



HURST+BROOKS+ESPINOSA

May 14, 2021

To: HBE Clients

From: Hurst Brooks Espinosa, LLC

**Re: Governor's 2021-22 May Revision**

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This morning, Governor Gavin Newsom released his 2021-22 May Revision to the budget, thanking Californians for their collective efforts in response to the COVID-19 pandemic and touting a massive and historic budget surplus of \$75.7 billion. Combined with more than \$25 billion in assistance from the federal American Rescue Plan Act (ARPA), the May Revision outlines a \$100 billion California Comeback Plan to accelerate the state's recovery from the pandemic and address long-standing economic and social challenges experienced by Californians.

The May Revision includes \$24.4 billion in reserves: \$15.9 billion in the Proposition 2 Budget Stabilization Account (the state's Rainy Day Fund) for fiscal emergencies; \$450 million in the Safety Net Reserve; \$4.6 billion in the Public School System Stabilization Account; and an estimated \$3.4 billion in the state's operating reserve.

The May Revision also includes \$3.4 billion in additional payments on the state's long-term retirement liabilities required by Proposition 2 in 2021-22 and \$7.9 billion in additional payments over the next three years.

The Administration has projected that the state will exceed the State Appropriations Limit or "Gann Limit" for the 2020-21 and 2021-22 fiscal years by \$16.2 billion. The May Revision allocates \$16.2 billion to comply with the limit, including tax refunds via the Golden State Stimulus and allocating half the funds to K-14 schools in 2022-23. (Recall that the State Appropriations Limit caps the amount of revenues from proceeds of taxes that can be appropriated by the state and requires revenues over that cap to be allocated between schools and taxpayer refunds.)

The Governor's [May Revision](#) and accompanying [press release](#) are available online.

The updated General Fund budget summary is included below.

**2021-22 May Revision**  
**General Fund Budget Summary**  
 (Dollars in Millions)

	2020-21	2021-22
<b>Prior Year Balance</b>	\$5,658	\$27,435
Revenues and Transfers	\$187,020	\$175,921
<b>Total Resources Available</b>	<b>\$192,678</b>	<b>\$203,356</b>
Non-Proposition 98 Expenditures	\$98,166	\$130,421
Proposition 98 Expenditures	\$67,077	\$66,374
<b>Total Expenditures</b>	<b>\$165,243</b>	<b>\$196,795</b>
<b>Fund Balance</b>	<b>\$27,435</b>	<b>\$6,561</b>
Reserve for Liquidation of Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	\$24,260	\$3,386
<b>Public School System Stabilization Account</b>	<b>\$1,984</b>	<b>\$4,601</b>
<b>Safety Net Reserve</b>	<b>\$450</b>	<b>\$450</b>
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$12,494</b>	<b>\$15,939</b>

Note: Numbers may not add due to rounding.

## Equitable and Broad Based Economic Recovery

While the Administration and Legislature took action early this year to approve a package of budget items to accelerate relief to individuals, families, and businesses, the Governor's May Revision expands and adds to those efforts to continue relief to low-income families, small businesses, and nonprofits.

### Golden State Stimulus II

The May Revision expands the Golden State Stimulus program to provide stimulus payments to three groups:

- **Low to Middle Income:** \$600 one-time stimulus payments to all taxpayers filing a 2020 tax year return with adjusted gross income of \$75,000 or less who did not already receive a Golden State Stimulus. This component is expected to cost about \$5.6 billion and assist about 9.4 million tax filers.
- **Families:** \$500 one-time stimulus payments to all taxpayers with adjusted gross income of \$75,000 or less with a dependent on the return. This component is expected to cost \$2.2 billion and assist 4.3 million tax filers and is in addition to the stimulus announced above, if families qualify.
- **Undocumented families:** \$500 one-time stimulus payments to all ITIN taxpayers with adjusted gross income of \$75,000 or less and a dependent. This component is expected to cost \$260 million and assist 520,000 tax filers.

## **Small Business and Cultural Institutions Grants**

The May Revision proposes an additional \$1.5 billion in federal ARPA funds for three additional rounds of grants to provide relief to small businesses under the existing program funded by a state investment of \$2.5 billion earlier this year. Applicants who are currently waitlisted for the program will be prioritized for the first two rounds of grants. Of the \$50 million set aside for nonprofit cultural institutions, only \$34 million was awarded to eligible recipients; the May Revision proposes opening additional rounds of grants to ensure the full \$50 million is awarded.

## **California Jobs Initiative**

### **State Small Business Credit Initiative**

The ARPA included reauthorization of the State Small Business Credit Initiative (SSBCI) to strengthen state programs that support financing of small businesses. California is estimated to receive \$895 million from the federal government and is in the process of engaging with stakeholders to develop a plan to submit to US Treasury by December 11, 2021.

### **I-Bank Small Business Loan Guarantee Program**

The May Revision reduces the amount available for the Small Business Loan Guarantee Program to \$20 million to support guarantees that are not eligible for SSBCI funds (described above).

### **Film and Tax Credit**

The May Revision includes a one-time expansion of the film credit of \$30 million for productions that relocate from other jurisdictions.

### **Revitalize California Tourism**

The May Revision includes \$95 million one-time federal ARPA funds in 2021-22 to implement strategic media recovery campaigns that are intended to jump start the recovery of the travel and tourism industry once it is safe to travel.

### **Economic Support for Ports**

The May Revision includes \$20 million one-time federal ARPA funds in 2021-22 for GO-Biz to allocate to California ports to address some of the revenue impacts suffered by ports as a result of the pandemic.

### **Climate Catalyst Fund**

The 2020 Budget Act included statutory changes to establish the Climate Catalyst Fund, a financing tool to provide revolving loans for climate-related projects. The May Revision maintains \$50 million one-time General Fund for agriculture-specific activities; \$31 million one-time General Fund (shifted from 2020-21) for wildfire and forest resilience projects; \$50 million one-time General Fund to provide low-interest loans to attract recycling and reuse businesses to California.

### **Workforce Development**

The May Revision includes \$750 million to provide financial support to regional and local stakeholder collaboratives to plan and implement region- and industry-specific economic

transition strategies, with a focus on supporting high road industries, quality job creation, and workforce strategies in those sectors or regions most affected by the state's transition to carbon neutrality. The May Revision also includes \$157 million one-time General Fund for a regional workforce investment package between the California Workforce Development Board and the California Community Colleges Chancellor's Office that strengthens linkages between workforce training and the Chancellor's Office using existing regional consortia to build upon existing training programs and develop new programs.

## **Infrastructure Investments**

The May Revision includes over \$9.7 billion of state investment in transportation systems to competitively position the state to pursue federal investment that aligns with the American Jobs Plan. For more information on transportation investments, please see the Transportation section of this memo on page 29.

## **Broadband**

The May Revision proposes a \$7 billion investment over three years to expand broadband infrastructure and access by utilizing a combination of federal ARPA funds and state funds to (1) build out a statewide "middle mile" network; (2) increasing affordability by creating a \$500 million Loan Loss Reserve Account to secure private financing for new municipal fiber networks to address "last-mile" networks; and (3) \$500 million of one-time federal ARPA funds to entities serving remote areas to expand broadband services in these higher-cost areas.

## **Pandemic Response and Federal Assistance**

The May Revision outlines the anticipated direct emergency response expenditures associated with the COVID-19 pandemic, estimating the considerable resources available from the federal government, as well as ongoing (and uncertain) need to seek reimbursement from the Federal Emergency Management Agency (FEMA) that has the potential to take years to adjudicate.

With regards to the ARPA and the Coronavirus State and Local Fiscal Recovery Funds, the May Revision includes \$4.9 billion to support state and local emergency response to COVID-19, with a particular focus on public hospitals, health systems, and residential care facilities, as well as investments in the emotional and behavioral health impacts on California's children; \$13.7 billion to address negative economic impacts associated with the pandemic, including utility and water arrearages, housing shortages and homelessness, small business supports; \$7.3 billion in water, sewer, and broadband infrastructure; \$1.1 billion to replenish the state's unemployment insurance trust fund.

Finally, the May Revision proposes a new unit in the Department of Finance to track the award and expenditure of federal stimulus funding, monitor and oversee the use of these funds, and establish a framework for data collection, reporting, and analysis of the ARPA funds. The unit will also identify opportunities to standardize and streamline accounting and reporting policies and processes to improve the tracking, oversight, and recovery of federal funding, including the state's ability to recover disaster relief funds from FEMA.

### Allocation of \$27 Billion Coronavirus State Fiscal Recovery Fund

(Dollars in Millions)

Coronavirus Fiscal Recovery Fund Allocations	Amount
<b>Address Public Health Impacts</b>	<b>\$4,879.8</b>
Children and Youth Behavioral Health Initiative	\$2,070.2
COVID-19 Direct Response Costs	\$1,529.6
Behavioral Health Continuum Infrastructure Program	\$530.0
Support for Public Hospitals and Health Systems	\$300.0
Community Residential Care Facility Expansion	\$450.0
<b>Address Negative Economic Impacts</b>	<b>\$13,681.3</b>
Address Increased Homelessness and Housing Shortages	\$4,976.0
Child Savings Accounts to Address Equity Gap and Increase Opportunities for Higher Education	\$2,039.5
Relief for Unpaid Utility Bills and Arrearages	\$2,000.0
Small Business Grants	\$1,500.0
Training and Education Support for Displaced Workers	\$1,000.0
Community Economic Resilience	\$750.0
Fine and Fee Debt Forgiveness Program	\$300.0
CalCompetes Grants for Jobs	\$250.0
Economic Support for Ports	\$250.0
Californians for All College Service Program	\$239.4
Youth Workforce Development	\$200.0
Revitalize California Tourism	\$95.0
Legal Aid for Renters	\$60.0
Federal Tracking, Accountability, and Cost Recovery	\$10.9
Support for K-12 Interscholastic Athletic Leagues	\$10.5
<b>Water, Sewer, and Broadband</b>	<b>\$7,333.4</b>
Broadband Infrastructure, Access, and Affordability	\$5,500.0
Water Resilience Package: Infrastructure Investments	\$1,595.0
Water Infrastructure - Deferred Maintenance	\$237.0
Argonaut Mine Dam Project Stormwater Upgrades	\$1.4
<b>Unemployment Insurance Trust Fund/Unallocated</b>	<b>\$1,122.5</b>
<b>Total</b>	<b>\$27,017.0</b>

## **Housing and Homelessness**

The May Revision proposes to invest a total of \$9.3 billion for housing and homelessness purposes, which is significantly higher than the January Budget proposal of \$750 million. As unveiled earlier in the week, the Governor proposes to increase support for COVID-129 related homeowner and renter relief programs, fund programs to increase housing production, and investments to end family homelessness.

### **Homeowner and Renter Relief**

The May Revision proposes statutory changes to SB 91 (Chapter 2, Statutes of 2021) – the COVID-19 Tenant Relief Act – to maximize the use of available federal funds for rental, utilities, and housing-related expenses. The May Revision also includes a proposal to utilize \$60 million in federal funds over the next three years for legal assistance grants.

### **Increase Housing Production**

The Governor proposes to use \$1.75 billion federal funds to support affordable housing projects, including:

- \$81 million to expand the California Housing Finance Agency's Accessory Dwelling Units program.
- \$45 million federal funds to scale up excess land development by providing funding for vital infrastructure for viable housing projects.

### **Promoting Homeownership**

The May Revision proposes \$100 million federal funds to expand CalHFA's first-time homebuyer program to increase homeownership. The proposal includes policy changes to expand the program to lower-income households to address the wealth gap.

### **Alternative Housing Production Approaches**

The May Revision proposes two key investments to help spur development of desperately needed housing units in communities across the state.

- \$500 million federal funds for regional planning and implementation grants to regional entities for infill development, with a focus on reducing vehicle miles traveled and combating climate change.
- \$300 million federal funds to sustain legacy projects with affordable housing requirements where covenants are set to expire.

### **Construction Apprenticeships**

To support the development of housing, the May Revision proposes \$20 million General Fund to connect jobseekers to housing apprenticeship opportunities in partnership with the University of California, California Conservation Corps, state and local workforce development boards, philanthropic organizations, and the building industry.

## **Homelessness**

The May Revision proposes \$4.7 billion in additional investments into homelessness programs on top of the \$2.1 billion in the January Budget for a total of \$6.8 billion for homelessness. The Governor zeros in on ending "family homelessness" in the proposal with the goal of functional zero within five years.

- \$2.75 billion over two years from Project Homekey to fund acquisition and rehabilitation of facilities. Of this amount, \$1 billion is targeted for families experiencing homelessness or are at-risk of homelessness.
- \$40 million General Fund over five years for the Homeless Coordinating Finance Council (HCFC) to fund grants and technical assistance to local jurisdictions to fund action plans that will address family homelessness.

## **Addressing Encampments**

The May Revision proposes \$53 million to help address homeless encampments along city and county streets and roads and state highways. Specifically, the Governor proposes \$50 million General Fund for the HCFC) to partner with local governments to permanently resolve encampments and move people into permanent housing. Another \$2.7 million General Fund is proposed for Caltrans to mitigate safety risks at encampments on state property and clean-up trash and debris.

See Human Services section starting on page 19 for related details on homelessness proposals.

**2021-22 Affordable Housing Funding**  
 (Dollars in Millions)

<i>Department</i>	<i>Program</i>	<i>Total Funding</i>
Department of Housing and Community Development	American Rescue Plan Act (ARPA) - Recovery and Infrastructure Investments	\$845.0
	Veterans and Affordable Housing Bond Act Programs (Prop 1)	\$556.0
	No Place Like Home Program	\$400.0
	Building Homes and Jobs Fund Programs (SB 2)	\$277.0
	Infill Infrastructure Grant Program Economic Recovery Investment	\$250.0 <sup>1/</sup>
	Federal Funded Programs for Housing	\$72.1 <sup>2/</sup>
	Veterans Housing and Homelessness Prevention	\$75.0
	Office of Migrant Services	\$35.6
	Various	\$22.0
California Housing Finance Agency <sup>3</sup>	Single Family First Mortgage Lending	\$3,000.0
	Multifamily Conduit Lending	\$1,200.0
	Multifamily Permanent Lending	\$410.0
	Single Family Down Payment Assistance	\$260.0
	Mixed-Income Loan Program	\$85.0
	Accessory Dwelling Unit Financing	\$81.0 <sup>4/</sup>
	Special Needs Housing Program	\$15.0 <sup>5/</sup>
Tax Credit Allocation Committee	Low Income Housing Tax Credits (State)	\$625.0 <sup>6/</sup>
	Low Income Housing Tax Credits (Federal)	\$412.7 <sup>7/</sup>
	Farmworker Housing Assistance Tax Credits	\$4.2
Strategic Growth Council	Affordable Housing and Sustainable Communities	\$426.0 <sup>8/</sup>
Department of Veterans Affairs	CalVet Farm and Home Loan Program (Prop 1)	\$150.0
Judicial Council	Legal Assistance for Renters and Homeowners	\$20.0
Office of Emergency Services	Domestic Violence Housing First Program	\$23.0
	Transitional Housing Program	\$17.0
	Specialized Emergency Housing	\$10.0
California Department of Corrections and Rehabilitation	Domestic Violence Assistance, Equality in Prevention and Services, Human Trafficking Victim Assistance, North American Domestic Violence and Sexual Assault	- <sup>9/</sup>
	Specialized Treatment of Optimized Programming, Parolee Service Center, Day Reporting Center, Female Offender Treatment and Employment Program, Proposition 47 Grant Program	- <sup>9/</sup>
Department of Public Health	Housing Opportunities for Persons with AIDS (HOPWA)	\$5.0
	Housing Plus Program	\$1.0
	HIV Care Program	- <sup>9/</sup>
<b>Total</b>		<b>\$9,277.6</b>

1/ This is in addition to \$124 million in Proposition 1 for IIG.

2/ This amount reflects programs that receive federal funds, such as the Community Development Block Grant program.

3/ CalHFA is self-supporting and its single family and conduit lending programs do not rely on the state General Fund. Funding estimates are based on lending activities from 2019-20, available program resources, volume cap allocation, and multifamily lending pipeline projections.

4/ This is in addition to \$19 million provided for ADU financing from the 2019 Budget Act.

5/ Funding estimate represents voluntary allocations of local Proposition 63 funds from 16 participating counties.

6/ Includes the \$500 million state tax credit which will be appropriated on an annual basis.

7/ This represents the estimated 9 percent tax credits to be allocated, estimated amount of 4 percent credits to be awarded based on current data and remaining bond cap, and new 9 percent federal disaster credits in 2021.

8/ The Affordable Housing and Sustainable Communities program amount reflects 20 percent of projected Cap and Trade revenues.

9/ The state provides a number of wrap-around supportive services through these programs including housing, which cannot be separated from the program's overall budget.

## Emergency Response

The May Revision proposes \$98.4 million and 224 positions to address the more frequent, complicated, and often simultaneous emergencies and disasters involving numerous counties

and regions across the state. These investments at the California Office of Emergency Services (CalOES) include:

- \$16.5 million General Fund to reduce reliance on redirected and temporary staff for emergency response and recovery by establishing a permanent and dedicated Incident Support Team, a deployable Incident Management Assistance Team, and support for state and regional operations centers throughout the state.
- \$37.8 million ongoing to provide permanent funding for 104 positions that were provided in 2018 with limited-term funding and another 110 new positions to better support the state's recovery efforts and recoupment of eligible federal disaster cost reimbursements for the state and local government, and to maximize the hazard mitigation program to more effectively mitigate the impact of future disasters on the state and local jurisdictions.
- \$29.9 million ongoing General Fund to establish a new Office of Equity at CalOES to build connections between California's diverse communities and the emergency response network.
- \$10.2 million General Fund and 14 positions to modernize CalOES' technology and data capabilities.
- \$4 million General Fund and 14 positions establish a new unit within CalOES to coordinate and lead the state's disaster cost tracking and reporting efforts in coordination with all state agencies.

The May Revision also includes an additional \$133.9 million General Fund for the following investments to enhance state and local emergency preparedness and response:

- \$100 million one-time General Fund to increase the amount of funding available through the California Disaster Assistance Act (CDAA), which is used to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclaimed by the Governor. This augmentation increases total CDAA funding available in 2021-22 to \$162.6 million.
- \$26.5 million one-time General Fund to acquire land to establish a new emergency operation center in the Cal OES southern operational region.
- \$7.4 million and 22 positions for Cal OES, California Military Department, Department of Forestry and Fire Protection (CAL FIRE), and Public Utilities Commission to implement [SB 209](#) (2019), which requires Cal OES and CAL FIRE to establish a Wildfire Forecast and Threat Intelligence Integration Center to: (1) provide "real time" intelligence and data regarding wildfire threats to government agencies; (2) develop intelligence products for public and private entities involved in wildfire risk mitigation efforts; and (3) serve as a central organizing hub for wildfire forecasting, weather information, threat intelligence gathering, and analysis.

Additional resources are provided in the May Revision to improve emergency preparedness in disadvantaged communities, as follows:

- \$250 million one-time General Fund to develop and implement a new initiative, "Prepare California," modeled after a successful FEMA program, designed to build disaster-resistant

communities through state, local, federal, and private sector and nongovernmental organization partnerships. This proposal would be implemented in a manner that promotes the principles of equity in building statewide resiliency and education to all hazards, including earthquakes, through community hardening programs. This program maximizes the effectiveness of governmental, non-profit, and local community partnerships and seeks to eliminate current barriers for local and tribal governments, including paying up to 100 percent of the local government's cost share for participating in the federal hazard mitigation program

- \$150 million one-time General Fund for the Department of Food and Agriculture to support the development and enhancement of community resilience centers. Funding would be available to improve both local fairground and other community facilities to enhance the state's emergency preparedness capabilities, particularly in response to climate change. Funding could be used to support infrastructure for emergency evacuation, shelter, base camps during emergency events, and critical deferred maintenance. Elements for this infrastructure may include cooling and heating centers, clean air centers, and extended emergency evacuation response centers with community kitchens, shower facilities, broadband, back-up power and other community needs due to wildfires, floods, and other emergencies or climate events.

In addition to the Governor's proposed Wildfire and Forest Resilience package outlined in the January budget, the May Revision proposes \$38.9 million in one-time General Fund resources to augment CAL FIRE's resources for the 2021 fire season to support the staffing of three additional California National Guard crews from July through December 2021 and continued staffing of eight additional CAL FIRE crews that began in April 2021.

The May Revision also includes \$2.8 million ongoing to the California Military Department to provide an ongoing response effort in addressing the increased magnitude, frequency, and complexity of natural disasters.

## **General Government**

### **Cannabis**

Recall that the Governor's Budget proposes the consolidation of the functions and positions of the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health into a new stand-alone Department of Cannabis Control within the Business, Consumer Services, and Housing Agency beginning July 1, 2021. The May Revision builds on this effort by:

- Creating a Deputy Director of Equity and Inclusion to further the Department's mission to implement progressive cannabis policies and license and regulate commercial cannabis activity in a way that best protects public health, safety, the environment, and local communities throughout the state.
- Proposing additions to the statutory changes put forward earlier this year; specifically, language to extend the Department's ability to issue new provisional cannabis licenses by six months, to July 1, 2022, make explicit environmental compliance requirements before annual licensure, and require the Department to promulgate regulations identifying steps that must

be taken for provisional licensees to show progress toward achieving annual licensure. As of early April 2021, approximately 82 percent of the state's cannabis licensees held provisional licenses. Absent this extension, it is possible that a significant number of these licensees could fall out of the legal cannabis system, significantly curtailing the state's efforts to facilitate the transition to a legal and well-regulated market.

To help local governments and aid licensees in successfully and swiftly moving from provisional licensure into annual licenses, and to do so in a way that supports the environmental compliance requirements, the May Revision includes \$100 million one-time General Fund to establish a local jurisdiction assistance grant program for cannabis. The grant program is intended to:

- Aid local governments in processing substantial workloads associated with transitioning businesses to a regulated market.
- Incentivize local governments to modify their permitting methods to better align with the state's effort to remove barriers to licensure.
- Support provisional license holders by allowing local governments to pass through funding to applicants for purposes of assessing and mitigating environmental impacts.
- Provide more financial assistance to licensed cultivators and localities that license them, as both often experience enhanced environmental compliance and resource challenges when transitioning operations to annual licensure.
- Provide enhanced support to eligible jurisdictions that are implementing social equity programs.

This grant program is intended to maintain stability across the supply chain and distribute these one-time resources to a significant number of jurisdictions implementing local equity programs, transitioning larger populations of legacy operators to the regulated market, and/or that are located in areas rich in natural resources and require additional capital to meet environmental compliance standards.

The May Revision also includes \$9 million one-time General Fund for the new Sustainable California Grown Cannabis pilot program. The program will collect data to establish best practices in: (1) reducing the environmental impact of cannabis water and energy use; (2) pest management and fertilizer practices; and (3) enhancing soil health.

Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. 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 these priorities have been met, the remaining funds are allocated to youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities. The May Revision estimates \$629.1 million will be available for these purposes in 2021-22, and the structure of these allocations is unchanged from 2020-21:

- Education, prevention, and treatment of youth substance use disorders and school retention—60 percent (\$377.5 million)
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent (\$125.8 million)
- Public safety-related activities—20 percent (\$125.8 million)

### **Assessment Appeals Deadline Extension**

After discussion with the Department of Finance, we understand the Administration will propose trailer bill language to extend the deadline for completing assessment appeals from March 31, 2021 to December 31, 2021.

### **Excess ERAF/Insufficient ERAF**

For those entities who experience Excess ERAF, please note that the Governor's May Revision includes the following note relating to school funding: "These funding levels include property tax decreases of \$283 million in 2019-20, \$298 million in 2020-21, and \$315.9 million in 2020-21, related to recent State Controller's Office guidance on counties' calculation of local excess Educational Revenue Augmentation Fund." This comes as somewhat of a surprise, as the Department of Finance reportedly did not agree with recent guidance from the State Controller's Office and the resulting financial impacts are not insignificant. Additionally, the 2021-22 budget includes funding to cover insufficient ERAF amounts in Alpine and San Mateo counties.

### **Wildfire Property Tax Losses**

The May Revision includes \$10,956,000 to backfill counties for fiscal year 2020-21 and 2021-22 property tax revenue losses resulting from the 2020 wildfires.

## **Medi-Cal**

The May Revision includes the following proposals related to Medi-Cal:

### **Medi-Cal Coverage to Undocumented Older Adults (60+)**

The May Revision includes \$69 million (\$50 million General Fund) in 2021-22 and \$1 billion (\$859 million General Fund) ongoing to expand Medi-Cal, including In-Home Supportive Services, to undocumented adults aged 60 and older effective no sooner than May 1, 2022.

### **Five-Year Medi-Cal Eligibility Extension for Postpartum Individuals**

ARPA allows states to receive a federal funding if they extend Medi-Cal eligibility from 60 days to 12 months for most postpartum individuals, effective April 1, 2022 for up to five years. The May Revision includes \$90.5 million (\$45.3 million General Fund) in 2021-22 and \$362.2 million (\$181.1 million General Fund) annually between 2022-23 and 2027-28 to implement the extension.

### **Doula Benefit**

The May Revision includes \$403,000 (\$152,000 General Fund) in 2021-22 and approximately \$4.4 million (\$1.7 million General Fund) annually at full implementation to add doula services as a covered benefit in the Medi-Cal program, effective January 1, 2022.

### **Community Health Workers**

The May Revision includes \$16.3 million (\$6.2 million General Fund), increasing to \$201 million (\$76 million General Fund) by 2026-27, to add community health workers to the class of health workers who are able to provide benefits and services to Medi-Cal beneficiaries, effective January 1, 2022.

### **Medically Tailored Meals**

The May Revision includes one-time funding of \$9.3 million General Fund to continue the provision of medically tailored meals in the period between the conclusion of the existing pilot program in 2021 and when medically tailored meals become available as an option for In-Lieu of Service (ILOS) under CalAIM. The one-time budget allocation expands the eligible population to include Medi-Cal participants with diabetes, chronic obstructive pulmonary disease, renal disease, chronic kidney disease, cancer, and malnutrition. The one-time budget allocation also adds Fresno, Kings, Madera, Santa Cruz, and Tulare counties to the Pilot program service area.

### **Telehealth Audio Only Visits**

As part of the Administration's proposal to extend telehealth flexibilities utilized during the pandemic, DHCS will establish rates for audio-only telehealth that is set as 65 percent of the Medi-Cal rate for the service rendered in fee-for-service, and comparable alternative to prospective payment system (PPS) rates for clinics to maintain an incentive for in-person care. Only providers located in California or border communities and able to provide in-person services to each client served by audio-only telehealth can claim Medi-Cal reimbursement for the service. DHCS will consult with subject matter experts to establish utilization management protocols for all telehealth services prior to implementation of post-pandemic telehealth services.

### **Support for Public Hospitals and Health Systems**

The May Revision includes \$300 million one-time Coronavirus Fiscal Recovery Fund to help public health care systems cover costs associated with critical care delivery needs provided during and beyond the pandemic.

### **Current Year Medi-Cal Estimate**

The May Revision assumes decreased expenditures in the Medi-Cal program of approximately \$1 billion General Fund compared with the Governor's Budget. The majority of the current year decrease results from lower-than-expected COVID-19-related caseload costs, and a one-time draw-down of retroactive federal funds associated with state-only populations.

## **Year-Over-Year Medi-Cal Estimate**

The May Revision projects General Fund expenditures of \$27.6 billion in 2021-22, an increase of \$6.1 billion compared with 2020-21. Approximately one-third of the increase is attributable to caseload costs resulting from the federal continuous coverage requirement during the public health emergency and other COVID-19-related impacts, one-third of the increase is attributable to base program cost increases and an increase in estimated repayment of federal funds for state-only populations, and one-third is attributable to various new investments as well as various smaller adjustments, including an increase in projected federal fund claiming deferrals.

## **Proposition 56 Suspensions**

The May Revision proposes to eliminate suspensions for Proposition 56 supplemental payment increases resulting in a cost of approximately \$550 million ongoing.

## **Medication Therapy Management**

The May Revision includes \$12.6 million (\$4.4 million General Fund) to reimburse specialty pharmacies for services provided to beneficiaries with complex drug therapies in the fee-for-service delivery system, effective July 1, 2021.

## **County Administration Funding for Post-Public Health Emergency Redeterminations**

The May Revision includes one-time funding of \$73 million (\$36.5 million General Fund) in each of 2021-22 and 2022-23 to resume annual Medi-Cal redeterminations upon conclusion of the federal public health emergency and continuous coverage requirement.

## **Restoration of Dental Fee-For-Service (FFS) in Sacramento and Los Angeles Counties**

The May Revision includes transitioning to an entirely fee-for-service for dental services. The restoration of FFS in Sacramento and Los Angeles counties would occur January 1, 2022. The budget includes net savings of \$20 million total funds (\$8 million General Fund).

## **CalAIM**

CalAIM specific proposals include:

- **Population Health Management Service** – The May Revision includes one-time \$315 million (\$31.5 million General Fund) to provide population health management services that would centralize administrative and clinical data from DHCS, managed care plans, counties, providers, beneficiaries, and other partners. Access to this information would allow all parties to better identify and stratify member risks and inform quality and value delivery across the continuum of care while implementing CalAIM.
- **Medi-Cal Providing Access and Transforming Health Payments (PATH)** – The May Revision includes one-time \$200 million (\$100 million General Fund) to build capacity for effective pre-release care for justice-involved populations to enable coordination between Medi-Cal plans and providers with justice agencies and Medi-Cal coverage of services 30 days prior to release.

## **Behavioral Health**

### **Behavioral Health Continuum Infrastructure Program**

Funding is allocated to provide competitive grants to qualified entities to construct, acquire, and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources. The Budget includes \$2.455 billion total funds over three years for the Behavioral Health Continuum Infrastructure Program, up from the \$750 million proposed in January. Of this amount, a minimum of \$255 million total funds is available for increased infrastructure targeted to individuals age 25 and younger and a minimum \$250 million General Fund is available for individuals with a serious mental illness who are deemed Incompetent to Stand Trial (IST).

### **Incompetent to Stand Trial Facility Infrastructure**

As a part of the Behavioral Health Continuum Infrastructure proposal, the May Revision includes \$250 million one-time General Fund to provide competitive grants for increased infrastructure targeted to justice-involved individuals with a serious mental illness who are deemed IST. Related to an intent to reallocate Relinquished County Jail Bond Authority to purchase or modify community mental health facilities, this proposal is intended to provide community based alternatives to incarceration or unnecessary state hospitalization.

### **Foster Youth**

The May Revision includes \$5 million total funds (\$2 million General Fund) in FY 2020-21 and \$18 million total funds (\$9 million General Fund) in FY 2021-22 to provide specialty mental health services to foster youth returning from out of state and other youth with similar level of needs that otherwise would have been placed out of state.

### **Mental Health Services Act Partnership Grant Program**

The May Revision includes \$30 million one-time Mental Health Services Fund for the Mental Health Student Services Act partnership grants. Stakeholders have requested \$85 million from the Legislature to increase MHSSA grants.

### **Children and Youth Behavioral Health Initiative**

The Administration is proposing to invest in a Children and Youth Behavioral Health initiative: \$4 billion over five years, including \$2.3 billion one-time and \$300 million General Fund and certain federal matching funds ongoing starting in 2022-23.

The goal is to transform California's behavioral health system for children and youth through age 25 into a world-class, innovative, and prevention-focused system where all children and youth are routinely screened, supported, and served for emerging and existing behavioral health needs. To realize this goal, the May Revision includes \$1 billion from the federal American Rescue Plan Act's Coronavirus State Fiscal Recovery Fund (ARPA) in 2021-22, \$1.7 billion (\$1.3 billion ARPA, \$300 million General Fund, and \$100 million Federal Trust Fund) in 2022-23, and \$431 million (\$300 million General Fund) ongoing for the Children and Youth Behavioral Health Initiative.

Services developed under the Initiative will be provided to children and youth age 25 and younger, available statewide (in both commercial plans and Medi-Cal), evidence based, culturally competent, and equity focused. Services will address a broad and complex range of issues affecting mental and emotional well-being, including alcohol and other substance use, stress, trauma, grief, anxiety, and psychological disorders.

**Children and Youth Behavioral Health Initiative State Funding Summary**  
 (rounded in millions)

Major Items	Funding (over 5 years)	State Lead
Behavioral Health Service Virtual Platform	680	DHCS
Capacity/Infrastructure-Health Plans, County Mental Health Plans, CBOs, and Schools	550	DHCS
Develop & Scale-up BH Evidence Based Programs	430	DHCS
Building Continuum of Care Infrastructure	245	DHCS
Enhance Medi-Cal Benefits	800	DHCS
School BH Counselor and BH Coach Workforce	430	OSHPD
Broad BH Workforce Capacity	430	OSHPD
Pediatric, Primary Care and Other Healthcare Providers	165	DHCS
Public Education and Change Campaign	125	CDPH & OSG
Coordination, Subject Matter Expertise and Evaluation	50	CHHS
<b>TOTAL</b>	<b>\$4,000</b>	

Other components of the Children and Youth Behavioral Health Initiative include:

- **Behavioral Health Service Virtual Platform** – The Department of Health Care Services (DHCS) will procure a business services vendor to implement a Behavioral Health Service Virtual Platform that would provide all children and youth (0-25 years old) with access to virtual behavioral health services and interactive tools and supports. The budget includes funding for the virtual platform in the amounts of: \$83 million Coronavirus Fiscal Recovery Fund (CFRF) for 2021-22, \$107 million CFRF for 2022-23, \$156 million (\$125 million General Fund and \$31 million federal funds) in 2023-24, \$180 million (\$144 million General Fund and \$36 million federal funds) in 2024-25, \$224 million (\$179 million General Fund and \$45 million federal funds), and growing in the out years. In remarks to Senate Budget and Fiscal Review Subcommittee No. 3 yesterday, DHCS said that the first year of the children and youth behavioral health initiative will be focused on research, planning, and convening subject matter experts and stakeholders to build the virtual platform.
- **Capacity and Infrastructure Grants for Behavioral Health Services in Schools** – The May Revision proposes to expand access to BH school counselors, peer supports, and BH coaches; building a statewide community-based organization network; and connecting commercial insurance plans and Medi-Cal managed care plans, counties, community-based organizations, and schools via data sharing systems. The budget includes \$100 million CFRF for 2021-22 and \$450 million CFRF for 2022-23.
- **Grants to Support Development and Expand Age-Appropriate and Evidence-Based Behavioral Health Programs for Children and Youth** – The May Revision proposes the development, scale-up, and spread of evidence-based interventions proven to improve

outcomes for children and youth. Under this proposal grants would be issued to Medi-Cal behavioral health systems, tribal entities, health care service plans, Medi-Cal managed care plans, community-based organizations, and behavioral health providers to support implementation of evidence-based behavioral health treatment services for children and youth. The budget includes \$10 million CFRF for 2021-22 and \$429 million CFRF for 2022-23.

- **Provider Training** – \$50 million one-time CFRF for pediatric, primary care, and other health care provider training in 2022-23.
- **Dyadic Services Benefit in Medi-Cal** – This is a new statewide benefit that provides integrated physical and behavioral health screening and services to the whole family. This model of care has been proven to improve access to preventive care for children, rates of immunization completion, coordination of care, child social-emotional health and safety, developmentally appropriate parenting, and maternal mental health. The budget includes \$200 million total funds (\$100 million General Fund) ongoing.

Additional goals include (1) expanding the overall behavioral health workforce to meet the needs of children and youth and (2) creating a public education campaign to reduce the stigma on behavioral health needs and encourage children and youth, and their families, to seek needed care before a crisis, and to build a common understanding of ACEs and toxic stress. For a detailed memo of the proposal, click [here](#). DHCS has proposed trailer bill language as part of the May Revision related to the Children and Youth Behavioral Health Initiative and the Behavioral Health Continuum Infrastructure program.

## Health

### Public Health

Despite the state's continued response to the pandemic, the May Revision does not include funding public health workforce or infrastructure. Instead, the Administration proposes to spend \$3 million for an assessment of the state's public health emergency response to the pandemic. The Administration states that it "is committed to turning lessons learned and gaps identified into actionable policies to be presented as part of the 2022 Governor's Budget."

The May Revision also include \$1.08 billion for COVID-19 response costs. These funds will support testing and laboratory operations, vaccination, medical surge capacity, contact tracing management, and other state operations needs.

### Covered California

The May Revision contains the following adjustments to the Covered California budget and individual mandate penalty revenue:

- **State Subsidy Program Savings** – The May Revision reflects General Fund savings totaling \$732.7 million over 2020-21 and 2021-22 combined that result from new federal subsidy levels replacing the state subsidy program.
- **Individual Mandate Penalty Revenue** – The Franchise Tax Board is currently processing returns for the 2020 tax year, the first year in which the individual mandate penalty is in

effect. Based on initial sample data, the May Revision reflects reduced revenue from the individual mandate penalty of about \$345 million over 2020-21 and 2021-22 combined.

- **Health Care Affordability Reserve Fund** – While ARPA provides substantial near-term relief to Californians purchasing health care through Covered California, the future of the enhanced federal assistance is uncertain. To partially backfill the loss of the more generous federal subsidies if they are not extended, or if other state health care affordability investments are explored in the future, the May Revision sets aside \$333.4 million in a new Health Care Affordability Reserve Fund. The total equals estimated individual mandate penalty revenue in 2020-21 and 2021-22, less the 2021-22 cost of the zero-dollar premium plan proposal described above.

### **Office of Statewide Health Planning and Development**

The May Revision includes \$50 million one-time General Fund to support grants to new residency programs. Dr. Ghaly clarified on a call this afternoon with stakeholders that this funding would be added to Song Brown. The May Revision also includes \$5 million one-time augmentation for OSPHD's geriatric workforce programs.

### **Health Information Exchange**

The May Revision includes \$2.5 million one-time General Fund for Health and Human Services Agency to lead efforts and stakeholder engagement in building out information exchange for health and social services programs.

### **Emergency Medical Services (EMS)**

- **Statewide Emergency Medical Services Data Solution** – The May Revision includes one-time \$10 million General Fund for the Emergency Medical Services Authority (EMSA) for planning and readiness activities to establish a statewide emergency services data infrastructure that strengthens real-time information sharing and data analytics for the state and locals, emergency medical services providers, and health care providers.
- **Emergency Capacity** – The May Revision includes \$10.8 million at EMSA to store and maintain critical emergency equipment and medical supplies acquired during the pandemic; and staff resources to improve the on-boarding, deployment, and training for emergency medical responders.

## **Human Services**

### **Human Services-Related Housing Investments**

The May Revision includes the following investments in human-services related housing programs and issues:

- **Home Safe** – \$100 million General Fund in both 2021-22 and 2022-23 for the Home Safe program for access to health, safety, and housing supports for individuals involved in or at risk of involvement in Adult Protective Services.
- **Housing and Disability Advocacy Program** – \$175 million General fund annually through 2023-24 to assist disabled individuals who are experiencing homelessness. Additionally, the

May Revision waives the Interim Assistance Reimbursement requirement through the end of 2023-24 for this program.

- **Community Care Expansion Program** – \$500 million in both 2021-22 and 2022-23 for the construction, acquisition and/or rehabilitation of adults and seniors in care facilities who are homeless or at risk of becoming homeless, and will further stabilize these facilities with physical upgrades and capital improvements.
- **CalWORKs Housing Support Program Investment** – \$475 million General Fund in both 2021-22 and in 2022-23 to expand the existing CalWORKs Housing Support program.
- **Bringing Families Home Program** – \$280 million General Fund in both 2021-22 and 2022-23 to expand the existing Bringing Families Home program. This program provides housing-related supports to eligible families experiencing homelessness in the child welfare system.

## CalWORKs

- **CalWORKs Grant Increase** – The May Revision reflects a 5.3-percent increase to CalWORKs Maximum Aid Payment levels, which is estimated to cost \$142.9 million in 2021-22. These increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccounts of the Local Revenue Fund.
- **CalWORKs Overpayments** – The May Revision includes the following changes to CalWORKs overpayment collections: 1) Beginning April 2020 through the end of the pandemic or June 30, 2022, whichever is sooner, authorizes a county to reduce the collection of all non-fraudulent related CalWORKs overpayments that are considered administrative errors from 10 percent to 5 percent of a family's aid payments. 2) Reduces the CalWORKs Overpayment collection timeframe from 5 years to 2 year.
- **Family Reunification CalWORKs Assistance Payment** – The May Revision includes \$8.7 million General Fund in 2021-22 and ongoing for counties to continue providing CalWORKs services for no more than 180 days when a child has been removed from the home and is receiving out-of-home care.
- **Universal Basic Income Pilot** – The May Revision includes \$35 million General Fund over five years for Universal Basic Income pilot programs. These pilot programs would be city or county administered, require a local-match commitment, and shall target low-income Californians.

## Child Welfare Services

- **Family First Prevention Services Act Part I** – The May Revision includes \$122.4 General Fund one-time in 2021-22 to be expended over three years to assist counties with new prevention services implementation efforts allowable under the new federal Family First Prevention Services Act. These one-time resources will assist counties to build locally driven services and supports for children, youth and families at risk of entering foster care.
- **Foster Care Emergency Assistance** – The May Revision includes \$24.5 million General Fund and federal TANF block grant funds in 2021-22 to provide caregivers with up to four months of emergency assistance payments pending resource family approval and up to twelve months for cases that meet good cause criteria.
- **Child Welfare Services-California Automated Response and Engagement System** – The May Revision includes \$39.4 million General Fund in 2021-22 to continue development of a new technology platform for Child Welfare Services.

- **Child and Adolescent Needs and Strengths Assessment Tool Workload** – The May Revision includes \$3.4 million General Fund ongoing for increased county social worker workload associated the Child and Adolescent Needs and Strengths assessment tool.
- **Continuum of Care Reform Reconciliation** – The May Revision includes \$7.1 million General Fund to reflect Continuum of Care Reform true-up related to county Child and Family Teams actual expenditures for fiscal year 2018-19.

### **In-Home Supportive Services**

- **IHSS State and County Sharing Ratio** – The May Revision assumes the continuation of the 65 percent state and 35 percent county sharing ratio and the continuation of the 10 percent over three years option. Under current law, effective January 1, 2022, when the state minimum wage reaches \$15 per hour, county-negotiated increases to IHSS wages and benefits would have flipped to a ratio of 65 percent county and 35 percent state. The May Revision assumes increased state costs of \$57.3 million General Fund in 2021-22 and \$123.8 million ongoing General Fund to reflect this change.
- **Long Term Care Career Pathways** – The May Revision includes \$200 million one-time General Fund to incentivize, support, and fund career pathways for IHSS providers, allowing these workers to build on their experience to obtain a higher-level job in the home care and/or health care industry.
- **IHSS 7 Percent Suspension** – The May Revision proposes to eliminate the IHSS 7 percent reduction in service hours resulting in a cost of approximately \$248 million General Fund in 2022-23 and \$496 million ongoing General Fund.

### **Supplemental Security Income/State Supplementary Payments (SSI/SSP)**

The May Revision includes \$131.5 million General Fund in 2021-22 and ongoing to restore SSP, Cash Assistance Program for Immigrants, and California Veterans Cash Benefit recipients' COLA for individuals back to 2011 payment levels.

## **Aging**

The May Revision proposes the following with respect to older adult programs and services.

### **Older Adult Recovery and Resiliency**

\$106 million General Fund available over three years, to strengthen older adults' recovery and resilience from isolation and health impacts caused by the pandemic. This investment will increase service levels of existing programs based on local need including: Senior Nutrition, Senior Legal Aid, Home Modifications and Fall Prevention, Behavioral Health Friendship Line, Senior Digital Assistance, Family Caregiver Support, Senior Employment Opportunities, Elder Abuse Prevention, and Aging & Disability Resource Connection.

### **CalFresh Expansion Older Adult Outreach**

\$2 million (\$1.1 million General Fund) ongoing for the Department of Aging to continue CalFresh Expansion outreach efforts to older adults.

## **Master Plan for Aging Implementation**

An April 1 proposal included \$3.3 million General Fund ongoing to provide the Department of Aging policy, project management, and information technology leadership necessary to implement the Master Plan for Aging.

## **Department of Aging Suspensions**

The May Revision proposes eliminating suspensions for Aging and Disability Resource Connections and Senior Nutrition resulting in a cost of \$13.8 million General Fund in 2022-23 and \$27.5 million ongoing.

## **Office of Medicare Innovation and Integration**

An April 1 proposal included \$602,000 (\$452,000 General Fund) ongoing to provide the Department of Health Care Services focused leadership and expertise to lead innovative models for Medicare beneficiaries in California, including both Medicare-only beneficiaries and individuals dually eligible for Medicare and Medi-Cal.

## **Office of Long-Term Care Patient Representative**

An April 1 proposal included \$4 million Public Health Licensing & Certification funding ongoing for the Department of Aging to provide public patient representatives to nursing facility residents who lack capacity to make their own health care decisions and who do not have a family member or friend who can act as a patient representative.

## **Alzheimer's Augmentation**

Building on investments proposed in the Governor's Budget, the May Revision includes \$12.5 million General Fund one-time to address Alzheimer's in California. These investments include \$5 million for public awareness, \$2.5 million for standards of care, and \$5 million for geriatric workforce development.

## **Immigration Services**

### **Rapid Response Efforts**

The May Revision includes \$105.2 million one-time General Fund for the Rapid Response Fund to provide support for migrant family arrivals at the Southern California border and additional funding for other emergency responses, including wildfires and drought.

### **Unaccompanied Undocumented Minors (UUM)**

The May Revision includes \$20 million General Fund and \$5 million Proposition 98 General Fund in 2021-22 to provide additional support for UUMs through Opportunities for Youth pilot project (\$4.7 million General Fund), the UUM legal services (\$14 million General Fund), state operations (\$1.3 million General Fund) and the California Newcomer Education and Well-Being Project (\$5 million Proposition 98 General Fund) will be available through 2022-23.

## **DACA and Naturalization Filing Fees**

The May Revision includes \$25 million one-time General Fund in 2021-22 to fund filing fees for DACA and naturalization.

## **Child Care**

The Governor proposes to add 100,000 child care slots. Additional May proposals include:

### **Infrastructure Facilities**

\$250 million one-time federal American Rescue Plan Act of 2021 (ARPA) funds to provide infrastructure grants for the acquisition, construction, development, and renovation of child care facilities focusing on desert areas to be spent through September 30, 2024.

### **Child Care Resource and Referral Programs**

\$10 million ARPA funds to support continued Resource and Referral partnerships to strengthen their role serving as intermediaries to develop new child care facilities and capacity, and to streamline and improve data collection processes.

### **Quality Improvement**

\$20 million for a multi-year effort to strengthen existing quality improvement supports and systems. CDSS will engage with stakeholders to inform policy-setting and program design with a focus on addressing inequities. Quality projects funded by the federal Child Care and Development Fund (CCDF) will transfer to CDSS as part of the child care and development transition without any immediate changes.

The May Revision includes a second pandemic relief package of \$579 million in one-time Coronavirus Response and Relief Supplemental Appropriations funds for the child care system. The pandemic relief package includes:

- A tiered licensed provider one-time stipend based on licensing capacity of between \$3,500 to \$6,500.
- A third round of per-child stipends for subsidized child care and preschool providers.
- Family fee waivers for eligible families beginning July 1, 2021 through June 30, 2022.
- \$25 million one-time CRRSA funds available through September 30, 2023, for the expansion of the California Child Care Initiative Project to target areas such as child care deserts and building capacity of new licensed family child care homes.
- \$10.6 million one-time CRRSA funds available through September 30, 2023 for early childhood mental health consultation. This investment will expand the California Inclusion and Behavior Consultation project which offers support to child care programs and providers on such topics as children's social emotional development, trauma-informed practices and health and safety for the wellbeing of children and families impacted by the pandemic and beyond.
- 16 non-operational days for providers accepting vouchers that have to close due to COVID-related reasons beginning July 1, 2021, through June 30, 2022.

- Continued hold harmless funding for child care providers that contract directly with the state and provider reimbursement at a child's maximum certified level of need for all providers accepting vouchers through June 30, 2022.

### **Transition of Child Care and Nutrition Programs to DSS**

Effective July 1, 2021 child care and nutrition programs will shift from the CDE to the DSS. This transition will align all child care programs within a single department in state government. May Revision adjustments include:

- **State Operations** – The May Revision shifts \$31.7 million (\$0.9 million General Fund) and 185.7 positions from the CDE to the DSS to administer child care, and nutrition programs. Additionally, to continue to support this transition additional state operations resources of \$10.9 million (\$10.4 million General Fund) and 79 position to provide adequate infrastructure to support the system, program enhancements, and to a whole-child/whole-family approach to child care integration and data development.
- **Local Assistance** – The May Revision includes \$3 billion (\$1.5 billion General Fund) and shifts the following programs, including: General Child Care, Alternate Payment Programs, CalWORKs Stage 2 & Stage 3, Resource & Referral Programs, Migrant Child Care Program, Severely Disabled Program, California Child Care Initiative, Quality Improvement Activities, Local Planning Councils, and Child and Adult Care Food Program.
- **Direct Deposit** – The May Revision includes \$6.0 million to modernize payment options to child care and development contractors through the option of direct deposit.
- **Child Care Data Landscape** – The May Revision includes \$4.8 million General Fund to support planning and initial implementation for the design of a child care data system to meet the needs of families and the workforce. This proposed data system aligns with the Master Plan for Early Learning and Care and would strengthen the administrative processes used for data collection. DSS will build on prior efforts and engage stakeholders in the design.

### **Local Public Safety**

#### **Implementation of SB 823 – Division of Juvenile Justice (DJJ) Realignment**

As part of late 2020-21 budget action, the Legislature enacted and the Governor signed [SB 823](#), which – effective July 1, 2021 – stops intake at DJJ facilities and prospectively shifts to counties responsibility for the custody and care of previously DJJ-eligible youth. The Governor's May Revision offers updates on several related components:

- **Adjustment to DJJ Population Projections** – SB 823 provides for dedicated, ongoing funding to counties to support the shift in responsibility. The May Revision updates the Administration's estimates of the DJJ population in 2020-21 and the DJJ-eligible population in 2021-22, reflecting decreases for both years: 732, a

#### **GOVERNOR NEWSOM SIGNS SB 92 TO FACILITATE SB 823 IMPLEMENTATION**

In related news, Governor Newsom has just today signed SB 92, a trailer bill to SB 823 that contains corrective and clarifying changes as well as substantive supplemental provisions to establish a separate dispositional track for the highest-needs youth under counties' care and custody beginning July 1. Look for more details from HBE on this measure in the days ahead.

decrease of 68, in 2020-21 and 613, a decrease of 116, in 2021-22. Accordingly, annual allocations to counties are projected as follows: \$45.7 million in 2021-22 growing to \$211.9 million annually beginning in 2024-25.

- **Increased Resources for the New Office of Youth and Community Restoration** – The May Revision increases support for the state's establishment of the Office of Youth and Community Restoration (OYCR) within the Health and Human Services Agency. As now proposed, funding for the OYCR has more than doubled as compared to the January budget, \$7.6 million in 2021-22 and \$7.2 million annually thereafter to support 33 positions.
- **Pine Grove Youth Conservation Camp** – The May Revision advances trailer bill language to create a framework to permit juvenile courts to refer – via a contract between counties and the state – DJJ-eligible youth to the fire camp in Amador County. SB 823 expressed intent to develop a solution for keeping the Pine Grove youth fire camp open and to maintain wildland firefighting training for justice-involved youth.

### **Resources for County Probation and Pre-trial Services**

**Pretrial Services** – As part of a newly announced statewide initiative to reduce pre-trial detention, the May Revision proposes to invest \$140 million in 2021-22 and \$70 million ongoing to expand pretrial services pilot programs statewide. The funding is intended to support courts and county probation departments in promoting detention release decision making that imposes the least restrictive conditions, enhances public safety, ensures individuals return to court, and implements the most appropriate monitoring and supervision practices for those who are released pre-trial. Under the proposal, the Judicial Council will be charged with distributing the funding, providing judicial education and associated technical assistance to the courts, evaluating pre-trial practices, and reporting to the Legislature.

**Proposition 57 Workload Increases**– In recognition of temporary increases in post-release community supervision responsibilities associated with implementation of Proposition 57 (2016) and more recently promulgated regulations on enhanced good behavior credit earnings, the May Revision proposes to allocate \$23.6 million to county probation departments, an increase of \$4.1 million over the January budget.

### **Proposition 47 Savings**

The budget estimates that implementation of the 2014 ballot initiative that reduced penalties for specified property and drug crimes will yield \$116.8 million in state correctional savings (\$1.4 million above the January budget estimate), when comparing 2020-21 costs to the base year of 2013-14 (the last full fiscal year prior to the passage of the initiative). These savings are dedicated to three policy priorities identified in Proposition 47: (1) behavioral health treatment and diversion programs (65 percent), (2) programs to improve outcomes for K-12 students and reduce trancies (25 percent), and (3) support for trauma recovery centers (10 percent).

### **Judicial Branch**

The May Revision includes \$4.6 billion in overall funding for the state's judicial branch and includes investments to address the considerable operational impacts resulting from the

pandemic. Note, of course, that the new pre-trial detention initiative described above will support both court and county supervision agencies.

### **Dependency Counsel Funding**

The Governor's May Revision does not offer an augmentation to dependency counsel funding. However, given the Legislature's explicit interest – including the Senate's identification of additional investment in the dependency counsel program in its Build Back Boldly plan – this funding request will be an active topic of advocacy in the weeks ahead.

### **Criminal Justice Fines and Fees**

The Governor's 2021-22 May Revision proposes a new fine and fee forgiveness program in recognition of the disproportionate hardship that court-ordered debt imposes on those least able to afford it. This proposal would dedicate \$300 million in one-time federal ARPA funds to support additional relief for low-income individuals who owe fines and fees associated with traffic and non-traffic infractions issued between January 1, 2015 and June 30, 2021. Qualifying individuals would be required to apply for relief and demonstrate income eligibility. The \$300 million in funding would support implementation costs at the trial court level and provide a backfill for county and court revenue losses.

Also of note, the 2021-22 budget will propose an allocation of the \$65 million associated with last year's elimination of a wide variety of criminal justice administrative fees effective July 1, 2021 pursuant to the enactment of AB 1869. Under that measure enacted in 2020, the authority to impose and collect an array of fees – including those imposed to recover costs associated with probation supervision and the provision of public defender services, among others – will be abolished and all debt associated with previously levied fees vacated. A proposed methodology for distributing the backfill has yet to be announced.

### **Other Court-Related Investments**

Other judicial branch investments of note include:

- **COVID-Driven Caseload Backlog Funding** – Language to permit the Judicial Council to seek spending authority up to \$60 million in one-time funds to address the trial courts' civil and criminal case backlogs and associated workload delays resulting from the COVID-19 pandemic; funding would be subject to review and approval by the Department of Finance.
- **Early Disposition Readiness Conference Program** – \$30 million in one-time funds to support a program initiated this fall by the Chief Justice that seeks to expedite adjudications in criminal cases; under the program, funds would make temporary assigned judges available to complete readiness conferences to resolve low-level misdemeanor or felony cases program before they go to trial.
- **Additional Legal Aid Resources** – An augmentation of \$20 million in ARPA funds over three years for legal aid organizations to provide services to renters and homeowners seeking to avoid eviction and foreclosure.
- **Capital Outlay** – The May Revision proposes approximately \$40 million in new spending for three additional courthouse construction projects in Butte, Monterey, and San Bernardino Counties to begin in 2021-22. The January budget proposal included \$2.1 billion over five

years to fund construction of critically needed new courthouses, including 14 replacement and renovation projects as detailed on this [priority list](#) approved by the Judicial Council and submitted to the Legislature in December 2019.

- **Deferred Maintenance** – The May Revision includes \$158 million in one-time funds as part of the revised Infrastructure Package to address deferred maintenance in the trial and appellate courts. This augmentation brings the total one-time funding for court deferred maintenance to \$188 million in 2021-22.

## **State Corrections**

### **Prison Capacity and Pandemic-Related Activities**

The May Revision updates state prison population estimates, projecting an increase of nearly 11,000 in state prison inmates over January projections (106,259 projected average daily population as compared to 95,324 ADP in January). The Administration also reports on dramatically improved conditions in the state's prisons relative to the spread of COVID-19. As a result of improved conditions, the state has reopened intake, easing the backlog of convicted persons awaiting transfer to a state institution – a factor that largely explains the state's estimated increase in its inmate population.

### **Reimbursement of County Costs**

The May Revision reaffirms the state's statutory obligation to reimburse counties for increased lengths of stay in county jails for persons awaiting transfer to state prison. In addition to the \$121.1 million in payments to county sheriffs for these purposes through mid-March, the May Revision estimates that an additional \$98.3 million in reimbursements will be made prior to June 30, 2021 and projects an additional \$97.5 million in repayments in 2021-22 as the transfer backlog is reduced and, ultimately, eliminated.

### **Prison Closures**

The May Revision recognizes the steady decline in recent years of the state's prison population, permitting the California Department of Corrections and Rehabilitation (CDCR) to terminate use of out-of-state facilities and resulting in decisions to shutter two state prisons: the Deuel Vocation Institution in Tracy (San Joaquin County) by September 2021 and the California Correctional Center in Susanville (Lassen County) by June 2022. No additional insights on possible future institution closures are offered in the May Revision.

### **Expanding Rehabilitative Opportunities**

The May Revision also describes proposed new investments associated with an effort – modeled on Norway's correctional system – of reimagining the state's rehabilitative and programming approach. With a proposed augmentation of \$13.7 million in 2021-22 and \$3 million ongoing, the Governor proposes to invest in programming and facility improvements at Valley State Prison in Chowchilla (Madera County), including enhanced educational, vocational, and career technical training opportunities as well as increased digital literacy development.

An additional one-time investment of \$34.8 million also is proposed for VSP to support programming and rehabilitative services for its Youth Rehabilitative Offender Community. This

augmentation will provide for facility enhancements that create a more community-like environment that promote rehabilitative and therapeutic programming.

Finally, May Revision proposes to increase opportunities for visitation in an effort to maintain familial contacts and help inmates prepare for successful reentry. Specifically, a new ongoing investment of \$20.3 million annually will permit institutions to offer a third day of in-person visitation as well as offer families free transportation on designated days to on chartered buses. Video visitation – which was expanded during the pandemic – will continue to be offered for state prison inmates and their families.

### **Other Corrections System Investments**

Considerable additional correctional investments also are proposed, including statewide implementation of video surveillance systems, improvements to mental health care for CDCR inmates, measures to address allegations of staff misconduct and enhance discrimination complaint processes, steps to address remedial measure in five institutions ordered by the *Armstrong* court, investments in the parole hearing process, and improving facility infrastructure as well as addressing deferred maintenance.

### **Other Public Safety Items of Note**

#### **Incompetent to Stand Trial**

The Governor's 2021-22 May Revision proposes a variety of investments to address the long-standing and – as exacerbated by the pandemic – growing list of persons deemed incompetent to stand trial (IST) who await admission to the Department of State Hospitals for competency treatment. As discussed elsewhere in this summary, the Governor's includes in his Behavioral Health Continuum Infrastructure proposal \$250 million in one-time competitive grants to (1) support facilities that address the needs of justice system involved individuals deemed IST in community-based settings and (2) avoid unnecessary state hospitalizations. The January budget contemplated redirecting relinquished jail construction bond capacity for this purpose; the May Revision instead will support the IST infrastructure initiative with state General Funds.

Additionally, the May Revision proposes the following investments to address the state's IST population: \$23.3 million in 2021-22 increasing in 2024-25 to \$49.8 million for community-based competency restoration; \$13.3 million for jail-based competency treatment programs, increasing to \$22.5 million in 2022-23; \$12.7 million in a collaborative effort with county jails to re-evaluate persons deemed IST awaiting 60 days or more for transfer to a state hospital; and \$17.1 million (increasing to \$146 million in 2023-24 and ongoing) to backfill lost revenues associated with the state hospitals' inability to take new Lanterman-Petris-Short (LPS) Act patients and associated discontinuation of LPS contracts with counties. This latter proposal appears to be the Administration's replacement for the Community Care Demonstration Project proposed in January. Additional assessment of the local and system impacts of the discontinuation of LPS contracts with counties will be undertaken in the days ahead.

## **CaVIP**

The California Violence Intervention and Prevention Grant Program (CaVIP), administered by the Board of State and Community Corrections, provides funding to cities and community-based organizations for diversion, outreach to transition age youth at risk of entering the justice system, and other violence reduction models. The Governor's May Revision proposes to invest an additional \$100 million over three years to expand the program. Although counties traditionally have not been eligible for CaVIP funding, this infusion of considerable additional resources for violence prevention efforts is noteworthy.

## **Augmentations for Cal OES Programs**

In the Office of Emergency Services (Cal OES) budget, the Governor's 2021-22 May Revision proposes \$100 million in one-time funds to supplement federal funding for various domestic violence victim services, including rape crisis programs, domestic violence housing, victim witness programs, and child advocacy centers. The one-time augmentation is meant to both sustain existing programs and build capacity to manage increased need occasioned by the pandemic. Additionally, the May Revision proposes \$50 million in one-time funds to enhance physical security protections for non-profit programs that have been targets of hate-motivated violence. This initiative will also be administered by Cal OES.

## **Use of Force Investigations**

The May Revision increases investment associated with the recently enacted [AB 1506](#) (McCarty, 2020), which requires state prosecutors to investigate officer-involved shootings that result in the death of unarmed individuals. For this purpose, the Governor proposed in his January budget \$13 million in 2021-22, increasing to \$13.5 million ongoing to support three regional teams – northern, central, and southern – that will have responsibility for conducting these investigations. The May Revision augments these amounts by \$2.3 million in 2021-22 and \$2.1 million ongoing and adds an additional investigative team in the southern region of the state for a total of four teams. The Administration intends to confer authority to the Director of Finance to augment the overall appropriation in 2021-22 based on workload needs to ensure successful implementation of AB 1506.

## **1991 and 2011 Realignment: Updated Revenue Estimates**

Updated revenue estimates for 1991 and 2011 Realignment programs offered in the Governor's May Revisions are detailed in the charts below, reflecting a 3.1 percent increase in 2020-21 revenue projections and 9.5 percent increase in 2021-22. As a result, the Administration's revised estimates suggest that sales and use tax for both sets of realigned programs. (The January budget estimated zero Realignment growth in the budget year.)

### 1991 Realignment Estimate at 2021 May Revision

Dollars in Thousands

2019-20 State Fiscal Year							
Amount	CalWORKs		Social	Mental	Family	Child	Totals
	MOE	Health	Services	Health	Support	Poverty	
<b>Base Funding</b>							
Sales Tax Account	\$742,048	\$-	\$2,296,188	\$-	\$443,649	\$102,919	\$3,584,804
Vehicle License Fee Account	363,383	1,050,566	216,223	-	152,435	290,884	2,073,492
<b>Subtotal Base</b>	<b>\$1,105,432</b>	<b>\$1,050,566</b>	<b>\$2,512,411</b>	<b>\$-</b>	<b>\$596,085</b>	<b>\$393,803</b>	<b>\$5,658,296</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Caseload Subaccount	-	-	-	-	-	-	-
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	-	-	-	-	-	-	-
<b>Subtotal Growth</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>Total Realignment 2019-20<sup>1</sup></b>	<b>\$1,105,432</b>	<b>\$1,050,566</b>	<b>\$2,512,411</b>	<b>\$-</b>	<b>\$596,085</b>	<b>\$393,803</b>	<b>\$5,658,296</b>
2020-21 State Fiscal Year							
<b>Base Funding</b>							
Sales Tax Account	\$742,048	\$23,890	\$2,296,188	\$-	\$419,759	\$102,919	\$3,584,804
Vehicle License Fee Account	363,383	1,016,415	216,223	-	186,586	290,884	2,073,493
<b>Subtotal Base</b>	<b>\$1,105,432</b>	<b>\$1,040,305</b>	<b>\$2,512,411</b>	<b>\$-</b>	<b>\$606,346</b>	<b>\$393,803</b>	<b>\$5,658,297</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	\$8,704	\$40,099	\$109,589	\$72,633	\$-	\$95,850	\$326,876
Caseload Subaccount	-	-	(109,589)	-	-	-	(109,589)
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	(8,704)	(40,099)	-	(72,633)	-	(95,850)	(217,287)
Vehicle License Fee Growth Account	6,415	29,553	-	53,530	-	70,640	160,137
<b>Subtotal Growth</b>	<b>\$15,119</b>	<b>\$69,652</b>	<b>\$109,589</b>	<b>\$126,163</b>	<b>\$-</b>	<b>\$166,490</b>	<b>\$487,013</b>
<b>Total Realignment 2020-21<sup>1</sup></b>	<b>\$1,120,551</b>	<b>\$1,109,958</b>	<b>\$2,621,999</b>	<b>\$126,163</b>	<b>\$606,346</b>	<b>\$560,293</b>	<b>\$6,145,310</b>
<i>Change From Governor's Budget</i>	\$-	\$19,394	\$40,671	\$39,337	\$-	\$46,355	\$145,757
2021-22 State Fiscal Year							
<b>Base Funding</b>							
Sales Tax Account	\$750,753	\$67,400	\$2,405,777	\$72,633	\$416,348	\$198,769	\$3,911,680
Vehicle License Fee Account	369,798	1,045,968	216,223	53,530	186,586	361,524	2,233,629
<b>Subtotal Base</b>	<b>\$1,120,551</b>	<b>\$1,113,368</b>	<b>\$2,621,999</b>	<b>\$126,163</b>	<b>\$602,934</b>	<b>\$560,293</b>	<b>\$6,145,309</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	\$-	\$14,172	\$145,287	\$28,746	\$-	\$33,875	\$222,080
Caseload Subaccount	-	-	(145,287)	-	-	-	(145,287)
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	(14,172)	-	(28,746)	-	(33,875)	(76,793)
Vehicle License Fee Growth Account	-	8,269	-	16,772	-	19,764	44,805
<b>Subtotal Growth</b>	<b>\$-</b>	<b>\$22,440</b>	<b>\$145,287</b>	<b>\$45,518</b>	<b>\$-</b>	<b>\$53,639</b>	<b>\$266,885</b>
<b>Total Realignment 2021-22<sup>1</sup></b>	<b>\$1,120,551</b>	<b>\$1,135,809</b>	<b>\$2,767,287</b>	<b>\$171,681</b>	<b>\$602,934</b>	<b>\$613,932</b>	<b>\$6,412,194</b>
<i>Change From Governor's Budget</i>	\$-	\$39,239	\$209,583	\$98,848	\$28,111	\$107,606	\$483,386

<sup>1</sup> Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

### 2011 Realignment Estimate at 2021 May Revision

(\$ millions)

	2019-20	2019-20 Growth	2020-21	2020-21 Growth	2021-22	2021-22 Growth
<b>Law Enforcement Services</b>	<b>\$2,603.9</b>		<b>\$2,633.8</b>		<b>\$2,838.0</b>	
Trial Court Security Subaccount	559.1	0.0	567.0	\$20.4	587.4	13.2
Enhancing Law Enforcement Activities Subaccount	489.9	\$224.4	489.9	249.0	489.9	\$239.3
Community Corrections Subaccount	1,346.9	0.0	1,366.0	153.1	1,519.1	98.8
District Attorney and Public Defender Subaccount	41.0	0.0	41.6	10.2	51.8	6.6
Juvenile Justice Subaccount	167.0	0.0	169.3	20.4	189.8	13.2
<i>Youthful Offender Block Grant Special Account</i>	<i>(157.8)</i>	-	<i>(160.0)</i>	<i>(19.3)</i>	<i>(179.3)</i>	<i>(12.4)</i>
<i>Juvenile Reentry Grant Special Account</i>	<i>(9.2)</i>	-	<i>(9.3)</i>	<i>(1.1)</i>	<i>(10.5)</i>	<i>(0.7)</i>
<b>Growth, Law Enforcement Services</b>		<b>224.4</b>		<b>453.2</b>		<b>371.1</b>
<b>Mental Health</b>	<b>\$1,120.6</b>	0.0	<b>\$1,120.6</b>	\$19.0	<b>\$1,120.6</b>	12.2
<b>Support Services</b>	<b>\$3,831.4</b>		<b>\$3,885.6</b>		<b>\$4,245.8</b>	
Protective Services Subaccount	2,363.8	0.0	2,397.2	\$170.6	2,567.8	110.1
Behavioral Health Subaccount	1,467.6	0.0	1,488.4	189.6	1,678.0	122.3
<i>Women and Children's Residential Treatment Services</i>	<i>(5.1)</i>		<i>(5.1)</i>		<i>(5.1)</i>	
<b>Growth, Support Services</b>		<b>0.0</b>		<b>379.2</b>		<b>244.6</b>
<b>Account Total and Growth</b>	<b>\$7,780.3</b>		<b>\$8,472.3</b>		<b>\$8,820.0</b>	
<b>Revenue</b>						
1.0625% Sales Tax	\$7,060.0		\$7,721.4		\$8,077.9	
General Fund Backfill	6.0		12.0		12.9	
Motor Vehicle License Fee	714.3		738.9		729.2	
<b>Revenue Total</b>	<b>\$7,780.3</b>		<b>\$8,472.3</b>		<b>\$8,820.0</b>	

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).

## Transportation

The May Revision proposes an additional \$11 billion in state investment into multimodal transportation programs and projects above the \$18 billion included in the January Budget. The overall proposed investments for 2021-22 are \$29 billion, \$4.5 billion of which are General Fund. The Governor maintains these investments will create thousands of quality jobs, create new mobility options and more connectivity, repair and make safer aging infrastructure, and accelerate progress toward achieving the state's climate change and zero-emission vehicle (ZEV) goals. These investments are slated to align with the American Jobs Plan and President Biden's spending priorities at the federal level enabling California to leverage future federal funding and maximize investments. Finally, the May Revision includes significant investments in the High-Speed Rail project and infrastructure improvements in support of the 2028 Los Angeles Olympics.

### Active Transportation

The May Revision proposes \$500 million General Fund to advance active transportation projects (ATP) that increase bicycle and walking opportunities and increase safety for non-motorized users, reduce greenhouse gas (GHG) emissions, and enhance public health and equity. The

Governor proposes to use the additional dollars to fund a portion of the \$2 billion backlog of ATP projects from the last round of grant applications at the California Transportation Commission (CTC). This amount of funding should result in an additional 70 ATP projects being accelerated across the state.

### **High Priority Grade Separations and Grade Crossing Improvements**

The Governor proposes \$500 million General Fund to support vital safety improvements for grade separations and crossings. The May Revision would direct these revenues to the Transit and Intercity Rail Capital Program (TIRCP) where there will be a call for projects and awards in the spring of 2022.

### **Priority Transit and Rail Projects**

To advance GHG reductions and increase connectivity, the May Revision includes \$1 billion General Fund for transit and rail projects across the state. The proposal would run these additional dollars through the TIRCP.

### **Zero-Emission Rail and Transit Equipment Purchases and Infrastructure**

The May Revision proposes \$407 million (\$100 million General Fund, \$280 million Public Transportation Account, and \$27 million federal funds) for clean bus and rail equipment and associated infrastructure.

### **Zero-Emission Buses and Trucks**

The Governor proposes a total of \$1.4 billion (\$1.3 billion General Fund and \$87 million Air Pollution Control Funds) for the purchase and lease of green buses and trucks. Specifically, the funding will enable the deployment of over 1,000 ZEV drayage trucks, 1,000 ZEV transit buses, and 1,000 ZEV school buses in underserved rural school districts.

### **High-Speed Rail**

The Governor proposes to draw down \$4.2 billion in Proposition 1A bond funds to complete construction of the high-speed rail (HSR) in Central Valley, including advance work to launch service Merced and Bakersfield and systemwide planning and design work.

### **State Highway Rehabilitation and Local Roads and Bridges**

Included in the May Revision is \$2 billion from special funds (\$1.1 billion) and federal dollars (\$968 million) to support the State Highway Operation and Protection Program (SHOPP), Interregional Transportation Improvement Program (ITIP), and local road and bridge projects.

### **Los Angeles Olympics**

To prepare for the 2028 Olympic Summer Games, the May Revision proposes \$1 billion General Fund. The proposal would run these additional dollars through the TIRCP.

### **Clean California Initiative**

As unveiled during one of the Governor's California Comeback Plan announcements, the May Revision proposes \$1.5 billion General Fund for a three-year statewide beautification effort. In

partnership with local government, the proposal includes activities like litter clean up, revamp California's transportation network, and a public education campaign. The Governor states that this project will clean-up more than 17,000 tons of litter, create thousands of low barrier jobs for people experiencing homelessness, at-risk youth, veterans, and individuals post-incarceration, and install hundreds of art installations that will also create opportunities for local artists and students. The specific expenditures include:

- \$418 million for litter abatement
- \$430 million for state beautification projects
- \$444 million for local beautification projects
- \$75 million for art installation grants
- \$50 million for public education and outreach
- \$83 million for project design, construction, engagement, and administrative activities

## **Climate Change**

Citing the state's recent history of devastating wildfires and current drought conditions, the May Revision proposes \$11.8 billion in investments to address and reduce climate risks. The investments are proposed over a multi-year period.

## **Drought**

The Governor proposes a total of \$5.1 billion for his water resilience package, which represents \$4.3 billion more than the Governor's January Budget. The investments will benefit from a mix of fund sources including \$2.8 billion General Fund, \$4.54 billion federal American Rescue Plan Act funds, and \$10.5 million in bond and special funds. Key investments include:

- \$1.47 billion (\$85 million General Fund, \$1.39 billion federal funds) over two years to protect drinking water and wastewater infrastructure, support local groundwater supply planning and projects, cleaning up contaminated groundwater, support water recycling projects, and installing treatment systems on contaminated drinking water wells.
- \$371 million General Fund over two years to repair canals damaged by subsidence, support cost-share of critical federal urban flood risk reduction projects, and advance detailed, watershed scale studies.
- \$440 million General Fund over two years for a pilot study of solar panels over aqueducts and construction of a pipeline at the Oroville hydroelectric complex for a pump-storage project.
- \$360 million (\$240 million General Fund, \$120 million federal funds) over two years for projects to implement the Sustainable Groundwater Management Act and the State Water Efficiency Program.
- \$989 million (\$949 General Fund, \$30 million federal funds, \$10 million bond and special funds) for land repurposing activities, emergency drought relief activities, small supplier and rural community drought contingency planning and preparedness projects, local water resilience capacity building including disadvantaged community outreach, and repairing and enhancing the state's backbone water data infrastructure.
- \$726 million General Fund for nature-based solutions to improve long-term ecological conditions.

**Water Resilience Package**  
 (\$ in millions)

Category	Department	Program	May Revision 2021-22
Drinking Water, Water Supply and Reliability, Flood	State Water Resources Control Board	Drinking Water/Wastewater Infrastructure	\$1,300
		PFAs Support (\$20 million over two years)	\$10
		Groundwater cleanup/Water Recycling (\$150 million over two years)	\$85
	Department of Water Resources	Salton Sea (\$220 million over two years)	\$50
		SGMA Implementation (\$300 million over two years)	\$200
		Water Conveyance (\$200 million over two years)	\$100
		Flood (\$140 million over two years)	\$70
		Watershed Climate Studies	\$25
		Aqueduct Solar Panel Pilot Study	\$20
		Oroville Pump Storage	\$200
		Department of Food and Agriculture	State Water Efficiency and Enhancement Program
Natural Resources Agency	Clear Lake Rehabilitation	\$5.7	
Immediate Drought Support	Various	Data, Research, and Communications	\$91
	Various	Drought Technical Assistance and Emergency Water Supplies	\$27
	Department of Conservation	Multi-benefit Land Repurposing	\$500
	Department of Water Resources	Small Water Suppliers Drought Relief & Urban Water Management Grants	\$300
	Various	Drought Permitting, Compliance, and Enforcement	\$38
	Department of Fish and Wildlife	Drought Fisheries and Wildlife Support	\$33
Nature Based Solutions	Natural Resources Agency	Water Resilience Projects (\$266 million over two years)	\$166
	Wildlife Conservation Board	Wildlife Corridors/Fish Passage (\$230 million over two years)	\$65
	Department of Water Resources	Habitat Restoration (\$200 million over two years)	\$100
	Department of Conservation	Riparian Restoration	\$30
<b>Total</b>			<b>\$3,475</b>

**Wildfire and Forest Resilience**

The May Revision maintains the Governor's January Budget investment of \$1.24 billion for wildfire preparedness and forest resilience. The \$536 million adopted in early budget action is included in this total, providing for another \$708 million in funding to be acted upon. The May Revision also proposes to augment resources for the Department of Forestry and Fire Protection for firefighting efforts.

## Climate Resilience

To advance the Governor's carbon neutrality goals, the May Revision proposes \$1.3 billion General Fund over the January Budget for a multi-year expenditure plan for climate resilience projects. These investments are targeted at low-income and disadvantaged communities that experience disproportional impacts of climate change and other health, environmental, and economic challenges.

### Climate Resilience Package (\$ in millions)

Category	Department	Program	May Revision 2021-22
Heat	California Natural Resources Agency	Urban Greening (\$200 million over two years)	\$100
	Department of Community Services and Development	Low Income Weatherization	\$50
	California Energy Commission	BUILD Program (\$100 million over two years)	\$50
Sea Level Rise	Ocean Protection Council	Coastal Wetland Restoration (\$200 million over two years)	\$100
	Department of Parks and Recreation	State Parks Sea Level Rise Adaptation Strategy	\$11.5
Community Resilience	Strategic Growth Council	Transformative Climate Communities (\$420 million over three years)	\$140
		Regional Climate Collaboratives (\$20 million over two years)	\$10
	Office of Planning and Research	Climate Adaptation & Resilience Planning Grants (\$25 million over two years)	\$15
		Vulnerable Communities Platform & CalAdapt Mapping	\$5
	California Environmental Protection Agency	Environmental Justice Initiative (\$25 million over two years)	\$15
Other	Department of Conservation	Oil Well Abandonment and Remediation	\$200
		Biomass to Hydrogen/Biofuels Pilot	\$50
	Various	Fifth Climate Assessment	\$22
	Air Resources Board	Fluorinated Gas Reduction Incentive Program	\$15
<b>Total</b>			<b>\$784</b>

Highlights include:

- \$350 million General Fund over two years to address extreme heat impacts in vulnerable communities through urban greening, energy efficiency upgrades, and strategic greening of new near-zero emission low-income residential buildings.

- \$211.5 million General Fund over two years for costal wetland restoration and costal resilience.
- \$495 million General Fund over three years for community resilience projects through the Transformative Climate Communities Program, the Regional Climate Collaboratives Program, Environmental Justice Initiative, and Climate Adaptation and Resilience Planning Grants.
- \$287 million General Fund for the development of the state's fifth climate assessment, to plug and abandon orphaned oil and gas wells, and expands the reach of the California Air Resources Board's program to promote low-global warming potential refrigerant technologies.

### Zero Emission Vehicle Acceleration

The Governor proposes an increase of \$826 million in additional investments over the January Budget for a total of \$3.2 billion over three years for zero-emission vehicle related investments, \$1.8 billion of which is proposed in 2021-22. The May Revision also replaces the January Budget proposal to securitize existing fee revenues for ZEV purposes with a one-time investment of \$500 million General Fund to support the California Energy Commission's Clean Transportation Program.

**Zero Emission Vehicle Package**  
 (\$ in Millions)

Investment Category	Department	Program	Governor's Budget	May Revision 2021-22	Total 2021-22
Low Carbon Transportation & ZEV Strategy		Clean Trucks, Buses & Off-Road Equipment	\$315	\$87	\$402
	Air Resources Board	Clean Cars 4 All & Transportation Equity Projects (\$400 million total)	\$150	\$0	\$150
		Clean Vehicle Rebate Project (\$400 million total)	\$0	\$134	\$134
		Drayage Trucks & Infrastructure (\$470 million total)	\$0	\$160	\$160
	Air Resources Board & California Energy Commission	Drayage Pilot Project	\$0	\$65	\$65
		Transit Buses & Infrastructure (\$290 million total)	\$0	\$100	\$100
		School Buses & Infrastructure (\$450 million total)	\$0	\$150	\$150
	California Energy Commission	Clean Transportation Program/ ZEV Infrastructure	\$500	(\$500)	\$500
		ZEV Manufacturing Grants (\$250 million total)	\$0	\$125	\$125
	GO-Biz	ZEV Market Development Strategy	\$0	\$5	\$5
<b>Total</b>			<b>\$965</b>	<b>\$826</b>	<b>\$1,791</b>

The May Revision also includes the following other ZEV investments:

- \$1.4 billion General Fund and special funds over three years to deploy over 1,000 ZEV drayage trucks, 1,000 ZEV transit buses, and 1,000 ZEV school buses in underserved rural school districts.
- \$650 million General Fund over three years for light-duty zero emissions vehicle rebates in addition to the \$150 million proposed for the same purpose from the cap-and-trade expenditure plan.
- \$250 million General Fund over two years for manufacturing and supply chain grants to expand California's role in ZEV manufacturing.
- \$5 million General Fund to accelerate the implementation of the ZEV market development strategy.

## Energy

The May Revision includes \$912 million (\$905 General Fund, \$5 million reimbursements, \$2 million special funds) to accelerate progress on the state's clean energy goals, including the following major investments:

- \$35 million General Fund for critical resource and transmission planning.
- \$350 million General Fund to support pre-commercial long duration storage projects.
- \$250 million General Fund for energy efficiency in the industrial sector.
- \$125 million General Fund for the Food Production Investment Program.
- \$20 million General Fund to spur environmentally responsible development of offshore wind energy.
- \$110 million General Fund in green hydrogen production to accelerate the transition away from fossil-fuels.

The May Revision also proposes to raise the statutory cap on the Energy Resources Programs Account surcharge, tie the cap to the Consumer Price Index, and extends the surcharge to the behind-the-meter electricity consumption. The proposal would generate \$4.5 million in additional revenues in 2021-22 and approximately \$9 million annually thereafter to support the CEC's activities to create the energy system of the future.

## Natural Resources

### Outdoor Access for All

Building on \$82 million proposed in the January Budget, the May Revision proposes an additional \$256.2 million to expand outdoor access for all Californians. These May Revision investments expand environmental education; enhance safe, reliable access to state parks, public lands, coasts, and other natural, historic, and cultural resources; and increase recreation opportunities. Significant adjustments include:

- \$108.1 million for outdoor environmental education and access programming through the Outdoor Equity Grants Program and expansion of existing K-12 programs. These programs will support outdoor environmental education for underserved youth statewide, development of new curriculum, and construction of new state parks' facilities that support environmental education programs.

- \$125 million one-time General Fund to invest in establishing and revitalizing community open spaces. These grants fund new parks, the beautification of existing parks, and recreation opportunities in underserved communities across the state.
- \$14 million one-time General Fund for the Coastal Conservancy to expand coastal access programming statewide.
- \$9.1 million one-time General Fund to launch a State Parks pilot to expand parks pass distribution, especially for youth in disadvantaged communities. The pilot would include a "California State Park Adventure" program for fourth graders and new statewide partnerships with the California State Library and California Department of Social Services.

The May Revision includes \$507.3 million for the enhancement and restoration of state parks facilities statewide, as follows:

- \$217 million for fire restoration projects in the 115,000 acres burned across 23 state park units by multiple fires in the unprecedented 2020 wildfire season.
- \$165 million one-time General Fund for investment in deferred maintenance at state parks. With the \$20 million one-time General Funds included in the Governor's Budget, this proposal provides a total of \$185 million for deferred maintenance projects throughout the state.
- \$95.3 million one-time General Fund for transfer to the Natural Resources and Parks Preservation Fund for the California Indian Heritage Center.
- \$30 million one-time General Fund for various capital projects at the historic Sacramento Railyards.

### **Fish and Wildlife Programs**

Significant investments in Department of Fish and Wildlife proposed in the May Revision include:

- \$53.8 million and 31 positions, over five years, to directly address endangered species within California and make measurable progress on conservation of these species.
- \$7.5 million and 8 positions, over five years, to address management and oversight on the lands and facilities it manages to conserve native wildlife, threatened and endangered species, sensitive habitats, and to provide for public use and enjoyment.
- \$3 million to increase the Department's ability to work with rural communities to set up a compensation program that compensates livestock producers for the loss of productivity due to depredation events resulting from the return of the grey wolf to California.
- \$1.3 million to address payments to voluntary participants to complete the Drift Gill Net Transition Program pursuant to Chapter 844, Statutes of 2018 (SB 1017).
- \$350,000 to develop a feasibility study for a state-of-the-art Wildlife Health Laboratory to address and care for wildlife throughout California.
- \$15 million to address its backlog of deferred maintenance projects on state-owned lands and facilities.

## **Environmental Protection**

### **Department of Toxic Substances Control (DTSC) Reform**

Many a California governor has attempted to address long-standing issues with DTSC and Governor Newsom is no different. The May Revision includes maintains the Governor's Budget governance and fiscal reform proposal to improve governance and transparency and provide long-term fiscal stability for the Department of Toxic Substances Control and proposes \$6 million one-time General Fund to address workload gaps identified in the Department's workload analyses. Specifically, these additional resources will support: (1) implementation of the Violation Scoring Procedures regulations to increase transparency and accountability for inspections of hazardous waste management facilities so that those facilities are operating in a protective manner, and (2) efforts to keep California's statutes and regulations in compliance with federal requirements to maintain the state's federal Resource Conservation and Recovery Act authorization.

### **Contaminated Sites Clean-Up**

The May Revision proposes an additional \$200 million over two years beginning in 2022-23 for clean-up of contaminated sites around the state. Combined with \$300 million in the Governor's Budget, this proposal will provide a total of \$500 million General Fund over multiple years to accelerate the cleanup of contaminated properties in impacted communities. This funding is contingent upon enactment of the Administration's governance and fiscal reform package which will support the Department in providing proper governance and resources to administer these duties.

### **Exide Lead-Acid Battery Facility**

The May Revision proposes an additional \$291 million General Fund over three years, to clean up additional properties with specified lead contamination levels near the former Exide facility in the City of Vernon.

### **Pesticide Notification Network**

The May Revision proposes \$10 million one-time General Fund to implement a statewide infrastructure network to provide equitable access to important information about local pesticide use. The notification system will enable residents to take common-sense measures, such as closing windows or avoiding an application site, to further protect themselves and particularly sensitive populations from potential pesticide exposure. The Department is launching a process this summer to develop and adopt the statewide regulations necessary for advanced public notification of certain pesticide applications.

### **Circular Economy**

The May Revision proposes \$130 million one-time General Fund to support the development of infrastructure required to process recyclables and manufacture products from recyclable material. Historically, California has shipped recyclable material to other nations, which contributes to the global carbon footprint. These investments will help reduce global carbon emissions and generate the feedstock to attract remanufacturing companies to California. In addition, the May Revision proposes the following one-time General Fund investments:

- \$5 million for the Food Waste Prevention and Rescue Grant Program to establish new or expand existing food waste prevention projects to reduce landfill methane emissions and benefit disadvantaged communities.
- \$5 million to create or expand community composting opportunities and jobs that serve disadvantaged communities.
- \$55 million to provide grants for new composting and anaerobic digester facilities and to expand capacity at existing wastewater facilities to increase organic waste recycling capacity, provide funding for co-digestion, and reduce methane emissions from landfills.
- \$15 million to provide grants to companies that are in the research, development, feasibility, or pilot phase of recycling projects that are interested in locating in California.
- \$50 million to provide low-interest loans to attract recycling and reuse businesses to California. These loans would be designed to align with existing tax incentives already offered by the state.

## **K-12 Education**

The May Revision includes total funding of \$121.7 billion (all funds) for all K-12 education programs, the highest level of funding in California history. The Governor has proposed utilizing these funds for the California for All Kids Plan, a five-year strategy for “public school investment that offers every child in California the comprehensive support necessary to reach their full potential.” Components of this plan include achieving the following by 2025-26:

- Universal access to transitional kindergarten so all children enter the school system prepared to succeed
- Year-round access to enrichment activities and before/after-school supplemental education programs for children in low-income communities
- Well-prepared and well-supported teachers
- Deeper connections and relationships between students and adults on campus, with training in tiered systems of student supports, including more school counselors, social workers, and nurses
- Increased access to school-wide nutrition programs
- An improved and more integrated relationship between schools and health care plans, county health, and social services to provide school-based services to children
- Greater student access to broadband internet and computer technology, both in the classroom and at home

## **Proposition 98**

The Proposition 98 guarantee continues to be in a Test 1 for all years 2019-20 through 2021-22. This means that the funding level of the Guarantee is equal to approximately 38 percent of General Fund revenues, plus local property tax revenues. Proposition 98 is estimated to be \$79.3 billion in 2019-20, \$92.8 billion in 2020-21, and \$93.7 billion in 2021-22, representing a three-year increase in the minimum Guarantee of \$17.7 billion over the level estimated in the Governor's Budget. (Note: These funding levels include property tax decreases of \$283 million in 2019-20, \$298 million in 2020-21, and \$315.9 million in 2020-21, related to recent State

Controller's Office guidance on counties' calculation of local excess Educational Revenue Augmentation Fund.)

Additionally, excess revenues above the Gann Limit in 2020-21 and 2021-22 creates a Constitutional obligation for the state to make a one-time payment to K-14 schools, supplemental to the Proposition 98 Guarantee, and allocated based on K-12 average daily attendance and full-time equivalent community college students. While this payment amount will not be finalized until the adoption of the 2023-24 budget, the Administration currently anticipates that it will total approximately \$8.1 billion and will be provided to K-14 schools in the 2022-23 fiscal year.

### **Deferrals**

The Governor's budget had proposed to eliminate K-12 deferrals in 2019-20 and 2020-21, leaving an ongoing deferral balance of \$3.7 billion. The May Revision further reduces this deferral balance by \$1.1 billion.

### **School Reopening**

The May Revision assumes a return to full-time in-person instruction for the 2021-22 school year. Consistent with all school years prior to 2020-21, this mode of instruction will be the default for all students and schools, and generally one of only two ways in which local educational agencies can earn state apportionment funding in 2021-22. To ensure safety and build trust, the May Revision proposes \$2 billion one-time Proposition 98 General Fund to fund health and safety activities, including testing and vaccine initiatives, enhanced cleaning, personal protective equipment, and improved ventilation. These funds will supplement the \$2 billion appropriated by Chapter 10, Statutes of 2021 (AB 86) to schools that were open for in-person instruction by April 2021.

Since some families may not be ready to return to school, the May Revision proposes to give families a high-quality option for non-classroom based instruction, and to provide local educational agencies with an option to generate state funding by serving students outside the classroom in response to parent requests through a series of improvements to the state's existing independent study programs. Specifically, local educational agencies will provide non-classroom based instruction using the existing traditional and course-based independent study models, but will have additional requirements to: (1) provide access to technology, internet connectivity, and a dedicated and rigorous curriculum; (2) develop and implement a framework of tiered re-engagement strategies for students not meaningfully participating in instruction; and (3) track and record daily student participation and interaction with teachers.

### **Expanded Learning Time**

The May Revision reflects a five-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students in local educational agencies with the highest concentrations of low-income students, English language learners, and youth in foster care (representing approximately 2.1 million children). By 2025-26, these students would have access to no-cost after school and summer programs.

The Administration estimates that the Proposition 98 General Fund costs to implement this proposal is approximately \$1 billion in 2021-22, growing to \$5 billion in 2025-26. Over the implementation period, services would be phased in, with the local educational agencies with the highest proportion of students from low-income families, English language learners, and youth in foster care being provided the ability to access extended day/year programming first.

### **Universal Transitional Kindergarten**

To provide access to free, high-quality, inclusive pre-kindergarten education for all children, the May Revision proposes a series of investments beginning in 2022-23 to incrementally establish universal transitional kindergarten by 2024-25. Universal transitional kindergarten would be phased-in over four years, with local educational agencies able to use 2021-22 for planning and infrastructure development, and additional access for four-year-olds, increased in increments of three months of age per year from 2022-23 through 2024-25, when all four-year-olds would be eligible. The costs of this plan are anticipated to be approximately \$900 million General Fund in 2022-23, growing to \$2.7 billion in 2024-25 (the Proposition 98 Guarantee would be "rebenched" to draw down General Fund for the costs of new enrollment in each year of increased investment).

### **Community Schools**

The May Revision proposed to provide \$3 billion one-time Proposition 98 General Fund, available over several years, to further expand the implementation and use of the community school model. Community schools blend various funding sources to provide integrated health, mental health, and social services alongside high-quality, supportive instruction. In addition to these integrated student supports, community schools offer expanded learning time, active family and community engagement, and collaborative leadership and practices, which are also funded in other proposals in the May Revision. This level of proposed funding would support grants for up to 1,400 local educational agencies to convert school campuses into full-service community schools.

There are a number of additional proposals associated with K-12 schools, including the Children and Youth Behavioral Health Initiative, as described in the Behavioral Health section beginning on page 15 of this summary.

### **Higher Education**

The May Revision includes \$48.7 billion (all funds) for all higher education entities (University of California, California State University, California Community Colleges, Student Aid Commission, and others) in 2021-22. The focus of investments in higher education include:

#### **Improving College Affordability**

The May Revision proposes maintaining the state's substantial investments in Cal Grants, two years of free community college, and other aid programs; making summer financial aid resources for the UC and CSU permanent; providing the CCCs with additional resources to support basic needs centers and coordinators, and Dreamer Resource Liaisons to provide additional support for underrepresented students.

## **College Savings Accounts**

The May Revision includes approximately \$2 billion one-time federal ARPA funds in 2021-22, and assumes \$170 million ongoing General Fund beginning in 2022-23, to establish college savings accounts for all current low-income public school students with supplemental investments for foster youth and homeless students enrolled in a public school, and for successive cohorts of these student populations as they enter first grade.

## **Student Housing**

The May Revision also includes \$4 billion one-time General Fund, split evenly between fiscal years 2021-22 and 2022-23, to establish a low-cost student housing grant program focused on expanding the availability of affordable student housing.

The May Revision also expresses a commitment to working with UC and CSU to develop a multi-year funding agreement focusing on priorities that include closing equity gaps, improving time-to-degree completion, reducing students' total cost of attendance and increasing predictability, increasing California resident undergraduate enrollment, improving faculty diversity, and better aligning curricula and student learning objectives with workforce needs. The May Revision increases base resources provided to UC and CSU in the Governor's Budget with \$69.3 million ongoing General Fund base augmentation to the UC and a \$74.4 million ongoing General Fund base augmentation to the CSU, representing a five-percent ongoing base General Fund resource increases beginning in 2021-22, plus an additional \$302.4 million General Fund to the UC and \$299 million General Fund to the CSU to offset the ongoing reductions applied to the UC and CSU in the 2020 Budget Act, starting in fiscal year 2021-22.

## **California State Library**

The May Revision proposes a number of investments in the California State Library, as follows:

- An increase of \$50 million one-time General Fund for an equity-focused matching grant program to support local library infrastructure.
- An increase of \$35 million one-time General Fund available through 2024-25, to expand broadband access to isolated and under-served communities through a collaborative partnership of local education agencies, regional libraries, and telehealth providers and leverage available federal funds through the E-Rate Program.
- An increase of \$6 million one-time General Fund to support the Broadband Connectivity Initiative.
- An increase of \$15 million one-time General Fund to support English as a Second Language programs offered through local libraries.
- An increase of \$6.4 million one-time General Fund to support a two-year pilot online tutoring service program.
- An increase of \$5 million one-time General Fund to support grants for public education and awareness of Civil Liberties.
- An increase of \$241,000 ongoing General Fund to support K-12 Student Online STEAM database access.
- A limited-term increase of \$2.4 million General Fund annually for the next four years to support Disaster Preparedness for Cultural Heritage Agencies.

- An increase of \$1.6 million one-time General Fund and \$220,000 ongoing General Fund to support Assistive Technology for Visually Impaired Californians.
- An increase of \$345,000 ongoing General Fund to support Data and Systems Librarians.
- An increase of \$130,000 to support the California Homeless Youth Project.

## **What's Next?**

The release of the May Revision starts the horserace toward the eventual adoption of a state budget by the constitutional deadline of June 15. Look for a jam-packed schedule of hearings starting next week (Monday morning at 8:00 a.m.!) in the Legislature and an abundance of behind-the-scenes work among and between Administration staff, legislative leadership and budget staff, and the third house.

## **Questions?**

Should you have questions on any aspect of the May Revision or budget process in general, please do not hesitate to reach out to any of us. Thank you!

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