



COMMITTEE ON BUDGET & FISCAL REVIEW
Legislative Office Building - Room 502
Sacramento, CA 95814

SENATOR NANCY SKINNER, CHAIR

Summary of the Governor's Proposed 2022-23 Budget

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The purpose of this Summary is to provide members and staff of the Legislature with an overview of the Governor's proposed budget for 2022-23. More detailed reviews of the proposals will be developed as the Committee reviews the proposals in public hearings. If you have questions, please contact the committee at (916) 651-4103.

CONTENTS

	Page
Overview of the Governor's Proposed 2022-23 Budget	3
K-14 Education	23
Higher Education	30
Natural Resources and Energy	38
Health	46
COVID-19 Emergency Response Package	58
Human Services	60
State Administration and General Government	65
Public Safety, Corrections, The Judiciary, Labor & Transportation	78

Overall Budget Proposal

The Governor has proposed a budget for the 2022-23 fiscal year that includes General Fund resources—carry-forward balance, revenues and transfers—of \$219.4 billion and expenditures of \$213.1 billion (total expenditures from all funds is proposed to be \$286.5 billion). Based on the budget proposal, the General Fund would end the 2022-23 fiscal year with a Special Fund for Economic Uncertainties (SFEU) balance of \$3.1 billion and include a deposit of approximately \$3.9 billion to the Budget Stabilization Account (BSA), resulting in an expected balance in this account of \$20.9 billion at the end of the budget year.

The Governor's budget projects a surplus of \$45.7 billion, which includes \$20.6 billion in General Fund for discretionary purposes, \$16.1 billion in additional Proposition 98 for K-14 education, and \$9 billion in reserve deposits and supplemental pension payments.

The Governor's proposal notes that the state's budget resilience is stronger than ever: the result of building reserves, eliminating budgetary debt, reducing retirement liabilities, and focusing on one-time spending over ongoing investments to maintain structurally balanced budgets over the long term. These efforts enabled the state to protect programs during the COVID-19 recession while responding immediately to combat the pandemic. The Governor's budget allocates 86 percent of the discretionary surplus to one-time investments, and is projected to be structurally balanced in 2025-26, the last year in the multi-year forecast.

As in the past, budget resiliency will continue to be critical to protecting programs going forward. The proposed 2022-23 budget's adjusted base, incorporates a general reserve (SFEU), Safety Net Reserve, Public School System Stabilization Account (PSSSA) and BSA of approximately a combined \$34.6 billion (with another \$3.2 billion reserved for encumbrances). The revised General Fund expenditure level for the current year (2021-22) is approximately \$210 billion. Overall, General Fund spending in 2022-23 is expected to increase by approximately \$3.1 billion from the revised 2021-22 level.

The Governor's proposal of a budget for the 2022-23 fiscal year begins the annual budget process, during which the Legislature will review and analyze the Governor's proposals, engage with the Administration and the public regarding the state's resources and priorities, and then negotiate a final budget with the Governor that reflects our shared values across the branches of state government.

Overall Structure. The Governor's budget includes \$219.4 billion in General Fund revenues and other resources and \$213.1 billion in total General Fund expenditures (\$140.0 billion in non-Proposition 98 and \$73.1 billion in Proposition 98 funds), providing for a \$3.1 billion unencumbered reserve balance in the SFEU, a \$900 million Safety Net Reserve, a \$9.7 billion PSSSA balance, and reflecting \$20.9 billion in the BSA. The BSA 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 Governor's proposed 2022-23 budget strategically targets new one-time and ongoing investments with a focus on the COVID-19 Pandemic, an Education and Parents agenda, Expanding Opportunity and Strengthening California's Future, Addressing Climate Change, Improving Healthcare Affordability, Homelessness, and Crime.

The Governor's budget General Fund details are summarized below.

2021-22 and 2022-23 General Fund Summary (Dollars in Millions)		
	Revised <u>2021-22</u>	Proposed <u>2022-23</u>
PRIOR YEAR BALANCE	\$37,011	\$23,650
Revenues and transfers	\$196,669	\$195,719
TOTAL RESOURCES AVAILABLE	\$233,680	\$219,369
Non-Proposition 98 Expenditures	\$138,185	\$139,993
Proposition 98 Expenditures	\$71,845	\$73,134
TOTAL EXPENDITURES	\$210,030	\$213,127
FUND BALANCE		
Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	\$20,475	\$3,067
PSSSA	\$6,663	\$9,725
Safety Net Reserve	\$900	\$900
Budget Stabilization Account	\$19,303	\$20,868

Paying Down Retirement Liabilities. The Governor's proposed 2022-23 budget allocates approximately \$3.9 billion in Proposition 2 debt payments in the budget year toward further reducing retirement liabilities (including State Retiree Health and State Employee Pensions). The budget projects approximately \$8.4 billion in Proposition 2 debt payments over the next three years. Proposition 2, passed by the voters in 2014, requires minimum annual payments toward eligible debts until 2029-30 and annual deposits into the BSA.

Reserves. The Governor assumes approximately \$1.6 billion will be transferred to the BSA (commonly referred to as the Rainy Day Fund) as a true up in the current fiscal year and \$3.9 billion will be transferred in 2022-23. The BSA balance is projected to be \$20.9 billion in 2022-23 and grow to \$23.9 billion by 2025-26.

The Governor's budget does not include an additional deposit, which is discretionary, to the Safety Net Reserve, maintaining a balance of \$900 million. However, there is a mandatory set aside for the PSSSA, bringing its total to \$9.7 billion in the budget year.

Finally, the budget reserves \$3.1 billion in the SFEU to address emergencies and unforeseen events. Overall, the budget has \$34.6 billion set aside in reserves.

Gann Limit. The Governor's budget projects the State Appropriations Limit or "Gann Limit" will likely be exceeded in the 2020-21 and 2021-22 fiscal years by approximately \$2.6 billion. The Administration indicates that, if updated projections at the May Revision necessitate it, a plan to address the Gann limit will be included at that time.

Infrastructure. In addition to the federal Infrastructure Investment and Jobs Act of 2021, which will deliver billions of dollars for infrastructure to California, the Governor's budget makes significant state investment of over \$20 billion in infrastructure-related investments to prepare and protect California communities from climate change.

Immediate and Early Action. The Administration is requesting early action to allocate \$1.4 billion required to continue efforts to combat the COVID-19 pandemic in the current year. This funding will support continued vaccine distribution and administration, including booster shots, and statewide testing. The state also continues to support statewide hospital and medical surge efforts, precautionary measures in state institutions, contact tracing, and efforts to protect public health and the border.

Economic Outlook. The Governor's budget points out that the National Bureau of Economic Research reported in July 2021 that the COVID-19 Recession ended in April 2020, just two months after its official start, making it the shortest recorded recession ever, while also being the worst recession since the Great Depression.

While both the U.S. and California economies recovered to their pre-pandemic GDP levels in the first half of 2021, national and state employment are both still significantly below their pre-pandemic levels and disruptions created by the COVID-19 Pandemic remain. The recovery of the U.S. and California economies continued in the third quarter of 2021, albeit at a slower rate, and despite an increase in COVID-19 cases, high inflation, and ongoing supply chain challenges.

Through November 2021, the U.S. had recovered over four-fifths of all jobs lost from the height of the recession while California had added back about 70 percent of its total job losses. The Governor's budget outlook incorporates the \$1.2 trillion federal Infrastructure Investment and Jobs Act, signed into law in early November, but does not assume enactment of the so-called "Build Back Better" plan or other potential federal legislation under consideration. As of mid-November when the economic forecast was finalized, the U.S. and California each had around 60 percent of their total population fully vaccinated, with the state's vaccination rate being about 5 percentage points higher than the nation.

The Administration notes that the public health situation is the linchpin of the economic forecast. The Administration's forecast does not assume the emergence of a disruptive variant, which could lead to a delayed return to pre-pandemic labor force participation, persistent high inflation, and continued supply chain bottlenecks. If, however, cases, hospitalization, and death rates continue at generally manageable levels, the economic recovery may be stronger than reflected in the forecast.

Similarly, the forecast assumes the Delta, Omicron, or any future COVID-19 variants do not create any further major disruptions nationally and internationally, and supply chain bottlenecks will ease and regular production will be restored by early 2023. The Budget economic forecast projects continued real GDP growth throughout the forecast period and recovery to pre-pandemic levels of nonfarm employment by the end of 2022.

Structural (non-pandemic) downside risks to the forecast remain, including the challenges of an aging population, declining migration flows, lower fertility rates, higher housing and living costs, increasing inequality, and stock market volatility.

2021-22 Budget Recap

As a reminder of work done last year that the Governor's budget builds upon, following is a recap of some of the components of the 2021-22 budget.

As the economic recovery from the COVID pandemic was quicker and more robust than initially expected, the level of resources available in the 2021 Budget Act allowed our state to make significant investments in critical programs and services to provide relief and support to families and businesses, and address ongoing challenges faced by the state. These include the effort to combat homelessness, K-12 and early Education – including Transitional Kindergarten and Universal School Meals, Higher Education – including historic expansion of financial aid and an unprecedented investment in student housing, Healthcare – including Medi-Cal coverage to those 50 and older regardless of immigration status, Broadband, and various Resources and Climate packages. Highlights of the 2021-22 budget include:

Highlights of the 2021-22 Budget
Universal Transitional Kindergarten. The current year budget expanded the Transitional Kindergarten Program beginning in the 2022-23 school year, and achieves Universal Transitional Kindergarten eligibility by 2025-2026.
School Nutrition and Universal School Meals. The current year budget provided \$54 million Proposition 98 General Fund for the Child Nutrition Program to provide the state reimbursement rate for universal breakfast and lunch in the 2021-22 budget year. The budget also required local educational agencies to provide two school meals free of charge for grades Transitional Kindergarten through grade twelve during each school day, regardless of a student's eligibility for federally funded free or reduced-price meals, commencing with the 2022-23 school year.
Highlights of the 2021-22 Budget
Child Care Slots. The current year budget provided \$739 million in one-time federal funds for the Department of Education in the 2021-22 fiscal year to be transferred to the Department of Social Services for the expansion of access to

child care slots. A total of 200,000 child care slots will be added over a five year period including budget year investments.

University of California (UC) Base Increase. The current year budget restored the \$302.4 million ongoing General Fund cut made to the UC in the 2020-21 Budget Act. In addition, the budget provides an increase of \$173.2 million ongoing General Fund for a five percent base increase.

Highlights of the 2021-22 Budget

California State University (CSU) Base Adjustment. The current year budget provided CSU with an increase of \$299 million ongoing General Fund to backfill a reduction made in the 2020-21 Budget Act. Additionally, the budget provided an increase \$185.9 million ongoing General Fund to reflect a five percent base increase.

Cal Grant Expansion. The current year budget established the California Community College Expanded Entitlement Awards, which eliminates the age and time out of high school Cal Grant eligibility requirements for CCC students. The budget specified that a student receiving a CCC Expanded Entitlement Awards may retain their Cal Grant Award when they transfer to a UC or CSU. The budget provides \$152.8 million for this purpose.

Highlights of the 2021-22 Budget

Middle Class Scholarship Program. The current year budget specified that starting with the 2022-23 academic year; an eligible student shall receive a Middle Class Scholarship (MCS) that helps cover the total cost of attendance at UC and CSU. Starting with the 2022-23, the annual appropriation for the program is determined by the Budget Act.

Higher Education Student Housing Grant Program, and Capacity Expansion Grant Program. The current year budget created two new programs to support

affordable student housing at the UC, CSU and Community Colleges, and campus expansion projects at UC and CSU. The budget appropriated \$500 million one-time General Fund in 2021-22 for student housing projects and included legislative intent to provide \$750 million in 2022-23 and \$750 million in 2023-24 for this purpose.

Highlights of the 2021-22 Budget

Zero Emission Vehicle Package. The current year budget included \$2.7 billion for a variety of programs related to zero emission vehicles. This is intended to be the first year of a three-year, \$3.9 billion investment.

Broadband Funding. The current year budget provided \$6 billion over three years in federal and General Fund resources for several broadband investments.

Highlights of the 2021-22 Budget

Wildfire Prevention and Resilience Package. In April 2021, an early action package totaling \$536 million (\$411 General Fund; \$125 million Greenhouse Gas Reduction Fund (GGRF)) was approved for various investments that support a statewide strategy on forest health and fire prevention.

In September, an additional \$988 million was allocated for 2021-22 (\$758 million General Fund; \$230 million GGRF) for wildfire prevention and resilience projects and programs.

Water and Drought Resilience Package. The current year budget included \$5.2 billion (\$4.7 billion General Fund) over three years to support immediate drought response and long-term water resilience.

Highlights of the 2021-22 Budget	
Climate Resilience Package. The current year budget included \$3.69 billion General Fund over three years to support investments that address the state's multi-faceted climate risks.	
Sustainable Agriculture Package. The current year budget agreement included the Sustainable Agriculture Package totaling \$1.1 billion, \$683 million of which is appropriated in 2021-22.	
Highlights of the 2021-22 Budget	
Children and Youth Behavioral Health Initiative. The current year budget included a total investment over five years of \$3.5 billion to support the Children and Youth Behavioral Health Initiative and other interventions to support behavioral health services for students.	
Behavioral Health Continuum Infrastructure Program. The current year budget included \$755.7 million in 2021-22, \$1.4 billion in 2022-23 and \$2.1 billion in 2023-24 for competitive grants to qualified entities to construct, acquire, and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources.	
Highlights of the 2021-22 Budget	
<ul style="list-style-type: none"> • Full-Scope Medi-Cal Coverage Age 50 and Older Regardless of Immigration Status. The current year budget included \$67.3 million in 2021-22 and \$1.5 billion when fully implemented to expand full-scope Medi-Cal coverage for income-eligible adults age 50 years of age and older regardless of immigration status, beginning May 1, 2022. 	
Department of Developmental Services Service Provider Rate Reform. The current year budget included \$146 million in 2021-22, growing to \$2.1 billion	

ongoing, for a five-year phase-in of rate reform to achieve the rates in the 2019 DDS Rate Study. The budget begins to phase in rate reform on April 1, 2022.

Highlights of the 2021-22 Budget

California Arrearage Payment Program. The current year budget included \$1 billion from the Coronavirus Fiscal Recovery Fund to prevent energy utility disconnections for consumers experiencing financial hardship due to the economic impacts of the COVID-19 pandemic by providing financial assistance to customer accounts in arrears.

Supplemental Security Income/State Supplemental Payment (SSI/SSP) and Cash Assistance Program for Immigrants (CAPI) Grant Increase. The current year budget included \$225 million General Fund in 2021-22 and \$450 million in 2022-23 to increase grants for SSP, Cash Assistance Program for Immigrants (CAPI), and California Veterans Cash Benefits recipients, to 50 percent of the remaining 2009 SSI/SSP grant reduction.

Highlights of the 2021-22 Budget

Small Business Grant Program. The current year budget included \$1.5 billion one-time Coronavirus Fiscal Recovery Fund in 2021-22 for three additional rounds of grants for small businesses. Trailer bill language allows CalOSBA to administer additional rounds targeted at nonprofit cultural institutions using \$16 million that was unspent in 2020-21 and moved to 2021-22.

Golden State Stimulus 2.0. The current year budget included \$8.1 billion General Fund for a GSS payment for individuals making under \$75,000 and additional payments for filers with dependents and that use Individual Taxpayer Identification Numbers. The first GSS was done as part of early action last year.

Highlights of the 2021-22 Budget

Homelessness Investments. The current year budget included \$7.3 billion in 2021-22, and \$11.9 billion through 2022-23, in investments to combat homelessness statewide.

Housing Investments. The current year budget included roughly \$4.5 billion in one-time investments in planning, producing, and preserving additional affordable and livable housing statewide.

Highlights of the 2021-22 Budget

Community Economic Resilience Fund (CERF). The current year budget provided \$600 million in federal funds from the Coronavirus Fiscal Recovery Fund to establish the CERF, which will be administered by the Workforce Service Branch at the EDD.

2022-23 Proposed Budget Expenditures and Revenues

The proposed budget includes additional required programmatic increases and new spending. The table below summarizes the Governor's proposed expenditures by program area.

General Fund Expenditures Current and Budget Year (Dollars in Millions)

Program Area	Revised 2021-22	Proposed 2022-23	Change
K-12 Education	\$69,422	\$70,350	\$928
Higher Education	21,312	21,846	534
Health and Human Services	56,324	64,701	8,377
Corrections and Rehabilitation	14,757	14,996	239
Business, Consumer Services, Housing	2,016	1,078	-938
Transportation	2,161	1,700	-461
Natural Resources	9,684	8,774	-910
Environmental Protection	3,580	1,226	-2,354
Labor and Workforce Development	982	2,179	1,197
Government Operations	10,739	5,270	-5,469
General Government:			
Non-Agency Departments	1,823	1,796	-27
Tax Relief / Local Government	638	640	2
Statewide Expenditures	4,196	9,510	5,314
Legislative, Judicial and Executive	12,396	9,061	-3,335
Total	\$210,030	\$213,127	\$3,097

The Governor's 2022-23 budget proposes major policy and budgetary changes. Some of the more significant aspects of the budget proposal are outlined below:

Education and Higher Education

- **K-12 Education.** In addition to Proposition 98 (General Fund and property taxes), K-12 education is funded through a variety of other fund sources, including federal funds, state lottery funds, local fund sources, and other funds. Proposed total funding for K-12 education from all sources is \$119 billion in 2022-23.
- **Expanded Learning Opportunities Program and After-School Care.** The proposed budget includes an increase of \$3.4 billion ongoing Proposition 98 General Fund for the Expanded Learning Opportunities Program, increasing per pupil funding for the program and increasing the number of local educational agencies offering services. The budget also proposes \$937 million one-time Proposition 98 General Fund to support Expanded Learning Opportunities Program infrastructure, with a focus on integrating arts and music programming into the enrichment options for students. Finally, the Budget continues one-time reimbursement rate increases (at a cost of \$148.7 million ongoing Proposition 98 General Fund) from the 2021 Budget Act for the After School Education and Safety and 21st Century Community Learning Centers programs.
- **Green School Transportation.** The proposed budget includes \$1.5 billion in one-time Proposition 98 General Fund, available over three years, to support school transportation programs, with a focus on green school bus fleets.
- **Multiyear Plans for All Three Higher Education Segments.** The Governor's budget includes multi-year compacts with the University of California (UC) and California State University (CSU) and a multi-year roadmap with the California Community Colleges (CCCs) that focus on shared priorities benefitting students.
 - The major budget components of the compacts for CSU and UC are annual base increases of five-percent over each of the next five years. In 2022-23, the Governor's budget proposes an additional \$211.1 million ongoing General Fund for the CSU and \$200.5 million ongoing General Fund for the UC in base resources. These increases are contingent on the ability of each segment to advance these shared goals. Though the Governor provides enrollment growth funding in 2022-23, the administration's expectation is that CSU and UC increase resident

undergraduate enrollment annually over the subsequent four years (2023-24 through 2026-27) using a portion of their base increases.

- For CCC, the “roadmap” similarly includes an initial base increase and funding for resident enrollment growth, but future funding for CCC is to be specified in subsequent Proposition 98 packages. The budget proposes an increase of \$409.4 million ongoing Proposition 98 General Fund to provide a 5.33-percent COLA for apportionments and \$24.9 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth.
- Additionally, the Governor sets forth a total of 55 associated expectations (22 for CSU, 18 for UC, and 15 for CCC). These expectations focus on student access, overall student outcomes, equity in student outcomes, college affordability, intersegmental collaboration, and workforce preparedness. The Administration indicated that more detail on specific performance metrics will be provided at the May Revision after additional conversations with the segments.
- **Deferred Maintenance and Energy Efficiency Projects.** The Governor’s budget package provides a significant amount of one-time funding for these types of projects at all three segments. These amounts are specified in the higher education section.
- **Implementation of 2021 Budget Act Out year Spending Commitments.** The state made out year spending commitments relating to CSU and UC resident enrollment growth, nonresident enrollment reductions at certain UC campuses, various financial aid programs, and student housing as part of the 2021 Budget Act. These amounts are specified in the higher education section.

Health and Human Services

- **COVID-19.** The Governor’s January budget includes a total of \$2.7 billion General Fund to increase testing capacity, enhance and expand vaccination programs, bolster the health care system and support frontline workers. Of the \$2.7 billion, the Governor’s budget proposes an “early action” emergency appropriation of \$1.4 billion General Fund for fiscal year 2021-22 to address the current surge in COVID-19 cases caused by the Omicron variant.

- **Health for All: Medi-Cal Coverage for All Californians Regardless of Immigration Status.** The Governor's budget includes expenditure authority of \$819 million (\$614 million General Fund) in 2023-24, growing to \$2.3 billion (\$1.8 billion General Fund) when fully implemented, to expand Medi-Cal coverage to all income-eligible Californians regardless of immigration status. The 2021 Budget Act authorized expansion of coverage for Californians 50 and older beginning on May 1, 2022. The Governor's proposal would expand coverage to the remaining uncovered population ages 26 to 49 beginning no sooner than January 1, 2024.
- **Public Health Infrastructure Investments.** The budget includes General Fund expenditure authority of \$300 million annually to support investments in public health infrastructure, including the following components:
 - **Statewide Investments.** \$99.6 million would support the following statewide investments:
 - **Workforce Development, Recruitment, and Training** - \$57.9 million and 270 positions would support efforts to increase staffing capacity and attract, develop, and retain a diverse, multi-disciplinary public health workforce.
 - **Emergency Preparedness and Response** - \$27.6 million and 77 positions would support improved preparedness, response, and recovery for public health and medical emergencies and disasters, including a 24-hour intelligence hub to provide real-time information on emergency response needs; regular refreshes of planning, training and exercises; region-based support; and a dedicated public health community recovery unit.
 - **IT, Data Science, and Informatics** – \$548,000 and three positions would expand the California Birth Defects Monitoring Program. A separate proposal in this budget would allocate an additional \$235.2 million to support maintenance and operations of information technology systems, including those established during the pandemic.
 - **Communications and Public Education** - \$4.5 million and 26 positions would support a communication and public education strategy to effectively reach California's diverse population.

- **Community Health Improvement** - \$6.1 million and 23 positions to provide a comprehensive community health improvement strategy.
 - **Local Health Jurisdiction Investments.** \$200.4 million would support local assistance to local health jurisdictions that would focus on workforce expansion, reducing health disparities, data collection and monitoring, and establishing regional community partnerships.
 - **Community-Based Organizations Partnerships with Hospitals.** The Administration is also proposing trailer bill language to require non-profit hospitals to invest 25 percent of community benefit funds to invest in local community-based organizations to support public health interventions.
- **Aging.** The Governor's budget includes a total of \$31.8 million to various agencies to further implement the Master Plan for Aging and promote age-friendly communities throughout the state.
- **State Supplemental Payment (SSP).** The Governor's budget assumes an additional SSP increase of 24 percent, totaling roughly \$296 million General Fund in 2023-24 and \$593 million ongoing. This increase would fully restore SSP monthly payments to levels that have not been seen since before the Great Recession. Note that this increase would not go into effect until the 2023-24 budget year.
- **CalWORKs.** The budget includes a 7.1 percent increase to CalWORKs grants.
- **Pass-through of Child Support Collections for Formerly Assisted Families.** The Governor's budget proposes a full "pass-through" of child support arrearages collected by the state for families formerly receiving state assistance. The estimated annual pass-through to formerly assisted families is \$187 million. 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.
- **California Food Assistance Program (CFAP).** The Governor's 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 to Californians age 55 and older regardless of immigration status, based on statute included with the 2021 Budget Act.

- **CalFood.** The Governor's 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.

Resources and the Environment

- **Climate Change.** The Governor proposes an additional \$22.5 billion from various sources spread over five years, on top of the \$15 billion approved last year, across various categories to advance a proposed Climate and Opportunity Budget to protect communities from climate threats of wildfire and drought, extreme heat, sea-level rise, community resilience, as well as provide nature-based solutions.
- **Wildfires.** The Governor proposes \$1.2 billion (\$800 million General Fund and \$400 million Greenhouse Gas Reduction Fund) one-time over two years to reduce the risk of catastrophic wildfires, including support for resilient forests and landscapes, wildfire fuel breaks, community hardening, regional and tribal capacity, science-based management, and economic development of the forest sector.
- **Drought.** The Governor proposes \$750 million in one-time spending (on top of the \$5.2 billion over three years that was approved last year) to support drought resilience and response, including water conservation, urban and small community drought relief, fish and wildfire protection, multi-benefit land repurposing, groundwater recharge, on-farm water conservation, and technical assistance and drought relief for small farmers.
- **Energy.** The Governor's budget proposes \$2 billion over two years to provide incentives for long-duration-storage projects, renewable hydrogen, and industrial decarbonization, including in the food processing sector. The Budget also includes funding for decarbonization and electrification of existing buildings in disadvantaged communities, as well as infrastructure improvements to facilitate the development of offshore wind energy production.

Transportation

- **Transportation Infrastructure.** The Governor's budget includes \$9.1 billion in investments in transportation infrastructure, including:
 - \$4.2 billion in Proposition 1A bond funding for high speed rail.
 - \$2 billion for statewide transit and rail projects.
 - \$1.25 billion for transit and rail projects in southern California.
 - \$750 million for the Active Transportation Program.
 - \$500 million for grade separation projects.
 - \$400 million for climate adaptation.
- **Freight and Ports.** The Governor's budget includes \$2.3 billion for ports and freight movement, including:
 - \$1.2 billion for high-priority port capacity improvements.
 - \$875 million for zero-emission trucks and equipment.
 - \$110 million for a training center for the goods movement workforce.
 - \$40 million to improve DMVs capacity to issue Commercial Driver's Licenses.
 - \$30 million for operations improvements at California ports.
- **Gas Tax.** The Governor's budget proposes to forego the annual inflation adjustment to the per gallon fuel excise tax rate scheduled to occur on July 1, 2022. This is expected to decrease fuel tax revenues by \$523 million in 2022-23.

Housing and Homelessness

- **Homelessness.** The Governor's budget proposes an additional \$2 billion General Fund over two years to continue the state's efforts to address homelessness by investing in behavioral health housing and encampment cleanup grants.
- **Housing.** The Governor's budget includes \$2 billion over two years to accelerate the development of affordable housing. The focus of the majority of these investments is on development in and near downtowns throughout the state to reduce commutes and greenhouse gas emissions.

General Government and Public Safety

- **The Young Child Tax Credit.** The proposed budget expands this tax credit to families that file returns without income, but otherwise qualify for this credit, and proposes to index the credit to inflation starting in the 2022 tax year.
- **California Earned Income Tax Credit (CalEITC) Foster Youth Expansion.** The proposed budget includes a new refundable \$1,000 credit for young adults who have been in the foster care program and who otherwise qualify for the CalEITC.
- **Net Operating Loss and Tax Credits for the 2022 Tax Year.** The proposed budget allows affected taxpayers to start fully using delayed NOLs and tax credits one year earlier than anticipated, in recognition the pandemic did not impact revenues negatively as initially projected.
- **Innovation Headquarters Credit.** The proposed budget includes the Innovation Headquarters Credit to provide an additional \$250 million per year for three years for qualified companies headquartered in California that are investing in research to mitigate climate change.
- **Other Tax Changes.** The proposed budget also includes a variety of changes related to federal tax conformity provisions for shuttered venues and restaurants revitalization grants. In addition, the budget includes payment flexibility for low and moderate income taxpayers. Finally, additional changes are made to the Elective Pass-Through Entity Tax.
- **Small Business Assistance.** The proposed budget includes a variety of proposals to support small businesses including \$150 million General Fund for the California Small Business COVID-19 Relief Grant Program in 2022-23 to capture any small businesses that did not previously receive a California Small Business COVID-19 Relief Grant Program grant and additional funding for the Technical Assistance Expansion Program (TAEP) for small businesses.
- **Green Technologies Development Credit.** The proposed budget includes a new tax credit totaling \$100 million per year for three years. This credit will fund pre-development costs for new green technologies and will be structured to ensure payback of loans and profit sharing for profitable businesses.

- **Immigrant Integration and Talent.** The proposed budget includes \$11.6 million General Fund in 2022-23, and \$500,000 annually thereafter, for GO-Biz to support statewide coordination for immigrant integration and propel innovation including through enhanced services for immigrant communities at the state and local level, and supports for economic development activities, including at the California-Mexico border.
- **Cannabis.** In the Governor's budget, the Administration has signaled its intent to develop a grant program to aid local governments in opening up legal retail access to consumers this spring, as well as its support for cannabis tax reform.
- **Various Workforce Training and Opportunities.** The Governor's budget includes over \$2 billion over three years, with a focus on multiple sectors. These proposals build on previous investments and the commitment to create pathways that strengthen the skills, knowledge, and experience of California's diverse workforce.

In the K-12 school system, the Governor's budget proposes a \$1.5 billion Proposition 98 General Fund effort to support the development of college and career pathways focused on education, health care, technology, and climate-related fields. The Governor's budget also waives certain teacher examination fees and encourages the development of new teacher preparation programs to address the state's shortage of qualified teachers.

In the care economy, the Governor's budget proposes \$1.7 billion over three years in care economy workforce development—across both the Labor Agency and California Health and Human Services Agency—that will create more innovative and accessible opportunities to recruit, train, and hire and will advance an ethnically and culturally inclusive health and human services workforce, with improved diversity and higher wages.

Finally, the Governor's budget also includes multiple workforce investments with a focus on climate change. As well, California expects to receive approximately \$14 billion of additional funding from the federal Infrastructure Investment and Jobs Act over the next five years.

The specific proposals associated with these investments are outlined in the K-12, Labor, Health, Human Services, Transportation and Resources sections.

- **Addressing Unemployment Insurance (UI) Debt.** In 2020, the federal government allowed states to borrow federal funds to pay regular UI benefits. The state's UI Trust Fund, which went insolvent in March 2020, borrowed significant sums of money to pay benefits and now owes over \$19.4 billion to the federal government. The debt is anticipated to have substantial costs to the state and the state's employers over the coming years. The Governor's budget proposes to pay down a portion of the UI debt- \$3 billion General Fund over two years (\$1 billion in 2022-23, and \$2 billion General Fund in 2023-24) - and the forecasted UI interest payment- \$470.1 million one-time General Fund.
- **COVID-19 Supplemental Paid Sick Leave.** SB 95 (Committee on Budget), Chapter 13, Statutes of 2021, which expired on September 30, 2021, required specified employers to provide COVID-19 Supplemental Paid Sick Leave to covered employees. The Governor's budget summary states, as part of the COVID-19 pandemic response, that new legislation is needed to modify the previous COVID-19 Supplemental Paid Sick Leave policy given the current state of the pandemic, in light of new developments since the passage of SB 95, and to ensure the safety and protection of the state's workforce.
- **Organized Retail Theft and Crime Package.** The Governor's proposed budget includes \$434 million over the next three years (\$188 million in 2022-23) to combat retail theft and reduce crime. The package includes:
 - Grants for local law enforcement (\$85 million per year for three years) and district attorneys (\$10 million per year for three years) to combat and prosecute retail theft.
 - Support for statewide efforts at the Department of Justice and the California Highway Patrol to combat retail theft, including prosecutions of multi-jurisdictional cases (\$6 million per year for three years), anti-crime task forces (\$5 million), and the Organized Retail Theft Taskforce (\$15 million annually).
 - \$20 million one-time in grants to small businesses who experience thefts or crimes, administered by the Governor's Office of Business and Development.
 - \$25 million one-time for local gun buy-back programs, \$20 million one-time to combat transnational drug trafficking, and \$2 million ongoing to support the University of California Firearm Violence Research Center.

Overall Proposition 98 – K-14 Education

Budget Year – Overall Funding Levels. The proposed budget estimates a total Proposition 98 funding level of \$102 billion (K-14). This is an \$8.2 billion increase over the 2021-22 Proposition 98 level provided in the 2021 Budget Act. The Administration estimates that the Proposition 98 calculation for 2022-23 will be a Test 1 calculation.

Prior and Current Year Adjustments. The budget proposes to provide total Proposition 98 funding (K-14) for 2020-21 of \$95.9 billion (an increase from \$93.4 billion), and for 2021-22, the Governor estimates an increase in the total Guarantee to \$99.1 billion (an increase from \$93.7 billion). This represents a three-year increase in the minimum Guarantee of \$16.1 billion over the level funded in the 2021 Budget Act. The Administration estimates that the Proposition 98 calculations for 2020-21 and 2021-22 are Test 1.

Proposition 98 Changes. The proposed budget includes a Proposition 98 funding level of \$87.3 billion for K-12 programs. This includes a year-to-year increase of \$2.9 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2020-21. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$14,778 provided in 2021-22 (revised) to \$15,278 in 2022-23, an increase of 3.4 percent.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. The 2022-23 proposed budget includes 2020-21, 2021-22, and 2022-23 payments of \$3.1 billion, \$3.6 billion, and \$3.1 billion, respectively, into the PSSSA. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the PSSSA is equal to or greater than three percent of the total K-12 share of the Guarantee. The balance of \$6.7 billion in 2021-22 triggers school district reserve caps beginning in 2022-23.

K-12 Education – Major Spending Proposals

K-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living

adjustment (COLA). The budget proposes to amend the LCFF calculation to consider the greater of a school district's current year, prior year, or the average of three prior years' average daily attendance (ADA). The proposed budget additionally provides a COLA of 5.33 percent. These changes will lead to costs of approximately \$3.3 billion, for the 2022-23 fiscal year, bringing total LCFF funding to \$70.5 billion.

K-12 Special Education. The 2021-22 budget included several investments for special education, including: \$397 million to increase base special education funding rates for all Special Education Local Plan Areas (SELPA), and \$450 million in one-time Proposition 98 funds to SELPAs for purposes of providing learning recovery support for pupils. The budget also includes language to specify that the ongoing appropriation of funds for Special Education programs, in the 2022-23 fiscal year, is contingent upon notice from the Director of Finance to the Joint Legislative Budget Committee that trailer bill legislation for the Budget Act of 2022 makes statutory changes designed to improve the academic outcomes of individuals with exceptional needs, that may include changes to special education funding formulas, expansions of early intervention and inclusive practices, and other changes as a result of ongoing studies. The proposed budget includes an increase \$500 million ongoing Proposition 98 General Fund for the special education funding formula, paired with the following changes to special education:

- Changes to the special education funding formula to calculate special education base funding allocations at the local educational agency level rather than the SELPA level.
- Consolidate two special education extraordinary cost pools into a single cost pool to simplify the current funding formula.
- Allocate Educationally-Related Mental Health Services funding directly to local educational agencies rather than to SELPAs.
- Develop a Special Education Addendum to the Local Control and Accountability Plan that will support inclusive planning and linking special education and general education planning, so parents of students with disabilities have a defined role in the Local Control and Accountability Plan development process.

- Focusing a special education resource lead on Individualized Education Programs (IEPs) best practices, and establishing an expert panel to continue the work of creating a model IEP template.
- Establish an alternate diploma and a workgroup to explore alternative coursework options for students with disabilities to demonstrate completion of state graduation requirements.

The proposed budget also proposes \$849,000 General Fund and 6 positions to support the State Department of Education and its efforts to transition young children with disabilities from federal Part C services to federal Part B services, which is required by federal law for children to transition between these services at age three. These resources are proposed to be in conjunction with \$65.5 million in fiscal year 2022-23 that rises to \$82.5 million fiscal year 2023-24 for the Department of Development Services and regional centers to strengthen the transition process. The Budget also proposes statutory changes to support the continuity of services provided to young children with disabilities by enhancing coordination between the Departments and supporting parents' ability to access the resources and information needed to be active participants in the transition process.

Expanded Learning Opportunities Program. The 2021-22 Budget Act established the Expanded Learning Opportunities Program to provide students access to after-school and intersessional expanded learning opportunities, and provided \$1 billion ongoing funds and \$754 million one-time Proposition 98 General Fund for the program, which by 2025-26 will provide all students in low-income communities with no-cost access to nine hours of developmentally appropriate academics and enrichment activities per instructional day and for six weeks each summer. Additionally, all local educational agencies, regardless of community demographics, are encouraged to offer subsidized services to all students, using a fee schedule that considers family income and ability to pay. The proposed budget includes an additional \$3.4 billion ongoing Proposition 98 General Fund for the Expanded Learning Opportunities Program, increasing per pupil funding for the program and expanding the number of local educational agencies offering no-cost services. The Budget also proposes \$937 million one-time Proposition 98 General Fund to support Expanded Learning Opportunities Program infrastructure, with a focus on integrating arts and music programming into the enrichment options for students. Finally, the Budget continues one-time reimbursement rate increases (at a cost of \$148.7 million ongoing Proposition 98 General Fund) from the 2021 Budget Act for the After School Education and Safety and 21st Century Community Learning Centers programs.

Educator Workforce. The proposed budget includes a total of \$54.4 million in a mix of Proposition 98 General Fund and General Fund to hire qualified teachers and substitutes:

- \$24 million one-time General Fund to waive certain teacher examination fees.
- \$12 million one-time General Fund to extend the waiver of select credentials fees.
- \$10 million one-time General Fund to support a competitive grant program that provides grants to public and private institutions to develop and implement integrated teacher preparation programs.
- \$5.2 million Proposition 98 General Fund and \$322,000 General Fund to re-establish the Personnel Management Assistance Teams to assist local educational agencies in improving hiring and recruitment practices.
- \$1.4 million General Fund to establish career counselors for prospective educators at the Commission on Teacher Credentialing (CTC).
- \$924,000 General Fund, of which \$161,000 is one-time, to support the CTC's administration of multiple grant programs and fee waivers.
- \$900,000 General Fund for the CTC to contract for public outreach to highlight the value and benefits of educational careers in California's prekindergarten through grade 12 schools.
- Extending statute authorizing any holder of a credential or permit issued by the CTC to serve in a substitute teaching assignment aligned with their authorization, including for staff vacancies, for up to 60 cumulative days for any one assignment.

K-12 School Facilities. In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell \$9 billion in general obligation bonds for K-14 facilities (\$7 billion for K-12 and \$2 billion for community colleges). The proposed budget allocates the remaining approximately \$1.4 billion in K-12 bond authority in 2022-

23 for new construction, modernization, career technical education, and charter facility projects.

Child Nutrition. Beginning in 2022-23, all public schools will be required to provide two free meals per day to any student who requests a meal, regardless of income eligibility. The proposed budget includes \$596 million Proposition 98 General Fund, to fund universal access to subsidized school meals. Additionally, the proposed budget includes \$450 million in one-time Proposition 98 General Fund, available over three years, to upgrade school kitchen infrastructure and equipment. Lastly, the proposed budget includes \$3 million one-time Proposition 98 General Fund to support the School Breakfast and Summer Meal Start-Up and Expansion Grant Program.

Farm to School Program. The 2021 Budget Act included \$60 million one-time General Fund over two years to support the California Farm to School program. The proposed budget includes \$30 million in one-time General Fund to establish additional farm to school demonstration projects and \$3 million ongoing General Fund to expand the regional California Farm to School Network by adding 16 new positions at the California Department of Food and Agriculture.

Green Transportation. The proposed budget includes \$1.5 billion in one-time Proposition 98 General Fund, available over three years, to support school transportation programs, with a focus on green school bus fleets. Specifically, grants of at least \$500,000 would be available with priority for local educational agencies with high concentrations of low-income students, youth in foster care, and English language learners, as well as small and rural local educational agencies. Additionally, the budget proposes a workgroup to streamline the process of training and licensing new school bus drivers, and would include representatives from the Department of Motor Vehicles, California Highway Patrol, Department of Education, and the State Board of Education.

Career Pathways Development. The proposed budget includes \$1.5 billion one-time Proposition 98 General Fund over four years to support the development of pathway programs focused on technology, health care, education, and climate-related fields. These programs are predicated on developing local partnerships that bring together school systems, higher education institutions, employers, and other relevant community stakeholders.

Dual Enrollment Opportunities. The proposed budget includes \$500 million one-time Proposition 98 General Fund, available over four years, to expand dual

enrollment opportunities coupled with student advising and support services. This is in conjunction with \$45 million in proposed higher education funding for curricular pathways software and public-private partnerships for STEM, education, and healthcare career preparation.

Cost-of-Living Adjustments. The proposed budget provides \$295 million Proposition 98 General Fund to support a 5.33 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

County Offices of Education. The proposed budget also includes \$11.5 million ongoing Proposition 98 General Fund to reflect the 5.33 percent COLA and ADA changes applicable to the LCFF.

Local Property Tax Adjustments. The proposed budget includes a decrease of \$127.8 million in ongoing Proposition 98 General Fund in 2021-22, and a decrease of \$1.4 billion in Proposition 98 General Fund in 2022-23 for school districts and county offices of education related changes to offsetting local property taxes.

Model Curricula. The proposed budget includes \$14 million in one-time Proposition 98 General Fund to support county offices of education in developing model curricula related to the Vietnamese American refugee experience, the Cambodian genocide, Hmong history and cultural studies, and Native American studies.

Instructional Quality Commission. The proposed budget includes \$246,000 in one-time Proposition 98 General Fund for the Instructional Quality Commission to continue its work on curriculum frameworks.

Agricultural Career Technical Education Incentive Grant. The proposed budget includes \$2 million ongoing Proposition 98 General Fund to support an augmentation to the Agricultural Career Technical Education Incentive Grant program.

Child Care and Early Education

Pursuant to the 2021 Budget plan, the proposed budget includes \$639.2 million General Fund to expand eligibility for transitional kindergarten, from all children turning five-years-old between September 2 and December 2 to all children turning

five-years-old between September 2 and February 2, beginning in the 2022-23 school year. These funds will increase the Proposition 98 Guarantee through the process of rebenching. Additionally, the proposed budget includes \$383 million Proposition 98 General Fund to add one additional certificated or classified staff person to every transitional kindergarten class, reducing student-to-adult ratios to more closely align with the State Preschool Program.

Other Early Education

Dual Language Learners and Students with Disabilities. The proposed budget includes nearly \$309 million total funds (\$197.8 million Proposition 98 General Fund and \$110.6 million General Fund) to fund new requirements for California State Preschool Programs to serve at least 10 percent students with disabilities, and provide additional supportive services for dual language learners.

Eligibility. The budget proposes to expand eligibility for California State Preschool Programs by allowing all students participating in State Preschool to maintain continuous eligibility for 24 months (increased from 12 months) once eligibility is confirmed. In addition, children with an individualized education program will be categorically eligible to participate in State Preschool, and State Preschool providers that have served all eligible three- and four-year-olds in their service will be allowed to serve two-year-old children.

Rate Increases. The proposed budget includes \$166.2 million Proposition 98 General Fund to cover full-year costs of State Preschool rate increases that began January 1, 2022.

State Preschool Inclusion Opportunities. The proposed budget includes \$10 million General Fund to promote inclusion in preschool of three- and four-year olds served by regional centers. Resources will support preschool efforts to improve accessibility of their programs.

Early Literacy. The proposed budget includes a total of \$712 million in a mix of one-time Proposition 98 General Fund and General Fund to do the following:

- \$500 million one-time Proposition 98 General Fund, available over five years, for grants to high-needs schools to train and hire literacy coaches and reading specialists to guide productive classroom instruction and to offer one-on-one and small group intervention for struggling readers.

- \$200 million one-time Proposition 98 General Fund to establish a grant program to enable local educational agencies to create or expand multi-lingual school or classroom libraries offering culturally relevant texts to support reading instruction.
- \$10 million one-time General Fund for the Department of Public Health to partner with First 5 California on the Books for Children Program.
- \$2 million one-time General Fund to incorporate early identification for learning disabilities into the state's preschool assessment tools, including a process for follow-up by expert evaluators, and \$60 million one-time Proposition 98 General Fund to provide training for educators on effective use of these tools.

Higher Education

Intersegmental

Multi-Year Compacts. The Governor's budget includes multi-year compacts with the University of California (UC) and California State University (CSU) and a multi-year roadmap with the California Community Colleges (CCCs) that focus on shared priorities benefitting students. Each compact/roadmap is a discrete agreement with the state; however, they are forged with the understanding that each segment must work toward aligned goals and achieve an increased level of intersegmental collaboration. These agreements will provide California students with more opportunities to transfer to four-year institutions and graduate within expected timeframes, in preparation for the jobs that will drive California's economy now and into the future. Shared priorities include focusing on closing equity gaps, improving time-to-degree completion, reducing students' total cost of attendance, increasing the predictability of student costs, increasing California resident undergraduate enrollment, improving faculty diversity, and better aligning curricula and student learning objectives with workforce needs.

Similarly, the roadmap for the CCC system builds upon the system's existing Vision for Success and focuses on student success by enhancing intersegmental collaboration to facilitate effective and timely transfer of CCC students to public and independent postsecondary institutions, improving time-to-degree and certificate completion, closing equity gaps, and better aligning the system with K-12 and workforce needs.

Total Higher Education Funding. The budget proposes total funding of \$39.6 billion (\$26 billion General Fund and local property tax and \$13.6 billion other funds) for the three higher education segments and the California Student Aid Commission.

University of California (UC)

Base Allocation. The Governor's budget includes \$307.3 million in ongoing General Fund augmentations for the UC, including \$200.5 million ongoing General Fund for a five-percent increase in base resources and ongoing General Fund resources for California resident undergraduate enrollment growth of 7,132 full-time equivalent students. Key proposals include the following:

Base Growth. The Governor's budget proposes an increase of \$200.5 million ongoing General Fund for operating costs.

Resident Undergraduate Enrollment Growth. The Governor's budget proposes an increase of \$67.8 million ongoing General Fund to support California resident undergraduate student enrollment growth of 6,230 full-time equivalent students, and \$31 million ongoing General Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students at these campuses.

Foster Youth Supports. The Governor's budget proposes an increase of \$6 million ongoing General Fund to increase support for foster youth students.

Firearm Research. The Governor's budget proposes an increase of \$2 million ongoing General Fund to support research conducted by the University of California Firearm Violence Research Center.

Graduate Medical Education. The Governor's budget proposes a decrease of \$582,000 ongoing General Fund to adjust the Proposition 56 revenue offset amount for a statewide grant program and maintain \$40 million ongoing for graduate medical residency slots.

Climate Initiatives. The Governor's budget proposes an increase of \$185 million one-time General Fund to support three complementary climate initiatives. Of this amount, \$100 million is for climate action research seed and matching grants

available to researchers from the UC system and other institutions, \$50 million is for regional climate innovation incubators, and \$35 million is for the establishment of climate workforce development and training hubs.

Deferred Maintenance and Energy Efficiency. The Governor's budget proposes an increase of \$100 million one-time General Fund for deferred maintenance and energy efficiency projects at UC campuses.

Dyslexia Research. The Governor's budget proposes an increase of \$10 million one-time General Fund to support the University of California San Francisco Dyslexia Center.

California State University (CSU)

Base Allocation. The Governor's budget increases ongoing General Fund for CSU by \$467 million and provides a total of \$233 million for one-time initiatives. Much of the new spending is linked to the Governor's compact with CSU. The largest components of CSU's compact are five percent base increases, almost three percent resident undergraduate enrollment growth in 2022-23, and one percent resident undergraduate enrollment growth annually thereafter through 2026-27. Key proposals include the following:

Base Growth. The Governor's budget proposes an increase of \$211.1 million ongoing General Fund for operating costs.

Resident Undergraduate Enrollment Growth. The Governor's budget proposes an increase of \$81 million ongoing General Fund to support California resident undergraduate student enrollment growth of 9,434 full-time equivalent students in the 2022-23 academic year.

Foster Youth Supports. The Governor's budget proposes an increase of \$12 million ongoing General Fund in the CSU budget to increase support for foster youth students.

Deferred Maintenance and Energy Efficiency at CSU. The Governor's budget proposes an increase of \$100 million one-time General Fund for deferred maintenance and energy efficiency projects at CSU campuses.

CSU Bakersfield Energy Innovation Center. The Governor's budget proposes an increase of \$83 million one-time General Fund to support the construction of the CSU Bakersfield Energy Innovation Center.

University Farms. The Governor's budget proposes an increase of \$50 million one-time General Fund for equipment and infrastructure improvements at CSU University Farms.

Higher Education Opportunities for Incarcerated People. The Governor's budget proposes \$5 million General Fund in 2022-23 and \$4.7 million ongoing to fund Bachelor's Degree Programs at seven California Department of Corrections and Rehabilitation institutions in collaboration with the California State University system. Please note that this expenditure is also contained in the Public Safety, Corrections, and Judiciary section.

California Community Colleges (CCC)

Please see the K-12 Education section of this report for additional information on the overall K-14 Proposition 98 budget.

CCC Apportionments. The Governor's budget proposes an increase of \$409.4 million ongoing Proposition 98 General Fund to provide a 5.33-percent COLA for apportionments and \$24.9 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth.

Student Centered Funding Formula Changes. The Governor's budget proposes on a permanent basis to provide all districts with no less than their 2024-25 hold harmless amount—regardless of the number of students they serve that year or in the future.

Deferred Maintenance. The Governor's budget proposes an increase of \$387.6 million one-time Proposition 98 General Fund to support deferred maintenance and energy efficiency projects at community colleges. Of this amount, \$108.7 million is from 2022-23, \$182.1 million is from 2021-22, and \$96.8 million is from 2020-2021.

CCC Facilities. The Governor's budget proposes General Obligation bond funding of \$373 million one-time for the construction phase of 17 projects anticipated to complete design by spring 2023, and the working drawings phase of one project. This allocation represents the next installment of the \$2 billion available to CCCs

under Proposition 51. The Governor's budget does not fund any new CCC capital projects.

Local Property Tax Adjustment. The Governor's budget proposes an a decrease of \$230.5 million ongoing Proposition 98 General Fund as a result of increased offsetting local property tax revenues.

Part-Time Faculty Health Insurance. The Governor's budget proposes an increase of \$200 million ongoing Proposition 98 General Fund to augment the Part-Time Faculty Health Insurance Program to expand healthcare coverage provided to part-time faculty by community college districts.

Healthcare Vocational Education. The Governor's budget proposes an increase of \$130 million one-time Proposition 98 General Fund. Of this amount, \$30 million is for 2022-23, \$50 million is for 2023-24, and \$50 million is for 2024-25, to support healthcare-focused vocational pathways for English language learners across all levels of English proficiency, through the Adult Education Program.

CCC Technology Modernization and Sensitive Data Protection. The Governor's budget proposes an increase of \$100 million Proposition 98 General Fund. Of this amount, \$75 million is one-time and \$25 million is ongoing. This funding is proposed to address modernization of CCC technology infrastructure, including sensitive data protection efforts at the community colleges.

Emergency Financial Assistance Grants for AB 540 Students. The Governor's budget proposes an increase of \$20 million one-time Proposition 98 General Fund to support emergency student financial assistance grants to eligible AB 540 students.

Pathways Grant Program for High-Skilled Careers. The Governor's budget proposes an increase of \$20 million one-time Proposition 98 General Fund for a grant program that incentivizes public-private partnerships that prepare students in grades 9 to 14 for the high-skill fields of education and early education; science, technology, engineering and mathematics (STEM); and healthcare.

CCC Teacher Credentialing Partnership Program. The Governor's budget proposes an increase of \$5 million one-time Proposition 98 General Fund to support the CCC Teacher Credentialing Partnership Program.

African American Male Education Network and Development (A2MEND) Student Charters. The Governor's budget proposes an increase of \$1.1 million

ongoing Proposition 98 General Fund to support the expansion of A2MEND student charters to an increased number of community college districts.

Support for Umoja Program Study. The Governor's budget proposes an increase of \$179,000 one-time Proposition 98 General Fund to support a study of the Umoja program practices that promote student success for African American students.

Funding for CCC Chancellor's Office Staffing. The Governor's budget proposes \$1.4 million ongoing non-Proposition 98 General Fund for nine new positions at the Chancellor's Office beginning in 2022-23 and another \$1.4 million ongoing non-Proposition 98 General Fund for 10 additional positions beginning in 2023-24. The new positions would support several divisions of the Chancellor's Office, including educational services, college finance, legal, and government relations.

Hastings College of the Law

Base Adjustment. The Governor's budget proposes an increase of \$2 million ongoing General Fund to support operating costs. The budget also assumes Hastings increases resident tuition by three percent in 2022-23, representing the first increase since 2011-12. Consistent with previous years, the Governor's budget does not set an enrollment target for Hastings or designate funding for enrollment growth.

California Student Aid Commission (CSAC)

Overview. The Governor's budget assumes total financial aid expenditures of \$3.8 billion, of which \$3.4 billion supports the Cal Grant Program and Middle Class Scholarship Program. This reflects eight percent increase over the revised 2021-22 level. In 2020-21, approximately 141,000 students received new Cal Grant awards, and approximately 232,000 students received renewal awards.

The state's Cal Grant entitlement program is estimated to provide over 502,000 financial aid awards to students who meet specified eligibility criteria in 2022-23, including more than 170,000 awards to CCC students newly eligible due to the entitlement expansion made in the 2021 Budget Act. Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for one of 13,000 proposed competitive Cal Grant awards. The majority of these awards provide a stipend to cover some living expenses, such as housing, food, and transportation. Key proposals include the following:

Middle Class Scholarship. The Governor's budget proposes an increase of \$515 million ongoing General Fund, for a combined total of \$632 million, to support a modified version of the Middle Class Scholarship Program that will focus resources toward reducing a student's total cost of attendance. This augmentation was included in the 2021-22 budget agreement.

Learning-Aligned Employment Program. The Governor's budget proposes an increase of \$300 million one-time General Fund for the Learning-Aligned Employment program, which provides a two-year total of \$500 million when combined with funds provided to establish the program in the 2021 Budget Act. This augmentation was included in the 2021-22 budget agreement.

Cal Grant Program Adjustments. The Governor's budget proposes a decrease of \$43.8 million one-time General Fund in 2021-22 and an increase of \$143.8 million ongoing General Fund in 2022-23 to reflect: 1) Revised estimates of the number of new and renewal Cal Grant awardees in 2021-22 and 2022-23, and 2) The impact of the UC's recently adopted cohort-based tuition model, which increases Cal Grant tuition and fee award amounts for some UC students beginning in the 2022-23 academic year.

Cash for College Program. The Governor's budget includes an increase of \$500,000 one-time General Fund to expand and supplement existing Cash for College Regional Coordinating Organizations that offer technical assistance to help complete college financial aid applications.

Financial Aid Programs. The Governor's budget proposes an increase of \$479,000 ongoing General Fund for five positions at the California Student Aid Commission to support financial aid programs.

California State Library

Digitization of Significant Materials. The Governor's budget proposes an increase of \$12.8 million one-time General Fund and \$1.2 million ongoing General Fund for nine positions, equipment, and other resources 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. The Governor's budget proposes an increase of \$8.8 million one-time General Fund to support two

additional years of free online job training and educational upskilling programs available through local public libraries.

Lunch at the Library. The Governor's budget proposes an increase of \$5 million ongoing General Fund and two positions to expand the number of library jurisdictions providing summer meal programs for students in low-income communities.

Building Rental Costs. The Governor's budget proposes an increase of \$2.2 million ongoing General Fund for increased building rental expenses at the Library and Courts II building.

Other Higher Education Proposal

Student Housing Update. The Budget Act of 2021 established the Higher Education Student Housing Grant program to provide one-time grants for CCCs, CSU, and UC to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. As part of the 2021-22 budget agreement, the provided state General Fund of \$500 million in 2021-22, \$750 million in 2022-23, and \$750 million in 2023-24.

Of the \$500 million one-time General Fund for the Higher Education Student Housing Grant program in 2021-22, \$25 million is available for CCC planning grants for student housing. The Department of Finance (DOF) received 114 applications totaling approximately \$3.2 billion from CCCs, CSU, and UC in the initial application filing round. By March 1, DOF will provide the Joint Legislative Budget Committee a list of projects proposed to be funded with the 2021-22 appropriation. The funds available in 2021-22 will be appropriated for specific projects and planning grants to be identified in subsequent legislation.

The budget provides \$750 million one-time General Fund for the second installment of a planned \$2 billion one-time General Fund appropriation over a three-year period. This augmentation was included in the 2021-22 budget agreement.

Workforce Initiatives Outside of CCC's Budget. The Governor's budget includes multiple workforce proposals outside of CCC's budget that will likely have implications for community colleges. Most notably are: 1) \$1.5 billion one-time Proposition 98 General Fund (available over four years) for high schools to develop career training pathways in technology, health care, education, and climate-related

fields, and 2) \$500 million one-time Proposition 98 General Fund (also available over four years) to expand dual enrollment opportunities for high school students to earn associate degrees. This budget report includes numerous education pathway and workforce-related proposals in other agencies' budgets (please see the K-12, labor, health, human services, and climate sections).

Natural Resources, Environmental Protection, and Energy

Climate Change

The Governor proposes an additional \$22.5 billion from various sources spread over five years, on top of the \$15 billion, across various categories to advance a proposed Climate and Opportunity Budget to protect communities from climate threats of wildfire, drought, extreme heat, sea-level rise, as well as provide community resilience and nature-based solutions. Among the various components of the Climate Change proposal, the budget includes:

Wildfires, Emergency Preparedness and Response. To address, the Governor proposes an additional \$1.2 billion (\$800 million General Fund and \$400 million Greenhouse Gas Reduction Fund) one-time over two years to reduce the risk of catastrophic wildfires, including funding to support resilient forests and landscapes, wildfire fuel breaks, community hardening, regional and tribal capacity, science-based management, and economic development of the forest sector.

Drought Resilience and Response. The Governor proposes \$750 million one-time General Fund, on top of the \$5.2 billion over three years approved in last year's budget. The proposed investments include:

- \$180 million for water conservation programs to provide grants to large urban and small water suppliers to improve water efficiency, address leaks, reduce demand, provide water use efficiency-related mapping and training, support turf replacement, and maintain a drought vulnerability tool.
- \$145 million for urban and small community drought relief to provide local emergency drought assistance and grants to local water agencies facing loss of water supplies.
- \$75 million for fish and wildlife protection to mitigate immediate drought impacts to fish and wildlife resources, and build resilience of natural systems.

- \$40 million for multi-benefit land repurposing to increase regional capacity to repurpose irrigated agricultural land to reduce reliance on groundwater while providing community health, economic well-being, water supply, habitat, renewable energy, and climate benefits.
- \$30 million for groundwater recharge to provide grants to water districts to fund planning, engineering, water availability analyses, and construction for groundwater recharge projects.
- \$20 million for on-farm water conservation to bolster the State Water Efficiency and Enhancement Program, which provides grants to implement irrigation systems that save water on agricultural operations.
- \$10 million for technical assistance and drought relief for small farmers to provide mobile irrigation labs, land use mapping and imagery, irrigation education, and direct assistance to small farmers and ranchers who have experienced water cost increases of more than 50 percent.

Nature-Based Solutions, Extreme Heat, Coastal Resilience, and Community Resilience. The 2021 Budget included \$3.7 billion one-time General Fund over three years for investments that support multi-benefit and nature-based solutions, address impacts of extreme heat, build ocean and coastal resilience, advance environmental justice, and deliver community resilience and capacity. The budget includes approximately \$2.1 billion General Fund in 2022-23, associated with the second year of investments approved in the 2021 Budget, including:

- \$100 million for urban and community forestry and urban greening to cool communities through nature-based solutions, such as expanding tree canopy and green infrastructure projects.
- \$25 million for the Community Resilience and Heat Program to reduce the impacts of extreme heat and the urban heat island effect.
- \$25 million for the Low-Income Weatherization Program to accelerate energy efficient upgrades in low-income households through, for example, air conditioning heat pumps and low global warming potential refrigerants.

Coastal Resilience. The 2021 Budget included \$612 million one-time General Fund over three years to build coastal resilience and support ocean ecosystems and communities. Of this amount, the budget includes \$400 million associated with the second year of investments that was approved last year, including:

- \$350 million for coastal protection and adaptation to provide funding for coastal wetland restoration and protection, and projects that build coastal resilience.
- \$50 million for ocean protection to protect and restore healthy ocean and coastal ecosystems, including estuarine and kelp forest habitat, the state's system of marine protected areas, and to build climate-ready fisheries.

Climate Jobs and Opportunity. The Governor proposes \$465 million one-time General Fund over three years to expand workforce training opportunities in climate-related fields, including:

- \$30 million one-time General Fund for wildfire and forest resilience workforce development to support community colleges and vocational training programs to train, develop, and certify forestry professionals and increase the workforce available to support the implementation of forest health and fuel reduction projects.
- \$50 million one-time General Fund for a pilot support fund to address the needs of oil and gas workers facing displacement.
- \$110 million General Fund over three years for a Goods Movement Training Center in Southern California.

Natural Resources

Outdoors for All. The budget includes \$756.9 million to the Department of Parks and Recreation, building upon last year's investments through the Outdoors for All Initiative, including:

- \$50 million one-time General Fund for the California Cultural and Art Installation in Parks Program.
- \$50 million one-time General Fund for state parks infrastructure funding.

- \$9.8 million one-time General Fund to support California Native Americans' engagement and interpretation in state parks.

Liberty Canyon Wildlife Corridor. The Liberty Canyon Wildlife bridge project will construct a vegetated wildlife-only bridge over US Highway 101. This will include a tunnel for passage over Agoura Road for wildlife movement, and reconnect severed ecosystems and habitat, particularly for mountain lion viability. Governor proposes \$10 million one-time General Fund for the Santa Monica Mountains Conservancy to secure funding to complete the tunnel phase of the crossing project over the Agoura Road frontage road.

Environmental Protection

Office of Racial Equity. The Governor proposes \$1.8. million Air Pollution Control Fund ongoing and four positions to establish a new Office of Racial Equity, which is intended to help coordinate, integrate, and implement racial equity into policy development, with an initial focus on research, incentive programs, regulations, air quality planning, and climate change.

Advancing Racial Equity and Environmental Justice in the Office of Environmental Health Hazard Assessment's (OEHHA's) Scientific Activities. The Governor proposes \$565,000 ongoing General Fund and two positions to create a new racial equity and environmental justice program, which would formulate strategies, policies, and technical assessments to advance racial equity in OEHHA's scientific activities, including quantitative risk-assessment methods.

Energy

Zero Emission Vehicles. The budget includes \$6.1 billion (\$3.5 billion General Fund, \$1.5 billion from Proposition 98, \$676 million Greenhouse Gas Reduction Fund, and \$383 million Federal Funds) over five years for additional investments in zero emission vehicles. This is on top of the 2021 Budget Act commitment of \$3.9 billion towards ZEV acceleration through 2023-24. This brings the total investment to \$10 billion over six years. These additional investments include:

- **Low-Income Zero-Emission Vehicles and Infrastructure:** \$256 million for low-income consumer purchases, and \$900 million to expand affordable and

convenient ZEV infrastructure access in low-income neighborhoods. These investments will focus on planning and deploying a range of charging options to support communities, including grid-friendly high-power fast chargers and at-home charging.

- **Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure:** \$935 million to add 1,000 zero-emission short-haul (drayage) trucks and 1,700 zero-emission transit buses; \$1.5 billion Proposition 98 to support school transportation programs, including advancing electric school buses in a coordinated effort between educational, air pollution, and energy agencies; \$1.1 billion for zero-emission trucks, buses, and off-road equipment and fueling infrastructure; and \$400 million to enable port electrification.
- **Zero-Emission Mobility:** \$419 million to support sustainable community-based transportation equity projects that increase access to zero-emission mobility in low-income communities. This includes supporting clean mobility options, sustainable transportation and equity projects, and plans that have already been developed by communities that address mobility. These locally driven projects continue to be a direct response to critical mobility needs identified by community-based organizations and residents working on the front lines to lift up priority populations.
- **Emerging Opportunities:** \$200 million to invest in demonstration and pilot projects in high carbon-emitting sectors, such as maritime, aviation, rail, and other off-road applications, as well as support for vehicle grid integration at scale. These investments will help maintain California's role as the hub of ZEV market creation and innovation, creating economic development opportunities, while accelerating zero-emission solutions in hardest-to-reach segments of the transportation system.

These proposed investments are summarized below:

Zero-Emission Vehicle Investments (Dollars in Millions)				
Investment Category	Program	2021 ZEV Package Multi-Year Investment	2022 ZEV Package Multi-Year Investment	ZEV Package Totals
Passenger Vehicles	Clean Vehicle Rebate Project	\$525	\$0	\$525
	Clean Cars 4 All & Other Equity Projects	\$400	\$256	\$656
	ZEV Fueling Infrastructure Grants	\$300	\$600	\$900
	Equitable At-home Charging	\$0	\$300	\$300
Big ZEVs	Drayage Trucks & Infrastructure	\$470	\$475	\$945
	Drayage Trucks & Infrastructure Pilot Project	\$65	\$0	\$65
	Transit Buses & Infrastructure	\$290	\$460	\$750
	School Buses & Infrastructure	\$450	\$1,500	\$1,950
	Clean Trucks, Buses and Off-Road Equipment	\$700	\$1,100	\$1,800
	Ports	\$0	\$400	\$400
	Near-Zero Heavy Duty Trucks	\$45	\$0	\$45
Other	ZEV Consumer Awareness	\$5	\$0	\$5
	ZEV Manufacturing Grants	\$250	\$0	\$250
	Community-Based Plans, Projects and Support / Sustainable Community Strategies	\$0	\$419	\$419
	Emerging Opportunities	\$0	\$200	\$200
	Transportation Package ZEV	\$407	\$383	\$790
Totals		\$3,907	\$6,093	\$10,000

Clean Energy Investments. The budget includes more than \$2 billion (\$2.035 billion General Fund over two years, \$1.5 million Energy Resources Programs Account in 2022-23, \$2.6 million Public Utilities Commission Utilities Reimbursement Account ongoing) for a Clean Energy Investment Plan that will spur additional innovation and deployment of clean energy technologies in the energy system. This includes:

- **Long Duration Storage:** \$380 million General Fund over two years to invest in long duration storage projects throughout the state to support grid reliability. This investment will help with resilience in the face of emergencies, including wildfires, and provide a decarbonized complement to intermittent renewables, which will provide the state with additional energy storage options during periods of low renewable power availability.
- **Green Hydrogen:** \$100 million General Fund in 2022-23 to advance the use and production of green hydrogen, in which electricity is used to split water

into oxygen and hydrogen. Green hydrogen is critical to the decarbonization of California's economy and achieving carbon neutrality.

- **Industrial Decarbonization:** \$210 million General Fund over two years to accelerate industrial sector decarbonization. There are over 40,000 industrial facilities in California, employing over 1.2 million people. This funding will provide a grant program for the purchase and deployment of commercially available advanced technologies and equipment to decarbonize this sector while focusing on reducing criteria pollutants in disadvantaged communities.
- **Food Production Investment:** \$85 million General Fund in 2022-23 to accelerate the adoption of energy technologies at California food production facilities. Grants will be provided to California food producers to install energy efficiency and renewable energy technologies that will reduce operating costs, as well as climate emissions.
- **Offshore Wind Infrastructure:** \$45 million General Fund in 2022-23 to create the Offshore Wind Energy Deployment Facility Improvement Program, which will invest in activities to advance the capabilities of deploying offshore wind energy in federal waters off California in the areas of facility planning and development.
- **Oroville Pump Storage:** \$240 million General Fund over two years to build a temperature management project to address temperature issues at the Oroville Dam that will allow a pump-storage project to operate at greater capacity for the benefit of the statewide electrical grid.
- **Energy Modeling to Support California's Energy Transition:** \$7 million General Fund in 2022-23 to support improvements to energy modeling activities, such as electricity system models to determine what types of electricity generation resources need to be built to meet state clean energy goals while maintaining reliability. Updating these models to reflect climate change impacts will improve state energy planning and policy development.
- **Equitable Building Decarbonization:** Older buildings with minimal insulation, air gaps, and non-existent or low-performing space heating and cooling are not equipped to adequately withstand extreme heat and protect occupants. The budget includes \$962.4 million General Fund over two years for critical investments, including:

- \$622.4 million General Fund over two years for a statewide low-income direct-install building retrofit program, including funding for replacement of fossil fuel appliances with electric appliances, energy-efficient lighting, and building insulation and sealing.
- \$300 million General Fund over two years for consumer rebates for building upgrades, such as replacement of fossil fuel equipment with electric appliances.
- \$40 million General Fund over two years to accelerate the adoption of ultra-low-global warming potential refrigerants.

These investments are summarized below:

Energy Package (Dollars in Millions)				
Department	Program	Fiscal Year 2022-23	Fiscal Year 2023-24	Two-Year Total
California Energy Commission	Incentives for Long Duration Storage Projects	\$140	\$240	\$380
	Green Hydrogen Grants for Green Electrolytic Hydrogen	\$100		\$100
	Industrial Decarbonization	\$110	\$100	\$210
	Food Production Investment Program	\$85		\$85
	Equitable Building Decarbonization	\$322.6	\$599.8	\$922.4
	Offshore Wind Infrastructure	\$45		\$45
	Energy Modeling to Support California's Energy Transition	\$7		\$7
Air Resources Board	Equitable Building Decarbonization - Accelerating Adoption of Ultra-Low Global Warming Potential Refrigerants	\$20	\$20	\$40
Department of Water Resources	Oroville Pump Storage	\$100	\$140	\$240
Various	Resources to Support Offshore Wind Generation and Energy Reliability	\$8.2	\$1.5	\$9.7
Total		\$937.8	\$1,101.3	\$2,039.1

Clean Energy Loan Program. The budget proposes to explore opportunities, in coordination with the U.S. Department of Energy Loan Program Office, to provide

pre-development financing for projects and technologies that focus on mitigating climate change in disadvantaged communities—geographic areas in which private capital has not adequately invested. Additional detail is forthcoming.

Lithium Development. The Administration is proposing to develop economic development incentives for the clean energy sector to facilitate the development of lithium resources in the state. The Administration is proposing to work with the Legislature, the Lithium Valley Commission, and county and community partners to simplify permitting for geothermal facilities and lithium extraction in the Salton Sea area while maintaining high environmental standards that protect the surrounding communities, incorporate public participation and community engagement, and develop a model for revenue sharing and a fund that benefits Californians. Additional details are forthcoming.

Health and Human Services

The Governor's January budget includes a total of \$217.5 billion (\$64.7 billion General Fund and \$152.7 billion other funds) for health and human services programs that serve low-income, vulnerable individuals and families.

Health

EARLY ACTION PROPOSAL – COVID-19 Pandemic Response

COVID-19 Pandemic Response. The budget includes General Fund expenditure authority of \$1.4 billion in 2021-22 and \$1.3 billion in 2022-23 to continue and expand the state's response to the COVID-19 pandemic. This funding would support continued vaccine distribution and administration, statewide testing capacity, hospital and medical surge efforts, precautionary measures in state institutions, contact tracing, and efforts to protect public health at the border. The Administration is requesting that the Legislature take early action on this funding request.

Department of Health Care Services (DHCS)

The budget includes \$130.2 billion (\$27.5 billion General Fund, \$88 billion federal funds, and \$1.5 billion special funds and reimbursements) in 2021-22 and \$138.3 billion (\$35.7 billion General Fund, \$85.2 billion federal funds, and \$1.7 billion special funds and reimbursements) in 2022-23 for the Department of Health Care Services (DHCS), which provides Californians with access to affordable, integrated,

high-quality health care including medical, dental, behavioral health, and long-term care services. Of this amount, the budget includes \$1.3 billion (\$318.1 million General Fund, \$574.2 million federal funds, and \$436.5 million special funds and reimbursements) in 2021-22 and \$1.3 billion (\$389.4 million General Fund, \$547.9 million federal funds, and \$353.9 million special funds and reimbursements) in 2022-23 for state operations, and \$128.9 billion (\$27.2 billion General Fund, \$87.4 billion federal funds, and \$1.4 billion special funds and reimbursements) in 2021-22 and \$137 billion (\$35.3 billion General Fund, \$84.7 billion federal funds, and \$1.7 billion special funds and reimbursements) in 2022-23 for local assistance, primarily in the Medi-Cal program.

Medi-Cal Program: Current Year (2021-22) – The budget includes total expenditures of \$123.8 billion (\$26.8 billion General Fund, \$86.5 billion federal funds, and \$10.5 billion special funds and reimbursements) for the Medi-Cal program in 2021-22, a 4.7 percent decrease in General Fund expenditures compared to the assumptions included in the 2021 Budget Act. According to DHCS, the primary drivers of these decreased General Fund expenditures are as follows:

- *COVID-19 Impacts.* \$1 billion General Fund savings from reduced impacts on the Medi-Cal program from the COVID-19 pandemic than previously estimated. These impacts include continuation of increased federal matching funds (\$1.4 billion General Fund savings), lower than expected caseload (\$415 million General Fund savings), lower than expected expenditures on school testing as schools have relied on direct federal funding instead of Medi-Cal (\$265 million General Fund savings), updated estimates of vaccine administration (\$26 million General Fund costs), higher estimates of fee-for-service utilization costs than previously estimated (\$51 million General Fund costs), and costs for the COVID-19 Vaccination Incentive Program (\$175 million General Fund costs).
- *Cost Shifts into Future Fiscal Years.* Various cost shifts from 2021-22 into future years resulting in General Fund savings of \$553 million. These cost shifts include: shifting of costs for the Behavioral Health Continuum Infrastructure Program to future years (\$443 million General Fund savings), shifting of costs for the student behavioral health services to future years (\$32 million General Fund savings), shifting of costs for the CalAIM justice-involved initiatives to future years (\$47 million General Fund savings), shifting of costs for the CalAIM population health management service to future years (\$22.5 million General Fund savings), shifting of costs for CalHOPE Student Support to future years (\$34 million General Fund

savings), and shifting of costs for outreach and enrollment for dual beneficiaries to future years (\$10 million General Fund savings).

- *Hospital Quality Assurance Fee.* \$189 million General Fund savings for children's health coverage resulting from additional collections of hospital quality assurance fee revenue from prior years.
- *Reduced One-Time Impact from CalAIM Transitions.* \$170 million General Fund savings from changes in timing for populations transitioning between delivery systems in Medi-Cal as part of the CalAIM initiative.
- *Increases in State-Only Claiming Costs.* \$548 million General Fund costs related to increases in repayment to the federal government for inappropriate claiming of federal matching funds for state-only program costs.

Medi-Cal Program: Budget Year (2022-23) – The budget includes total expenditures of \$132.7 billion (\$34.9 billion General Fund, \$84.6 billion federal funds, and \$13.2 billion special funds and reimbursements) for the Medi-Cal program in 2022-23, a 29.9 percent increase compared to the revised General Fund expenditure assumptions for 2021-22. According to DHCS, the primary drivers of these increased General Fund expenditures are as follows:

- *Additional Drug Rebates.* \$478 million General Fund savings from an increase in estimated manufacturer rebates to the Medi-Cal program for prescription drugs.
- *Reduced Federal Deferrals.* \$415 million General Fund savings from reduced deferrals of matching funds from the federal Centers for Medicare and Medicaid Services.
- *Full-Year Savings from Medi-Cal Rx.* \$327 million General Fund savings from full-year implementation of Medi-Cal Rx, which standardizes the pharmacy benefit in the Medi-Cal program by transitioning to the fee-for-service delivery system.
- *Human Papillomavirus Vaccination Coverage in FPACT.* \$5 million General Fund costs to support human papillomavirus (HPV) vaccination as a covered benefit for individuals age 19 through 45 in the Family Prevention, Access, Care, and Treatment (FPACT) Program.

- *Eliminate Certain AB 97 Provider Rate Reductions.* \$9 million General Fund costs to eliminate the 10 percent provider rate reduction, originally implemented by AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, for the following providers: nurses, alternative birthing centers, audiologists/hearing aid dispensers, respiratory care providers, durable medical equipment oxygen and respiratory services, chronic dialysis clinics, non-emergency medical transportation, and emergency air medical transportation.
- *Medi-Cal Dental Evidence-Based Practices.* \$13 million General Fund costs to expand Medi-Cal coverage of evidence-based dental practices consistent with the American Association of Pediatric Dentists and the American Dental Association, including laboratory-processed crowns for posterior teeth.
- *Implementation of the Mobile Crisis Benefit.* \$16 million General Fund costs to implement a mobile crisis response services benefit in Medi-Cal, pursuant to funding opportunities available through the federal American Rescue Plan Act.
- *Elimination of Medi-Cal Premiums.* \$19 million General Fund costs to eliminate premiums in the Medi-Cal program.
- *Nursing Facility Financing Reform.* \$46 million General Fund costs to reauthorize the skilled nursing facility quality assurance fee and reform nursing facility financing to incentivize value and quality.
- *Expiration of MCO Tax.* \$77 million General Fund costs from expiration of the enrollment tax on managed care organizations.
- *Full-Year Costs of Postpartum Care Extension.* \$134 million General Fund costs from full-year implementation of the expansion of full-scope Medi-Cal to postpartum birthing parents for 12 months.
- *General Fund Backfill of Declining Proposition 56 Provider Payments.* \$176 million General Fund costs to backfill declining Proposition 56 tobacco tax revenue that supports supplemental Medi-Cal provider payments to physicians, dentists, and other providers of Medi-Cal services.

- *Equity and Practice Transformation Payments.* \$200 million General Fund costs to support practice transformation and COVID-19 recovery payments to Medi-Cal providers focused on advancing equity and improving quality in children's preventive, maternity, and integrated behavioral health care.
- *Discontinue Checkwrite Hold.* \$309 million General Fund costs to reverse the 2008 recession-era practice of withholding the last two weeks of fee-for-service checkwrite payments to providers until the next fiscal year.
- *Managed Care Rate Growth.* \$340 million General Fund costs related to increases in base managed care capitation rates.
- *Medicare Cost Growth.* \$348 million General Fund costs for Medicare payments made on behalf of beneficiaries dually eligible for Medicare and Medi-Cal.
- *Full-Year Implementation of CalAIM.* \$547 million General Fund costs for full-year implementation of components of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, including enhanced care management, community supports, managed care plan incentives, inmate pre-release applications, population health management service, and the long-term care benefit transition.
- *State-Only Claiming.* \$813 million General Fund costs for increased repayment to the federal government for inappropriate claiming of federal matching funds for state-only program costs.
- *Behavioral Health Bridge Housing.* \$1 billion General Fund costs for Behavioral Health Bridge Housing, which would provide additional beds for county mental health departments and other housing types to address needs of people experiencing homelessness with serious and persistent behavioral health conditions.
- *COVID-19 Impacts.* \$2.3 billion General Fund costs for impacts related to the COVID-19 pandemic, including reduced federal matching, reduced estimated caseload impacts, reduced costs for testing in schools due to direct federal aid, costs related to vaccine administration, and savings from reduction of one-time payments and other initiatives.

- *Children and Youth Behavioral Health Initiative.* \$2.4 billion General Fund costs for implementation of components of the Children and Youth Behavioral Health Initiative approved in the 2021 Budget Act, including dyadic services in Medi-Cal (\$41 million General Fund costs), evidence-based behavioral health practices (\$429 million General Fund costs), additional funding for school behavioral health partnerships and capacity (\$450 million General Fund costs), implementation of a behavioral health services and supports platform (\$120 million General Fund costs), and additional funding for the Behavioral Health Continuum Infrastructure program (\$1.2 billion General Fund costs, \$480.5 million attributable to the initiative).
- *Other Impacts.* \$129 million General Fund costs for various other Medi-Cal impacts.

Medi-Cal Caseload. Medi-Cal is projected to provide health care services to approximately 14.6 million Californians in 2021-22, which represents an increase of 8.3 percent since 2020-21, and 14.2 million Californians in 2022-23, which represents a decrease of 3 percent compared to the revised 2021-22 estimate. This caseload increase is primarily attributable to the continuing federal public health emergency and related restrictions on disenrolling beneficiaries. The budget assumes the optional expansion of Medi-Cal will provide coverage to 4.7 million Californians in 2021-22 and 4.4 million in 2022-23.

Health for All: Medi-Cal Coverage for All Californians Regardless of Immigration Status. The budget includes expenditure authority of \$819 million (\$614 million General Fund) in 2023-24, growing to \$2.3 billion (\$1.8 billion General Fund) when fully implemented, to expand Medi-Cal coverage to all income-eligible Californians regardless of immigration status. The 2021 Budget Act authorized expansion of coverage for Californians 50 and older beginning on May 1, 2022. The Governor's proposal would expand coverage to the remaining uncovered population ages 26 to 49 beginning no sooner than January 1, 2024.

California Advancing and Innovating in Medi-Cal (CalAIM). The 2021 Budget Act authorized the Administration's comprehensive proposal to transform the delivery system of physical, behavioral, and oral health care services in the Medi-Cal program, known as California Advancing and Innovating in Medi-Cal (CalAIM). The budget includes \$1.2 billion (\$435.5 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 to support continued implementation of CalAIM, including the following components:

- *Dual-Eligible Transition to Managed Care.* Beneficiaries eligible for both Medicare and Medi-Cal (dual-eligibles) will be mandatorily enrolled into managed care.
- *Long-Term Care Integration into Managed Care.* Medi-Cal managed care plans will be required to include long-term care services for enrollees.
- *Pre-release Services for Incarcerated Individuals.* Incarcerated individuals would receive pre-release Medi-Cal application processing, Medi-Cal reimbursement for services in the 90 day period prior to release, and encourage facilitated referral and linkage to behavioral health services.
- *Providing Access and Transforming Health (PATH).* The PATH program would build statewide capacity and access to pre-release and post-release services under CalAIM.

Medi-Cal Community-Based Mobile Crisis Services. The budget includes expenditure authority of \$1.4 billion (\$335 million General Fund) over five years to implement a mobile crisis response services benefit in Medi-Cal. The federal American Rescue Plan Act authorizes an 85 percent federal match for 12 quarters to support multi-disciplinary mobile response services for crises related to mental health and substance use disorders. The 2021 Budget Act included expenditure authority of \$205 million (\$150 million General Fund and \$55 million federal funds) to support infrastructure development in preparation for the implementation of this benefit. The Administration proposes to implement the benefit beginning January 1, 2023.

Behavioral Health Bridge Housing. The budget includes expenditure authority of \$1 billion in 2022-23 and \$500 million in 2023-24 to address immediate housing and treatment needs of people experiencing unsheltered homelessness with serious behavioral health conditions by purchasing and installing tiny homes and providing time-limited operational supports in various bridge housing settings.

Reproductive Health: Medi-Cal Flexibilities. The Administration indicates in its budget documents that the Medi-Cal program will modify its existing billing requirements to remove requirements for in-person follow up visits and ultrasounds, if not clinically indicated, for clinically appropriate medication abortion services.

Medication Assisted Treatment Expansion. The budget includes General Fund expenditure authority of \$96 million in 2022-23 and \$61 million annually thereafter for the Medication Assisted Treatment (MAT) Expansion Project. Additional resources would support 100 new MAT access points statewide including in county jails and state-licensed facilities.

Elimination of Certain AB 97 Provider Rate Reductions. The budget includes expenditure authority of \$20.2 million (\$9 million General Fund) in 2022-23 and \$24 million (\$10.7 million General Fund) annually thereafter to eliminate the ten percent provider rate reductions implemented by AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, for the following providers: nurses, 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.

Elimination of Medi-Cal Premiums. The budget includes expenditure authority of \$53.2 million (\$18.9 million General Fund) in 2022-23 and \$89 million (\$31 million General Fund) annually thereafter to eliminate premiums for 500,000 Medi-Cal beneficiaries in programs serving women, children, and disabled adults, whose income is marginally above the threshold for no-cost Medi-Cal.

Medi-Cal Provider Equity Payments. The budget includes expenditure authority of \$400 million (\$200 million General Fund) to support provider payments focused on advancing equity and improving quality in children's preventive, maternity, and integrated behavioral health care.

Department of Public Health (DPH)

The budget includes \$7.9 billion (\$3.3 billion General Fund, \$1.6 billion federal funds, and \$3 billion special funds and reimbursements) in 2021-22 and \$5.7 billion (\$1.7 billion General Fund, \$2 billion federal funds, and \$2 billion special funds and reimbursements) in 2022-23 for the Department of Public Health (DPH), which is dedicated to optimizing the health and well-being of all Californians through a variety of public health monitoring, protection, education, direct services and emergency preparedness activities.

Public Health Infrastructure Investments. The budget includes General Fund expenditure authority of \$300 million annually to support investments in public health infrastructure, including the following components:

- *Statewide Investments.* \$99.6 million would support the following statewide investments:
 - Workforce Development, Recruitment, and Training - \$57.9 million and 270 positions would support efforts to increase staffing capacity and attract, develop, and retain a diverse, multi-disciplinary public health workforce.
 - Emergency Preparedness and Response - \$27.6 million and 77 positions would support improved preparedness, response, and recovery for public health and medical emergencies and disasters, including a 24-hour intelligence hub to provide real-time information on emergency response needs; regular refreshes of planning, training and exercises; region-based support; and a dedicated public health community recovery unit.
 - IT, Data Science, and Informatics – \$548,000 and three positions would expand the California Birth Defects Monitoring Program. A separate proposal in this budget would allocate an additional \$235.2 million to support maintenance and operations of information technology systems, including those established during the pandemic.
 - Communications and Public Education - \$4.5 million and 26 positions would support a communication and public education strategy to effectively reach California's diverse population.
 - Community Health Improvement - \$6.1 million and 23 positions to provide a comprehensive community health improvement strategy.
- *Local Health Jurisdiction Investments.* \$200.4 million would support local assistance to local health jurisdictions that would focus on workforce expansion, reducing health disparities, data collection and monitoring, and establishing regional community partnerships.
- *Community-Based Organizations Partnerships with Hospitals.* The Administration is also proposing trailer bill language to require non-profit hospitals to invest 25 percent of community benefit funds in local community-based organizations to support public health interventions. The Administration is proposing trailer bill language to authorize the Department of Health Care Access and Information (HCAI) to enforce this requirement.

Public Health Information Technology (IT) Systems. The budget includes 130 positions and General Fund expenditure authority of \$235.2 million in 2022-23 and 140 positions and General Fund expenditure authority of \$156.1 million annually thereafter 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.

Alzheimer's Investments. The budget includes General Fund expenditure authority of \$10 million in 2022-23 to continue support for current grantees of the Alzheimer's Healthy Brain Initiative in six local health jurisdictions and expand to up to six additional jurisdictions.

Home Visiting and Black Infant Health. The budget includes ongoing General Fund expenditure authority of \$50 million to expand the California Home Visiting Program and the Black Infant Health Program. \$37.5 million would support home visiting and \$12.5 million would support Black Infant Health.

Department of State Hospitals (DSH)

The budget includes \$2.6 billion (\$2.4 billion General Fund) in 2022-23 for the Department of State Hospitals (DSH), which administers five state mental health hospitals, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Administration estimates that the population served by the five state hospitals and other programs will reach a total of 8,064 by the end of 2022-23.

Incompetent to Stand Trial (IST) Referrals – According to the Administration, DSH continues to experience a significant number of incompetent to stand trial (IST) commitments from local courts, with 2,082 individuals awaiting placement into a state hospital, 1,706 of which are IST commitments, as of December 2021. DSH has undertaken several significant efforts over recent years to address the waiting list of IST commitments, including capacity expansions and the implementation of a mental health diversion program to provide local grants and judicial flexibility for community-based treatment of individuals at risk of IST commitment. In addition, in June 2021, an appellate court affirmed the order in *Stiavetti v. Clendenin* which requires DSH to commence competency restoration services for IST committed patients within 28 days of receipt of the commitment packet from the court.

The 2021 Budget Act authorized DSH to convene an IST workgroup to identify solutions to address the backlog of IST patients and the increasing number of individuals with serious mental illness referred to state hospitals. As a result of the workgroup, the budget includes General Fund expenditure authority of \$93 million in 2021-22 and \$571 million in 2022-23 and annually thereafter for the following initiatives:

- *Early Stabilization and Community Care Coordination.* Immediate support for the 1,706 IST patients awaiting placement, including early access to medication stabilization teams, statewide funding for medication support, and DSH case management teams to coordinate IST care with counties and other community providers.
- *Expand Diversion and Community-Based Restoration.* Increased support for IST treatment alternatives, including infrastructure to increase community residential beds dedicated to diversion and community-based restoration (CBR), increase funding to counties to expand diversion and CBR, support for county partnerships for entities impacted by community placement of IST patients, and support for workforce development for counties and community providers.

COVID-19 Impacts. The budget includes General Fund expenditure authority of \$64.6 million in 2022-23 related to direct response costs to continue responding to and mitigating the impacts of the COVID-19 pandemic.

Department of Health Care Access and Information (HCAI)

Office of Health Care Affordability – The 2021 Budget Act included expenditure authority of \$30 million in 2021-22 to support initial implementation activities for the Office of Health Care Affordability, which would increase health care price and quality transparency, develop strategies and cost targets for different sectors of the health care industry, impose financial consequences for entities that fail to meet these targets, and promote health care workforce stability and training needs. However, the Administration's proposed trailer bill language implementing the statutory authority for the office was not approved.

The budget reappropriates the funding approved in the 2021 Budget Act and proposes trailer bill language to establish the authority for the office.

Care Economy Workforce Development. The budget includes General Fund expenditure authority of \$1 billion in 2022-23, available over three years, to strengthen and expand the state's health and human services workforce as part of a package within the Labor and Workforce Agency and the Health and Human Services Agency. This funding would support recruitment, training, and certification of 25,000 new community health workers by 2025; increase the number of nurses, certified nursing assistants, certified nurse midwives, certified medical assistants, family nurse practitioners, and other health professions; support social workers with stipends and scholarships; establish new training positions for psychiatric residents, psychiatric mental health nurse practitioners, psychology interns and fellows, and psychiatric nurses; expand scholarships and loan repayment programs for multilingual applicants; expand the emergency medical technician workforce; and build out the substance use disorder (SUD) workforce with a focus on opioid treatment.

Reproductive Health: Clinical Infrastructure. The budget includes General Fund expenditure authority of \$20 million in 2022-23 to support scholarships and loan repayments to health care providers that commit to providing reproductive health services.

Reproductive Health: Capital Infrastructure. The budget includes General Fund expenditure authority of \$20 million in 2022-23 to support grants to reproductive health care facilities in securing their physical and information technology infrastructure and to enhance security.

California Health Benefit Exchange (Covered California)

Health Care Affordability Reserve Fund. The 2021 Budget Act transferred \$333.4 million in General Fund savings from federal health care affordability subsidies offsetting the state's premium subsidy program into a Health Care Affordability Reserve Fund, and required Covered California to report on options for providing cost-sharing reduction subsidies for low- and middle-income Californians. Covered California has developed the report and the Administration indicates in its budget release documents that it plans to work with the Legislature, Covered California, and stakeholders on options to further improve affordability and access to health care coverage, while acknowledging the role potential federal

legislation may play in determining the need and availability of state resources for premium and cost-sharing affordability programs.

Other Health-Related Adjustments

State Partnership to Manufacture Affordable Insulin. The Administration indicates in its budget documents that the state is exploring partnerships with a contract manufacturer of insulin that could lay the groundwork for future collaborations on other high-priority drugs, securing more consistent and reliable supply chains, and reducing prescription drug costs. This partnership is likely to be administered through CalHHS under authority provided by the California Affordable Drug Manufacturing Act, SB 852 (Pan), Chapter 207, Statutes of 2020.

COVID-19 Emergency Response Package

The Governor's January budget includes a total of \$2.7 billion General Fund to continue responding to the on-going COVID-19 pandemic by increasing testing capacity, enhancing and expanding vaccination programs, bolstering the health care system and supporting frontline workers. Of the \$2.7 billion, the Governor's budget proposes an "early action" emergency appropriation of \$1.4 billion General Fund for fiscal year 2021-22 to address the current surge in COVID-19 cases caused by the Omicron variant.

Testing

The budget proposes a total of \$1.175 billion General Fund in fiscal years 2021-22 (\$419 million) and 2022-23 (\$756 million) to address the increased demand for COVID-19 testing. Specifically, funding is included for the following departments:

Department of Public Health (DPH)

The budget proposes \$213 million General Fund in 2021-22 and \$362 million General Fund in 2022-23 for DPH to enhance testing activities, including:

- Expansion of hours and capacity at testing sites and clinics throughout California.
- Distribution of COVID-19 antigen tests to local health departments, community clinics, county offices of education and local schools.

- Increasing specimen collection and testing capacity at the state's testing facilities.

California Department of Corrections and Rehabilitation (CDCR)

The budget includes \$205 million General Fund in 2021-22 and \$380 million General Fund in 2022-23 to support CDCR's efforts to treat COVID-19 and minimize exposure to inmates and staff through testing.

Department of State Hospitals (DSH)

The budget includes \$14 million General Fund in 2022-23 to continue testing activities for patients and staff at state hospitals.

Vaccines

The budget includes a total of \$583 million General Fund in fiscal years 2021-22 (\$399 million) and 2022-23 (\$184 million) to increase COVID-19 vaccination and booster shot rates. This includes \$1.5 million for CDCR for on-going vaccine distribution and administration and \$399 million General Fund in 2021-22 and \$182 million General Fund in 2022-23 to DPH for the following activities:

- Funding for in-home vaccination and testing programs.
- Additional support for the "Vaccinate All 58" public education campaign that works with ethnic media outlets across the state to combat misinformation about vaccines and booster shots.
- Providing free transportation to individuals that need assistance getting to vaccination appointments.
- On-going support for community-based organizations, in partnership with the philanthropic community, to conduct vaccine appointment assistance by employing door-to-door canvassing, phone banking and texting.

Hospital and Medical Surge Staffing

The budget includes \$613 million General Fund in fiscal years 2021-22 (\$478 million) and 2022-23 (\$135 million), to address the surge in demand for medical staff. This includes \$11 million for CDCR to address additional medical staffing needs in 2022-23. Of the total amount, \$478 million in 2021-22 and \$124 million will be allocated to DPH to help address the increased demand from the state's hospital systems for additional health care professions.

Additional COVID-19 Response Efforts

The budget proposes \$308 million General Fund in fiscal years 2021-22 (\$133 million) and 2022-23 (\$175 million) to support contract tracing, information technology, public health activities at the California-Mexico border and other state response activities. Specifically, the budget includes:

- \$115 million in 2021-22 to support the staffing and technology needs at the Department of Public Health, Office of Emergency Services and the Emergency Medical Services Authority.
- \$83 million in 2022-23 to support on-going COVID-19 response operations at CDCR and DSH.
- \$18 million in 2021-22 and \$18 million in 2022-23 for DPH to expand statewide contact tracing activities.
- \$74 million in 2022-23 to address the impact of COVID-19 on vulnerable populations and response efforts at the border.

Human Services

California Department of Aging (CDA). The Governor proposes the following significant adjustments to CDA's 2022-23 budget.

- **Data Dashboard.** The Governor proposes \$2.1 million (\$1.8 million General Fund) to bolster the Master Plan for Aging's (MPA) Data Dashboard to track outcomes through CDA. The proposed budget also includes investments in other departments and agencies to further the MPA. Please see the Health section of this report for more details.

- **Public Conservatorships.** The Governor proposes a new position within CDA to act as a liaison to coordinate best practices with county Public Conservator agencies at the department.

Department of Social Services (DSS). The Governor proposes an overall 2022-23 budget of \$40.7 billion (\$16.1 billion General Fund) for DSS.

California Work Opportunity and Responsibility to Kids (CalWORKs). The Governor proposes an overall 2022-23 budget of \$6.6 billion for CalWORKs program expenditures and estimates a caseload of 398,000 families in 2022-23.

- **CalWORKs Grants.** The budget includes a 7.1 percent increase to CalWORKs maximum aid payment levels, with an estimated cost of \$200.7 million. This increase will be funded entirely by the Child Poverty and Family Supplemental Support Subaccount.

In-Home Supportive Services (IHSS). The budget includes \$18.5 billion (\$6.5 billion General Fund) in 2022-23 for the IHSS program. It estimates a 599,000 person caseload in 2022-23.

- **Minimum Wage.** The budget reflects \$399 million General Fund in 2022-23 to support the minimum wage increase to \$15 per hour effective January 1, 2022.
- **Permanent Backup Provider System.** The budget includes \$24.8 million (\$11.2 million General Fund) to establish a permanent back-up provider system to avoid disruptions to caregiving.

Supplemental Security Income/State Supplementary Payment (SSI/SSP). The Governor's budget includes \$3.1 billion General Fund in 2022-23 for the SSI/SSP program. The estimated caseload for the SSI/SSP program is 1.1 million recipients. Effective January 2022, maximum SSI/SSP grant levels are \$1,040 per month for individuals and \$1,766 per month for couples.

- **SSP Increase.** The budget assumes an additional SSP increase of 24 percent totaling roughly \$296 million General Fund in 2023-24 and \$593 million ongoing. This increase would fully restore SSP monthly payments to levels

that have not been seen since before the Great Recession. Note that this increase would not go into effect until the 2023-24 budget year.

Child Welfare Services (CWS). The budget includes \$665.8 million General Fund in 2022-23 for CWS programs to provide services to children and families. Including federal and realignment funds, total funding for CWS programs totals more than \$8.5 billion.

- **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 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.

Food Assistance Programs. The budget proposes the following adjustments related to food assistance.

- **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 age 55 and older regardless of immigration status, based on statute adopted with the 2021 Budget Act.

- **Food Banks.** The budget includes \$50 million on-time General Fund for food banks to mitigate increases in food needs among food-insecure populations.

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.

- **Child Care Slots.** The budget includes 36,000 child care slots, at an approximate cost of \$823.7 million (\$429 million federal funds and \$394.7 General Fund), on top of 110,000 slots added in the 2021 Budget Act, with the goal of adding 200,000 slots by 2025-26.
- **Child Care Rate Increases.** The budget includes \$373 million ongoing to support a full year of rate increases while the state continues work with partners and stakeholders toward further rate reform.

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

- Support for Aging Individuals with Developmental Disabilities. The Governor proposes a new position within DDS to focus on supporting aging individuals.
- Early Start. The budget includes \$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. This funding would support service coordinator-to-child caseload ratios, supports to preschools to increase inclusion of children served by regional centers, establishment of Individuals with Disability Education Act specialists at each regional center, and resources to facilitate interagency coordination.
- Communications Assessments for Deaf Individuals. The budget includes \$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.
- Work Activity Programs. The budget proposes \$8.3 million (\$5 million General Fund) for a new service model pilot program for work activity programs. The pilot will focus 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.

Department of Child Support Services. The budget includes the following significant adjustment for the department.

- **Child Support Pass Through.** The Governor proposes a full “pass-through” of child support payments collected by the state for families formerly receiving state assistance. Under current law, families receiving (or formerly receiving) state assistance do not receive full child support payments, as the state takes a portion of those payments as recoupment for assistance. The budget would make statutory changes to fully pass through assigned arrears collections to families formerly assisted by CalWORKs. The estimated annual pass through to formerly assisted families is \$187 million. 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.

State Administration and General Government

General Government and Local Government

The budget includes several proposals related to statewide issues and cross-departmental functions.

Housing and Homelessness

In total, the budget includes \$9 billion for housing resources and \$8 billion for homelessness resources in 2022-23. This includes new funding, detailed below, as well as already-budgeted multiyear funding from the 2021 budget.

- **Homelessness.** The 2021 Budget Act included \$12 billion over two years to address homelessness—creating new units and treatment beds for individuals exiting homelessness and supporting local government efforts. The 2022 Budget reflects \$5.8 billion for 2022-23 included in the 2021 Budget Act.

The 2022 Budget proposes an additional \$2 billion General Fund over two years to continue the state's efforts to address homelessness by investing in behavioral health housing and encampment cleanup grants. These investments are intended to serve as a bridge to other related efforts such as Homekey and California Advancing and Innovating Medi-Cal (CalAIM), which will redesign Medi-Cal to better serve Californians, including individuals experiencing homelessness and provide long-term care. This includes:

- \$1.5 billion General Fund over two years in dedicated resources to address immediate housing and treatment needs. Funding will be administered through DHCS' Behavioral Health Continuum Infrastructure Program established in the 2021 Budget 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.
- \$500 million one-time General Fund for an expansion of the Encampment Resolution Grant Program established in 2021 to deploy a substantially expanded program for jurisdictions to invest in short- and long-term rehousing strategies for people experiencing homelessness in encampments around the state.
- **Transitional Housing.** The Budget includes \$10.6 million General Fund annually for three years to continue the Returning Home Well Program, which provides transitional housing services to individuals who would otherwise be at risk of being unhoused at the time of their release.
- **Housing.** The Budget proposes an additional \$2 billion over two years to accelerate the development of affordable housing. The focus of the majority of these investments is on development in and near downtowns throughout the state to reduce commutes and greenhouse gas emissions. This includes:
 - **Infill Infrastructure Grant Program.** \$500 million one-time General Fund (\$225 million in 2022-23, and \$275 million in 2023-24) for the Infill Infrastructure Grant program, which prioritizes prime infill parcels in downtown-oriented areas and brownfields.
 - **Affordable Housing and Sustainable Communities.** \$300 million one-time General Fund (\$75 million in 2022-23, and \$225 million in 2023-24) for the Affordable Housing and Sustainable Communities program to support land-use, housing, transportation, and land preservation projects for infill and compact development that reduce greenhouse gas emissions. This supplements the existing annual Cap and Trade auction proceeds available for this program.
 - **State Excess Lands.** \$100 million one-time General Fund (\$25 million in 2022-23, and \$75 million in 2023-24) to expand affordable housing development and adaptive reuse opportunities on state excess land sites. This will leverage state land as an asset to expedite housing opportunities

by offering low-cost, long-term ground leases in exchange for affordable and mixed-income housing.

- **Adaptive Reuse.** \$100 million one-time General Fund (\$50 million in 2022-23, and \$50 million in 2023-24) for adaptive reuse incentive grants. These grants will help remove cost impediments to adaptive reuse (e.g., structural improvements, plumbing/electrical design, exiting) and help accelerate residential conversions, with a priority on projects located in downtown-oriented areas. These per-unit grants will be paired with other HCD awards to remove impediments in delivering adaptive reuse projects.
- **Low Income Housing Tax Credits.** \$500 million in additional Low Income Housing Tax Credits.
- **Mixed Income Program.** \$200 million one-time General Fund (\$50 million in 2022-23, and \$150 million in 2023-24) for the California Housing Finance Agency Mixed Income Program to provide loans to developers for mixed-income rental housing, specifically for households with incomes between 30 percent and 120 percent of the Area Median Income.
- **Affordable Housing Preservation.** \$200 million one-time General Fund (\$50 million in 2022-23, and \$150 million in 2023-24) for the Portfolio Reinvestment Program to further preserve targeted units in downtown-oriented areas and continue increasing the state's affordable housing stock.
- **Mobilehomes.** \$100 million one-time General Fund (\$25 million in 2022-23, and \$75 million in 2023-24) for HCD's Mobilehome Park Rehabilitation and Resident Ownership Program. These funds will finance the preservation and development of affordable mobilehome parks, assisting one of the communities disproportionately and negatively impacted by the state's affordability and climate challenges.

Overall funding for housing and homelessness is detailed below.

2022-23 Affordable Housing Funding at Governor's Budget
(Dollars in Millions)

Department	Program	Total Funding
Department of Housing and Community Development ^{1/}	Veterans and Affordable Housing Bond Act Programs (Prop 1)	\$431.9
	No Place Like Home Program	\$400.0
	Building Homes and Jobs Fund Programs (SB 2)	\$233.8
	Federal Funded Programs for Housing	\$228.0 ^{2/}
	Infill Infrastructure Grant Program	\$225.0 ^{3/}
	Veterans Housing and Homelessness Prevention	\$75.0
	Affordable Housing and Sustainable Communities Program (General Fund)	\$75.0 ^{3/}
	Adaptive Reuse	\$50.0 ^{3/}
	Portfolio Reinvestment Program (Preservation) (General Fund)	\$50.0 ^{3/}
	Various	\$13.0
	State Excess Sites (General Fund)	\$25.0 ^{3/}
	Mobilehome Park Rehabilitation and Resident Ownership Program (General Fund)	\$25.0 ^{3/}
	Office of Migrant Services	\$5.6
California Housing Finance Agency ^{4/}	Single Family First Mortgage Lending	\$2,500.0
	Homeowner Assistance Fund (American Rescue Plan Act)	\$1,055.0
	Multifamily Conduit Lending	\$1,300.0
	Multifamily Permanent Lending	\$350.0
	Single Family Down Payment Assistance/Homebuyer Assistance	\$140.0 ^{5/}
	Mixed-Income Housing Program	\$93.4 ^{3/}
Tax Credit Allocation Committee	Low Income Housing Tax Credits (State)	\$606.6 ^{6/}
	Low Income Housing Tax Credits (Federal)	\$458.6 ^{7/}
	Farmworker Housing Assistance Tax Credits	\$4.6
Strategic Growth Council	Affordable Housing and Sustainable Communities (GGRF)	\$389.0 ^{8/}
Department of Veterans Affairs	CalVet Farm and Home Loan Program (Prop 1)	\$150.0
Judicial Council	Legal Assistance for Renters and Homeowners	\$40.0
Office of Emergency Services	Domestic Violence Housing First Program	\$23.0
	Transitional Housing Program	\$17.0
	Specialized Emergency Housing	\$10.0
	Domestic Violence Assistance, Equality in Prevention and Services, Human Trafficking Victim Assistance, North American Domestic Violence and Sexual Assault	- ^{9/}
California Department of Corrections and Rehabilitation	Returning Home Well	\$10.6
	Specialized Treatment of Optimized Programming, Parolee Service Center, Day Reporting Center, Female Offender Treatment and Employment Program, Proposition 47 Grant Program	- ^{9/}
Department of Public Health	Housing Opportunities for Persons with AIDS (HOPWA)	\$5.0
	Housing Plus Program	\$1.0
	HIV Care Program	- ^{9/}
California Community Colleges		^{10/}
California State University	Higher Education Student Housing Grant Program	\$750.0
University of California		
Total		\$8,991.1

2022-23 Homelessness Funding at Governor's Budget
(Dollars in Millions)

Department	Program	Total Funding
Department of Housing and Community Development	Continued Homekey Acquisitions	\$1,300.0
	Federal Funded Programs for Homelessness	\$43.0 ^{1/}
	Foster Youth Housing Navigators	\$5.0
	Transitional Housing Program	\$17.0
California Interagency Council on Homelessness	Flexible Aid	\$1,000.0
	Homeless Landscape Assessment	\$0.6
	Encampment Resolution Efforts	\$500.3
Office of Emergency Services	Various Homeless Youth Programs	\$1.0
	Youth Emergency Telephone Network	\$0.6
Department of Social Services	CalWORKS Housing Support Program	\$285.0
	Housing and Disability Advocacy Program	\$175.0
	Bringing Families Home	\$92.5
	Home Safe Program	\$92.5
Department of Health Care Services	Behavioral Health Continuum Infrastructure Program	\$1,724.7 ^{2/}
	Behavioral Health Bridge Housing	\$1,500.0 ^{3/}
	Community Based Residential Continuum Pilots for Vulnerable, Aging and Disabled Populations	\$287.2 ^{4/}
	Housing and Homelessness Incentive Program	\$644.2 ^{4/}
	Project for Assistance in the Transition from Homelessness	\$8.8
Department of State Hospitals	Acute Bed Capacity Expansion	\$88.5 ^{5/}
	Community-Based Restoration (CBR)	\$78.4 ^{5/}
Department of Transportation	Encampment Relocation Coordinators and Homeless Services Liaisons	\$2.7
	Clean California - additional Hazardous Material Removal	\$25.0
	Hazardous Material Removal at Encampments	\$20.6
California Community Colleges	Basic Needs Funding - Student Hunger and Homelessness Programs	\$30.0 ^{6/}
	Rapid Rehousing	\$9.0 ^{6/}
California State University	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 ^{6/}
	Rapid Rehousing	\$6.5 ^{6/}
University of California	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 ^{6/}
	Rapid Rehousing	\$3.5 ^{6/}
Total		\$7,971.6

1/ This amount reflects programs that receive federal funds, such as the Emergency Solutions Grant and the National Housing Trust Fund programs.

2/ Of the \$2.2 billion total funds over 2021-22 and 2022-23, \$1.7 billion is General Fund and \$530 million is CFRF. 2022-23 includes \$277.5 million carried over from 2021-22.

3/ The proposal includes \$1 billion General Fund in 2022-23 and \$500 million General Fund in 2023-24.

4/ Both of these programs are part of the Home and Community-Based Services Spending Plan. The Community Based Residential Continuum Pilots targets various populations, including the homelessness population.

5/ The state provides a number of wrap-around supportive services through these programs, which cannot be separated from the balance of the program's general budget.

6/ These Basic Needs funding programs support basic needs partnerships for low-income students facing housing or food insecurity. These amounts exclude basic needs funding provided in the 2021-22 Budget Act to address student mental health. Program funding reflected for UC Basic Needs and UC/CSU/CCC Rapid Rehousing was provided on an ongoing basis in the 2019 Budget Act.

Office of Planning and Research (OPR)

The Governor's Office of Planning and Research serves as the Administration's staff for long-range planning and research, and constitutes the state's comprehensive planning agency. The Budget includes total funding of \$1 billion, including \$564.8 million General Fund, for OPR. Significant investments include:

- **Office of Community Partnerships and Strategic Communications.** The budget includes \$65 million ongoing General Fund to create the Office of Community Partnerships and Strategic Communications to formalize and leverage the infrastructure and work of the Census 2020 and COVID-19 public awareness and community engagement campaigns. The Office will be established within OPR and will manage the state's highest priority public awareness and community outreach campaigns.
- **Foster Grandparent and Senior Volunteering Programs.** 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.
- **Neighbor-to-Neighbor Initiative.** The budget includes \$10 million ongoing General Fund to expand California's existing volunteer infrastructure and bolster the statewide Neighbor-to-Neighbor initiative to recruit, train, equip, and organize neighbors to address community needs. This program builds on the community mobilization and connections that resulted from the pandemic.
- **California Climate Action Corps.** The budget permanently continues funding for the California Climate Action Corps Program at its existing funding level of \$4.7 million. This funding was originally scheduled to decrease to \$823,000 ongoing in 2024-25.
- **California Institute to Advance Precision Medicine (CIAPM).** 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. The budget also includes \$9.3 million one-time General Fund to increase participation in biomedical research to better reflect California's diversity. CIAPM will lead an interagency collaboration to develop best practices, create promotional materials, and host events to raise

awareness and increase participation among underrepresented communities in research studies.

- **Golden State Awards:** \$30 million one-time General Fund for the California Education Learning Lab to establish and support the Golden State Awards Program.
- **Carnegie Science Grant:** \$20 million one-time General Fund to support a grant to Carnegie Science for the Pasadena Climate Research Hub facility.
- **California Education Learning Lab Restoration:** An increase of \$2 million ongoing General Fund to restore the 2020 Budget Act reduction to the California Education Learning Lab's grant pool.
- **Individualized Adaptive Learning:** \$1 million ongoing General Fund for the California Education Learning Lab to establish an open educational resources platform offering free and responsive homework modules in STEM.

Governor's Office of Business and Economic Development (GO-Biz)

- **California Small Business COVID-19 Relief Grant Program.** In December 2020, CalOSBA launched the California Small Business COVID-19 Relief Grant Program to administer grants of up to \$25,000 to eligible small businesses and nonprofits. Due to the high demand for the program, approximately 150,000 applications remain unfunded. The proposed budget includes a total of \$150 million General Fund in 2022-23 to capture any small businesses that did not receive a grant. Of this total amount, \$20 million will be reallocated from the undersubscribed nonprofit cultural institution grants, and an additional investment of \$130 million will cover the remaining amount.
- **Green Technologies Development Credit.** The proposed budget includes a new tax credit totaling \$100 million per year for three years. This credit will fund pre-development costs for new technologies such as: electric vehicle manufacturing and infrastructure; geothermal, lithium extraction, and battery manufacturing; long-duration storage; addressing methane emissions; and hydrogen technologies to reduce the use of natural gas. The credit will be awarded by a newly created clean energy board at the Governor's Office of Business and Economic Development (GO-Biz). These credits will be

structured so that if the business becomes profitable, a share of profits will be repaid to the state.

- **State Small Business Credit Initiative.** California is set to receive \$1.2 billion from the federal State Small Business Credit Initiative (SSBCI). IBank and the State Treasurer's Office intend to split the allocation evenly, providing each department with approximately \$591 million. The current expenditure plan allocates \$1 billion to existing programs, the California Capital Access Program for Small Business, California Capital Access Program Collateral Support at California Pollution Control Finance Authority, and the Small Business Loan Guarantee Program, and \$200 million to establish a Venture Capital program at IBank. The Venture Capital program will be directed toward: (1) underrepresented venture capital managers, (2) underserved entrepreneurs and business owners, (3) geographic areas that are socio-economically disadvantaged or that receive limited venture capital funding, and (4) climate equity and climate justice. IBank and the State Treasurer's Office initiated the initial SSBCI application on December 10, 2021. The final application that includes detailed information about how the state will spend the funds is due by February 11, 2022.
- **California Innovation Hubs and Entrepreneurship Grants.** The proposed budget includes statutory changes to reestablish the California Innovation Hub program (iHub) program as the Accelerate CA: Inclusive Innovation Hubs program to focus on inclusive economic growth. The budget includes an additional \$20 million General Fund over four years to: (1) expand the number of Hubs from 10 to 13 regions across the state, and (2) establish the Entrepreneurship Fund to provide grants of up to \$100,000 per business for five new businesses incubated at each of the Hubs. These grants will encourage science and technology-based business creation in traditionally underserved communities.
- **Small Business Technical Assistance Programs.** The proposed budget includes \$6 million General Fund in 2022-23 to bolster the existing Technical Assistance Expansion Program (TAEP) for small businesses to handle increased demand, and \$23 million ongoing General Fund to permanently support the program. In addition, the proposed budget includes \$3 million ongoing General Fund beginning in 2023-24 to support the continuation of the Capital Infusion Program, which supports one-on-one business consulting provided by the Small Business Development Center Network to assist small businesses in accessing capital.

- **Small Business Damages Grants.** The proposed budget includes \$20 million one-time General Fund for grants to small businesses that have suffered damages in retail theft incidents to assist with repairing or replacing infrastructure to resume business operations. These grants will be administered by GO-Biz.
- **California Tourism Recovery.** The proposed budget includes \$45 million one-time General Fund to support strategic media recovery campaigns that will help continue the recovery of the California travel and tourism industry.
- **Immigrant Integration and Talent.** The proposed budget includes \$11.6 million General Fund in 2022-23, and \$500,000 annually thereafter, for GO-Biz to support statewide coordination for immigrant integration and propel innovation including through enhanced services for immigrant communities at the state and local level, and supports for economic development activities, including at the California-Mexico border, as follows:
 - **Export Training Network.** The proposed budget includes \$2 million one-time General Fund to GO-Biz to support the statewide expansion of the export training network, overseen by the International Affairs and Trade Unit within GO-Biz, which develops programs and curriculum aimed at underserved business owners, including immigrant entrepreneurs and small business operators. Funding will be targeted regionally, including in the border region.
 - **Trade Missions.** The proposed budget includes \$150,000 ongoing General Fund to GO-Biz to implement four to five virtual or hybrid trade missions in the California-Mexico border region to advance the border region's strategic industries, enabling cross-border economic growth and development
 - **Grants for Local Government.** The proposed budget includes \$8.7 million one-time for competitive grants to local governments to build trust with immigrant residents and help immigrant populations navigate state and local services.
 - **Business Quick Start and Navigational Guides.** The proposed budget includes \$600,000 in 2022-23, and \$200,000 ongoing in future years to expand the number and availability of Business Quick Start Guides, develop navigational guides regarding the professional licensing process

for immigrants, and provide additional translations for these resources and online services.

- **Immigrant-Focused Position.** The proposed budget includes \$150,000 ongoing for one position at GO-Biz to support statewide immigrant integration convening and coordination in collaboration with existing positions across state government.

Franchise Tax Board

- **The Young Child Tax Credit (YCTC).** The YCTC provides a \$1,000 refundable tax credit to low-income earners with a child age 5 or younger. The proposed budget expands this tax credit to families that file returns without income, but otherwise qualify for this credit, and proposes to index the credit to inflation starting in the 2022 tax year, which will prevent the erosion of its value. This expansion of the YCTC is expected to cost about \$55 million ongoing General Fund. The cost of indexing will depend on the level of inflation and will compound over time, for the 2022 tax year, the cost of indexing is estimated at \$19 million.
- **California Earned Income Tax Credit (calEITC) Foster Youth Expansion.** The proposed budget includes a new refundable credit for young adults who have been in the foster care program. This proposal provides an additional \$1,000 credit for individuals who have been in the foster care system at some point at age 13 or older and who are now at least 18 but 25 or younger, and who otherwise qualify for the CalEITC. This proposal is expected to cost roughly \$20 million ongoing General Fund.
- **Net Operating Loss and Tax Credits for the 2022 Tax Year.** Revenue solutions related to the pandemic included limits on the ability of large businesses to use NOLs and tax credits, including for research and development, for tax years 2020, 2021, and 2022. These limits were intended to be temporary and to allow taxpayers to maintain the value of the credits and NOLs for later use. The proposed budget allows affected taxpayers to start fully using these tax benefits one year earlier, in recognition the pandemic did not impact revenues negatively as initially projected. The repeal of the limits is estimated to reduce General Fund revenues by \$5.5 billion in the budget year, with corporate tax revenues decreasing by \$5.2 billion and personal income tax revenues decreasing by \$300 million.

- **Tax Payment Flexibility for Low- and Moderate-Income Households.** The proposed budget provides additional flexibility in meeting tax obligations, specifically, for tax years 2019, 2020, and 2021, families with less than \$150,000 in adjusted gross income (\$75,000 for individuals) will be given until September 30, 2023 to pay any personal income tax liability for those years and will be relieved of any penalties and interest related to delayed filing or delayed payment. Participating taxpayers would be allowed to make installment payments. Late penalties and interest would again apply to outstanding amounts, if any, at the end of the program.
- **Innovation Headquarters Credit.** The proposed budget includes the Innovation Headquarters Credit to provide an additional \$250 million per year for three years for qualified companies headquartered in California that are investing in research to mitigate climate change.
- **Elective Pass-Through Entity Tax.** The 2021 Budget Act included an elective tax and credit program designed to help certain business owners in California fully deduct on their federal tax returns the California taxes they pay on pass-through business income. The proposed budget includes statutory changes to remove the tentative minimum tax (TMT) limitation on the use of the elective pass-through entity tax credit against personal income taxes and allow businesses owned by individuals using a disregarded entity, such as a single-member Limited Liability Company, to participate in the program. These changes will allow more California business owners, particularly smaller business owners, to regain at least a portion of the deductibility of their California taxes. The Budget does not reflect a revenue change for these proposals, although the pass-through entity tax is still expected to result in a modest net revenue gain over multiple fiscal years. These changes should be enacted in time to assist businesses with their 2021 tax liabilities before the March 15, 2022 tax filing and payment deadline for pass-through business entities.
- **Tax Conformity Changes.** The federal Restaurant Revitalization Fund was established as part of the American Rescue Plan Act to provide grants to help restaurants and other eligible businesses stay open. The federal Shuttered Venue Operators Grant program was also established to provide assistance to venue owners forced to close their doors due to the pandemic. The proposed budget generally conforms California's tax treatment of these grants to the federal treatment: exempting the grant amount from taxable income and allowing normal deductibility for the expenses related to those grants. The

Administration notes that these changes should be made in time to assist businesses with their 2021 tax liabilities before the March 15, 2022 tax filing and payment deadline. These proposals reduce revenues by \$130 million in 2021-22 and \$144 million in 2022-23 and will result in nearly \$500 million total revenue loss over several years.

Department of Cannabis Control

The 2021 Budget consolidated the licensing entities that oversee and regulate the cannabis industry into one Department of Cannabis Control. The proposed budget includes \$13.6 million from the Cannabis Tax Fund in 2022-23 for the following:

- **Unified Licensing System.** \$5.5 million to begin the planning process for a single licensing system for all license types and to begin the transition of the existing licensing data to support the eventual transition of all data into a unified system.
- **Data Warehouse.** \$2 million for a data warehouse to store and query Department data.
- **Consumer Awareness Campaign.** \$6.1 million to launch a multi-year consumer education and awareness campaign.

Allocation of the Cannabis Tax Fund. In 2016, voters approved Proposition 64. Under Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer, and enforce the Cannabis Act, followed by research and activities as defined. The remaining funds are allocated under what's known as "Allocation 3," and go towards youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities. The proposed budget estimates \$594.9 million will be made available for these purposes in 2022-23 as follows:

- Education, prevention, and treatment of youth substance use disorders and school retention—60 percent (\$356.9 million).
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent (\$119 million).
- Public safety-related activities—20 percent (\$119 million).

These figures reflect a decrease of \$34.2 million compared to the 2021-22 estimated allocation.

- **Other Proposals.** The Administration has also signaled its intent to develop a grant program to aid local governments in opening up legal retail access to consumers this spring, as well as its support for cannabis tax reform.

Other General Government:

- **New Business Filing Fees.** The proposed budget waives initial filing fees for new businesses of \$100 for a corporation and \$70 for a limited liability company or limited partnership. \$39.8 million one-time General Fund is included to waive these filing fees on a one-time basis for all new businesses registering with the Secretary of State from July 1, 2022 through June 30, 2023, to encourage business growth in California.
- **Government Excellence and Transformation Center (Center).** The proposed budget provides \$665,000 ongoing General Fund and 4 positions to establish the center under the Government Operations Agency (GovOps). The Center will work with state departments to develop and implement innovative pilot projects, which can be scaled across state government to improve statewide operations and build a repository of best practices and case studies of successful projects to improve future state operations.
- **California State Payroll System.** The California State Payroll System (CSPS) Project will modernize the human resource management and payroll system used by state government employees. CSPS is a joint effort managed by the State Controller's Office (SCO) and CalHR, with involvement and oversight from Finance, CDT, and GovOps. The Budget includes \$97.8 million one-time funding (\$58.7 million General Fund) and 33 positions for SCO in 2022-23; \$6.8 million one-time funding (\$4.1 million General Fund) and 40 positions in 2023-24; and \$6.7 million ongoing funding (\$4.0 million General Fund) and 39 positions in 2024-25. The Budget also includes \$3.4 million General Fund and 15 positions for CalHR in 2022-23, \$3.3 million General Fund in 2023-24 to 2024-25, and \$2.6 million General Fund in 2025-26 and ongoing.

- **CalKIDS Savings Accounts.** The 2021-22 budget included an agreement to fund college savings accounts for incoming first-grade cohorts of low-income public school students through the Scholarshare Investment Board under the State Treasurer's Office. The proposed budget includes \$170 million ongoing funding for these purposes and a \$5 million one-time General Fund for CalKIDS participant notification and marketing costs, and \$238,000 ongoing General Fund to support 2 additional staff for CalKIDS. In addition, an increase of \$5 million ongoing General Fund for financial literacy outreach efforts is included to inform families of the long-term benefits of savings associated with CalKIDS.
- **Support for Cultural Districts.** The proposed budget includes \$30 million one-time General Fund, to be spent over three years, to support 14 existing cultural districts and expand the cultural districts program to support traditionally underserved communities that reflect the geographic and racial diversity of the state, and enable the Arts Council to provide technical assistance.
- **California Poet Laureate and Youth Poet Laureate.** The proposed budget includes \$173,000 ongoing General Fund to support the California Poet Laureate and California Youth Poet Laureate. This funding will also enable the Arts Council to provide outreach and technical assistance to all 58 counties for literary arts programs.

Public Safety, Corrections, and The Judiciary, Labor and Transportation

California Department of Corrections and Rehabilitation (CDCR)

The budget proposes total funding of \$14.2 billion (\$13.8 billion General Fund and \$364.4 million other funds) for the CDCR in 2022-23.

Adult Institution Population. The average daily adult incarcerated population for 2021-22 is projected to be 104,554. The population is temporarily trending upward, primarily due to resumed intake of individuals from county jails, and is expected to increase by 8,310 individuals for 2022-23. However, the population is trending downward in the long-term, and is projected at 100,361 for 2024-25.

Parolee Population. The 2021 Budget Act projected an overall parolee average daily population of 48,269 in 2021-22. The average daily parolee population is projected to decrease by 5,306 to 42,963 in 2022-23, a decrease of 11 percent from spring projections. The parole population is projected to decline to 38,284 by June 30, 2026.

COVID-19 Response. The proposed budget includes \$424.7 million one-time General Fund in 2022-23 for CDCR to respond to COVID-19. There has been a recent surge of cases within the prison system, leading CDCR to suspend visitation and intake from county jails and limit programming and transfers. As of December 31, 2021, CDCR reported 634 incarcerated adult cases and 1,101 staff cases in its adult institutions.

California Advancing and Innovating Medi-Cal (CalAIM) Initiative. The proposed budget includes \$10.4 million ongoing (\$5.2 million General Fund and \$5.2 million in reimbursement authority) for CDCR to implement CalAIM services and supports for justice-involved adults and youth, as required by statute.

Handling Allegations of Staff Misconduct. The proposed budget includes \$5.3 million General Fund in 2021-22, \$35.6 million in 2022-23, and \$34.2 million ongoing for the Office of Internal Affairs to implement a new process for handling allegations of staff misconduct. The proposed budget also includes \$6.2 million General Fund in 2022-23, growing to \$11.8 million in 2024-25, for CDCR to conduct thorough investigations within the context of its existing Central Intake process and to strengthen its disciplinary procedures.

Higher Education Opportunities. The proposed budget includes \$5 million General Fund in 2022-23 and \$4.7 million ongoing to fund Bachelor's Degree Programs at seven institutions, in collaboration with the California State University system.

Tattoo Removal Program. The proposed budget includes \$567,000 General Fund in 2022-23 and \$1.1 million through 2025-26 to provide tattoo removal services to incarcerated persons preparing for release or leaving prison gangs.

Rehabilitative Programming Support. The proposed budget includes \$3.9 million General Fund in 2022-23 and \$4.6 million ongoing to provide administrative support for rehabilitative services, including Inmate Activity Groups, which allow individuals to earn Rehabilitative Achievement Credits.

Temporary Modified Work Assignments. The proposed budget includes \$9.5 million ongoing General Fund to extend a temporary program started in 2020 that provided modified work assignment posts for staff with medical conditions.

Integrated Substance Use Disorder Treatment (ISUDT) Program. The proposed budget includes \$126.6 million General Fund in 2022-23 and \$162.5 million ongoing to expand the ISUDT Program.

Cell Phone Blocking. The proposed budget includes \$12.6 million to expand a program that blocks unauthorized cell phone usage in prisons.

Continued Expansion of Video Surveillance Systems. The proposed budget includes \$80.3 million in 2022-23 and \$7.6 million ongoing to install fixed cameras at ten additional institutions and body cameras at four institutions, and \$19.5 million in 2022-23 and \$1.4 million ongoing for data management.

Facilities and Services. The proposed budget includes the following facility investments in the state prison system:

- \$2 million General Fund in 2022-23 and \$71 million in 2023-24 for roof replacement projects at California Institution for Men and California Medical Facility.
- \$22.2 million ongoing General Fund to align resources with actual expenditures on utilities and waste disposal funding.
- \$8.6 million General Fund in 2022-23 and \$10.5 million ongoing for janitorial services.
- \$1.5 million to repurpose housing at San Quentin that has been vacated due to the Condemned Inmate Transfer Pilot Program.

Armstrong Compliance. The proposed budget includes the following funding to support state compliance with mandates from the *Armstrong* lawsuit on behalf of incarcerated individuals with disabilities:

- \$22.2 million one-time General Fund for accessibility improvements for individuals with disabilities at the California Institution for Men; California

Institution for Women; California State Prison, Los Angeles County; and Richard J. Donovan Correctional Facility.

- \$2.6 million General Fund in 2022-23 and \$2.7 million ongoing for staff to manage the increasing workload associated with maintaining compliance and providing support to disabled individuals.

Office of the Inspector General (OIG)

Oversight of the Staff Misconduct Process at CDCR. The proposed budget includes \$2.3 million General Fund in 2022-23 and \$3.6 million ongoing for the OIG to oversee the new staff misconduct process at CDCR.

Medical Inspections. The OIG is responsible for reviewing medical care provided to individuals incarcerated in CDCR. The proposed budget includes \$3.3 million General Fund annually for three years to support additional OIG staff to complete medical inspections.

Local Public Safety

Proposition 47 State Savings. The Administration estimates that the net savings associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014), will be \$147.3 million, a \$31.1 million increase over 2021-22.

Post Release Community Supervision. The proposed budget includes \$23.2 million one-time General Fund for county probation departments to supervise the temporary increase of individuals on Post Release Community Supervision resulting from the implementation of Proposition 57.

Community Corrections Performance Incentive Grant. The proposed budget contains \$115 million one-time General Fund to support the Community Corrections Performance Incentive Grant SB 678 (Leno and Benoit), Chapter 608, Statutes of 2009, which provides incentives for counties to reduce the number of felony probationers sent to state prison.

Board of State and Community Corrections (BSCC)

Juvenile Facility Funding. The proposed budget includes \$100 million one-time General Fund in grants to improve county-operated juvenile facilities.

Retail Crime Grants. As part of the retail crime package, the Governor's budget includes:

- \$85 million per year for three years (\$225 million total) in grants to local law enforcement for increased presence and fighting retail theft.
- \$10 million per year for three years (\$30 million total) in grants to district attorneys for prosecuting retail theft.
- \$25 million in grants for local gun buy-back programs.

Victim Compensation Board

Increasing Reimbursement Caps. The proposed budget includes \$7 million to increase the maximum amount of victim compensation that can be claimed for crime scene clean-up, burial costs, and relocation assistance.

Erroneous Convictions. The proposed budget includes \$7 million ongoing General Fund and statutory changes for reimbursements to individuals who are wrongly convicted of crimes. The proposed budget also includes \$535,000 General Fund in 2022-23 and \$471,000 ongoing to process compensation for individuals erroneously convicted of a crime in cases where a court did not provide a finding of factual innocence, pursuant to SB 446 (Glazer and Becker), Chapter 490, Statutes of 2021.

Department of Justice (DOJ)

The proposed budget includes total funding of approximately \$1.2 billion (\$433 million General Fund) to support the DOJ in 2022-23.

Retail crime prosecution. As part of the retail crime package, the Governor's budget includes:

- \$6 million per year for three years (\$18 million total) and \$500,000 ongoing for multi-jurisdictional prosecutions.
- \$5 million ongoing for anti-crime task forces.

Bureau of Firearms. The proposed budget includes the following investments to assist in tracking firearms:

- \$5.2 million one-time Dealer Record of Sale (DROS) Special Account for modernizing existing firearms tracking systems.
- \$2.3 million (\$6,000 General Fund and \$2.3 million DROS Special Account) in 2022-23, increasing to \$3.5 million in 2023-24, and \$973,000 ongoing to align with firearm transfer laws pursuant to SB 715 (Portantino), Chapter 250, Statutes of 2021.
- \$223,000 ongoing General Fund to support the tracking the sale, possession, and transfer of precursor parts in California, pursuant to AB 879 (Gipson), Chapter 730, Statutes of 2019.
- \$327,000 General Fund in 2022-23, and \$306,000 ongoing for DOJ to analyze and report on information submitted by local law enforcement related to firearms that were illegally possessed, used in a crime, or suspected of being used in a crime pursuant to AB 1191 (McCarty), Chapter 683, Statutes of 2021.

Police Officer Use of Force Investigations. The proposed budget includes an additional \$2.3 million in 2022-23 and \$1.6 million ongoing to investigate officer-involved shootings that result in the death of an unarmed civilian pursuant to Chapter 326, Statutes of 2020 (AB 1506).

Peace Officer Release of Records. The proposed budget includes \$7.4 million (\$3.4 million General Fund) in 2022-23 and \$6.5 million (\$2.7 General Fund) ongoing to prepare records pertaining to police officer conduct for public disclosure pursuant to SB 16 (Skinner), Chapter 402, Statutes of 2021.

Bureau of Forensic Services Backfill. The proposed budget includes \$46.6 million one-time backfill for forensic services due to a reduction in fine and fee revenue.

Various Criminal Resentencing Efforts. The proposed budget includes \$4.8 million General Fund to implement recently enacted legislation pertaining to criminal resentencing.

Commission on Peace Officer Standards and Training (POST)

SB 2 Implementation. The proposed budget includes \$22.7 million General Fund in 2022-23 and \$22.6 million ongoing for implementation of SB 2, (Bradford and Atkins), Chapter 409, Statutes of 2021. SB 2 authorizes POST to suspend, revoke, or cancel any peace officer certifications under specified conditions.

Officer Wellness. The proposed budget includes \$5 million one-time General Fund in 2022-23, to be spent over three years, to support the physical, mental, and emotional health of local law enforcement personnel through sustainable wellness programs, training, and research.

The Judicial Branch

The proposed budget includes total funding of \$4.9 billion (\$3 billion General Fund and \$1.9 billion other funds) in 2022-23 for the Judicial Branch, of which \$2.8 billion is provided to support trial court operations.

Reduction in Civil Assessment. The Administration proposes to reduce the Civil Assessment Fee by half, from \$300 to \$150, and includes \$50 million in backfill to trial courts.

Technology. The proposed budget includes investments to support the increased use of technology in courts, including:

- \$34.7 million General Fund 2022-23 increasing to \$40.3 million ongoing for a new Judicial Branch Information Security Office to modernize IT systems and improve cybersecurity.
- \$15 million General Fund in 2022-23 and \$3.8 million ongoing for trial data management.
- \$33.2 million General Fund in 2022-23 and 2023-24 and \$1.6 million ongoing to provide publicly accessible audio streams for every courthouse in the state, pursuant to AB 716 (Bennett), Chapter 526, Statutes of 2021.

Trial Courts. The proposed budget includes an additional \$255.5 million ongoing General Fund for the trial courts, including:

- \$84.2 million ongoing General Fund increase.
- \$28.7 million ongoing General Fund for trial court employee retirement costs and benefits.
- \$100 million to promote fiscal equity among trial courts.
- \$42.6 million General Fund in 2022-23 and \$42.3 million going for 23 additional superior court judgeships, to be allocated based on Judicial Council's 2020 Judicial Needs Assessment.

Trial Court Trust Fund Revenue Backfill. The proposed budget includes \$117.8 million ongoing to continue backfilling the Trial Court Trust Fund.

AB 177 Trial Court Backfill. The proposed budget includes \$13.4 million ongoing to backfill the estimated loss of revenue for trial courts from the criminal fees that were eliminated by AB 177 (Committee on Budget), Chapter 257, Statutes of 2021.

Trial Court Infrastructure. The proposed budget includes:

- \$40 million one-time to backfill the State Court Facilities Construction Fund (SCFCF) and maintain existing service levels. The SCFCF, which covers a range of costs including facility modifications, repairs, and debt service, has a structural deficit due to a decline in fine and fee revenues.
- \$15.4 million ongoing for critical building repairs in the trial courts.

Courts of Appeal Court-Appointed Counsel. The proposed budget includes \$8.3 million ongoing to increase compensation for court-appointed attorneys.

Electronic Filing of Restraining Orders. The proposed budget includes \$2.6 million in 2022-23 and \$1.7 million ongoing for electronic filing of restraining orders pursuant to AB 877 (Nguyen), Chapter 681, Statutes of 2021 and SB 538 (Rubio), Chapter 686, Statutes of 2021.

Probate Conservatorship Report. The proposed budget includes \$1.3 million one-time for Judicial Council to study probate conservatorships as directed by AB 1194 (Low), Chapter 417, Statutes of 2021.

Governor's Office of Emergency Services (Cal OES)

The proposed budget includes \$2 billion (\$541.1 million General Fund) and 1,507.2 positions for Cal OES.

Regional Response. The proposed budget includes \$5.8 million (\$5.5 million General Fund) and 20 positions to improve Cal OES's regional response capacity and improve partnerships with local governments and other local stakeholders.

Disaster Logistics Capability. The proposed budget includes \$4.9 million ongoing General Fund and 21 positions to improve Cal OES's core operations and enhance emergency response capabilities.

California Earthquake Early Warning System. The proposed budget includes \$17.1 million ongoing General Fund to support the California Earthquake Early Warning Program, including increasing sensor density, offering education grants, and researching new public alert methods.

Emergency Operations Centers and Security Improvements. The proposed budget includes \$11.6 million General Fund to complete design and construction for a renovated State Operations Center at the Cal OES facility in Sacramento and enhanced site security renovations. This is part of a proposed \$77.5 million General Fund investment over the next five years that also includes the construction of a new Southern California Regional Operations Center.

9-8-8 Behavioral and Mental Health Crisis Hotline. The proposed budget includes \$7.5 million General Fund (\$6 million ongoing) 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.

Mission Tasking Appropriation. The proposed budget includes \$10 million ongoing General Fund to provide funding to state entities for costs incurred as a result of mission tasking for incidents not covered under a Governor's proclaimed state of emergency.

Fire Integrated Real-Time Intelligence System. The proposed budget includes \$24 million ongoing General Fund to establish the Fire Integrated Real-Time Intelligence System (FIRIS) program to increase the real-time information and situational awareness available to the state and California's mutual aid system responders and managers on all hazards events, including wildfires.

Fire and Rescue Mutual Aid Fire Fleet. The proposed budget includes \$11.2 million General Fund (\$10.9 million ongoing) and 11 positions to enhance the California State Fire and Rescue Mutual Aid System's fire fleet.

Labor, Public Employment and Retirement

Various Cross-Cutting Workforce Training and Opportunities. The Governor's budget includes over \$2 billion over three years, with a focus on multiple sectors. These proposals build on previous investments and the commitment to create pathways that strengthen the skills, knowledge, and experience of California's diverse workforce. The specific proposals associated with these investments are outlined in this section as well as the K-12, Health, Human Services, Transportation and Resources sections.

California Workforce Development Board (CWDB)

High Road Training Partnerships for Health and Human Services. The Governor's budget proposes \$110 million in 2022-23, and \$120 million in 2023-24 and 2024-25, to establish, expand, and improve workforce development programs for health and human service careers.

Port Worker Training Facility. The Governor's budget proposes \$30 million in 2022-23, and \$40 million in 2023-24 and 2024-25, for a Goods Movement Training Campus in southern California.

Low Carbon Economy Program. The Governor's budget proposes \$20 million General Fund annually from 2022-23 through 2024-25, to fund the California Workforce Development Board's Low Carbon Economy Workforce grant program.

Well Capping Workforce Pilot. The Governor's budget proposes \$15 million one-time General Fund to develop a well capping workforce training pilot program to provide training for short-term employment for impacted oil and gas workers.

California Youth Leadership Program Language Justice Pathway. The Governor's budget proposes \$10 million one-time General Fund to expand learn-and-earn community change career pathways for community college students.

Employment Development Department (EDD)

Addressing Unemployment Insurance (UI) Debt. In 2020, the federal government allowed states to borrow federal funds to pay regular UI benefits. The state's UI Trust Fund, which went insolvent in March 2020, borrowed significant sums of money to pay benefits and now owes over \$19.4 billion to the federal government. The debt is anticipated to have substantial costs to the state and the state's employers over the coming years. The following proposals are efforts to address this debt:

- **UI Debt Payment.** The Governor's budget proposes \$3 billion General Fund over two years (\$1 billion in 2022-23, and \$2 billion General Fund in 2023-24) to pay down a portion of the UI debt.
- **UI Interest.** The Governor's budget proposes \$470.1 million one-time General Fund to pay the forecasted UI interest payment, which will accrue over the full federal fiscal year and come due in September 2022.

Addressing Additional Challenges due to Unemployment Insurance. The Governor's budget proposes \$133.9 million (\$121.2 million General Fund) in limited-term resources to continue supporting EDD's development of IT systems, improve service for claimants, and protect the state from fraud, while EDD identifies longer-term plans. These expenditures include the following proposals:

- **Continuing Vendor Contracts.** The Governor's budget proposes \$96.3 million (\$86 million General Fund) in 2022-23 and \$45.1 million (\$36.8 million General Fund) for 2023-24 and 2024-25 to continue benefit service contracts that include essential document upload services, claims review, testing consultants for EDD products, as well as fraud prevention services.
- **Information Technology Branch Technology Modernization.** The Governor's budget proposes \$23.5 million General Fund and 122 positions for three years to maintain and improve benefit system usability to better serve claimants and remain hardened against fraud.
- **Cybersecurity Resources.** The Governor's budget proposes \$9.4 million General Fund for three years to support cybersecurity and prevention efforts to improve the security and integrity of EDD IT systems, which hold tax data and other personal information.

- **UI Command Center.** The Governor's budget proposes \$2.1 million General Fund and 10 positions for three years for a UI Command Center that centralizes UI branch management, supports UI data analytics, and enhances training to improve customer service.

Employment Training Panel Expansion for Health and Social Work. The budget proposes \$90 million one-time General Fund to provide training for incumbent health and social workers.

Displaced Worker Fund for Oil and Gas Workers. The budget proposes \$50 million one-time General Fund to establish a fund to provide assistance for oil and gas workers facing unanticipated displacement.

Integrated Education and Training. The budget proposes \$30 million one-time General Fund to the Employment Development Department's Workforce Services Branch to expand the English Language Learner pilots in Integrated Education and Training programs.

Targeted Training for Emergency Medical Technicians. The budget proposes \$20 million General Fund from 2022-23 through 2024-25 to provide targeted training for Emergency Medical Technicians.

Workforce Literacy. The budget proposes \$20 million one-time General Fund to expand workplace literacy training

Cyber Security Resilience and Instrumentation. The budget proposes an increase \$10.2 million General Fund in 2022-23, and \$6.1 million General Fund in 2023-24 and 2024-25, and 29.0 positions, for cybersecurity resources to combat modern threats.

October Revise: Administrative Adjustments. The budget proposes a decrease of \$91.0 million in 2022-23, to reflect declining pandemic workloads in the Unemployment Insurance Program.

October Revise: Benefit Adjustment. The budget proposes a decrease of \$26.7 billion in 2022-23, for Unemployment Insurance benefits based on current economic conditions.

Department of Industrial Relations (DIR)

Enhanced Enforcement and Compliance (Various 2021 Legislation). The budget proposes \$10.4 million and 53.5 positions in 2022-23, decreasing to \$2.7 million and 13 positions by 2025-26, and ongoing, to implement various chaptered legislation.

Continued Support for Subsequent Injuries Benefits Trust Fund. The budget proposes \$2.5 million and 15 positions in 2022-23, increasing to \$4.0 million and 24 positions in 2023-24 and ongoing, from the Workers Compensation Administration Revolving Fund to provide permanent resources to review claims.

Reaching Every Californian. The budget proposes \$650,000 General Fund ongoing, to expand the Reaching Every Californian outreach campaign.

California Public Employees' Retirement System (CalPERS)

CalPERS Supplemental Pension Payment and Annual Contribution. The budget proposes a \$3.5 billion one-time Proposition 2 supplemental pension payment to further reduce the state's CalPERS unfunded liability. This is a supplemental payment in addition to the estimated \$7.7 billion contribution that the state is statutorily-required to make to CalPERS in 2022-23. Contribution estimates incorporate retirement rates corresponding to the recent discount rate change from 7 percent to 6.8 percent.

Surplus Money Investment Fund. The budget includes \$56 million within the Proposition 2 debt repayment requirement to pay down the General Fund's portion of a loan from the Surplus Money Investment Fund. This loan funded a one-time \$6 billion supplemental pension payment towards the CalPERS state retirement plans in 2017-18.

Public Employment Relations Board

Information Technology Upgrade. The budget proposes \$416,000 General Fund and one position to enable the Public Employment Relations Board to comply with California Department of Technology standards and information system modernizations.

California State Teachers' Retirement System (CalSTRS)

Annual Contribution. The budget includes \$3.7 billion General Fund for state contributions to CalSTRS in 2022-23. The decrease in funding for the Defined Benefit Plan from the previous fiscal year is largely due to an additional \$174 million one-time General Fund payment in 2021-22 more detail is below in the State Contributions to the State Teachers' Retirement System section.

Organizational Support and Management. The budget proposes \$17.4 million for 10 positions and funding to support increased administrative workload and funding for property management services and various information technology capabilities.

State Contributions to the State Teachers' Retirement System

Detail on State Contributions to CalSTRS. As mentioned in the CalSTRS section, the budget includes \$3.7 billion General Fund for state contributions to CalSTRS in 2022-23. The decrease in funding for the Defined Benefit Plan from the previous fiscal year is largely due to an additional \$174 million one-time General Fund payment in 2021-22. The Administration does not anticipate the Teachers' Retirement Board will exercise its authority to increase state contributions by 0.5 percent of teacher payroll, as allowed in statute, due to the higher than expected investment return in 2020-21 and CalSTRS' current projections that the state's share of unfunded actuarial obligation will be eliminated by 2024-25.

Retiree Health

Other Post-Employment Benefits (OPEB). The budget includes \$365 million one-time Proposition 2 funding for the employer's share of General Fund prefunding contributions.

Health and Dental Benefits for Annuitants (Item 9650) and Health Benefits for California State University Annuitants (Item 6645). The budget assumes premium increases of 7.0 percent for the 2023 calendar year.

Augmentation for Employee Compensation

Employee Compensation (Item 9800). This item includes \$770.5 million (\$377.8 General Fund for collectively bargained pay increases, and health care costs for active state employees and retiree health care prefunding contributions for active

employees. Included in these costs are collectively bargained salaries and benefit increases as a result of contract negotiations and funding for increases in health care premiums and enrollment for the 2023 calendar year.

Other Budget Proposals

- **Control Section 3.61: Contribution to Prefund Other Postemployment Benefits.** Amendments to existing language are being made to reflect the revised employers' contribution for prefunding other post-employment benefits (OPEB) for Bargaining Unit 5 employees for the 2021-22 fiscal year as a result of switching from base pay to pensionable compensation based on the latest actuarial valuation information. Amendments also reflect revised employer contributions for prefunding OPEB for Bargaining Unit 10, 12, and 18 employees effective July 1, 2021 as a result of collectively bargained contract language.
- **Control Section 31.00: Administrative Procedures for Salaries and Wages.** The section was amended to reflect the updated salary threshold as a result of collectively bargained pay increases.

Transportation

The budget includes \$15 billion for transportation programs and projects that align with climate goals, advance public health and equity, and competitively position the state to pursue significant federal investment through the Infrastructure Investment and Jobs Act (IIJA) and other federal funding programs by leveraging funding from state and local sources.

Federal Infrastructure Investment and Jobs Act (IIJA): The federal IIJA provides a significant investment in the nation's infrastructure, authorizing over \$500 billion for transportation over five years. In addition to significant competitive grant funding, the IIJA provides a \$200 billion augmentation to existing and new transportation programs for highway, transit, highway safety, motor carrier, research, hazardous materials, and rail programs. This includes:

- An increase to base Federal Highway Administration transportation funding levels for California of \$1.8 billion in 2021-22 and \$1.9 billion 2022-23.
- Federal Transit Administration base transit funding will increase by \$385 million in 2021-22 and \$423 million in 2022-23. This funding will flow

directly to local transit authorities and does not require any state budget changes.

- A \$14.2 million annual increase to the National Highway Traffic Safety Administration grant program, administered by the Office of Traffic Safety.

State Transportation Infrastructure Package. The budget includes an additional \$9.1 billion for the transportation system. This includes:

- **High-Speed Rail:** \$4.2 billion to complete electrified high-speed rail construction in the Central Valley, perform advance work for service between Merced and Bakersfield, and complete advance planning and project design for the entire project. This is in addition to the funds available for this program in Cap and Trade.
- **Statewide Transit and Rail Projects:** \$2 billion to invest in high-priority transit and rail infrastructure projects. These projects will improve rail and transit connectivity between state and local/regional services, including projects on shared corridor routes.
- **Southern California Transit and Rail Projects:** \$1.25 billion to deliver local and regional projects focusing on mobility and greenhouse gas reduction.
- **Active Transportation and Projects to Connect Communities:** \$750 million to transform the state's active transportation networks, improve equity, and support carbon-free transportation options, including:
 - \$500 million for Active Transportation Program projects, which encourage increased use of active modes of transportation such as walking and biking, and increase the safety and mobility of non-motorized users.
 - \$150 million to establish the Reconnecting Communities: Highways to Boulevards Pilot Program, which will improve equity and remove transportation barriers by investing in the conversion of key underutilized highways into multi-modal corridors that serve existing residents by developing affordable housing and complete street features in disadvantaged communities.

- \$100 million for bicycle and pedestrian safety projects, allocated through the Highway Safety Improvement Program, to reduce severe injuries and fatalities of vulnerable road users.
- **High Priority Grade Separation Projects:** \$500 million to support critical safety improvements throughout the state.
- **Climate Adaptation Projects:** \$400 million for state and local climate adaptation projects that support climate resiliency and reduce risks from climate impacts.

Supply Chain and Port Investments. The budget includes \$2.3 billion for supply chain investments, including \$1.2 billion for port, freight, and goods movement infrastructure and \$1.1 billion for other related areas such as workforce training and ZEV equipment and infrastructure related to the supply chain. This includes:

- **Port Infrastructure and Goods Movement:** \$1.2 billion for port-related high-priority projects that increase goods movement capacity on rail and roadways serving ports and at port terminals, including railyard expansions, new bridges, and zero-emission modernization projects.
- **Zero-Emission Equipment and Infrastructure:** \$875 million for zero-emission port equipment, short-haul (drayage) trucks, and infrastructure.
- **Workforce Training:** \$110 million for a training campus, to support workforce resilience in the face of supply chain disruption and accelerate the deployment of zero emission equipment and technologies.
- **Commercial Driver's Licenses:** \$40 million to enhance California's capacity to issue Commercial Driver's Licenses.
- **Operational and Process Improvements:** \$30 million for the Governor's Office of Business and Economic Development to provide funding for operational and process improvements at the ports. This could include enhancing the movement of goods and improving data interconnectivity between the ports to enable efficient cargo movement, reduce congestion, and create opportunities to increase cargo volume by promoting and building supply chain efficiency.

Clean California. The budget includes \$100 million General Fund to continue the Clean California Local Grant Program, funded for two years in the 2021 Budget, into 2023-24. This program provides grants to cities, counties, transit agencies, tribal governments and other government agencies to beautify their communities and remove trash and debris.

Liberty Canyon: The budget includes \$10 million one-time General Fund for the Santa Monica Mountains Conservancy to secure funding to complete the tunnel phase of the crossing project over the Agoura Road frontage road.

Gas Tax Adjustment. The budget proposes to forego the annual inflation adjustment to the per gallon fuel excise tax rate scheduled to occur on July 1, 2022. The annual inflation adjustment will be resumed by 2023-24 with flexibility to delay the adjustment should economic conditions warrant it. This pause is expected to decrease fuel tax revenues by \$523 million in 2022-23 based on an estimated 5.6-percent inflation rate.