



To: CHEAC General Membership

From: [Michelle Gibbons](#), Executive Director
[Betsy Armstrong](#), Senior Policy Analyst
[Jack Anderson](#), Policy Analyst
[Karla Ambriz](#), Legislative Assistant

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RE: Governor's 2021-22 May Revision

Governor Gavin Newsom today unveiled his May Revision to the 2021-22 budget proposal. Despite Governor Newsom's announcement that the state anticipates a record-breaking \$75.75 billion surplus, the May Revision did not include an ongoing investment for public health workforce and infrastructure.

The Governor's May Revision reflects an overall FY 2021-22 budget of \$267.8 billion (\$196.8 billion General Fund). The Newsom Administration proposes to invest a record amount of \$24.4 billion in state fiscal reserves. Reserve funds include \$15.9 billion in the state's Rainy Day Fund for fiscal emergencies, \$4.6 billion in the Public School System Stabilization Account, \$3.4 billion in the state's operating reserve, and \$450 million in the Safety Net Reserve. Further, the Governor's May Revision proposes to invest \$10.9 billion in the state's long-term retirement liabilities, including \$3.4 billion in additional payments in FY 2021-22 and \$7.9 billion in additional payments over the next three years.

Notably, the Newsom Administration anticipates the state appropriations limit (also referred to as the "Gann Limit") will be exceeded by \$16.2 billion in FY 2020-21 and FY 2021-22. Recall, the state appropriations limit caps the amount of tax revenues that can be appropriated by the state, constraining state spending and requiring revenues over the limit to be allocated evenly between schools and taxpayers. To comply with the state appropriations limit, the Governor proposes to allocate \$16.2 billion through a direct stimulus investment and an investment in K-14 schools.

The Governor, each day this week, toured the state as part of his \$100 billion "California Comeback Plan" to announce massive investments in numerous areas, including:

- [\\$12 billion](#) for individual economic relief, including an expansion of the Golden State Stimulus providing direct cash payments to eligible residents. Governor Newsom also announced more than \$5 billion in aid to be available for assistance with rent and utility bills;
- [\\$5.1 billion](#) for water infrastructure and drought response activities;

- [\\$12 billion](#) to expand homelessness services and programs, including significant investments in Homekey to provide at least 46,000 new homeless housing units;
- [\\$20 billion](#) to transform California's public schools, including \$3 billion to provide wraparound mental health, social, and family services and \$4 billion over five years to transform the youth behavioral health system; and
- [\\$4 billion](#) in small business relief, including an expansion of the state's grant program to provide eligible small businesses and cultural institutions up to \$25,000 in funds and \$6.2 billion in small business tax relief.

In addition to the above areas, the Governor proposes an investment of \$7 billion over three years to expand broadband infrastructure, increase affordability of internet services, and enhance access to broadband for all state residents. The investment proposes to utilize a combination of federal American Rescue Plan Act (ARPA) funds and state funds to expand the state's broadband network capacities, particularly in rural areas.

Highlights of interest to local health departments are summarized below.

Public Health Assessment. Included in the May Revision is \$3 million in federal funds for an assessment of the state's public health response including an examination of the root causes of the disparities and inequities of those communities disproportionately impacted by the pandemic. According to the Newsom Administration, they intend to use the lessons learned and gaps identified during the pandemic to develop "actionable policies" that will be presented as part of the Governor's FY 2022-23 budget proposal.

Proposition 99 Health Education Account. The Governor's May Revision reflects an increase of \$18.1 million, for a total of \$53.9 million in FY 2020-21, in the Proposition 99 Health Education Account. The increase includes \$2.5 million in State Administration, \$11.8 million in media campaigns, and \$5 million for evaluation, as well as a decrease of \$1.2 million for Tobacco Education and Research Oversight Committee (TEROC) evaluations.

Women, Infants, and Children (WIC) Program. The Governor's May Revision reflects an increase of \$64.8 million expenditure authority in local assistance for a total of \$1.25 billion in FY 2021-22 for the WIC Program.

AB 85 1991 Realignment Diversions. The Governor's 2021-22 May Revision estimates \$602.9 million will be redirected in FY 2021-22, up from \$574.8 million estimated in January. No new estimates for the net true-up for FY 2018-19 were included as they will be finalized in June. Recall in January the FY 2018-19 net true-up was estimated to be \$44.8 million, which includes roughly \$98.1 million owed to counties and \$142.9 million owed back to the State.

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 Revision. 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](#).

IHSS State and County Sharing Ratio. The Governor's May Revision maintains the current sharing ratio of 65 percent state and 35 percent county for IHSS costs. Without this proposal, the sharing ratio was set to flip in January 2022, increasing county costs. Recall, 1991 Realignment funds IHSS and increased costs would result in decreased health realignment growth.

Pandemic Response and Federal Assistance. The Governor's May Revision proposal provides an overview of the State's current pandemic response activities including vaccine distribution, delineates how federal relief funding has been utilized, and outlines some targeted investments using federal Coronavirus State Fiscal Recovery Funds, provided by ARPA. According to the May Revision, total direct pandemic emergency response costs are estimated to be \$12.3 billion. This amount includes prior year expenses, current year expenses, and estimated costs for fiscal year's 2020-21 and 2021-22. A new unit at the Department of Finance will also be created to track the award and expenditure of these funds, monitor, and oversee the use of these funds, and establish a data collection, reporting, and analysis framework.

The full chart of COVID-19 direct response cost estimates is [available here](#).

The May Revision also outlines proposed federal Coronavirus State Fiscal Recovery Fund investments, provided by ARPA, including:

- **Addressing Pandemic Impacts:** \$4.9 billion to support state and local emergency response including funding for public hospitals and health systems and residential care facilities. Funding will also be used to address the emotional and behavioral health impacts on children and youth due to quarantine requirements and distance learning. (Please note some of these investments will be outlined in further detail below.)
- **Addressing Economic Impacts:** \$13.7 billion to assist households in paying back water and utility bills, addressing housing and homelessness, and providing grants to small businesses as well as support for California's tourism industry and ports. Funding

will also be directed to work-study programs, reduce barriers to higher education, and address equity gaps among low-income children and families.

- **Water, Sewer, & Broadband Investments:** \$7.3 billion to address deferred maintenance on water infrastructure and water and sewer infrastructure for housing. Funding is also directed to expand access to and affordability of broadband, as indicated above.
- **Unemployment Insurance Trust Fund:** \$1.1 billion to replenish the state's unemployment insurance trust fund.

The chart detailing California's \$27 billion in ARPA Coronavirus State Fiscal Recovery Fund proposed investments is [available here](#).

Emergency Response. Included in the May Revision are significant investments in the California Office of Emergency Services (Cal OES) to address California's frequent and often simultaneous emergencies and disasters. Proposals include:

- **Permanent Cal OES Response Teams:** \$16.5 million General Fund and 73 new positions for the creation of a permanent Incident Support Team, a deployable Incident Management Assistance Team, and new positions for the State Operations Center or Regional Emergency Operations Centers to respond to all-hazard events.
- **Long Term Recovery Support:** \$37.8 million (\$15.7 million General Fund) to provide permanent recovery positions to support California's recovery efforts and recoupment of eligible federal disaster cost reimbursements for state and local governments.
- **Creation of Office of Equity:** \$29.9 million General Fund to establish a new Office of Equity within Cal OES to make permanent the *Listos* grant program that readies California's most vulnerable populations for disasters like wildfires, earthquakes, floods, or pandemics.
- **Technology and Data Analytics Modernized:** \$10.2 million General Fund to modernize Cal OES's technology and data capabilities.
- **Disaster Costs and Funding Tracking and Reporting:** \$4 million General Fund to establish a new unit to coordinate and lead the state's disaster cost tracking and reporting efforts in coordination with all state agencies.
- **California Disaster Assistance Act (CDAA):** \$100 million in one-time General Fund to increase the amount of funding available through the CDAA that helps assist replace public property damaged or destroyed by a disaster or to reimburse local government eligible costs associated with response to a state declared emergency.

- **Prepare California Program:** \$250 million in one-time General Fund is proposed to develop and implement the “Prepare California” program designed to build disaster-resistant communities through state, local, federal, and private sector and nongovernmental organization partnerships.
- **Community Resilience Centers:** \$150 million in one-time General Fund is proposed to the California Department of Food and Agriculture (CDFA) to support the development and enhancement of community resilience centers with funding available to both local fairgrounds and other community facilities to serve potentially as cooling and heating centers, clean air centers, and extended emergency evacuation response centers.

Emergency Medical Services Authority (EMSA). The May Revision offers two new proposals for EMSA including \$10 million in one-time General Fund to establish a statewide emergency services data infrastructure to strengthen real-time information sharing and data analytics for state and local EMS agencies, local EMS providers, and health care providers, and \$10.8 million to store and maintain critical emergency equipment and medical supplies acquired during the pandemic as well as staff resources to improve the on-boarding, deployment, and training of emergency medical responders.

California Advancing and Innovating Medi-Cal (CalAIM) Initiative. The Newsom Administration maintains its ambitious CalAIM initiative to reform the Medi-Cal delivery, program, and payment systems by building upon successes of various waiver demonstration projects, including Whole Person Care, Health Homes, and others. The Governor's May Revision includes \$1.6 billion total funds (\$673 million General Fund) in FY 2021-22 and \$1.5 billion total funds (\$746.6 million General Fund) in FY 2022-23 for CalAIM.

The Administration proposes new components as part of the CalAIM proposal, including:

- **Medi-Cal Population Health Management:** The Governor's May Revision proposes a one-time investment of \$315 million (\$31.5 million General Fund) for to provide population health management services that would centralize administrative and clinical data from the Department of Health Care Services (DHCS), health plans, and providers. According to the Newsom Administration, DHCS would procure a business solution that would utilize administrative and clinical data, and access to this information would allow all parties to better identify and stratify member risks and inform quality and value delivery across the Medi-Cal continuum of care.
- **Medi-Cal Providing Access and Transforming Health Payments (PATH):** The May Revision includes a one-time investment of \$200 million (\$100 million General Fund) to build capacity for pre-release care for justice-involved populations to enable coordination with justice agencies and Medi-Cal coverage of services 30 days prior to release.

- **Medically Tailored Meals:** \$1.7 million General Fund in FY 2020-21 and \$10.6 million General Fund in FY 2021-22 is proposed in the Governor's May Revision to continue the provision of medically tailored meals for Medi-Cal beneficiaries. The state's existing pilot program for medically tailored meals is set to expire in 2021, and the meals are proposed to become available as an In Lieu of Service under the Administration's CalAIM initiative. This one-time investment of \$9.3 million General Fund in 2021-22 will expand the eligible population to include Medi-Cal participants with diabetes, chronic obstructive pulmonary disease, renal disease, chronic kidney disease, cancer, and malnutrition. The one-time investment adds Fresno, Kings, Madera, Santa Cruz, and Tulare counties to the existing pilot program.

The full chart of the Newsom Administration's proposed CalAIM-related investments is [available here](#).

Medi-Cal. The Governor's May Revision proposes \$115.6 billion (\$21.5 billion General Fund) in FY 2020-21 and \$123.8 billion (\$27.6 billion General Fund) in FY 2021-22 for the Medi-Cal program. Medi-Cal caseload is anticipated to increase by 7.1 percent from FY 2019-20 to FY 2020-21 and increase by 6.6 percent from FY 2020-21 to FY 2021-22. In FY 2021-22, Medi-Cal is projected to cover approximately 14.5 million residents, representing over one-third of the state's population.

Notably, the Governor's May Revision assumes a decrease in Medi-Cal expenditures of approximately \$1 billion General Fund compared to the Governor's January Budget. This decrease is primarily due to lower-than-expected COVID-19-related caseload costs and a one-time drawdown of retroactive federal funds associated with state-only populations. The May Revision projects a General Fund investment of \$27.6 billion in FY 2021-22, representing an increase of \$6.1 billion compared to FY 2020-21. According to the Newsom Administration, this increase is due to caseload costs resulting from the federal continuous coverage requirement during the COVID-19 public health emergency, base program cost increases and federal fund repayments, and proposed new investments.

Within the Medi-Cal program, the Governor's May Revision proposes the following investments:

- **Undocumented Older Adult Expansion:** Recall, the state currently provides full scope Medi-Cal benefits to income-eligible residents under 26 years of age, regardless of immigration status. The Governor's May Revision proposes to expand full scope Medi-Cal coverage for adults 60 years and over regardless of immigration status. For the expansion to occur, the DHCS Director must determine that systems have been programmed for implementation, which may occur no sooner than May 1, 2022. The Governor proposes \$69 million total funds (\$50 million General Fund) in 2021-22 and \$1 billion (\$859 million General Fund) ongoing to support this expansion, including In-Home

Supportive Services. The Newsom Administration anticipates up to 80,000 undocumented older adults will be eligible for coverage under this expansion.

- **Proposition 56 Supplemental Payments:** The May Revision proposes to permanently eliminate suspensions for the Proposition 56 supplemental payment increases to Medi-Cal providers, resulting in a cost of approximately \$550 million ongoing.
- **Postpartum Eligibility Extension:** As part of the recently enacted ARPA, states can receive federal funding effective April 1, 2022, for up to five years to expand Medi-Cal coverage from the current 60 days to 12 months for most postpartum individuals. The May Revision includes \$90.5 million (\$45.3 million General Fund) in FY 2021-22 and \$362.2 million (\$181.1 million General Fund) annually between FY 2022-23 and FY 2027-28 to support this extension.
- **Doula Benefit:** The May Revision proposes to add doula services as a preventive benefit in Medi-Cal, including personal support services for pregnant individuals and families throughout the pregnancy, labor, and postpartum period. To support this benefit beginning January 1, 2022, the Governor proposes \$403,000 (\$152,000 General Fund) in FY 2021-22 and approximately \$4.4 million (\$1.7 million General Fund) annually at full implementation.
- **Community Health Workers:** The Newsom Administration proposes to add community health workers (CHWs) to the class of skilled and trained individuals able to provide clinically appropriate Medi-Cal covered benefits and services beginning January 1, 2022. The May Revision includes \$16.3 million (\$6.2 million General Fund), increasing to \$201 million (\$76 million General Fund) by FY 2026-27.
- **Audio-Only Visits:** To support the extension of telehealth flexibilities established during the COVID-19 pandemic, DHCS proposes to establish rates for audio-only telehealth services that are 65 percent of the Medi-Cal rate for the service rendered in the fee-for-service delivery system and comparable to prospective payment system (PPS) rates for clinics to maintain an incentive for in-person care. Only providers located in California or border communities and able to provide in-person services to each patient served by synchronous and audio-only telehealth can claim Medi-Cal reimbursement for the service. DHCS is further anticipated to work with subject matter experts to establish utilization management protocols for all telehealth services prior to the implementation of post-pandemic telehealth services.

Health Coverage Affordability. The Newsom Administration proposes several adjustments and investments under Covered California to support health insurance affordability. Investments include:

- **State Subsidy Program Savings:** The May Revision reflects a combined General Fund savings of \$732.7 million over FY 2020-21 and FY 2021-22 resulting from new federal health coverage subsidies that will replace state subsidies.
- **Individual Mandate Penalty Revenue:** Recall, the 2020 tax year was the first year in which the state's individual health insurance coverage mandate was in effect. While the Franchise Tax Board continues processing tax returns for the 2020 tax year, the May Revision reflects reduced revenue from the individual mandate penalty of approximately \$345 million over FY 2020-21 and FY 2021-22 combined.
- **Zero-Dollar Premium Plans:** The May Revision proposes to subsidize the cost of \$1 premiums for health plans due to federal regulations relative to abortion coverage. Covered California consumers would have this premium covered at a General Fund cost of \$20 million ongoing.
- **Health Care Affordability Reserve Fund:** The Newsom Administration sets aside \$333.4 million in a new Health Care Affordability Reserve Fund to partially backfill the loss of more generous federal subsidies should they not be extended or if other state health care affordability investments are explored in the future. ARPA provides significant near-term financial assistance to residents purchasing coverage through Covered California, though the sustainability of such assistance is unclear. The newly proposed reserve fund represents estimated individual mandate penalty revenue from FY 2020-21 and FY 2021-22, less the FY 2021-22 cost of the zero-dollar premium plan proposal above.

Public Hospitals. The May Revision provides \$300 million in one-time federal Coronavirus State Fiscal Recovery Funding, provided by ARPA, to California's public hospitals to help defray the costs associated with critical health care delivery needs provided during and beyond the pandemic.

Other Health and Human Services (HHS) Investments: The Newsom Administration proposes a handful of other HHS-related investments, including:

- **Language Access:** The May Revision includes \$20 million one-time General Fund to improve and deliver language access services across the spectrum of HHS programs. The proposal builds upon investments detailed in the Governor's January Budget.
- **Health Information Exchange Leadership:** \$2.5 million one-time General Fund is proposed for the California Health and Human Services (CHHS) Agency to lead efforts

and stakeholder engagement in building out information exchange systems for health and social services.

- **Office of Youth and Community Restoration:** The Governor's May Revision includes \$7.6 million General Fund in FY 2021-22 and \$7.2 million ongoing General Fund for 33 positions to establish the Office of Youth and Community Restoration. The funding is anticipated to support activities required by SB 823 (Chapter 337, Statutes of 2020), including reviewing county juvenile justice plans, reporting youth outcomes, identifying best practices, providing technical assistance to counties, and performing ombudsperson duties.

Education-Related Health Proposals. The May Revision proposes significant investments for K-12 Education of \$121.7 billion, the highest level of school funding in the state's history. Two school related proposals are of interest to local health departments and described below:

- **Reopening Schools:** \$2 billion in one-time Proposition 98 General Fund to fund health and safety activities at schools including testing and vaccine programs, enhanced cleaning, PPE, and improved ventilation at school sites.
- **Student Mental Health:** As we noted in the Governor's January Budget proposal, the Administration proposed \$400 million in one-time General Fund to DHCS to implement an incentive program through Medi-Cal managed care plans, in coordination with county behavioral health departments and schools, to increase the number of students receiving preventive and early intervention behavioral health services from schools, providers in schools, or school-based health centers. The May Revision proposes to increase this \$400 million investment to \$1 billion now utilizing funding from the federal Coronavirus State Fiscal Recovery Funding, provided by ARPA, for FY 2021-22. \$1.7 billion is proposed for FY 2022-23 (\$1.4 billion federal funds, \$300 million General Fund), and for ongoing years \$431 million (\$300 million General Fund). In addition, some of this funding will also be provided to the Office of Statewide Health Planning and Development (OSHPD) for behavioral health workforce development programs, and resources will be provided to the Office of the Surgeon General for an ACEs public health awareness campaign and to develop a curriculum of trauma-informed training targeting to educators. The California Department of Public Health (CDPH) will also receive funding to address the behavioral health literacy of all Californians to prevent mental health and substance use challenges.

Office of Statewide Health Planning and Development (OSHPD). Consistent with the Governor's January Budget proposal, the Administration continues to propose renaming OSHPD to the Department of Health Care Access and Information (HCAI) given they have been tasked with additional new duties such as the Health Care Payments Data Program and the proposed Office of Health Care Affordability. The May Revision also includes \$50 million in one-time General Fund to support healthcare workforce residency programs housed within OSHPD.

Aging-Related Investments. The Governor's May Revision notes the disproportionate impact of the COVID-19 pandemic on older adults in California and highlights the state's recently released Master Plan for Aging to make California a more age-friendly state. The Newsom Administration proposes numerous investments to support aging-related services, including:

- **Master Plan for Aging Implementation:** The Newsom Administration proposes an investment of \$3.3 million General Fund ongoing to the Department of Aging to implement the state's Master Plan.
- **Older Adult Recovery and Resiliency:** The Governor's May Revision includes \$106 million General Fund, available over three years, to strengthen older adult recovery and resiliency services, particularly related to isolation and health impacts caused by the pandemic. The investment is anticipated to increase service levels of existing programs, including senior nutrition, legal aid, home modifications and fall prevention, behavioral health friendship line, senior digital assistance, family caregiver support, senior employment opportunities, elder abuse prevention, and aging and disability resource connections.
- **CalFresh Expansion for Older Adults:** \$2 million (\$1.1 million General Fund) ongoing is proposed in the Governor's May Revision to continue CalFresh Expansion outreach efforts among the state's older adult population.
- **Department of Aging Suspensions:** The May Revision proposes to permanently eliminate suspensions for aging and disability resource connections and senior nutrition services, resulting in a cost of \$13.8 million General Fund in FY 2022-23 and \$27.5 million ongoing.
- **Office of Medicare Innovation and Integration:** DHCS proposes to establish a new departmental Office of Medicare Innovation and Integration (OMII) at the cost of \$602,000 (\$452,000 General Fund) ongoing. The funding is anticipated to provide permanent positions and expenditure authority to support innovative service delivery models for Medicare beneficiaries in the state, including both Medicare-only beneficiaries and individuals dually eligible for Medicare and Medi-Cal.
- **Office of Long-Term Care Patient Representative:** The Newsom Administration proposes \$4 million ongoing from CDPH Licensing and Certification funding to the Department of Aging to provide public patient representatives to nursing facility residents who lack capacity to make their own health care decisions and who do not have a family member or friend who can act as a patient representative.

- **Alzheimer's Augmentation:** Building on previous investments in this area, the Governor's May Revision includes \$5 million to increase public awareness of Alzheimer's disease and related dementias, \$2.5 million for standards of care, and \$5 million for geriatric workforce development.
- **Home Safe Program:** The Governor's May Revision includes \$100 million General Fund in FY 2021-22 and FY 2022-23 for the Home Safe program which supports access to health, safety, and housing supports for individuals involved in or at risk of involvement in Adult Protective Services (APS).
- **Housing and Disability Advocacy Program:** The Newsom Administration proposes to invest \$175 million General Fund annually through FY 2023-24 to assist disabled individuals who are experiencing homelessness. The May Revision waives the interim assistance reimbursement requirement through the end of FY 2023-24 for this program.
- **Community Care Expansion Program:** Last, the Governor's May Revision includes \$500 million in FY 2021-22 and FY 2022-23 for the construction, acquisition, and/or rehabilitation of adults and seniors in care facilities who are homeless or at risk of becoming homeless.

Healthy Food Access. The Governor's May Revision builds upon a \$10 million investment included in the Governor's January Budget by proposing an additional \$68 million one-time General Fund to improve access to nutritious, local, California-grown foods. This \$68 million investment is anticipated to support programs at the California Department of Food and Agriculture (CDFA), including the California Nutrition Incentive Program, Senior Farmer's Market Nutrition Program, Healthy Refrigeration Grant Program, Farm-to-School program, and funding for a new program to assist urban farmers and community-based organizations in revitalizing urban food systems.

Incompetent to Stand Trial (IST). Recall, the Governor's January Budget proposed a series of investments to address a growing number of incompetent to stand trial (IST) commitments. The May Revision includes:

- **Community-Based Restoration Program Expansion:** \$28.3 million General Fund is proposed to provide competency restoration services for IST patients in community mental health treatment settings. Beginning in FY 2024-25 and ongoing, costs are anticipated to increase to \$49.8 million General Fund.
- **LPS Patient Contracts with Counties:** The May Revision includes \$17.1 million General Fund as a backfill for lost revenues as the state will no longer be able to take new Lanterman-Petris-Short (LPS) Act patients. Beginning in FY 2023-24, ongoing costs will increase to \$146 million General Fund.

- **Jail-Based Competency Treatment Program:** The Newsom Administration proposes \$13.3 million General Fund to contract with counties to provide competency restoration services for IST patients residing in county jail settings. Beginning in FY 2022-23, ongoing costs will increase to \$22.5 million General Fund.
- **Reevaluation Services for Felony ISTs:** The May Revision includes \$12.7 million General Fund to partner with local county jails to reevaluate individuals deemed IST on felony charges waiting in jails 60 days or more pending placement in a Department of State Hospitals (DSH) treatment program.

California Violence Intervention and Prevention (CalVIP) Grant Program. The Governor's January Budget included baseline funding of \$9 million ongoing General Fund for the CalVIP program, which provides competitive grants to local governments and community-based organizations to support violence intervention and prevention programs in areas disproportionately impacted by community violence. The May Revision includes an additional \$100 million one-time General Fund across the next three fiscal years for the Board of State and Community Corrections (BSCC) to expand this grant program.

Outdoor Access for All. The Newsom Administration proposes to invest an additional \$256.2 million (\$253.1 million General Fund and \$3.1 million special funds) to expand outdoor access for all state residents. These investments are targeted at expanding environmental education, enhancing access to state parks and other public lands, and increasing recreational opportunities. Some of these investments include:

- **Outdoor Education:** The May Revision proposes \$108.1 million (\$105 million one-time General Fund and \$3.1 million Environmental License Plate Fund) to support outdoor environmental education and access programming through the Outdoor Equity Grants Program and expansion of existing K-12 programs.
- **Statewide Park Development and Community Revitalization Program:** \$125 million one-time General Fund to establish and revitalize community open spaces. This funding is anticipated to support grants for new parks, the beautification of existing parks, and recreational opportunities in underserved communities throughout the state.
- **Innovative Pilot Programs:** The May Revision proposes \$9.1 million one-time General Fund to launch a State Parks pilot to expand parks pass distribution, especially for youth in disadvantaged communities. The pilot would include a "California State Park Adventure" program for fourth graders and new statewide partnerships with the California State Library and the California Department of Social Services (CDSS).

Active Transportation Investments. Included in the Newsom Administration's proposed \$11 billion transportation infrastructure package is \$500 million General Fund to advance active transportation projects. The goal of these projects is to increase the proportion of trips

accomplished by walking or biking, increase the safety and mobility of non-motorized users, advance efforts of regional agencies to achieve greenhouse gas reduction goals, enhance public health, and benefit users of active transportation, especially in disadvantaged communities.

Climate Proposals. The May Revision includes several proposals to address the potential impacts due to climate change, including:

- **Drinking Water:** The May Revision budget proposes \$1.47 billion (\$85 million General Fund and \$1.39 billion federal funds) over two years to expand and protect California's water supply by protecting drinking water and wastewater infrastructure, supporting local groundwater supply projects and planning, cleaning up contaminated groundwater, supporting water recycling projects, and installing treatment systems on drinking water wells contaminated by PFAs.
- **Heat:** \$350 million General Fund over two years for funding for urban greening projects, deployment of low global warming potential appliances in low-income households eligible for energy efficiency upgrades and supporting strategic greening of new near-zero emission low-income residential housing.
- **Sea Level Rise:** \$211.5 million General Fund over two years for coastal wetland restoration and increasing coastal resilience of State Parks.
- **Community Resilience:** \$495 million General Fund over three years for funding to support the Strategic Growth Council's Transformative Climate Communities Program, which funds projects for equitable, community-driven infrastructure investments in disadvantaged communities.

Animal Shelters. The May Revision provides an increase of \$45 million in one-time General Fund for the UC Davis Koret Animal Shelter Medicine Program to develop a grant program for animal shelters. Funds would support local shelters in ensuring no adoptable dog or cat is euthanized statewide within five years.

Cannabis. The May Revision continues to support the Administration's proposal to consolidate the state's cannabis activities into one state agency, the Department of Cannabis Control, by July 1, 2021. In addition, the Administration is proposing the creation of a Deputy Director of Equity and Inclusion to implement progressive cannabis policies in a way that best protects public health, safety, the environment, and local communities.

Finally, the May Revision provides revised estimated cannabis excise tax revenues at \$730 million for FY 2020-21, up from \$544 million in January, and an increase from January for FY 2021-22 to \$748 million, up from \$658 million. As such, the revenues available to fund youth education, prevention, early intervention, and treatment, environmental protection, and public

safety related activities funded from these revenues, are now estimated to be \$629.1 million for FY 2021-22. The structure of the allocations is unchanged from FY 2020-21, and will be allocated as detailed below:

- Education, prevention, and treatment of youth substance use disorders and school retention – 60 percent (\$377.5 million)
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20 percent (\$125.8 million)
- Public safety-related activities – 20 percent (\$125.8 million)

Housing and Homelessness. The Governor builds upon his \$750 million investment from January and proposes a \$9.3 billion housing package in the May Revision. Proposals include funding for rent relief, homeowner and renter legal assistance, affordable housing projects, amongst other investments. The Governor's May Revision adds \$2.1 billion in investments, for a total of a \$6.8 billion homelessness package. Investments include but are not limited to providing additional funding to the Homekey Program, expanding the CalWORKs Housing Support Program, and increased funding for the behavioral health continuum infrastructure.

Budget Links:

Governor's 2021-22 May Revision:

<http://www.ebudget.ca.gov/>

CDPH 2021-22 May Revision Highlights

https://www.cdph.ca.gov/Documents/CDPH-2021-22_MR-Highlights_5-13-21.pdf

DHCS 2021-22 May Revision Highlights:

https://www.dhcs.ca.gov/Documents/Budget_Highlights/DHCS-FY-2021-22-MR-Highlights.pdf

Next Steps. The Legislature will begin its review of investments included in the Governor's May Revision starting next week. The Constitutional deadline for the Legislature to pass the budget is June 15. CHEAC Staff will continue to keep Members apprised of significant budget-related activities.

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