



California State Legislature Budget Plan Summary

Floor Report 2020-21

Presented by the California State Assembly Budget Committee

Overview:

The Speaker of the Assembly, the President Pro Tempore of the Senate, and the Assembly and Senate Budget Committee Chairs announced their legislative agreement for the 2020-21 state budget on June 3, 2020. [This report](#) will set the stage for legislative negotiations on the budget with the Governor and his administration. It builds upon the Governor's May Revision framework, including the Administration's economic and revenue forecast, however, the legislative budget plan reflects a strong likelihood of more federal relief and uses reserves and other state balances to avoid overcutting California programs impacting vulnerable populations. This plan protects vital health and human services programs and aims to protect jobs and preserve vital services. Funding is provided for local governments, building on the Governor's proposals to provide federal funding for the state's partners in administering public programs.

Assuming that California receives \$14 billion of added federal funds, the legislative budget plan contains total reserves (preliminary estimate) of \$11.8 billion, including \$2.6 billion in the discretionary reserve (the Special Fund for Economic Uncertainties, SFEU), \$900 million in the Safety Net Reserve, and \$8.35 billion in the Proposition 2 rainy day fund.

If federal funds are not received, "trigger solutions" take effect under the legislative budget plan and the following actions would occur:

- \$2.7 billion more in draws from the rainy day fund and Safety Net Reserve
- \$1.3 billion one-time benefit from reinstatement of a longstanding deferral of state payments to CalPERS, including from state special funds
- \$5.3 billion of increased deferrals to Proposition 98 (K-14 education) funding
- \$600 million reduction to the county realignment backfill in this budget plan (leaving \$400 million of county backfill remaining)
- \$770 million of university reductions (\$370 million for UC and \$400 million for CSU)
- \$100 million of reductions to the judicial branch budget
- \$1.6 billion from any baseline savings or revenue increases not scored in this budget and, as a last resort, reinstatement of the one-day June payroll deferral that was instituted during the last recession.

If the federal funds do not arrive and these trigger actions take effect, total reserves would be \$7.5 billion, including about \$1 billion in the SFEU and \$6.5 billion in the rainy day fund.

Collectively bargained state employee agreements and/or an expansion of the managed care organization (MCO) tax to leverage more federal funds have been discussed during the budget process and may increase reserves further in the future.

The legislative plan sets money aside to make additional emergency state expenditures related to the coronavirus. Working with the Governor, the plan anticipates a new process to enhance legislative control and oversight over the \$2.9 billion of coronavirus emergency funding proposed by the Governor in the May Revision (about \$700 million of which would be paid—net—from the General Fund, with the remainder coming from anticipated federal match funding).

The legislative plan reflects key Assembly priorities with \$350 million of funding for homelessness programs and a historic expansion of the California Earned Income Tax Credit program to all eligible families, including those with Individual Taxpayer Identification Numbers (ITINs), with children under age 6. The legislative plan also aims to expand Medi-Cal to more seniors, regardless of immigration status, in 2022 if funds are available. The legislative plan, therefore, reflects California's values of building more opportunity for all, even as the state's leaders use its substantial reserves to preserve vital programs during this time of economic challenge.

It is anticipated that the Legislature will meet the June 15 deadline to pass a balanced budget bill.

Program Areas:

Department of Health Care Services

- Rejects the elimination of the Community Based Adult Services (CBAS) program, including \$95.2 million General Fund.
- Rejects the May Revise proposal to revert unspent funds from 2019 Budget Act augmentations, including: 1) Medi-Cal Enrollment Navigators (\$15 million General Fund); 2) Medi-Cal Interpreters Pilot (\$5 million General Fund); and 3) Behavioral Health Counselors in Emergency Departments (\$20 million General Fund).
- Approves DHCS-proposed trailer bill to implement several initiatives and other changes to reduce the cost of prescription drugs in the state, including: 1) allowing Medi-Cal to negotiate for rebates based on the international "best price", 2) allowing DHCS to seek federal approval to establish a prescription drug rebate program for non-Medi-Cal populations, and 3) eliminating copays and the six prescription limit in Medi-Cal fee-for-service.
- Approves of the May Revise withdrawal of a January budget proposal to implement a Behavioral Health Quality Improvement Program to incentivize system changes and process improvements in county behavioral health programs. This was part of the Behavioral Health Payment Reform component of the California Advancing and Innovating in Medi-Cal (CaAIM) initiative, which DHCS is also delaying.
- Approves May Revise withdrawal of the January budget proposal to provide \$347.5 million for enhanced care management benefits and incentives for the provision of in-lieu-of services as part of the CaAIM initiative.
- Approves the May Revise modified January proposal to implement the provisions of the federal SUPPORT for Patients and Communities Act, which prohibits states from terminating Medi-Cal eligibility for a juvenile under age 21 or foster care youth under age 26 while incarcerated. Approves of \$3.7 million (\$1.2 million General Fund and \$2.5 million federal funds) in 2020-21, and \$139,000 (\$70,000 general Fund and \$69,000 federal funds) annually thereafter. Includes trailer bill language to align state law with the SUPPORT Act.

Public Safety Net/ Realignment Backfill

- Includes \$1 billion to preserve safety net services such as public health, behavioral health, social services, and public safety services administered locally by counties. Of the \$1 billion total, \$600 million is subject to the Legislature's federal trigger, meaning that it would be pulled back on October 1 if sufficient federal COVID-19 relief funding has not been received by September 1.

Department of Social Services - Supplemental Security Income/State Supplementary Payment (SSI/SSP)

- Rejects the Governor's May Revision proposal that would have, absent a federal funds trigger restoration, withheld and absorbed the anticipated federal January 2021 cost of living adjustment to the SSI portion of the SSI/SSP grant, which would have resulted in \$33.6 million General Fund in 2020-21.

Child Welfare Services and Foster Care

- Rejects the Governor's May Revision proposal to cut rates by five percent for Continuum of Care Reform (CCR) short-term residential treatment program providers and assume a suspension of additional level of care rates 2 through 4, which would have together resulted in a cut of \$28.8 million General Fund in 2020-21.

Developmental Services

- Approves a delay during 2020-21 of the Systemic, Therapeutic, Assessment, Resources and Treatment Training for services to individuals with co-occurring developmental disabilities and mental health needs that was proposed in the Governor's January Budget, for a savings of \$2.6 million General Fund in 2020-21 only.

Department of State Hospitals

- Approves May Revise withdrawal of the January budget proposal for a six-year pilot program in three counties to provide incentives to treat and serve individuals deemed incompetent to stand trial on felony charges in the community, including \$364.2 million General Fund (the full cost of a proposed 6-year program).

Mental Health Services Oversight and Accountability Commission

- Provides the administration authority to: 1) pause reversion of county Mental Health Services Act funds for 12 months to allow counties to renegotiate plans with MHSOAC that reflect the pandemic; 2) allow the MHSOAC to enter into contracts for previously authorized expenditures including, but not limited to, for school mental health, youth drop-in centers, and early psychosis prevention; and 3) authorize flexibility for the OAC to redirect existing resources to support suicide prevention and COVID-19 response activities.

Department of Housing and Community Development

- Maintains out year funding for the Foster Care Transitional Housing program. The budget provides \$8 million in 2020-21 and \$4 million in 2021-22.
- Maintains funding to support mixed-income housing developments per AB 101 (Committee on Budget), Chapter 159, Statutes of 2019. AB 101 provided \$500 million over four years to the

California Housing Finance Agency for the production of low and moderate income housing, including \$200 million in 2019-20 and \$95 million in 2020-21.

- Adopts placeholder trailer bill language to provide clarity around Housing First principles and their application to corrections and related programs.

California Department of Corrections and Rehabilitation

- Defers all capital outlay proposals until a comprehensive plan on the prioritization of projects is submitted by the department.
- Includes trailer bill to close two state prisons with legislative guidance.
- Reduces the reception center process to 30 days instead of 90-120 days, saving \$3.7 million General Fund in 2020-21 and significantly more in future years.
- Changes good conduct credits that will be applied prospectively with estimated savings of \$2.7 million General Fund in 2020-21 and significantly more in future years.
- Provides \$6.9 million to support the Mental Health Psychiatry Registry.
- Provides \$9.7 million in 2019-20 and \$4.3 million ongoing for Legionella Remediation at the California Health Care Facility.
- Consolidates fire camps that are currently not at capacity in coordination with CAL FIRE, with estimated savings of \$7.4 million General Fund in 2020-21 and \$14.7 million ongoing.
- Eliminates the Integrated Services for Mentally Ill Parolee Program and proposes to adjust policies to connect individuals with community resources, resulting in \$8.1 million General Fund savings in 2020-21 and \$16.3 million ongoing General Fund.
- Defers the Parole Outpatient Clinics as services provided by these clinics can be accessed through Medi-Cal or other insurance but will retain Parole Outpatient Clinic Psychiatrists to continue meeting emergency medication needs for parolees with mental illness, resulting in estimated savings of \$9.1 million General Fund in 2020-21 and \$17.6 million ongoing General Fund.
- Increases ability to hold additional remote court appearances to enhance efficiencies.
- Proposes to cap parole terms for most parolees at 24 months, establish earned discharge at 18 months for certain Penal Code section 290 registrants, resulting in estimated savings of \$23.3 million General Fund in 2020-21, increasing to \$76 million ongoing General Fund in 2023-24.

Juvenile Justice

- Ceases the intake of new youth commitments to the Division of Juvenile Justice in 2021 and begins the closure of all three state juvenile facilities and the fire camp through the attrition of the current population. Includes trailer bill with provisions that require immediate implementation but allows for additional time to develop programming needs and the associated funding, the state's oversight role, and other issues that would benefit from additional stakeholder input.
- Provides \$1.3 million in 2020-21 and \$3 million ongoing for the Youth Offender Rehabilitative Communities proposal at Valley State Prison.

Local Public Safety

- Provides an estimated \$102.9 million General Fund of net savings from Proposition 47.
- Provides county probation departments \$112.7 million General Fund in 2020-21 using the existing SB 678 calculation.

- Provides \$12.9 million General Fund to county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision.

Judicial Branch

- Provides total funding of \$4.3 billion (\$2.2 billion General Fund and \$2.1 billion other funds) in 2020-21 for the Judicial Branch, of which \$1 billion is provided to support trial court operations.
- Provides one time \$50 million General Fund in 2020-21 to help trial courts address backlog of cases and resume normal operations.
- Provides \$25 million General Fund in 2020-21 and 2021-22 for modernizing court operations and increasing access to court services online.
- Triggers the reduction of \$100 million in Judicial absent sufficient funding from the federal government but protects the following programs from any reduction: Dependency Counsel; Court Interpreters; California Collaborative and Drug Court Projects; Court Appointed Special Advocate Program; Model Self-Help Program; Equal Access Fund; Family Law Information Centers; and Civil Case Coordination.
- Provides \$238.5 million one-time General Fund in 2020-21 to backfill fine and fee revenue losses.

Department of Justice

- Provides total funding of \$1.1 billion, including \$365.9 million General Fund, to support the Department of Justice.

Board of State and Community Corrections

- Maintains \$37 million General Fund for the Adult Reentry Grant.
- Maintains critical legislative investments made in the 2019 Budget Act, including the Youth Reinvestment Fund and tribal youth diversion and the California Violence Intervention and Prevention Grant Program.
- Maintains \$9 million ongoing for the California Violence Intervention and Prevention Grant Program.
- Provides \$10 million one-time General Fund for the Board of State and Community Corrections to administer a pilot program to supplement local funding for indigent defense.

Commission on Peace Officer Standards and Training

- Reappropriates \$10 million General Fund that was previously appropriated to create a Distance Learning Grant Program, increase the functionality of POST's Learning Portal, and upgrade previously produced and developed distance learning courses and videos. The Distance Learning Grant Program will develop and deliver training focused on use of force and de-escalation, implicit bias and racial profiling, community policing, cultural diversity, and organizational wellness.

State Public Defender's Office

- Provides \$4 million General Fund in 2020-21 and \$3.5 million ongoing for training and technical assistance to public defender offices.

CARES Funding

- Approves \$550 million for acquisition or acquisition and rehabilitation of motels, hotels, or hostels; master leasing of properties; acquisition of other sites and assets; conversion of units from nonresidential to residential in a structure with a certificate of occupancy as a motel, hotel, or hostel; and purchase of affordability covenants and restrictions for units. Adopts placeholder trailer bill to implement project room key.
- Provides \$500 million to cities for homelessness, public health, public safety, and other services to combat COVID-19 pandemic.
- \$225 million to cities with a population greater than 300,000 that did not receive a direct allocation from the Federal CARES Act.
 - Allocated based on the share of each city's population relative to the total population of the cities covered by the subsection.
- \$275 million to cities with a population less than 300,000.
 - Allocated based on the share of each city's population relative to the total population of the cities covered by the subsection.
 - No city shall receive less than \$50,000.
- \$1.289 billion to counties to be used for homelessness, public health, public safety, and other services to combat COVID-19 pandemic.
 - Allocated based on population.