



## Governor's 2020-21 Proposed State Budget

### Overview

Governor Gavin Newsom submitted his 2020-21 State Budget proposal to the Legislature today. His new proposal has an increase of 3.2% over the 2019-20 budget. He characterized this document as putting the state on a strong fiscal foundation. The Governor's proposed budget also points out that California's economy continues to grow, with 117 months of net job-growth (1 in 7 new jobs nationally is in California) and has averaged 3.8 percent GDP growth over the same timeframe. The state is also on strong footing in the markets and has paid down much of its debt (specifically, \$6.8 billion towards its debt in 2020-21). The pension issue "remains daunting in the State of California." However, the state has a strong Rainy Day Fund at approximately \$18 billion, with a total of \$21 billion in reserves. While the state is currently expecting a \$5.6 billion surplus (as opposed to the LAO's \$7 billion estimate; Gov is choosing not to include the money anticipated from extension of the Managed Care Organization (MCO) tax), the state is starting to see a "contraction of expansion," meaning a slowing of the state's economic growth. The Governor again noted that even a small recession could result in the loss of \$70 billion in revenues to the state over the next several years.

### Topline:

- New proposals and money to address homelessness - \$1.4 billion to pay monthly rents, build more shelters and provide treatment to those struggling with finding long-term housing;
- \$695 million to boost the state's Medicaid programs to expand services for homeless individuals whose housing struggles are directly linked to health problems;
- More firefighting resources (677 new CalFire positions over five years, \$90 million for new technology and a forecast center to better predict, track and battle blazes. Continuation of a \$200-million annual investment approved by lawmakers to reduce the kinds of vegetation that fuel wildfires, more than \$100 million to fund the Legislature's pilot program to harden homes in fire-prone areas, and \$50 million one-time to help to prepare for power outages);
- \$100 million to cover health care for approximately 25,000 non-citizens over the age of 65; \$80.5 million (\$64.2 million General Fund) for this expansion, including In-Home Supportive Services costs.
- \$500 million to harden drinking water facilities, emergency shelters and other types of critical infrastructure to better withstand disasters, "with a focus on low-income areas at significant risk of wildfires,".
- \$4.75 billion "Climate Resiliency Bond"; e.g., \$340 million to support projects to reduce urban flood risks through 2025, \$270 million for flood and restoration efforts, etc.
- Make California for the first state in U.S. to manufacture its own generic drugs in an effort to limit costs.
- \$18 billion in Rainy Day Fund, \$19.4 billion in forecast; over \$21 billion total in reserves.

## **Health and Human Services**

\$45.1 million General Fund in 2020-21 and \$42 million General Fund in 2021-22 for the Department to implement a Behavioral Health Quality Improvement Program.

County Administration—The Budget includes an increase of \$67.7 million (\$23.7 General Fund) for county eligibility determination activities.

County Indigent Health Savings—The Budget reflects \$589.8 million in projected county indigent health savings in 2020-21 to offset General Fund costs in the CalWORKs program, a decrease of \$13.1 million from 2019-20.

## **Social Services**

CalFresh Administration Budgeting Methodology—The Budget holds CalFresh county administration funding in 2020-21 to the 2019-20 level, resulting in increased costs of \$26.9 million General Fund.

Food Banks—The Budget includes \$20 million one-time General Fund for existing Emergency Food Assistance Program providers and food banks.

CalWORKs Grant Increase—As referenced in the Early Childhood chapter, the Budget reflects a 3.1-percent increase to CalWORKs Maximum Aid Payment levels, effective October 1, 2020.

Effective January 2020, the maximum SSI/SSP grant levels are \$943 per month for individuals and \$1,583 per month for couples. The projected growth in the Consumer Price Index is 1.7 percent for 2021. As a result, the maximum SSI/SSP monthly grant levels will increase by approximately \$13 and \$20 for individuals and couples, respectively, effective January 2021. CAPI benefits are equivalent to SSI/SSP benefits. The 2019 Budget Act included \$25 million General Fund ongoing to assist homeless, disabled individuals applying for SSI/SSP benefits.

## **Behavioral Health**

Prop 63 - the Act should be updated to better focus on people with mental illness who are also experiencing homelessness, who are involved in the criminal justice system, and for early intervention for youth. The Administration will submit a proposal in the spring regarding this proposed reform. Warning that Administration will get more aggressive about counties perceived to be sitting on reserves that are too large.

\$10 Million for Adverse Childhood Experiences (ACES).

Systems Improvement - In alignment with the Medi-Cal Healthier California for All initiative, the Budget includes \$45.1 million General Fund in 2020-21 and \$42 million General Fund in 2021-22 enhanced data-sharing capability for care coordination and establishing the foundational elements of value-based payment such as data collection, performance measurement, and reporting.

## **Child Support**

Child Support Payments—The Budget proposes to increase the amount of child support payments passed through to CalWORKs families, effective January 1, 2022, from the current \$50 to \$100 for a family with one child and \$200 for a family with two or more children (see the Early Childhood chapter for more information). The Budget also proposes statutory changes to forgive child support payment arrearages or past due amounts that are determined to be uncollectible, beginning January 1, 2022. Increased Support for Local Child Support Agencies—The Budget includes an increase of \$56 million (\$19.1 million General

Fund) for Local Child Support Agency administrative costs. See the Early Childhood chapter for more information.

## **IHSS**

**Minimum Wage**—The Budget reflects \$1.1 billion (\$523.8 million General Fund) to support planned minimum wage increases of \$13 per hour on January 1, 2020 and \$14 per hour on January 1, 2021.

### **Continuum of Care Reform**

**Child Welfare Workforce Development**—The Budget includes \$11 million (\$5.6 million General Fund) to establish an additional child welfare social workers regional training academy in northern California (bringing the statewide total to five academies), increase ongoing training for social workers and supervisors, assess training effectiveness, and modernize how social worker training is monitored and used to inform workforce development planning.

### **Developmental Services**

The Budget includes \$78 million (\$60 million General Fund) to establish a Performance Incentive Program for Developmental Services administered through the Regional Center system.

## **Housing**

By 2023, HCD, in consultation with stakeholders, will revamp the next RHNA cycle to promote and streamline housing development. This will maximize the number of new homes for which California's cities and counties plan and zone. Importantly, the new process will provide for more ambitious goals to address California's housing crisis. The Administration is committed to working with the Legislature this year on additional actions to expedite housing production, including changes to local zoning and permitting processes, as well as adding predictability and reducing the costs of development fees.

## **Public Safety**

### *Adults*

The Administration proposes to strengthen the state's oversight of county jails. The Board of State and Community Corrections will more actively engage counties regarding deficiencies identified as part of its inspections through its public board meeting process and by more frequent follow-up inspections. The Board will also provide additional technical assistance to those counties where issues are identified. Also, as part of the Title 15 jail standards review, the Board will make sure the standards are consistent with national best practices.

Reducing probation terms to a two-year maximum and increasing supervision for specified misdemeanors. \$60 million General Fund annually for three years and \$30 million General Fund in 2023-24, to supervise and provide probation services for misdemeanants, with the aim of improving public safety by reducing recidivism of these individuals.

Resources to establish a statewide ability to pay program within the trial courts for both traffic and non-traffic infractions.

\$11 million ongoing General Fund, in addition to baseline funding of \$113.8 million General Fund, to stabilize SB 678 funding provided to counties.

\$13.8 million General Fund for county probation departments to supervise the temporary increase in the average daily population of offenders on Post-Release Community Supervision.

\$722,000 ongoing General Fund to support an electronic health care data exchange process to transfer health records to counties for inmates who are transitioning to county custody or the community.

### *Juvenile Offenders*

Cluster the 5,800 young offenders (under age 26) into campus-style environments within existing facilities, with specialized programming and educational opportunities – with \$6.2 million General Fund in 2020-21, and \$10.1 million ongoing, to establish Youth Offender Rehabilitative Communities. These are programs that house offenders under the age of 26 together at select adult institutions in campus-style environments conducive to positive behavioral programming. A model program will be established at Valley State Prison in Chowchilla.

## **Transportation**

### *5 Year Plan*

\$5 billion in public transit and rail infrastructure, and \$1.1 billion for active transportation projects, to increase access to multi-modal transportation options. Additionally, the Plan includes continued investment in High Speed Rail.

\$22 billion will be available for new state highway repair and rehabilitation projects in the State Highway Operations and Protection Program (SHOPP).

\$3.3 billion will be available for the State Transportation Improvement Program.

\$1 billion for partnerships with local transportation agencies.

## **Water**

The Budget prioritizes recommendations emerging from the Water Resilience Portfolio, with 62 percent of the proposed \$4.75 billion climate resilience bond dedicated to programs that align with priorities identified in the Portfolio. In addition to the bond (details below) the budget includes \$60 million General Fund to support local implementation of SGMA.

## **Cannabis**

In an effort to improve access to licensing and simplify regulatory oversight of commercial cannabis activity, the Administration plans to consolidate the three licensing entities into a single Department of Cannabis Control by July 2021. Establishing a stand-alone department with dedicated enforcement will centralize and align critical regulatory functions to build a successful legal cannabis market and create a single point of contact for cannabis licensees and local governments. The Administration will submit more details on this proposal in spring 2020. The Administration also proposes to simplify tax administration for cannabis by changing the point of collection of cannabis taxes. The changes move the responsibility for the cultivation excise tax from the final distributor to the first and for the retail excise tax from the distributor to the retailer.

**Climate Resilience Bond**  
(Dollars in Millions)

<b>Investment Category</b>	<b>Department</b>	<b>Program</b>	<b>Amount</b>
Drinking Water, Flood, Drought	Department of Water Resources / State Water Resources Control Board	Regional and Inter-regional Water Resilience	\$1,000
	Department of Water Resources	Sustainable Groundwater Management	\$395
	State Water Resources Control Board	Safe Drinking Water	\$360
	Department of Water Resources	Flood - Urban/USACE Projects	\$340
		Flood - Systemwide Multi-benefit	\$270
	Natural Resources Agency	Salton Sea	\$220
	California Department of Food and Agriculture	Environmental Farming Incentive Program	\$200
	Department of Fish and Wildlife	Enhanced Stream Flows and Fish Passage	\$140
	Subtotal	\$2,925	
Wildfire	Natural Resources Agency, CAL FIRE, and Office of Emergency Services	Hardening of Critical Community Infrastructure	\$500
	CAL FIRE	Forest Health	\$250
	Subtotal	\$750	
Sea Level Rise	Ocean Protection Council	Coastal Wetland Restoration	\$320
		Nature-Based Solutions to Build Resilience	\$130
		Demonstration Projects to Protect Critical Infrastructure	\$50
	Subtotal	\$500	
Extreme Heat	Natural Resources Agency	Urban Greening and Forestry	\$200
	Strategic Growth Council	Cool Surface Materials	\$125
	Subtotal	\$325	
Community Resilience	Strategic Growth Council	Community Resilience Planning	\$25
		Community Resiliency Centers	\$225
	Subtotal	\$250	
	<b>Total</b>	<b>\$4,750</b>	