the implementation of Proposition 57. Based on updated estimates, the Governor's 2022-23 May Revision includes \$20.9 million one-time General Fund, or a decrease of \$2.3 million from Governor's Budget projections, corresponding with fewer releases of incarcerated individuals than had been projected in Fall 2021.

**Proposition 47.** Proposition 47 established a fund to invest savings from reduced prison utilization to prevention and support community programs. The Department of Finance estimates net General Fund savings of \$161.1 million in the Governor's 2022-23 May Revision. This increase of \$13.8 million over the 2022-23 Governor's Budget projection is due to updated diversion impact estimates. These funds will be allocated according to the formula specified in the initiative, which requires 65 percent be allocated for grants to public agencies to support various recidivism reduction programs.

**Transitional Housing for Justice involved Individuals.** The Governor's 2022-23 Proposed Budget included \$10.6 million General Fund annually for three years to continue the Returning Home Well Program, which provides transitional housing services to individuals who would otherwise be at risk of being unhoused at the time of their release. The Governor's 2022-23 May Revision builds on this investment by adding \$3 million one-time General Fund to provide transitional housing to youth discharged by the Board of Juvenile Hearings in 2022-23.

## **Transportation**

The Governor's 2022-23 May Revision proposes two major expenditures to assist Californians with the high cost of diesel fuel and gasoline:

- One-time \$400 refund to each eligible owner of a registered vehicle (capped at 2 vehicles per person)—excluding fleets and company-owned vehicles and excluding vehicles over a certain value that has not been specified—to provide relief from high gas prices; and
- \$439 million from the General Fund to backfill a 12 month pause to the diesel sales tax rate.

In addition, the Governor's 2022-23 May Revision proposes the following spending for various transportation programs:

- \$750 million in grants to local transit agencies to provide free transit to Californians for up to three months;

- \$1.75 billion (of \$10 billion over five years from the Governor's January Proposed Budget) to accelerate market development for zero-emission vehicles (ZEVs) and infrastructure; and
- A combined \$38 billion over five years between federal formula based spending, federal infrastructure funding, and state initiative funding for the continued repair and maintenance of roadway infrastructure, including a new program for off-highway bridges.

## **Water**

In January, the Governor's 2022-23 Proposed Budget outlined \$750 million in drought and water resiliency spending. However, with drought persisting into a third water year, the Governor's 2022-23 May Revision proposes more than double that total spending across a variety of water use and conservation priorities, including:

- \$530 million to support water recycling and groundwater cleanup; advance drinking water and clean water projects that leverage federal infrastructure funds; and continued funding for aqueduct solar pilots;
- \$300 million in grants to urban water districts and smaller community water suppliers for drought-relief projects; along with \$223 million in funding for data, research, and public education campaigns; support local technical assistance emergency drinking water response, including the purchase and pre-positioning of water storage tanks; enhance water rights enforcement and modernization tools; and support food assistance programs for farmworkers impacted by drought;
- \$280 million to address fish and wildlife impacts associated with drought and climate change, and to build aquatic habitat and water resilience projects to support implementation of voluntary agreements with water suppliers; and
- \$187 million to support agricultural water conservation practices; incentivize farmers to install more efficient irrigation equipment and provide on-farm technical assistance; provide direct relief to small farm operators; and support additional water conservation projects.

**Agricultural Water Use Conservation.** The Governor's 2022-23 May Revision contains several proposals for new agricultural water use conservation funding, including:

- \$56 million in grants to local groundwater sustainability agencies;
- \$60 million for State Water Efficiency and Enhancement Program (SWEEP) grants to growers;

- \$25 million in direct economic assistance to small farmers;
- \$23 million for drought food assistance to communities impacted by land fallowing;
- \$15 million for on-farm water use and agricultural technical assistance; and
- \$60 million in agriculture and delta drought response programs.

**Investments in Local Water Systems.** The Governor’s 2022-23 Revised Budget expands investments into local water systems. This new funding includes:

- \$400 million to capitalize state drinking water and wastewater revolving fund programs;
- \$100 million for water recycling projects and groundwater cleanup; and
- \$300 million for small water supplies and urban water suppliers for emergency drought relief projects.

### **Wildlife**

The Governor’s 2022-23 May Revision proposes new wildlife spending, including in response to drought. This includes:

- \$175 million for fish and wildlife habitat protection, including from drought impacts;
- \$25 million for improving drought resiliency on state-owned lands;
- \$131 million for aquatic habitat and drought resilience under Department of Water Resources program management;
- \$17 million to study improvements to state hatchery system for climate impacts; and
- \$7.3 million for studying tribal-state co-management of salmon habitat.