To: CHEAC General Membership

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RE: Governor's 2020-21 May Revision

Today, Governor Newsom unveiled his sobering May Revision to the 2020-21 budget proposal. The updated $203.3 billion ($133.9 billion General Fund) proposal reflects a 5.4 percent total budget decrease (9.4 percent General Fund decrease) compared to the 2019-20 Budget Act. Recall, when the Governor released his $222.2 billion ($153.1 billion General Fund) 2020-21 budget blueprint in January, the state was enjoying an estimated $5.6 billion surplus. This drastic change in the budget landscape is the result of the COVID-19 pandemic's impact on the economy.

During his press conference, the Governor painted a picture of where the fiscal health of the state stood when the 2019-20 budget was enacted versus where we stand today with 4.6 million individuals having filed for unemployment since March. California is projecting a 22.3 percent decline in total revenues including a 27.2 percent decline in Sales Tax, 25.5 percent decline in Personal Income Tax, and a 22.7 percent decline in the state's Corporate Tax.

Before accounting for the proposed changes in the May Revision, the Administration estimates a $54.3 billion budget deficit. Governor Newsom outlined his strategy for decreasing the deficit which includes depleting reserves, withdrawing proposed expansions and spending increases, transfers from special funds, and utilizing federal funding. The Governor also pushes state agencies and departments to increase efficiency and indicates state operations will be reduced over the next two years. All nonessential contracts, purchases and travel are suspended. Only the most essential vacant positions will be filled, and per his comments, state employees are facing a 10 percent decrease in wages.

The $16.2 billion Budget Stabilization Account, commonly called the Rainy Day Fund, would be exhausted over three years ($7.8 billion in FY 2020-21, $5.4 billion in FY 2021-22, and $2.9 billion in FY 2022-23). Alternatively, $450 million would be withdrawn annually for two years from the $900 million Safety Net Reserve, created to support Medi-Cal and CalWORKs in a recession. The May Revision also proposes to deplete the $524 million Public School System Stabilization Account in the budget year.

The Governor indicated that cuts to programs would make up 26 percent of the budget deficit but indicated these cuts could be eliminated with a "stroke of the pen" should President Donald Trump provide support for House Speaker Nancy Pelosi's HEROES Act. He called on the federal government to provide states across the nation, cities, and counties, with relief so that these cuts would not have to go into effect.

Highlights of interest to local health departments are summarized below.

Impacts on 1991 Realignment. The Governor's May Revision included updated 1991 realignment projections for the current year and budget year. Since January, sales tax revenue estimates dropped $503.4 million and vehicle license fee revenues estimates decreased $258.8 million. Current year (FY 2019-20) sales tax revenues are not projected to meet the $3.67 billion base and instead are projected to be $3.1 billion. Likewise, vehicle license fee revenue is projected to be $1.9 billion, which is lower than the $2.2 billion base.

It is important to note that in a year when base is not met, each subaccount takes a proportional reduction. Also, please note that base is calculated by the prior year realignment experience. If base declines and there is no growth, the realignment revenues realized then become the next year's base. For example, if base is $100 in year 1, but revenues come in at $90, the base in year 2 is now $90.

In the budget year (FY 2020-21), sales tax revenue is projected to meet the lower base of $3.1 billion and estimates roughly $2.6 million in sales tax growth, which would be dedicated to caseload growth. Please note, no sales tax growth is estimated to be received by the health subaccount in the budget year. Also, in the budget year vehicle license fee revenue is projected to meet the lower base and the health subaccount is projected to receive growth.

The 1991 Realignment estimates in the May Revision can be viewed **here**. The January estimates can be viewed **here**.

AB 85 1991 Realignment Diversions. The Governor's May Revision estimates $627.8 million will be redirected in FY 2020-21, which is an increase of $38 million from the January estimate. Given estimated reductions to Realignment, most of the AB 85 estimated redirections are decreasing. However, it is important to note that since the January estimate, the public hospital redirection has increased significantly. At the time of this writing, no updated true-up numbers were provided.

As a brief background, after the passage of the Affordable Care Act and Medi-Cal expansion, the State anticipated counties would be spending less on indigent care, given more individuals would qualify for insurance through Medi-Cal or Covered California. Under this assumption, the State enacted AB 85 (Chapter 24, Statutes of 2013), which diverted health realignment dollars from the counties to the State. The State diverted either: 1) 60 percent of health realignment funding received in a given year; or 2) a specified amount of health realignment funding based on a formula that considered county revenues and costs. The State estimates the redirection in the Governor's January budget proposal and updates those revisions in the May Revise. AB 85 includes a true-up mechanism two years after the close of the fiscal year to determine what the actual county diversion should have been, based on updated county data.

The county-by-county numbers from the May Revision can be found **here**. The county-by-county numbers from the January estimate can be found **here**.

County Medical Services Program (CMSP). The May Revision proposes to shift $50 million from CMSP reserves starting in FY 2020-21 for four years to offset General Fund CalWORKs costs. Recall, the 2019 Budget Act suspended the CMSP Board's allocation until the reserve level reached two years of expenditures. Under the May Revision proposal, the CMSP Board allocation would be reinstated in FY 2020-21.

COVID-19 Response. The May Revision highlighted investments made both, through state General Fund and funding provided by the federal government in response to the pandemic. To date, the state has supported the following activities:

- *PPE and Medical Supplies* – Secured a supply of medical-grade masks as well as other necessary medical equipment, gloves, and gowns.
- *Hospital Surge* – Established 3,000 beds with the capacity to support an additional 2,000 beds in the Fall.
- *Hotels for Healthcare Workers* – Secured hotel rooms for healthcare staff who are in contact with COVID-19 patients.
- *Vulnerable Populations* – Provided housing, food, and other assistance supports to homeless individuals and families, foster youth, and seniors.
- *Support Services* – Provided resources to childcare workers, small businesses, local probation and sheriffs, and call centers for the general public.

In addition, significant federal investments have been made such as:
- $9.5 billion to the California in Coronavirus Relief Funds.
- $5.8 billion in Coronavirus Relief Funds directly to fifteen counties, San Francisco, and five other cities.
- $22.5 billion in direct payments to 13.5 million Californians who filed federal tax returns in 2018 or 2019.
- $70 billion in small business grants and loans.
- $5.3 billion for hospitals, providers, and community care clinics.
- $2 billion in food assistance including the Pandemic EBT Program and the Commodity Assistance Program (for food banks).
- $500 million for public housing assistance for low-income and homeless individuals.

The state intends to allocate a portion of their $9.5 billion allocation of Coronavirus Relief Funds to support local government activities. $450 million will be directed to cities (less than 500,000 population) for homelessness and public safety costs associated with response activities, and $1.3 billion will be distributed to counties based on population for **public health, behavioral health, and other health and human services** (details are unclear on how this will be allocated).

For the budget year, the May Revision reflects expenditures of $1.8 billion in net general fund for direct response efforts with a significant portion of this amount expected to provide the 25 percent state share required to leverage Federal Emergency Management Agency (FEMA) funding.

Home Visiting and Black Infant Health Program. The Governor's May Revision proposes to withdraw its previous proposal to augment the California Home Visiting Program (CHVP) and the Black Infant Health (BIH) Program by $4.5 million General Fund ongoing beginning in FY 2020-21. According to the CDPH May Revision Highlights, the full $4.5 million is a reduction to the BIH program. Impacts on CHVP are not clear at this time.

STD, HIV, and Hepatitis C Investments. The Governor's May Revision maintains $5 million General Fund for sexually transmitted disease (STD), HIV, and Hepatitis C prevention and control activities, for a total of $15 million. Recall, this investment was made in the 2019 Budget Act.

CDPH Laboratory Funding. Given the ongoing COVID-19 pandemic, the Newsom Administration is proposing to allocate $5.9 million General Fund in FY 2020-21 and $4.8 million General Fund ongoing to support additional California Department of Public Health (CDPH) laboratory staff (three positions) to increase laboratory testing capacity and to purchase equipment and laboratory supplies specifically utilized for COVID-19 testing and other diseases.

Lead Exposure Investments. $10.3 million is proposed to be provided to the Childhood Lead Poisoning Prevention Fund, consisting of $4.1 million for state operations and $8.9 million in local assistance to support program improvement efforts for children who have been exposed to lead.

Cognitive Care Initiative. The Governor's May Revision withdraws $3.6 million General Fund as previously proposed for a one-time investment to establish a coordination and training initiative through the California Department of Public Health (CDPH) Alzheimer's Disease Center. The investment was intended to support the development of a "train the trainer" program to assist family caregivers navigate the complexities of dementia and bridge the gap between the healthcare delivery system and social services. Please note there is no proposed funding reduction for the Healthy Brain Initiative led by local health departments.

Women, Infants, and Children (WIC) Program. The Governor's May Revision reflects a net decrease of $23.2 million in WIC local assistance expenditure authority from the program's November estimate and a decrease of $5.3 million in WIC local assistance expenditure authority from the program's May estimate. According to CDPH, the declines are due to decreases in participation in the program, as well as a drop in the projected birth rate for California.

Proposition 99 Health Education Account. The Governor's budget reflects a decrease of $3 million in the Proposition 99 Health Education Account for FY 2020-21. Recall the Governor's January budget proposal estimated a $7.4 million decrease. At this time, there is no anticipated impact to local lead agencies, but a decrease of $1 million in competitive grants and $2 million in evaluation funding.

Proposition 56 Tobacco Prevention and Control. The Governor's May Revision reflects a $4.7 million decrease in the budget year to tobacco prevention and control programs. Of this amount, local health department funding would decrease by $1 million.

Proposition 56 State Dental Program Account. The Governor's May Revision reflects a decrease of $753,000 in FY 2020-21. Recall, the Governor's January budget proposal originally estimated a decrease of $3.9 million to local health jurisdictions. CHEAC will work with CDPH to determine if the decrease impacts local health jurisdiction allocations.

Proposition 56 – Tobacco Tax. In the May Revision, the Administration proposes to shift $1.2 billion in Proposition 56 funding to support growth in the Medi-Cal program. Revenues would no longer support supplemental payments for physicians, dental, developmental screenings, non-emergency medical transportation, and for family planning and women's health. $67 million in Proposition 56 funding would continue to support supplemental payments for home health providers, pediatric day health care facilities, pediatric sub-acute facilities, and the HIV/AIDS waiver. This reduction package would be triggered off if enough funding is secured from the federal government.

Vaping Tax and Flavored Tobacco. In the January Budget, the Governor proposed the institution of a new nicotine content-based electronic cigarette tax, set to begin in January 2021. This proposal remains part of the May Revision. Please recall this tax would impose $2 on each 40 milligrams of nicotine in the product. The May Revision continues to anticipate $33 million in new revenues raised by the tax to be used to increase enforcement and to offset Medi-Cal costs. In addition, the Administration reiterated their support for a statewide ban on all flavored tobacco products.

Medi-Cal Overview. The Governor's May Revision anticipates a $99.5 billion ($22.7 billion General Fund) budget in FY 2019-20 and $112.1 billion ($23.2 billion General Fund) in FY 2020-21. Medi-Cal caseload is anticipated to significantly increase due to unemployment impacts as a result of the COVID-19 pandemic, peaking at 14.5 million beneficiaries in July 2020. Notably, General Fund costs for Medi-Cal in FY 2020-21 are lower than previously projected based on the assumed receipt of an enhanced Federal Medical Assistance Percentage (FMAP) provided by the federal government in response to COVID-19; the enhanced FMAP is provided from January 1, 2020, through June 30, 2021, and is anticipated to decrease General Fund costs by $5.1 billion.

Recall, the Governor's January Budget Proposal projected a $105.2 billion ($23.5 billion General Fund) Medi-Cal budget in FY 2019-20 and a $107.4 billion ($26.4 billion General Fund) Medi-Cal budget in FY 2020-21. The Medi-Cal caseload figure detailed in the January budget proposal stood at 12.9 million or roughly one-third of California's population.

Medi-Cal Optional Benefits Proposed for Elimination. The Governor's May Revision anticipates the modification and elimination of a series of Medi-Cal optional benefits absent additional federal support. The elimination of these benefits is anticipated to result in a total General Fund savings of $54.7 million in FY 2020-21. Optional benefits slated for modification or elimination include:

- Dental (reduced to 2014 partial restoration levels)
- Audiology services
- Speech therapy services
- Optometric and optician/optical laboratory services

- Podiatric services
- Incontinence cream and washes
- Acupuncture services
- Nurse anesthetist services
- Occupational therapy services
- Physical therapy services
- Pharmacist-delivered services
- Screening, Brief Intervention, Referral to Treatments for Opioids and Other Drugs
- Diabetes Prevention Program

The Governor’s May Revision proposal to eliminate and modify these optional benefits does not apply to beneficiaries under specified programs, including the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program, beneficiaries receiving pregnancy-related services and services for the treatment of other conditions that might complicate the pregnancy, emergency services, and otherwise excluded optional benefits included within the scope of federal qualified health centers (FQHCs) and rural health clinic (RHC) services.

Health-Related 2019 Budget Act Reversions*.* The May Revision proposes to revert and reduce funding augmentations for programs within the Department of Health Care Services (DHCS) implemented through the 2019 Budget Act. These include reverting funding for behavioral health counselors in emergency departments, Medi-Cal Health Enrollment Navigators, and the Medical Interpreters Pilot Project. The May Revision also proposes to eliminate the augmentation for caregiver resource centers and the California Health Information Exchange Onboarding Program (CalHOP). As a result of these reversions and eliminations, the Administration projects General Fund savings of $38.5 million in FY 2019-20 and $13.1 million in FY 2020-21.

Withdrawn Health-Related January Budget Proposals. Considering the severe budget shortfall, the Governor’s May Revision withdraws a series of health-related proposals within the Department of Health Care Services (DHCS), resulting in General Fund savings of over $596.9 million in FY 2020-21. Withdrawn proposals include:

- **CalAIM Initiative:** The California Advancing and Innovating Medi-Cal (CalAIM) Initiative implementation is proposed to be delayed, resulting in a savings of $695 million ($347.5 million General Fund). Recall, the Governor’s January budget proposal detailed an ambitious initiative to provide for enhanced care management (ECM) and in-lieu of services (ILOS), infrastructure to expand whole person approaches statewide, and expanded dental initiatives within the state’s Medi-Cal program.

- **Behavioral Health Quality Improvement Program:** The Governor’s May Revision removes a $45.1 million General Fund investment in FY 2020-21 and a $42 million General Fund investment in FY 2021-22 for the previously proposed Behavioral Health Quality Improvement Program. The program was intended to incentivize county-operated behavioral health system changes and improvements in preparation of the CalAIM Initiative implementation.

- **Full-Scope Medi-Cal Expansion to Undocumented Older Adults.** Providing $112.7 million ($87 million General Fund) in savings to the state (inclusive of In-Home Supportive Services costs) in FY 2020-21, the Governor's May Revision withdraws its previous proposal to expand full-scope Medi-Cal coverage to income-eligible Californians age 65 and over regardless of immigration status.

  Recall, the Governor's January budget included $80.5 million ($64.2 million General Fund) in FY 2020-21 and $350 million ($320 million General Fund) in FY 2022-23 and ongoing for this expansion. The expansion was slated to begin no sooner than January 1, 2021 and provide an estimated 27,000 older adults with full scope benefits after the first year of implementation. Full-scope Medi-Cal benefits were expanded to young adults ages 19-25 regardless of immigration status as part of the 2019 Budget Act.

- **Non-Hospital 340B Supplemental Payment Pool:** The Governor's May Revision withdraws its January budget proposal to provide payments to non-hospital clinics for 340B pharmacy services, generating a savings of $52.5 million ($26.3 million General Fund) in FY 2020-21 and growing to $105 million ($52.5 million General Fund) in FY 2021-22 and ongoing. Recall, this supplemental payment pool was intended to mitigate the impact on 340B revenue to non-hospital 340B clinics resulting from transitioning pharmacy services to fee-for-service under the Medi-Cal Rx initiative.

- **Postpartum Mental Health Expansion:** Generating a savings of $34.3 million General Fund in FY 2020-21, the Governor's May Revision proposes not to implement the 2019 Budget Act expansion of Medi-Cal to postpartum individuals who are receiving health care coverage and who are diagnosed with a maternal mental health condition.

- **Medi-Cal Aged, Blind, and Disabled Expansions:** The Governor's May Revision proposes not to implement the Medi-Cal expansion to aged, blind, and disabled individuals with incomes between 123 percent and 138 percent of the federal poverty level (FPL) pursuant to the 2019 Budget Act. As a result, a savings of $135.5 million ($67.7 million General Fund) is anticipated. Furthermore, the Governor's May Revision proposes not to implement the Aged, Blind and Disabled Medicare Part B disregard for a General Fund savings of approximately $300,000.

- **Hearing Aid Coverage:** The Governor's May Revision also withdraws its previous proposal to assist with the cost of hearing aids and related services for children without health insurance coverage in households with incomes up to 600 percent FPL. This withdrawn proposal results in savings of $5 million General Fund.

Managed Care Organization (MCO) Tax. The Governor's January budget proposal did not build in revenues anticipated from the state's managed care organization (MCO) tax, at the time citing ongoing negotiations with the federal government regarding the proposal's approval. In April 2020, California received federal approval of its revised proposal. As such, the Governor's May Revision details $1.7 billion General Fund savings in FY 2020-21 for use by the Medi-Cal program. The MCO tax is effective from January 2020 to December 2022.

Child Health and Disability Prevention (CHDP) Case Management. The Governor's May Revision proposes to permanently eliminate funding for the Child Health and Disability Prevention (CHDP) program case management services provided by local health departments, resulting in $18.7 million ($6.6 million General Fund) savings. CHDP is a preventive program that provides periodic health assessments and services to low income children and youth in California.

Office of Health Care Affordability. In the January budget, the Governor proposed the creation of the Office of Health Care Affordability to analyze the health care market for cost trends and drivers of spending, develop data-informed policies for lowering health care costs for consumers, and create a state strategy for controlling the cost of health care and ensuring affordability for consumers and purchasers. The May Revision withdraws this proposal.

Department of Early Childhood Development. Recall, the Governor's January budget proposed to establish the Department of Early Childhood Development within CHHS effective July 2021 to promote a high-quality, affordable, and unified early childhood system that improves program integration and coordination with other major programs serving young children. In January, $6.8 million General Fund in FY 2020-21, and $10.4 million General Fund ongoing was proposed to transition early learning and childcare programs from the California Department of Education (CDE) and the California Department of Social Services (CDSS) to the newly established department.

The Governor's May Revision modifies its previous proposal by instead transferring childcare programs to CDSS to align all childcare programs within a single state government department and ease collective bargaining administration. The May Revision maintains $2 million General Fund in FY 2020-21 to support this transition.

Homelessness Investments. Recall, the Governor's January budget proposal dedicated significant resources to addressing homelessness in California, including a $750 million General Fund investment in the California Access to Housing and Services Fund (created by Executive Order N-23-20). The investment was proposed to support service providers in delivering rental subsidies, increasing affordability housing units, and stabilizing board and care facilities. Funds were also proposed to be used for negotiating additional housing units and individual leases, providing tenancy supports and services, and coordinating case management with counties for those receiving rental subsidies.

However, considering the significant budget shortfall and activities in response to the ongoing pandemic, the Governor's May Revision details a dramatically different approach. Recall, in April 2020, the Newsom Administration struck an agreement with the Federal Emergency Management Agency (FEMA) to provide safe isolation motel rooms to vulnerable individuals experiencing homelessness. The initiative, known as Project Roomkey, currently has federal approval and financial participation through May 31, 2020; the state anticipates requesting 30-day extensions, as necessary. As of mid-May, Project Roomkey and its county partners have secured over 15,000 hotel and motel units statewide.

In a departure from its January Budget proposal, the Newsom Administration now intends to leverage $750 million in federal funds (as opposed to General Fund) to purchase hotels and motels secured through Project Roomkey. Purchased hotels and motels are proposed to be owned and operated by local governments and nonprofit providers. The state further anticipates using the federal funds to provide significant technical assistance to local jurisdictions and other entities seeking to purchase and operate former Project Roomkey hotels and motels.

The Governor's May Revision additionally includes $1.5 million General Fund ongoing and 10 permanent positions to the Homeless Coordinating and Financing Council to carry out statutory mandates and strengthen strategic coordination of the state's efforts to address homelessness.

Cannabis. In the January budget, the Governor proposed a consolidation of the three current cannabis licensing entities – the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health – into a single newly-created Department of Cannabis Control. This proposal has been **delayed** until the Governor's 2021-22 Budget.

The May Revision decreases projected cannabis excise tax revenues from $479 million to $443 million for FY 2019-20 and from $590 million to $435 million for FY 2020-21. A January budget proposal to simplify cannabis tax administration has been postponed and the Administration will continue to work with stakeholders on a proposal for the next budget year.

Funding available from the Proposition 64 Cannabis Tax Fund dedicated to youth education, prevention, early intervention, and treatment; environmental protection, and public safety-related activities has also been revised down from $332.8 million to $296.9 million. The structure of the allocations remains unchanged from FY 2019-20, and the amounts are detailed below:

- Education, prevention, and treatment of youth substance use disorders and school retention – 60 percent ($178.1 million)
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20 percent ($59.4 million)
- Public safety-related activities – 20 percent ($59.4 million)

Wildfire and Emergency Preparedness. In addition to COVID-19 pandemic preparedness and response, the May Revision also makes investments in other emergency and preparedness activities through the Governor's Office of Emergency Services (CalOES) and through the Department of Forestry and Fire Protection (CAL FIRE). Investments include:

- Maintains $50 million for one-time General Fund support for a local government grant program to prepare, respond and mitigate power shut offs.
- Augments $38.2 million for one-time General Fund for the California Disaster Assistance Act (CDAA) for emergency activities undertaken under a declared state of emergency. Brings total CDAA funding to $100.8 million.
- Maintains $17.3 million for the California Earthquake Early Warning Program.
- Maintains $7.6 million General Fund for the California Cybersecurity Integration Center.
- Maintains $9.4 million to enhance CalOES's ability to prepare, respond, and assist the state in recovering from disasters.
- Maintains $2.5 million to transfer the Seismic Safety Commission to CalOES.
- Maintains $2 million General Fund for the Wildfire Forecast and Threat Intelligence Integration Center.

- Withdraws a proposal for $101.8 million for the Wildfire Mitigation Financial Assistance Program, a home hardening program with a focus on homes located in low-income communities of high fire risk.
- Maintains $85.6 million General Fund for permanent firefighting positions at CAL FIRE and $7.6 million General Fund for CAL FIRE's Innovation Procurement Sprint, a wildfire prediction and modeling technology platform.

Department of Youth and Community Restoration. Recall, the Governor's January budget proposed to transfer the Division of Juvenile Justice to the newly-established Department of Youth and Community Restoration within the California Health and Human Services (CHHS) Agency by investing $289.7 million ($260.8 million General Fund) in FY 2020-21 and $295.6 million ($266.7 million General Fund) in FY 2021-22 ongoing. The department was to be tasked with providing trauma-informed and developmentally appropriate services to youth in California's state juvenile justice system.

In a significant departure from the January proposal, the Governor's May Revision instead proposes to reform the state's juvenile justice system by transferring the responsibility of management all youthful offenders to local jurisdictions. The May Revision further proposes to cease the intake of new juvenile offenders effective January 2021 and begin the closure of the state's three juvenile facilities and a fire camp through attrition. The Newsom Administration contends that closing state juvenile facilities and directing a portion of state savings to county probation departments will enable youth to remain in their communities and stay close to families during rehabilitation.

Incompetent to Stand Trial (IST) Initiative. Recall, the Governor's January budget proposed to establish a six-year pilot program in three counties to provide funding and incentives to treat and serve individuals deemed incompetent to stand trial in the community and increase local investments in strategies to reduce the rate of arrests, rearrests, and cycling through institutions. The proposal was set to cost $24.6 million General Fund in FY 2020-21 and $364.2 million General Fund over the six years. In the Governor's May Revision, the Newsom Administration withdraws this proposal and instead commits to working with the Legislature on identifying an alternative to address the current backlog of IST individuals.

Animal Shelter Grants. The Governor's May Revision maintains $5 million, reduced from $50 million, for a one-time General Fund investment to the University of California, Davis Koret Shelter Medicine Program to develop a grant program for animal shelters to achieve no-kill policies.

Outdoor Equity Grants Program. The Governor's May Revision withdraws a $20 million General Fund investment to fund the Outdoor Equity Grants Program (created pursuant to AB 209 in 2019). The program is intended to enable underserved and at-risk populations to participate in outdoor environmental educational experiences at state parks.

Improving Parks Facilities in Urban Areas. The Governor's May Revision proposes to provide $6.1 million in Proposition 68 bond funds to expand access to state parks in urban areas and make other improvements to parks that serve disadvantaged communities. Recall, the Governor's January budget proposed to invest $8.7 million in Proposition 68 bond funds for this purpose.

ABC Responsible Beverage Service Training. In January, the Governor's Budget proposed to provide $3.1 million to the Alcohol Beverage Control (ABC) Fund to provide capacity and resources to implement the Responsible Beverage Service Training Act pursuant to AB 1221 in 2017. AB 1221 requires that alcohol servers receive training on responsible beverage service within 60 days of their employment date, beginning July 2021.

The Governor's May Revision instead proposes to delay implementation of responsible beverage service training to July 2022 to provide relief to licensees through the delayed collection of associated training fees. The Newsom Administration indicates that alcohol licensees, who are expected to cover the cost for servers to complete the ABC training, are being severely impacted as a result of the economic downturn and required public health orders during the COVID-19 pandemic. ABC will continue developing the training system and other associated business modernization efforts during the budget year.

Budget Links:
Governor's 2020-21 May Revision:
http://www.ebudget.ca.gov/

CDPH 2020-21 May Revision Highlights
https://cheac.org/wp-content/uploads/2020/05/CDPH-2020-21-May-Revision-Highlights-Final-5.14.20-002.pdf

DHCS 2020-21 May Revision Highlights:
https://www.dhcs.ca.gov/Documents/Budget_Highlights/FY_2019-20_MR_Highlights.pdf

Senate Budget & Fiscal Review Committee May Revision Highlights:
https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/Overview%20of%20the%20Governors%202020-21%20May%20Revision.pdf

Assembly Budget Committee May Revision Highlights:
https://abgt.assembly.ca.gov/sites/abgt.assembly.ca.gov/files/Highlights%20of%20Governors%202020-21%20Budget.pdf

Next Steps. The Legislature will hear all items related to the Governor's May Revision next week. We anticipate Conference Committees will meet upon Budget Subcommittees concluding their business to reconcile issues where the Senate and Assembly Actions do not align. The Constitutional deadline for the Legislature to pass the budget is June 15. Given significant changes to tax deadlines due to the ongoing COVID-19 pandemic, it is possible additional budget activity will occur later this summer or fall.

Questions. For questions on the items highlighted above or other budget-related inquiries, please feel free to contact your CHEAC staff via email.