Date: June 11, 2019
To: Members of the Board of Supervisors
From: Sheryl Bratton, County Administrator
Re: State Budget Impacts

Sonoma County’s budget and service delivery is impacted each year by the state and federal budgets, which pose both opportunities and challenges to local operations. The Governor’s Budget and subsequently the May Revision, released on May 9, re-emphasized Governor Newsom’s commitment to dedicate surplus funds to reserves and one-time spending, and focused ongoing investments to priority areas, with continued caution of an inevitable downturn. The May Revision includes continued investments in Housing and Homelessness, Wildfire Response and Recovery, and Forest Management and Resiliency central to Sonoma Counties continued recovery efforts. Two priority issues not included in the May Revision are listed below. Staff will continue to monitor as the State budget is finalized.

**Property Tax Backfill**
Sonoma County’s request for State support of 19-20 Property tax loss due to the 2017 wildfires was not included in the Governor’s May Revision. Senator McGuire submitted a request for state support of property tax loss for North Bay counties including Sonoma in March. This request will be considered during state budget hearing. The request includes $5,592,000 to the Sonoma County General Fund.

**Closure of Sonoma Developmental Center**
Funding for the SDC Specific Plan approved by your Board on April 5, 2019, has been included in a trailer bill which will be adopted with the full budget. The State General Services Department submitted a budget request to the Department of Finance for $43.7 million over a period of three fiscal years for operations, maintenance, initial partial decommissioning, and land use planning costs related to the closure of the SDC. The request includes $3.5 million for Sonoma County to conduct one-time land use planning to be transferred to the County in year 1. This request continues to move forward through the state budget process.

Summaries of the May Revision are attached from Shaw Yoder Antwih and the California State Association of Counties. Further detail on departmental impacts are included in the Key Issues section of each departmental budget narrative.
The paper printouts of charts have given way to digital slide presentations, but the overall message of Governor Newsom’s budget press conference today was strikingly similar to those given in recent years by his predecessor: the good times are rolling, but a downturn is inevitable.

Governor Newsom today reemphasized his commitment to dedicate most surplus funds to reserves and one-time spending, with targeted ongoing investments in priority areas, noting that a recession could cost the state’s General Fund $70 billion over three fiscal years.

For counties, the most notable components of the May Revision would:
- Provide counties with flexibility and direct funding to combat homelessness,
- Strengthen the proposal regarding In-Home Supportive Services MOE, and
- Provide additional resources for disaster response, recovery, and prevention.

The May Revision proposes to significantly alter the January proposal regarding homeless shelters, navigation centers, and supportive housing. Importantly, the May Revision increases the total investment from $500 million to $650 million, provides $275 million of that funding directly to counties, expands eligible uses of funds to include key county priorities, and provides more flexibility by allocating all funds up-front. The May Revision also calls for the use of 2019 point-in-time counts—a priority cited by many counties since the details of the January proposal were released. Combined with other targeted investments, the May Revision includes approximately $1 billion to combat homelessness.

For In-Home Supportive Services (IHSS) more specifically, the Governor’s May Revision maintains the January proposal to revise the County IHSS Maintenance of Effort (MOE) and includes additional State General Fund above the January amount to get counties to the new
lowered MOE amount. CSAC is grateful for the increased State General Fund commitment and continues to strongly support the Governor’s IHSS MOE proposal.

The May Revision also builds upon the January proposals to assist local communities in recovering from recent wildfire devastation and becoming more resilient to future disasters. The additional investments include, but are not limited to, updates to the property tax backfills proposed in the January budget and funding to address the consequences of de-energizing power lines as a means to prevent wildfires during severe wind and weather events, including $75 million General Fund to improve resiliency of the state’s critical infrastructure and to provide assistance to communities as needs are identified. The May Revision also recognizes the significant devastation in Butte County as a result of the Camp Fire by including an additional $10 million one-time General Fund to support local communities in their ongoing recovery efforts.

As the Legislature has also recently outlined Senate and Assembly priorities through budget subcommittee hearings, these proposals will now be expeditiously negotiated with the Legislature as the state rapidly approaches the June 15 constitutional deadline to adopt a balanced budget. CSAC will continue to communicate substantive budget changes and their impacts on counties and advocate for county interests.

*If you would like to receive the Budget Action Bulletin electronically, please e-mail Karen Schmelzer, CSAC Legislative Assistant at kschmelzer@counties.org.*
### General Fund Budget Summary

<table>
<thead>
<tr>
<th></th>
<th>2018-19</th>
<th>2019-20</th>
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<tbody>
<tr>
<td><strong>Prior-Year Balance</strong></td>
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<td><strong>Revenues and Transfers</strong></td>
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<td><strong>Total Resources Available</strong></td>
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<td><strong>Non-Proposition 98 Expenditures</strong></td>
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<td><strong>Proposition 98 Expenditures</strong></td>
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<td><strong>Total Expenditures</strong></td>
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<td><strong>Fund Balance</strong></td>
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<td><strong>Reserve for Liquidation of Encumbrances</strong></td>
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<td><strong>Special Fund for Economic Uncertainties</strong></td>
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<tr>
<td><strong>Budget Stabilization Account / Rainy Day Fund</strong></td>
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### General Fund Expenditures by Agency

<table>
<thead>
<tr>
<th>Agency</th>
<th>2018-19</th>
<th>2019-20</th>
<th>$ Change</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Legislative, Judicial, Executive</td>
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<td>$5,079</td>
<td>$425</td>
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<tr>
<td>Business, Consumer Services &amp; Housing</td>
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<td>1,696</td>
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<tr>
<td>Transportation</td>
<td>208</td>
<td>296</td>
<td>88</td>
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<tr>
<td>Natural Resources</td>
<td>3,992</td>
<td>3,601</td>
<td>-391</td>
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<tr>
<td>Environmental Protection</td>
<td>380</td>
<td>131</td>
<td>-249</td>
<td>-65.5%</td>
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<tr>
<td>Health and Human Services</td>
<td>36,171</td>
<td>41,344</td>
<td>5,173</td>
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<tr>
<td>Corrections and Rehabilitation</td>
<td>12,575</td>
<td>12,717</td>
<td>142</td>
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<tr>
<td>K-12 Education</td>
<td>58,315</td>
<td>58,761</td>
<td>446</td>
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<td>Higher Education</td>
<td>16,486</td>
<td>17,369</td>
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<tr>
<td>Labor and Workforce Development</td>
<td>160</td>
<td>126</td>
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<td>Government Operations</td>
<td>4,888</td>
<td>1,169</td>
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<tr>
<td>General Government:</td>
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<tr>
<td>Non-Agency Departments</td>
<td>1,144</td>
<td>906</td>
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<tr>
<td>Tax Relief / Local Government</td>
<td>504</td>
<td>443</td>
<td>-61</td>
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<tr>
<td>Statewide Expenditures</td>
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<td>3395</td>
<td>80</td>
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<tr>
<td><strong>Total</strong></td>
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<td>$147,033</td>
<td>$3,792</td>
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General Fund Revenue Sources
($ in millions)

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<tr>
<th></th>
<th>2018-19</th>
<th>2019-20</th>
<th>$ Change</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Personal Income Tax</td>
<td>$98,304</td>
<td>$102,333</td>
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<td>Sales and Use Tax</td>
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<td>27,241</td>
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<td>13,233</td>
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<tr>
<td>Insurance Tax</td>
<td>2,643</td>
<td>2,868</td>
<td>225</td>
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<tr>
<td>Alcoholic Beverage Taxes</td>
<td>381</td>
<td>386</td>
<td>5</td>
<td>1.3%</td>
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<tr>
<td>Motor Vehicle Fees</td>
<td>63</td>
<td>62</td>
<td>-1</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Other</td>
<td>301</td>
<td>-160</td>
<td>-461</td>
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<tr>
<td><strong>Total</strong></td>
<td>$141,597</td>
<td>$145,996</td>
<td>$4,399</td>
<td>3.1%</td>
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Transfer to Rainy Day Fund

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Personal Income Tax</td>
<td>$93.8</td>
<td>$98.3</td>
<td>$102.3</td>
<td>$103.8</td>
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<td><strong>Total</strong></td>
<td>$131.1</td>
<td>$138.2</td>
<td>$142.8</td>
<td>$145.5</td>
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Growth

<table>
<thead>
<tr>
<th></th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>Average Growth</th>
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<tr>
<td>Personal Income Tax</td>
<td>$93.8</td>
<td>$98.3</td>
<td>$102.3</td>
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<td>Sales and Use Tax</td>
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<td>$26.1</td>
<td>$27.2</td>
<td>$28.1</td>
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<tr>
<td>Corporation Tax</td>
<td>$12.3</td>
<td>$13.8</td>
<td>$13.2</td>
<td>$13.7</td>
<td>$14.2</td>
<td>$14.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$131.1</td>
<td>$138.2</td>
<td>$142.8</td>
<td>$145.5</td>
<td>$149.3</td>
<td>$151.8</td>
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Emergency Preparedness and Response

State Disaster Contingency Planning & Preparedness
The Governor’s May Revision builds on his January proposal and investments already made in current year actions to strengthen the state’s response capabilities and increase California’s overall resiliency. The May Revision includes an additional $39.9 million in General Fund spending directed to a number of different departments that have a role in disaster preparedness and response. The proposal also includes funding for disaster contingencies and the development of a Statewide Disaster Reserve Corps for additional state capacity during emergencies.

Specifically, the Governor’s May Revision allocates the following additional state resources:

- **Office of Emergency Services** – $5.9 million in ongoing funds to enhance Cal OES disaster preparedness and response capacity for future state disasters.
- **Department of Housing and Community Development** – $2 million General Fund to create a permanent Disaster Response and Recovery Unit that will provide housing expertise in coordination with statewide disaster recovery efforts and to hire a consultant that will conduct local needs assessments related to the 2018 Camp and Woolsey fires as well as create local long-term recovery plan frameworks.
- **State Water Resources Control Board** – $1 million ongoing General Fund to improve emergency response capabilities and address engineering and operation issues facing drinking water systems and waste water utilities, and preventing or minimizing impacts to water quality, water supply security, and safety.
- **Department of Resources Recycling and Recovery** – $2.8 million ongoing General Fund to establish a dedicated team to help facilitate timely, safe, and effective debris removal operations as well as to assist local governments in the preparation of debris removal plans for future incidents.
- **Emergency Medical Services Authority** – $979,000 ongoing General Fund to increase disaster medical services capacity.
- **Department of Public Health** – $959,000 in ongoing funds to support health care facilities and mass care shelters during emergencies.

Emergency Contingency Funding & Statewide Disaster Reserve Corps
The May Revision includes $20 million one-time General Fund for a state “mission tasking appropriation” within the Cal OES budget. In addition, $1.5 million is proposed for Cal OES to coordinate with all state agency responders. The contingency funds will provide resources for staffing costs associated with emergency response and coordinate activities that are not absorbable in current budgets, and not reimbursable from the California Disaster Assistance Act.
or Disaster Response-Emergency Operations Account. In addition, the May Revision includes $711,000 ongoing General Fund to initiate development of a statewide Disaster Reserve Corps resource pool for needs during a disaster.

**Public Safety Power Shutoff (PSPS)**

Given the recent catastrophic wildfires caused by utility infrastructure, the California Public Utilities Commission is engaged in a rule making process for de-energizing power lines in the event of high risk weather. This means that the power will likely be shutoff more often as a means to prevent wildfires during severe wind and weather events. The May Revision includes funding to address the consequences of this, including $75 million General Fund to improve resiliency of the state’s critical infrastructure and to provide assistance to communities as needs are identified. This proposed allocation will include a source of funding to address immediate needs as a result of a PSPS, and a source of funding for planning grants to Operational Areas (counties) to improve local preparedness.

The May Revision also includes $41 million from the Public Utilities Commissions Utilities Reimbursement Account to fund inspections and to improve the review of utility wildfire mitigation plans. This is critical funding that will help implement the Governor’s wildfire plan and go towards improving the overall safety of utility infrastructure.

**Local Assistance**

*Property Tax Backfill*

The Governor’s May Revision includes one-time $518,000 General Fund to local governments for 2018-19 property tax losses resulting from the 2018 wildfires. This builds on the Governor’s January Budget proposal of $31.3 million. The additional $518,000 reflects more accurate estimates from Los Angeles, Mendocino, Napa, Orange, San Diego, Solano, Tuolumne, and Ventura Counties.

*Camp Fire*

In addition, the Governor’s May Revision recognizes the significant devastation in Butte County as a result of the Camp Fire and includes $10 million one-time General Fund to support local communities in their ongoing recovery efforts.

*Forest Management, Resiliency & Fire Response*

Building on investments proposed in his January budget, the Governor is proposing to include $15.7 million one-time General Fund to enhance CAL Fire’s fire protection capabilities and to increase the pace and scale of forest management activities. This will also help to fund the work of certifying the Programmatic Environmental Impact Report for Vegetation Management in California.
Catastrophic Livestock Disease Prevention and Emergency Response

On May 16, 2018, virulent Newcastle Disease, a fatal viral disease affecting birds and poultry, was detected in Los Angeles County. While the California Department of Food and Agriculture (CDFA) engaged in efforts to contain and eradicate the disease, the virus spread into new areas of Los Angeles, San Bernardino, Riverside, Ventura, and Alameda Counties, as well as to Utah and Arizona. As a result, over 1.2 million birds have been euthanized. The May Revision includes $3.3 million ongoing General Fund to perform emergency response activities during catastrophic livestock or poultry disease outbreaks. Funding will also assist with coordinating assistance for animal needs during disasters; support community preparedness and volunteer mobilization for pet and livestock evacuation, housing, and treatment during disasters; and train CDFA staff and other federal and local responders.

Homelessness

The May Revision includes significant changes to the Governor’s January budget proposal for a one-time $500 million investment for jurisdictions that site and build emergency shelters, navigation centers, or supportive housing ($300 million for planning grants and $200 million for meeting milestones). The Governor’s January budget proposal also called for the planning grants to be split with $200 million to Continuums of Care (CoC) and $100 million to the most populous cities.

The May Revision proposes the following changes which would significantly improve county access to these funds:

- Overall funding is increased from $500 million to $650 million.
- $275 million is set aside exclusively for counties.
- Additional flexibility is provided, both by allocating all funds up-front in lieu of back-end milestone achievement funding and by expanding the eligible uses of funds beyond shelters and navigation centers. Eligible uses now include, but are not limited to, hotel/motel conversions, traditional and non-traditional permanent supportive housing, rapid rehousing, and jobs programs.

The revised proposal also calls for the use of 2019 point-in-time homelessness counts and incentivizes regional collaboration by making funds contingent on cities and counties submitting regional plans to their CoCs.

Combined with other targeted investments, the May Revision includes total funding of approximately $1 billion to combat homelessness. These investments include a total of $120 million for expanded Whole Person Care pilots, $150 million for strategies to address the
shortage of mental health professionals in the public mental health system, $25 million for Supplemental Security Income advocacy, $40 million for student rapid rehousing, and $20 million for legal services for eviction prevention.

**Administration of Justice**

**2011 Realignment**
The Governor’s May Revision updates revenue assumptions for 2011 Realignment programs. In the May Revision, the statewide base for the Community Corrections Subaccount (AB 109) for 2018-19 remains $1.311 billion and the growth funds that counties will receive in fall 2019 has decreased from $102.3 million to $66.7 million. This results in an estimated 2019-20 base of $1.378 billion. The 2011 Realignment growth funds are still subject to change because they are not finalized until the fall. (Please see the realignment chart at the end of this bulletin.)

CSAC will provide individual county projections in the coming weeks.

**Judicial Branch**
The Governor’s May Revision includes total funding of $4.2 billion in the 2019-20 budget, with $2.4 billion directed to trial court operations. This is a slight increase from the Governor’s January budget proposal, which provided $4.1 billion for the Judicial Branch.

The Governor’s May Revision recognizes both the need for trial court spending flexibility, as well as the need to fund additional superior court judges. To this end, the Governor’s May Revision includes statutory changes to increase the trial court reserve cap to three percent beginning June 30, 2020. This will enable courts to address unanticipated mid-year changes in costs and provides flexibility to address unique local needs, as no two courts are alike. The Governor’s May Revision, additionally, includes $30.4 million General Fund in 2019-20 for 25 new superior court judgeships. The judges will be allocated upon completion of the Judicial Council’s Needs Assessment, expected in late summer of 2019.

The Governor’s May Revision also acknowledges the importance of dependency counsel, as they represent children and parents at every step of dependency proceedings. The Governor’s January budget proposal provided $156.7 million in 2019-20. The Governor’s May Revision recognizes the expansion of the federal Families First Prevention Services Act list of eligible Title IV-E which now includes court-appointed dependency counsel costs. This will provide an additional $34 million in federal reimbursements which will increase the dependency counsel budget to $190.7 million in 2019-20.
Finally, the Governor’s May Revision includes $20 million one-time General Fund for legal aid for renters in landlord-tenant disputes and $9.6 million General Fund for continuation of interpreter services for civil matters and to cover increased costs in criminal cases.

**Victim Impact Programs**

Crime victims and their families bear significant physical, emotional, and financial burdens. The Governor’s May Revision includes several proposals that will assist crime victims and lay the groundwork for future changes to consolidate the various departments and agencies that work with victims into one department under the Government Operations Agency. The Governor’s May Revision provides an additional $18 million one-time General Fund (total $27 million) to the California Violence Intervention and Prevention Program. This program provides grants to eligible cities and community based organizations to support services such as community education, diversion programs, outreach to at-risk transitional age youth, and violence reduction models.

**Law Enforcement Training**

The Standards and Training for Corrections Program assists local corrections agencies in improving professional training for local law enforcement. The funding source historically has been from criminal fine and fee revenue but has drastically been reduced over the past several years. In 2018-19, support for the program was shifted to General Fund and the Governor’s May Revision includes $6.2 million ongoing General Fund to restore to a level more consistent with historical funding.

**SB 678 (Chapter 608, Statutes of 2009) Funding**

The Community Corrections Performance Incentive Grant Program was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. The Governor’s May Revision includes $112.8 million General Fund to continue this successful program, which is a decrease of $548,000 from the amount estimated in the Governor’s January budget proposal.

**Post Release Community Supervision (PRCS)**

The Governor’s May Revision includes $14.8 million General Fund for county probation departments to supervise offenders on Post Release Community Supervision as a result of Proposition 57. This is an increase of $3 million from the amount estimated in the Governor’s January budget proposal.
Proposition 47 was passed by the voters in November 2014, which requires misdemeanor rather than felony sentencing for certain property and drug crimes and permitted inmates previously sentenced for these reclassified crimes to petition for resentencing. The Department of Finance currently estimates net savings of $78.4 million General Fund for Proposition 47, which is a $23,000 decrease from the Governor’s January budget proposal. These funds will be allocated according to the formula outlined in the initiative.

Agriculture, Environment and Natural Resources

Cannabis

When the January Budget was released, the Administration stated that it would release proposed cannabis allocations during the May Revision when more up to date revenue data would be available. The Administration shared their proposals during today’s release of the May Revision. In January, the Administration expected the excise tax to generate $355 million in 2018-19 and $514 million in 2019-20. The May Revision has downgraded this revenue forecast to $288 million for 2018-19 and $359 million for 2019-20. When asked by reporters during his presentation if the state should take the responsibility for this lack of revenue, the Governor responded “It takes time to go from something old to something new.” He pointed out that it had only been 16 months since legalization and that during his campaign for Governor, he had consistently shared his viewpoint that it would take at least five to seven years for California to reach its expected revenue estimates from the new industry.

Under Proposition 64, revenue is continuously allocated to the Cannabis Tax Fund and prioritized in the following way. Priority funding goes to the administration and enforcement of California’s legalized cannabis regulatory framework. Next, funds go to specified cannabis legalization research programs and equity programs. Finally, remaining funds go to youth education, prevention, early intervention, and treatment; environmental restoration; and public-safety related activities.

Revenues for this new industry are hard to predict, therefore the flow of funding to these programs is subject to change. However, given the Administration’s estimated revenue of $288 million to the Cannabis Tax Fund for 2018-19, the Administration is proposing roughly $89 million in administrative costs and a remaining $198 million for research, equity, youth education, public health, environmental clean-up, and public safety programs. Several of these allocations will be of interest to counties, including:

- $15 million for grants to local governments to create and administer local equity programs.
- $26 million to the Board of State and Community Corrections for a competitive grant program for local governments that have not banned cannabis to fund public health and
safety programs, including, but not limited to, local partnerships focused on prevention and intervention programs for youth, and efforts to support collaborative enforcement efforts against illegal cannabis cultivation and sale.

Additional programs receiving funds will include:

- $5.3 million to California Natural Resources Agency to support youth community access grants. These grants will fund programs to support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities. This includes, but is not limited to, community education and recreational amenities to support youth substance use prevention and early intervention efforts.
- $23.9 million to the Department of Fish and Wildlife, of which $13.8 million will support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation and $10.1 million will support enforcement activities aimed at preventing further environmental degradation of public lands.
- $15.9 million to the Department of Parks and Recreation: $7.1 million to survey the impacts and identify unknown areas of cannabis cultivation to assist with prioritizing resources for effective enforcement, $5.6 million for remediation and restoration of illegal cultivation activities on state park land, and $3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development.
- $2.6 million to the California Highway Patrol for training, research, and policy development related to impaired driving and for administrative support.
- $11.2 million to the California Highway Patrol’s impaired driving and traffic safety grant program for non-profits and local governments authorized in Proposition 64.
- $12 million to the department of Public Health for Cannabis surveillance and education activities.
- $80.5 million to the Department of Education to subsidize child care for school-aged children of income-eligible families to keep those children occupied and engaged in a safe environment, thus discouraging the use of cannabis.
- $21.5 million to the Department of Health Care Services for competitive grants to develop and implement new youth programs in the areas of education, prevention, and treatment of substance use disorders along with preventing harm from substance use.

Finally, the May Revision includes statutory language to address technical clean-up issues related to streamlining provisional licenses, enhance the equity grant program established in Chapter 794, Statutes of 2018 (SB 1294), strengthen administrative penalties for unlicensed cannabis activity, and extend the existing CEQA exemption.
**Cap & Trade Expenditure Plan**

The Governor’s January Budget proposed expenditures of $1 billion from the Greenhouse Gas Reduction Fund (GGRF) for 2019-20. In the May Revision, the Governor added $252 million in proposed expenditures to a variety of programs. These increased expenditures have been proposed to the Transformative Climate Communities (TCC) Program, low carbon transportation programs, climate smart agriculture programs, and preparing workers for, and studying the transition to, a carbon-neutral economy. The TCC program was given an additional one-time increased allocation totaling $92 million.

CSAC has consistently advocated for increased allocations to the Transformative Climate Communities program and strongly supports this additional funding. The TCC program supports integrated, community-scale housing, transit-oriented development, and neighborhood projects that reduce emissions in some of the state’s most disadvantaged areas.

### 2019-20 Cap & Trade Expenditure Fund Chart

<table>
<thead>
<tr>
<th>Investment Category</th>
<th>Department</th>
<th>Program</th>
<th>January Amount (millions)</th>
<th>May Revision Amount</th>
<th>Total</th>
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ATTACHMENT A
Government Finance and Administration

Sales and Use Taxes
As announced earlier this week, the Governor is proposing tax exemptions for menstrual products and children’s diapers as part of his May Revision focus on women and families, beginning January 1, 2020, and ending December 31, 2021. The exemption will cost the General Fund about $17.5 million in the budget year, due to being implemented halfway through, and $35 million the following year.

Local losses for the exemption are slightly higher ($21.5 million for the half fiscal year and $41 million for the full fiscal year) and will reduce funding for 1991 Realignment, 2011 Realignment, Proposition 172, local Bradley-Burns, local self-help, and any local transactions and use taxes.

Overall, the sales and use tax forecast is slightly lower ($360 million) across the current year and the budget year compared to previous estimates, mostly due to slower growth in taxable capital investments than was expected after the federal tax cuts. Other factors include lower-than-expected cannabis sales and higher-than-expected use of the manufacturing exemption. The expanded application of sales and use taxes to online marketplaces, as required by the recently passed AB 147, was already mostly factored into the Governor’s January Budget.

Property Taxes
The May Revision expects property taxes statewide to grow by 6.5 percent in 2019-20, after growing by 6.1 percent in 2018-19.

Broadband Infrastructure
Absent from Governor Newsom’s budget was a comprehensive plan to expand deployment of broadband technologies throughout California, particularly in unserved and underserved areas of the state. The Governor noted that he will be submitting a five-year infrastructure plan to the Legislature this year, and he intends to host a subsequent event to present that impressive, broader proposal within the next several weeks. Within that proposal will be an impressive plan detailing expansion of broadband technologies. The only broadband funding included in this budget is $15 million one-time non-Proposition 98 General Fund to be allocated to school districts most in need for broadband and infrastructure updates to meet the rapid growth of digital learning.

County Voting Systems
The 2018-19 Budget provided $134 million one-time General Fund to counties to replace voting systems and to strengthen the security of California’s election technology. That funding provided reimbursement to counties by matching funds spent by counties on voting system upgrades.
The May Revision builds on last year’s investment by including an additional one-time General Fund investment of $87.3 million, to provide:

- An additional 25 percent of needed cost ($65.7 million) to fund vote center models for counties with over 50 precincts (bringing total state investment to 75 percent of total estimated costs).
- $3.6 million to fully fund polling place model costs for counties with 50 or fewer precincts.
- $18 million for county election management system replacements.

**California State Library**

The January budget proposal included a modest funding adjustment to support local public libraries and statewide library programs, allocating $1 million in one-time General Fund money for online library service systems, and another $1 million for library districts to develop “Lunch at the Library” programs for students in low-income communities.

The May Revision made significant funding increases to support the variety of services and resources provided by our state’s public libraries. In this budget, Newsom allocated:

- $5 million in one-time General Fund to underserved community libraries to support early learning and after-school library programs.
- $3 million in one-time General Fund for the State Library to allocate to local library jurisdictions to purchase “bookmobiles” (mobile libraries) that would be used to expand access to books for under-resourced communities.
- $1.7 million (of which, around $1 million ongoing) General Fund to support Digitization and Cultural Preservation Library Activities.
- $500,000 one-time monies dedicated to preservation of historic LGBTQ sites.

**Economic Outlook – Increased Risks**

The Standard and Poor’s 500 index remains at near record highs, and continues to experience increases due to California’s thriving economies (particularly technology industries). However, there are a number of risks to California’s sustained economic wellbeing. The May Revision provides insight on the state of California’s prospective economy, and a reminder that it is not infallible. Issues to be mindful of include:

- Policy action by the federal government that may undermine California’s globally competitive industries, including agriculture and technology.
- Slowing rates of global growth.
- Federal deficits.
• Challenges for young Californians that will have long-lasting impacts, including falling home ownership rates and increased student loan burdens.
• Increasing frequency of natural disasters.
• An increasingly aging population.

Health and Human Services

HUMAN SERVICES

In-Home Supportive Services
The In-Home Supportive Services (IHSS) program provides assistance and services to eligible older or disabled individuals to help them remain safely in their homes. The Governor’s May Revision estimates that IHSS costs will increase by $60.5 million General Fund in 2018-19 and $151.6 million General Fund in 2019-20. This results from increases in caseload growth, hours per case, and costs per case, which are partially offset by decreases in provider overtime and travel costs.

IHSS MOE Proposal
The Governor’s May Revision continues his January Budget proposal to revise the County IHSS Maintenance of Effort (MOE). This includes lowering the County IHSS MOE base, reducing the inflation factor to four percent, and stopping the redirection of 1991 Realignment VLF growth from the Health and Mental Health subaccounts to Social Services. The County IHSS MOE will be rebased in 2019-20 down to $1.56 billion. Based on updated Realignment projections and increased IHSS caseload and cost projections, this will require an increased General Fund commitment above the January projection. The increased General Fund costs for IHSS would be $296.7 million in 2019-20, a $55 million increase from January, and growing to $615.3 million in 2022-23, which is a $68 million increase above the January estimate. This represents a total increased General Fund commitment for IHSS of $1.86 billion over the first four years of this new structure. CSAC is grateful for the continuation of the January Budget proposal and the increased General Fund commitment in the May Revision to get to the lowered MOE base and continues to strongly support the Governor’s IHSS MOE proposal.

IHSS Hours Restoration
The Governor’s May Revision provides an increase of $15.3 million General Fund to reflect the updated costs to continue the restoration of the seven percent reduction in IHSS service hours. This restoration is proposed as a temporary restoration through December 31, 2021, due to lower than expected revenues in the coming years.
Continuum of Care Reform
The Continuum of Care Reform (CCR) enacted significant changes in the child welfare program that are intended to reduce the use of group homes, increase the availability of trauma-informed services, and improve outcomes for foster youth.

Resource Family Approval
The Governor’s May Revision provides a one-time increase of $14.4 million General Fund to assist counties with Resource Family Approval (RFA). The RFA process is the new, streamlined, child-focused and family-friendly process for counties to approve resource families. In partnership with the County Welfare Directors Association (CWDA), CSAC has advocated for increased funding to be able to meet the mandate to approve resource families in a timely manner. This increased funding will support county efforts to address the backlog of resource family applications and continue to review and approve applications.

Foster Parent Recruitment, Retention, and Support
The Governor’s May Revision provides a one-time increase of $21.6 million for Foster Parent Recruitment, Retention, and Support (FPRRS). In partnership with CWDA, the Chief Probation Officers of California, and other partner organizations, CSAC has advocated for increased FPRRS funding, which was set to be eliminated in 2019-20. This funding will help counties continue critical recruitment and retention efforts to build the capacity of caregivers and support the children and youth in their care.

Foster Care Emergency Assistance
The Governor’s May Revision includes an increase of $21.7 million General Fund and federal Temporary Assistance for Needy Families (TANF) block grants in 2019-20 for emergency assistance payments to caregivers who are awaiting approval as a resource family. This funding will extend the timeframe to allow up to four months, an increase of one month, for these emergency assistance payments in 2019-20. Starting in 2020-21, these emergency assistance payments would be funded for up to three months to reflect that resource family applications are anticipated to be processed within three months. In order to fund these emergency assistance payments in 2020-21, the May Revision includes a TANF reserve of $31.2 million.

CalWORKs
The California Work Opportunity and Responsibility to Kids (CalWORKs) program is California’s version of the federal TANF program, which provides temporary cash assistance to low-income families with children to meet basic needs as well as welfare-to-work services to help families become self-sufficient. Based on updated caseload and cost-per-case projections, the
Governor’s May Revision includes a decrease of $46.8 million General Fund and federal TANF block grant funds in 2018-19 and $49.1 million General Fund and TANF block grants in 2019-20.

**CalWORKs Single Allocation**
The CalWORKs Single Allocation is funding provided by the state to counties to administer the CalWORKs program. The Governor’s May Revision includes an ongoing increase of $41.4 million General Fund and federal TANF block grant funds in 2019-20. This reflects the adoption of a revised methodology to budget for the employment services component of the Single Allocation. The May Revision also proposes to separate the child care component from the Single Allocation.

**CalWORKs Outcomes and Accountability Review**
The Governor’s May Revision provides an increase of $13.2 million General Fund and federal TANF block grant funds related to the CalWORKs Outcomes and Accountability Review (Cal-OAR). This funding is for counties to conduct continuous quality improvement activities consistent with implementation of this important reform.

**CalWORKs Home Visiting**
The May Revision includes an increase of $10.7 million in funding for home visiting services for parents in the CalWORKs program with children under the age of two. This brings the total investment to $89.6 million for the program in 2019-20. The Home Visiting program will leverage existing evidence-based program models to help young families improve engagement, the healthy development of young children, and employment stability. The additional funding reflects the increased number of home visiting eligible cases. The Department of Social Services will continue working with counties to ensure positive outcomes.

**CalWORKs Stage 1, 2, and 3 Child Care**
The May Revision includes an increased investment in early childhood programs and proposes a long-term Master Plan for Early Learning and Care. The budget includes a $40.7 million General Fund investment in 2019-20 and $54.2 million ongoing General Funds to the CalWORKs Stage 1 child care program. The CalWORKs Stage 1 program provides child care services for current CalWORKs recipients while they participate in employment related activities. The additional increased funding will expand Stage 1 eligibility to 12 months. In addition, the May Revision includes a net increase of $38.2 million General Fund for the CalWORKs Stage 2 and 3 Child Care programs. CalWORKs Stage 2 and Stage 3 programs provide child care assistance for current and former CalWORKs families. The increase reflects the rise in child care costs and caseloads throughout the state.

**Supplemental Security Income / State Supplementary Payment**
The federal Social Security Department administers monthly supplemental security income (SSI) payments to eligible aged, blind and disabled persons. California has augmented SSI payments
with a state supplementary payment (SSP). The Governor’s May Revision provides a decrease of $5.9 million General Fund in 2018-19 and $18 million General Fund in 2019-20, which reflects updated projections for caseload and costs per case.

**County Administration Costs for SSI Cash-Out Policy**
The elimination of the SSI Cash-Out policy in the 2018-19 budget extended CalFresh eligibility to SSI recipients. The Governor’s May Revision provides a one-time increase of $15 million General Fund in 2019-20 for county administrative costs associated with processing the new CalFresh applicants associated with ending the SSI Cash-Out policy. CSAC has supported CWDA’s efforts to secure additional funding in the budget for county administrative costs for the SSI Cash-Out.

**PUBLIC HEALTH**

**Infectious Disease Prevention**
The May Revision includes a one-time $40 million General Fund investment to support local health departments in meeting the rising health needs of their communities. County health departments work to prevent, investigate, and reduce dangerous and deadly infectious diseases. This investment will assist county health departments prevent and control the spread of infectious diseases.

The County Health Executives Association of California and the Health Officers Association of California requested a General Fund investment in 2019-20 to improve the county health department infrastructure and CSAC is pleased to see this investment in the May Revision.

**HEALTH**

**AB 85 and Medi-Cal Expansion for Undocumented Young Adults**
The Governor sustains his proposal to expand full scope Medi-Cal to undocumented young adults aged 19-25 at a cost of $98 million ($74.3 million General Fund), starting no sooner than January 1, 2020. He also stated his proposal to adjust the AB 85 diversion of 1991 Health Realignment funding from Article 13 and County Medical Services Program (CMSP) counties from the current 60 percent state and 40 percent county to 75/25 upon the implementation date will require continued discussions with the Administration and stakeholders.

The Governor acknowledges that Yolo County shall be treated as a CMSP county for purposes of this proposal and the need for the Article 13 counties and CMSP to be appropriately funded.
Both Article 13 counties and CMSP identified significant concerns with the Governor’s January proposal. CSAC will work with county partners, the Administration, and Legislature on the proposal.

Besides the proposed changes to local AB 85 redirections, the Governor estimates $617.7 million in AB 85 redirections from counties in 2019-20. This funding is statutorily required to offset state CalWORKs costs. While this is $155.5 million lower than last year, the Governor estimates that the state will gain $315 million from the 2016-17 AB 85 True Up. CSAC will continue to work with the Administration to ensure these estimates are accurate.

**Medi-Cal County Administration**
The Governor’s May Revision includes an increase of $15.3 million for Medi-Cal county administration compared to January. Total funding is $2.1 billion ($729 million General Fund). This increase results from higher than projected growth in the California Consumer Price Index. The 2018-19 budget established the new Medi-Cal County Administration methodology that includes this annual adjustment based on the California Consumer Price Index.

**Proposition 56**
The May Revision proposes an additional $263 million in Proposition 56 (2016 tobacco tax) funding to provide loan repayment programs, Value-Based Payments, training for trauma screenings, and for optical labs and services. Of the funds, $70 million will go to additional funding for Value-Based Payments, focusing on behavioral health integration, bringing the total 2019-20 funding for these payments to $250 million over several years.

**BEHAVIORAL HEALTH**

**Whole Person Care**
The May Revision includes a one-time $20 million investment from the Mental Health Services Fund for counties currently not participating in Whole Person Care (WPC) Pilot Programs. The $20 million is in addition to the $100 million in General Fund investment from the Governor’s January Budget for WPC. Counties welcome this funding and the option for additional counties to participate in these effective pilots.

**Mental Health Crisis Line**
The May Revision includes an investment of $3.6 million Mental Health Services Fund for a statewide mental health crisis line. This crisis line will be staffed by individual responders who can provide peer support to intervene during critical emotional crisis. The proposed investment would issue the funds annually, to the Department of Health Care Services for three years. The investment will help to fill the gap in providing immediate access to behavioral support intervention.
Housing, Land Use, and Transportation

The Governor’s May Revision dedicates a total of $750 million in one-time funding to local governments to increase housing production. This reflects the same amount of total funding allocated for these purposes in the January budget proposal, but there are slight changes proposed for the uses of the funding. The relevant Assembly and Senate budget subcommittees have also approved preliminary housing and homelessness budget frameworks. A comparison of the May Revision and those proposals is attached as a separate document.

The May Revision continues to dedicate $250 million to local governments for planning, technical assistance and staffing to encourage housing production, but adds school districts and county offices of education as qualified entities for a portion of the funding to reuse surplus property for teacher housing. The planning funding allocation would be split evenly between regional councils of governments and direct allocations to local jurisdictions to help meet higher short-term state housing goals.

The January proposal dedicated $500 million of the $750 million as incentive money to local jurisdictions that meet housing-related goals established in regional housing action plans. The May Revision repurposes the $500 million for grants under the Infill Infrastructure Grant Program administered by the Department of Housing and Community Development (HCD).

Long-Term Housing Production Strategy
The May Revision promotes creating a new Regional Housing Needs Assessment (RHNA) process by 2022 though which HCD will set long-term regional housing production targets. The May Revision continues to focus on linking housing and transportation and provides that SB 1 local formula funding will be withheld from jurisdictions that are not in compliance with housing element law and have not zoned or entitled for their annual housing goals.

State Housing Tax Credit Program
The Governor’s May Revision includes $500 million to expand the state tax credit program, which reflects the same amount included in the Governor’s January budget proposal. To allow for greater flexibility in the use of state tax credits, the Governor’s May Revision allows for tax credits to be used for preservation projects to maintain the existing housing stock in addition to allowing the use of tax credits for new housing production. The May Revision also repeals the 2020 sunset date on a provision that currently allows developers to sell “certificated” state tax credits to investors without requiring investors to be part of the project ownership. It also proposes making the Director of the California Housing Finance Authority and the HCD Director voting members of the California Tax Credit Allocation Committee.
State Surplus Property for Housing Development
The Governor’s May Revision dedicates funding for the Administration’s effort to make surplus state property available for affordable housing development, including:
• $2.5 million in one-time funding for real estate consultants for HCD and the California Department of General Services, and
• $780,000 in ongoing funding and four positions for HCD to help with developing request for proposals, conducting site investigations, and evaluating and monitoring housing projects.

Assistance for Renters and Landlord-Tenant Disputes
As also reported in the Administration of Justice section of this bulletin, the May Revision includes an additional $20 million in one-time funding to provide grants to nonprofits focusing on landlord-tenant disputes for counseling, renter education programs, and preventing evictions.
### 1991 Realignment Estimated Revenues and Expenditures - 2019 May Revision
(Dollars in Thousands)

#### 2017-18 State Fiscal Year

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| **Growth Funding** |              |                        |                       |                |               |        |
| Sales Tax Growth Account: | -            | 133,734                | -                     | -              | -             | 133,734 |
| Caseload Subaccount | -            | (133,734)              | -                     | -              | -             | -      |
| County Medical Services Growth Subaccount | -            | -                      | -                     | -              | -             | -      |
| General Growth Subaccount | -            | -                      | -                     | -              | -             | -      |
| Vehicle License Fee Growth Account | -            | 157                    | 75,637                | 197            | -             | 124,221 |
| **Total Growth** | $157         | $209,371               | $197                  | $48,230        | $257,955      |        |

**Total Realignment 2017-18**: $1,120,550 $961,770 $2,342,849 $129,296 $670,637 $310,364 $5,583,696

#### 2018-19 State Fiscal Year

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| Caseload Subaccount | -            | (221,764)              | -                     | -              | -             | -      |
| County Medical Services Growth Subaccount | -            | -                      | -                     | -              | -             | -      |
| General Growth Subaccount | -            | -                      | -                     | -              | -             | -      |
| Vehicle License Fee Growth Account | -            | 82                     | 39,472                | 103            | 25,169        | 64,826 |
| **Total Growth** | $82          | $261,236               | $103                  | $25,169        | $286,590      |        |

**Total Realignment 2018-19**: $1,120,551 $877,005 $2,586,363 $129,399 $773,205 $383,763 $5,870,286

#### 2019-20 State Fiscal Year

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| **Growth Funding** |              |                        |                       |                |               |        |
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| Caseload Subaccount | -            | (28,526)               | -                     | -              | -             | (28,526) |
| County Medical Services Growth Subaccount | -            | -                      | (59,135)              | -              | (69,685)      | (157,973) |
| General Growth Subaccount | -            | 13,226                 | -                     | 26,829         | -             | 71,671 |
| Vehicle License Fee Growth Account | -            | 13,226                 | -                     | 26,829         | -             | 71,671 |
| **Total Growth** | $101,301     | $258,170               | $101,301              | $258,170       | $258,170      |        |

**Total Realignment 2019-20**: $1,120,551 $1,093,600 $2,605,914 $215,362 $607,965 $485,064 $6,128,456

\(^1\) Excludes $14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.
## 2011 Realignment Estimate - at 2019 May Revision

<table>
<thead>
<tr>
<th>Account Total and Growth</th>
<th>2011 Realignment Estimate 1 - at 2019 May Revision</th>
<th>Law Enforcement Services</th>
<th>Support Services</th>
<th>Mental Health 2</th>
<th>Growth, Support Services</th>
<th>Account Total and Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$7,639.5</td>
<td>$7,639.5</td>
<td>$7,639.5</td>
<td>$7,639.5</td>
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<tr>
<td>1.0625% Sales Tax</td>
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<tr>
<td>Motor Vehicle License Fee</td>
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<td>714.5</td>
<td>731.3</td>
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<tr>
<td>Revenue Total</td>
<td>$7,639.5</td>
<td>$7,639.5</td>
<td>$7,639.5</td>
<td>$7,639.5</td>
<td>$7,639.5</td>
<td>$7,639.5</td>
</tr>
</tbody>
</table>

### Law Enforcement Services
- Trial Court Security Subaccount
- Enhancing Law Enforcement Activities Subaccount
- Community Corrections Subaccount
- District Attorney and Public Defender Subaccount
- Juvenile Justice Subaccount
  - Youthful Offender Block Grant Special Account
  - Juvenile Reentry Grant Special Account

### Support Services
- Protective Services Subaccount
- Behavioral Health Subaccount
  - Women and Children’s Residential Treatment Services

### Mental Health

1. Dollars in millions.
2. Base Allocation is capped at $489.9 million. Growth does not add to the base.
3. Base Allocation is capped at $1,120.6 million. Growth does not add to the base.

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).
Governor’s Revised 2019-20 State Budget

HOMELESS EMERGENCY AID
The Governor’s Budget included $500 million one-time General Fund for jurisdictions for the construction and expansion of emergency shelters and Navigation Centers. Additionally, the Governor’s Budget included $25 million ongoing General Fund for the Housing and Disability Advocacy Program to assist homeless, disabled individuals with applying for disability benefit programs, and $100 million one-time General Fund for Whole Person Care Pilot programs that provide housing services. The May Revision increases the $500 million proposal to $650 million and updates the allocation of the grants. California’s most populous 13 cities will receive $275 million, counties will receive $275 million, and Continuums of Care (CoCs) will receive $100 million, based on the 2019 federal point-in-time count. To continue to encourage regional collaboration, funds are contingent on cities and counties submitting regional plans to their CoCs. These plans must then be approved by the state.

The May Revision also expands the eligible uses for the funds to include innovative projects for which one-time funding is well suited. This includes, but is not limited to, hotel/motel conversions, traditional and non-traditional permanent supportive housing, rapid rehousing, or jobs programs.

STUDENT RAPID REHOUSING
The May Revision builds upon the Governor’s Budget investment of $15 million one-time General Fund to address student food and housing insecurity at CSU and $15 million ongoing General Fund at the UC. The May Revision proposes $6.5 million ongoing General Fund to support rapid rehousing of homeless and housing insecure students in the CSU and $3.5 million ongoing General Fund for students in the UC.

WHOLE PERSON CARE PILOT PROGRAMS
Building on the $100 million one-time General Fund proposed in the Governor’s Budget for Whole Person Care Pilots, the May Revision includes a $20 million one-time augmentation from the Mental Health Services Fund for counties that do not operate Whole Person Care Pilots. With this funding, additional counties will be able to develop and implement essential programs to focus on coordinating health, behavioral health (for individuals with a mental health and/or substance use disorder), and critical social services, such as housing. Priority will be given to individuals with mental illness who are also homeless, or at risk of becoming homeless.

HOMELESSNESS EMERGENCY AID PROGRAM (HEAP)
The Budget Act of 2018 provided $500 million one-time funding for short-term housing operations through the Homeless Emergency Aid Program. Local jurisdictions have used these dollars for emergency housing vouchers, rapid rehousing programs, and emergency shelter construction, among other purposes.
The May Revision increases the state's support to prevent and mitigate this epidemic by $1 billion. Specifically, it provides $650 million to local governments for homeless emergency aid, $120 million for expanded Whole Person Care pilots, $150 million for strategies to address the shortage of mental health professionals in the public mental health system, $25 million for Supplemental Security Income advocacy, $40 million for student rapid rehousing and services for University of California (UC) and California State University (CSU) systems, and $20 million in legal for eviction prevention. In addition, the Governor's Budget included $1.75 billion General Fund to increase housing production and hundreds of millions to increase grants to families in the CalWORKs program.

**IHSS**

DSS Caseload-Related Adjustments:

IHSS—The overall cost for IHSS increased by $60.5 million General Fund in 2018-19 and $151.6 million General Fund in 2019-20, due primarily to a projected increase in caseload growth, average hours per case, and average cost per case. These increases were offset partially by decreases in IHSS provider overtime and travel costs.

IHSS Restoration of the 7-percent Across-the-Board Reduction to IHSS Service Hours—An increase of $15.3 million General Fund to reflect the updated costs for the restoration of the 7-percent across-the-board reduction to IHSS service hours. The May Revision proposes to temporarily restore the 7-percent reduction through December 31, 2021, due to lower than expected revenues over the forecast period and ongoing efforts to contain costs.

County IHSS Maintenance-of-Effort Adjustment—An increase of $55 million General Fund related to the re-benching of the County IHSS Maintenance-of-Effort to reflect revised 1991 Realignment revenue projections and revised IHSS caseload and cost projections.

CalWORKs—A decrease of $46.8 million General Fund and federal Temporary Assistance for Needy Families (TANF) block grant funds in 2018-19 and $49.1 million General Fund and federal TANF block grant funds in 2019-20 to reflect updated caseload and average cost per case projections.

SSI/SSP—A decrease of $5.9 million General Fund in 2018-19 and $18 million General Fund in 2019-20 to reflect updated caseload and average cost per case projections.

**Other Significant Adjustments:**

- CalWORKs Single Allocation Budgeting Methodology—An ongoing increase of $41.4 million General Fund and federal TANF block grant funds in 2019-20 to reflect the adoption of a revised budgeting methodology for the employment services component of the CalWORKs Single Allocation to counties. This augmentation represents a $165.5 million increase compared to the traditional methodology. Because a budgeting methodology for the administration/eligibility and employment services components have been created, the May Revision proposes to separate the childcare component from the Single Allocation.

- CalWORKs Outcomes and Accountability Review (Cal-OAR)—An increase of $13.2 million General Fund and federal TANF block grant funds in 2019-20 for counties to perform required Continuous Quality Improvement activities consistent with Cal-OAR implementation.
CalWORKs Stage One Child Care 12-Month Eligibility—An increase of $40.7 million General Fund in 2019-20 ($54.2 million annually thereafter) to establish a 12-month eligibility period for CalWORKs Stage One Child Care services. See the Early Childhood Chapter for more information.

CalWORKs Home Visiting Initiative—An increase of $10.7 million in General Fund and federal TANF block grant funds to reflect updated projections of CalWORKs case eligible for home visiting services. See the Early Childhood Chapter for more information.

Funding for County Administrative Costs for the Expanded CalFresh Population—A one-time increase of $15 million General Fund in 2019-20 for county administration efforts to process new CalFresh applicants as a result of eliminating the Supplemental Security Income Cash-Out policy.

Resource Family Approval Administration and Application Backlog—A one-time increase of $14.4 million General Fund in 2019-20 to support county efforts in eliminating the backlog of foster care resource family applications that are pending review and approval.

Foster Parent Recruitment, Retention, and Support—A one-time increase of $21.6 million General Fund in 2019-20 for activities and services to retain, recruit, and support foster parents, relative caregivers, and resource families.

Foster Care Emergency Assistance—An increase of $21.7 million General Fund and federal TANF block grant funds in 2019-20 to provide caregivers with up to four months of emergency assistance payments pending resource family approval. Beginning in 2020-21 and annually thereafter, the state will fund emergency assistance payments for up to three months, as local child welfare agencies and probation departments are anticipated to complete the resource family approval process within three months of application receipt. The May Revision includes a TANF reserve of $31.2 million to fund emergency assistance costs through 2020-21.

Federal Title IV-E Administrative Costs Dependency Counsel—An ongoing increase of $34 million federal funds to support court-appointed dependency counsel representing children and parents at every stage of the dependency proceeding.

**COUNTY MEDICAL SERVICES PROGRAM**

Full-Scope Medi-Cal Expansion for Undocumented Young Adults—The May Revision includes $98 million ($74.3 million General Fund) to expand full-scope Medi-Cal coverage to eligible young adults aged 19 through 25 regardless of immigration status, starting no sooner than January 1, 2020. The assumed implementation date is six months later than assumed in the Governor's Budget. This expansion will provide full-scope coverage to approximately 90,000 undocumented young adults in the first year. Nearly 75 percent of these individuals are currently in the Medi-Cal system.

Redirection of County Realignment Savings that Result from Medi-Cal Expansion—The May Revision maintains the Administration’s proposal to change the redirection amounts for certain counties’ indigent care realignment revenue with three modifications. First, the May Revision reflects Yolo County as a County Medical Services Program county. Second, the change in redirection amounts for certain counties is delayed six months to align with the assumed timing of the proposed Medi-Cal eligibility expansion. Third, the May Revision proposes to withhold realignment revenues from the County Medical Services Program Board until the Board’s total reserves reach two years of total annual...
expenditures. At that point, the Board revenues will be reflect a 75 percent redirection amount consistent with non-formula counties.

**CHILD SUPPORT**
No changes noted. Unless the May Revision expressly includes changes to the January budget, it generally means that the proposal remains unchanged (if there was one in January).

**PUBLIC GUARDIANS**
No changes noted. Unless the May Revision expressly includes changes to the January budget, it generally means that the proposal remains unchanged (if there was one in January).

**DISASTER PREPAREDNESS, RESPONSE, AND RECOVERY**
Based on lessons learned and because of the increased magnitude, frequency, and complexity of recent disasters, the May Revision includes $39.9 million ($38.6 million General Fund) and 159.5 positions for various departments to enhance the state’s disaster preparedness, response, and recovery capabilities; support the continuity of state government during disasters; and increase technical proficiency to best position the state to maximize appropriate federal reimbursements of billions of dollars. This includes resources for departments to: enhance disaster contingency planning and preparedness, provide funding to support Cal OES mission tasking, and facilitate the development of a Statewide Disaster Reserve Corps for surge capacity during disasters.

**DISASTER CONTINGENCY PLANNING AND PREPAREDNESS**
The May Revision proposes the following resources to support disaster contingency planning and preparedness:

Office of Emergency Services—$5.9 million in ongoing funds ($5.1 million General Fund) and 76 positions to enhance Cal OES disaster preparedness and response capacity for future state disasters. Without the appropriate tracking and coordination of disaster costs, California would be at risk of losing federal funding.

Department of Housing and Community Development—$2 million General Fund (with $740,000 in ongoing resources) and four positions to create a permanent Disaster Response and Recovery Unit that will provide housing expertise in coordination with statewide disaster recovery efforts and to hire a consultant that will conduct local needs assessments related to the 2018 Camp and Woolsey fires as well as create local long-term recovery plan frameworks.

State Water Resources Control Board—$1 million ongoing General Fund and six positions to improve emergency response capabilities between the State Water Board, regional boards, and other state entities during emergencies. These resources will enable the Water Board to lessen the impacts of disasters on vulnerable populations by addressing a wide range of issues in the periods following and between emergencies, including addressing engineering and operation issues facing drinking water systems and waste water utilities, and preventing or minimizing impacts to water quality, water supply security, and safety.

Department of Resources Recycling and Recovery—$2.8 million ongoing General Fund and 21.5 positions for the Department to continue its significant role in emergency response mission tasking responsibilities. These resources will establish a dedicated team to help facilitate timely, safe, and
effective debris removal operations as well as to assist local governments in the preparation of debris removal plans for future incidents.

Emergency Medical Services Authority—$979,000 ongoing General Fund and two positions to increase disaster medical services capacity, including coordination of medical assets during emergency response efforts and one-time purchases of medical treatment and communications equipment.

Department of Public Health—$959,000 in ongoing funds ($569,000 General Fund) and six positions to support health care facilities and mass care shelters during emergencies as well as disaster preparedness, response, and recovery efforts.

Activities will include deployment of infection control teams and continuous updates to an existing health facility mapping application used during disasters.

Department of State Hospitals—$996,000 ongoing General Fund and six positions to improve emergency coordination and preparedness, and business continuity planning at five state hospitals and the Department of State Hospitals headquarters. The additional resources will enhance the Department’s ability and capacity to more effectively care for patients and coordinate staff in the event of a disaster.

Department of Social Services—$2.9 million ongoing General Fund and 20 positions to support the Department of Social Services’ mandated disaster planning, coordination, and training activities. The Department is responsible for statewide mass care and shelter responsibilities, as designated by Cal OES.

**EMERGENCY CONTINGENCY FUNDING**
The May Revision includes $20 million one-time General Fund for a state mission tasking appropriation within the Cal OES budget. In addition, $1.5 million and 12 positions are proposed for Cal OES to coordinate with all state agency responders as a part of effectively managing and monitoring this appropriation given it will be responsible for the distribution of these funds. When state entities are mission tasked, some staffing costs associated with those activities are not absorbable within existing budgets, nor are these costs eligible for the California Disaster Assistance Act or Disaster Response-Emergency Operations Act funding. This proposed state mission tasking appropriation provides a resource to fund state entities for costs incurred when mission tasked, and to fund surge capacity needs of the Statewide Disaster Reserve Corps described below.

**SHORT-TERM PLANNING AND PRODUCTION GRANTS AND INVESTMENTS IN INFRASTRUCTURE**
The May Revision also repurposes the $500 million from the $750 million previously dedicated to general purpose incentive payments for the Infill Infrastructure Grant Program administered by the Department of Housing and Community Development (HCD).

The Infill Infrastructure Grant Program provides gap funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the augmented Infill Infrastructure Grant Program, developers and local governments can partner to apply for infrastructure funding. At the same time, certain areas designated as infill may also qualify as federal Opportunity Zones and provide additional tax benefits to investors to spur development of economically distressed communities by guiding investment toward mixed-income housing.
This investment, combined with the $300 million made available for the Infill Infrastructure Grant Program through Chapter 365, Statutes of 2017 (SB 3) bond funds, provides $800 million, significantly boosting infrastructure development and ultimately housing production. Moreover, these funds can leverage additional investment for projects located within federal Opportunity Zones through state and federal tax benefits, spurring more housing production.

The Administration is considering ways to streamline and improve processes at the state’s Infrastructure and Economic Development Bank (IBank) to help fund infrastructure including projects in Opportunity Zones.

**STATEWIDE DISASTER RESERVE CORPS**

The May Revision includes $711,000 ongoing General Fund and 6 positions to initiate development of a statewide Disaster Reserve Corps resource pool for surge capacity needs. This resource pool will be able to backfill departments for steady-state activities, assist with continuity planning, and identify pre-screened qualified candidates to be part of needed incident support teams to assist in state preparedness and readiness.

**PUBLIC SAFETY POWER SHUTDOWN**

The May Revision includes a one-time investment of $75 million General Fund to improve resiliency of the state’s critical infrastructure in response to investor-owned utility-led Public Safety Power Shutdown (PSPS) actions, and to provide assistance to communities, where appropriate, as specific urgent needs are identified.

Investor-owned utilities (IOUs) have signaled their intent to significantly increase the use of PSPS on their energized power lines to prevent wildfires during high wind or other severe weather events. As a result, affected areas may be without power for several hours, days, and in some cases, over a week. Given the configuration of power grids and limited weather-monitoring capacities, at times, IOUs may be unable to implement PSPS in targeted areas, which could result in larger regional areas being impacted.

This proposal will provide a flexible source of funding to facilitate immediate response to utility initiated power shutdowns. In addition, planning grants to improve local preparedness for IOU-driven PSPS events would be available to the state’s Operational Areas’ (Counties) Offices of Emergency Management to convene regional stakeholders to discuss PSPS preparedness efforts, update emergency plans for PSPS events, and hold trainings, discussions, and exercises to reinforce planning assumptions.

The May Revision also includes $41 million Public Utilities Commission Utilities Reimbursement Account to fund inspections and improve review of both utility wildfire mitigation plans and PSPS reports. Specifically, this includes $38 million for one-time contract resources over three years to investigate and verify utility compliance with wildfire mitigation plans and to improve the California Public Utilities Commission’s (PUC) oversight and evaluation of wildfire mitigation plans. It also includes funding to support 16 positions to oversee these contracts, facilitate these efforts, and streamline PUC regulatory processes.

**CANNABIS TAX FUND ALLOCATIONS**
As approved in Proposition 64, effective January 1, 2018, excise taxes are levied on the cultivation and retail sale of both adult-use and medicinal cannabis with tax revenues being deposited into the Cannabis Tax Fund. The cannabis excise tax is forecast to generate $288 million in 2018-19 and $359 million in 2019-20, a reduction of $67 million and $156 million, respectively, from the Governor’s Budget forecast. The forecast assumes continued growth of more than 15 percent annually as new businesses continue to enter the marketplace and local jurisdictions adjust to the state’s legal framework. It is important to note that for the near term, revenue estimates will be subject to significant uncertainty because the market has only recently been established.

Pursuant to Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer and enforce the Cannabis Act, followed by research and activities related to the legalization of cannabis, and the past effects of its criminalization. Once those priorities have been met, the remaining funds are allocated to youth education, prevention, early intervention, and treatment; environmental restoration; and public-safety related activities. The May Revision estimates $198.8 million will be available for these purposes, and allocates them for the first time in 2019-20 as identified below.

Education, prevention, and treatment of youth substance use disorders and school retention—60 percent ($119.3 million):

$12 million to the Department of Public Health for cannabis surveillance and education activities.

Remaining 75 percent ($80.5 million) to the Department of Education to subsidize child care for school-aged children of income-eligible families to keep these children occupied and engaged in a safe environment, thus discouraging potential use of cannabis.

Remaining 20 percent ($21.5 million) to the Department of Health Care Services for competitive grants to develop and implement new youth programs in the areas of education, prevention and treatment of substance use disorders along with preventing harm from substance use.

Remaining 5 percent ($5.3 million) to California Natural Resources Agency to support youth community access grants. These grants will fund programs to support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities. This includes but is not limited to community education and recreational amenities to support youth substance use prevention and early intervention efforts. 88 MAY REVISION — 2019-20 RcAy7klI2w8 BQ3aA

Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent ($39.8 million):

Sixty percent ($23.9 million) to the Department of Fish and Wildlife, of which $13.8 million will support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation and $10.1 million to support enforcement activities aimed at preventing further environmental degradation of public lands.

Forty percent ($15.9 million) to the Department of Parks and Recreation, of which $7.1 million will be used to survey the impacts and identify unknown areas of cannabis cultivation to assist with prioritizing resources for effective enforcement, $5.6 million for remediation and restoration of illegal cultivation
activities on state park land, and $3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development.

Public safety-related activities—20 percent ($39.8 million):

- $2.6 million to the California Highway Patrol for training, research, and policy development related to impaired driving and for administrative support

- Remaining 30 percent ($11.2 million) to the California Highway Patrol’s impaired driving and traffic safety grant program for non-profits and local governments authorized in Proposition 64.

Remaining 70 percent ($26.0 million) to the Board of State and Community Corrections for a competitive grant program for local governments that have not banned cannabis cultivation or retail activities that will prioritize various public health and safety programs, including, but not limited to, local partnerships focused on prevention and intervention programs for youth and to support collaborative enforcement efforts aimed at combating illegal cannabis cultivation and sales.

The dollar amounts above are subject to change and will be affected by actual cannabis tax receipts for the final two quarters of 2018-19.

The May Revision also includes $15 million Cannabis Tax Fund to provide grants to local governments to assist in the creation and administration of equity programs, and to support equitable access to the regulated market for individuals through financial and technical assistance. The Governor’s Office of Business and Economic Development will administer the grant program on behalf of the Bureau of Cannabis Control.

The May Revision includes statutory language to address technical, clean-up issues related to the California Cannabis Appeals Panel statute, streamline provisional licenses, enhance the equity grant program established in Chapter 794, Statutes of 2018 (SB 1294), strengthen administrative penalties for unlicensed cannabis activity, and extend the existing CEQA exemption.

**PUBLIC SAFETY**

Department of Corrections and Rehabilitation:
The May Revision includes total funding of $12.8 billion for the operation of the Department in 2019-20. Adult inmate and parole populations are projected to decrease in the current and budget year. The May revision also includes:

- Reentry: $8.8 million in general fund dollars to establish two new 60-bed female facilities in Los Angeles and Riverside and expand and existing male facility.
- Integrated Substance Use Disorder Treatment Program: $71.3 million

Juvenile Justice:
The May Revision includes statutory changes to move the Department of Juvenile Justice from the CDCR to a new department under the California Health and Human Services Agency effective July 1, 2020. The new department will be called the Department of Youth and Community Restoration. $1.2 million is included in the budget for key staff to plan for the transition.

Victim Services:
The Administration is developing a plan to consolidate the Office of Emergency Services and Victim Compensation Board victims programs within a new state department under the Government Operations Agency.

Violence Intervention and Prevention Program:
The May revision proposes an additional augmentation of $18 million one-time general fund for a total of $27 million for this program in 2019-20 for grants to eligible cities and community-based organizations.

Nonprofit Security Grant Program:
The May revision includes $15 million in one-time general fund augmentation for this program to assist nonprofit organizations that have been historically been targets of hate-motivated violence, such as places of worship.

Local Public Safety:
- An additional $6.2 million general fund for the Standards and Training for Corrections Program
- $112.8 million for the Community Corrections Performance Incentive Grant
- $14.8 million for Post Release Community Supervision

**TRANSPORTATION/GOODS MOVEMENT**
The summary contains little discussion about transportation and transit. The May Revise does revisit the Governor’s January proposal to “encourage jurisdictions to contribute to their fair share of the state’s housing supply by linking housing production to certain transportation funds.” The Administration proposed to convene stakeholders, including local governments, to assess the concept.

The May Revise reaffirms the Governor’s commitment to the effort, stating, “Housing and transportation are inextricably linked. Given this nexus and to support local jurisdictions’ ability to contribute to their fair share of the state’s housing supply, the Governor’s Budget provided that local streets and roads funds from the Road Repair and Accountability Act of 2017 (Chapter 5, Statutes of 2017) (SB 1) be distributed upon compliance with housing element law and zoning and entitling to meet updated housing goals. This linkage remains part of the housing proposal at the May Revision.” There is no indication as to when the Governor plans to begin the stakeholder process. Earlier this year, the Administration released trailer bill language laying out his plan.

As far as additional investment is concerned, the May Revise updates the January Cap and Trade expenditure proposal to direct an additional $50 million to low-carbon transportation, specifically for clean trucks, buses and off-road freight equipment. This brings the proposed total for these purposes to $182 million.