

# Summary of Governor's 2022-23 Proposed Budget

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TO: UCC Board of Directors

FROM: Hurst Brooks Espinosa

**RE: Summary of Governor's 2022-23 January Budget Proposal**

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Governor Gavin Newsom, with his typical extended commentary (three hours!), outlined another historic state spending plan, presenting a \$213.1 billion proposed budget for 2022-23. The Administration reports a projected surplus of \$45.7 billion, which includes \$16.1 billion in additional Proposition 98 for K-14 schools, and an additional \$9 billion in reserve deposits and supplemental pension payments. This leaves a discretionary budget surplus of \$20.6 billion, 86 percent of which is allocated to one-time investments. The budget is expected to be structurally balanced in 2025-26, the last year of the multi-year forecast.

The Governor has packaged his budget proposal as *The California Blueprint*, focusing on five of the state's most significant challenges, as follows:

- **Fighting COVID-19.** As announced over the weekend, the Governor's budget includes \$2.7 billion to ramp up vaccines, boosters statewide testing and increased medical personnel to meet potential surges.
- **Combating Climate Change.** The Governor's budget includes \$648 million to support firefighters and purchase additional helicopters and dozers, plus an additional \$1.2 billion for forest management and other practices. In addition to last year's investments in water, the Blueprint includes an additional \$750 million for immediate drought response to aid residents, farmers, and wildlife as California grapples with a historic drought. The proposed budget also includes billions to invest in climate tech research and development, clean cars, preparing



Californians for career opportunities, and further readying the state's infrastructure to withstand extreme weather.

- **Confronting Homelessness.** The Governor's Blueprint adds \$2 billion for mental health housing and services and clearing encampments, expanding on last year's investments.
- **Addressing the Cost of Living.** The Governor's plan includes proposals that seek to bring down the costs of everyday expenses, including (1) expanding access to healthcare coverage, regardless of immigration status; (2) "doubling down" on achieving free universal pre-K, thousands of new child care slots, and increasing access to before, after, and summer school programs; (3) \$2 billion in new grants and tax credits to build more housing; and (4) growing small businesses by cutting red tape, waiving fees, and providing hundreds of millions in grants and tax breaks for small businesses.
- **Improving Safety.** The Governor's Blueprint includes his "Real Public Safety Plan" to fight and prevent crime, including (1) \$255 million in grants to local law enforcement and creating a new Smash and Grab Enforcement Unit to combat organized retail crime and grants for impacted small businesses; (2) more prosecutors to hold perpetrators accountable, ensuring District Attorneys are effectively and efficiently prosecuting criminals, and creating a new statewide team of investigators and prosecutors; and (3) creating a new statewide gun buyback program, holding the gun industry accountable, and intercepting drugs at the border. These investments are described in more details later in this summary.

Before moving into a section-by-section summary of policy-specific budget issues, we highlight a few important aspects of the Governor's overall budget architecture.

## Reserves

The Governor's proposed budget reflects \$34.6 billion in budgetary reserves, including:

- \$20.9 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund)
- \$9.7 billion in the Public School System Stabilization Account
- \$900 million in the Safety Net Reserve
- \$3.1 billion in the state's operating reserve.

Note that the Rainy Day Fund is now at its constitutional maximum (10 percent of General Fund revenues), requiring \$2.4 billion to be dedicated for infrastructure investments in 2022-23. The budget accelerates the paydown of state retirement liabilities as required by Proposition 2, with \$3.9 billion in additional payments proposed for 2022-23 and nearly \$8.4 billion projected to be paid over the next three years.

## Gann Limit

The Administration projects the State Appropriation Limit (SAL) or "Gann Limit" will likely be exceeded in the 2020-21 and 2021-22 fiscal years. An updated calculation of this limit, and proposals to address it, will be included in the May Revision.

The Administration notes that the economic forecast was prepared prior to the Omicron variant COVID surge, so budget writers warn that ongoing impacts of the COVID-19 pandemic pose a risk to the state's forecast. Strong stock market performance has resulted in a significant increase in capital gains revenue that is approaching prior peak levels (2000 and 2007, as a share of the state's economy); a stock market decline could lead to a substantial decrease in state revenues. The Administration acknowledges the dual challenge of managing the risk associated with historically high capital gains revenues: proposing additional deposits into the state's reserve accounts makes fiscal sense for the state, however, at the same time, such deposits into the reserves count towards the State Appropriations Limit. So, additional deposits into the reserves must be "carefully balanced" against other spending priorities.

As we've previously shared, the **Gann Limit** is a limit on the maximum amount of tax money that the state and local governments, including schools, can legally spend. In November 1979, California voters approved the late Paul Gann's Proposition 4, which is called the Gann Limit. When the Gann Limit is exceeded, the amount of state revenue collected beyond the state limit then must be returned equally to taxpayers and public schools.

## COVID-19 Pandemic

The Governor's budget includes a request for the Legislature to approve \$1.4 billion in early action to continue efforts to combat COVID-19 for the remainder of the fiscal year, in addition to requesting \$1.3 billion for 2022-23. This funding is intended to support continued vaccine distribution and administration, including booster shots, and statewide testing, as well as statewide hospital and medical surge efforts, precautionary measures in state institutions, contact tracing and efforts to protect public health at the border. Additionally, the budget includes \$300 million for the Department of Public Health and local health jurisdictions, as well as ongoing investments to modernize public health data systems that have been critical during the pandemic.

## Education

The Governor's budget includes a historic level of investment in K-21 education, and the highest per pupil expenditure of \$15,261 (Proposition 98) ever, including \$1 billion to begin the launch of universal transitional kindergarten for all four-year-olds with full implementation planned by 2025-26. The Blueprint includes an additional 36,000 child care slots with the goal of adding 200,000 slots by 2025-26 and \$3.4 billion to support access to expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and youth in foster care. Note that this latter investment includes an additional \$937 million to support integrating arts and music into enrichment programs. The Governor also proposes an expanded Young Child Tax Credit – a \$1,000 refundable tax credit to low-income earners with a child 5 years old or younger – to those families that file returns without income and indexing the credit to inflation.

## Higher Education

The Governor's proposed budget includes multi-year compacts with the University of California (UC) and California State University (CSU), and a multi-year "roadmap" for the California Community Colleges

(CCCs). Such plans would include an expectation of ongoing base augmentations for the UC and the CSU to (1) expand access to California students, (2) reduce the total cost of attendance through timely degree completion, and (3) close equity gaps. The proposal also includes a second year of funding to support the construction of affordable student housing and a second year of funding for learning-aligned employment, as well as supporting the first year of a revamped Middle Class Scholarship that will help reduce the total cost of college for more families.

## **Economic Growth and Job Creation**

The Governor's budget proposes to restore business tax credits, including research and development credits and net operating losses that were limited during the initial year of the COVID-19 pandemic, and proposes an additional \$250 million for three years for qualified companies headquartered in California that are investing in research to mitigate the impacts of climate change. Also included, a new tax credit – totaling \$100 million per year for three years – for those companies that opt in to develop green energy technologies with a structure that ensures that when the business becomes profitable, some of the profits would be shared with the state. The budget also proposed direct investments in climate-related research and development at the UC, including \$185 million for applied research, regional networks of climate-focused technology incubators, and workforce development and training hubs to support innovation. Finally, the budget includes over \$20 billion in infrastructure-related investments to prepare and protect California communities from climate change.

The Blueprint also includes additional resources of \$3 billion over the next two years to reduce the Unemployment Insurance Trust Fund debt owed to the federal government.

The Governor's proposed budget invests in strategies to expand workforce training and opportunity, as follows:

- \$1.5 billion (Proposition 98) for K-12 schools to develop college and career pathways focused on education, health care, technology, and climate-related fields by creating local partnerships that bring together school systems, higher education institutions, and employers.
- \$1.7 billion to expand the state's health and human services workforce, including training strategies to increase the state's workforce of nurses, social workers, emergency medical technicians, behavioral health care providers, and community health care workers.
- Waives certain teacher examination fees and encourages the development of new integrated teacher preparation programs to address the state's shortage of qualified teachers.
- \$35 million for the UC to create regional workforce development and training hubs focused on climate change.
- \$30 million over two years to the CCC to train, develop, and certify forest professionals.
- \$60 million over three years for the California Workforce Development Board's Low Carbon Economy Workforce grant program.
- \$450 million over three years starting in 2023-24 to support local governments as local economies adjust.
- \$215 million over two years to support an oil and gas well capping initiative to improve the safety of communities while providing high-quality jobs.

- \$50 million to establish a fund for displaced oil and gas workers as the state continues to phase out oil production.

These proposals, and the countless additional ones, are summarized in the document below. The Governor's Proposed 2022-23 Budget is available [online](#); the Governor's press release, along with a California Blueprint summary, is available [here](#). For those of you interested in reviewing the Governor's Five-Year Infrastructure Plan, it is available [here](#).

## **Pandemic Response and Federal Assistance**

As mentioned previously, the Governor's proposed budget includes a request that the Legislature take early action on \$1.4 billion in COVID emergency response funding for 2021-22, in addition to requesting \$1.3 billion for 2022-23.

### **Ongoing Vaccine Distribution**

The state continues to focus on increasing the rate of vaccination, especially in hardest hit communities, including a multilingual, multicultural public education and community outreach campaign, in-home vaccinations and testing, free transportation to vaccination appointments, and mobile sites in partnership with places of worship, employers, and other community locations. Further, the state is also conducting "Get Out the Vaccine" door-knocking and canvassing to assist in arranging vaccinations, implementing the Medi-Cal COVID-19 Vaccination Incentive Program to improve vaccine access, and providing support and coordination with businesses, school districts, and local health departments. An additional \$399 million in 2021-22 and \$182 million in 2022-23 is proposed for vaccine distribution and administration.

### **Expanding Community Testing Availability**

The Governor's proposed budget includes funding for efforts to supplement existing testing efforts to support critical workplaces, first responders, and others. The budget proposes an additional \$214 million in 2021-22 to maintain and expand testing operations and \$362 million for continued testing efforts in 2022-23.

### **Supporting Hospitals and Expanding Medical Surge Staffing**

The Governor's budget includes an augmentation of \$478 million for surge staffing in the current year and \$124 million in the budget year.

### **Additional Response Efforts**

Noting that additional public health support is needed at the California-Mexico border, the budget includes an increased expenditure of \$339 million in 2021-22 and \$582 million in 2022-23.

### **Funding Emergency Response Direct Expenditures**

The Administration indicates that the process to receive Federal Emergency Management Agency (FEMA) reimbursement for pandemic-related expenditures is anticipated to be even more protracted

and FEMA approval is uncertain in some areas. Direct response expenditures have exceeded earlier assumptions, as a result. The Administration will reassess direct response cost estimates as a part of the May Revision.

## General Government

### California State Library

The Governor's proposed 2022-23 budget includes the following:

- **Digitization of Significant Materials.** An increase of \$12.8 million and \$1.2 million ongoing for positions, equipment to support the digitization of historically and culturally significant materials, improved cataloging of library collections, and specialized digital concierge services for state agencies.
- **Online Job Training and Workforce Development.** An increase of \$8.8 million to support two additional years of free online job training and educational upskilling programs available through local public libraries.
- **Lunch at the Library.** As increase of \$5 million ongoing to expand the number of library jurisdictions providing summer meal programs for students in low-income communities.

### Cannabis

The Governor's proposed budget includes:

- \$5.5 million to begin the planning process for a single licensing system for all license types and to begin the process of transitioning a portion of the existing licensing data to support the eventual transition of all data into a unified system.
- \$2 million to develop a data warehouse to store and query department data, appropriate processes and procedures to maintain data integrity, and data displays and visualizations for the Department's website.
- \$6.1 million to launch a multi-year consumer education and awareness campaign to provide information to the public about how to identify licensed, legal operators and products.

The Administration notes that it intends to further develop a grant program this spring to assist local government in opening up legal retail access to consumers. Further the Administration says it supports cannabis tax reform and plans to work with the Legislature to make modifications to California's cannabis tax policy to help stabilize the market, better support California's small licensed operators, and strengthen compliance with state law.

### Immigrant Integration and Inclusion

The Governor's proposed budget includes \$8.7 million in one-time competitive grants to build trust with immigrant residents and help immigrant populations navigate state and local services. This funding is intended to help cities and counties seed and deploy best practices in immigrant support services with state-provided technical assistance.

## **Health and Human Services**

### **Health Care Affordability and Expanding Availability of Services For All Californians**

The Administration includes several proposals aimed at increasing affordability and expanding health care, including:

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

The Newsom Administration reiterates in the January Budget document that they will move forward to establish an Office of Health Care Affordability, housed within the Department of Health Care Access and Information. The budget reappropriates funding for the Office that was originally included in the 2021 Budget Act and proposes statutory changes for its establishment.

#### **Covered California**

As required by Chapter 21, Statutes of 2021 (AB 128) and Chapter 143, Statutes of 2021 (AB 133), \$333.4 million from the General Fund that would have been used for state subsidies was deposited into a reserve fund to be used for future affordability programs. Covered California has developed a report (as required by AB 133) on options to reduce out-of-pocket expenses for consumers. The Administration will work with the Legislature, Covered California, and stakeholders on options to further improve affordability and access to health care coverage, while considering the role that potential federal legislation may play in determining the ongoing level of federal subsidies available through Covered California.

#### **Reducing the Cost of Insulin**

The Administration will continue to work on plans to increase the availability of insulin that is priced at a fraction of current market prices, which often exceed \$300 per vial. During the press conference this morning, the Governor noted that the state is exploring manufacturing insulin. The budget document references "a potential partnership with a contract manufacturer of insulin."

#### **Expansion of Medi-Cal to All Income-Eligible Californians**

The budget includes \$819.3 million (\$613.5 million General Fund) in 2023-24 and \$2.7 billion (\$2.2 billion General Fund) annually at full implementation, inclusive of In-Home Supportive Services (IHSS) costs, to expand full-scope eligibility to all income-eligible adults aged 26 through 49 regardless of immigration status. Beginning no sooner than January 1, 2024, Medi-Cal will be available to all income-eligible Californians.

#### **Reproductive Health**

The Administration will undertake a number of actions to maintain and improve availability of reproductive health care services, including:

- **Increasing Flexibilities.** To increase flexibility for Medi-Cal providers to provide clinically appropriate medication abortion services, the Department of Health Care Services (DHCS) will modify its existing billing requirements to remove requirements for in-person follow up visits and ultrasounds, if not clinically indicated.
- **Family Planning, Access, Care and Treatment (PACT) HPV Vaccine Coverage.** The budget includes \$8 million (\$4.6 million General Fund) in 2022-23 and ongoing to add the human papillomavirus vaccine as a covered benefit under the Family PACT program, effective July 1, 2022.
- **Clinical Infrastructure.** To support California's clinical infrastructure of reproductive health care services, the budget includes one-time funding of \$20 million General Fund within the Department of Health Care Access and Information to provide scholarships and loan repayments to a variety of health care provider types that commit to providing reproductive health care services.
- **Capital Infrastructure.** The budget includes one-time funding of \$20 million in grant funding to the Department of Health Care Access and Information to assist reproductive health care facilities in securing their physical and information technology infrastructure and to enhance facility security.
- **Covered California Subsidies.** The budget includes \$20 million General Fund in 2022-23 for Covered California to support the One-Dollar Premium Subsidy program which subsidizes the cost of Covered California consumers for health plans due to federal policy concerning abortion coverage.

The Administration will work with the Legislature to reduce barriers to accessing abortion and abortion-related services through managed care plans, as well.

## Behavioral Health

The COVID-19 Pandemic has exacerbated behavioral health challenges, mental health and substance use disorders, and placed significant demands on the existing system of care. Workforce shortages have widened the inequities across the system, worsened by the pandemic. In California, consistent with trends in the rest of the nation, overdose deaths have risen as well as suicidal ideation and hospitalization for self-harming behavior.

### Behavioral Health Crisis Care Continuum

In addition to the investments in the 2021-22 state budget, the Administration is continuing to invest in behavioral health, as follows:

- **Implementing a 9-8-8 Behavioral/Mental Health Crisis Hotline.** \$7.5 million General Fund (\$6 million ongoing) and 10 positions to implement a new federally mandated 9-8-8 call system to increase the ease and accessibility for those experiencing a behavioral or mental health crisis. Those who dial 9-8-8 will be directed to 1 of the 13 existing Lifeline Call Centers across the state. These centers already provide immediate assistance with mental distress, and the additional funding will assist those needing services to receive help more efficiently. The budget includes funding for call handling equipment so existing crisis hotline centers have the resources needed

to process additional 9-8-8 calls and coordinate and transfer calls with no loss of information between the 9-8-8 and 9-1-1 systems. In 2022, the California Health and Human Services Agency will develop a plan to support connections between prevention efforts like warm-lines and peer support services, 9-8-8 mental health crisis call centers, and mobile crisis response at the local level.

- **Behavioral Health Bridge Housing.** In addition, the budget includes \$1.5 billion General Fund over two years for additional housing supports to those with behavioral health needs. The DHCS budget summary calls this the "Behavioral Health Bridge Housing" proposal. Funding (\$1 billion in 2022-23 and \$500 million in 2023-24) will be administered through DHCS' Behavioral Health Continuum Infrastructure Program and can be used to purchase and install tiny homes and to provide time-limited operational supports in these tiny homes or in other bridge housing settings including existing assisted living settings.
- **Workforce.** There are behavioral health workforce investments in the Governor's \$1.7 billion Care Economy Workforce proposal, including funding to recruit and train 25,000 new community health workers as well as additional psychiatric providers.
- **Precision Medicine.** As part of the California Initiative to Advance Precision Medicine, the budget includes \$10 million one-time General Fund for a competitive grant program to support precision medicine-based approaches to preventing, diagnosing, and treating depression. Grant recipients will use computational analytics, next-generation genetic sequencing, and data sharing and aggregation to provide interventions that are tailored to a specific patient.

### Medi-Cal Community-Based Mobile Crisis Services

The American Rescue Plan Act of 2021 authorizes 85-percent federal matching funds for a Medicaid mobile crisis response services benefit, available for 12 quarters during a five-year period starting April 1, 2022. DHCS will add multi-disciplinary mobile response services for crises related to mental health and substance use disorders as a new Medi-Cal benefit, as soon as January 1, 2023. Over the five-year period authorized by the Act, total costs of this new benefit are projected to be \$1.4 billion (\$335 million General Fund). The benefit will be implemented through county behavioral health delivery systems by multidisciplinary mobile crisis teams in the community.

### Opioid Response

The budget includes \$96 million General Fund in 2022-23 and \$61 million ongoing General Fund for the Medication Assisted Treatment (MAT) Expansion Project. Additional MAT resources would be targeted towards expanding the Naloxone Distribution Project, supporting 100 new MAT access points statewide, expanding MAT in county jails, and increasing MAT services within state-licensed facilities. In addition, the budget includes one-time \$86 million opioid settlement funds which will be dedicated to a public awareness campaign targeted towards youth opioids education and awareness and fentanyl risk education (\$50 million) and improving the state's ability to collect and analyze data on opioid overdose trends (\$5 million) for the Department of Public Health, provider training on opioid treatment (\$26 million) for the Department of Health Care Access and Information, and distributing naloxone to homeless service providers (\$5 million) for the Department of Health Care Services.

## Conservatorships

Although there is no proposal in the January budget regarding conservatorships, at the press conference today Governor Newsom noted his interest in conservatorship reform.

## Care Economy Workforce

The budget includes a one-time \$1.7 billion investment over three years in care economy workforce development across both the Labor and Workforce Development Agency (Labor Agency) and California Health and Human Services Agency (CalHHS) that will create more innovative and accessible opportunities to recruit, train, hire, and advance an ethnically and culturally inclusive health and human services workforce, with improved diversity, wages, and health equity outcomes. The Care Economy investments will be jointly coordinated by the Labor Agency and CalHHS through the CalHHS/Health Care Access and Information (HCAI) Health Workforce Education and Training Council. These specific investments include:

- **Community Health Workers.** \$350 million General Fund to recruit, train, and certify 25,000 new community health workers by 2025, in partnership with the Department of Health Care Access and Information and the Department of Health Care Services, with specialty certifications in areas that include climate health, homelessness, and dementia.
- **High Road Training Partnerships.** \$340 million General Fund for training and career advancement programs for people with barriers to employment, in alignment with the Workforce Council for Healthcare Training priorities. Funding supports collaborations and training programs among community-based organizations, local workforce boards, labor unions, educational institutions, and employers to build partnerships and pathways into family-sustaining healthcare jobs.
- **Comprehensive Nursing Initiative.** \$270 million General Fund to increase the number of registered nurses, licensed vocational nurses, certified nursing assistants, certified nurse midwives, certified medical assistants, family nurse practitioners, and other health professions.
- **Expanding Social Workers.** \$210 million General Fund to support social work training programs and provide stipends and scholarships to create a new pipeline for diverse social workers who cannot otherwise afford the financial or time investment required to complete full-time programs.
- **English Language Learners Health Careers.** \$130 million one-time Proposition 98 General Fund through the Adult Education program to support, healthcare-focused vocational pathways for English language learners at multiple levels of English proficiency, to increase language and cultural diversity in these settings.
- **Psychiatric Resident Program.** \$120 million General Fund to create training positions for psychiatric residents, psychiatric mental health nurse practitioners, psychology interns/fellows, and psychiatric nurses. Increasing on-site training programs will assist in building the workforce while also serving as an active recruitment pool for advancement within the health and human services workforce, leading to promotional pathways and increased salaries.
- **Healthcare Workforce Advancement Fund.** \$90 million General Fund for the Employment Training Panel to support job entry and career advancement for entry-level and other workers in health and human service settings, with \$40 million intended for social worker training.

- **Multilingual Health Initiatives.** \$60 million General Fund to expand scholarships and loan repayment programs in healthcare and social work for multilingual applicants, with the goal of increasing language and cultural competencies throughout the care workforce.
- **Emergency Medical Services Corps.** \$60 million General Fund to expand Emergency Medical Technicians, in partnership with local public health systems and their contracted emergency medical providers.
- **Opioid Treatment.** \$26 million to train providers to build out the substance use disorder (SUD) workforce with a focus on opioid treatment. Funding will be used to increase the number of licensed clinicians, including providers focused on addiction. Funding will also provide supportive employment services to people with SUD issues to transition them into ongoing employment.
- **Clinical Infrastructure – Reproductive Health.** \$20 million one-time General Fund to support clinical infrastructure for reproductive health care services by providing scholarships and loan repayments, administered by the Department of Health Care Access and Information, to a variety of health care providers who commit to providing reproductive health care services.
- **Indian Health Program Grant Restoration.** The budget includes \$12 million one-time General Fund for Tribal Health Programs. This funding will promote the retention of the health care workforce that serves these programs and decrease the health disparities experienced by Native Americans.
- **Workforce Council for Healthcare Training.** \$3 million General Fund to leverage the Department of Health Care Access and Information's Health Workforce Education and Training Council to research healthcare shortages and support research on best practices and strategies to build a diverse, culturally competent workforce to build the health care workforce.

## Aging

To further the Administration's goals related to the Master Plan on Aging, the budget includes additional investments to support the state's aging population.

## Reforming Nursing Facility Financing

The existing Quality Assurance Fee framework on nursing facilities, authorized initially in 2004 and last extended in 2020, sunsets on December 31, 2022. The budget proposes to reform the funding framework to move from a primarily cost-based methodology to one that incentivizes value and quality. The intent of these reforms is to further enable nursing facilities to invest in quality and patient care while assuring the long-term financial viability of these essential Medi-Cal providers.

## Alzheimer's Healthy Brain Initiative

The budget includes \$10 million one-time General Fund to continue support for the existing Alzheimer's Healthy Brain Initiative grantees in six local health jurisdictions and expand to up to six additional local health jurisdictions to support activities consistent with the U.S. Centers for Disease Control and Prevention and Alzheimer's Association Healthy Brain Initiative State and Local Public Health Partnership to Address Dementia: The 2018-2023 Road Map.

## Implementing the Master Plan for Aging

The budget also makes a range of targeted investments to propel age-, disability-, and dementia-friendly communities statewide, including:

- **Master Plan for Aging.** The budget includes \$2.1 million (\$1.8 million General Fund) to bolster the Master Plan for Aging's Data Dashboard to drive outcomes and sustain public engagement for statewide initiatives through the Department of Aging and strengthen civic engagement policies and programs in the California Commission on Aging.
- **Health Care Access for Working Disabled People.** \$1.5 million General Fund ongoing to reduce Medi-Cal premiums for working adults with disabilities to continue progress on California's goals to expand access to health care and increase the affordability of home care.
- **Intergenerational Volunteering and Community Engagement.** The budget includes \$10 million one-time General Fund for volunteer programs to engage older adults in volunteer service that benefits schools, families, and communities across the State. These programs support the goals established by California's 10-year Master Plan for Aging, and are national models that demonstrate the power, value, and success of older adult volunteerism. The Foster Grandparent Program pairs older adult volunteers with children of all ages for intergenerational mentoring, tutoring, and connections. The Senior Companion Volunteer Program makes peer-to-peer connections between older adults to prevent isolation and provide assistance in independent living.
- **Inclusive and Equitable Employment.** \$7.6 million for an expanded California Leads as an Employer initiative through the California Department of Human Resources to continuously recruit and support a state workforce that reflects all of California, which includes renewed efforts to employ Californians with disabilities.
- **Protecting and Empowering At-Risk Aging and Disabled Populations.** California is increasing investments in serving the growing number of older and disabled adults with more complex needs, across a range of specialized services. The budget includes the following: 1) \$10.6 million General Fund annually for three years to continue the Returning Home Well Program to provide transitional housing to parolees at risk of housing insecurity or homelessness. Approximately 25 percent of the parole population is 50 years or older. 2) A new position to coordinate best practices with county Public Conservator agencies serving people with probate conservatorships at the California Department of Aging. 3) A new position focused on supporting aging individuals with developmental disabilities and their families at the California Department of Developmental Services.

## Department of Health Care Services

### CalAIM

The budget includes \$1.2 billion (\$435.5 million General Fund) in 2021-22, \$2.8 billion (\$982.6 million General Fund) in 2022-23, \$2.4 billion (\$876.4 million General Fund) in 2023-24, and \$1.6 billion (\$500 million General Fund) in 2024-25 for CalAIM. CalAIM initiatives being implemented in 2022-23 include mandatory enrollment into managed care of beneficiaries eligible for both Medi-Cal and Medicare; the requirement that all managed care plans cover long-term care; the provision of a targeted set of

Medicaid services to eligible justice-involved populations prior to release; and the Providing Access and Transforming Health (PATH) initiative to further the successful implementation of CalAIM.

CalAIM proposes to improve outcomes for this population by mandating a county pre-release Medi-Cal application process for incarcerated individuals, allowing Medi-Cal reimbursement for services in the 90-day time period prior to release, and to encourage a facilitated referral and linkage to behavioral health services, both to providers in managed care networks and to county behavioral health departments. Additionally, DHCS is proposing trailer bill language to extend the duration of suspension of Medicaid benefits when an individual is incarcerated in order to increase the likelihood that coverage is maintained.

PATH includes the following programs and initiatives:

- Justice-involved start-up funds to build on the successful work conducted under Whole Person Care pilots. This PATH program will build statewide capacity and expand access to necessary pre-release and post-release services under CalAIM.
- Support for implementation of Enhanced Care Management and Community Supports, including Whole Person Care services and transition to managed care; technical assistance; collaborative planning; and capacity and infrastructure transition, expansion, and development funding for providers, community-based organizations, and counties.

An additional goal of CalAIM is to develop a new Foster Care Model of Care. To address the complex medical and behavioral health needs of foster youth, and to build on the Continuum of Care Reforms, the Administration intends to work with stakeholders in the budget year to develop a new model of care. DHCS and the Department of Social Services will center this effort on establishing an accountability framework across systems, advancing equity, and integrating services and care.

### **Proposition 56 Provider Payments**

In 2022-23, Medi-Cal supplemental payments funded by Proposition 56 are projected to exceed revenues by \$176 million. To maintain the enhanced level of reimbursement, the budget includes \$176 million General Fund to support reduced Proposition 56 revenue.

### **Elimination of Certain AB 97 Provider Rate Reductions**

AB 97 (Chapter 3, Statutes of 2011) required DHCS to reduce most Medi-Cal provider payments by 10 percent, with limited exceptions. Since that time, certain AB 97 provider payment reductions have been rescinded. The budget proposes to rescind the AB 97 provider rate reductions for eight provider types based on COVID-19 Pandemic impacts and the Department's quality and equity goals: nurses of all types, alternative birthing centers, audiologists and hearing aid dispensers, respiratory care providers, select durable medical equipment providers, chronic dialysis clinics, non-emergency medical transportation providers, and emergency medical air transportation providers. The budget includes fee-for-service costs of \$20.2 million (\$9 million General Fund) in 2022-23 and \$24 million (\$10.7 million General Fund) annually thereafter for elimination of these rate reductions.

## Medi-Cal Provider Equity Payments

The budget includes one-time \$400 million (\$200 million General Fund) for provider payments focused on advancing equity and improving quality in children's preventive, maternity, and integrated behavioral health care.

## Public Hospital Financing Reform

To further the standardization of the Medi-Cal program and move towards a more streamlined financing system, the Administration proposes to work with the public hospital systems in 2022-23 to reform Medi-Cal payments for public hospitals. The goal of these payment reforms is to drive system transformation to provide person-centered care, reduce administrative burden, and focus on integration, quality, outcomes, and value.

## Telehealth

While the Administration convened a stakeholder group last fall to discuss the state's permanent telehealth policies, there is no proposal contained in the January budget. The DHCS budget summary notes that "the Department will release a proposal for changes that continue to allow Medi-Cal covered benefits and services to be provided via telehealth across delivery systems when clinically appropriate." Telehealth is listed on DHCS's list of items needing trailer bill language. More to come.

## Short-Term Residential Therapeutic Programs (STRTPs)

The Centers for Medicare & Medicaid Services (CMS) has required the Department to individually assess each Short-Term Residential Therapeutic Programs (STRTP) to determine if it is an IMD. The proposed budget includes \$7.5 million General Fund in FY 2021-22, appropriated in the Budget Act of 2021, for grants to county mental health plans to maintain capacity while facilities transition to qualify for ongoing funding. The budget proposes an additional \$7.5 million from the General Fund for this purpose in 2022-23. Finally, the CMS developed a waiver opportunity for states to receive federal funds for mental services provided to populations with a Serious Mental Illness or Serious Emotional Disturbance (SMI/SED). DHCS plans to submit a proposal to CMS for the SMI/SED Demonstration Waiver in the fall of 2022.

## Other Significant Adjustments

- **2021-22 Budget.** The budget reflects lower Medi-Cal expenditures of approximately \$1.1 billion General Fund in 2021-22 compared with the 2021 Budget Act. The decrease is due primarily to projected savings associated with continued enhanced FMAP through the end of the fiscal year versus the assumed calendar year, and shifts in funding for the Behavioral Health Continuum Infrastructure Program and Children and Youth Behavioral Health Initiative. These reduced General Fund costs are partially offset by increased costs associated with COVID-19 caseload and state-only claiming adjustments.
- **Year-Over-Year.** The budget projects Medi-Cal expenditures of \$34.9 billion General Fund in 2022-23, an increase of \$8 billion General Fund compared with the revised 2021-22 expenditures. A majority of the increase is attributable to enhanced FMAP assumed to no longer be available in 2022-23, other COVID-19 related impacts, funding shifts and second year funding

for the Behavioral Health Continuum Infrastructure Program and the Children and Youth Behavioral Health Initiative, funding for housing supports for those with behavioral health needs, and state-only claiming adjustments.

- **Medi-Cal Caseload Impacts.** The budget projects an average monthly caseload of 14.6 million beneficiaries in 2021-22 and 14.2 million in 2022-23, and includes \$10.5 billion total funds (\$2.9 billion General Fund) in 2021-22 and \$10 billion total funds (\$2.8 billion General Fund) in 2022-23 for caseload attributable to the COVID-19 Pandemic. Caseload is projected to peak at 15.2 million in July 2022, driven by the assumed federal continuous coverage requirement related to the COVID-19 Public Health Emergency.
- **Additional COVID-19 Impacts.** The budget includes costs of \$3.1 billion total funds (\$2.9 billion General Fund savings) in 2021-22 and \$1.1 billion total funds (\$498.6 million General Fund savings) in 2022-23 for COVID-19 impacts (excluding caseload), such as enhanced FMAP savings, COVID-19 testing in schools, and federal waiver flexibilities.
- **Medi-Cal for Older Adults Regardless of Immigration Status.** The budget includes \$54 million (\$43.1 million General Fund) in 2021-22 and \$660.9 million (\$567.1 million General Fund) in 2022-23 for the full year cost of expanding full-scope Medi-Cal to older adults age 50 and older regardless of immigration status effective May 1, 2022 (inclusive of IHSS costs). This policy change was included in the 2021 Budget Act.
- **Medi-Cal Assets for Older and Disabled Adults.** The budget includes \$200.7 million (\$93.4 million General Fund) in 2022-23 to phase in the elimination of the Medi-Cal asset limit no sooner than January 1, 2022 (inclusive of IHSS costs). The asset limit will be fully eliminated no sooner than January 1, 2024 with an annual cost of \$434.7 million (\$201.3 million General Fund) ongoing. This policy change was included in the 2021 Budget Act.
- **Extension of Adverse Childhood Experiences (ACES) Provider Training.** The budget includes one-time \$135.1 million (\$67.6 million Mental Health Services Fund, remainder is federal funds), over a three-year period to extend Medi-Cal provider training for ACEs screenings.
- **County Eligibility Redeterminations Funding.** The budget includes \$73 million total funds (\$36.5 million General Fund) in each of 2021-22 and 2022-23 for counties to resume annual redeterminations of Medi-Cal beneficiaries. DHCS will be proposing trailer bill language to align Medi-Cal redeterminations with federal guidelines.
- **Indian Health Program Grant Restoration.** The budget includes one-time \$12 million General Fund to restore grant funding for Tribal Health Programs, which provide health care services to American Indian populations, both on tribal land and in urban areas, and operate in designated Health Professional Shortage Areas. This funding will promote the retention of the health care workforce that serves these programs and decrease the health disparities experienced by American Indians.
- **Reduction of Medi-Cal Premiums.** To increase access to health care services, the Administration proposes to reduce the financial burden of paying for health care coverage for approximately 500,000 Medi-Cal enrollees who pay monthly premiums for coverage. The budget includes \$53.2 million (\$18.9 million General Fund) in 2022-23 and \$89 million (\$31 million General Fund) annually to reduce premiums for beneficiaries, including pregnant women, children, and disabled working adults, whose income is marginally above the threshold for no cost Medi-Cal. Currently, these beneficiaries have income that is marginally above the threshold for Medi-Cal, requiring them to pay monthly premiums. This proposal will reduce the financial

burden for many Californians and minimize the disruption that occurs when families lose coverage and access to preventive services when they cannot afford monthly premiums.

- **Sunset of Child Health and Disability Prevention Program.** The Administration proposes to sunset the Child Health and Disability Prevention Program (CHDP) effective July 1, 2023 to advance CalAIM's goal of streamlining the Medi-Cal program. As part of this proposal, DHCS will implement the Children's Presumptive Eligibility Program to replace the CHDP Gateway to allow applicable Medi-Cal providers to enroll children into Medi-Cal through the presumptive eligibility process.
- **Dental Managed Care.** The Administration proposes to extend dental managed care contracts and reprocur new contracts no sooner than January 1, 2024.

## Department of Public Health

The COVID-19 Pandemic has underscored the need for investment at DPH and at local health jurisdictions (LHJs) to respond to the needs of Californians during public health emergencies. As a result, the 2021 Budget Act included \$300 million ongoing General Fund, beginning in 2022-23, for investments in public health infrastructure. To determine where resources are needed most critically, DPH convened the Future of Public Health Workgroup. The Workgroup brought together local health executives, health officers, administrators, and administration leadership to provide an assessment of current and future trends, to consider public health system initiatives that might be needed to address recent challenges, and to prepare the state of California and its residents for a healthier future. The Workgroup's extensive review informed the DPH state operations and local assistance spending plans.

## State Operations Funding

The budget includes \$100 million General Fund annually for DPH to strengthen statewide public health infrastructure and complement local funding so that state and local governments can collaboratively work together to improve the health of all Californians. Key investment areas include:

- Establishing an Office of Policy and Planning to conduct strategic planning and execution to address current and emerging threats to public health.
- Increasing resources for emergency preparedness by building on the all-hazards approach to improve capability.
- Increasing resources to support the expansion of the health care workforce to create sufficient capacity and upskill the current workforce to meet the new demands on the system.
- Enhancing communication and public education to effectively disseminate communications across a variety of channels, as well as to combat disinformation.
- Directing efforts towards community health improvement/population health management to improve physical and mental health by addressing health behaviors and a broad range of health factors, reducing health disparities, and focusing on community-wide prevention and resiliency.
- Supporting an overarching goal of creating an organizational culture that is centered on health equity, accountability and continuous quality improvement, with a focus on establishing clear and quantifiable performance targets for these public health initiatives.

## Local Assistance Funding

The budget includes \$200 million General Fund annually for LHJs to enhance their public health infrastructure. The intent is to drive collaboration across counties and leverage resources collectively in order to gain economies of scale. LHJs will receive a minimum base allocation of \$350,000, which is based on an LHJs' population-based share (50 percent), Race Ethnicity index (25 percent) and the Poverty Index (25 percent). DPH has collaborated with local partners to develop key metrics, minimum requirements for use of the funds, and reporting requirements. While LHJs may have more individualized investment areas of focus to meet their local community needs, additional resources should broadly include the following elements:

- **Workforce Expansion.** To strengthen local public health department staffing and to fortify priority areas identified during the pandemic.
- **Data Collection and Integration.** To standardize the collection and integration of data to develop actionable information that can guide local decision-making.
- **Community Partnerships.** To expand local partnerships with health care delivery systems and community-based organizations, including faith-based organizations, in order to marshal all resources to drive system change.
- **Directing Non-Profit Hospital Community Benefit Funding to Community-Based Organizations.** Community-based organizations play a key role in addressing the social determinants of health and may be based in a sector other than health (including housing security, food security, economic stability, schools and childcare, community violence and hate crimes, youth criminal justice, transportation, environment and environmental justice, and community capacity building) which bring additional skills, perspectives, and community connections to public health interventions. The state intends to leverage this expertise to advance equity and reduce disparities in health outcomes. To promote additional investment in community-based organizations that are focused on public health efforts, the Administration proposes to require non-profit hospitals demonstrate how they are making investments in local health efforts, specifically community-based organizations that address the social determinants of health. Additionally, the Administration proposes statutory changes that direct that 25-percent of a non-profit hospital's community benefit dollars go to these efforts, while giving the Department of Health Care Access and Information enforcement authority over these requirements.

## Public Health and Climate Change

The budget includes initiatives to combat impacts of climate change:

- **Climate and Health Resilience Planning Grant Program.** \$25 million one-time General Fund for a grant program to bolster the actions of LHJs to more effectively mount responses to climate change-imposed health risks. Grant funds would be used for LHJs to coordinate with organizations (community-based organizations, faith-based organizations, non-profit organizations, and local governments) to develop regional Climate and Health Resilience Plans.
- **Climate and Health Surveillance Program.** \$10 million ongoing General Fund to establish a surveillance program to link public health and health care data sources, in order to create real-

time notification for local public health jurisdictions, providers, and patients for emerging or intensified climate-sensitive diseases.

### Migration and Border Communities

The budget provides \$74 million General Fund to DPH to support continued COVID-19 Pandemic response and humanitarian efforts for newly arrived migrants and local border communities. Funding may be used for temporary sheltering, testing, vaccines, and support services for newly arrived migrants.

### Other Significant Adjustments

- **Expanding Home Visiting Services.** \$50 million ongoing General Fund to expand the California Home Visiting Program and the California Black Infant Health Program, serving approximately 6,000 additional families over five years on top of 3,700 currently served by the Home Visiting Program and 1,650 served by the Black Infant Health Program. The budget proposes greater flexibility for the home visiting models offered to meet the diverse needs of families across the state, expands home visiting services to additional counties, and makes them accessible to families with the highest needs.
- **Early Literacy.** \$10 million General Fund to expand early literacy efforts by providing multilingual books to young children and early literacy programming for families with young children.
- **Public Health IT Systems.** 130 positions and \$235.2 million General Fund in 2022-23, 140 positions and \$156.1 million General Fund in 2023-24, and 140 positions and \$61.8 million General Fund in 2024-25 and ongoing to DPH to maintain and operate IT platforms and applications stood up during the COVID-19 Pandemic and that are required to support public health services statewide.

### Department of Health Care Access and Information (HCAI)

The budget includes an additional \$310.5 million General Fund in 2022-23 for the Department of Health Care Access and Information (HCAI) – formerly the Office of Statewide Health Planning and Development (OSHDP). Investments include all of the following:

- **Care Economy – Workforce for a Healthy California for All.** \$1 billion one-time General Fund over three years to HCAI to strengthen and expand the state's health and human services workforce.
- **Clinical Infrastructure – Reproductive Health Care.** \$20 million one-time General Fund to provide scholarships and loan repayments to a variety of health care provider types that commit to providing reproductive health care services.
- **Capital Infrastructure – Reproductive Health Care.** \$20 million one-time General Fund to assist reproductive health care facilities in securing their physical and information technology infrastructure and to enhance facility security.
- **Office of Health Care Affordability.** Reappropriation of \$30 million General Fund for HCAI to create the Office of Health Care Affordability, which was originally included in the 2021 Budget Act.

- **Community Benefit Funding for Community-Based Organizations (CBOs).** The Administration proposes statutory changes to direct 25 percent of non-profit hospitals' community benefit dollars to CBOs and gives HCAI enforcement authority over these requirements.

## Department of Social Services

### CalWORKs

Total TANF expenditures are \$8.5 billion (state, local, and federal funds) in 2022-23. The amount budgeted includes \$6.6 billion for CalWORKs program expenditures and \$2 billion in other programs. The average monthly CalWORKs caseload is estimated to be 398,000 families in 2022-23. The budget projects a 7.1-percent increase to CalWORKs Maximum Aid Payment levels, with an estimated cost of \$200.7 million in 2022-23. These increased costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund.

### IHSS

The budget includes \$18.5 billion (\$6.5 billion General Fund) for the IHSS program in 2022-23. Average monthly caseload in this program is estimated to be 599,000 recipients in 2022-23. Due to the \$15-per-hour state minimum wage, effective January 1, 2022, the Governor's Budget includes \$192 million General Fund in 2021-22 and \$399 million in 2022-23 to reflect increased minimum wage costs in the IHSS program.

The budget includes \$24.8 million (\$11.2 million General Fund) ongoing to establish a permanent back-up provider system for IHSS recipients to avoid disruptions to caregiving due to an immediate need or emergencies.

### Supplemental Security Income (SSI)/State Supplementary Payment (AAP)

The budget includes \$3.1 billion General Fund in 2022-23 for the SSI/SSP program. The average monthly caseload in this program is estimated to be 1.1 million recipients in 2022-23. A 5.9-percent federal SSI cost-of-living adjustment and 24-percent SSP increase took effect on January 1, 2022, bringing the maximum SSI/SSP grant levels to \$1,040 per month for individuals and \$1,766 per month for couples. CAPI benefits are equivalent to SSI/SSP benefits.

The budget assumes an additional SSP increase of 24 percent, effective January 1, 2024, resulting in an estimated \$296 million General Fund in 2023-24 and \$593 million ongoing, and would fully restore SSP monthly payments for both individuals and couples to pre-Great Recession levels. The increase is projected to bring maximum SSI/SSP grant levels to \$1,123 per month for individuals and \$1,940 per month for couples in 2024.

### Children's Services

Child Welfare Services include family support and maltreatment prevention services, child protective services, foster care services, and adoptions. California's child welfare system provides a continuum of

services to children who are either at risk of or have suffered abuse and neglect. The budget includes \$665.8 million General Fund in 2022-23 for services to children and families in these programs.

- **Former Foster Youth Tax Credit.** The budget proposes a refundable \$1,000 tax credit for young adults aged 18 through 25 who were former foster youth at age 13 or older.
- **Foster Youth Independence Pilot Program.** The budget includes \$1 million one-time General Fund, available over two years, for county child welfare agencies to provide case management and support services for former foster youth utilizing federal housing choice vouchers in the Foster Youth Independence Pilot Program.
- **Family Finding and Engagement.** The budget includes \$1 million (\$750,000 General Fund) ongoing for the Department to provide additional technical assistance and training to counties in meeting the need for children in foster care and unaccompanied minors to be connected to permanent family.
- **Resource Family Approval (RFA) Applications.** The budget includes \$6.1 million (\$4.4 million General Fund) one-time, available over three years, for county child welfare agencies to address RFA applications that have pending or probationary approval for more than 90 days.
- **Helpline for California Parents and Youth.** The budget includes \$4.7 million one-time General Fund, available over three years, to continue operation of a helpline for parents and youth. The helpline is a statewide triage and support system, established during the COVID-19 Pandemic, that helps deliver services to children, families, and caregivers by phone and online.

## Child Care

The budget includes \$5.8 billion (\$2.3 billion General Fund) for child care programs, including continued support for the historic multi-year commitment to rate increases taking effect in January 2022, supplemental funding to providers, infrastructure grant program funding, and eventually expanding child care access by 200,000 slots.

The budget includes \$823.7 million for 36,000 additional subsidized slots compared to 2021-22. When combined with the slots funded in the 2021 Budget Act, this brings the total to over 145,000. The budget also includes \$373 million to support a full year of rate increases while the state continues work with partners and stakeholders toward further rate reform and increased access to a comprehensive, quality, and affordable child care and development system as set forth in the Master Plan for Early Learning and Care.

The state is also convening a separate workgroup to assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs. This workgroup will provide recommendations no later than August 15, 2022.

Other significant commitments include:

- \$25 million to fund the Child Care Initiative Project through June 30, 2023, to address areas underserved by child care providers, increase child care slots, and support providers who want to become licensed.

- \$10.6 million in funding through June 30, 2023 for the California Infant and Early Childhood Mental Health Consultation program to support the mental health needs of children, families, and child care providers.
- \$4.8 million General Fund to support infrastructure, planning, and initial design of a child care data system and information technology solution, referred to as California Supporting Providers and Reaching Kids (CalSPARK), as part of the Brilliant Beginnings data initiative to facilitate data-driven decisions, enhance family-provider experience, and streamline state administration of the programs.
- \$3.1 million in funding from the Preschool Development Grant Birth through Five Renewal from 2020 to 2023 to support the Brilliant Beginnings data initiative and the single verification hub.

### Food and Nutrition Resources

- **California Food Assistance Program (CFAP) Expansion.** The budget includes \$35.2 million General Fund for planning purposes, increasing to \$113.4 million General Fund annually in 2025-26, to expand the CFAP program to Californians aged 55 and older regardless of immigration status, based on statute included with the 2021 Budget Act.
- **Food Bank Resources.** The budget includes \$50 million one-time General Fund for the CalFood program to mitigate increases in food needs among low-income and food-insecure populations throughout the state.

### Child Support

Under current law, families formerly receiving state assistance (such as CalWORKs) do not receive the full "pass-through" of child support payments collected by the state. Instead, the collections are split between the federal government, state General Fund, and county general funds. The budget would make statutory changes to fully pass through assigned arrears collections to families formerly assisted by CalWORKs, as currently permitted by federal law. Providing these funds directly to families may help low-income families reduce the burden of high-cost debt and stabilize their financial position. Under this change, the Department of Child Support Services will waive its share of recoupment at a revenue loss of \$52.3 million General Fund in 2022-23 and \$104.6 million General Fund ongoing. Coupled with the waiver of the federal government's recoupment, the estimated annual total pass through to formerly assisted families is \$187 million.

According to the detailed budget documents, there also appears to be an additional \$20.1 million General Fund investment in supporting local child support agency administration. While details are still emerging, this funding may only partially address the funding gap for "underfunded" Local Child Support Agencies according to the Level of Effort study.

### Department of Developmental Services

The budget includes \$12.4 billion (\$7.5 billion General Fund) to the Department of Developmental Services (DDS) and estimates that approximately 408,000 individuals will receive services by the end of 2022-23.

Significant adjustments include:

- **Early Start – Part C to B Transitions.** \$65.5 million (\$45.1 million General Fund) to strengthen the transition process for three-year-old children with intellectual and/or developmental disabilities moving from the Early Start program (Part C of the federal Individuals with Disabilities Education Act (IDEA)) to special education (Part B of IDEA). This funding supports service coordinator-to-child caseload ratios, supports to preschools to increase inclusion of children served by regional centers, establishment of IDEA specialists at each regional center, and resources to facilitate interagency coordination. See the Early Childhood Chapter for more details.
- **Communications Assessments for Individuals Who Are Deaf+.** \$15 million (\$9 million General Fund) one-time funding to support communication assessments that will be used in developing individual program plans to improve services for individuals with intellectual and developmental disabilities who are deaf (Deaf+).
- **Work Activity Programs: New Service Model.** \$8.3 million (\$5 million General Fund) to establish a service model pilot program focused on expanding employment opportunities for individuals with intellectual and/or developmental disabilities who are currently served through Work Activity Programs or are recent high school graduates.

## Homelessness

After years of one-time homelessness investments, last year's budget negotiations resulted in a two-year budget commitment. Part of that budget agreement was \$1.3 billion in 2022-23 for Project Homekey and \$1 billion in 2022-23 for a fourth round of the Homeless Housing, Assistance and Prevention grant program (HHAP).

The proposed budget retains those planned investments for 2022-23. The budget additionally proposes \$2 billion over the next two years to expand access to housing for vulnerable populations with complex behavioral health conditions and people living in encampments.

### Behavioral Health Housing

Of the \$2 billion in new homelessness investments, \$1.5 billion will be dedicated to the Behavioral Health Continuum Infrastructure Program. This \$1.5 billion is in addition to the \$2.2 billion that was committed to this program in last year's budget negotiations. Funds can be used to purchase and install tiny homes and to provide time-limited operational supports in these tiny homes or in other bridge housing settings including existing assisted living settings.

The budget also references a new strategy the Administration will develop to address the stabilization and treatment of people with acute behavioral health challenges. The strategy will aim to provide community-based care aimed at preventing institutionalization and incarceration through connecting effective treatment programs with safe and supportive housing.

### Encampment Resolution

The remaining \$500 million of the new \$2 billion investment will be dedicated to the Encampment Resolution Grant program which was originally funded at \$50 million in the 2021-22 budget. The

program provides grants to local jurisdictions to invest in short and long-term rehousing strategies for people experiencing homelessness in encampments around the state.

## Housing

The Governor's 2022-23 state budget proposal couches the state's affordable housing crisis in a new light – linking housing directly to the state's climate change goals. Outside of the proposed investments detailed below, Governor Newsom used his budget proposal to highlight the need for strong partnerships with local governments to continue to make progress and build housing affordable for all Californians. Moreover, the Governor wants to direct this housing growth in location efficient areas that will protect natural and working lands, increase mode shift and get people out of single-occupancy vehicles, and reduce greenhouse gas (GHG) emissions. In addition to providing technical assistance to cities and counties to aid them in planning for housing and enforcement of state housing law's, in 2022-23, the Governor proposes to work to identify land across the state that is well-situated for "diverse, new downtown-oriented" housing types. In turn, the 2022-23 state budget opines that this effort will help local governments meet their housing goals.

Building off the 2021-22 state budget's \$10.3 billion for a variety of affordable housing and related infrastructure programs, the Governor's 2022-23 state budget proposal includes \$1 billion in one-time General Fund over two-years, with a specific focus of accelerating development of housing in downtown-oriented areas across the state. The specific proposed investments include:

- \$500 million one-time General Fund (\$225 million in 2022-23 and \$275 million in 2023-24) for the Infill Infrastructure Grant (IIG) program.
- \$300 million one-time General Fund (\$75 million in 2022-23 and \$225 million in 2023-24) for the Affordable Housing and Sustainable Communities (AHSC) program. This is supplementary funding in addition to the AHSC funding provided by cap-and-trade.
- \$100 million one-time General Fund (\$25 million in 2022-23 and \$75 million in 2023-24) to expand the affordable housing development and adaptive reuse opportunities on excess state lands.
- \$100 million one-time General Fund (\$50 million in 2022-23 and \$50 million in 2023-24) for Adaptive Reuse Incentive grants.

The 2022-23 state budget proposal also includes \$500 million of Low-Income Housing Tax Credits as well as \$500 million one-time General Fund over two-years to help local governments in meeting their housing goals. The latter \$500 million is proposed as follows:

- \$200 million one-time General Fund (\$50 million in 2022-23 and \$150 in 2023-24) for the California Housing Finance Agency (CalHFA) for loans to developers for mixed-income rental housing.
- \$200 million one-time General Fund (\$50 million in 2022-23 and \$150 million in 2023-24) for the Portfolio Investment Program to preserve targeted units in downtown-oriented areas and to increase the state's affordable housing stock.

- \$100 million one-time General Fund (\$25 million in 2022-23 and \$75 million in 2023-24) for the Mobile Home Rehabilitation and Resident Ownership Program.

Additionally, as it relates to student housing, last year's Budget Act included \$500 million in one-time funds for the Higher Education Student Housing Grant Program in 2021-22. The State received 114 applications totaling about \$3.2 billion from CCCs, CSU, and UC in the initial application filing round. The Governor's 2022-23 proposal includes \$750 million one-time for the second installment of a planned \$2 billion appropriation over a three-year period.

## **Felony Incompetent to Stand Trial Waitlist**

After extensive discussions in the 2021-22 budget process, AB 133 (2021) created an Incompetent to Stand Trial (IST) Workgroup, which met throughout the fall to develop short, medium, and long-term solutions to reducing the Department of State Hospitals (DSH) waitlist challenges. In June 2021, an appellate court affirmed the order in *Stiavetti v. Clendenin* requiring DSH to commence substantive competency restoration services for all ISTs committed to DSH within 28 days of receipt of the commitment packet from the court. Building off the recommendations from the Workgroup, the budget includes up to \$571 million in 2022-23 and ongoing for a variety of strategies, including:

- Early access to medication stabilization teams to encourage substantive treatment in jail settings,
- Statewide funding for medication support,
- DSH case management teams to coordinate IST care with counties and other community providers,
- Infrastructure to increase the number of community residential beds dedicated to DSH Diversion and Community-Based Restoration programs,
- Augmented funding for counties to expand DSH Diversion and Community-Based Restoration,
- Supporting county partnerships for entities impacted by felony IST community placements, and
- Workforce development support for counties and community providers.

The budget also indicates the state will implement a growth cap on IST referrals from counties that will include a county cost sharing methodology if the growth cap is exceeded.

## **Local Public Safety**

### **Juvenile Justice Realignment Impacts and Local Facility Investment**

The budget details the full realignment of the juvenile justice system to the county level as realized through the implementation of [SB 823](#) (2020), which – with certain exceptions – closed intake of new juvenile placements into the Department of Juvenile Justice (DJJ). It acknowledges the impacts the pandemic had on DJJ intake, which resulted in a backlog of as many as 100 youth by mid-2021 – as well as the challenges the state is facing recruiting and retaining staff at DJJ given the looming final closure date for all facilities (June 30, 2023). To address these challenges, the Administration indicates that it intends to engage stakeholders early this year to discuss and identify solutions to sustaining operations at DJJ through the planned closure date.

Additionally, the budget proposes to invest \$100 million in one-time funds, to be administered through the Board of State and Community Corrections (BSCC), to assist counties in serving and treating all youth at the local level. Funding will be available to support improvements to county-operated juvenile facilities and to help design local settings that are more conducive to trauma-informed care, rehabilitative programming, and restorative justice.

## **New Local and State Resources to Address Organized Retail Theft**

As announced in mid-December, the Governor's budget proposes investment of \$356 million over three years, including \$132 million in 2022-23 to deploy a multi-pronged approach to address organized retail theft and other crimes:

- **Local law enforcement grants.** \$85 million annually for three years in competitive grants for local law enforcement. Administered by the BSCC, this grant program would be open to police, sheriff, and probation departments to enforce theft-related laws and to participate in California Highway Patrol (CHP) task forces. Priority will be given to areas that have seen the greatest increase in theft-related crimes and that do not already benefit from a retail task force presence.
- **District Attorney grants.** \$10 million annually for three years to support creation of dedicated retail theft prosecution teams. These grants also would be competitive in nature and administered through the BSCC; priority will be given to jurisdictions involved in retail task forces and that have attorneys dedicated to this effort.
- **Support for CHP Organized Retail Theft Task Force.** \$6 million in 2022-23 bringing the total annual amount to \$15 million to expand and make permanent the CHP's Organized Retail Theft Task Force. The unit will work in partnership with local law enforcement to address organized theft in the Bay Area, Sacramento, San Joaquin Valley, Los Angeles, and San Diego regions.
- **DOJ Regional Task Forces.** \$6 million annually for three years and \$500,000 ongoing for Department of Justice (DOJ) support to regional taskforces working to address organized retail theft and to prosecute cases that span multiple jurisdictions. Resources are intended to support investigations, prosecutions, and data analytics for coordinated efforts to combat the organized crime rings.
- **DOJ Anti-Crime Task Force.** \$5 million for the DOJ to continue in its leadership role in anti-crime task forces including High Impact Investigation teams, interagency efforts in Los Angeles, as well as human trafficking and gang abatement task forces.
- **Support to local businesses.** \$20 million in one-time grants to small businesses that have been targets of organized retail theft or that have suffered damage during the commission of such crimes.

## **Additional Investments in Probation and Community Corrections**

For continued support of various local rehabilitative, community corrections, and initiative-related responsibilities, the budget provides for the following:

- **SB 678 (2009) Funding.** The budget contains \$115 million in one-time statewide SB 678 funding. The Community Corrections Performance Incentive Grant was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. SB 678 provides performance-based funding to share General Fund savings with county probation departments that reduce or maintain low revocation rates to prison from the probation population. The COVID-19 Pandemic and its impacts to law enforcement and court processing resulted in significantly fewer revocations during calendar year 2020, which impacted the SB 678 statutory calculation in a way that had little relation to performance. In recognition of this anomaly and in lieu of the traditional calculation, the 2021 Budget Act provided \$122.9 million one-time General Fund in 2021-22 to county probation departments based on the highest payment to individual counties over the prior three fiscal years. Based on reverting to the statutory calculation for 2022-23, the budget includes \$115 million to continue this successful program.
- **Workload Increases for Proposition 57.** In recognition of increases in post-release community supervision responsibilities associated with implementation of Proposition 57 (2016), the budget contains \$23.2 million for county probation departments.
- **Proposition 47 Savings.** The budget estimates that implementation of the 2014 ballot initiative that reduced penalties for specified property and drug crimes will yield \$147.3 million in 2022-23, representing a \$31.1 million increase over the current budget year. The budget notes that part of this increase is attributable to the closure of the Deuel Vocational Institutions. The savings derived from implementation of Proposition 47 are dedicated to three policy priorities identified by the initiative: (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). A total of approximately \$555 million has been allocated to these purposes since the implementation of Proposition 47.
- **Community Corrections Planning Grants.** The 2022-23 budget includes another investment of \$7.95 million for statewide planning grants, which are meant to support ongoing implementation of AB 109 (2011) and the associated work of the CCP. Counties' receipt of the fixed-amount grants (determined by county size) is conditioned upon the submission of required information as well as an update of the county's CCP plan.

## Local Gun Buyback Programs and Drug Interdiction

The Governor's budget also includes \$25 million in one-time funds to support a competitive grant program for local gun buyback programs; \$20 million to expand the Military Department's existing drug interdiction efforts in supporting four High Intensity Drug Trafficking Areas in the state; and \$2 million in ongoing funds to support research at UC Davis' Firearm Violence Research Center.

## Judicial Branch

The Governor's budget dedicates a full \$4.9 billion to the judicial branch, with nearly 60 percent of that amount (\$2.8 billion) provided in support of the trial courts. Included in the judicial branch funding is \$100 million ongoing for trial court operations meant to address fiscal equity among the 58 superior courts.

## New Trial Court Judgeships

The Governor's budget proposes \$42.6 million in 2022-23 and 42.3 million ongoing for 23 new superior court judgeships, including the court security complement for each new judicial officer. The allocation of new judicial positions will follow the identified needs in the Judicial Council's [2020 Judicial Needs Assessment](#) (See court-by-court judicial officer needs – ranked from high to low – in Table 1A of this document.) This investment will fund all remaining judgeships authorized in law.

## Reducing Civil Assessment Fees

The Governor's budget details the various reforms that have been enacted in recent years that seek to lighten the financial burden placed on court users, including an expanded Ability to Pay program and the elimination of dozens of criminal justice administrative fees. As part of the 2022-23 budget, the Governor proposes to reduce the civil assessment fee by 50 percent – from \$300 to \$150. Under current law, courts are authorized to apply a civil assessment in various instances when court users do not comply with a court order (i.e., fail to appear before the court or fail to pay a required fine). In recognition of the courts' revenue loss associated with the halving of the civil assessment fee, the proposed budget also includes \$50 million ongoing to backfill the trial courts. (Note that the counties' share of civil assessment revenue was already "bought out" – effectuated by a reduction in each jurisdiction's fine and forfeiture maintenance of effort – pursuant to negotiations between CSAC and the Judicial Council and as codified in [AB 227](#), Beall – 2007.)

## Additional Adjustments to Judicial Branch Budget

The Governor's proposed budget also makes the following notable judicial branch investments:

- **Revenue backfill to trial courts.** \$117.8 million ongoing to backfill for estimated declines associated with 2022-23 fine and fee revenue.
- **Trial court facility investments.** \$40 million in one-time funding for the State Court Facilities Construction Trust Fund to maintain existing service levels. As has been noted previously, the SCFCT is operating with a structural deficit owing at least in part to a decline in fine and fee revenues. Additionally, the budget includes \$15.4 million ongoing for critical trial court facility repairs.
- **Additional trial court backfill.** To address the trial court fiscal impacts associated with the implementation of AB 177 (2021), the second measure to eliminate criminal justice administrative fees, the budget includes \$13.4 million ongoing for the trial courts.
- **Resources to implement recently enacted legislation.** The budget includes \$2.6 million in 2022-23 and \$1.7 million ongoing to implement electronic filing interfaces for domestic violence restraining orders, temporary domestic violence restraining orders, as well as gun violence restraining order (pursuant to [AB 887](#), Levine – 2021 and [SB 538](#), S. Rubio – 2021). Additionally, \$1.3 million in one-time funding is provided to complete a comprehensive study of probation conservatorships as required by [AB 1194](#), Low – 2021.

## Investments in Court Innovation

The Governor proposes various initiatives to improve access to justice through innovation, including:

- **Various information technology initiatives.** \$34.7 million in 2022-23, growing to 40.3 million in 2025-26 and thereafter for creation of a Judicial Branch Information Security Office, modernization of appellate and Supreme Court IT systems, and other information technology projects already underway. These investments also will support public access to digital records and enhance remote court proceedings as well as enable online dispute resolutions.
- **Funding to implement remote access.** \$33.2 million in each of the next two fiscal years and \$1.6 million ongoing to implement and support ongoing remote access to courtroom proceedings as required under [AB 716](#), Bennett (2021).
- **Enhanced trial and appellate court data collection.** \$15 million in one-time funding in 2022-23 and \$3.8 million ongoing to implement a data and information framework to facilitate timely and accurate data collection from the trial and appellate courts; this information will help assess court programs and resource needs.

## State Corrections

### Prison and Parolee Population Trends

The Governor's budget narrative details changes in the prison population over the nearly two-year period of the pandemic. The budget notes that the pre-pandemic (as of February 26, 2020) average daily population (ADP) was just over 123,000, while the mid-December 2021 ADP was approximately 99,600. However, the adult prison population is expected to trend up given that –at the time of the writing the budget proposal – intake of individuals sentenced to prison but awaiting transfer from county jails had resumed. The budget also reports that state parolee populations are on the decline, with the most recent projections suggesting that the population is expected to be at approximately 38,000 by the end of 2025-26.

### Payments to Counties for Delays in Prison Intake

After a lengthy discussion of how the state prison system addressed COVID over the last 22 months, the budget reports that the state already has provided \$243.9 million to counties to cover costs associated with holding persons in county jails who await transfer to a state prison. Current projections indicate that an additionally \$20 million in payments to counties will be necessary in 2021-22. Although the budget notes that the backlog is expected to be reduced and ultimately eliminated in the current year, it is unclear whether this projection accounts for the current COVID surge the extent to which future prison intake practices could be affected.

### Prison Closures; Plans for Transforming Institutions

The budget summarizes actions taken to date – including termination of contracts to house the state's incarcerated population in in-state and out-of-state facilities as well as closure of the Deuel Vocational Institution – that have resulted in \$150.3 million in annual prison system savings beginning in 2022-23. The budget also notes that the planned closure of the California Correctional Center in Lassen County announced in Spring 2021 – which is estimated to result in \$122 million in annual state savings – is presently on hold due to litigation.

Additionally, the Governor's budget invests \$1.5 million in one-time funding to engage a consultant to explore repurposing of certain housing areas previously used to house condemned inmates. Finally, the budget invests \$13.7 million in 2021-11 and \$3 million ongoing to create a rehabilitative environment within Valley State Prison in Madera County; this investment is intended to better prepare individuals for post-release through education, rehabilitative programming, and training opportunities.

## **Additional Rehabilitative and Reentry Investments**

To help advance the Administration's goal of expanding opportunities for and access to rehabilitative and reentry programs, the budget includes the following programmatic investments:

- **Returning Home Well.** \$10.6 million annually for three years to support the continuation of a program begun during the pandemic that seeks to provide emergency transitional housing to formerly incarcerated individuals (parolees) who are otherwise at risk of being unhoused at the time of their release. These investments will, in addition to supporting the ongoing program, also give an opportunity to assess ongoing housing needs of the released population.
- **Expanding higher education opportunities.** \$5 million in 2022-23 and \$4.7 million ongoing to permanently fund bachelor's degree program in seven prison institutions in partnership with the CSU system.
- **CalAIM-related investments.** The budget includes \$10.4 million (divided evenly between General Fund appropriations and a like-sized reimbursement authority) for the California Department of Corrections and Rehabilitation (CDCR) to implement CalAIM (discussed in greater detail on page 13 in this summary). The budget also assumes a shift of approximately \$5.5 million in 2022-23 growing to \$25.6 million ongoing associated with increased federal funding for health care services for incarcerated individuals that will become available under CalAIM.
- **Substance Use Disorder Treatment Programming.** \$126.6 million in 2022-23 and \$162.5 million ongoing to expand the existing Integrated Substance Use Disorder Treatment Program in the institutions, which includes medically assisted treatment programs.
- **Tattoo removal program.** \$567,000 in 2022-23 and \$1.1 million through 2025-26 to provide tattoo removal services to incarcerated person who will be exiting state prison or who are leaving prison gangs. This investment will enable CDCR to provide this service in all institutions and to serve approximately 1,400 persons annually.
- **Internal administrative support.** \$3.9 million in 2022-23 and \$4.5 million ongoing to ensure appropriate levels of CDCR administrative support are in place to carry out various rehabilitative programming opportunities, including calculation of credit earning and various health and education learning options.

## **Department of Justice**

### **Firearms-Related Activities and Duties**

The Governor's budget includes the following investments to support DOJ's efforts to regulate the manufacture, sale, safety training, and transfer of firearms:

- **Firearm Information Technology Modernization.** \$5.2 million in one-time funds to the Dealer of Record of Sale Special Account to continue modernization of firearms tracking system.
- **Firearms Transfers.** \$2.3 million in 2022-23, \$3.5 million on 2023-24, and \$973,000 ongoing to implement modifications to DOJ's firearms database consistent with [SB 715](#), Portantino – 2021.
- **Firearms Precursor Parts.** \$223,000 in ongoing funds to accelerate implementation and ongoing workload associated with tracking the sale, possession, and transfer of precursor parts pursuant to [AB 879](#), Gipson – 2019.
- **Firearms Tracing.** \$327,000 in 2022-23 and \$306,000 ongoing to analyze and report information submitted by local law enforcement to DOJ regarding illegally possessed firearms or those used during the commission of a crime, consistent with [AB 1191](#), McCarty – 2021.

### **Additional DOJ Augmentations**

The budget also includes funding (\$2.3 million in 2022-23 and \$1.6 million ongoing) for investigating police office use of force pursuant to [AB 1506](#), McCarty – 2020; \$7.4 million in 2022-23 and \$6.5 million ongoing to prepare records related to peace officer conduct for public disclosure pursuant to [SB 16](#), Skinner – 2021; \$1.3 million in 2022-23 and \$1.2 million ongoing to support investigations of “law enforcement gangs” pursuant to [AB 958](#), Gipson – 2021; as well as \$46.4 million to backfill fine and fee revenues in the DNA Identification Fund.

### **Commission on POST**

The budget contains \$22.7 million in 2022-23 and \$20.6 million ongoing to support new responsibilities for the Commission on Peace Officer Standards and Training (POST) associated with implementation of a peace officer decertification process pursuant to [SB 2](#), Bradford – 2021. Further, the Governor proposes to increase POST's budget by \$5 million in one-time funding to be spent over three years to support officer wellness.

### **1991 and 2011 Realignment Revenues**

After unprecedented growth for 2011 Public Safety Realignment in 2020-21, the Department of Finance estimates full base funding will be met in 2021-22 with additional funding available for growth. Specific to the Community Corrections Subaccount, the budget estimates total base funding of \$1.593 billion and growth funding of \$167.7 million in 2021-22. These projections would then create a 2022-23 base of \$1.761 billion in 2022-23. With revenues performing well, the Department of Finance is also projecting 2022-23 growth of \$101.5 million for Community Corrections. Recall that the 2011 Realignment revenue estimates will be updated in the May Revision. The Department of Finance's most recent revenue estimates for 1991 and 2011 Realignment programs are detailed in the charts below.

Additionally, the Department of Finance estimates considerable Vehicle License Fee growth funding for the Enhancing Law Enforcement Activities Subaccount. The estimated \$268 million in growth for 2021-22 is dedicated to the Juvenile Justice Crime Prevention Act, Juvenile Camps, Juvenile Probation, and Citizens Option for Public Safety programs.

**1991 Realignment Estimate at 2022 Governor's Budget**

(Dollars in Thousands)

2020-21 State Fiscal Year							
Amount	CalWORKs MOE	Health	Social Services	Mental Health	Family Support	Child Poverty	Totals
<b>Base Funding</b>							
Sales Tax Account	\$742,048	\$2,860	\$2,296,188	\$-	\$440,789	\$102,919	\$3,584,804
Vehicle License Fee Account	363,383	1,017,203	216,223	-	185,798	290,884	2,073,493
<b>Subtotal Base</b>	<b>\$1,105,432</b>	<b>\$1,020,063</b>	<b>\$2,512,411</b>	<b>\$-</b>	<b>\$626,588</b>	<b>\$393,803</b>	<b>\$5,658,297</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	\$10,839	\$62,193	\$113,784	\$115,314	\$-	\$148,661	\$450,791
Caseload Subaccount	-	-	(113,784)	-	-	-	(113,784)
General Growth Subaccount	(10,839)	(62,193)	-	(115,314)	-	(148,661)	(337,007)
Vehicle License Fee Growth Account	4,280	53,748	-	104,743	-	128,475	291,246
<b>Subtotal Growth</b>	<b>\$15,119</b>	<b>\$115,941</b>	<b>\$113,784</b>	<b>\$220,057</b>	<b>\$-</b>	<b>\$277,136</b>	<b>\$742,037</b>
<b>Total Realignment 2020-21<sup>1/</sup></b>	<b>\$1,120,551</b>	<b>\$1,136,005</b>	<b>\$2,626,195</b>	<b>\$220,057</b>	<b>\$626,588</b>	<b>\$670,939</b>	<b>\$6,400,334</b>
Change From 2021 Enactment	\$-	\$26,047	\$4,196	\$93,894	\$20,242	\$110,646	\$255,024
2021-22 State Fiscal Year							
<b>Base Funding</b>							
Sales Tax Account	\$752,888	\$85,621	\$2,409,972	\$115,314	\$420,222	\$251,580	\$4,035,595
Vehicle License Fee Account	367,663	1,053,168	212,632	96,898	182,713	412,396	2,325,471
<b>Subtotal Base</b>	<b>\$1,120,551</b>	<b>\$1,138,789</b>	<b>\$2,622,604</b>	<b>\$212,212</b>	<b>\$602,934</b>	<b>\$663,976</b>	<b>\$6,361,066</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	\$-	\$44,618	\$125,329	\$90,504	\$-	\$106,652	\$367,103
Caseload Subaccount	-	-	(125,329)	-	-	-	(125,329)
General Growth Subaccount	-	(44,618)	-	(90,504)	-	(106,652)	(241,774)
Vehicle License Fee Growth Account	-	-	-	-	-	-	-
<b>Subtotal Growth</b>	<b>\$-</b>	<b>\$44,618</b>	<b>\$125,329</b>	<b>\$90,504</b>	<b>\$-</b>	<b>\$106,652</b>	<b>\$367,103</b>
<b>Total Realignment 2021-22<sup>1/</sup></b>	<b>\$1,120,551</b>	<b>\$1,183,407</b>	<b>\$2,747,933</b>	<b>\$302,716</b>	<b>\$602,934</b>	<b>\$770,627</b>	<b>\$6,728,169</b>
Change From 2021 Enactment	\$-	\$47,598	(19,354)	\$131,035	\$-	\$156,695	\$315,975
2022-23 State Fiscal Year							
<b>Base Funding</b>							
Sales Tax Account	\$752,888	\$137,542	\$2,535,301	\$205,818	\$412,919	\$358,231	\$4,402,698
Vehicle License Fee Account	367,663	1,053,168	212,632	96,898	182,713	412,396	2,325,471
<b>Subtotal Base</b>	<b>\$1,120,551</b>	<b>\$1,190,710</b>	<b>\$2,747,933</b>	<b>\$302,716</b>	<b>\$595,631</b>	<b>\$770,627</b>	<b>\$6,728,169</b>
<b>Growth Funding</b>							
Sales Tax Growth Account:	\$-	\$16,465	\$75,530	\$33,398	\$-	\$39,356	\$164,749
Caseload Subaccount	-	-	(75,530)	-	-	-	(75,530)
General Growth Subaccount	-	(16,465)	-	(33,398)	-	(39,356)	(89,219)
Vehicle License Fee Growth Account	-	13,354	-	27,088	-	31,921	72,363
<b>Subtotal Growth</b>	<b>\$-</b>	<b>\$29,819</b>	<b>\$75,530</b>	<b>\$60,485</b>	<b>\$-</b>	<b>\$71,277</b>	<b>\$237,112</b>
<b>Total Realignment 2022-23<sup>1/</sup></b>	<b>\$1,120,551</b>	<b>\$1,220,529</b>	<b>\$2,823,463</b>	<b>\$363,202</b>	<b>\$595,631</b>	<b>\$841,905</b>	<b>\$6,965,281</b>

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

### 2011 Realignment Estimate at 2022 Governor's Budget

(Dollars in Millions)

	2020-21		2021-22		2022-23	
	2020-21	Growth	2021-22	Growth	2022-23	Growth
<b>Law Enforcement Services</b>	<b>\$2,633.8</b>		<b>\$2,936.5</b>		<b>\$3,160.0</b>	
Trial Court Security Subaccount	567.0	30.3	597.3	22.4	619.6	13.5
Enhancing Law Enforcement Activities Subaccount	489.9	242.4	489.9	268.0	489.9	297.3
Community Corrections Subaccount	1,366.0	227.0	1,593.0	167.7	1,760.6	101.5
District Attorney and Public Defender Subaccount	41.6	15.1	56.7	11.2	67.9	6.8
Juvenile Justice Subaccount	169.4	30.3	199.6	22.4	222.0	13.5
Youthful Offender Block Grant Special Account	(160.0)	-	(188.6)	-	(209.7)	-
Juvenile Reentry Grant Special Account	(9.3)	-	(11.0)	-	(12.3)	-
<b>Growth, Law Enforcement Services</b>		<b>545.0</b>		<b>491.6</b>		<b>432.5</b>
<b>Mental Health</b>	<b>1,120.6</b>	28.1	<b>1,120.6</b>	20.8	<b>1,120.6</b>	12.6
<b>Support Services</b>	<b>3,885.6</b>		<b>4,419.5</b>		<b>4,814.0</b>	
Protective Services Subaccount	2,397.2	252.9	2,650.1	186.8	2,837.0	113.0
Behavioral Health Subaccount	1,488.4	281.0	1,769.4	207.6	1,977.0	125.6
Women and Children's Residential Treatment Services	(5.1)		(5.1)		(5.1)	
<b>Growth, Support Services</b>		<b>562.1</b>		<b>415.2</b>		<b>251.2</b>
<b>Account Total and Growth</b>	<b>\$8,747.0</b>		<b>\$9,383.4</b>		<b>\$9,778.3</b>	
<b>Revenue</b>						
1.0625% Sales Tax	8,002.7		8,612.5		8,985.1	
General Fund Backfill	12.0		12.9		6.0	
Motor Vehicle License Fee	732.3		757.9		787.2	
<b>Revenue Total</b>	<b>\$8,747.0</b>		<b>\$9,383.4</b>		<b>\$9,778.3</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).

## Natural Resources

### Department of Parks and Recreation

The budget includes \$756.9 million for the Department of Parks and Recreation. Significant new investments include:

- \$50 million one-time for art installations to enhance interpretive efforts in state parks and local parks. The Department will partner with the California Arts Council to build art installations that tell the story of California's valuable cultural and historical heritage and resources.
- \$50 million one-time for future state parks infrastructure projects to increase equitable access to state parks, improve visitor experiences, and build recreational opportunities to foster community connections and remove barriers to park access.
- \$9.8 million one-time to support California Native Americans' engagement and interpretation in state parks. Tribal land acknowledgements will be addressed through signage and improved interpretation to connect the public with tribal history and contemporary experiences.

- \$10 million one-time for the Santa Monica Mountains Conservancy to secure funding to complete the tunnel phase of the Liberty Canyon Wildlife Corridor over the Agoura Road frontage road.

## Environmental Protection

The Governor's 2022-23 proposed budget includes a variety of investments in the environment with a focus on racial equity and environmental justice, including:

- \$676 million as part of a \$6.1 billion investment to expand zero-emission vehicle adoption (with a focus on low-income consumers) and advance equitable clean mobility options.
- \$240 million to support the Community Air Protection Program ([AB 617](#)), which reduces emissions in communities with disproportionate exposure to air pollution through targeted air monitoring and community emissions reduction programs. Funds will provide grants to community-based organizations, implementation funding for local air districts, and incentives for cleaner vehicle and equipment.
- \$30 million to deploy local and real-time monitoring, including climate, air, and toxic emissions, in disadvantaged communities across the state.

## Climate Change

The 2022-23 state budget proposes a total of \$22.5 billion one-time investment from various sources into the state's "Change and Opportunity" Budget. This proposed investment package comes on top of the historic investment made in the 2021-22 state budget of \$15 billion. The investments are made across a wide range of policy areas, as summarized below.

### Zero-Emission Vehicle Acceleration

The Governor proposes \$6.1 billion towards zero-emission vehicle (ZEV) acceleration over the next five-years. Of this, \$3.5 billion is General Fund, \$1.5 billion is derived from Prop 98, \$676 million comes from cap-and-trade, and \$383 million is from federal sources. Specific investments are as follows:

- \$256 million for low-income consumer purchases.
- \$900 million to expand convenient and affordable ZEV charging infrastructure access in low-income neighborhoods.
- \$935 million for heavy-duty ZEVs and supporting infrastructure to add 1,000 ZEV drayage trucks and 1,700 ZEV transit buses.
- \$1.5 billion in Prop 98 to support school transportation programs, including ZEV school buses.
- \$1.1 billion for ZEV trucks, buses, and off-road equipment and related fueling infrastructure.
- \$400 million for port electrification.
- \$419 million for sustainable community-based transportation equity programs that increase access to ZEV mobility options in low-income communities.
- \$200 million for emerging opportunities to invest in demonstration and pilot projects in high carbon-emitting sectors, such as maritime, aviation, and rail.

## Climate Resilience

The Governor continues to invest in a variety of resilience related programs in the 2022-23 state budget proposal, building off the \$15 billion invested in the 2021-22 state budget, including:

### Wildfire and Forest Resilience

Governor Newsom proposes to invest another \$1.2 billion over two-years (\$800 million General Fund and \$400 million cap-and-trade) on top of the \$1.5 billion over two-years in 2021-22 for a total of \$2.7 billion over a four-year period through 2023-24. These investments include:

- \$482 million to enhance wildfire resilience across California's diverse landscapes by thinning forests, replanting trees, expanding grazing, and utilizing prescribed fires.
- \$100 million to support recovery of critical watersheds burned in catastrophic wildfires.
- \$382 million for CAL FIRE and the California Conservation Corp. to complete strategic fuel break projects.
- \$44 million for defensible space, home hardening, and community hardening efforts.
- \$110 million for targeted regional investments, including technical support to develop cross-jurisdictional regional plans, identify projects, and support project implementation.
- \$38 million for science-based management, including monitoring and robust scientific inquiry.
- \$44 million to expand the wood product supply chain and workforce preparedness in the wildfire resiliency sector.

### Drought Resilience and Response

The 2022-23 state budget proposal includes \$750 million to support the state's drought resilience and response. This investment is proposed on top of the \$5.2 billion adopted in the 2021 Budget Act. Significant investments include:

- \$180 million for grants to large urban and small water suppliers to improve water efficiency, address leaks, reduce demand, provide efficiency mapping and training, support turf replacement, and maintain a drought vulnerability tool.
- \$145 million for local emergency drought assistance and grants to local water agencies facing loss of water supplies.
- \$75 million to mitigate immediate drought damage to fish and wildlife and build resilient natural systems.
- \$40 million to increase regional capacity to repurpose irrigated agricultural land to reduce reliance on groundwater.
- \$30 million to provide grants to water districts to fund planning, engineering, water availability analyses, and construction for groundwater.
- \$20 million for on-farm water conservation projects.
- \$10 million for technical assistance and drought relief for small farmers.
- \$250 million as a drought contingency set-aside.

## Nature-Based Solutions, Extreme Heat, Costal Resilience, and Community Resilience

The Governor's state budget proposal includes \$2.1 billion in 2022-23 for a second year of investments in nature-based solutions, extreme heat, costal resilience, and community resilience, including:

- \$100 million for urban and community forestry and urban greening projects.
- \$25 million to reduce the impacts of extreme heat and the urban heat island effect.
- \$25 million to accelerate energy efficient upgrades in low-income households.
- \$25 million support vulnerable residents experiencing extreme weather events.
- \$350 million for costal wetland protection and restoration projects.
- \$50 million for ocean protection projects.
- \$165 million for the Transformative Climate Communities Program.
- \$135 million for direct investment into communities for regional adaptation planning and project implementation.
- \$4.7 million for the California Climate Action Corps.

## Climate Smart Agriculture

The 2022-23 state budget proposes the following investments into smart agriculture programs:

- \$150 million for the agricultural replacement measures for emission reduction program.
- \$85 million for grants for on-farm conversation management practices.
- \$48 million for livestock methane reduction programs.
- \$25 million to support climate smart agriculture loans.

## Clean Energy

The state budget proposal recognizes the role clean energy must play in combating climate change and thus proposes to make the following investments totaling \$2 billion over two-years for a Clean Energy Plan:

- \$380 million for long-duration storage projects throughout the state to support grid reliability.
- \$100 million General Fund to advance the use and production of green hydrogen.
- \$210 million General Fund to accelerate industrial sector decarbonization, which includes 40,000 industrial facilities that employ more than 1.2 million Californians.
- \$85 million General Fund for the adoption of energy technologies at food processing facilities.
- \$45 million to create the Offshore Wind Energy Deployment Facility Improvement Program to invest in and advance California's capabilities of investing in offshore wind.
- \$240 million over two-years to address temperature issues at Orville Dam related to its pump storage project.
- \$7 million General Fund for energy modeling activities.
- \$962.4 million General Funds over two years for a statewide low-income direct building retrofit program, consumer rebates for building upgrades, and adoption of ultra-low-global warming potential refrigerants.

## Clean Energy Loan Program

The state budget proposal notes that the Newsom Administration is working with the U.S. Department of Energy Loan Program Office to provide pre-development financing for projects and technologies that focus on mitigating the impacts of climate change on low-income communities. Moreover, the Clean Energy Loan Program will support the build-out of a world-class battery manufacturing ecosystem. Finally, the Administration is working with the Legislature to simplify permitting and require strict timelines for geothermal facilities and lithium extraction in the Salton Sea area.

## Climate Health

The 2022-23 state budget proposes to invest General Fund to integrate and elevate health and equity into California's climate agenda in the following ways:

- \$25 million for a grant program to bolster local health jurisdictions and the development of climate and health resilience plans.
- \$10 million for climate, health, and disease monitoring to track emerging or intensified climate-sensitive health impacts and diseases.
- \$350 million to recruit, train, and certify 25,000 new community health workers by 2025 in areas such as climate health, homelessness, and dementia.
- \$30 million for community air monitoring, specifically to deploy local, real-time monitors.

## Climate Schools and Research

Governor Newsom proposes the following investments related to K-12 and higher education systems in the climate change space:

- \$185 million for University of California climate initiatives.
- \$20 million for a grant to Carnegie Science to support the Pasadena Climate Change Research Hub.
- \$83 million for the construction of the California State University (CSU) Bakersfield Energy Innovation Center.
- \$1.5 billion in Prop 98 to support K-12 school transportation, including ZEV buses (also noted in the transportation section).
- \$50 million for CSU Farms.
- \$30 million one-time and \$3 million ongoing to continue to support and expand Farm to School Programs.

## Climate Jobs and Opportunity

The 2022-23 state budget proposal includes a variety of workforce related investments totaling \$465 million and includes these specific allocations:

- \$200 million for oil and gas well capping to plug orphaned or idle wells.
- \$15 million for a well capping workforce pilot program to support displaced oil and gas workers.
- \$50 million for a displaced oil and gas workers pilot fund.

- \$110 million over three-years for a goods movement training center in Southern California.
- \$60 million over three-years to restart a low carbon economy workforce grant program.
- \$30 million over two-years to support community colleges and vocational training programs to expand workforce around wildfire and forest resilience.

The Governor also proposes related tax credits to support California businesses in the climate space.

- \$250 million annually for three-years for an Innovation Headquarters credit for companies in California working to mitigate climate change.
- \$100 million annually for three years to develop green energy technologies.

## Circular Economy

The 2021-22 state budget included \$270 million over two-years for investments to build up the circular economy. Of the \$270 million, \$65 million is slated for appropriation in 2022-23 under the Governor's state budget proposal.

## Transportation

Governor Newsom's state budget proposal includes \$15 billion for multimodal transportation programs, including the \$4.3 billion that reverted to the General Fund in October 2021 after the Administration and Legislature failed to reach an agreement on the final aspects of the 2021-22 transportation funding package – most notably High-Speed Rail. Like his housing investments, the Governor's 2022-23 state budget frames transportation investments in the climate change and equity context, noting his proposed investments will reduce GHG emissions, improve rail and transit across the state, enhance safety and access for bicyclists and pedestrians, and connect disadvantaged communities, just to name a few outcomes. While this is positive for transportation, the 2022-23 budget proposal also recommends suspending the fuel excise tax annual adjustment to account for inflation which, depending on the details, could be a loss for transportation. Details on these proposals are as follows:

### State Transportation Infrastructure Package

The Governor has repropoed his 2021-22 transportation funding package plus addition investments. The total \$9.1 billion funding package includes:

- \$4.2 billion High-Speed Rail bond allocation to complete the electrified Central Valley segment, perform advance worked between Merced and Bakersfield, and complete advance planning and project designed for the entire project.
- \$2 billion for statewide priority transit and rail infrastructure projects to improve connectivity between state and regional/local services.
- \$1.25 billion for Southern California Transit and Rail Projects that will focus on mobility and GHG emissions reductions.
- \$500 million for grade separations for safety improvements throughout the state.
- \$500 million for the Active Transportation Program.

- \$400 million to establish a Climate Adaptation Program for state and local projects that support climate resiliency and reduce climate risks on the transportation system.
- \$150 million to establish a new Reconnecting Communities: Highways to Boulevard Pilot Program.
- \$100 million for bicycle and pedestrian safety projects, allocated through the Highway Safety Improvement Program.

## **Foregoing the Annual Gas Tax Inflationary Adjustment**

With the intention of providing relief to consumers from the high cost of gasoline, the Governor proposes to forgo the annual inflationary adjustment to the per gallon fuel excise tax rate which takes place on July 1 yearly. The estimated rate of inflation is 5.6 percent which would equate to a 3-cent increase. If paused, in 2022-23 it would equate to a decrease in fuel tax revenues by \$523 million. The state budget proposal does indicate the Administration is exploring options for backfilling the lost revenue to cities and counties, including the State Highway Account.

## **Federal Infrastructure Investment and Jobs Act**

The 2022-23 state budget proposal includes an increase in to base Federal Highway Administration funding levels for California to reflect the recent passage of the federal surface transportation bill – the Infrastructure Investment and Jobs Act (IIJA). Specifically, the increase for 2021-22 is \$1.8 billion and in 2022-23 its \$1.9 billion. Base federal funding levels will also increase for transit projects - \$238 million in 2021-22 and by \$423 million in 2022-23. California is also anticipating approximately \$14.2 million from the National Highway Safety Administration to support the Office of Traffic Safety and their efforts to eliminate serious injuries and fatalities on highways, streets, and roads. Further, California will be able to compete for federal grants – new grants and augmented existing programs – with over \$100 million in available funding.

## **Supply Chain Resilience and Port Infrastructure Investments**

The 2022-23 state budget proposes \$2.3 billion for supply chain investments to help mitigate and address global disruptions to the goods movement supply chain occurring in California. Specifically, the Governor proposes the following General Fund investments:

- \$1.2 billion for port-related high-priority projects that increase goods movement capacity on rail and roadways, including railyard expansions, new bridges, and zero-emission modernization projects.
- \$875 million for zero-emission port equipment, short-haul trucks, and related infrastructure.
- \$110 million for a workforce training campus, to support workforce resilience, and accelerate deployment of zero-emission equipment and technologies.
- \$40 million to enhance commercial diver license capacity.
- \$30 million for the Governor's Office of Business and Economic Development for funding for operational improvements at the ports. Activities could include improving data interconnectivity between the ports to enable efficient cargo movement, reduce congestion, and create opportunities to increase cargo capacity through supply chain efficiency.

## What's Next?

We anticipate that, starting next week, the full budget committees in each house will meet to hear an overview of the Governor's proposed spending plan. (The Senate Budget and Fiscal Review Committee is already slated for their overview hearing on Wednesday, January 19.) Since the Administration is seeking early action on COVID response funding, subcommittee hearings may start shortly. Trailer bill language (TBL) to implement various budget proposals is typically due February 1 to the Legislature. We will continue to keep you apprised on budget developments going forward and welcome your questions about both the budget substance and process.

## Questions?

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

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