



# ***THE RURAL RUNDOWN***

*Updated June 29, 2020*

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**A SUMMARY OF THE REVISED  
2020-21 STATE BUDGET PACKAGE**

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## **RCRC'S PRELIMINARY ANALYSIS OF THE 2020-21 STATE BUDGET PACKAGE**

On Friday evening, June 26, the State Assembly finalized and approved a large aspect of the 2020-21 State Budget Package. Late Thursday evening, the State Senate undertook a similar process. The actions by both houses of the Legislature enact sixteen (16) budget trailer bills that assist in implementing the 2020-21 State Budget Package, as well as revise the main Budget Bill which was passed nearly two weeks ago. With the exception of two trailer bills (dealing with education finance and higher education), which are likely to be adopted next week in the State Senate, the State Budget Package is nearly complete; however, it is expected that further revisions to the State Budget Package will be addressed in August once the State of California fully counts personal income tax receipts (the tax filing deadline was extended until July 15th). Furthermore, several issues still need to be addressed before the Legislature adjourns on August 31st – measures pertaining to public safety, realigning juvenile justice, enacting a vaping tax, reform of the Department of Toxic Substances Control, and expenditures from the state's Cap-and-Trade auction proceeds.

Unlike last week, the Legislature and the Governor have an agreement on the revised State Budget Package. RCRC staff does not expect many line-item vetoes by the Governor.

### **Overview**

The revised State Budget Package agreement reached between the Governor, the Speaker of the Assembly, and the Senate President pro Tempore reflects a spending plan that includes \$133.9 billion General Fund, with \$11.4 billion in total reserves (\$2.6 billion Regular Reserve, \$450 million in the Safety Net Reserve, and \$8.3 billion in the Rainy Day Fund). Unlike the initial state budget that was passed by the Legislature on June 15, 2020, the Governor retained his original trigger cuts approach (only augmenting funding for programs if federal funds come through) while the legislative leaders secured spending priorities that would have otherwise received program reductions under the Governor's May Revise. The agreed-upon State Budget Package relies upon updated budget forecasts to revenues and expenditures, as well as a greater Proposition 98 (the voter-approved minimal school funding guarantee) deferral, rather than relying on additional Rainy Day Funds, Safety Net Reserve Funds, or Public Employee Retirement System deferrals in the event that \$14 billion in additional flexible federal funds are not received by October 15, 2020.

### **Key Issues/Changes for RCRC Member Counties**

- 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 (CARES) Act monies to counties and cities;
- Delays action on Cap-and-Trade revenues for various greenhouse gas reduction programs, including SB 901 forest health and wildfire prevention activities and the FARMER Program;
- Fails to provide a \$3.6 million increase, along with an additional 10 percent reduction, from the current baseline for the University of California, Division of Agriculture and Natural Resources;

- Provides up to \$1 billion to backfill the costs to realigned programs with a priority toward health and human services, entitlement programs, and the programs that serve vulnerable populations that counties administer on behalf of the state to account for the loss of sales tax monies that support the Realignment structure; and,
- Provides \$50 million to the California Office of Emergency Services for community power resiliency projects to help local governments, special districts, and fairgrounds undertake actions to mitigate the impacts of future public safety power shutoff (PSPS) events, and provides increased funding for the California Public Utilities Commission to review utility Wildfire Mitigation Plans and PSPS reports.

The State Budget Package, as revised on June 26, includes language which would modify the trigger approach relative to making a number of changes in state spending if the federal government provides additional funding by October 15, 2020. Specifically, the revised package would “trigger up” funding -- only providing funding or augmenting programs if additional federal funds are received. Of importance to counties is a funding increase of \$250 million to support county realignment programs if monies arrive from the federal government. Under this approach, if funding arrives from the federal government, the following will be restored:

- \$2.9 billion will reverse state employee payroll reductions.
- \$970 million will be restored to the UC and CSU.
- \$150 million will restore courts.
- \$250 million will restore low-income and moderate-income housing reductions.
- \$88 million will restore the reductions to Golden State Teacher Grant.
- \$45 million will restore the cut to local child support programs.

### **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 updated 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 has been 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 estimated 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.

**Additional County Probation Funding and Senate Bill 678 Funding.** The State Budget Package provides \$12.9 million to county probation departments to supervise a temporary increase in the daily population of offenders on Post Release Community Supervision population as a result of implementation of Proposition 57. California voters approved Proposition 57 in November 2016, allowing certain non-violent felons serving a sentence in state prison to seek early parole consideration. Additionally, the State Budget Package provides \$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. **(Senate Bill 74)**

**Court Facility Construction.** The State Budget Package 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. **(Senate Bill 74)**

**County Law Libraries.** The State Budget Package provides \$7 million in one-time funding to assist county law libraries. **(Senate Bill 74)**

**Homicide Trial Costs.** The State Budget Package, as revised on June 26, includes \$17,000 for Mariposa County to offset the local costs of high-profile and expensive homicide prosecutions/trials. **(Assembly Bill 75)**

**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 savings from the closure of DJJ to support counties' new responsibilities. 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.

The DJJ realignment proposal remains part of active negotiations towards a State Budget Package. Resolution of the Governor's proposal is likely to occur later this summer after personal income tax receipts are fully addressed. RCRC has joined its county partners to advocate for a delayed implementation date, additional resources, and enhanced financing protections.

**Proposition 47.** The State Budget Package estimates 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. **(Senate Bill 74)**

**State Crime Laboratories.** The State Budget Package provides \$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. The Package eliminated the \$7.3 million for forensic services equipment and maintenance, but includes provisional language to allow for the augmentation of the DNA Identification Fund subject to notification to the Joint Legislative Budget Committee. 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. **(Senate Bill 74)**

**State Prison Closures.** The State Budget Package provides for the closure of two state owned and operated prisons, of which have not been determined. The first facility is slated to commence closure in 2021-22 and the second prison to commence closure in 2022-23. **(Senate Bill 74)**

**Supplemental Funding for Local Indigent Defense.** The State Budget Package provides assistance to improve the delivery of indigent defense at the local level. Specifically, the State Budget Package includes \$4 million to support the Office of the State Public Defender's mission to include enhancing the quality of indigent defense at the local level. Additionally, the State Budget Package includes a one-time allocation of \$10 million for the Board of State and Community Corrections to administer, in consultation with the State Public Defender, a pilot program to augment local funding for indigent criminal defense. **(Senate Bill 74)**

**California Environmental Protection Agency**

**Assembly Bill 32 Cap-and-Trade Proceeds.** The State Budget Package does not include an Expenditure Plan for the Assembly Bill 32 Cap-and-Trade Auction proceeds. The Legislature is delaying action on appropriating the discretionary portion of the funds,

which populate the Greenhouse Gas Reduction Fund (GGRF), until a future date when a clearer picture of what the anticipated 2020-21 auction proceeds might look like. Note that the May quarterly Cap-and-Trade auction brought just \$25 million in revenues to California due to COVID-19-related industry shutdowns, which was down from more than \$600 million in February’s auction — a 96 percent drop in revenue. The Governor’s May Revision proposed a “pay-as-you-go” mechanism for spending auction proceeds, prioritizing initial auction proceeds for three specific programs, then authorizing 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 the California Department of Forestry and Fire Protection 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 (including the Funding Agricultural Replacement Measures for Emissions Reductions (FARMER) Program) 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.

It remains to be seen whether the Legislature will adopt the Governor’s “pay-as-you-go” system of allocating the much sought after GGRF funds if the August Cap-and-Trade auction revenues are as meager as the May auction. Regardless, RCRC will continue to advocate that the state keep forest health and fire prevention funding among its top priorities, and also consider expenditures for important programs such as the FARMER Program. However, with what will likely be a severe cut in funding for solid waste short-lived climate pollutant regulations, RCRC has continued to request 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:

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, including the FARMER program	\$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

**Cap-and-Trade Program Changes.** The State Budget Package, as revised on June 26, no longer contains the \$200,000 to the California Air Resources Board from the Air Pollution Control Fund to conduct a rulemaking to consider changes to the Cap-and Trade Program. The California Environmental Protection Agency recently announced plans to review the program for potential changes to the structure in response to disappointing revenues in the May 2020 quarterly Cap-and-Trade auction. **(Assembly Bill 89)**

**Certified Unified Program Agencies.** The State Budget Package 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. **(Senate Bill 74)**

**Mendocino Complex Fire Cleanup.** The State Budget Package 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. **(Senate Bill 74)**



**Solid Waste and Recycling Management.** The State Budget Package provides funding to CalRecycle for a number of programs related to solid waste and recycling management, including:

- \$454,000 from the Pharmaceutical and Sharps Stewardship Fund for the Pharmaceutical and Sharps Waste Stewardship Program enforcement;
- \$119,000 from the Carpet Stewardship Account for the Carpet Stewardship Program, pursuant to 2019's Assembly Bill 729 (Chu);
- \$367,000 in special funds for solid waste reporting, inspection, and enforcement;
- \$390,000 to finance infrastructure and mechanisms to implement 2019's Assembly Bill 1583 (Eggman) related to in-state recycling manufacturing infrastructure;
- \$200,000 for extended producer responsibility program expenditure authority realignment; and,
- \$126,000 from the Beverage Container Recycling Fund for the Beverage Container Redemption Pilot Project Grant Program, pursuant to 2017's Senate Bill 458 (Wiener). **(Senate Bill 74)**

### **Economic Development**

**Assistance for Small Businesses.** The State Budget Package includes \$50 million for the California Infrastructure and Economic Development Bank's Small Business Finance Center for its small business loan guarantee program. **(Senate Bill 74)**

**Waiving the Minimum Franchise Tax.** The State Budget Package waives 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. This first year franchise tax waiver is expected to provide approximately \$100 million in tax relief annually and applies only to businesses created between January 1, 2021 and January 1, 2024. **(Assembly Bill 85)**

### **Emergency Preparedness, Response and Recovery**

The State Budget Package acknowledges the state's continued urgent need to mitigate wildfire risk and respond to the 2020 wildfire season and beyond. The State Budget Package maintains many of the wildfire and emergency response allocations included in the Governor's May Revision, including funding to aid local governments with response to public safety power shutoffs (PSPS) and help for residents in high-fire risk areas to harden their homes and maintain their defensible space, and augments current year spending for a number of emergency response and recovery items.

**California Department of Forestry and Fire Protection.** The State Budget Package maintains \$85.6 million in support for permanent firefighting positions to give the California Department of Forestry and Fire Protection (CAL FIRE) operation flexibility through fire season based on fire conditions, but rejects an additional \$49.5 million in support proposed in the Governor's May Revision. The resources will allow for coverage when CAL FIRE 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 operate 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. **(Senate Bill 74)**

**Wildfire Forecast and Threat Intelligence Integration Center.** In 2019, the Legislature enacted Senate Bill 209 (Dodd) requiring 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 State Budget Package maintains the Governor's May Revision's proposed reduction of the proposal to \$2 million from General Fund. **(Senate Bill 74)**

**Wildfire Mitigation Financial Assistance Program — Home Hardening.** The State Budget Package affirms the Governor's May Revision withdrawal of 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 State Budget Package includes 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 subject to fund availability. The Legislature deferred action on this program, as well as the other programs funded by Cap-and-Trade auction, until August, at which time it is anticipated there will be a clearer understanding of auction proceeds, as well as the level of federal funding that might be forthcoming.

**Wildfire and Public Safety Power Shut-Offs.** The State Budget Package, as revised on June 26, provides \$48.9 million in the 2019-2020 State Budget to various state agencies for costs incurred due to the 2019 wildfires and associated public safety power shut-offs (PSPS). Among this funding, \$24.7 million will be allocated to CalOES, which includes reimbursement to local fire companies for incident response that was directed by CalOES but that was outside of mutual aid agreements **(Assembly Bill 75)**

**California Disaster Assistance Act.** The State Budget Package preserves the Governor's May Revision increase of California Disaster Assistance Act (CDAA) funding, bringing the one-time 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. **(Senate Bill 74)**

**Camp Fire Recovery.** The State Budget Package, as revised on June 26, provides funding in the 2019-2020 State Budget to CAL FIRE and various other departments by

\$11.7 million for ongoing recovery and response operations related to the 2018 Camp Fire, including contract work for janitorial and security services, tank and grey water removal, and standby medical and airport services. **(Assembly Bill 75)**

**Consolidation of Fire Camps.** The Governor's May Revision proposed to consolidate any fire camp that is 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. This item has not yet been considered by the Legislature, but will likely be taken up in future legislation.

**Community Resiliency to De-Energization Events.** The State Budget Package, as revised on June 26, provides \$50 million from the General Fund for projects to improve community power resiliency by reducing the impact of Public Safety Power Shut-off (PSPS) events on critical facilities and infrastructure, including schools, county election offices, and food storage reserves. RCRC and others strongly supported this proposal, but led a coalition of local government organizations to propose alternative budget control language to better facilitate the timely award of funding and minimize near-term PSPS impacts.

Outside of the budget process, two legislative proposals seek to clarify local authority to declare emergencies for PSPS events under the California Emergency Services Act. These bills will help local governments access state funding to offset PSPS response costs and both Assembly Bill 2178 (Levine) and Senate Bill 862 (Dodd) are supported by RCRC.

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. **(Senate Bill 74 and Assembly Bill 89)**

**Joint Institute for Wood Products Innovation.** The State Budget Package allocates \$425,000 from the Timber Regulation and Forest Restoration Fund for the development and implementation of the Joint Institute for Wood Products Innovation, consistent with recommendations in the Forest Carbon Plan. **(Senate Bill 74)**

**PG&E Bankruptcy, Oversight, and Contingency Funding.** 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.

The State Budget Package, as revised on June 26, includes \$5 million for the California Office of Emergency Services to contract with an operational observer to monitor PG&E's preparation for the 2020 wildfire season, including their implementation of measures to reduce the risk of wildfire and the use, scope, and duration of Public Safety Power Shut-off (PSPS) events.

Finally, the State Budget Package, as revised on June 26, provides authority for the Department of Finance to loan \$50 million to Golden State Energy in the event that PG&E fails to exit bankruptcy. Senate Bill 350 (Hill), signed into law by the Governor on June 30, 2020, authorizes the Governor to incorporate Golden State Energy as a nonprofit public benefit corporation to take over ownership and control of PG&E's assets in the event that it fails to timely emerge from bankruptcy or if the company attempts to sell its stocks or assets within that proceeding. The \$50 million loan authority sunsets once PG&E exits bankruptcy. **(Assembly Bill 89)**

**Public Utilities Commission Personnel Increases – Wildfire Safety.** The State Budget Package includes funding for 63 additional positions at the California Public Utilities Commission (CPUC) for utility wildfire safety activities to implement Senate Bill 901 (Dodd, Chapter 626, Statutes of 2018), Assembly Bill 1054 (Holden, Chapter 79, Statutes of 2019), and Assembly Bill 111 (Committee on Budget, Chapter 81, Statutes of 2019) and nine administrative positions. Additionally, the State Budget Package funds 16 three-year limited term positions for allocation of wildfire damages and 15 three-year limited term positions for CPUC process streamlining and efficiency improvements. **(Senate Bill 74)**

### **General Government**

**Realignment Backfill.** The State Budget Package, as revised on June 26, provides \$750 million in State General Fund monies to assist counties with financial support to realigned programs with a priority toward health and human services programs, entitlement programs, and programs that serve vulnerable populations. The California State Association of Counties and the Department of Finance will determine the methodology for distributing these monies to counties. Also, an additional \$250 million would be provided to counties if the federal government provides additional monies to states to assist in responding to the coronavirus COVID-19 pandemic.

Funding to counties is contingent on a county's adherence to federal guidance, the state's stay-at-home requirements and other health requirements as directed in gubernatorial Executive Order N-33-20. Counties shall certify compliance to the Department of Finance. **(Assembly Bill 89)**

**Allocation of CARES Act Monies to Counties.** The State Budget Package allocates \$1.3 billion of the remaining 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 allows all of California's 58 counties to receive an allocation of the remaining \$1.3 billion. These monies must be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic. These funds shall be allocated based on the share of each county's population

relative to the total population of the state, taking into account prior direct allocation of funding from the federal CARES Act.

In addition to monies being awarded to counties, \$500 million in CARES Act is being allocated directly to cities, to be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic. Of importance to cities located in RCRC member counties, \$275 million to cities with a population of less than 300,000 will be allocated based on the share of each city's population relative to the total population of the cities. A city receiving funding pursuant to this subparagraph shall not receive less than \$50,000.

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. CARES Act funds must be used by December 30, 2020. The Department of Finance has the authority to ensure that these funds are expended in a timely manner and has the authority to reallocate funds if, by September 1, 2020, it looks that funds will not be expended fully by the end of the year. **(Senate Bill 74)**

**Animal Shelter Grant Program.** The State Budget Package, as revised on June 26, allows the Department of Finance to provide up to \$5 million for the establishment of a one-time demonstration grant program for animal shelters through the University of California Davis Koret Shelter Medicine Program. State funding for the program is only available if, by April 1, 2021, private funding is insufficient to implement the grant program, and the Director of Finance elects to direct funding to the University of California Davis Koret Shelter Medicine Program for this purpose. **(Assembly Bill 89)**

The Governor's January proposed Budget provided \$50 million in General Fund monies for this program, aimed at assisting local animal shelters in decreasing dog and cat euthanization rates.

**Cannabis Regulatory Structure.** The State Budget Package does not consolidate the state's three main cannabis licensing agencies into one single agency. Furthermore, the Administration will continue to work with impacted stakeholders to propose a different point of collection of certain cannabis-related excise taxes and will announce that work-product in January. However, the State Budget Package, as revised on June 26, authorizes the Bureau of Cannabis Control to employ peace officers to enforce state cannabis laws and delays a January proposal to change the point of collection for cannabis taxes. **(Assembly Bill 82)**

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 State Budget Package provides monies for a variety of purposes pursuant to Proposition 64 (which was approved by the voters in 2016 to create a licensing and regulatory framework for adult-use cannabis), including cannabis licensing, environmental protection and public safety. There is an anticipation of lower-than-expected cannabis excise tax receipts.

**Capital Improvement Projects in RCRC Counties.** The State Budget Package contains many capital outlay projects in RCRC member counties, including:

- Replacement of the existing CCC Ukiah Residential Center - \$61.582 million (Mendocino County).
- CAL FIRE C-130 air attack base infrastructure improvements in Chico - \$1.886 million for preliminary plans and working drawings (Butte County) and Paso Robles - \$297,000 for working drawings (San Luis Obispo County).
- Replacement of CAL FIRE's Ishi Conservation Camp kitchen facilities - \$10.708 million (Tehama County).
- Replacement of CAL FIRE's San Luis Obispo Unit Headquarters facility - \$35.012 million for working drawings and construction (San Luis Obispo County).
- CAL FIRE Bieber Forest Fire Station/Helitack Base - \$24.638 million (Lassen County).
- Replacement of CAL FIRE's Lake/Napa Unit Auto Shop and Warehouse - \$2.102 million for the acquisition and preliminary plans phase of project, which is expected to cost \$22.411 million total (Napa County).
- Sediment track-out prevention improvements at the Department of Parks and Recreation's Oceano Dunes State Vehicle Recreation Area - \$872,000 San Luis Obispo County).
- Construction of a new visitor center building at the Department of Parks and Recreation's Colonel Allensworth State Historic Park - \$572,000 (Tulare County).
- Replacement of the Founders Grove restroom at the Department of Parks and Recreation's Humboldt Redwoods State Park - \$225,000 (Humboldt County).
- Upgrading the stormwater system at Argonaut Dam to prevent flooding in the City of Jackson - \$2.1 million (Amador County).
- Expenditure of significant bond funding for various flood improvement projects, including the Lower Elkhorn Basin Levee Setback Bryte project (Yolo County), the Lower Yolo Bypass Project, the Tisdale Weir and Bypass Program (Sutter County), the Cache Creek Settling Basin Project (Yolo County), Knights Landing Outfall Gates Project (Yolo County), and the Weir 4 Project (Sutter County).

The following capital improvement projects were included in the State Budget Package, as revised on June 26:

- Medication Distribution Improvements at the following California Department of Corrections and Rehabilitation (CDCR) facilities:
  - Pelican Bay State Prison (Crescent City, Del Norte County) - \$1.681 million
  - Salinas Valley State Prison (Soledad, Monterey County) - \$1.848 million
  - Central California Women's Facility, Chowchilla (Madera County) - \$753,000
  - Correctional Training Facility, Soledad (Monterey County) - \$724,000
  - Mule Creek State Prison, Ione (Amador County) - \$726,000
- Working drawings for construction of an arsenic removal water treatment plant for CDCR's Valley State Prison, Chowchilla (Madera County) - \$1.453 million
- Construction for a replacement central kitchen at CDCR's California Men's Colony, San Luis Obispo (San Luis Obispo County) - \$8.205 million

- Construction of a new specialty care clinic at CDCR's Correctional Training Facility, Soledad (Monterey County) - \$2.666 million

**Withdrawal of Funding Proposals and Capital Outlay Projects.** As a result of sharply declining revenues, the State Budget Package does not include several major funding programs that were part of the Governor's January proposed Budget. Items that will no longer be funded include:

- **Climate Resilience Bond.** Would have placed a \$4.75 billion climate resilience bond on the November 2020 ballot. Among other things, the bond would have invested in water resilience, sustainable groundwater management, safe drinking water, flood protection, hardening critical community infrastructure, forest health projects, address sea-level rise, Salton Sea air quality and habitat improvements, and community resilience centers. Many of these projects were also contained in the Governor's Water Resiliency Portfolio.
- **California Conservation Corps Butte Conservation Camp.** Withdraws \$2.745 million for the working drawings phase to replace the Butte Conservation Camp. (Butte County)
- **CAL FIRE Intermountain Conservation Camp.** Withdraws \$3.831 million for the preliminary plans phase of a project to replace CAL FIRE's Intermountain Conservation Camp. (Lassen County)
- **CAL FIRE Howard Forest Helitack Base.** Withdraws \$550,000 for the acquisition phase of CAL FIRE's Howard Forest Helitack Base. (Mendocino County)
- **CAL FIRE Kneeland Helitack Base.** Withdraws \$859,000 for the acquisition phase of CAL FIRE's Kneeland Helitack Base replacement project. (Humboldt County)
- **CAL FIRE Shasta Trinity Unit Headquarters.** Reduces funding for CAL FIRE's proposed Shasta Trinity Unit Headquarters project by \$5.998 million. (Shasta County)
- **California Indian Heritage Center.** Reverts \$95 million for the preparation of working drawings and construction of the proposed California Indian Heritage Center. (Yolo County)
- **CHP Quincy Replacement Facility Proposal.** Withdraws \$38.1 million for the design-build phase of the project. (Plumas County)
- **CHP Humboldt Area Office.** Withdraws \$2.1 million for the acquisition phase of a project to replace the CHP's Humboldt Area Office. (Humboldt County)

**Climate Catalyst Fund Returns.** Governor Newsom's January proposed Budget would have allocated \$1 billion over several fiscal years to a new Climate Catalyst Fund to provide low-interest loans to jump-start investment in climate-related technologies and infrastructure. While the funding component was not included in this year's Budget Package, the State Budget Package, as revised on June 26, creates a similar Climate Catalyst Revolving Loan Fund at the state's Infrastructure and Economic Development Bank (I-Bank). This new I-Bank program would provide low-interest and low-costs loans to governmental, private, and tribal entities to deploy technologies, innovations, and infrastructure that address the state's climate goals and which may otherwise face financing challenges. The program is to be funded entirely by private entities and governmental entities other than the state. **(Assembly Bill 78)**



**Creation of a New Social Entrepreneurs for Economic Development (SEED) Initiative.** The State Budget Package, as revised on June 26, creates a new workforce development program, the SEED Initiative, to provide small grants and entrepreneurial training to economically disadvantaged groups who face barriers to employment, including immigrants and those with limited English proficiency. Grants will be available to help participants establish or maintain a small business. \$10 million is provided for the program, which is to be administered by nonprofit community-based organizations. **(Assembly Bill 82)**

**Increased Funding for Small Business Loan Guarantees.** The State Budget Package, as revised on June 26, increases funding for the state's Small Business Expansion Fund from \$50 million to \$75 million. The I-Bank's Small Business Loan Guarantee Program (SBLGP) assists small businesses obtain long-term loans or lines of credit from financial institutions for which they would not otherwise qualify. The Small Businesses Expansion Fund capitalizes the SBLGP and is available to make payouts on defaulted loans. **(Assembly Bill 89)**

**Elections.** The State Budget Package provides \$35 million to assist with the conducting of the November 2020 General Election. 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). In addition, the State Budget Package gives the Secretary of State the authority to spend approximately \$65 million in federal funds to help meet statewide mandates stemming from the Help America Vote Act of 2002.

In early April and subsequently early June, the Governor issued Executive Orders to require counties to conduct the 2020 General Election via all-mail balloting; however, in his Executive Orders, there are requirements to host in-person voting opportunities. The Governor's May Revision re-enforced 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. Accompanying the Executive Orders, the Legislature is poised in the coming days to enact Assembly Bill 860 (Berman) which, generally speaking, requires county registrars to mail a ballot to every register voter for the November 2020 General Election. **(Senate Bill 74)**

**Fairs.** The State Budget Package includes \$18.6 million to be disbursed to specified fairs as a result of sales tax generated at those fairs and required to be disbursed as per regulations developed by the California Department of Food and Agriculture (CDFA). (Assembly Bill 1499; Gray, 2017). **(Senate Bill 74)**

The State Budget Package, as revised on June 26, includes \$40.3 million in General Fund monies to CDFA to underwrite the layoff of state employees associated with District Agriculture Associations (e.g. fairs) that are unable to continue operations due to COVID-related reduced revenue streams. District Agriculture Associations going through this process are either using their reserves to pay their affected employees or will tap into this appropriation. **(Assembly Bill 75)**



**Fresno-Merced Food Innovation Corridor.** The State Budget Package maintains \$2 million in funding to continue the planning process related to the establishment of the Fresno-Merced Food Innovation Corridor. This initiative is designed to stimulate research and development supporting advanced sustainable agricultural production and high-quality jobs in the San Joaquin Valley. The CDFA will continue to lead the planning of this initiative in collaboration with the Governor's Office of Business and Economic Development, regional partners, the University of California Merced, and the California State University Fresno. **(Senate Bill 74)**

**Revenue Generation.** The State Budget Package includes several measures to raise revenues for the General Fund, including:

- **Net Operating Loss Suspension.** Suspends the ability for taxpayers with a net income over \$1 million to use net operating losses (NOL) to reduce personal income taxes and corporation taxes for 2020, 2021, and 2022. NOLs are created when a taxpayer's expenses exceed revenues in a given year. Those losses can be deducted from taxable income for the following year and can be carried forward for up to 20 years. This suspension is anticipated to increase General Fund revenues by \$1.8 billion.
- **Limitation on the Use of Business Tax Credits.** Prohibits businesses from being able to claim more than \$5 million in tax credits per year in 2020, 2021, and 2022. While the State Budget Package limits the ability to use business tax credits in 2020, 2021, and 2022, it also provides that the amount of any credit disallowed pursuant to this change will remain a credit carryover for a commensurate number of years. This is anticipated to generate \$2 billion for the General Fund in 2020-21. By pairing the net operating loss suspension with the business tax credit limitation, the State Budget Package is expected to generate \$611 million for the General Fund.
- **Used Car Dealers Sales Tax.** The State Budget Package, as revised on June 26, expedites the payment of sales taxes by used car dealers by requiring sales tax payments to be remitted to the state at the same time registration fees are paid to the Department of Motor Vehicles (DMV). Currently, used car dealers must promptly pay registration fees to DMV and remit sales taxes through periodic tax returns filed with the Department of Tax and Fee Administration. The timing change is expected to improve sales tax compliance and generate \$12 million in 2020-21 and \$24 million in 2021-22. **(Assembly Bill 82 and Assembly Bill 85)**

These changes will all increase revenues to the General Fund. **(Assembly Bill 85)**

**Extends Sales Tax Exemption for Diapers and Menstrual Products.** The State Budget Package extends by one year the existing sales tax exemptions for diapers and menstrual products. This sales tax exemption was scheduled to expire on January 1, 2022 and is estimated to reduce General Fund revenue by approximately \$48 million annually. As is currently the practice, the state will not reimburse local governments for lost sales tax revenues associated with these exemptions. **(Assembly Bill 85)**

**State Employee Reductions in Compensation.** The revised State Budget Package provides approval of recent agreements between a number of state employee bargaining units formalizing the following during the 2020-2021 fiscal year:

- Requires certain state employees to participate in a personal leave program with a pay reduction of not greater than 10 percent;
- Requires implementation of a two-workday per month furlough program for certain state employees;
- Suspends increases in salaries and wages that were to become effective in the 2020-2021 fiscal year;
- Specifies overall reductions in employee compensation to be \$2.8 billion, in any combination of the above.

In the event the state receives \$14 billion of flexible federal funding by October 15, 2020, \$2.8 billion will be deposited to a newly created Employee Compensation Reduction Offset Fund. These funds would be used to offset reductions in employee compensation as noted above. If the federal funding is more than \$2 billion but less than \$14 billion, a proportional share of that \$2.8 billion would be deposited to the newly created fund. **(Assembly Bill 82)**

**State Mandates.** The State Budget Package maintains suspensions of mandates that are not related to law enforcement or property taxes, consistent with previous years' State Budgets, providing \$41.1 million General Fund for a select list of funded mandates (see table). The State Budget Package also includes \$4 million to continue the county-optional block grant program for activities identified as reimbursable state mandates in the Interagency Child Abuse and Neglect Investigation Reports (CSM-00-TC-22) mandate. **(Senate Bill 74)**

**University of California/Cooperative Extension.** The State Budget Package, as revised on June 26, will decrease current funding to the University of California Agriculture and Natural Resources Division (UC/ANR, commonly referred to as UCCE) by \$9 million to \$63.378 million. This reflects what was proposed in the Governor's May Revise which proposed elimination of the \$3.6 million increase for UC/ANR plus an additional 10 percent. **(Assembly Bill 89)**

**Williamson Act.** The State Budget Package includes \$1,000 for the Open Space Subvention Program, which is the lowest possible dollar figure that allows the program to remain in the State Budget.

The Williamson Act, also known as the California Land Conservation Act of 1965, authorizes cities and counties to enter into agricultural land preservation contracts with landowners who agree to restrict the use of their land for a minimum of 10 years in exchange for lower assessed valuations for property tax purposes.

In Fiscal Year 2003-04, then-Governor Schwarzenegger proposed to save approximately \$39 million by ending the state subventions. The first cuts came in 2008-09 when a budget trailer bill reduced the state subventions by 10 percent. The 2009-10 State Budget

reduced the subventions to \$27.8 million. However, Governor Schwarzenegger essentially eliminated the subventions by cutting the appropriation to \$1,000. **(Senate Bill 74)**

### **Health and Human Services**

**County Medical Services Program.** The State Budget Package maintains the County Medical Services Program (CMSP) reserve and rejects the Governor's May Revision proposal to shift funds from the CMSP reserves to offset CalWORKs costs. The Administration had proposed to shift \$50 million of the reserves in each of the next four fiscal years.

**Homelessness.** The State Budget Package provides \$550 million of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to the California Housing and Community Development Department (HCD) to assist individuals and families that are experiencing homelessness, or at-risk of homelessness, due to the COVID-19 pandemic. Funding is allocated for the acquisition or rehabilitation of buildings that can be used for permanent or interim housing, including motels, apartments, manufactured homes, and adult residential facilities. **(Senate Bill 74)**

The State Budget Package, as revised on June 26, further outlines permissible uses of federal CARES Act funding, to be disbursed in accordance with the Multifamily Housing Program, administered by HCD. The revised State Budget Package provides that projects funded under these provisions shall not be subject to specified local permitting processes or the California Environmental Quality Act, if certain requirements are met. In order to be eligible for funding through this program, local governments must certify compliance with all COVID-19 related Executive Orders, State Public Health orders, directives and guidance. **(Assembly Bill 83)**

Additionally, the revised State Budget Package appropriates \$300 million to the Homeless Coordinating and Financing Council to address homelessness, through additional Homeless Housing, Assistance, and Prevention (HHAP) program grants. Funding will be broadly allocated as follows, based on the proportionate share of homelessness:

- \$90 million to Continuums of Care
- \$130 million to each city, or city/county that has a population of 300,000 or more
- \$80 million to counties

Funding for the second round of HHAP funding pursuant to this appropriation includes increased metrics and accountability measures. Eligible uses of funding are flexible and varied, and include activities such as rental and operating subsidies, service coordination, incentives to landlords, and street outreach to assist persons experiencing homelessness. **(Assembly Bill 89 and Assembly Bill 83)**

An additional \$50 million in General Fund monies are also included in the revised State Budget Package to support the Governor's Project Roomkey to be utilized for the acquisition, conversion, rehabilitation, and operating subsidies for hotels, motels, and other properties to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness. **(Assembly Bill 89)**

**In-Home Supportive Services.** The State Budget Package continues current allowable In-Home Support Services (IHSS) service hours and rejects the Governor's May Revision proposal that, absent additional and sufficient federal funds, would have cut service hours by seven percent effective January 1, 2021. The State Budget Package also rejects the Governor's May Revision proposal that assumed a savings of \$9.2 million General Fund in 2020-21 from the Department of Social Services (DSS) entering into a contract with the state Case Management, Information, and Payroll System vendor to perform IHSS payroll functions. However, the State Budget Package does freeze IHSS county administration funding at the 2019-20 level, as proposed in the Governor's May Revision. **(Senate Bill 74)**

The State Budget Package, as revised on June 26, includes language to modify, extend and codify actions taken in the IHSS program by the Governor through Executive Order and DSS guidance to grant flexibilities to counties in the administration of the program during the stay-at-home order. For instance, counties may request, until December 31, 2020, a reduction of quality assurance and program integrity activities to address staffing shortages and enable the county to repurpose staff to support critical IHSS administrative functions, including intakes and reassessments. **(Assembly Bill 79)**

The revised State Budget Package also requires that Medi-Cal coverage expansion for undocumented individuals who are 65 years of age or older, be prioritized for inclusion in the budget for the upcoming fiscal year, if certain fiscal criteria are met. This expanded population for Medi-Cal eligibility would also be eligible for IHSS services, if the fiscal criteria are met for inclusion. **(Assembly Bill 80)**

**Mental Health Services Act.** The State Budget Package includes provisions to pause reversion of county the Mental Health Services Act (MHSA) funds for 12 months to allow counties to renegotiate plans with Mental Health Services Oversight and Accountability Commission (MHSOAC) that reflect the COVID-19 pandemic. Additional changes allow the MHSOAC to enter into contracts for previously authorized expenditures including, but not limited to, school mental health, youth drop-in centers, and early psychosis prevention, and authorizes the MHSOAC to redirect existing resources to support suicide prevention and COVID-19 response activities.

The State Budget Package includes two positions and expenditure authority from the Mental Health Services Fund of \$272,000 annually to support administrative responsibilities in analyzing Prevention and Early Intervention program reports, providing logistical support, developing meeting materials, and providing technical assistance to counties. **(Senate Bill 74)**

The State Budget Package, as revised on June 26, provides for further county spending flexibility; this includes allowing a county that is unable to complete and submit a three-year MHSA plan or annual update for the 2020-21 fiscal year to extend its currently approved three-year plan or annual update to include the 2020-21 fiscal year. The revised State Budget Package also permits counties to access their MHSA reserves during the 2020-21 fiscal year and spend those funds on specific activities, including,

providing housing assistance for homeless individuals with severe mental illness. Lastly, the revised State Budget Package authorizes the State Department of Health Care Services to allow counties to self-determine the percentage of funds allocated across the system of care programs for the 2020-21 fiscal year. **(Assembly Bill 81)**

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." However, with the COVID-19 pandemic, the Governor's May Revision pulled back any larger discussions of revamping MHSA.

**Public Health.** The State Budget Package removes language that suspended funding for sexually transmitted disease, human immunodeficiency virus, and hepatitis C prevention programs adopted in the 2019-20 State Budget. Subsequently, the State Budget Package maintains ongoing funding for these programs.

During legislative budget hearings, the California Department of Public Health (CDPH) was questioned about its plans to spend additional federal funds for COVID-19 testing. California will receive CDC-Epidemiology and Laboratory Capacity funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Administration did not provide a plan to the Legislature for spending the additional federal funds for testing, therefore the State Budget Package does not include details on this provision. CDPH will continue to work outside of the budget process to provide a spending plan for CARES Act funding, including possibly allocating these federal funds to local health departments. **(Senate Bill 74)**

In addition, the State Budget Package, as revised on June 26, allows the Department of Finance to allocate federal funding provided to the state for COVID-19 testing and contact tracing, for those purposes, under the direction of the State Department of Public Health, but does not include methodology for allocations. **(Assembly Bill 89)**

**Skilled Nursing Facilities.** The State Budget Package includes the reauthorization of a quality assurance fee on free-standing skilled nursing facilities (SNF) that supports the non-federal share of reimbursement increases to these facilities. This fee was originally enacted by Assembly Bill 1629 (Frommer, Chapter 875, Statutes of 2004), and the current authority for the fee expires on July 31, 2020. The reauthorization of the quality assurance fee allows the SNF reform framework included in the Governor's January proposed Budget to move forward. This reform will switch the SNF funding structure away from a cost-based methodology to one based on value and quality. **(Senate Bill 74)**

### **Housing**

**Housing Funds.** The State Budget Package maintains funding for several state housing programs which were scheduled for \$565 million in funding reversions as contained in the Governor's May Revision. Specifically, the State Budget Package maintains \$500 million in funding over four years to support mixed-income housing developments through the California Housing Finance Agency as well as funding for the Infill Infrastructure Grant

Program of 2019, which supports the construction of needed infrastructure for housing production. **(Senate Bill 74)**

The State Budget Package, as revised on June 26, makes the continued funding of the housing programs referenced above subject to the federal trigger mechanism. Additionally, language included in the revised State Budget Package allows state properties to be exchanged for properties owned by a local government if the property is suitable for the siting of affordable housing. This provision continues the Governor's efforts made through previous Executive Orders to site affordable housing on surplus state property. **(Assembly Bill 83)**

**State Housing Tax Credit Program.** The State Budget Package maintains the \$500 million for the state's Low-Income Housing Tax Credits tax credit program as 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 included an appropriation of \$500 million for this program, and authorized the sum annually, upon appropriation through the State Budget. **(Senate Bill 85)**

### **Resources**

**Department of Parks & Recreation.** The State Budget Package maintains \$5 million from the General Fund to create a new state park. The State Budget Package also maintains \$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. **(Senate Bill 74)**

**Department of Fish & Wildlife.** The State Budget Package, as revised on June 26, approves the withdrawal of nearly \$1.2 million in State General Fund support for the Streamlined Temporary Permit and Temporary Change Order Water Permitting Groundwater Sustainability Implementation as enacted via Assembly Bill 658 (Arambula, 2019). The Department of Fish & Wildlife will backfill for these funds with new authority to establish a fee schedule to cover the costs of implementation. **(Assembly Bill 92)**

**Good Neighbor Authority Fund.** The State Budget Package, as revised on June 26, creates in the State Treasury the Good Neighbor Authority Fund, which will act as a depository for revenues from the sale of timber harvested on federal lands during the implementation of projects under Good Neighbor Authority Agreements. The funds will then be invested back into future activities to help increase pace and sale of forest management and fuels treatment activities on federal lands in California. **(Assembly Bill 92)**

**State Payment in Lieu of Taxes.** The State Budget Package maintains the \$644,000 in funding to the Payment in Lieu of Taxes program from previous years. Not included was funding for the approximately \$8 million accumulated over several budget cycles in the 2000's. **(Senate Bill 74)**



### **Telecommunication**

**Broadband.** The State Budget Package, as revised on June 26, significantly reduces the Governor's Broadband For All plan, which was broadly outlined in the Governor's January proposed Budget. The revised State Budget Package includes \$2.8 million and three additional limited-term positions for the California Public Utilities Commission to be used to identify which areas of the state lack sufficient access to broadband, specifically utilizing the CalSPEED program. **(Senate Bill 74)**

In addition, the State Budget Package, as revised on June 26, includes language that will allow broadband projects within previously federally-funded project areas to also be eligible for state funding through the California Advanced Services Fund (CASF). The revised State Budget Package requires that eligible CASF funded projects that are financed in whole or in part by the federal Rural Digital Opportunity Fund must be in areas of the state that do not have access to broadband at speeds of 25 megabits per second downstream and 3 megabits upstream. **(Assembly Bill 82)**

### **Transportation**

**California Department of Transportation.** The State Budget Package reflects the need to fund and continue planning and engineering work on projects that are slated for construction/repair. Also, the State Budget Package estimates \$1.8 billion in motor fuel taxes to be lost over the next several years due to the COVID-19 pandemic resulting, primarily, from stay-at-home orders whereby motorists are not purchasing typical amounts of fuel. Finally, the State Budget Package does not include a transfer of \$130 million in interest earnings from the State Highway Account to the General Fund. The State Highway Account is one of the funds used for maintaining the state's highway system. **(Senate Bill 74)**

### **Water**

**New River Improvement Project.** The State Budget Package includes \$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. **(Senate Bill 74)**

**Paradise Irrigation District.** The State Budget Package restores the second year of a two-year funding commitment to the Paradise Irrigation District (PID), which is the water purveyor to the community of Paradise and operates on a fee-for-service basis. The Camp Fire in Butte County destroyed over 90 percent of the service basis of the community, thereby impeding PID's ability to remain in operation. As part of the 2019-20 State Budget, the budget included \$7.37 million to be disbursed over two budget cycles. The Governor's May Revision proposed eliminating \$3.7 million in second year funding. **(Senate Bill 74)**

**Salton Sea Management Plan.** The State Budget Package maintains \$19.3 million of Proposition 68 bond funds to address air quality and habitat restoration objectives at the Salton Sea through implementation of the North Lake Pilot Project. The State Budget



Package also includes approval for two positions for the Salton Sea Management Plan operations. **(Senate Bill 74)**

**State Water Resources Control Board.** The State Budget Package prioritized funding for the implementation of the Safe Affordable Drinking Water Fund, as authorized by Senate Bill 200 (Monning, 2019), based upon future Cap-and-Trade auction proceeds, as one of four key areas. As noted elsewhere, the Legislature deferred action on this program, as well as the other programs funded by Cap-and-Trade auction, until August, at which time it is anticipated there will be a clearer understanding of auction proceeds as well as the level of federal funding that might be forthcoming. **(Senate Bill 74)**

**Sustainable Groundwater Management Act.** The State Budget Package includes \$9.6 million for the Department of Water Resources to provide technical and related assistance to local Groundwater Management Agencies as they begin implementing the first round of approved groundwater sustainability plans (GSP). This is in addition to \$26 million of Proposition 68 bond funds that will be accessed to fund Sustainable Groundwater Management Act-related capital and infrastructure projects in approved GSPs. **(Senate Bill 74)**

**Water Resilience Portfolio.** The State Budget Package comports with the Governor's May Revision withdrawing the Climate Resiliency Bond which would have funded a variety of infrastructure projects within the Water Resilience Portfolio. By agreeing with this action, the Administration will limit implementation of the Portfolio by focusing on flood control investments (consistent with the Central Valley Flood Protection Board's adopted plan) and similar projects that can be advanced within existing program investments.

<b>2020-21 Budget and Trailer Bills</b> Updated July 1, 2020			
<b>Date Passed</b>	<b>Bill Number</b>	<b>Topic</b>	<b>Brief Description</b>
Signed into law	<b>SB 74</b>	<b>Main Budget Bill</b>	<b>Includes the bulk of the appropriations for the coming fiscal year</b>
Signed into law	<b>AB 75</b>	<b>Budget Act of 2019 augmentation trailer bill</b>	<b>Appropriates an additional \$119.7 million from the General Fund for contingencies and emergencies</b>
Signed into law	<b>AB 76</b>	<b>Education finance trailer bill</b>	<b>Enacts various education-related apportionments</b>
Signed into law	<b>SB 98</b>	<b>Education finance omnibus trailer bill</b>	<b>Addresses the appropriation of funds to various education-related programs and makes amendments to several operational requirements</b>
Signed into law	<b>AB 78</b>	<b>I-Bank trailer bill</b>	<b>Establishes the California Infrastructure and Economic Development Bank and addresses the reduction of climate risks and the transition to a carbon-neutral economy</b>
Signed into law	<b>AB 79</b>	<b>Human services omnibus trailer bill</b>	<b>Enacts various changes to a wide variety of social service programs, including the California Work Opportunity and Responsibility to Kids program, child welfare services, and IHSS</b>
Signed into law	<b>AB 80</b>	<b>Public health omnibus trailer bill</b>	<b>Addresses affordability/individual mandate provisions, Medi-Cal, public health, and substance use disorder provisions</b>
Signed into law	<b>AB 81</b>	<b>Public health funding trailer bill</b>	<b>Addresses Medi-Cal quality assurance fees and amends the Mental Health Services Act (MHSA)</b>
Signed into law	<b>AB 82</b>	<b>General government I trailer bill</b>	<b>Addresses a number of state government programs, including cannabis regulation and safety and CASF funding for broadband infrastructure projects</b>
Signed into law	<b>AB 83</b>	<b>Housing trailer bill</b>	<b>Addresses housing programs and homelessness</b>
Signed into law	<b>AB 84</b>	<b>Public employment and retirement trailer bill</b>	<b>Addresses the state contribution to the California State Teachers' Retirement System and the California Public Employees' Retirement System;</b>
Signed into law	<b>AB 85</b>	<b>State taxes and charges trailer bill</b>	<b>Makes various state sales and use tax provisions</b>

<b>2020-21 Budget and Trailer Bills</b> Updated July 1, 2020			
<b>Date Passed</b>	<b>Bill Number</b>	<b>Topic</b>	<b>Brief Description</b>
Awaits final consideration	AB 88/SB 118	Public safety trailer bill	Makes a number of revisions to several public safety programs
Signed into law	<b>AB 89</b>	<b>Trailer bill amending the Budget Act of 2020</b>	<b>Amends the Budget Act of 2020 by amending items of appropriation and making other changes</b>
Signed into law	<b>AB 90</b>	<b>Transportation trailer bill</b>	<b>Addresses a number of state and local transportation programs</b>
Signed into law	<b>AB 92</b>	<b>Public resources omnibus trailer bill</b>	<b>Addresses a variety of agricultural and environmental programs including forestry and fire protection, fairs, farm animals, earthquake safety, hazardous waste, and water</b>
Signed into law	<b>AB 93</b>	<b>Earned income tax credit trailer bill</b>	<b>Expands the allowance of the earned income tax credit to additional eligible individuals, thereby also expanding the allowance of the refundable young child tax credit to additional individuals</b>
Signed into law	<b>AB 100</b>	<b>General government II trailer bill</b>	<b>Addresses the Seismic Safety Commission and the Secretary of State</b>
Signed into law	<b>AB 102</b>	<b>CalSavers trailer bill</b>	<b>Addresses the Cal Secure Choice Retirement Savings Act</b>
Signed into law	<b>AB 103</b>	<b>Unemployment compensation trailer bill</b>	<b>Addresses unemployment compensation benefits in light of COVID-19</b>
Signed into law	<b>SB 116</b>	<b>Higher education trailer bill</b>	<b>Enacts various changes to the University of California, the California State University, and the California Community Colleges systems</b>
Signed into law	<b>AB 119</b>	<b>State bargaining units trailer bill</b>	<b>Addresses memoranda of understanding entered between the state employer and state bargaining units, professional, administrative, financial, staff services, professional educators and librarians, office and allied, highway patrol, protective services, and public safety</b>

## 2020-21 Funded Mandates

Allocation of Property Tax Revenues (Ch. 697, Stats. 1992) (CSM-4448)
Crime Victims' Domestic Violence Incident Reports (Ch. 1022, Stats. 1999) (99-TC-08)
Custody of Minors-Child Abduction and Recovery (Ch. 1399, Stats. 1976; Ch. 162, Stats. 1992; and Ch. 988, Stats. 1996) (CSM-4237)
Domestic Violence Arrest Policies (Ch. 246, Stats. 1995) (CSM-96-362-02)
Domestic Violence Arrests and Victims Assistance (Chs. 698 and 702 , <i>Stats. 1998</i> ) (98-TC-14)
Domestic Violence Treatment Services (Ch. 183, Stats. 1992) (CSM-96-281-01)
Health Benefits for Survivors of Peace Officers and Firefighters (Ch. 1120, Stats. 1996) (97-TC-25)
Local Agency Employee Organizations, Impasse Procedures II (Ch. 314, Stats. 2012)
Local Agency Ethics (Ch. 700, Stats. 2005) (07-TC-04)
Medi-Cal Beneficiary Death Notices (Chs. 102 and 1163, Stats. 1981) (CSM- 4032)
Medi-Cal Eligibility of Juvenile Offenders (Ch. 657, Stats. 2006) (08-TC-04)
Peace Officer Personnel Records: Unfounded Complaints and Discovery (Ch. 630, Stats. 1978; Ch. 741, Stats. 1994) (00-TC-24)
Rape Victim Counseling (Ch. 999, Stats. 1991) (CSM-4426)
Sexually Violent Predators (Chs. 762 and 763)
State Authorized Risk Assessment Tool for Sex Offenders (Chs. 336, 337, 886, Stats. 2006; Ch. 579, Stats. 2007) (08-TC-03)
Tuberculosis Control (Ch. 676, Stats. 1993; Ch. 685, Stats. 1994; Ch. 116, Stats. 1997; and Ch. 763, Stats. 2002) (03-TC-14)
Unitary Countywide Tax Rates (Ch. 921, Stats. 1987) (CSM-4317 and CSM-4355)
U Visa Form 918, Victims of Crime: Non-Immigrant Status (Ch. 721, Stats. 2015)

## 2020-21 Suspended Mandates

Absentee Ballots (Ch. 77, Stats. 1978) (CSM-3713)
Absentee Ballots-Tabulation by Precinct (Ch. 697, Stats. 1999) (00-TC-08)
Accounting for Local Revenue Realignments (Ch. 162, Stats. 2003; Ch. 211, Stats. 2004; Ch. 610, Stats. 2004) (05-TC-01)
AIDS/Search Warrant (Ch. 1088, Stats. 1988) (CSM-4392)
Airport Land Use Commission/Plans (Ch. 644, Stats. 1994) (CSM-4507)
Animal Adoption (Ch. 752, Stats. 1998) (04-PGA-01, 98-TC-11)
Brendon Maguire Act (Ch. 391, Stats. 1988) (CSM-4357)
California Public Records Act (Ch. 463, Stats. 1992; Ch. 982, Stats. 2000; Ch. 355, Stats. 2001) (02-TC-10 and 02-TC-51)
Conservatorship: Developmentally Disabled Adults (Ch. 1304, Stats. 1980) (04-LM-13)
Coroners' Costs (Ch. 498, Stats. 1977) (04-LM-07)
County Treasury Withdrawals (Ch. 784, Stats. 1995) (96-365-03)
Crime Statistics Reports for the Department of Justice (Ch. 1172, Stats. 1989, Ch. 1338, Stats. 1992, Ch. 1230, Stats. 1993, Ch. 933, Stats. 1998, Ch. 571, Stats. 1999, Ch. 626, Stats. 2000) (02-TC-04 and, 02- TC-11) and Crime Statistics Reports for the Department of Justice Amended (Ch. 700, Stats. 2004) (07-TC-10)
Crime Victims' Domestic Violence Incident Reports II (Ch. 901, Stats. 1984) (02-TC-18)
Developmentally Disabled Attorneys' Services (Ch. 694, Stats. 1975) (04-LM-03)
DNA Database & Amendments to Postmortem Examinations: Unidentified Bodies (Ch. 822, Stats. 2000; Ch. 467, Stats. 2001) (00-TC-27, 02-TC-39)
Domestic Violence Background Checks (Ch. 713, Stats. 2001) (01-TC-29)
Domestic Violence Information (Ch. 1609, Stats. 1984) (CSM-4222)
Elder Abuse, Law Enforcement Training (Ch. 444, Stats. 1997) (98-TC-12)
Extended Commitment, Youth Authority (Ch. 267, Stats. 1998) (98-TC-13)
False Reports of Police Misconduct (Ch. 590, Stats. 1995) (00-TC-26)

Firearm Hearings for Discharged Inpatients (Chs. 9 and 177, Stats. 1990) (99-TC-11)
Grand Jury Proceedings (Ch. 1170, Stats. 1996) (98-TC-27)
Health Benefits for Survivors of Peace Officers and Firefighters (Ch. 1120, Stats. 1996) (97-TC-25)
Identity Theft (Ch. 956, Stats. 2000) (03-TC-08)
In-Home Supportive Services II (Ch. 445, Stats. 2000; Ch. 90, Stats. 1999) (00-TC-23)
Inmate AIDS Testing (Ch. 1579, Stats. 1988; Ch. 768, Stats. 1991) (CSM-4369 and CSM-4429)
Interagency Child Abuse and Neglect Investigation Reports Mandate (Ch. 958, Stats. 1977) (00-TC-22)
Judiciary Proceedings (Ch. 644, Stats. 1980) (CSM-4366)
Law Enforcement Sexual Harassment Training (Ch. 126, Stats. 1993) (97-TC-07)
Local Coastal Plans (Ch. 1330, Stats. 1976) (CSM-4431)
Mandate Reimbursement Process (Ch. 486, Stats. 1975) (CSM-4204 and CSM-4485)
Mandate Reimbursement Process II (Ch. 890, Stats. 2004) (05-TC-05)
Mentally Disordered Offenders' Extended Commitments Proceedings (Ch. 435, Stats. 1991) (98-TC-09)
Mentally Disordered Offenders: Treatment as a Condition of Parole (Ch. 228, Stats. 1989; Ch. 706, Stats. 1994) (00-TC-28, 05-TC-06)
Mentally Disordered Sex Offenders' Recommitments (Ch. 1036, Stats. 1978) (04-LM-09)
Mentally Retarded Defendants Representation (Ch. 1253, Stats. 1980) (04-LM-12)
Missing Persons Report (Ch. 1456, Stats. 1988; Ch. 59, Stats. 1993) (CSM-4255, CSM-4368, and CSM-4484)
Modified Primary Election (Ch. 898, Stats. 2000) (01-TC-13)
Not Guilty by Reason of Insanity (Ch. 1114, Stats. 1979) (CSM-2753)
Open Meetings Act/Brown Act Reform (Ch. 641, Stats. 1986) (CSM-4257 and CSM-4469)

Pacific Beach Safety: Water Quality and Closures (Ch. 961, Stats. 1992) (CSM- 4432)
Perinatal Services (Ch. 1603, Stats. 1990) (CSM-4397)
Permanent Absent Voters II (Ch. 922, Stats. 2001, Ch. 664, Stats. 2002, and Ch. 347, Stats. 2003) (03-TC-11)
Personal Safety Alarm Devices (8 Cal. Code Regs. 3401 (c)) (CSM-4087)
Photographic Record of Evidence (Ch. 875, Stats. 1985) (98-TC-07)
Physical Education Reports (Ch. 640, Stats. 1997) (98-TC-08)
Pocket Masks (Ch. 1334, Stats. 1987) (CSM-4291)
Post Conviction: DNA Court Proceedings (Ch. 943, Stats. 2001) (00-TC-21, 01-TC-08)
Post Election Manual Tally (2 Cal. Code Regs., 20120 to 20127, incl.) (10-TC-08)
Postmortem Examinations : Unidentified Bodies, Human Remains (Ch. 284, Stats. 2000) (00-TC-18)
Prisoner Parental Rights (Ch. 820, Stats. 1991) (CSM-4427)
Pupil Residency Verification and Appeals (Ch. 309, Stats. 1995) (96-384-01)
Removal of Chemicals (Ch. 1107, Stats. 1984) (CSM 4211 and 4298)
School Bus Safety I and II (Ch. 624, Stats. 1992; Ch. 831, Stats. 1994; and Ch. 739, Stats. 1997) (CSM 4433 and 97-TC-22)
Scoliosis Screening (Ch. 1347, Stats. 1980) (CSM 4195)
Senior Citizens Property Tax Postponement (Ch. 1242, Stats. 1977; Ch. 43, Stats. 1978) (CSM-4359)
Sex Crime Confidentiality (Ch. 502, Stats. 1992; Ch. 36, 1993-94 1st Ex. Sess.) (98-TC-21)
Sex Offenders: Disclosure by Law Enforcement Officers (Chs. 908 and 909, Stats. 1996) (97-TC-15)
Sheriffs Court Security Services (Ch. 22, Stats. 2009) (09-TC-02)
SIDS Autopsies (Ch. 955, Stats. 1989) (CSM-4393)
SIDS Contacts by Local Health Officers (Ch. 268, Stats. 1991) (CSM-4424)



SIDS Training for Firefighters (Ch. 1111, Stats. 1989) (CSM-4412)
Stolen Vehicle Notification (Ch. 337, Stats. 1990) (CSM-4403)
Structural and Wildland Firefighter Safety Clothing and Equipment (8 Cal. Code Regs., 3401 to 3410, incl.) (CSM-4261-4281)
Threats Against Peace Officers (Ch. 1249, Stats. 1992; Ch. 666, Stats. 1995) (CSM-96-365-02)
Very High Fire Hazard Severity Zones (Ch. 1188, Stats. 1992) (97-TC-13)
Voter Identification Procedures (Ch. 260, Stats. 2000) (03-TC-23)
Voter Registration Procedures (Ch. 704, Stats. 1975) (04-LM-04)

## Special Fund Loans

To help plug the \$54 billion budget deficit, Senate Bill 74 contains over \$2 billion in loans from various special funds to the General Fund. These loans have varying payback triggers, but generally require repayment when funds are needed in the individual special fund account. Those loans include the following, which do NOT reflect a handful of loans made from other special funds to offset traditional General Fund expenditures:

\$550 million from the Underground Storage Tank Cleanup Fund
\$300 million from the California Public Utilities Commission's LifeLine program, which provides discounts on home phone and cell phone services to qualified households.
\$107 million from the Labor and Workforce Development Fund
\$100 million from the AIDS Drug Assistance Program
\$85 million from the Gambling Control Fund
\$60 million from the California Public Utilities Commission's California Advanced Services Fund, which is used to bridge the "digital divide" in unserved and underserved areas in the state
\$60 million from the California Public Utilities Commission's High Cost Fund B, which provides subsidies to carriers of last resort for providing basic local telephone service to residential customers in high-cost areas
\$60 million from the High Polluter Repair or Removal Account
\$60 million from the Occupancy Compliance Monitoring Account
\$60 million from the Tax Credit Allocation Fee Account
\$50 million from the Fingerprint Fees Account
\$40 million from the Hospital Building Fund
\$35 million from the Disability Access Account
\$35 million from the Public School Planning, Design, and Construction Review Revolving Fund
\$32 million from the State Lands Commission's School Land Bank Fund
\$32 million from the Traffic Congestion Relief Fund
\$30 million from the Board of Registered Nursing Fund
\$30 million from the Oil Spill Response Trust Fund
\$30 million from the Vehicle Inspection and Repair Fund
\$29 million from the Air Pollution Control Fund
\$25 million from the Alternative and Renewable Fuel and Vehicle Technology Fund
\$25 million from the Barbering and Cosmetology Contingent Fund
\$25 million from the Site Cleanup Subaccount
\$21 million from the Local Airport Loan Account
\$20 million from the Renewable Resource Trust Fund
\$20 million from the Electronic Waste Recovery and Recycling Account
\$17 million loan from the Environmental Enhancement and Mitigation Program Fund
\$15 million from the Mobilehome Park Purchase Fund
\$14 million from the Teacher Credentials Fund

\$11 million from the Victims of Corporate Fraud Compensation Fund
\$10 million from the Accountancy Fund
\$10 million from the Hazardous and Idle-Deserted Well Abatement Fund
\$8 million from the Family Law Trust Fund
\$7.4 million from the Building Standards Administration Special Revolving Fund
\$7.3 million from the Gambling Control Fines and Penalties Account
\$6.5 million from the Firearms Safety and Enforcement Special Fund
\$6.5 million from the Oil Spill Prevention and Administration Fund
\$6.4 million loan from the Firearm Safety Account
\$5.4 million from the Strong-Motion Instrumentation and Seismic Hazard Mapping Fund
\$5 million from the Appellate Court Trust Fund
\$5 million from the Health Insurance Counseling and Advocacy Program Fund
\$5 million from the State Dentistry Fund
\$4 million from the California Debt Limit Allocation Committee Fund
\$4 million from the Diesel Emission Reduction Fund
\$4 million from the Solid Waste Disposal Site Cleanup Trust Fund
\$3.4 million from the Enhanced Fleet Modernization Subaccount, High Polluter Repair or Removal Account
\$3 million from the California Hazardous Liquid Pipeline Safety Fund
\$3 million from the California Energy Commission's Energy Technologies Research, Development, and Demonstration Account
\$3 million from the Genetic Disease Testing Fund
\$3 million from the Health Statistics Special Fund
\$3 million from the Infant Botulism Treatment and Prevention Fund
\$3 million from the Rental Housing Construction Fund
\$2.8 million from the Forest Resources Improvement Fund
\$2.4 million from the Pharmacy Board Contingent Fund
\$2 million from the Managed Care Fund
\$1.5 million from the Predevelopment Loan Fund
\$1 million from the Emergency Housing and Assistance Fund
\$900,000 from the Psychology Fund