

June 28, 2021

TO: Urban Counties of California

FROM: Hurst Brooks Espinosa, LLC

**RE: 2021-22 State Budget – Summary of Final Budget Deal**

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The Legislature finally(!) took action on the 2021-22 state budget today, after a long two weeks of negotiations between the Legislature and the Administration. Please note that there has yet to be an official “announcement” from legislative leaders or the Governor that a final deal has been struck. However, the full Senate and Assembly budget committees met to hear budget-related bills earlier today and, as we finalize tonight’s update, both houses have wrapped up floor sessions where they approved a Budget Bill, Jr. along with the first round of trailer bills. All parties acknowledge that a few key issues remain outstanding, including child care rates and rate reform as well as homelessness trailer bill language. Summaries of the package can be found [here](#) and [here](#).

Below we summarize major elements of the state’s 2021-22 spending plan, followed by a list of trailer bills and a brief summary of each piece of implementing legislation voted on today. We will continue to update the trailer bill chart as additional legislative actions are taken. Please note that given the tremendous volume of budget and trailer bill language to get through you can expect further clarification and details from us in the days ahead. We will continue to build out the content of the trailer bill summary table, which begins on page 17 of this document.

## RESERVES

The 2021-22 Budget Act includes \$25.2 billion in General Fund reserves as follows:

- \$4 billion in the state’s “regular” reserve, the Special Fund for Economic Uncertainties (SFEU)
- \$900 million in the Safety Net Reserve Fund
- \$4.5 billion in the Proposition 98 Reserve
- \$15.8 billion in the Budget Stabilization Account (Rainy Day Fund)

## GANN LIMIT

In a departure from the May Revision, the 2021-22 Budget Act maintains spending below the constitutional state appropriations limit (also known as the “Gann Limit”); the two-year period of current year (2020-21) and budget year are also below the state appropriations limit. Put simply, the



plan incorporates some specific characterization of expenditures outside of the limit (see our discussion of the Golden State Stimulus II, below), as well as recommendations from the Legislative Analyst's Office to make adjustments to the state's current practice for characterizing of expenditures. Of note, the general government trailer bill (AB 137/SB 137) incorporates language to move expenditures associated with 1991 and 2011 Realignment from state "proceeds of taxes" to local "proceeds of taxes" only for purposes of calculating the state and local appropriations limits, starting in 2020-21. Local agencies will need to recalculate their local limits for 2020-21 and 2021-22; local agencies are held harmless for any overage that results from shifting Realignment revenues to the local level.

## **ECONOMIC STIMULUS**

The final budget agreement includes a number of investments in programs to assist families and businesses most impacted by the COVID-19 pandemic, including:

- \$8.1 billion for the Golden State Stimulus 2, payments of \$500, \$600, \$1,000, or \$1,100, for Californians with incomes of up to \$75,000.
- An additional \$1.5 billion for the Small Business COVID-19 Relief Grant Program for small businesses and non-profits.
- Additional business supports, including \$50 million for grants for microbusinesses, \$150 million to create the California Venues Grant Program, tax credits that support small business hiring and the hiring of homeless individuals, an additional \$110 million for the California Competes Tax Credit, and \$120 million to establish the California Competes Grant Program.

## **GENERAL GOVERNMENT**

### **Homelessness**

The June 28 budget package provides about \$12 billion in new funding (federal and state) for homelessness programs over the next two years, including \$1 billion in support for local governments to address homelessness for both 2021-22 and 2022-23. More than \$4 billion is provided over the two-year period for various programs operated out of the Department of Social Services to address those at highest risk of becoming homeless, including vulnerable seniors, families with children, and foster children. Details for these proposals are anticipated to be worked out in a future trailer bill.

Specifically, the budget includes:

- \$805 million one-time, to be spent across multiple years, for the development and stabilization of Residential Care Facilities for the Elderly and Adult Residential Facilities across the state.
- \$300 million General Fund one-time for the Home Safe Program over two years to help combat senior homelessness.
- \$380 million one-time for the CalWORKs Housing Support Program over two years to house families in the program and help them avoid eviction.
- \$185 million General Fund one-time to help aid in family maintenance when a child welfare case is partly due to housing instability.

- \$50 million to address encampments for persons experiencing homelessness
- \$1.5 billion for Project Homekey grants (includes \$1.2 billion in federal recovery funds and \$250 million in General Fund)

## **Elections**

The 2021-22 budget includes \$215 million for counties to administer the forthcoming gubernatorial recall election, as well as \$35 million for the Secretary of State to cover its costs. SB 152 contains provisions associated with conducting the recall election, including requirements for counties conducting regular elections before January 1, 2022, as well as consolidating previously called special elections with a gubernatorial recall election. SB 152 also includes intent language suggesting that the Legislature will provide additional resources should its initial appropriation fail to cover costs associated with the recall.

## **Funding for Special Districts**

The budget includes \$100 million to assist independent special districts with revenue loss and increased costs associated with the COVID-19 pandemic. Relief is limited to those who have not received other forms of relief from the federal or state government. Funds are anticipated to be distributed by September 1, 2021.

## **Assessment Appeals Deadline Extension**

The statutory deadline for adjudication in certain assessment appeals cases is extended to December 31, 2021 in the general government trailer bill.

## **Assessor Grant Program**

The budget agreement deletes the \$30 million identified for the State Supplementation for County Assessors' Program (SSCAP).

## **Property Tax Backfill for Wildfire Losses**

The budget includes nearly \$11 million in funding to local agencies for property tax losses associated with the 2020 wildfires. Counties will use a countywide claims process to report losses experienced by counties, cities, and special districts; the Department of Finance will review these claims and submit to the State Controller for distribution to county auditor-controllers to then distribute to impacted agencies.

## **Broadband**

The 2021-22 budget appropriates \$6 billion over a multi-year period for broadband infrastructure and improved access to broadband services in unserved and underserved communities throughout the state, including \$3.75 billion for middle-mile infrastructure in unserved communities. Ongoing negotiations regarding further deployment of resources are anticipated, but the current agreement apparently includes administrative flexibilities to allow the appropriated funds to be accelerated to ensure they are available as needed to fund the expansion and improvements.

## Libraries

The 2021-22 state budget includes an impressive list of investments in public libraries, including:

- \$1 million ongoing for the Zip Books project, which provides for easily accessible online purchasing and convenient shipping of library books to ensure timely and cost-effective access to information in hard-to-reach and underserved communities.
- \$800,000 ongoing to support the Lunch at the Library program.
- \$3 million one-time to support grants to local library jurisdictions to acquire bookmobiles and vans.
- \$5 million one-time funds to provide grants for early learning and after school programs to library jurisdictions.
- \$500,000 ongoing and \$300,000 one-time to support increased costs for library broadband services as part of the CENIC network.
- \$439 million one-time to provide grants for local library infrastructure improvements through an equity-focused matching infrastructure grant program.
- \$5 million one-time to support the Civil Liberties Education Grant Program to support the creation and dissemination of educational and public awareness resources concerning the history and lessons of civil rights violations or injustices carried out against communities or populations.
- \$6 million one-time funds to support the Broadband Connectivity initiative for public libraries to leverage federal funds to connect rural and under-sourced public libraries, tribal libraries and cultural centers, and to upgrade local library equipment to support high speed connectivity.
- \$35 million one-time to support local projects to expand broadband access for isolated and under-served communities through a collaborative partnership of local educational agencies, regional and local libraries, and telehealth providers.
- \$300,000 to support CENIC circuit deployment fees to local libraries.
- \$15 million to expand access and support to the English as a Second Language Learners program available through local libraries.
- \$6.4 million to support a two-year pilot project for real-time, online tutoring service program for elementary and secondary school pupils through local libraries.
- \$1.6 million one-time and \$220,000 ongoing to support a pilot project in collaboration with the Braille Institute of America to implement new assistive technologies and expand access to those resources to visually-impaired Californians.
- About \$2.4 million to support the development of disaster preparedness plans to protect at-risk art and historically and culturally significant collections that are publicly and privately held by underserved and underrepresented communities.
- \$1.8 million ongoing to the California Library Services Act.

## HEALTH AND HUMAN SERVICES

### Health

There are two health related trailer bills in print as of Monday afternoon – AB 133/SB 133 on health and AB 134/SB 134 on Mental Health Services Act (MHSA). More bills are anticipated in the coming weeks. AB 133 includes several provisions, including but not limited to: CalAIM, telehealth, Medi-Cal expansion to undocumented adults, Medi-Cal optional benefits, Medi-Cal asset test, conversion of the Office of Statewide Health Planning and Development into the Department of Health Care Access and Information.

AB 134/SB 134 provides flexibilities related to MHSA and would appropriate \$187 million from the Federal Trust Fund to the State Department of Health Care Services to support community mental health services. Both bills are expected to be discussed in Senate Budget and Fiscal Review Committee on Wednesday and voted on by the full Senate and Assembly on Thursday, July 1.

#### ***Public Health***

- Provides \$300 million annually beginning in 2022-23 for public health purposes, including addressing preventable death and disease, reducing health disparities, and supporting an agile public health workforce. These investments will be governed by statutory changes developed in collaboration with the Administration later in the legislative session. This is one of the trailer bills that likely will not be ready after the legislative summer recess.
- Appropriates \$13 million ongoing General Fund to support investments to End the Epidemics of HIV/AIDS, hepatitis, sexually transmitted infections, and drug overdose deaths. This funding has been provided to community-based organizations and a limited amount was available previously to local health departments.

#### ***Public Hospitals***

The budget includes \$300 million (state General Fund) to provide grants to public hospitals for their COVID-related losses.

#### ***Telehealth***

AB 133 contains an extension of existing telehealth flexibilities, including video and audio visits paid at parity with in-person visits until December 31, 2022. Additionally, the bill creates an advisory group on telehealth for purposes of informing the 2022–23 proposed Governor’s Budget. The Advisory Group will provide recommendations to inform the department in establishing and adopting billing and utilization management protocols for telehealth modalities to increase access and equity and reduce disparities in the Medi-Cal program. The advisory group will analyze the impact of telehealth in increased access for patients, changes in health quality outcomes and utilization, best practices for the appropriate mix of in-person visits and telehealth, and the benefits or liabilities of any practice or care model changes that have resulted from telephonic visits.

#### ***Youth Behavioral Health***

- Invests \$4.4 billion dollars over five years to create a new, modern, and innovative behavioral health system for youth ages 0 to 25, including \$205 million for the Mental Health Student Services Act to fund school and county mental health partnerships to support the mental health and emotional needs of children and youth as they return to schools and everyday life.

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

- Invests \$2.2 billion for competitive grants to construct, acquire, and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources. These funds include an allocation of \$150 million, combined with \$55 million of federal funding, to support mobile crisis support teams to assist youth and adults experiencing a behavioral health crisis.

### ***CalAIM***

- Includes funding and trailer bill (AB 133) to implement CalAIM, including, but not limited to, the following components:
  - Establishes the CalAIM Act and requires DHCS to identify conflicts between the Act and the Terms and Conditions and statutes and submit recommended amendments.
  - Establishes an incentive payment program for Medi-Cal managed care (MCMC) plans that meet certain milestones and metrics, including In Lieu of Services (ILOS) and Enhanced Care Management (ECM).
  - Reforms the reimbursement system for County Mental Health Plans.
  - Authorizes DHCS to require Medi-Cal managed care plans and subcontractors to be accredited by NCQA, but prohibits deeming, except for credentialing.
  - Authorizes the continuation of the Health Homes Program using General Fund and sunsets the program January 1, 2022.
  - Requires DHCS to implement the State Plan Dental Improvement Program, a quality incentive program for district hospitals and continue the Global Payment Program.
  - Sunsets the Coordinated Care Initiative (CCI) and Cal MediConnect and authorizes transition to enrollment in Medicare Dual-Eligible Special Needs Plans (D-SNPs).
  - Requires continuation of the Drug Medi-Cal Organized Delivery System and Specialty Mental Health Services programs, including a placeholder requirement to design an intergovernmental transfer claiming methodology to replace the current claiming process and a Behavioral Health Quality Improvement Program for grants to counties and contracting entities to implement.
  - Requires county Boards of Supervisors to designate entities to assist county jail and juvenile inmates with submitting Medi-Cal applications.
  - Requires a workgroup to improve collection of Medi-Cal enrollee contact and demographic information.
  - Authorizes new incentive payments, grants, or other financial supports in a new program known as Providing Access and Transforming Health (PATH) for qualified entities to support services, infrastructure, and capacity building in advancing select goals and components of CalAIM.
  - Authorizes funding for the Population Health Management Service.
  - Authorizes funding to extend the Medically Tailored Meals Pilot Project

### ***Office of Health Care Affordability***

- Includes 58 positions and \$11.2 million in 2021-22, 106 positions and \$24.5 million in 2022-23, 123 positions and \$27.3 million in 2023-24, and annually thereafter from the California Health Data and Planning Fund to establish the Office of Health Care Affordability. However, trailer bill language on the Office of Health Care Affordability has not been released.

### ***Medi-Cal at 50+, Regardless of Immigration Status***

- Contains \$48 million in the first year, growing to \$1.3 billion, to expand eligibility for full-scope Medi-Cal coverage to income-eligible adults age 50 and older, regardless of immigration status. Provisions take effect May 1, 2022.

### ***Medi-Cal Asset Test Removal***

- Eliminates the Medi-Cal asset test for seniors to remove the “senior savings” penalty to expand access to more income eligible seniors.

### ***Optional Medi-Cal Benefits***

- Includes trailer bill language to restore over-the-counter acetaminophen and cough and cold products as Medi-Cal benefit, reflecting a reduction in annual Medi-Cal expenditures of \$21 million (\$7.8 million General Fund and \$13.2 million federal funds).

### ***Screenings, Brief Intervention, and Referral for Treatment (SBIRT)***

- Adopts trailer bill to repeal the statutory December 31, 2021 suspension date for Medi-Cal adult primary care screenings, brief intervention, and referral for treatments of misuse of opioids and other drugs because it is a federally required Medicaid State Plan benefit for all adults as of June 2020.

### ***Lanterman-Petris-Short (LPS) Conservatorships***

The budget rejects the May Revision proposal to halt intake and release LPS conservatees at State Hospitals. However, we anticipate trailer bill language related to addressing the state’s felony incompetent to stand trial wait list will include a trigger mechanism on LPS placements at state hospitals. The state will be forming a workgroup of state agencies, the Judicial Council, local governments and public safety representatives to work on short (January 2022), medium (2023), and long-term (2024 and 2025) recommendations to reduce the state’s IST waitlist. More information to come once that trailer bill is in print.

### ***Song-Brown Workforce***

- Approves \$50 million General Fund one-time, available over six years, for additional awards to support and sustain new primary care residency programs through the Song-Brown Health Care Workforce Training Program. Of this amount, \$10 million is specifically to support Board of Registered Nursing-approved pre-licensure programs, with priority for public programs.

### ***Geriatric Workforce***

- Approves of \$8 million one-time, available over six years, for geriatric workforce programs.

### ***Department of Health Care Access and Information***

- Approves trailer bill, nine positions and total expenditure authority of \$6.3 million, from various fund sources, in 2021-22 and 13 positions and \$3.9 million annually thereafter to recast and reorganize the Office of Statewide Health Planning and Development (OSHPD) into the Department of Health Care Access and Information (HCAI). The reorganization includes transferring the Office of Rural Health and the J-1 Visa Waiver Program from DHCS to the new department.

### ***Behavioral Health Pilot Project***

- Approves \$40 million General Fund one-time, contingent on federal approval of the State's Home and Community Based Services Spending Plan, to continue the Behavioral Health Pilot Project, which provides grants to acute care hospitals to hire behavioral health counselors and peer navigators in emergency departments, prioritizing grants to hospitals that have yet to receive a grant for this purpose.

### ***Alameda Wellness Campus***

- Approves \$15 million General Fund one-time, and provisional language, to support the Alameda Wellness Campus to provide an integrated model of care that includes permanent supportive housing, medical respite, primary and behavioral health care, end-of-life care, and intensive homeless prevention and housing placement services for homeless seniors.

## **Human Services**

There are no trailer bills in print to implement various related to human services budget items detailed below.

### ***CalWORKs***

The budget includes:

- **Earned Income Disregard.** \$135 million in ongoing support to raise the CalWORKs applicant earned income disregard from \$90 to \$450.
- **CalWORKs Pregnancy Aid.** Provides \$17 million ongoing to allow a pregnant person to receive aid to meet special needs resulting from pregnancy upon verification of pregnancy and increases the CalWORKs pregnancy supplement from \$47 to \$100.
- **Intensive Case Management Services.** \$37.5 million in 2021-22, \$75 million in 2022-23, and \$128.5 million in 2023-24, and \$257 M in 2024-25 and on-going to incrementally increase CalWORKs intensive case management services over a four-year period. The cost for this is, with trailer bill language to effectuate these changes. All funds are General Fund/TANF.
- **Single Allocation.** Approves funding to restore a program cut, made in the Governor's May Revision, in order to maintain the CalWORKs eligibility funding in the Single Allocation at the 2020-21 level, preventing a large program reduction. The cost for this restoration is \$68.3 million in 2021-22 and \$40.8 million in 2022-23 and on-going. All funds are General Fund/TANF.
- **Training.** Approves funding for a contract for development of trainings for all CalWORKs county staff focused on racial equity, implicit bias, and advancing and institutionalizing the CalWORKs 2.0 and CalOAR, for a cost of \$3 million General Fund/TANF in 2021-22 and \$10 million General Fund/TANF in 2022-23, with trailer bill language to effectuate these changes.
- **Family Reunification CalWORKs Assistance Payment.** Approves the Governor's May Revision funding of \$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, called the Family Reunification CalWORKs Assistance Payment.

### ***Housing and Homelessness***

The budget provides \$1 billion over four years for various housing and homelessness program administered by the Department of Social Services aimed at the most vulnerable California residents, including seniors and children living in poverty. Specifics include:

- **CalWORKs Housing Support Program (HSP).** \$190 million General Fund in 2021-22 and \$190 million General Fund in 2022-23, allowing for use of both appropriations until June 30, 2024. Anticipated trailer bill language to facilitate local use of these funds to combat homelessness, including enabling the ability to provide assistance to a family at risk of homelessness prior to the start of an eviction.
- **Bringing Families Home (BFH) program.** \$92.5 million General Fund in 2021-22 and \$92.5 million General Fund in 2022-23, allowing for use of both appropriations until June 30, 2024. Anticipated trailer bill language to effectuate changes that includes a waiver of the county match requirement for the entire three-year period and funding flexibility to serve families at risk of homelessness.
- **Housing and Disability Advocacy Program (HDAP).** \$150 million General Fund in 2021-22 and \$150 million General Fund in 2022-23, allowing for use of both appropriations until June 30, 2024. Anticipated trailer bill language to effectuate changes that includes a waiver of the county match requirement for the entire three-year period and allowing the use of funds for prevention.
- **Adult Protective Services (APS) Home Safe Program.** \$92.5 million General Fund in 2021-22 and \$92.5 million General Fund in 2022-23, allowing for use of both appropriations until June 30, 2024. Anticipated trailer bill language to effectuate changes that includes a waiver of the county match requirement for the entire three-year period and funding flexibility in homelessness prevention approaches, including the ability to serve APS clients at risk of homelessness.

### ***In-Home Supportive Services (IHSS)***

The Assembly Floor Report notes that the budget includes “trailer bill language to effectuate a seven percent penalty on counties that fail to reach a collective bargaining agreement for their IHSS workers and extends related bargaining tools.” There is no trailer bill language available to verify the details of the penalty proposal. The budget also includes the Governor’s May Revision proposal to retain the IHSS State and County Sharing Ratio, which continues the 65 percent state and 35 percent county sharing ratio and the 10 percent over three years option. This assumes increased state costs of \$57.3 million General Fund in 2021-22 and \$123.8 million ongoing General Fund to reflect this change.

### ***Adult Protective Services***

- Approves funding to expand and enhance the Adult Protective Services (APS) program, lowering the eligibility to age 60 from the current age 65. This is funded with \$70 million in 2021-22 and on-going.

### ***Families First Prevention Services Act (FFPSA)***

- Approves additional resources of \$100 million General Fund in 2022-23, atop the Governor’s May Revision amount of \$122.4 million, for use over a multi-year period, for prevention services to be implemented under the Families First Prevention Services Act (FFPSA).

### ***Addressing Complex Care Needs of Foster Youth***

- Provides additional resources of \$100 million General Fund in 2022-23, atop the Governor's May Revision amount of \$39.2 million, for use over a multi-year period, for services for high and complex care needs foster youth, some of whom were previously served out of state. Trailer bill language is not yet finalized to effectuate changes, including movement toward a state moratorium on out of state placement for children and youth served in California's system.

### ***Resource Family Approval***

- Approves funding of \$85 million General Fund in 2021-22 one-time to reflect actual expenditures and true-up costs for counties to conduct the Resource Family Approval (RFA) process, an integral part of the Continuum of Care Reform (CCR) effort.

### ***Emergency Response Social Workers***

- Approves funding of \$50 million General Fund in 2021-22 and another \$50 million General Fund in 2022-23 to increase the number of Emergency Response social workers in the child welfare system.

### ***Short-Term Residential Therapeutic Program***

- Approves \$42 million one-time General Fund in 2021-22 to provide pandemic and stabilization support for Short-Term Residential Therapeutic Program (STRTP) providers, with budget bill language to effectuate this.

### ***Foster Care Providers***

- Provides a \$1500 per child caregiver stipend to all household types with a foster child in care, at a cost of \$80 million one-time General Fund in 2021-22.

### ***Food for All***

- Begins implementing expansion of state-funded nutrition benefits to those ineligible for CalFresh or the California Food Assistance Program solely due to immigration status. Automation changes to the program will begin immediately, and targeted enrollments will begin in 2023-24 once automation updates are completed.

### ***Aid for Food Banks***

- Provides close to \$300 million one-time to help food banks address the overwhelming need brought on by the COVID-19 pandemic and operate in the 2021-22 fiscal year.

### ***SSI/SSP Legacy Cut Restoration***

- Provides \$225 million in 2021-22 and \$450 million in 2022-23 to restore 50 percent of the remaining 2009 SSI/SSP grant cut and anticipates the remaining 50 percent of the cut will be restored in the 2023-24 budget year. This restoration (combined with Governor's May Revision proposal) will increase the SSP grant by approximately \$36 per month for individuals and \$92 per month for couples.

### ***Child Care***

- Subject to final agreement on details, implements rate reform and rate increases for child care and state preschool providers. Increases child care access by 120,000 slots in the 2021-22 fiscal year in Alternative Payment, General Child Care, Migrant Child Care, bridge program for

foster children, and prioritizes ongoing vouchers for essential workers currently receiving short-term child care. Over a five-year period, total slots increase to 206,500 ongoing slots.

### ***Immigration Programs and Services***

The budget includes several investments, including:

- \$30 million General Fund in 2021-22 one-time for the Immigrant Services Funding program, also called One California.
- \$8 million General Fund in 2021-22 one-time to fund case management support for asylees, also called the Enhanced Services Program for Asylees (ESPA), with trailer bill language to effectuate these changes.
- \$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. Approves budget bill language requiring a reporting on the use of the funds by April 1, 2022.
- \$20 million General Fund and \$5 million Proposition 98 General Fund in 2021-22 to provide additional support for Unaccompanied Undocumented Minors (UUM) 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.
- \$25 million one-time General Fund in 2021-22 to fund filing fees for Deferred Action for Childhood Arrivals (DACA) and naturalization.

## **LOCAL PUBLIC SAFETY / JUDICIAL BRANCH**

### **Pretrial Services Funding**

Despite the Legislature's rejection of this investment in its placeholder budget, SB 129 provides \$140 million in funding to the Judicial Council for a statewide pretrial services program that promotes safe, fair, and timely pretrial release decisions. Of this amount, half of the funds will be dedicated to supporting and providing technical assistance to the 41 trial courts that did not receive funding under a 2019 pretrial services pilot program. The second \$70 million is intended to support all 58 superior courts statewide; it will be apportioned to courts based on the county's share of population aged 18 to 25.

Budget bill language enumerates eligible uses for this funding, including judicial officer workload, costs of technology and automation, ability-to-pay assessment where necessary, as well as provision of services for and monitoring of individuals released pretrial. Additional provisions (1) specify that courts must contract with a county department – including probation departments – to provide pretrial services and (2) maintain existing pretrial services programs and organizational features in the Santa Clara County and the City and County of San Francisco. Counties may, in turn, contract with community-based organizations for supplemental and complementary services in furtherance of the pretrial services program, if specified contracting-out provisions are met.

## **DJJ Realignment: Office of Youth and Community Restoration and Pine Grove Fire Camp Placements**

The final budget package conforms to the Governor's May Revision to provide \$7.6 million in 2021-22 and \$7.2 million annually thereafter to support 33 positions million associated with the state's establishment of the Office of Youth and Community Restoration (OYCR) within the Health and Human Services Agency effective July 1, 2021. The 2020 DJJ Realignment measure (SB 823) created the OYCR and outlined various roles and responsibilities for the office associated with supporting youth in the juvenile justice system. In addition to operational funding for the new office, the budget provides \$20 million in one-time funds to "provide technical assistance, disseminate best practices, and issue grants to counties and probation departments for the purpose of transforming the juvenile justice system to improve outcomes for justice involved youth". The funding, to be allocated through a process determined by the OYCR once established, is available for expenditure or encumbrance until July 1, 2024.

Additionally, the budget provides authorization for the Division of Juvenile Justice to enter into contracts with counties to facilitate placement of youth at the Pine Grove Youth Conservation Camp.

## **Public Defender Funding**

SB 129 provides \$50 million annually over a period of three years to the Board of State and Community Corrections (BSCC) for the Public Defense Pilot Program, intended to support in each county the provision of local indigent defense services in criminal matters. Qualifying entities include public defenders, alternate defenders, and other agencies that provide associated services. Of this amount, \$500,000 is provided to cover BSCC's administrative costs as well as to permit BSCC to contract with a university or research institution to complete an independent evaluation of the pilot program, which sunsets January 1, 2025.

## **Methodology for Distributing AB 1869 (2020) Backfill**

The courts trailer bill (AB/SB 143) specifies the methodology to be used to distribute the \$65 million in backfill authorized in AB 1869, a 2020-21 budget trailer bill that repealed about two dozen criminal justice administrative fees and vacated all associated debt. Pursuant to the provisions of AB 1869, the backfill will be paid to counties for five years (2021-22 through 2025-26) in recognition of revenue loss connected to elimination of fee authority. The Department of Finance is required to develop a specific county-by-county allocation schedule by October 1, 2021, which shall be based on the following weighted formula:

- 50% based on the three-year average of each county's adult population compared to that of the state from 2017 to 2019, inclusive.
- 25% based on the three-year average of each county's total felony and misdemeanor arrests compared to that of the state from 2017 to 2019, inclusive.
- 25% based on the three-year average of each county's total traffic and nontraffic felony and misdemeanor filings compared to that of the state from 2017 to 2019, inclusive.

Additionally, the measure makes clear that each county's board of supervisors has the authority to determine how the backfill funds are to be spent. Each county must report to the Director of Finance, the Legislative Analyst's Office, and the Joint Legislative Budget Committee on or before May 1, 2022 on the actual revenue loss associated with each individual fee repealed by AB 1869 (2020) for the three most recent years the county collected that revenue prior to enactment of that bill.

Recognizing that not all counties will be able to produce statute-specific revenue loss information, counties can – in the alternative – provide a detailed description of how it calculated the revenue loss along with other required details. Additionally, counties will be required to report how they spent the backfill allocation by January 10 annually for the five years that the backfill is provided, including the following information: (1) the total annual budget of the county department or departments that receive the allocation, the share of the backfill allocation received, and an accounting of the expenditures of the allocation by county department that receive a share of this allocation and (2) a description of the programs, services, strategies, and enhancements supported by or made with the allocation by county department.

### **Dependency Counsel Funding**

SB 129 provides for a two-part augmentation for dependency counsel funding, as follows:

- \$10 million in one-time General Funds to cover pandemic-driven caseload increases as well as unanticipated dependency counsel operational adjustments and purchases necessary to comply with public health orders and social distancing requirements. These funds will be distributed by the Judicial Council using the methodology customarily used to distribute the statewide dependency counsel funding.
- Up to \$30 million ongoing to address any shortfalls experienced in drawing down federal Title IV-E funds. Requires the Judicial Council by April 1, 2022 to report to the Legislature regarding invoices received for the first two quarters of 2021-22, any projected shortfall, and a proposed distribution of any such shortfall. To allow necessary time for final invoices for the entire fiscal year to be submitted and reviewed, payments to dependency counsel providers associated with any federal funding shortfall will be made no later than September 30, 2022. Any portion of the \$30 million not needed to address the shortfall will revert to the General Fund.

### **Remote Court Proceedings**

The courts trailer bill also contains provisions permitting – but not requiring – courts to conduct proceedings remotely but only for infractions and only with the defendant’s consent.

### **Expanding Ability-to-Pay Program Statewide**

The budget approves funding for and language to establish – no later than June 30, 2024 – a statewide online tool for adjudicating infraction violations that includes and ability-to-pay determinations. Those determinations could lead to reduction or waiving of a person’s associated financial obligation.

### **Other Proposed Reductions to Court-Related Fines and Fees**

Subject to future negotiations on the specific fines and fees to be addressed, the budget assumes that an additional set of criminal justice administrative fees and possibly other associated penalties will be eliminated. Associated with this expected future action, the budget package assumes \$151 million in 2021-22 and 2022-23, \$130 million in 2023-24, and \$120 million in 2024-25 and ongoing to backfill state and local revenue associated with the eliminated fees.

## Legal Aid for Homeowners and Renters

The budget package dedicates \$80 million of federal funds over three years to fund legal aid services for renters and homeowners to avoid eviction and foreclosure.

## Local Detention Facility Inspections

The budget authorizes the BSCC to conduct unannounced local detention facility inspections and provides \$3.1 million in additional funding for BSCC to hire additional staff.

## SB 678 (2009) Funding

AB 145/SB 145 details the county-by-county allocation of \$122.8 million in SB 678 probation incentive funds in 2021-22, which reflects each county's highest payment from the previous three fiscal years instead of the amounts that would otherwise be produced from the formula specified in statute. The SB 678 allocation methodology will be revisited next year.

## County Resentencing Pilot

The budget provides \$18 million to establish a prosecutor-initiated County Resentencing pilot program.

## TRANSPORTATION

The 2021-22 Budget Act includes significant investments in clean transportation, including:

- \$600 million funding for a new sustainable communities transportation block grant program.
- \$400 million for a new State and Local Climate Adaptation Program
- \$83 million for the Governor's Clean California Program down and an additional \$418 million to Caltrans for litter abatement.

## EDUCATION

Among the many investments in California's pre-K, K-12, and higher education budgets, we highlight the following items:

- **Proposition 98 Deferrals.** The 2021-22 budget fully repays \$11 billion of Proposition 98 deferrals for K-12 and community colleges.
- **Universal Transitional Kindergarten (TK).** The budget includes phasing in expanded age eligibility to TK to full implementation in 2025-26 and rebenching the Proposition 98 guarantee to provide ongoing funding for the TK expansion of approximately \$2.7 billion at full implementation.
- **Community Schools.** The budget provides \$3 billion to launch a statewide initiative to build accessible community wellness and student health hubs on over 1,000 school campuses to address students' and families' most critical health and service needs while supporting academic success.

- **Cal Grant Enrollment Expansion.** The budget includes \$155 million ongoing to end age and time out of high school requirements for community college students, representing the largest Cal Grant expansion in the program's history.
- **Middle Class Scholarship.** The budget provides an additional \$515 million starting in 2022-23 to reboot the Middle Class Scholarship to supplement non-tuition costs for Cal Grant students with the eventual goal of achieving debt-free college.
- **Increased California Resident Slots at UC and CSU.** The budget also includes \$180 million to increase in-state resident slots at UC and CSU by more than 15,000 students and launches a new program aimed at replacing non-resident slots at UC Berkeley, Los Angeles, and San Diego.

## WHAT'S NEXT FOR THE BUDGET?

We anticipate that the Governor will act on the 2021-22 state budget in short order (including the eviction moratorium bill outlined below). Additional trailer bills will be heard by the Assembly and Senate budget committees on Wednesday with additional floor votes on Thursday. (The Legislature is slated to take Friday, July 2 off for the Fourth of July holiday.) As mentioned above, there are a number of trailer bills that are not yet in print and we anticipate significant ongoing budget discussions throughout the summer. HBE will keep you apprised of the latest budget news, as usual. Please feel free to reach out to us with your budget questions.

## EVICTION MORATORIUM EXTENSION HEADS TO THE GOVERNOR

The Legislature approved [AB 832](#) (Chiu) today, which extends the moratorium on evictions that was slated to expire later this week to September 30. Combined with additional federal funds to cover rental assistance and utility debt that have been accrued during the pandemic, the bill represents what could be the last effort to keep low-income Californians who have experienced financial hardships during the COVID-19 crisis housed.

AB 832 provides expanded payment rates for unpaid rent, providing 100 percent of rent owed to landlords, including "topping off" landlords who have already received assistance at the previous 80 percent in payments. For those tenants whose landlords decline to participate in the state's rental assistance program, tenants may apply for rental assistance directly. After current eviction protections end on October 1, 2021, tenants may not be evicted during the next six months if they have completed an application for government rental assistance. Finally, court records related to eviction for nonpayment of rent during the pandemic and to collection of pandemic-related rental debt will be permanently sealed.



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## 2021-22 Budget Bills / Trailer Bills – As of June 28, 2021

**Note that the bills highlighted in orange have already been approved by the Legislature.**

Bill No.	Subject
<a href="#"><u>AB 128</u></a>	Main Budget Bill (enrolled to Governor 6/14)
<a href="#"><u>SB 129</u></a>	Budget Bill, Jr.
<a href="#"><u>SB 139</u></a>	Golden State Stimulus II
<a href="#"><u>SB 142</u></a>	MOUs for various state employee groups
<a href="#"><u>SB 146</u></a>	Elimination of unused/relinquished state lease revue bond capacity
<a href="#"><u>SB 147</u></a>	Supplemental appropriations
<a href="#"><u>SB 152</u></a>	Recall election
<a href="#"><u>SB 158</u></a>	Hazardous waste
<a href="#"><u>AB 159/SB 159</u></a>	MOU for Bargaining Unit 6 (state correctional officers)
<a href="#"><u>AB 133/SB 133</u></a>	Health
<a href="#"><u>AB 134/SB 134</u></a>	Mental Health Services Act
<a href="#"><u>AB 136/SB 136</u></a>	Developmental Services
<a href="#"><u>AB 137/SB 137</u></a>	General government
<a href="#"><u>AB 138/SB 138</u></a>	Labor
<a href="#"><u>AB 140/SB 140</u></a>	Housing
<a href="#"><u>AB 141/SB 141</u></a>	Cannabis Control
<a href="#"><u>AB 143/SB 143</u></a>	Courts
<a href="#"><u>AB 145/SB 145</u></a>	Public Safety
<a href="#"><u>AB 148/SB 148</u></a>	Resources
<a href="#"><u>AB 149/SB 149</u></a>	Transportation
<a href="#"><u>AB 150/SB 150</u></a>	Revenue and Taxation
<a href="#"><u>AB 151/SB 151</u></a>	Economic Development
<a href="#"><u>AB 157/SB 157</u></a>	Crime prevention: enforcement and training programs

## 2020-21 Budget Bill and Trailer Bills – As of June 28, 2021

Bill No.	Topic	Summary of main provisions
<a href="#">AB 128</a>	Budget Act of 2021	Main provisions of Legislature’s two-house budget plan.
<a href="#">AB 129/SB 129</a>	Amendment to Budget Act of 2021	Amendments to AB 128 to reflect final budget deal. (“Budget Bill, Jr.”)
<a href="#">AB 139/SB 139</a>	Golden State Stimulus II	<p>Golden State Stimulus II tax rebate payments of approximately \$8.1 billion to provide financial relief for low and middle-income Californians who may have been adversely impacted by the economic disruptions resulting from the COVID-19 emergency, as follows:</p> <ul style="list-style-type: none"> <li>▪ The \$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 is estimated to cost \$5.6 billion and assist about 9.4 million tax filers.</li> <li>▪ The \$500 one-time stimulus payments to all taxpayers with adjusted gross income of \$75,000 or less with a dependent on the return is expected to cost \$2.2 billion and assist 4.3 million tax filers. Some of these recipients will receive \$1,100 if they also qualify for the low- to middle-income stimulus under 1 above.</li> <li>▪ The \$500 one-time stimulus payments to all ITIN taxpayers with adjusted gross income of \$75,000 or less and a dependent is expected to cost \$260 million and assist 520,000 tax filers. These recipients are also eligible for the payments under 2, above, so they will receive \$1,000.</li> </ul>
<a href="#">AB 142/SB 142</a>	State Employee MOUs	<p>Makes necessary statutory changes to ratify and implement memoranda of understanding (MOUs), addenda and side letters between 19 bargaining units (BUs) and the state. The agreements cover state employees represented by 11 exclusive employee representatives, as follows:</p> <ul style="list-style-type: none"> <li>▪ <u>Service Employees International Union, Local 1000 (SEIU 1000)</u>: BU 1: Administrative, Financial, and Staff Services; BU 3: Professional Educators and Librarians; BU 4: Office and Allied; BU 11: Engineering and Scientific Technicians; BU 14: Printing Trades; BU 15: Allied Services; BU 17: Registered Nurses; BU 20: Medical and Social Services; BU 21: Education Consultants and Library Employees California Attorneys</li> <li>▪ <u>Administrative Law Judges and Hearing Officers in State Employment (CASE)</u>: Bargaining Unit 2: Attorneys, Administrative Law Judges, and Hearing Officers</li> <li>▪ <u>California Association of Highway Patrolmen (CAHP)</u>: Bargaining Unit 5: California Highway Patrol Officers</li> <li>▪ <u>California State Law Enforcement Association (CSLEA)</u>: Bargaining Unit 7: Protective Services and Public Safety</li> <li>▪ <u>Professional Engineers of California Government (PECG)</u>: Bargaining Unit 9: Professional Engineers</li> <li>▪ <u>California Association of Professional Scientists (CAPS)</u>: Bargaining Unit 10: Professional Scientists</li> <li>▪ International Union of Operating Engineers (IUOE): Bargaining Unit 12: Craft and Maintenance; Bargaining Unit 13: Stationary Engineers</li> <li>▪ <u>Union of American Physicians and Dentists (UAPD)</u>: Bargaining Unit 16: Physicians, Dentists, and Podiatrists</li> <li>▪ <u>California Association of Psychiatric Technicians (CAPT)</u>: Bargaining Unit 18: Psychiatric Technicians</li> </ul>

Bill No.	Topic	Summary of main provisions
		<ul style="list-style-type: none"> <li>▪ <u>American Federation of State, County and Municipal Employees (AFSCME): Bargaining Unit 19: Professional Health and Social Services.</u></li> </ul>
<a href="#">AB 146/SB 146</a>	Public Safety: Facilities Financing	<p>Addresses state’s bond capacity associated with state and local correctional facility construction, specifically:</p> <ul style="list-style-type: none"> <li>▪ Eliminates remaining bond authority for various county jail construction financing programs totaling \$229 million; remaining bond authority is associated with award relinquishments and other unawarded funds.</li> <li>▪ Reduces existing lease revenue bond authority for Health Care Facility Improvement Program (HCFIP) at Department of Corrections and Rehabilitation (CDCR) institutions, given a change in fund source (to the state General Fund) for 2021-22.</li> </ul>
<a href="#">AB 147/SB 147</a>	Budget Act of 2020: Supplemental Appropriations	<p>Makes two additional appropriations totaling \$17.2 million for costs incurred in 2020-21:</p> <ul style="list-style-type: none"> <li>▪ \$17.185 million for CDCR costs associated with compliance in <i>Armstrong v. Newsom</i>, a case in federal court to address violations of ADA violations against incarcerated people with disabilities. Funding will cover training and a variety of equipment purchases to comply with measures ordered by the court.</li> <li>▪ \$10,800 to reimburse Mariposa County for the costs related to the homicide case of <i>People v. Cary Stayner</i>.</li> </ul>
<a href="#">AB 152/SB 152</a>	Elections	<p>Enacts statutory changes associated with the upcoming gubernatorial recall election, as follows:</p> <ul style="list-style-type: none"> <li>▪ Requires counties that administer a recall election pursuant to this chapter shall be considered to comply with requirements to hold a general election.</li> <li>▪ Authorizes a county that has previously conducted an all-mailed ballot election subject to specified provisions.</li> <li>▪ Authorizes a county that has not previously conducted an all-mailed ballot election to conduct an all-mailed ballot election subject to specified provisions.</li> <li>▪ Requires counties to conduct a voter education and outreach campaign.</li> <li>▪ Requires the Secretary of State to establish a process for granting counties partial waivers from requirements relating to the number, location, or operational duration of consolidated polling places or ballot drop-off locations and from requirements relating to the maximum number of voters in a precinct.</li> <li>▪ Authorizes counties to start to process vote by mail ballots on the 29th day before an election. The bill would deem a vote by mail ballot timely cast if it is postmarked or date stamped on or before election day and is received by the voter’s elections official no later than 7 days after election day.</li> <li>▪ Authorizes a local government entity that previously called a special local election to consolidate that election with a gubernatorial recall election if certain conditions are met.</li> <li>▪ Allows the Secretary of State to certify the sufficiency of the signatures if the Legislature has appropriated funds it determines are reasonably necessary to conduct the recall election and has designated funds for that purpose in the Budget Act or another statute.</li> <li>▪ Finally, the bill appropriates \$35 million to the Secretary of State to support statewide and county costs associated with the gubernatorial recall election and states the intent of the Legislature to reevaluate the appropriations made in the Budget Act or in another statute for counties to administer the 2021 gubernatorial recall election.</li> </ul>

Bill No.	Topic	Summary of main provisions
<a href="#">AB 158/SB 158</a> <b>2/3 vote</b>	Hazardous Waste	<ul style="list-style-type: none"> <li>▪ Establishes the Board of Environmental Safety (Board) within the Department of Toxic Substances Control (DTSC), restructures and increases charges that support the Hazardous Waste Management Account (HWCA), restructures and increases the tax that supports the Toxic Substances Control Account (TSCA), provides funding to support brownfield cleanups and investigations across the state and Exide residential cleanup, and makes other necessary and conforming changes.</li> <li>▪ Fee and funding provisions associated with this measure include:                         <ol style="list-style-type: none"> <li>1) Four significant changes to the existing HWCA fee structure –                                 <ul style="list-style-type: none"> <li>– Replaces the existing generator, disposal, EPA identification verification, and manifest user fees with a new generation and handling fee based on a price-per-ton model.</li> <li>– Increases the existing facility fees.</li> <li>– Eliminates various fee exemptions.</li> <li>– Revises the timing of payments from a calendar year to coincide with the fiscal year in which the Legislature appropriates the department's funding.</li> </ul> </li> <li>2) Two changes to the environmental fee, effective in 2022, and revision to the timing of payments</li> <li>3) \$500 million in one-time funding over three years to address brownfields, including a new competitive grant program to provide funding to local governments, tribes, nonprofit organizations, and private entities primarily to investigate as well as clean up brownfield sites.</li> <li>4) \$322.4 million over three years, as a loan for DTSC for activities, including job training activities, related to the cleanup and investigation of properties contaminated with lead in the communities surrounding the former Exide Technologies facility in the City of Vernon; requires funds recovered from potentially responsible parties for the former Exide Technologies facility to be used to repay those loans and would authorize forgiveness of the remaining loan balance under certain circumstances.</li> </ol> </li> </ul>
<a href="#">AB 159/SB 159</a>	State Employee MOUs	Ratifies the MOU for Bargaining Unit 6 – Corrections, represented by Corrections California Correctional Peace Officers Association.