The 2018-19 Budget:

California Spending Plan

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LAO

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Chapter 1:

Key Features of the 2018-19 Budget Package

Each year, our office publishes the *California Spending Plan* to summarize the annual state budget. This publication discusses the *2018-19 Budget Act* and other major budget actions approved in 2018. In general, it reflects budgetary legislation that the Governor has signed through June 30, 2018. In some cases, as noted, we discuss budget actions approved by the Legislature after June 2018.

BUDGET OVERVIEW

Spending

Overall Spending. Figure 1 displays the administration's June 2018 estimates of total state and federal spending in the 2018-19 budget package. As the figure shows, the budget assumes total state spending of $197.2 billion (excluding federal and bond funds), an increase of 7 percent over the revised 2017-18 level. General Fund spending in the budget package is $138.7 billion—an increase of $11.6 billion, or 9 percent, over the revised 2017-18 level. Special fund spending increased $1.3 billion, or 2 percent, over the revised 2017-18 level.

Figure 1

Total State and Federal Expenditures

(Dollars in Millions)

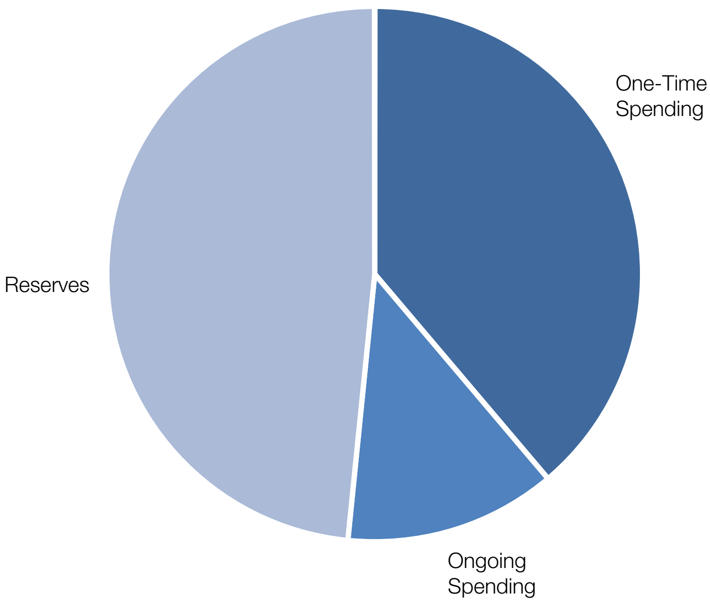
	Revised		Enacted	Change From 2017-18	
	2016-17	2017-18	2018-19	Amount	Percent
General Fund	$119,291	$127,045	$138,688	$11,643	9%
Special funds	44,249	57,169	58,512	1,343	2
Budget Totals	**$163,540**	**$184,214**	**$197,199**	**$12,986**	**7%**
Bond funds	2,340	6,309	4,173	-2,135	-34
Federal funds	95,337	98,107	107,455	9,347	10

Note: Reflects administration estimates of budgetary actions through June 2018.

Discretionary General Fund Spending. In constructing the budget, the Legislature was faced with decisions over how to allocate $10 billion in discretionary General Fund resources. ("Discretionary" in this context excludes billions of dollars controlled by constitutional funding requirements, such as Proposition 98 [1988] and Proposition 2 [2014], and added costs to maintain existing policies and programs.) Figure 2 (see next page) shows how the June 2018 budget package allocated these discretionary resources among reserves, one-time spending, and ongoing spending. As the figure shows, the budget allocates the vast majority of discretionary resources to reserves and one-time spending. This allocation includes proposals made by the Governor in January and May, which were later approved by the Legislature, as well as legislative choices made in putting together the final budget package. As discussed later in this publication, the largest one-time spending actions in the budget include: nearly $700 million in additional discretionary funding for the universities, $630 million to

Figure 2

How the Budget Allocates Nearly $10 Billion in Discretionary General Fund Resources



Note: Reflects administration estimates of budget actions taken through June 2018.

replace the State Capitol Annex, $500 million for emergency homeless aid block grants, and nearly $300 million to repay local government mandates related to children's mental health.

Budget Commits About $1.5 Billion in Ongoing Spending. While the budget package emphasizes building more reserves and one-time spending, it does make some ongoing spending commitments. These ongoing commitments carry a cost of about $1.2 billion in 2018-19, growing to $1.5 billion annually thereafter. The largest out-year increase is for CalWORKs cash grants. The budget dedicates $90 million in 2018-19 to increase these grants beginning in April 2019, but the full-year cost of these increases is $360 million. The budget also dedicates about $348 million to the universities on an ongoing basis and $139 million to increase salaries for correctional officers.

Revenues

Figure 3 displays the administration's revenue projections as incorporated into the June 2018 budget package. The administration projects the state will collect $133 billion in General Fund revenues and transfers in 2018-19, a 3 percent increase over revised 2017-18 estimates. The state's largest three General Fund taxes—the personal income tax, sales and use tax, and corporation tax—are projected to increase 4 percent.

Reserves

Figure 4 summarizes the condition of the General Fund under the revenue and spending assumptions in the budget package, as estimated by the Department of Finance (DOF). This shows that estimated state General Fund available resources ($141.8 billion) exceed total General Fund expenditures ($138.7 billion).

Budget Package Assumes 2018-19 Ends With Nearly $16 Billion in Reserves. Figure 4 shows the budget package assumes that 2018-19 will end with $15.9 billion in total reserves. Under current revenue estimates, the budget package deposits enough money into the Budget Stabilization Account (BSA), the state's constitutional rainy day fund, so that it reaches its maximum level of $13.8 billion (10 percent of General Fund tax revenues). To reach this maximum level, the budget includes a $2.6 billion optional deposit in addition to the deposit required under the Constitution.

Budget Creates Two New Reserve Accounts. The budget package also creates two new reserves:

- ***Safety Net Reserve.*** The budget creates the Safety Net Reserve, which aims to save money specifically for the future expenditures of two programs: CalWORKs and Medi-Cal. (During a recession, these programs typically have increased expenditures as caseload increases.) To that end, the Safety Net Reserve has two subaccounts, one for each of these programs. The 2018-19 budget plan deposits $200 million in the CalWORKs

Figure 3

General Fund Revenue Estimates

(Dollars in Millions)

	Revised		Enacted	Change From 2017-18	
	2016-17	2017-18	2018-19	Amount	Percent
Personal income tax	$83,264	$91,971	$95,011	$3,040	3%
Sales and use tax	24,874	25,384	26,674	1,289	5
Corporation tax	11,020	11,246	12,259	1,013	9
Subtotals	($119,158)	($128,601)	($133,944)	($5,343)	(4%)
Insurance tax	$2,422	$2,514	$2,576	$62	2%
Other revenues	1,842	1,711	1,810	99	6
Transfer to BSA[a]	-3,014	-2,697	-4,358	-1,661	—
Other transfers and loans	-427	-305	-640	-335	—
Totals, Revenues and Transfers	**$119,982**	**$129,825**	**$133,332**	**$3,507**	**3%**

[a] In 2018-19, includes the temporary transfer to the Budget Deficit Savings Account.
Note: Reflects administration estimates of budgetary actions through June 2018.
BSA = Budget Stabilization Account.

subaccount. It also directs DOF to develop a methodology to calculate caseload savings in these programs (that materialize from year-over-year caseload declines) for determining deposits in future years.

- ***Budget Deficit Savings Account (BDSA).*** The budget also creates the BDSA, which for 2018-19 will temporarily hold the estimated $2.6 billion optional BSA deposit until May of 2019. In May, DOF will adjust this optional deposit, as needed, to reflect updated estimates of revenues. For example, if General Fund tax revenues are lower than current projections, DOF will transfer a lower optional deposit to the BSA.

Figure 4

General Fund Summary

(In Millions)

	2017-18 Revised	2018-19 Enacted
Prior-year fund balance	$5,702	$8,483
Revenues and transfers	129,825	133,332
Expenditures	127,045	138,688
Ending fund balance	$8,483	$3,127
Encumbrances	$1,165	$1,165
SFEU balance	7,318	1,962
Reserves		
BSA balance[a]	$9,410	$13,768
SFEU balance	7,318	1,962
Safety Net Reserve	—	200
Total Reserves	**$16,728**	**$15,930**

[a] Includes the $2.6 billion supplemental deposit which will be held in the BDSA until May 31, 2019.
BSA = Budget Stabilization Account; SFEU = Special Fund for Economic Uncertainties; and BDSA = Budget Deficit Savings Account.

MAJOR FEATURES OF THE 2018-19 SPENDING PLAN

The major General Fund and special fund spending actions in the 2018-19 budget package are shown in **Figure 5** (see next page) and briefly described below. We discuss these and other actions in more detail in "Chapter 2."

Considerable New Spending on Education. The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For both the California State University and the University of California, the budget supports higher ongoing spending (intended largely for employee compensation and some enrollment growth) as well as considerable one-time spending. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities. For community colleges, the budget provides an augmentation to support an overhaul of the apportionment formula—moving from an entirely enrollment-based formula to one that has a performance component. Receiving the most discussion of any education proposal this year, the budget package also establishes a statewide online college intended to help working adults improve their career technical skills.

Healthcare and Mental Health. The budget package provides funding for some healthcare and mental health programs. Most notably, the budget allocates $1.3 billion in Proposition 56 taxes on tobacco products to three major purposes: (1) to increase payments to Medi-Cal providers ($821 million), (2) to establish a student loan

Figure 5

Major General Fund and Special Fund Spending Actions

Education

Provides $3.7 billion ongoing augmentation for the Local Control Funding Formula, surpassing the funding targets.
Provides $1.1 billion for one-time K-12 discretionary grants.
Increases funding for public universities ($348 million ongoing, $412 million one time).
Increases ongoing support for early education programs by $474 million.[a]
Provides $408 million in additional ongoing apportionment funding for community colleges.
Provides a total of $314 million ongoing for two main high school career technical education programs.
Provides $300 million for one-time grants to improve the academic performance of certain low-performing students.
Creates an online community college ($20 million ongoing, $100 million one time).

Healthcare and Mental Health

Allocates $1.3 billion in Proposition 56 revenues to Medi-Cal, largely for provider payment increases.
Reduces the state's mandate backlog, related to county mental health services for children ($281 million one time).
Provides $131 million for Hepatitis C treatment across various departments.
Provides $100 million (one time) for an incompetent to stand trial diversion program.

Homelessness[b]

Provides $500 million (one time) for emergency homelessness aid block grants.
Provides $50 million (one time) to counties to aid homeless individuals with mental illnesses.
Augments housing assistance and support programs for CalWORKs families by $32 million (ongoing cost of $63 million).
Provides other homelessness assistance funding for seniors, youth, and victims of domestic violence (total $26 million one time).

Poverty

Increases cash assistance grants beginning in April 2019 ($90 million in 2018-19, $360 million ongoing).
Provides $220 million (one time) to reverse the CalFresh cash out policy for SSI/SSP.

Infrastructure and Equipment

Sets aside $630 million (one time) to replace the Capitol Annex.
Sets aside $333 million (one time) for deferred maintenance projects across various departments.
Provides $195 million ($25 million ongoing) for flood control infrastructure.
Allocates $134 million to counties to purchase new voting systems.
Provides $130 million for infrastructure and equipment at correctional facilities.
Sets aside $100 million (one time) to construct a new California Indian Heritage Center.
Provides $98 million (limited term) to purchase four CalFire helicopters.

Other

Approves a new labor agreement with the California Correctional Peace Officers Association ($192 million all funds, ongoing).
Provides $90 million (one time) for 2020 Census outreach.

[a] The budget package also includes $185 million in additional federal funds for early education programs.
[b] Bond-related housing programs are shown in Figure 6.

repayment program for Medi-Cal physicians and dentists, and (3) to offset General Fund spending in Medi-Cal. The budget plan also uses General Fund resources to (1) reduce the state's mandate backlog related to county mental health services for children and (2) increase the availability of Hepatitis C treatment for those receiving care through Medi-Cal and at the state's correctional and state hospital facilities.

Homelessness. The budget provides about $600 million in General Fund increases for homelessness initiatives in 2018-19. There is a one-time allocation of $500 million for block grants to local governments, which will fund services such as shelters, rental assistance, outreach, and construction of affordable housing. The spending plan provides $50 million in one-time General Fund grants to counties to fund outreach, treatment, and related services for homeless persons with mental illness. The budget also provides funding for CalWORKs families who are homeless or at risk of becoming homeless to find and move into permanent housing, and increases the daily maximum voucher amount for the Homeless Assistance Program. The budget package also places on the November ballot a program—No Place Like Home—to construct and rehabilitate permanent supportive housing for those with mental illness and are homeless.

Poverty. The budget package takes two major actions to increase cash assistance, both with the aim of reducing poverty. First, the budget plan includes $90 million General Fund in 2018-19 to support a 10 percent across-the-board increase to CalWORKs maximum grant levels, beginning April 1, 2019. (As a result, the 2018-19 cost of this change is $90 million, but the administration anticipates the full-year, ongoing cost will be $360 million.) Second, the budget includes legislation that would eliminate the Supplemental Security Income (SSI) cash-out policy, which made SSI/State Supplementary Payment (SSP) recipients ineligible for CalFresh food benefits, and provides $220 million to implement the change.

Infrastructure and Equipment. The 2018-19 budget package sets aside over $1.5 billion to fund various infrastructure projects and to purchase equipment. This includes $630 million to replace the Capitol Annex and $333 million for deferred maintenance projects across various departments, which the administration will have the authority to allocate in future years. The budget also provides funds for flood control, including levee maintenance and various urban flood control projects; counties to purchase new voting systems; and infrastructure and equipment at correctional facilities, including replacing the roofs at three facilities.

Other Major Features. In addition to General Fund and special fund spending, the 2018 budget package allocated bond funding, took actions with respect to authorizing new bonds, and made some other notable policy choices. Figure 6 summarizes some of these actions.

Figure 6

Other Major Features

Bonds and Bond Funding

Allocates $1.3 billion in bond funds to begin implementing projects authorized under Proposition 68 (2018).

Puts the No Place Like Home program on the ballot for approval by voters.

Authorizes $1.3 billion in lease revenue bond authority to construct ten trial court courthouses.

Other Major Changes

Creates two new reserve accounts: the Budget Deficit Savings Account and the Safety Net Reserve.

Allocates future required Proposition 2 infrastructure spending (beginning in 2019-20).

Creates a new certification and true-up process for Proposition 98.

Establishes statutory cost-of-living adjustment for the Local Control Funding Formula (the costliest existing K-12 program).

Establishes a new community college apportionment formula that links funding to enrollment, low-income student counts, and student outcomes.

Shifts power for taking over fiscally distressed school districts from the State Superintendent of Public Instruction to the applicable county Superintendent of Schools.

EVOLUTION OF THE BUDGET

January Budget Proposed Nearly $16 Billion in Total Reserves. The Governor's 2018-19 January budget proposed a total reserve level of $15.7 billion. In particular, the Governor proposed an optional deposit into the state's rainy day fund to fill it to its constitutional maximum level. After fulfilling constitutional obligations for spending on schools and debt, the Governor also allocated about $1 billion in discretionary resources to other spending proposals, mostly one time in nature.

May Revision: Higher Revenues, More One-Time Spending. Relative to January, the administration had about $4 billion more in discretionary resources to allocate in the budget (largely reflecting higher revenues, which were partially offset by higher constitutional and caseload-driven spending). The Governor's May Revision proposals dedicated most of these resources to new spending, virtually all for one-time purposes. These spending proposals focused on the areas of infrastructure, mental health, and homelessness. The Governor also proposed increasing reserves by more than $1 billion, resulting in a total proposed reserve level of $17 billion.

Final Budget Package Includes $15.9 Billion in Total Reserves. The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by $700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others.

Budget Package Signed by Governor. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills between June and September 2018. These bills are detailed in Figure 7. The Governor did not veto any appropriations in the *2018-19 Budget Act*.

Figure 7

Budget-Related Legislation

Bill Number	Chapter	Subject
Signed in June 2018		
SB 840	29	*2018-19 Budget Act*
AB 1808	32	Education
AB 1809	33	Higher education
AB 1810	34	Health
AB 1811	35	Human services
AB 1812	36	Public safety
AB 1817	37	State government
AB 1824	38	State government
AB 1825	39	Proposition 98 Certification
AB 1826	40	State Capitol Building Annex
AB 1827	41	No Place Like Home Act of 2018
AB 1830	42	Reserve accounts
AB 1831	43	State government
AB 1834	44	Corrections
AB 1838	61	Local government taxation
SB 841	31	*2017-18 Budget Act*: Augmentation
SB 847	45	Courts
SB 848	46	Transportation
SB 849	47	Medi-Cal
SB 850	48	Housing
SB 852	49	State Bargaining Unit 6 MOU
SB 853	50	Developmental services
SB 854	51	Public resources
SB 855	52	Taxation
SB 856	30	Amendments to the *2017-18 Budget Act*
SB 866	53	Employment
SB 871	54	Motion picture tax credits
Signed After June 2018		
AB 1840	426	Education
SB 846	142	Employment
SB 857	87	In-Home Supportive Services
SB 861	331	National Mortgage Settlement Fund: allocations
SB 862	449	Amendments to the *2018-19 Budget Act*
SB 867	450	Legislative Counsel: Workplace conduct services
SB 869	451	Local elections
SB 873	452	State Bargaining Units 9 and 10 MOU
SB 875	453	Public resources
SB 876	454	Human services
SB 877	455	State government
SB 878	456	Motion picture tax credits
SB 879	457	Public safety

MOU = Memorandum of Understanding.

Chapter 2:

Spending by Program Area

PROPOSITION 98

Annual school and community college spending levels are based primarily on Proposition 98 (1988), which established certain constitutional minimum requirements. In this section, we provide an overview of Proposition 98 spending under the enacted budget package and describe the new process the state adopted for finalizing the Proposition 98 calculations. We then highlight Proposition 98 spending changes specifically for K-12 education, adult education, and community colleges. On the "EdBudget" portion of our website, we post many tables containing additional detail about the Proposition 98 budget (as well as the child care and higher education budgets).

Overview

Proposition 98 Establishes Minimum Spending Level. This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18. Figure 1 shows how Proposition 98 spending has changed in 2016-17 and 2017-18 compared to the *2017-18 Budget Act*. From the June 2017 budget plan to the June 2018 budget plan, spending increased \$252 million in 2016-17 and \$1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of \$789 million (on top of a previous \$536 million payment). After making the \$1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and

Figure 1

Proposition 98 Spending Revised Upward in 2016-17 and 2017-18

(In Millions)

	2016-17			2017-18		
	June 2017	June 2018	Change	June 2017	June 2018	Change
Proposition 98 Spending	**\$71,390**	**\$71,642**	**\$252**	**\$74,523**	**\$75,618**	**\$1,094**
State General Fund	50,488	50,234	-254	52,631	53,381	750
Local property tax	20,902	21,407	506	21,892	22,236	344

2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending Up Notably Over Revised 2017-18 Level. For 2018-19, total Proposition 98 spending across all segments is $78.4 billion, an increase of $2.8 billion (3.7 percent) from the revised 2017-18 level (see Figure 2). Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67 percent increase in per capita personal income. Though the administration projects a 0.29 percent decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

About 40 Percent of Increase Covered With Higher Property Tax Revenue. Of total Proposition 98 spending in 2018-19, $54.9 billion is state General Fund and $23.5 billion is local property tax revenue. From 2017-18 to 2018-19, General Fund spending increases $1.5 billion (accounting for about 60 percent of the $2.8 billion increase in spending) and property tax revenue increases $1.3 billion (accounting for the remaining 40 percent). The primary factor accounting for the growth in property tax revenue is an assumed 6.4 percent growth in assessed property values.

Spending Package Includes Settle-Up Funding. In addition to the increases associated with 2016-17 through 2018-19, the budget plan provides a $100 million payment related to meeting the 2009-10 minimum guarantee. Of this amount, $89 million is for K-12 discretionary grants and $11 million is for community college deferred maintenance. This payment reduces the state's outstanding settle-up obligation from $440 million to $340 million. The budget scores all of the settle-up payment as a Proposition 2 debt payment.

Budget Package Enacts New Proposition 98 Certification Process. Certification is the process of finalizing the calculation of the minimum

Figure 2

Proposition 98 Spending by Segment and Source

(Dollars in Millions)

	2016-17 Revised	2017-18 Revised	2018-19 Enacted	Change From 2017-18 Amount	Change From 2017-18 Percent
Preschool[a]	$975	$1,290[b]	$1,215	-$74	-5.8%
K-12 Education					
General Fund	$43,701	$46,240	$47,507	$1,267	2.7%
Local property tax	18,582	19,295	20,414	1,118	5.8
Subtotals	($62,283)	($65,535)	($67,920)	($2,385)	(3.6%)
California Community Colleges					
General Fund	$5,473	$5,757	$6,063[c]	$306	5.3%
Local property tax	2,825	2,941	3,110	168	5.7
Subtotals	($8,299)	($8,698)	($9,173)[c]	($474)	(5.5%)
Other Agencies[a]	$85	$95	$85	-$10	-10.7%
Totals	**$71,642**	**$75,618**	**$78,393**	**$2,775**	**3.7%**
General Fund	$50,234	$53,381	$54,870	$1,488	2.8%
Local property tax	21,407	22,236	23,523	1,287	5.8

[a] Consists entirely of General Fund.

[b] Includes $167 million for one-time grants to fund the expansion of early education programs, including preschool. Excluding this amount, the preschool increase from 2017-18 to 2018-19 is $93 million (8.3 percent).

[c] Includes $164 million for the new K-12 component of the Strong Workforce Program. Excluding this amount, the increase from 2017-18 to 2018-19 is $142 million (2.5 percent) for General Fund spending and $310 million (3.6 percent) for total community college spending.

guarantee after the fiscal year is over. State law previously required the Director of Finance, State Superintendent of Public Instruction, and Chancellor of the California Community Colleges to agree upon a final calculation nine months after the end of the fiscal year. Though intended to be an annual process, disputes among these three often delayed certification for many years. Chapter 39 of 2018 (AB 1825, Committee on Budget) revamps the certification process. Most notably, it assigns a lead role to the Director of Finance in making the Proposition 98 calculations; creates review periods for the Legislature, state agencies, and public to examine the Department of Finance's (DOF) calculations; and creates a defined period for legal challenges. The new process is set to begin with certification of the 2017-18 minimum guarantee in May 2019.

Package Also Includes a New Process to True-Up Proposition 98 Spending. In addition to the new process for certifying the guarantee, Chapter 39 creates a companion process for adjusting school spending when the guarantee increases or decreases as a result of final calculations. For those years in which the guarantee ends up *lower* than previously estimated, the state is to credit spending above the minimum guarantee toward a new true-up account called the "Proposition 98 Cost Allocation Schedule." For years in which the guarantee ends up *higher* than previously estimated, the state is to apply any credits in the account toward the spending required to meet higher minimum guarantee. If the credits are insufficient to meet the higher guarantee, the state is required to make a settle-up payment to schools and community colleges for the remaining difference. The State Controller is to distribute this payment automatically on a per-pupil basis using a DOF-developed schedule unless the Legislature adopts an alternative payment plan as part of the regular state budget process.

Parallel Process Established to Close the Books on 2009-10 Through 2016-17. Due to delays in past certifications, the state has not certified the minimum guarantee for any fiscal year since 2008-09. To close the books on 2009-10 through 2016-17, the budget package establishes a process that parallels the one described above but runs on a modified timeline. The modified process is set to begin with the Director of Finance publishing a preliminary calculation for all uncertified years by July 11, 2018. Upon this publication, a review and public comment period follows, with final certification for those years completed by September 15, 2018. Final certification is followed by a 90-day legal challenge period (the same time frame as used for future fiscal years).

K-12 EDUCATION

$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19. The enacted 2018-19 level is $2.4 billion (3.6 percent) more than the revised 2017-18 level and $3.2 billion (4.9 percent) more than the *2017-18 Budget Act* level. The budget increases spending per student by $579 (5.2 percent) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to $11,645.

Package Includes Mix of Ongoing and One-Time Spending. As Figure 3 shows (see next page), the budget includes $5.8 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the $5.8 billion, $4 billion (70 percent) is ongoing and $1.8 billion (30 percent) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $594 million in Proposition 51 bond authority for school facility projects and $100 million in non-Proposition 98 funding for kindergarten school facilities. We describe major K-12 changes below.

Core Program

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates. In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71 percent cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7 percent COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is $3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to $61.1 billion, a 6.4 percent increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Figure 3

$5.8 Billion New Proposition 98 Spending for K-12 Education

2016-17 Through 2018-19 (In Millions)

Ongoing	
Local Control Funding Formula	$3,666
Career Technical Education Incentive Grants	150
Cost-of-living adjustment for select categorical programs[a]	114
County and regional support for low-performing districts	68
Charter School Facility Grant Program	25
California Collaborative for Educational Excellence	12
Online educational resources	1
Additional support for districts in fiscal distress	1
District reimbursements related to teacher dismissals[b]	—
Subtotal	($4,036)
One Time	
Discretionary grants	$1,091
Supplemental grants to support certain low-performing students[c]	300
Teacher residency programs	75
Grants for addressing certain teacher shortages	50
Matching support for classified employees during summer	50
Professional development for classified employees	45
Computer-based ELPAC	21
Charter School Facility Grant Program backfill	21
After-School instruction in computer coding	15
School climate initiative	15
Grants to support community engagement	13
California School Information Services	7
Alternative ELPAC for students with disabilities	6
California Collaborative for Educational Excellence	6
Southern California Regional Occupational Center	3
Suicide-prevention training	2
Backfill for fire-related property tax decline in basic aid districts	1
California-Grown School Meals Program	1
Additional materials for genocide awareness education	1
Other[d]	1
Subtotal	($1,723)
Total	**$5,760**

[a] Applies to special education, child nutrition, mandates block grant, services for foster youth, adults in correctional facilities, and American Indian education. Rate is 2.71 percent.

[b] Budget provides $60,000 ongoing for this purpose.

[c] Based on count of students who did not meet statewide standards on assessments of reading and math and are not foster youth, low-income students, English learners, or students with disabilities.

[d] Consists of $339,000 for paying down a backlog of district claims relating to teacher dismissals, $250,000 for homeless student services in San Diego Unified School District, $200,000 for improving the Local Control and Accountability Plan template, and $200,000 for developing a parent-friendly district budget summary.

ELPAC = English Language Proficiency Assessments for California.

Makes Two Related Changes to School Planning. In addition to the LCFF augmentation, Chapter 426 of 2018 (AB 1840, Committee on Budget) appropriates $200,000 one time to the California Department of Education (CDE) for redesigning the Local Control and Accountability Plan (LCAP) template to make its content more accessible to parents and other community members. Chapter 32 of 2018 (AB 1808, Committee on Budget) provides $200,000 one time to CDE for developing a budget overview template—also specially designed for parents. The department is to pass through these funds to the San Joaquin County Office of Education (COE), which in turn is required to complete the two template-related tasks.

Funds One-Time Discretionary Grants. The largest one-time spending initiative for K-12 education is $1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated $183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total $145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, we estimate that only $202 million of the funding provided will count toward the K-12 mandates backlog. We estimate that the total remaining mandate backlog at the end of 2018-19 will be $668 million.

Provides COLA for COE Funding Formula. The budget provides $6.4 million to cover a 2.71 percent COLA for the 24 (out of 58) COEs that have LCFF allocations equal to their LCFF targets. Those COEs funded above their LCFF targets do not receive this COLA. In total, the 2018-19 budget provides COEs with $1 billion in LCFF funding. Of this amount, $466 million is intended for district support (excluding the new district support add-ons described below), $258 million is for alternative education, and $315 million is for existing add-ons (effectively four LCFF hold harmless provisions).

Support for District and School Improvement

Increases COE Funding for Supporting Low-Performing Districts. The budget includes $54 million ongoing for COEs (on top of the district support funding mentioned above) to provide low-performing districts with technical assistance. Each COE will receive a $200,000 base amount, with remaining funding distributed based on the number and size of low-performing districts identified within the county. For each identified district within the county, a COE will receive $100,000 for districts with less than 2,500 students, $200,000 for districts serving between 2,500 and 10,000 students, and $300,000 for districts with more than 10,000 students. Chapter 32 requires that COE technical assistance be focused on building district capacity to develop and implement improvement strategies. COE technical assistance may include helping a district to identify its weaknesses and select strategies to address those weakness. Alternatively, technical assistance may include helping a district to connect with another academic, fiscal, or programmatic expert, who, in turn, performs those functions. COEs also may request that a regional lead agency (described below) or the California Collaborative for Educational Excellence (the Collaborative) assist the school district directly. Though COEs must ensure that districts obtain support, COEs do not need to provide that support themselves.

Creates New Regional Support Network. The budget includes $14 million ongoing primarily to support COEs as they go about assisting low-performing districts. Of the $14 million, $10 million is for up to ten Special Education Local Plan Areas (SELPAs) to serve as special education resource leads to assist COEs. The remaining $4 million is for six to ten COEs to serve as geographic lead agencies to assist other COEs.

Starts Giving the Collaborative Ongoing Funding. The budget also includes $12 million ongoing for the Collaborative to assist primarily the regional lead agencies and COEs. To this end, the Collaborative is to provide various statewide trainings. In prior years, the Collaborative was funded with one-time Proposition 98 appropriations. The budget reappropriates $5.6 million from these prior-year allocations. The Collaborative is to use these reappropriated funds for additional statewide trainings and technical assistance.

Provides One-Time Funding to Districts Serving Certain Low-Performing Students. The budget includes $300 million one time for districts to help certain low-performing students. Specifically, the funds are allocated to districts based on the count of students who (1) did not meet achievement standards based on the latest results of statewide assessments of reading and math and (2) are not foster youth, low-income students, English learners, or students with disabilities. Prior to receiving these funds, districts must develop a plan for how these funds will be used to improve the performance of qualifying students. By November 1, 2021, districts are required to report to CDE how funds were spent and the extent to which they impacted student outcomes. By February 1, 2022, CDE is to submit an aggregated report to the Legislature on the outcomes of the initiative.

Supports Low-Performing Schools Identified Under Federal Accountability System. The federal Every Student Succeeds Act (ESSA) requires states beginning in 2018-19 to set aside 7 percent of Title I funds to assist low-performing schools in improving student performance. California has decided to identify low-performing schools using the performance measures included in the California School Dashboard. In 2018-19, the 7 percent requirement equates to $135 million. Of this amount, the budget allocates $125 million to low-performing schools and $10 million to COEs. CDE is to develop formulas for distributing these funds. For the COE formula, CDE is to consider the number of low-performing schools identified within the county. The funding provided to COEs essentially replaces $10 million Title I funding provided in previous years for the Regional System of District and School Support. These funds supported 11 COE leads—one in each of the regions set by the California County Superintendents Educational Services Association—to assist districts and schools in their improvement efforts.

Funds Pilot Project to Address School Climate Issues. The budget gives a total of $15 million to the Orange COE and Butte COE to evaluate new support strategies for addressing issues such as bullying and student trauma. Chapter 32 requires these two COEs—in partnership with a California institution of higher learning—to submit to the Legislature a plan how they will use these funds by December 1, 2018. In recent years, these two COEs received a total of $30 million (one-time Proposition 98) to develop a set of multi-tiered support strategies aligned with students' academic and behavioral challenges and provide subgrants to schools interested in implementing those strategies.

Expands Role of the Fiscal Crisis and Management Assistance Team (FCMAT). The budget provides an ongoing augmentation of $972,000 for FCMAT to (1) provide additional assistance for fiscally distressed school districts and (2) provide additional training for COEs regarding fiscal oversight of school districts. This is the first increase in ongoing funding for FCMAT since 2014-15.

Career Technical Education

Makes Career Technical Education (CTE) Incentive Grants Ongoing. The budget provides $150 million ongoing to extend the CTE Incentive Grant program indefinitely. This program was first established as part of the 2015-16 budget package to provide a three-year bridge until the LCFF funding targets were reached. Moving forward, school districts, COEs, charter schools, and Regional Occupational Centers and Programs may apply for the Incentive Grants. The program reserves separate pools of grant funding for large-, medium-, and small-sized applicants. Recipients must provide a local match of $2 for every $1 of CTE Incentive Grant funding

Begins Funding High School CTE Also Through California Community Colleges' (CCC) Strong Workforce Program. In addition to funding the CTE Incentive Grant program, the budget provides $150 million ongoing to support high school CTE through the CCC Strong Workforce Program. These funds are to be allocated to eight regional consortia based on a formula that considers both regional employment conditions as well as grades 7-12 average daily attendance. Each consortium is to distribute funds to schools within its region on a competitive basis. As with the CTE Incentive Grant program, recipients must provide two local dollars for every one Strong Workforce dollar. The budget also provides $14 million ongoing to support administrative costs associated with the Strong Workforce program. Of this amount, a total of $12 million is for 72 high school Workforce Pathway coordinators—one for each community college district. Each coordinator would work with high schools in the area to coordinate their CTE programs with the region's Strong Workforce plan. The remaining $2 million would support the community colleges' costs in managing these high school coordinators.

Continues Direct Funding for Southern California Regional Occupational Center (SCROC). The budget provides SCROC $3 million for the second of four installments totaling $10 million over four years ($4 million in 2017-18,

$3 million in 2018-19, $2 million in 2019-20, and $1 million in 2020-21). The state funds are intended to support SCROC's general operations.

Teacher Workforce

Provides One-Time Grants for Teacher Residency Slots. The budget includes $75 million to start new or expand existing teacher residency programs. Of the $75 million, $50 million is earmarked for special education teachers, with the remaining $25 million for bilingual education teachers and science, technology, engineering, and math (STEM) teachers. CTC is to award competitive grants to schools over several years. Schools can qualify for up to $20,000 per teacher candidate, with a dollar-for-dollar local match required. The funds can be used in a variety of ways, including providing stipends for teacher candidates and teacher mentors.

Provides One-Time Local Solutions Grants. This $50 million initiative is intended to fund new or existing local efforts to recruit and retain special education teachers. As with the teacher residency grants, CTC is to award competitive grants to schools. Successful schools can receive up to $20,000 per teacher, with a dollar-for-dollar local match required. Chapter 32 gives districts broad discretion in how schools may use the grant funds.

Funds Two One-Time Initiatives for Classified Employees. The budget includes a total of $95 million for these initiatives. Of this amount, $50 million is for a new Classified School Employee Summer Assistance Program. This program allows classified employees to deposit a portion of their income earned during the 2019-20 school year into a fund that would be supplemented by state dollars and paid out in one or two installments during the summer months. The state matching dollars would be spread proportionally among participating employees. The remaining $45 million is for employee training. CDE is to distribute this funding among LEAs based on the number of classified school employees they employ. LEAs may use the funds for a wide range of possible training activities but must give highest priority to training activities relating to the implementation of school safety plans.

Information Technology

The 2018-19 budget package makes three information technology-related appropriations, described below.

Continues to Rely on Mix of Fund Sources to Support K-12 High Speed Network (HSN). The budget authorizes HSN to spend $21 million, an increase of $1.1 million over the prior year. Of that amount, $11.2 million comes from federal E-Rate and state Teleconnect subsidies (down $700,000 over the prior year) and $9.8 million comes from the Proposition 98 Broadband Infrastructure Improvement Grant Program (up $1.8 million over the prior year). The administration's expectation is that HSN operate without a deficit in 2018-19 and not fund additional network upgrade projects beyond those DOF informally approved in May.

Provides More Ongoing Funding for Student Friendly Services. The budget provides an ongoing augmentation of $1 million (bringing total Proposition 98 funding to $3.5 million), primarily to support additional workload generated by greater usage of the college planning website. The website is operated by the California College Guidance Initiative, a non-profit entity housed within the Foundation for California Community Colleges, which is located in Sacramento.

Funds Higher First-Year Costs to Upgrade School District Financial Reporting System. The budget provides a one-time allocation of $716,000 from the Educational Telecommunication Fund (on top of $3 million in one-time Proposition 98 funds previously approved in the 2016-17 budget plan) to fund the first-year costs of the Standardized Account Code Structure (SACS) replacement project. The entire project is estimated to take three years and cost $11.5 million.

Student Assessments

Provides $21.4 Million to Develop Computer-Based Version of the English Language Proficiency Assessments for California (ELPAC). The ELPAC assesses whether students from non-English speaking households require special support to learn English. The pencil-and-paper version of the ELPAC was rolled out in spring 2018. The ELPAC replaces the California English Language Development Test (CELDT), which is no longer aligned with state academic content standards. With the $21.4 million, CDE is to contract with a vendor, who in turn is to convert the assessment from pencil and paper to computer based.

Provides $5.9 Million to Develop Alternative ELPAC for Students With Disabilities. Some students with severe cognitive disabilities cannot be accurately assessed using the recently developed ELPAC. Under existing state law, these students' Individualized Education Program (IEP) teams are tasked with identifying appropriate alternative assessments on a case-by-case basis. With the $5.9 million, CDE is to contract with a vendor to develop a single, statewide alternative assessment that would replace the case-by-case method of selecting alternatives.

Other Changes

Provides One-Time Federal Funds for Academic Enrichment. The budget includes $165 million one-time federal ESSA Title IV funding for academic enrichment. Specifically, LEAs may use the funding to improve (1) educational opportunities outside of core instructional areas, (2) school conditions for student learning, and (3) use of technology in schools. Of the $165 million, $121 million is to be distributed to LEAs based on their share of existing Title I funding, with the remainder distributed competitively. CDE will prioritize the competitive awards to LEAs that plan to use funds for visual and performing arts education or expanding access to physical and mental health care.

Makes Various Other Adjustments. The budget also funds the following:

- ***After School Coding Grant.*** The budget includes $15 million one time to create the After School Kids Code Grant Pilot Program. The funding will be distributed competitively to LEAs participating in the After School Education and Safety Program. Grant recipients are to include computer coding in their after school curriculum.
- ***Community Engagement Professional Learning Network.*** The budget includes $13 million one time for the Collaborative and a lead COE to jointly administer professional learning networks focused on community engagement. Funding would be used to operate the professional learning networks over the next six years.
- ***Fresh School Meals.*** The budget includes $1 million one time to the California-Grown Fresh School Meals Grant Program. The program will provide grants to at least eight LEAs. Chapter 32 requires CDE to give grant priority to LEAs with high shares of low-income students and English learners.
- ***California School Dashboard.*** The budget includes $300,000 one-time Proposition 98 funding to the San Joaquin COE to improve the California School Dashboard website, which provides information on school and district performance.

State Operations

Supports New CDE Workload. The budget includes a $7.3 million augmentation for new CDE workload ($4.2 million non-Proposition 98 General Fund and $3.1 million federal funds). Of the $7.3 million, 56 percent is ongoing and 44 percent is one time. Of the changes, three relate to legislation enacted in 2017, whereas most of the others relate to new initiatives. Among the most notable changes to CDE ongoing workload are additional monitoring of adult education programs receiving federal adult literacy grants, establishing a new unit to respond to special education litigation, and providing more technical assistance to LEAs for their sexual health education courses. Additionally, CDE received ongoing augmentations to help administer the new statewide system of support for low-performing districts, to respond to recent expansion of the State Preschool program, and to address internal data security and privacy issues. Among the most notable changes to one-time workload are supporting curriculum revisions for several academic subjects, paying certain legal fees, and administering new federal grants for schools affected by recent wildfires.

Directs CDE to Standardize Process for Reclassifying English Learners. Another notable one-time increase in CDE workload is developing a standard reclassification process. Of the $7.3 million workload-related augmentation, $437,000 is federal funding provided for this purpose. Currently, state law gives districts broad discretion to determine when students initially identified as English learners no longer require language-specific instructional support. Chapter 32 seeks to standardize this process by requiring CDE to develop a uniform protocol for reclassifying English learners by June 30, 2020.

School Facilities

Provides Second Installment of Proposition 51 (2016) Bond Funding for School Facilities. Proposition 51 authorizes the state to sell $7 billion in general obligation bonds for school facilities. The state plans to issue $594 million of these bonds in 2018-19. This is about the same amount of Proposition 51 school bonds issued in 2017-18 ($592 million). As of May 31, 2018, the Office of Public School Construction had received school facility requests totaling $3.8 billion in state bond funding. The state generally funds school facility requests on a first-come, first-serve basis.

Kindergarten Facilities. The budget includes $100 million one-time non-Proposition 98 General Fund to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs. About one-third of school districts currently offer part-day programs. Funds can be used to construct additional classrooms or renovate existing space. Funding is to be distributed by the State Allocation Board, with local matching requirements similar to those of the School Facilities Program (SFP). Under SFP, the state typically covers 50 percent of new construction costs and 60 percent of renovation costs, with districts required to cover remaining costs. For both types of projects, the state can contribute up to 100 percent of project costs if a district faces exceptional challenges in raising its local share. Priority for grants will be given to districts with high proportions of low-income students and districts that face challenges in raising their local shares.

Funds Shortfall in Charter School Facility Grant Program. This program helps certain charter schools occupying privately leased facilities cover their rent and other facilities costs. The budget includes $21 million one-time Proposition 98 funding to fully cover an estimated shortfall in 2017-18. (Beginning in 2017-18, the state increased the maximum per-student facility grant amount from $750 to $1,117. The per-student grant had not been increased since the program was created in 2001.) In addition, retroactively beginning in 2017-18, Chapter 32 limits the lease costs applicants can claim to their 2016-17 lease costs plus the statewide K-12 COLA rate. Absent the backfill and lease cap, the administration estimated the California School Finance Authority (which administers the program) would pro-rate 2017-18 awards downward by about 20 percent.

Increases Ongoing Funding for Charter School Facility Grant Program. In addition to funding the 2017-18 shortfall, the budget includes a $25 million ongoing augmentation for the program in 2018-19. Chapter 32 also makes the following three programmatic changes effective with the 2018-19 grant year: (1) it eliminates an automatic backfill for prorated awards, (2) requires new applicants to receive an independent appraisal affirming their lease is either at or below market rates, and (3) requires the California School Finance Authority to first cover applicants' lease costs before funding their other facilities costs in years when awards are prorated.

Provides $4 Million for Deferred Maintenance at the State Special Schools (SSS). This appropriation is in addition to a total of $7 million in one-time funding provided for deferred maintenance at SSS in the 2015-16 and 2016-17 budgets. In addition, provisional language included in the annual state budget acts the past three years has required SSS to spend a total of $5.4 million from its operating budget on deferred maintenance projects. (Despite a total of $12.4 million in associated expenditures over the past three years, the administration reports the maintenance backlog at SSS decreased from $25.6 million in 2015-16 to $21.3 million as of June 2018.)

Districts in Fiscal Distress

Gives Counties Greater Role in Taking Control of Fiscally Distressed Districts. In 1991, the state created a system to oversee district budgets and promote fiscal health. In the final few weeks of the 2018 legislative session, the state significantly changed the system by shifting primary responsibility for district takeovers from the SPI to the county superintendent of schools. Under the former system, COEs and county superintendents of schools were tasked with reviewing district budgets quarterly, disapproving unsound budgets, and supporting districts as they built fiscal recovery plans. If these efforts failed and a district needed an emergency state loan, then the state intervened, with the SPI appointing an administrator who assumed responsibility for the district. Chapter 426 gives control of the district instead to the county superintendent of schools, with concurrence from the SPI and the president of the State Board of Education.

Authorizes Special Appropriations for Two Fiscally Distressed Districts. Chapter 426 contains several provisions that depart from the regular emergency loan process and apply only to the Oakland Unified School District and the Inglewood Unified School District. For both districts, Chapter 426 specifies that the state is to provide budget appropriations covering up to 75 percent of their operating deficits in 2019-20, 50 percent of their deficits in 2020-21, and 25 percent of their deficits in 2021-22. The size of the two districts' operating deficits are to be determined by FCMAT, with the concurrence of DOF. Though the specific planning requirements vary, both districts are to update their operational and facility plans in 2018-19. By March 1 of each year through 2021, FCMAT, with concurrence from the applicable county superintendent of schools, is to report to the Legislature and DOF on progress the districts have made to improve their budget conditions.

Creates Special Facility Rules for All Four Fiscally Distressed Districts. In addition to Oakland and Inglewood, two other districts—Vallejo City Unified School District and a high school district in Monterey County—currently are paying off emergency state loans. Chapter 426 allows these four districts to use proceeds from the sale or lease of their surplus property for helping to make their emergency loan repayments. Chapter 426 also specifies that using proceeds in this way does not affect the four districts' eligibility for state facility funding. By comparison, state law generally requires districts to reinvest facility-related proceeds into facility projects and counts such proceeds against eligibility to receive state facility funding.

ADULT EDUCATION

$527 Million Proposition 98 Spending on Adult Education. The budget package increases funding for the Adult Education Block Grant (AEBG) from $500 million to $527 million. Most of the increase ($22 million) is attributable to the program receiving a 4.3 percent COLA. The higher rate is in recognition that the program did not receive a COLA the past few years. Specifically, the 4.3 percent equates to a 2.7 percent COLA associated with 2018-19 and a 1.6 percent COLA associated with 2017-18.

Additional Support for Tracking Student Outcomes. The budget also provides $5 million ongoing for the CCC Chancellor's Office to undertake several data-related projects. Most notably, the Chancellor's Office is to enhance a data sharing platform intended to track student outcomes across providers and into the workforce. Provisional language requires the Chancellor's Office to use up to $500,000 of the appropriation on a one-time basis to contract with an outside entity to survey adult schools about their budgets.

Other Changes. In addition, the budget package (1) renames AEBG the "Adult Education Program," (2) moves the deadline for regional consortia to adopt three-year plans from 2018-19 to 2019-20, (3) requires all providers receiving state or federal adult education funding (including libraries and community-based organizations) to participate in their regional consortium's planning activities, and (4) places a cap on the amount school districts and community college districts may charge their adult education consortium for administrative costs.

CALIFORNIA COMMUNITY COLLEGES

$9 Billion Proposition 98 Funding for CCC in 2018-19. The enacted 2018-19 level is $479 million (5.5 percent) more than the revised 2017-18 level and $612 million (7.1 percent) more than the *2017-18 Budget Act* level. The budget increases funding per full-time equivalent (FTE) student by $635 (8.6 percent) over the *2017-18 Budget Act* level, bringing Proposition 98 funding per FTE student up to $8,051.

Package Includes Mix of Ongoing and One-Time Spending. As Figure 4 shows, the budget includes $1.2 billion in Proposition 98 augmentations for community colleges across the three-year period. Of the $1.2 billion, $797 million (67 percent) is ongoing and $398 million (33 percent) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $64 million in bond authority for community college facility projects. We describe major CCC changes below.

Apportionments

Creates New Credit Apportionment Funding Formula. The 2018-19 budget package includes $175 million ongoing and $35 million one time to transition to the new formula. The formula includes three main components, described below. In future years,

Figure 4

$1.2 Billion in New Proposition 98 Spending for California Community Colleges

2016-17 Through 2018-19 (In Millions)

Ongoing	
New apportionments funding formula	$175
New high school CTE through Strong Workforce Program	164
COLA for apportionments	173
1 percent enrollment growth	60
Full-time faculty	50
AB 19 fee waivers for first-time full-time students	46
Consolidated financial aid program for full-time students	41
COLA for Adult Education Block Grant	22
New online college	20
Apprenticeships	19
COLA for select student support programs	13
Adult education data system	5
NextUp program for foster youth	5
Financial aid management system upgrades	5
Common course numbering system	1
Academic Senate	—[a]
Subtotal	($797)
One Time	
New online college	$100
Part-time faculty office hours	50
Apprenticeship prior-year shortfalls	36
Minimum 2.71 percent increase to each college's apportionment	35
Competitive grants to increase online course offerings	35
Deferred maintenance and instructional equipment	28
Financial aid management system upgrades	14
Reappropriations	10
New public safety training center at El Camino College	10
Legal services for undocumented students	10
Student mental health services	10
California STEM Pathways Program	10
Hunger-free campus grants	10
Veteran resource centers	8
Open educational resources	6
Professional development for classified employees	5
Re-entry programs for formerly incarcerated students	5
CTE programs for refugee students	5
New Early Childhood Education Center at Norco College	5
Certified nursing assistant program	2
Fire-related property tax backfill	2
Los Angeles Valley College Family Resource Center capital improvements	1
Subtotal	($398)
Total	**$1,195**

[a] Budget provides $232,000 for this purpose.

CTE = career technical education; COLA = cost-of-living adjustment; and STEM = science, technology, engineering, and mathematics.

a COLA is to be applied to the funding rates underlying each of the three components.

Base Allocation Is Largest Component of New Formula. In 2018-19, the new formula provides $3,727 per credit FTE student. A district's FTE student count is calculated using its three-year rolling average. The base allocation also includes an amount linked to the number of colleges and state-approved centers in the district. In 2018-19, roughly 70 percent of the formula appropriation is distributed through the base allocation. Chapter 33 of 2018 (AB 1809, Committee on Budget) reduces base rates over the subsequent two years, such that roughly 60 percent of formula funding will be distributed through the base allocation in 2020-21.

Supplemental Allocation Designed Primarily to Benefit Low-Income Students. The formula provides an additional $919 for every student who receives a Pell Grant, a need-based fee waiver, or is undocumented and qualifies for resident tuition. Student counts are "duplicated," such that districts receive twice as much supplemental funding ($1,838) for a student who is included in two of these categories (for example, receiving both a Pell Grant and a need-based fee waiver). The allocation is based on student counts from the prior year. Roughly 20 percent of the formula appropriation is distributed through the supplemental allocation.

Student Success Allocation Linked to Colleges' Performance. This component of the formula provides colleges with funding based on specified student outcomes—obtaining various degrees and certificates, completing transfer-level math and English within a student's first year, and having students obtain a regional living wage within a year of completing community college (see Figure 5). Districts receive additional funding for the outcomes of students who receive a Pell Grant or need-based fee waiver, with somewhat greater amounts for the outcomes of Pell Grant recipients. In 2018-19, roughly 10 percent of the formula appropriation is distributed based on the student success allocation. Chapter 33 increases award amounts over the subsequent two years, such that roughly 20 percent of the formula will be distributed based on performance in 2020-21.

Includes Several Provisions Easing Transition to New Formula. Chapter 33 includes hold harmless provisions for community college districts that would have received more funding under the former apportionment formula than the new formula. For 2018-19, 2019-20, and 2020-21, these community college districts are to receive their *total* apportionment amount in 2017-18, adjusted for COLA each year of the period. Beginning in 2020-21, districts are to receive no less than the per-student rate they generated in

Figure 5

Student Success Allocation: Amounts by Student Outcome Measure and Student Type

2018-19

		Additional Funding for Each:	
Outcome Measure	**All Students**	**Pell Grant Recipient**	**Need-Based Fee Waiver Recipient**
Associate degree for transfer	$1,760	$666	$444
Associate degree	1,320	500	333
Credit certificate requiring 18 or more units	880	333	222
Transfer-level math and English courses completed within the student's first academic year of enrollment	880	333	222
Transfer to a four-year university	660	250	167
9 or more career technical education units completed	440	167	111
Regional living wage obtained within one year of community college completion	440	167	111

Note: Chapter 33 of 2018 (AB 1809, Committee on Budget) increases the award amounts in future years. In 2019-20, funding amounts are to increase by 50 percent. In 2020-21, funding amounts are to be double the 2018-19 levels.

2017-18 under the former apportionment formula multiplied by their current FTE student count. (In adopting the new funding formula, the state also retained its longstanding one-year hold harmless provision that allows districts to receive the greater of their calculated current- or prior-year allotments. This provision is designed to help districts with declining enrollment.)

Assigns Certain Monitoring and Oversight Responsibilities to Chancellor's Office. Chapter 33 requires the Chancellor's Office to develop processes for monitoring implementation of the funding formula. Most notably, the Chancellor's Office is required to develop minimum standards for the types of certificates and awards that count towards the student success allocation. The primary objective is to monitor if any erosion in the quality of awards occurs because of the new fiscal incentives.

Creates Formula Oversight Committee. Chapter 426 creates a 12-member oversight committee, with the Assembly, Senate, and Governor each responsible for choosing four members. The committee is tasked with reviewing and evaluating initial implementation of the new funding formula. It also is tasked with examining possible changes to the formula over the next few years. Specifically, by January 1, 2020, the committee is to make recommendations to the Legislature and Governor for including first-generation college student data and incoming academic proficiency data into the supplemental allocation component of the formula. Then, by June 30, 2021, the committee is to make recommendations relating to including noncredit instruction into the base and supplement allocation components of the formula. The committee is scheduled to sunset on January 1, 2022. Chapter 426 requires the Chancellor's Office to contract with a third party to staff the committee for its duration. The Chancellor's Office is expected to absorb these contract costs within its existing budget.

Funds 1 Percent Enrollment Growth. The budget provides $60 million for 1 percent systemwide enrollment growth. This funding amount is based upon 2017-18 apportionment rates (rather than upon the new formula's base allocation). In addition to funding systemwide growth, the budget adjusts for enrollment declines that districts experienced in 2017-18 and anticipated enrollment restoration in 2018-19. After adjusting for declining enrollment (-3.2 percent) and restoration (2.3 percent), the 2018-19 budget supports net enrollment growth of 0.1 percent, representing about 1,000 FTE students.

Funds 2.71 Percent COLA. The budget also provides colleges a total of $173 million to provide the statutory 2.71 percent COLA for apportionments. Additionally, the budget includes a total of $12 million to provide COLA for four categorical programs: (1) Extended Opportunity Programs and Services, (2) Disabled Students Programs and Services, (3) CalWORKs Student Services, and (4) the Child Care Tax Bailout (which supports campus child care centers that serve as teaching labs for college students interested in early education).

Online College

Creates New Online Community College. Chapter 33 creates a new online community college to be administered by the CCC Board of Governors. The Board of Governors is to choose the chief executive of the college. The chief executive is required to establish an advisory council consisting of local trustees from other community colleges as well as employees of the online college.

Provides $100 Million for Startup and $20 Million for Ongoing Operations. The startup funding may be spread over a seven-year period and used for technology, building space, and business plan development, among other things. The funding for ongoing operations is intended for the salaries and benefits of staff, staff training, and technology licensing and maintenance. When the college begins enrolling students, it is to receive apportionment funding similar to all other community college districts, with the apportionment funding coming on top of the college's base $20 million ongoing allocation.

College Intended to Focus on Short-Term Pathways. Initially, the online college is intended to focus on short-term programs for working adults who have no postsecondary credentials. Over the next three years, the college is required to develop at least three short-term program pathways linked with industry needs. These pathways may not be duplicative of programs offered at existing community colleges. In addition, for every 10 pathways offered by the online college, at least one pathway must be developed in collaboration with an existing community college. The online college also is to use existing industry certifications, competency-based learning, and prior learning assessments to reduce the amount of additional courses students need to complete their pathway.

Several Milestones and Reporting Requirements for College. Chapter 33 requires the new college to meet certain program, administrative, and accreditation milestones within the first seven years. Most notably, the online community college must begin enrolling students by the last quarter of calendar year 2019; design and validate at least 13 program pathways by July 1, 2023; and obtain full accreditation by April 1, 2025.

College Exempt From a Few Requirements Applying to Other Colleges. Most notably, the new online college has flexibility with regard to setting its academic calendar and establishing its student fee structure. The new college, however, is subject to most other rules and regulations that apply to existing community colleges. The college, for example, is required to spend at least 50 percent of its general operating budget on salaries and benefits of faculty and instructional aides engaged in direct instruction. As with other colleges, it also is required to have its programs and courses reviewed and approved by the Chancellor's Office.

Provides Competitive Grants for Existing Colleges to Develop New Online Programs. The budget provides $35 million one time for existing community college districts to develop online programs and courses that (1) lead to short-term industry-valued credentials or (2) enable a student who completed a program at the new online community college to continue his or her education at an existing community college. The Online Education Initiative, administered by Foothill-De Anza Community College District, is to award these grants.

Requires Chancellor's Office to Make Recommendations for Providing Existing Colleges More Flexibility. Chapter 33 requires the Chancellor's Office, by January 1, 2019, to recommend to the Board of Governors ways of making online and competency-based programs easier and more attractive for colleges to develop and operate. The Chancellor's Office recommendations must include ways to streamline the processes for (1) funding noncredit competency-based programs and (2) offering online courses under a flexible calendar.

Faculty

Funds More Full-Time Faculty. The budget provides $50 million ongoing for colleges to hire more full-time faculty. As a condition of receiving funding, districts must increase the percentage of their instruction taught by full-time faculty.

Funds More Part-Time Faculty Office Hours. The budget provides $50 million one time for part-time faculty office hours. The program reimburses districts that compensate part-time faculty members for office hours related to their teaching assignments. Districts must provide a one-to-one match for state funds.

Apprenticeships

Provides $37 Million One Time to Make Up for Pro-Rata Reductions in Prior Years. These funds are intended to backfill apprenticeship sponsors (such as labor unions and businesses) for pro-rata funding reductions that occurred from 2013-14 through 2017-18. Though Apprenticeship funding increased from $23 million in 2013-14 to $40 million in 2017-18 and the underlying statutory hourly reimbursement rate increased from $5.04 to $5.90, the number of apprenticeship instructional hours provided each year of the period notably exceeded budget assumptions. As a result, the state applied pro-rata reductions to the program's reimbursement rates throughout the period. Of the $37 million being provided to backfill these pro-rata reductions, $27 million goes to programs affiliated with school districts and $10 million goes to programs affiliated with community college districts. Historically, programs for firefighting and the construction trades have been among the largest apprenticeship programs.

Provides $23 Million Ongoing Augmentation for Apprenticeships in 2018-19. Of this amount, $19 million is associated with the number of instructional hours funded. Specifically, the budget funds the same level of instructional hours in 2018-19 as the estimated level in 2017-18 (nearly 10 million instructional hours)—about 3 million more hours than originally budgeted for 2017-18. The remaining $4 million is associated with increasing the hourly instructional reimbursement rate from $5.90 to $6.26.

Authorizes Community Colleges to Earn Credit Funding Rate Under Certain Circumstances. Chapter 33 authorizes community colleges to generate the credit funding rate rather than the apprenticeship rate for instruction that (1) is offered on a credit basis and (2) is taught by a community college instructor (as opposed to an instructor employed by a sponsor, which currently is the most common staffing practice). The 2018-19 credit rate equates to an hourly rate of $7.10 per student—13 percent higher than the hourly apprenticeship rate. Moving forward, apprenticeship programs will need to begin reporting how much instruction is funded through each of the two rate options.

Financial Aid

Funds Expanded Eligibility for Fee Waivers. The budget provides $46 million for the expansion of the California College Promise Grant program. Chapter 735 of 2017 (AB 19, Santiago) expanded the fee waiver program to students who do not demonstrate financial need. Specifically, it authorizes fee waivers for all resident first-time, full-time students during their first year of college. (Though the cost of the expanded program is calculated assuming all these students obtain fee waivers, the authorizing legislation allows colleges to use their program allotments for other purposes, such as providing more student support services.) To receive funding, colleges must meet various requirements, such as participating in the Guided Pathways initiative.

Restructures Some Financial Aid for Students' Living Costs. Chapter 33 replaces the Full-Time Student Success Grant and the Community College Completion Grant with a new program that has slightly different underlying rules. The new program—the Community Colleges Student Success Completion Grant—provides a $649 per semester grant for financially needy students enrolled in 12, 13, or 14 units and $2,000 for students enrolled in 15 or more units. The budget provides $132 million for the new program, an increase of $41 million over the combined cost of the two prior programs in 2017-18. As with the prior programs, the new program is intended to help financially needy community college students with their living costs.

Provides Funding to Upgrade Financial Aid Management Systems. The budget provides $14 million one time and $5 million ongoing for colleges to upgrade these systems. The core associated objective is to process state and federal financial aid grants more efficiently, thereby reducing the staff time required to process aid applications and increasing the staff time available for student outreach and guidance.

Other Ongoing Programmatic Increases

Consolidates Large Student Support Programs Into Block Grant. Chapter 33 combines the Student Success and Support Program, including funding for student equity plans, and the Student Success for Basic Skills program into a block grant named the Student Equity and Achievement Program. As a condition of receiving funds, districts are required to develop student equity plans, deliver student matriculation services (such as orientation, counseling, and advising), and adopt assessment and placement policies, as specified under current law. Funding for the new program ($475 million statewide) is based on districts' 2017-18 allocations for the consolidated categorical programs. Chapter 426 additionally requires districts and the Chancellor's Office to report annually on how block grant funds were spent and their effectiveness in advancing student outcomes.

Augments NextUp Program for Foster Youth by $5 Million. This program provides support services for current and former foster youth enrolled in the community colleges. The program—also known as the Cooperating Agencies Foster Youth Educational Support Program—initially received $15 million in 2015-16 and was authorized to operate at up to ten community college districts. Chapter 722 of 2017 (SB 12, Beall) authorized up to 20 districts to participate in the program, but it did not provide additional funding to support the expansion. The additional $5 million provided in 2018-19 is intended to support some expansion.

Provides Ongoing Funding for Course Identification (C-ID) Numbering System. The budget provides $685,000 to the CCC Academic Senate in support of the C-ID system. This system, which was created in 2007, is intended to promote common numbering of comparable courses offered by college campuses. The Academic Senate had previously received one-time funding for the C-ID system.

Increase for CCC Academic Senate. The budget increases ongoing funding for the CCC Academic Senate by $232,000, bringing total ongoing funding to $1 million.

Other One-Time Initiatives

Funds Various Student Services. The budget includes several one-time allocations for colleges to help students with various issues outside of core academic instruction. Specifically, the budget includes $10 million to provide mental health services to students, $10 million to address student hunger at community college campuses, and $10 million to provide legal services to undocumented students on community college campuses.

Funds Three College-Specific Projects. Specifically, the budget provides $10 million for a new public safety training center at El Camino College, $5 million for a new early childhood education center at Norco College, and $800,000 for capital improvements at the Los Angeles Valley College Family Resource Center.

Creates New STEM Pathways Program. The budget includes $10 million for competitive grants to encourage schools and community colleges to work together with industry to develop workforce training programs spanning grades 9 through 14. The programs are to culminate in an associate in science degree in a high-tech field or an associate degree for transfer in science, technology, engineering, or mathematics (STEM). Participating businesses must provide students with on-the-job experience and agree to give students who complete the program first priority for available full-time jobs. The grants are to be spent over a six-year period.

Other Augmentations. The budget also provides:

- $6 million one time for the CCC Academic Senate to develop and expand the use of open educational resources.
- $5 million one time to expand or create new veteran resource centers on community college campuses.
- $5 million one time for a competitive grant program intended to help colleges improve their support services for currently and formerly incarcerated students. Participating colleges must provide at least $50,000 in matching funds and develop a long-term plan that describes how the college will ensure the services funded by the grant are sustainable in the long run.
- $5 million one time to support career pathways for refugees through the Strong Workforce Program. Grant recipients are to partner with nonprofit organizations to provide related social services.
- $5 million one time for training classified community college employees. Districts are required to consult with classified union staff in determining what type of training to provide.
- $2 million one time through the Strong Workforce Program to expand enrollment in CNA training programs.
- $1.9 million one time to backfill community college districts for losses in property tax revenue in 2017-18 due to wildfires.

State Operations

Increases Chancellor's Office Staffing. The budget provides a $2 million non-Proposition 98 General Fund augmentation for the Chancellor's Office, bringing total non-Proposition 98 support up to $17 million. The budget package does not specify the number of new associated positions or the specific workload to be supported with the additional funds. Based upon information provided by DOF and the Chancellor's Office, the funds are intended to cover workload associated with various recent initiatives—such as the Guided Pathways initiative and changes to student remediation and placement—as well as new initiatives adopted as part of the 2018-19 budget package—such as the new funding formula and online community college.

Facilities

Provides Maintenance and Equipment Funding. The budget provides $28 million one-time Proposition 98 funding that districts may use for scheduled maintenance, special repairs, hazardous substances abatement, architectural barrier removal, certain seismic retrofit projects, water conservation projects, and replacement of instructional equipment and library materials. The funds are allocated to districts based on their FTE enrollment (counting both credit and noncredit instruction).

Funds Six New Capital Outlay Projects. The budget authorizes $10 million Proposition 51 (2016) bond funding for six new capital outlay projects. The budget funds preliminary plans for all six projects and working drawings for five of the six projects. Three of the projects entail constructing new facilities whereas the other three projects involve renovating or replacing existing buildings. A list of all these projects is on our EdBudget website. The six projects were among the 15 projects approved by the Chancellor's Office in fall 2017 and recommended for inclusion in the 2018-19 budget. The state did not approve the remaining nine projects this year.

Funds Second Phase of Projects Approved Last Year. The budget also allocates $40 million in Proposition 51 bond funds for subsequent phases of 15 projects approved last year. For 14 projects, the budget includes funding for working drawings. For one project using a design-build process, the budget includes funding for both design and construction. A list of all these projects also is on our EdBudget website.

Funds Construction Phase of One Previously Approved Project. The budget provides $14 million in Proposition 1D (2006) funds to replace an instructional building at Compton College. The state originally provided funding 2015-16, but funding was not spent due to project delays.

EARLY EDUCATION

$4.7 Billion Total Spending on Early Education Programs. Of this amount, $2.3 billion is for preschool programs, $2.3 billion is for other child development programs, and $144 million is for support programs. As Figure 6 shows (see next page), the *2018-19 Budget Act* augments these programs by a total of $655 million (16 percent) from the revised 2017-18 level. Non-Proposition 98 General Fund covers about half of this increase ($324 million), with Proposition 98 General Fund ($148 million) and federal funds ($183 million) comprising the rest of the increase.

Higher Spending Due to Slot and Rate Increases. As Figure 7 shows (see page 25), more slots and higher reimbursement rates account for the vast majority of the year-over-year funding increase, with various other adjustments comprising the remainder of the increase. We describe these augmentations below.

Slots

Funds Additional Alternative Payment Slots. The budget provides $205 million federal funds for 11,307 new Alternative Payment slots starting July 1, 2018. This funding is tied to an increase in the amount of available federal funds. To address some uncertainty regarding whether the increase in the federal grant will be ongoing, the funds are to be spent over a two-year period (through June 30, 2020). Despite some uncertainty, the state expects to receive the same increase in federal funds in 2019-20. If California receives this additional federal funding, the Legislature and Governor intend to use it to sustain the 11,307 slots for another two years (2020-21 and 2021-22). The budget also provides $16 million ongoing non-Proposition 98 General Fund for 2,100 new Alternative Payment slots starting September 1, 2018.

Funds Additional State Preschool Slots. The budget provides $19 million to annualize the cost of 2,959 preschool slots added April 1, 2018. The budget also provides $8 million for 2,959 new full-day State Preschool slots at LEAs starting April 1, 2019. This increase represents the third of three equal batches of State Preschool slots that the Legislature and Governor agreed to add as part of a 2016-17 multiyear budget agreement.

Reimbursement Rates

Increases Standard Reimbursement Rates (SRR). The state funds State Preschool, General Child Care, a portion of Migrant Child Care, and Care for Children with Severe Disabilities based on the SRR. The 2018-19 budget provides $48 million General Fund ($32 million Proposition 98 and $16 million non-Proposition 98) to increase the SRR by 2.8 percent. The new rate for a full-day, center-based State Preschool slot is

Figure 6

Early Education Budget

(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Enacted[a]	Change From 2017-18	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	$418	$323	$331	$7	2.3%
Stage 2	445	508	560	52	10.2
Stage 3	284	348	399	51	14.7
Subtotals	($1,147)	($1,179)	($1,289)	($110)	(9.4%)
Non-CalWORKs Child Care					
Alternative Payment Program	$283	$292	$530	$237	81.2%
General Child Care	308	340	412	72	21.0
Bridge program for foster children	—	20	41	21	103.3
Migrant Child Care	31	35	40	6	15.9
Care for Children With Severe Disabilities	2	2	2	—[b]	5.3
Subtotals	($623)	($689)	($1,024)	($335)	(48.6%)
Preschool Programs					
Transitional Kindergarten	$789	$811	$865	$55	6.8%
State Preschool—full day	627	738	804	66	9.0
State Preschool—part day	447	503	538	35	7.0
Preschool QRIS Grant	50	50	50	—	—
Subtotals	($1,913)	($2,101)	($2,257)	($156)	(7.4%)
Support Programs	$89	$91	$144	$53	58.3%
Totals	**$3,772**	**$4,060**	**$4,715**	**$655**	**16.1%**
Funding					
Proposition 98 General Fund	$1,764	$1,933	$2,081	$148	7.6%
Non-Proposition 98 General Fund	984	1,099	1,423	324	29.5
Federal CCDF	639	635	857	222	35.0
Federal TANF	385	388	344	-44	-11.3
Federal Title IV-E	—	5	10	5	104.0

[a] The 2018-19 budget plan also funds Inclusive Early Education Expansion Program ($167 million) using 2017-18 Proposition 98 General Fund. Funding for this proposal is not included in this table.

[b] Less than $500,000.

QRIS = Quality Rating and Improvement System; CCDF = Child Care and Development Fund; and TANF = Temporary Assistance for Needy Families.

$12,070 per year, whereas the new rate for a full-day, center-based General Child Care slot for a preschool-aged child is $11,995 per year. The 2.8 percent increase applies to rates for centers, family child care homes, and all age groups.

Increases Certain Adjustment Factors. The state adjusts the SRR for certain higher-cost groups of children, including infants, toddlers, children with exceptional needs, and children with severe disabilities. The state also adjusts regional market rates (RMR) for these latter two groups of children. The budget provides $40 million non-Proposition 98 General Fund to increase the adjustment factors listed below in the following ways, beginning January 1, 2019:

- Infants: from 1.7 to 2.44.
- Toddlers: from 1.4 to 1.8.
- Children with exceptional needs: from 1.2 to 1.54.
- Children with severe disabilities: from 1.5 to 1.93.

(An adjustment factor of 1.5 reimburses providers at 1.5 times the rate for other children. The infant and toddler adjustments are relative to the base SRR used for General Child Care programs.)

Permanently Extends Regional Market Rate (RMR) Hold Harmless Provision. The budget provides $14 million ($13 million non-Proposition 98 General Fund and $1 million federal funds) to permanently extend the RMR hold harmless

Figure 7

2018-19 Early Education Changes

(In Millions)

Change	General Fund: Prop. 98[a]	General Fund: Non-Prop. 98	Federal Funds	Total
Slots				
Provides 11,307 Alternative Payment slots available until June 30, 2020	—	—	$205	$205
Annualizes cost of State Preschool slots initiated April 1, 2018	$19	—	—	19
Provides 2,100 Alternative Payment slots starting September 1, 2018	—	$16	—	16
Provides 2,959 full-day State Preschool slots at LEAs starting April 1, 2019	8	—	—	8
Subtotals	($28)	($16)	($205)	($248)
Reimbursement Rates				
Provides 2.71 percent COLA to certain child care and preschool programs	$30	$24	—	$54
Increases Standard Reimbursement Rates 2.8 percent starting July 1, 2018	32	16	—	48
Provides increase to certain adjustment factors starting January 1, 2019	—	40	—	40
Annualizes Regional Market Rate (RMR) increase initiated January 1, 2018	—	20	$4	24
Permanently extends RMR hold harmless provision[b]	—	13	1	14
Subtotals	($62)	($113)	($5)	($180)
Other				
Makes CalWORKs caseload and average cost of care adjustments	—	$108	-$7	$101
Adjusts Transitional Kindergarten for increases in attendance and LCFF funding rate	$55	—	—	55
Provides one-time increase to quality support programs	—	—	26	26
Provides funds to annually inspect licensed child care providers	—	—	26	26
Annualizes funding for bridge program for foster children initiated January 1, 2018	—	16	5	21
Reduces non-CalWORKs slots by 0.48 percent[c]	-5	-4	—	-9
Makes other technical adjustments	9	-2	—	7
Replaces federal funds with state funds (accounting adjustment)	—	77	-77	—
Subtotals	($59)	($195)	(-$27)	($227)
Totals	**$148**	**$324**	**$183**	**$655**

[a] Enacted budget also funds Inclusive Early Education Expansion Program ($167 million one time) using 2017-18 Proposition 98 General Fund.
[b] The RMR hold harmless provision was set to expire December 31, 2018.
[c] Reflects statutory adjustment based on the projected decrease in the birth-through-four population.
COLA = cost-of-living-adjustment; LEA = local education agency; and LCFF = Local Control Funding Formula.

provision so that no provider moving forward receives less than it received on January 1, 2018. (The hold harmless provision was set to expire December 30, 2018.) The budget also includes $24 million to annualize the RMR rate increase initiated January 1, 2018.

Quality Support Programs

Funds Inclusive Early Education Expansion Grants. The budget provides $167 million Proposition 98 General Fund for one-time competitive grants to school districts and other child care and preschool providers for the purpose of increasing access to inclusive early education programs. Grants could be used for a variety of one-time expenses, including training, facility renovations, and equipment. Grant recipients must provide $1 in local funds for every $2 received through the grant. Grant recipients also must commit to provide program data and participate in an evaluation.

Funds Annual Inspections of Licensed Child Care Providers. The budget provides $26 million federal funds to inspect licensed child care providers more frequently. Currently, Community Care Licensing (CCL), a division of the Department of Social Services, typically inspects licensed child care providers once every three years. Federal law requires states to inspect licensed child care providers annually. California currently has a waiver from this requirement that is set to expire October 2018.

Funds Other Quality Improvement Activities. The budget provides $26 million one-time federal funds for various quality improvement initiatives:

- $10 million for a three-year pilot program focused on including children with exceptional needs in mainstream early education settings.
- $6 million to be spent at the discretion of CDE, with first call for ensuring state compliance with federal consumer education requirements, including making basic information on child care providers available to parents.
- $5 million for the Child Care Initiative Project, which recruits and trains existing license-exempt providers to help them become licensed providers.
- $5 million for professional development for licensed child care teachers.

Other Changes

Makes Adjustments to CalWORKs Child Care. The budget adjusts CalWORKs child care spending up by $101 million compared to the revised 2017-18 level. The bulk of the year-over-year increase is due to major policy changes enacted last year costing much more than anticipated. Specifically, the 2017-18 budget substantially increased the exit income threshold and allowed families to demonstrate eligibility only once a year (rather than having to maintain eligibility throughout the year). These eligibility changes allow families to remain in the program longer and reduce the rates of fluctuation in and out of the program. The budget also accounts for changes in average cost of care based on families using different types of providers, serving children of different ages, or providing more average hours of care per day.

Makes Statutory Adjustments to Non-CalWORKs Child Care and Preschool Programs. The budget provides $54 million to fund a 2.71 percent COLA for non-CalWORKs child care programs and the State Preschool program. For the programs that receive the SRR, the COLA augments the rate that providers receive. In the Alternative Payment program, the COLA effectively creates extra child care slots. The budget also makes a $9 million downward adjustment to these programs reflecting an estimated 0.48 percent decrease in the birth-through-four population in California.

Augments Transitional Kindergarten (TK). The budget adds $55 million for TK. This increase is due to a 6.1 percent increase in LCFF funding, offset by a slight expected decrease in TK average daily attendance.

Clarifies Licensing Standards for LEA-Run State Preschool Programs. The 2017-18 budget plan exempts State Preschool programs run by LEAs from certain health and safety standards, known as Title 22 standards, beginning July 1, 2019. The 2018-19 budget includes several provisions to clarify rules for these programs once the exemption takes effect. Specifically, Chapter 32 clarifies that the exemption from Title 22 standards applies to any classroom serving at least one State Preschool student. The legislation also requires CDE to add certain health and safety requirements to Title 5 regulations, which govern all State Preschool programs. In addition, Chapter 32 requires LEA-run State Preschool programs to use CDE's uniform complaint procedures for addressing health and safety complaints and to use expedited response timelines that currently apply to school facility health and safety issues.

Clarifies That an LEA Can Serve Both State Preschool and TK Students in a Single Classroom. In addition, Chapter 32 specifies the requirements that apply when State Preschool and TK students are served in a single classroom and program requirements conflict. Most notably, Chapter 32 requires mixed classrooms be taught by a teacher with a multiple subject teaching credential (the current TK requirement) and have a staffing ratio of one adult per 8 children (the current State Preschool requirement). In addition, Chapter 32 requires all students in a mixed classroom be evaluated with the Desired Results Developmental Profile (typically only required for State Preschool students).

HIGHER EDUCATION

In this section, we discuss notable budget changes for the California State University, University of California, Hastings College of the Law, California Student Aid Commission, and the California State Library.

California State University

$7.4 Billion Total Spending on CSU's Core Program in 2018-19. As Figure 8 shows, $4.1 billion (56 percent) is state General Fund, $3.2 billion (43 percent) is student tuition and fee revenue, and $53 million (0.7 percent) is other state funding (primarily lottery revenue). Core spending increases by $377 million (5.4 percent) over 2017-18. The increase consists mostly of higher General Fund support, with a small increase in tuition revenue due to enrollment growth. Tuition levels are intended to remain flat from 2017-18 to 2018-19.

Reduces General Fund Support if CSU Raises Tuition in 2018-19. The budget includes provisional language that allows the Director of Finance to reduce CSU's General Fund appropriation were CSU to increase tuition levels. The amount of any such reduction would equal the amount of estimated state cost increases to the Cal Grant and the Middle Class Scholarship programs resulting from a tuition increase. The provisional language requires the Director of Finance to notify the Joint Legislative Budget Committee at least 30 days before making any such reduction.

Figure 8

California State University Core Funding by Source

(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Enacted	Change From 2017-18 Amount	Change From 2017-18 Percent
Core Funds					
General Fund					
Ongoing[a]	$3,454	$3,719	$3,959	$240	6.5%
One time	110	47	163[b]	117	250.7
Subtotals	($3,564)	($3,765)	($4,122)	($357)	(9.5%)
Tuition and fees[c]	$3,077	$3,168	$3,188	$20	0.6%
Other state funds[d]	50	53	53	—	—
Totals	**$6,691**	**$6,986**	**$7,362[b]**	**$377**	**5.4%**

[a] Includes funding for pensions and retiree health benefits.
[b] In addition, the budget appropriates $7 million one-time General Fund to the Department of Social Services for provision of legal services to undocumented students and immigrants at CSU campuses.
[c] Includes funds that CSU uses to provide tuition discounts and waivers to certain students. In 2018-19, CSU plans to provide $702 million in such aid.
[d] Includes lottery funds and, beginning in 2017-18, $2 million ongoing from the State Transportation Fund for transportation research.

Provides $240 Million (6.5 Percent) Ongoing General Fund Increase. As Figure 9 shows, $122 million is an unrestricted augmentation, which CSU intends to use primarily for implementing collective bargaining agreements ratified by the Board of Trustees in 2018-19 and covering other employee-related cost increases, including higher health premiums for active employees. The remaining $118 million in ongoing funding is for various other costs, including providing additional instruction and support services as part of the Graduation Initiative and covering higher pension costs and retiree health care costs. The budget includes provisional language requiring CSU to earmark at least $25 million of its base funding to increase the number of tenure-track faculty above the 2017-18 level.

Designates $163 Million General Fund for Various One-Time Purposes. The largest increase is $120 million for enrollment growth of 3,641 full-time equivalent (FTE) undergraduate students (1 percent over the 2017-18 level). Provisional language permits CSU to spend these funds over a four-year period to support the student cohort. Prior to spending these funds, CSU must notify the Legislature and DOF on how it will distribute these enrollment growth slots among its campuses and how much of the total it expects to spend each year. The remaining $43 million in one-time funding is associated with six initiatives. The largest of these is $35 million for deferred maintenance. This deferred maintenance spending is part of a larger package of spending across numerous agencies discussed later in this report. Outside of CSU's main appropriation item, the budget appropriates $7 million one-time General Fund to the Department of Social Services for contracting with an external group to provide legal services to undocumented and immigrant students, faculty, and staff at CSU campuses.

Authorizes CSU to Fund Five Facility Projects. The 2018-19 state cost of these projects totals $109 million. The associated annual debt service is estimated to be about $7 million. CSU indicates it will support debt service using existing funds. The projects range from a new academic building at the San Luis Obispo campus to equipment at the Pomona campus. A list of all authorized projects is on our EdBudget website. Though CSU and DOF originally proposed funding 27 projects, serious concerns over the quality of the proposals led to the Legislature and administration scaling back project approvals this year.

Figure 9

California State University General Fund Changes

(In Millions)

2017-18 Revised Spending	**$3,765.4**
Ongoing	
Unrestricted increase	$122.1
Graduation Initiative	75.0
Pension adjustment	22.5
Retiree health benefits adjustment	20.3
Center for California Studies[a]	0.2
Subtotal	($240.1)
One Time	
Enrollment growth[b]	$120.0
Deferred maintenance	35.0
Shark research at the Long Beach campus	3.8
Open educational resources[c]	1.7
Student hunger and basic needs	1.5
Mervyn M. Dymally Institute at the Dominguez Hills campus	1.0
Science and Technology Policy Fellows Program	0.4
Remove one-time funding provided in prior years	-46.6
Subtotal	($116.7)[d]
Total	**$356.8**
2018-19 Enacted Spending	**$4,122.3[d]**

[a] Reflects $100,000 for the Education Policy Fellowship Program, $86,000 for a cost-of-living adjustment for the Capital Fellows Program, and $24,000 for the Sacramento Semester Program.
[b] Intended to fund a cohort of 3,641 full-time equivalent students over a four-year period.
[c] Funding authorized pursuant to Chapter 633 of 2015 (AB 798, Bonilla).
[d] In addition, the budget appropriates $7 million one-time General Fund to the Department of Social Services for provision of legal services to undocumented students and immigrants at CSU campuses.

University of California

$9.1 Billion Total Spending on UC's Core Program in 2018-19. As Figure 10 shows, $3.8 billion (41 percent) is state General Fund, $4.9 billion (54 percent) is student tuition and fees, and $437 million (5 percent) is from other revenue sources (including overhead on state and federal research grants and lottery funds) that UC allocates for its education programs. Core funding increases $316 million (3.6 percent) over 2017-18. The increase consists of higher General Fund support, additional support from nonresident tuition increases, and a small increase in tuition revenue due to enrollment growth. As with CSU, systemwide tuition and fee levels are intended to remain flat from 2017-18 to 2018-19, and the budget package contains provisional language reducing General Fund support were UC to raise tuition. As with CSU, the specific reduction is connected to the associated increase in Cal Grant and Middle Class Scholarship costs for UC students. (The language does not apply to increases in the Student Services Fee.)

Figure 10

University of California Core Funding by Source

(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Enacted	Change From 2017-18 Amount	Change From 2017-18 Percent
General Fund					
Ongoing	$3,279	$3,367	$3,475	$108	3.2%
One time	262	177	249	72	40.9
Carryover[a]	-45	5	39	34	639.0
Subtotals	($3,496)	($3,549)	($3,764)	($214)	(6.0%)
Tuition and fees[b]	$4,507	$4,816	$4,928	$112	2.3%
Lottery	38	42	42	—[c]	-0.1
Other core funds[d]	353	405	395	-10	-2.5
Totals	**$8,394**	**$8,813**	**$9,129**	**$316**	**3.6%**

[a] Of the $262 million one time provided in 2016-17, $45 million was unspent. UC plans to spend $5 million of the carryover in 2017-18 and the remainder in 2018-19.

[b] Includes funds that UC uses to provide tuition discounts and waivers to certain students. In 2018-19, UC plans to provide $1 billion in such aid.

[c] Less than $500,000.

[d] Includes a portion of overhead funding on federal and state grants, a portion of patent royalty income, and Proposition 56 funding designated for graduate medical education.

Provides 3 Percent Ongoing General Fund Increase. As Figure 11 shows (see next page), the budget provides UC with a $92 million increase in unrestricted ongoing General Fund support. The university likely will use this amount to cover salary increases, employee benefit cost increases, pension cost increases, and other operating cost increases over the coming year. The budget also includes $10 million ongoing General Fund support to backfill one-time Proposition 56 monies provided to UC in 2017-18.

Supports 1.1 Percent Enrollment Growth. The budget provides $20 million to support 2,000 additional resident undergraduate students in 2018-19 compared to 2017-18, with the goal of admitting at least one transfer student for every two freshman students. The enrollment is supported with a mix of General Fund and redirected funds. Specifically, the budget provides $5 million General Fund and redirects $15 million from within UC's budget. The redirections implement a *2017-18 Budget Act* provision requiring the university to identify existing programs from which funds could be redirected. Our EdBudget website includes a table listing all the identified programs, along with the amount redirected from each program for enrollment growth. If UC enrolls fewer than the expected 2,000 students, the *2018-19 Budget Act* contains a provision reducing General Fund support by $10,000 for each student below the enrollment target.

Provides $105 Million One-Time Unrestricted Increase. This funding is designated for "general university needs." Though the budget does not specify the exact use of the funds, provisional language states legislative intent that the funds be used to enroll more resident undergraduate students and augment services and programs that improve student outcomes.

Provides $56 Million One Time for Three Physician Training Programs. These funds are allocated as follows:

- ***Primary and Emergency Care Residency Slots ($40 Million).*** Budget documents indicate these General Fund monies are intended to be used to supplement

Proposition 56 (2016) funds for physician residency slots primarily in the areas of primary care and emergency care. UC has discretion in how it distributes these funds amongst hospitals.

- ***UC Riverside School of Medicine Residency Slots ($15 Million).*** Provisional language specifies that these General Fund monies are for accredited psychiatry programs that use telemedicine. The budget directs UC to report to the Legislature annually on the use of the funds. UC has until June 30, 2023 to spend the funds.
- ***UC Davis and UC Irvine Psychiatry Scholarships ($1 Million).*** Provisional language specifies that these Mental Health Services Act monies (passed through the Office of Statewide Health Planning and Development) are for scholarships for physicians enrolling in these two programs. The programs are one year in duration and provide advanced training on primary care psychiatry.

Provides $16 Million One Time for Three Research Initiatives Involving UC. Specifically, the budget provides $12 million to the UC Davis Institute for Regenerative Cures to research "Jordan's Syndrome"—a rare disorder resulting from a genetic mutation that is thought to cause autism and other neurological disorders. The budget also provides $3 million directly to UC for research on Valley Fever—an infectious disease caused by a fungus that lives in the soil and is acquired by inhaling contaminated dust. (In addition, the budget passes $3 million through the California Department of Public Health for similar research at Kern Medical Center, a nonprofit teaching hospital located in Bakersfield.) The budget also provides $500,000 for the California Vector-Borne Disease Surveillance Gateway (CalSurv), located at UC Davis, which compiles data on mosquitos and mosquito-borne health threats.

Provides $74 Million One Time for Other Priorities. These priorities include $35 million for deferred maintenance, also part of the state's larger deferred maintenance package. It includes $25 million to help UC Berkeley address its budget deficit. The budget conditions these funds on the campus submitting a plan by December 1, 2018 to eliminate its

Figure 11

University of California General Fund Changes

(In Millions)

2017-18 Revised Spending	**$3,549.4**
Ongoing	
Unrestricted increase (3 percent)	$92.1
Replace one-time Proposition 56 funds with General Fund	10.0
Resident undergraduate enrollment growth (2,000 students)[a]	5.0
Center for Global Conflict and Cooperation	1.0
Subtotal	($108.1)
One time	
General university needs[b]	$105.0
Primary and emergency care residency slots	40.0
Carryover reappropriated for original purposes	39.5
Deferred maintenance	35.0
UC Berkeley operating deficit	25.0
Psychiatry residency slots	15.0
Jordan's Syndrome research	12.0
Legal services for undocumented and immigrant students and employees	4.0
Valley fever research	3.0
UC Davis Aggie Square project planning	2.8
Equal employment opportunity activities[c]	2.0
Ralphe J. Bunche Center for African American Studies	1.8
Student hunger and basic needs[d]	1.5
Anti-bias training	1.2
Mosquito surveillance	0.5
Remove prior-year one-time funding	-181.9
Subtotal	($106.3)
Total	**$214.4**
2018-19 Enacted Spending	**$3,763.8**

[a] Another $15 million is redirected from within UC's budget, for total support of $20 million.
[b] The budget states legislative intent that the funds be used for enrollment growth and services and programs that improve student outcomes.
[c] Reflects third consecutive year of one-time funding.
[d] Reflects second consecutive year of one-time funding.

deficit. The remaining $14 million is spread across six other initiatives involving certain staff training activities and certain student services. In addition to these initiatives, the budget provides $150,000 General Fund one time to the Underground Scholars Initiative at UC Berkeley, with the funds passed through the Board of State and Community Corrections.

Authorizes UC to Undertake Nine Capital Outlay Projects. The 2018-19 state cost of these projects totals $301 million. Four of the projects (totaling $153 million in state funding) involve constructing new academic space and one entails constructing an addition to the Northern Regional Library Facility, located in Richmond. The other projects focus on correcting various seismic and life-safety deficiencies. All of projects UC originally proposed this year ended up being authorized by the state. A list of all these projects is on our EdBudget website. To finance the projects, UC will sell university bonds and pay the associated debt service using its state General Fund appropriation. UC estimates the annual debt service for these projects to be $22 million.

Adjusts Budgeting of UCOP. Prior to 2017-18, UC allocated all General Fund support directly to the campuses. To fund UCOP's core operations and programs, the central office assessed each campus a charge. In an effort to improve transparency and oversight over UCOP's budget, the state in 2017-18 changed this arrangement. Specifically, the state budget itemized $349 million of UC's General Fund appropriation for UCOP and directed UC to eliminate the campus charges. Of this amount, $296 million was designated for UCOP's operations and $52 million for the UCPath project. UCPath is a payroll and human resource service center ultimately intended to be used by all UC campuses. The 2018-19 budget makes the following three adjustments to these line items:

- ***Reduces UCOP Budget.*** The budget designates $288 million for UCOP operations, an $8.6 million (2.9 percent) reduction from the 2017-18 level. The budget redirects this $8.6 million to support enrollment growth in 2018-19, as part of the $20 million funding arrangement described earlier. Of the $8.6 million, $6 million comes from UCOP's administrative budget, $2 million comes from various initiatives established by the UC President, and $551,000 comes from three other small programs eliminated from UCOP's budget.
- ***Specifies Amount Used for Agriculture and Natural Resources (ANR) Division.*** The ANR Division oversees several agricultural research and outreach programs in partnership with federal and local agencies. Within the $288 million provided for UCOP's operations, the budget designates $73 million for this division. The earmarked amount reflects the same level of support as provided to the ANR Division in 2017-18. The earmarking is intended to lend greater transparency to UCOP's budget.
- ***Augments Funding for UCPath With Campus Charges.*** The budget continues to designate $52 million General Fund for the UCPath project but authorizes UC to assess up to $15 million in campus charges to support the project. UC indicates that the augmentation from the campus charges would fund the first year of a two-year plan to deploy the UCPath center at all campuses.

Office of Planning and Research

Provides $10 Million Ongoing General Fund for New Online Learning Lab. The purpose of the new California Education Learning Laboratory is to expand lower-division online and hybrid courses at the state's three public higher education segments. (This is a separate program from the online initiatives the state already funds at the three segments.) At least for the first three years, the program will focus exclusively on STEM courses. After three years, the program is permitted to add online and hybrid courses in other disciplines. The program is to be administered by the Office of Planning and Research (OPR), which is charged with awarding competitive grants to intersegmental teams of faculty. Trailer language allows OPR, however, to contract with another entity, such as a nonprofit organization, to administer the program.

Provides $30 Million One Time General Fund for Precision Medicine. The amount represents the fourth year of funding for research on precision medicine, which aims to improve health care through better use of advanced computing, technology, and data. Funds in previous years generally have supported projects researching new technologies and data tools to monitor and diagnose certain health issues. In addition, a portion of past funding has been used to develop a database of precision medicine research activities in the state and available government and private fund sources to support research projects. The administration indicates that funds in 2018-19 would support similar projects.

Hastings College of the Law

$65 Million Total Funding for Hastings in 2018-19. Of this amount, $43 million (66 percent) is tuition and fee revenue, $20 million (31 percent) is state General Fund, and $1.7 million (3 percent) is other funding, such as investment income, that the college allocates for its education programs. (The General Fund amount does not include general obligation bond debt service on Hastings projects, which is estimated to be $795,000 in 2018-19.) After accounting for all changes, core funding increases $7.9 million (13.8 percent) over 2017-18.

General Fund Increases by $7.6 Million. Of this amount, $1.1 million is ongoing and $6.5 million is for three one-time initiatives. Virtually all of the school's ongoing increase is unrestricted, with Hastings indicating it likely will use this funding primarily for employee compensation increases. Of the one-time funds:

- $4.5 million is for a new diversity pipeline initiative.
- $1.5 million is for consultants and various activities intended to assist the school in aligning its administrative processes with the new UCPath system by 2019-20.
- $500,000 is for deferred maintenance projects at the law school, also part of the state's larger package of projects.

School Has $2 Million Operating Deficit in 2018-19. Though Hastings is receiving $65 million in core revenue, it plans to spend $67 million in 2018-19—reflecting a $2 million operating deficit. The school intends to cover the deficit by drawing down its reserves. The school projects it will end 2018-19 with general purpose reserves of $11 million—significantly lower than its reserve of $26 million at the end of 2015-16. The 2018-19 academic year represents the start of an internal, multiyear plan to eliminate Hastings operating deficit. The plan relies primarily on decreases in financial aid awards (beginning in 2018-19) and increases in tuition revenue (beginning in 2019-20). Under the budget plan, Hastings' operating deficit would be eliminated by 2021-22.

Student Financial Aid

$2.4 Billion Total Spending on Student Aid Commission-Run Financial Aid Programs in 2018-19. As Figure 12 shows, $1.3 billion (54 percent) is state General Fund, $1.1 billion (45 percent) is federal Temporary Assistance for Needy Families (TANF) funding, and $27 million (1 percent) is state special funds and reimbursements. Financial aid spending from these sources increases a net of $72 million (3.1 percent) from the revised 2017-18 level. Ongoing spending increases $70 million and one-time spending increases $5.5 million. These increases are offset by $3.5 million in reductions to state operations due to backing out prior-year one-time funding. Year over year, General Fund increases by $46 million, TANF funds increases by $23 million, and special funds and reimbursements increase by $4.2 million.

Covers Higher Cal Grant Costs. The budget increases Cal Grant funding by $66 million in 2018-19. Of this increase, $57 million is for changes in Cal Grant participation. Another $5.2 million is for expanded Cal Grant B eligibility for foster youth, as described below. The budget also assumes UC increases the Student Services Fee by 4.8 percent and provides $4.2 million to cover the higher associated Cal Grant costs. (Following budget enactment, the UC Board of Regents decided not to raise the fee for 2018-19.)

Expands Cal Grant B Eligibility for Foster Youth. The Cal Grant B provides $1,672 per recipient in aid for living expenses. It also provides tuition coverage at most institutions after the first year of study. Chapter 33 of 2018 (AB 1809, Committee on Budget) makes three Cal Grant B changes for foster youth students. It (1) entitles foster youth to receive a Cal Grant B until they are 26 years of age regardless of when they graduated from high school, (2) increases the amount of time foster youth recipients can renew their grants from four years to eight years of full-time study, and (3) extends the deadline to apply for a Cal Grant B from March 2 to September 2 for foster youth attending CCC.

Also Expands Chafee Eligibility for Foster Youth. The Chafee program provides foster youth up to $5,000 in aid generally for living expenses. The program is funded from a mix of state and federal funds. Both state and federal funds flow from the Department of Social Services to the California Student Aid Commission (CSAC) through an interagency agreement. Chapter 33 also expands the eligible age a foster youth can receive a Chafee grant to 26 years old. The budget provides the Department of Social Services $4 million General Fund for covering the associated cost. Although the Chafee program is not an entitlement program, staff at CSAC indicate that the intent of the augmentation is to cover all eligible foster youth.

Maintains Cal Grant Award Amount for Nonprofit Schools, With Conditions. The 2012-13 budget amended state law to lower the Cal Grant from $9,084 to $8,056 starting in 2014-15 for students attending nonprofit schools, as well as for students attending for-profit institutions accredited by the Western Association of Schools and Colleges (WASC). Subsequent budget actions have postponed the scheduled reduction. Chapter 33 repeals the scheduled reduction for the nonprofit sector but ties the $1,028 award differential to the sector admitting a specified number of students with an associate degree for transfer each year. If the sector fails to admit the specified number of students each year, the Cal Grant is to be reduced to $8,056 for students attending that sector. In contrast to awards at the nonprofit sector, the budget

Figure 12

California Student Aid Commission

(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Enacted	Change From 2017-18	
				Amount	Percent
Spending					
Local assistance					
Cal Grants	$1,947	$2,172	$2,238	$66	3.1%
Middle Class Scholarships	71	100	101	2	1.6
Chafee Foster Youth Program	13	14	19	4	29.9
Student Opportunity and Access Program	8	8	8	—[a]	2.3
Assumption Program of Loans for Education	10	7	5	-2	-27.0
National Guard Education Assistance Awards	2	2	2	—	—
Other programs[b]	1	4	1	-3	-80.1
Subtotals	($2,053)	($2,307)	($2,374)	($67)	(2.9%)
State operations	$16	$16	$21	$5	31.2%
Totals	**$2,069**	**$2,323**	**$2,395**	**$72**	**3.1%**
Funding					
General Fund	$1,122	$1,256	$1,302	$46	3.6%
Federal TANF	926	1,043	1,066	23	2.2
Other federal funds and reimbursements	17	18	22	4	23.3
College Access Tax Credit Fund	4	6	6	—[a]	1.5

[a] Less than $500,000.

[b] Includes Cash for College, Child Development Teacher/Supervisor Grants, Graduate Assumption Program of Loans for Education, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, and State Nursing Assumption Program of Loans for Education For Nursing Faculty.

TANF = Temporary Assistance for Needy Families.

implements the scheduled reduction for students attending WASC-accredited for-profit schools, thereby lowering the award for these students to $8,056.

Covers Slightly Higher Costs for Middle Class Scholarships. The state first funded the Middle Class Scholarship program in 2014-15. The program covers a portion of systemwide tuition and fees for students who do not qualify for Cal Grants but have household incomes and assets each under $171,000. State law specifies the amount of funding for the program each year, eventually capping total funding for the program at $117 million in 2019-20. Chapter 33 adjusts the statutory spending levels to reflect updated participation and cost data. Specifically, Chapter 33 authorizes $71.2 million for the program in 2016-17, $99.8 million in 2017-18, and $101.4 million in 2018-19. The slight increase in 2018-19 spending is due primarily to an increase in projected number of awards and the assumed increase to the UC Student Services Fee.

Increases CSAC State Operations Funding. The budget includes $5.5 million one time for CSAC to continue working on replacing its online grant delivery system. CSAC uses this system to process financial aid applications, make offers, and process payments. The project is in the fourth of the four review stages of the state's Project Approval Lifecycle. CSAC plans to select a vendor in 2018-19 to accomplish the first of two phases entailed in building the new system.

California State Library

Provides $63 Million in Total Funding for State Library. Of this amount, $42 million (66 percent) is state General Fund, $18 million (29 percent) is federal funds, and $3 million (4 percent) is special funds. Of state General Fund, $27 million is for assistance to local libraries and $15 million is for state operations and facilities. The budget includes $16 million in new General Fund spending—$14 million for local library assistance and $2 million for state operations. Of the $16 million, about one-quarter is for ongoing purposes, with three-quarters for one-time purposes. Our EdBudget website has a summary of all these augmentations.

HEALTH

Overview of Spending

The spending plan provides $25.4 billion General Fund for health programs. This is an increase of about $2.9 billion, or 13 percent, compared to the revised 2017-18 spending level, as shown in Figure 13. This year-over-year net increase is primarily due to significant growth in projected General Fund spending in Medi-Cal. To a significant degree, increased projected General Fund spending in Medi-Cal in 2018-19 reflects a shift in costs to the General Fund from other state and federal fund sources, rather than an overall increase in program costs. In addition, and as shown in Figure 14 (see page 36), year-over-year growth in health program spending reflects a number of policy actions adopted by the Legislature as part of the 2018-19 spending plan. We discuss these policy actions in greater detail below.

Department of Health Care Services (DHCS)—Medi-Cal

Overview. The spending plan provides $23 billion from the General Fund for Medi-Cal local assistance expenditures through DHCS. This is an increase of $2.6 billion (13 percent) compared to the revised estimates of 2017-18 spending levels. Revised 2017-18 spending is $830 million (4 percent) above the *2017-18 Budget Act* appropriation, reflecting various technical adjustments that both increase and decrease spending. Of note, spending in 2017-18 is higher by $680 million General Fund to backfill claims for federal Medi-Cal funding that the federal government now disputes. We provide more information on General Fund costs associated with these disputed claims below. Growth in Medi-Cal funding in 2018-19 over revised 2017-18 levels

Figure 13

Major Health Programs and Departments—Spending Trends

General Fund (Dollars in Millions)

	2017-18	2018-19	Change From 2017-18 to 2018-19	
			Amount	Percent
Medi-Cal—local assistance	$20,344	$22,965	$2,620	13%
Department of State Hospitals	1,541	1,733	192	12
DHCS—state administration	219	236	17	8
Other DHCS programs	217	207	-11	-5
Department of Public Health	149	174	25	17
Office of Statewide Health Planning and Development	33	93	60	180
Emergency Medical Services Authority	8	9	—	3
Health and Human Services Agency	4	10	6	157
Totals	**$22,519**	**$25,430**	**$2,910**	**13%**

DHCS = Department of Health Care Services.

primarily reflects (1) reductions in the amount of other state funds available to offset General Fund spending, including funding provided through Proposition 56 (2016); (2) various technical adjustments—largely one time in nature—as a result of reduced federal funding, requiring a General Fund backfill; and (3) regular growth in program costs. We discuss some of the major Medi-Cal components of the 2018-19 budget package below.

Proposition 56 Spending Package. Proposition 56, approved by voters in 2016, raised state taxes on tobacco products and dedicates the majority of its associated revenues to Medi-Cal. The spending plan allocates up to $1.26 billion in Proposition 56 revenues to be spent in Medi-Cal in 2018-19 on the following purposes:

- ***Up to $821 Million for Provider Payment Increases.*** On a one-time basis, the spending plan extends the 2017-18 provider payment increases into 2018-19 and provides for additional provider payment increases. Budget language directs DHCS to develop the structure for the new 2018-19 provider payment increases before October 2018 and authorizes DHCS to make 2018-19 payments available while federal approval of federal funding for the payments is pending (provided that any payments not approved by the federal government can be recouped from providers). Figure 15 (see page 37) summarizes the Proposition 56-funded provider payment increases included in the spending plan.
- ***$220 Million to Establish the Proposition 56 Medi-Cal Physicians and Dentists Loan Repayment Program.*** On a one-time basis, the spending plan allocates $220 million in unspent 2017-18 Proposition 56 funding for Medi-Cal to establish a loan repayment program for physicians and dentists who participate in Medi-Cal. We provide additional detail on this program in the "Health Care Workforce" section of this report.
- ***$218 Million to Offset General Fund Spending on Medi-Cal Cost Growth.*** The spending plan dedicates $218 million in Proposition 56 revenue to offset General Fund spending in Medi-Cal. This represents a decrease from the $711 million in Proposition 56 revenue that offset General Fund spending in Medi-Cal in 2017-18. The reduced Proposition 56 General Fund offset accounts for nearly $500 million of the year-over-year $2.6 billion increase in General Fund Medi-Cal spending between 2017-18 and 2018-19.

Repayment of Federal Funds Received for Potentially Disallowed Claims. The spending plan includes $754 million General Fund in 2017-18 and $675 million General Fund in 2018-19—a total of $1.4 billion over the two years—to replace a projected loss in federal funds related to an increased amount of claims the federal government now disputes. Until such disputes are resolved, the federal government requires the state to return previously claimed federal funds. To ensure Medi-Cal is fully funded, the state must backfill the lost federal funds with General Fund. The state will likely be able to eventually recover a significant portion of this funding (resulting in General Fund savings) by submitting required supporting documentation for the disputed claims, but the amount and timing for recovering funds is unknown.

Federal Reauthorization of Funding for the Children's Health Insurance Program (CHIP). The spending plan reflects $600 million less General Fund support for Medi-Cal in 2018-19 relative to the Governor's January budget as a result of

Figure 14

Major Actions—State Health Programs

2018-19 General Fund Effect (In Millions)

Program	Amount
Department of Health Care Services	
Uses Proposition 56 funding to offset General Fund spending on cost growth in Medi-Cal	-$217.7
Establishes homeless mentally ill outreach and treatment grant program (one time)	50.0
Provides COLA for county Medi-Cal administrative funding	28.3
Expands availability of Hepatitis C prescription drug treatments in Medi-Cal	21.8
Removes treatment limits in Breast and Cervical Cancer Treatment Program	8.4
Provides funding for Health Information Exchanges (one time)	5.0
Provide funding for additional data collection on children and LTSS in the CHIS (one time)	3.8
Creates Whole Genome Sequencing Pilot Project (one time)	2.0
Extends pediatric mobile optometry services pilot program funding for a half year (one time)	1.0
Office of Statewide Health Planning and Development	
Provides funding to establish all-payer health care cost and utilization database (one time)	$60.0
Department of Public Health	
Provides one-time funding for ALS wrap-around services	$9.0
Expands Black Infant Health Program	8.0
Provides one-time augmentations for HIV and STD prevention	7.0
Provides one-time funding for valley fever research, outreach, and awareness	5.0
Provides one time capital outlay for Richmond Laboratory upgrade	4.9
Increases funding for Alzheimer's Disease Program research grants	3.1
Provides one-time funding for diabetes prevention awareness	2.5
Provides funding to develop contaminant testing guidelines at public beaches (one time, decreasing amounts each year through 2022-23)	0.4
Backfills loss of federal funding for border health efforts	0.3
Department of State Hospitals	
Provides one-time funding to counties to establish IST diversion programs	$99.5
Expands IST patient treatment capacity	51.2
Activates additional beds at Coaling State Hospital	11.5
Provides funding to upgrade the Patton State Hospital's fire alarm system (one time)	9.4
Expands availability of Hepatitis C prescription drug treatments	3.3
Health and Human Services Agency	
Creates Council on Health Care Delivery Systems to develop reform options (one time)	$5.0
State Controller's Office	
Repays counties for outstanding state mandates related to children's mental health (one time)	$280.5

COLA = Cost-of-Living Adjustment; LTSS = Long-Term Services and Supports; CHIS = Children's Health Interview Survey; ALS = amyotrophic lateral sclerosis; and IST = Incompetent to Stand Trial.

the federal reauthorization of funding for CHIP. In January, the Governor's budget assumed federal funding for CHIP would be reauthorized at a 65 percent federal share of cost—a lower share of cost than the 88 percent federal share of cost the state had previously been receiving. (A lower federal share of cost corresponds to higher General Fund costs for CHIP.) The February 2018 federal reauthorization of CHIP funding temporarily maintains the federal share of cost at 88 percent through state fiscal year 2018-19, reducing projected state spending compared to the Governor's proposed January budget. For more information on the impact of the federal reauthorization of CHIP on state Medi-Cal spending, please see our Budget and Policy Post: *Recent Congressional Action on the Children's Health Insurance Program (CHIP).*

Figure 15

Use of Proposition 56 Funding in Medi-Cal

(In Millions)

	2017-18	2018-19
Provider Payment Increases:		
Physician services	$111	$500[a]
Dental services	86	210[a]
Women's health[b]	43	49
Intermediate Care Facilities for the Developmentally Disabled[b]	10	12
AIDS Medi-Cal Waiver Program[b]	3	3
Home health services[b, c]	—	28
Pediatric day health care facilities[b, c]	—	7
Freestanding pediatric subacute care facilities	—	4
Program for All-Inclusive Care for the Elderly[d]	—	6[a]
Community-Based Adult Services programs[d]	—	2[a]
Subtotals	($253)	($821)
Medi-Cal Physicians and Dentists Loan Repayment Program	—	$220[e]
Offset to General Fund Spending in Medi-Cal	$711	$218
Totals	**$964**	**$1,259**

a The spending plan provides up to the listed dollar amounts.

b Payment increases are intended to be ongoing, though the funding source may differ in future years. All other funding items are intended to be reevaluated after 2018-19.

c Payment increases take the form of a rate increase as opposed to a supplemental payment or a direct allocation to qualifying providers.

d Payment increases take the form of a direct allocation to qualifying providers.

e $190 million is dedicated to physician loan repayment and $30 million is dedicated to dentist loan repayment.

Provides for a Cost-of-Living Adjustment (COLA) for County Administrative Funding. The budget includes $28 million General Fund ($56 million total funds) to provide a COLA to county funding for Medi-Cal eligibility determination activities. The budget also assumes the continuation of county administrative funding augmentations that began in 2013-14 and grew in subsequent years to reflect increased Medi-Cal caseloads following the implementation of the Patient Protection and Affordable Care Act.

Expands Availability of Hepatitis C Treatment. The spending plan provides $22 million in General Fund to expand the availability of potentially curative Hepatitis C prescription drugs to almost all Medi-Cal enrollees with the disease. Until 2018-19, only Medi-Cal enrollees with a relatively advanced stage of Hepatitis C, as well as enrollees with certain related conditions, generally qualified to receive the curative prescription drug treatments. A full course of these treatments costs tens of thousands of dollars, though the cost of the drug treatments has declined in recent years. As a part of the May budget proposal, the Governor proposed, and the Legislature approved, expanding the availability of these drug treatments across multiple state-funded health care programs, including Medi-Cal, Correctional Health Care Services, and the Department of State Hospitals. With the augmentation, DHCS will update its clinical guidelines for Medi-Cal to make the drug treatments available to all patients age 13 and above with Hepatitis C, except for those with life expectancy of less than 12 months.

Establishes San Mateo Dental Integration Pilot Program. Budget-related legislation grants DHCS the authority to establish a dental integration pilot program in San Mateo County no sooner than July 2019, provided the Legislature appropriates funding at a future time. Currently, Denti-Cal—Medi-Cal's dental program—is provided on a fee-for-service basis in San Mateo as well as throughout most of the state. Under the pilot program, the Health Plan of San Mateo would become responsible for the delivery and financing of Denti-Cal services. This pilot program would represent the first time a Medi-Cal managed care plan that oversees the broader physical health of Medi-Cal enrollees is made responsible for its members' dental care.

Removes Limits on Treatment Length in the Breast and Cervical Cancer Treatment Program (BCCTP). The BCCTP provides breast and cervical cancer treatment for individuals with incomes below 200 percent of the federal poverty line who do not have alternative low-cost treatment coverage. For certain individuals in BCCTP that do not qualify for full-scope no-cost Medi-Cal coverage, prior law limited treatment to between 18 months (for breast cancer) and 24 months (for cervical cancer). Legislation adopted as part of the budget package eliminates these limits on treatment length. The budget provides $8.4 million from the General Fund in 2018-19 for this change.

Provides Funding for the Development of Health Information Exchanges (HIEs). The 2018-19 budget includes $5 million General Fund (one time) to expand the use of HIEs among safety net health care providers. HIEs serve as platforms for providers and health care plans to access and share their patients' and members' electronic health records. This state funding is expected to leverage $45 million in federal American Recovery and Reinvestment Act funds. The spending plan gives DHCS broad flexibility to determine how to administer this funding.

Establishes Whole Genome Sequencing Pilot Project. The 2018-19 spending plan provides $2 million General Fund to establish a Medi-Cal Whole Genome Sequencing Pilot Project. The funding will be allocated through a grant to a nonprofit organization in the state, yet to be determined, which will use the funding to investigate the potential value of using whole genome sequencing to help in the diagnosis and treatment of Medi-Cal patients, especially children with complex medical needs.

Provides Funding for Additional Data Collection Through California Health Interview Survey (CHIS). The budget includes $3.8 million General Fund ($7.5 million total funds) on a one-time basis to collect additional information through CHIS, a statewide health survey administered by the University of California (UC) Los Angeles. Specifically, the budget includes $3 million General Fund ($6 million total funds) to add questions to CHIS related to the demand for long-term services and supports among seniors and persons with disabilities in the state. The remaining $750,000 General Fund ($1.5 million total funds) augmentation is to test new ways of collecting health information from children and youth.

Extends Pediatric Mobile Optometry Services Funding for a Half Year. The spending plan provides up to $1 million General Fund to extend state funding for a pilot program that provides mobile optometry services to school children in Los Angeles County. Under this program, optometry services, including vision examinations and the providing of eyeglasses, are provided onsite at schools. This funding will extend payments for these services for the period from July 1, 2018 to December 31, 2018, after which the program will sunset.

Health Care Workforce

The spending plan provides significant one-time funding to expand the state's health care workforce and improve its geographic distribution across the state. Below, we describe the health care workforce augmentations in the 2018-19 spending plan.

Establishes the Proposition 56 Medi-Cal Physicians and Dentists Loan Repayment Program. As previously noted, the spending plan dedicates $220 million in one-time Proposition 56 Medi-Cal funding to establish a medical and dental school student loan repayment program for recent graduate physicians and dentists that participate in Medi-Cal. This funding, with $190 million to physicians and $30 million to dentists, will be available for expenditure through 2024-25. Budget legislation establishing the program directs DHCS to develop the criteria governing who can receive funding through the loan repayment program as well as the award amounts. The legislation directs

DHCS to prioritize ensuring timely access, limiting geographic shortages of services, and ensuring quality care in Medi-Cal in the design of the program.

Augments UC Graduate Medical Education (GME) Programs. The spending plan dedicates $55 million General Fund (one time) to UC for GME programs. Of this funding, $40 million will support residency programs for primary care, emergency, and potentially specialist physicians. The remaining $15 million is for the UC Riverside School of Medicine for psychiatric residency programs which currently incorporate telemedicine into their practice or plan do to so in the future. This $15 million in funding is available for expenditure until June 30, 2023.

Dedicates State Mental Health Services Act Funding to Mental Health Workforce Programs. The spending plan includes $11 million (one time) from the Mental Health Service Fund (MHSF) to expand the state's mental health workforce. Of this funding, $10 million will provide additional funding to the Office of Statewide Health Planning and Development (OSHPD) for the mental health Workforce Education and Training (WET) program. State funding for WET had largely been set to expire at the end of 2017-18. The remaining $1 million, also through OSHPD, will fund scholarships for primary care and emergency physicians participating in psychiatry fellowships at either the UC Davis Medical School or the UC Irvine Medical School.

Provides Funding to Increase the Number of Certified Nursing Assistants (CNAs). The spending plan provides $2 million from the General Fund (about $5 million in total funds) in response to new staffing requirements at skilled nursing facilities (SNFs). Absent any action to increase the number of CNAs in the state, the administration estimated a shortfall of about 1,400 CNAs by July 1, 2018, when the new rules take effect.

Health Care Coverage and Affordability

Through the development of the 2018-19 budget package, the Legislature considered a variety of proposals to expand health care coverage and improve the affordability of coverage. The 2018-19 budget package includes the following actions related to these issues:

- ***Establishes an All-Payer Health Care Cost and Utilization Database.*** The budget provides $60 million General Fund on a one-time basis to OSHPD to establish a database that would collect information on public and private health care costs and utilization in the state. The database is intended to be used to increase the transparency of health care pricing and inform state policy decisions. Budget legislation directs the creation of a stakeholder committee to advise on the establishment and ongoing maintenance of the database, and outlines the intent of the Legislature that the database be completed by July 2023.
- ***Creates a Council on Health Care Delivery Systems.*** The spending plan provides $5 million in General Fund for the Health and Human Services Agency to establish a task force whose goal is to develop options for accomplishing universal health care coverage and reducing health care costs. The council will be composed of appointees of the Governor, Senate, and Assembly, and will submit a report to the Legislature on available options by October 1, 2021.
- ***Directs California Health Benefit Exchange to Produce a Report on Improving Individual Market Affordability.*** Budget legislation directs the state's health benefits exchange, known as Covered California, to develop options for providing additional financial assistance to low- and middle-income residents to promote access to health insurance coverage. The legislation requires Covered California to report to the Legislature, Governor, and Council on Health Care Delivery Systems, regarding these options no later than February 2019.

Behavioral Health

Repays Counties for Outstanding State Mandates Related to Children's Mental Health Services. The spending plan includes $281 million from the General Fund to repay counties, with interest, for costs incurred for state mandates related to services for children with mental illness. Counties incurred these costs to implement AB 3632 mandates, which assigned responsibility for mental health services for special education students to county mental health agencies. The county mandates were repealed when Chapter 43 of 2011 (AB 114, Committee on Budget and Finance) transferred this responsibility to schools.

Establishes One-Time Homeless Mentally Ill Outreach and Treatment Grant Program. The spending plan provides $50 million on a one-time basis from the General Fund for DHCS to distribute grants to counties to fund multidisciplinary teams providing outreach, treatment, and related services for homeless persons with mental illness. Grant determinations will be made by DHCS in consultation with the Department of Finance (DOF) and the California State Association of Counties based on a county's number of homeless persons with mental illness and its overall population. Counties receiving grants are required to report the use of funds, services provided, and the number of individuals served to DHCS. The funds will be available through 2019-20 and are intended to provide bridge funding prior to the implementation of other programs targeted at homeless persons with mental illness, such as the No Place Like Home program.

Funds All Children Thrive Pilot Program. The spending plan provides $10 million one time, available over three years, for DPH from the MHSF for a three-year pilot program to study and report on childhood trauma and associated local interventions, with particular attention to racial equity and community involvement and resilience within high need cities and counties.

Provides Ongoing Funding for Suicide Hotlines. The spending plan includes $4.3 million in ongoing MHSF funding to allow the state's 11 crisis call centers that answer calls through the National Suicide Prevention Lifeline to maintain services that were originally funded with discretionary county MHSF funds. The ongoing funding resolves a recurring suicide hotline funding shortfall that in previous years was addressed with one-time MHSF state administrative funding.

Reduces Ongoing Funding for Mental Health Crisis Response Personnel Grants. In 2013-14, the Legislature established a grant program administered by the Mental Health Services Oversight and Accountability Commission (MHSOAC) that provides counties with funding to hire "triage" personnel to assist with mental health crisis response, stabilization, and treatment. The Legislature has appropriated $32 million in MHSF annually for the program since its inception. After several consecutive years in which funding for the program was not fully expended, the spending plan reduces ongoing funding for this program to $20 million annually. To provide funding in 2018-19, the spending plan reappropriates $20 million in unspent funding for triage grants from 2017-18.

Expands Consumer Advocacy Contracts to Include Immigrant and Refugee Populations. The spending plan includes $670,000 ongoing MHSF funding for the MHSOAC to develop consumer advocacy contracts with non-profit organizations that do outreach, education and training, and advocacy related to mental health outcomes among immigrants and refugees. This augmentation doubles funding for MHSOAC advocacy, which currently has programs supporting organizations that work with various other targeted populations, including: children; veterans; and lesbian, gay, bisexual, transgender, and queer communities, among others. The augmentation is designed to address concerns about access to mental health care services by immigrant and refugee communities.

Department of Public Health (DPH)

The spending plan provides $3.21 billion from all fund sources for DPH programs, up 2 percent from $3.16 billion in 2017-18. Of the total, General Fund spending accounts for $175 million, an increase of 17 percent from $150 million in 2017-18. Most of the year-over-year increase in General Fund spending results from augmentations by the Legislature. As detailed below, some of the increases fund programs and services, while others support research and outreach. (In the "Other Provisions" section of this report, we describe augmentations related to cannabis regulation, including an increase of $10.6 million from the

Cannabis Control Fund for DPH's role in licensing and regulating cannabis manufacturers.)

Public Health Programs and Services. The spending plan provides about $25 million from the General Fund for the following programs:

- ***Amyotrophic Lateral Sclerosis (ALS) System of Care.*** $9 million one-time General Fund, available over three years, to support wrap-around services for individuals with ALS.
- ***Black Infant Health Program.*** $8 million ongoing General Fund to expand the Black Infant Health Program, which seeks to reduce black-white disparities in infant and maternal health, by providing funding to 15 counties to establish local grant programs. These programs will promote the development of Community Centers of Excellence in perinatal health and promote evidence-based or evidence-informed prenatal care, family planning, and fatherhood initiatives.
- ***HIV/AIDS and Sexually Transmitted Disease (STD) Services and Prevention.*** $5 million one-time General Fund augmentation for comprehensive HIV prevention services including pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP), and a $2 million one-time General Fund augmentation for STD prevention. (The spending plan also provides $2.7 million ongoing from the AIDS Drug Assistance Program [ADAP] Rebate Fund to expand DPH's Office of AIDS eligibility and enrollment activities and $2 million ongoing from the ADAP Rebate Fund to expand eligibility for PrEP and PEP.)
- ***Contaminant Testing Guidelines at Public Beaches.*** $354,000 in 2018-19 from the General Fund to finalize implementation of contaminant testing guidelines at public beaches. (The General Fund will also provide decreasing amounts for this purpose through 2022-23.) Funding will allow DPH to complete development of rapid testing protocols and finalize guidelines pursuant to Chapter 928 of 2014 (SB 1395, Block).
- ***Border Health Efforts.*** $300,000 ongoing General Fund to backfill the loss of federal funds for health-related efforts in border communities near Mexico.

Public Health Research and Outreach. The spending plan provides $10.6 million General Fund for public health-related research and outreach. (It also provides $10 million one time from the Mental Health Services Fund for the "All Children Thrive" pilot program to study local interventions to prevent and treat childhood trauma, as noted in the "Health" section of this report.) The funds will support:

- ***Valley Fever Research and Outreach***. $2 million one-time General Fund, available over two years, for education and outreach on valley fever and $3 million General Fund one time for valley fever research at Kern Medical Center in Bakersfield. (In addition, the spending plan includes $3 million one-time General Fund for valley fever research at the University of California.)
- ***Alzheimer's Disease Program Grant Awards.*** $3.1 million ongoing General Fund (and $104,000 one time from the California Alzheimer's Disease and Related Disorders Research Fund) to provide grants for Alzheimer's research.
- ***Diabetes Outreach Awareness Campaign.*** $2.5 million one-time General Fund, available over two years, to implement a diabetes prevention and treatment awareness campaign.

Capital Outlay at Richmond Lab. The spending plan provides $4.9 million from the General Fund for the Richmond Viral and Rickettsial Diseases Laboratory Bio-Safety Level 3 upgrade. Funding will allow DPH to complete working drawings and construction costs of the upgrade.

Proposition 56 Revenues. The spending plan provides $165.5 million from Proposition 56 tobacco tax revenues for three DPH programs, as specified by the language of Proposition 56:

- $129.5 million for the Tobacco Control Branch for its tobacco prevention efforts.
- $30 million for the state dental program.
- $6 million for tobacco law enforcement efforts, specifically DPH's Stop Tobacco Access to Kids Enforcement Program.

Special Fund Augmentations. In addition to the General Fund augmentations described above, the spending plan also provides $35.4 million in increased expenditure authority from special funds for DPH. Major augmentations include one-time funding for the licensing and regulation of cannabis manufacturers ($10.6 million) and a pilot project related to childhood trauma ($10 million).

Department of State Hospitals (DSH)

Under the budget plan, General Fund spending for DSH will be about $1.7 billion in 2018-19, an increase of $192 million, or 12 percent, from the revised 2017-18 level. The year-over-year net increase is largely due to the establishment of Incompetent to Stand Trial (IST) diversion programs and activation of additional treatment capacity, as discussed below.

IST Diversion Programs. The budget provides a one-time $99.5 million General Fund augmentation for DSH to contract with counties to establish IST diversion programs. The budget package includes legislation to authorize trial court judges to refer certain individuals who are likely to be found IST or have been found IST into treatment programs supported by these funds rather than referring them to a state hospital. If such individuals successfully complete these programs, judges could drop or reduce the charges against the individuals. In order to receive funding, counties must submit program plans to DSH and the Council on Criminal Justice and Behavioral Health for review and approval. Large counties are required to contribute 20 percent towards the cost of operating a diversion program, while small counties are required to contribute 10 percent.

Additional IST Treatment Capacity. The budget provides an $51.2 million General Fund augmentation to expand IST patient treatment capacity. This includes (1) $28.5 million (increasing to $72.6 million annually by 2021‑22) to activate and staff 236 beds at DSH-Metropolitan, (2) $13.1 million to establish a community-based IST treatment program in Los Angeles County, and (3) $9.6 million to establish additional county jail-based competency treatment program beds.

Other Adjustments. The budget also provides $11.5 million (General Fund) for the activation of 80 beds for mentally disordered offenders at DSH-Coalinga. In addition, the budget includes $9.4 million for the construction phase of a project to upgrade the DSH-Patton Fire alarm system and $3.3 million to treat additional patients with Hepatitis C.

HUMAN SERVICES

Overview of Spending

The 2018-19 spending plan provides nearly $14 billion from the General Fund for human services programs. This is an increase of $858 million, or 6.6 percent, compared to the revised prior-year spending level, as shown in Figure 16. This is primarily the result of higher spending in the Department of Developmental Services (DDS) and the In-Home Supportive Services (IHSS) program, largely reflecting new program augmentations in DDS and increasing caseloads, costs per consumer, and labor costs for both programs. Figure 17 (see page 44) shows the major policy changes adopted by the Legislature as part of the 2018-19 spending plan. These changes are discussed in more detail below.

CalWORKs

The spending plan provides a total of $5 billion (all funds) to support the California Work Opportunity and Responsibility to Kids (CalWORKs) program in 2018-19, an increase of $30 million (less than 1 percent) relative to estimated spending in 2017-18. The year-over-year increase primarily reflects the net effect of roughly $280 million in new programs (and augmentations to existing programs), which is offset by roughly $250 million in savings that result from declining caseloads. Within the total funding amount, the spending plan provides $373 million from the state General

Fund for CalWORKs in 2018-19, a decrease of $65 million (15 percent) relative to 2017-18. The decrease in General Fund support for the CalWORKs program results largely from the availability of additional county realignment funds that are dedicated to paying a portion of the cost of CalWORKs grants. Major changes in CalWORKs funding and policy included in the 2018-19 spending package are described below.

Monthly CalWORKs Grants Increased 10 Percent. The budget plan includes $90 million General Fund in 2018-19 to support a 10 percent across-the-board increase to CalWORKs maximum grant levels, beginning April 1, 2019. (The budgeted amount corresponds to one quarter of the full-year cost of the grant increase.) As displayed in Figure 18 (see page 45), the proposal will increase the maximum grant amount for a family of three with no other income by $71 per month, from $714 to $785. The administration anticipates that the full-year costs of this proposal will be about $360 million General Fund annually beginning in 2019-20. In addition to the 10 percent grant increase, the 2018-19 spending plan includes budget-related legislation with intent language to increase grant levels to achieve at least 50 percent of the federal poverty level for all CalWORKs families by 2021-22 (including those families with an adult member who is not eligible to receive assistance).

Future Cost-Of-Living Adjustments May Be Provided. The budget includes language that would adjust the CalWORKs grant based on annual changes to the cost of living, as measured by the California Necessities Index, beginning July 1, 2022. These adjustments would be subject to appropriation in future budget acts.

New Home Visiting Program. The spending plan includes $27 million federal Temporary Assistance for Needy Families (TANF) funds in 2018-19 to begin a new home visitation program within the CalWORKs program. The spending plan also sets aside an additional $131 million in TANF funding to support annual costs of the home visiting program in future years. Under the new program, CalWORKs families with a child under two years old will be eligible to receive regular visits from a nurse, parent educator, or early childhood specialist who works with the family to improve maternal health, parenting skills, and child cognitive development. Counties will prioritize limited home visiting funding to provide home visits for first-time parents under the age of 25. (Counties could also serve other families, but only insofar as funds are available.) Families could receive home visits for up to two years. As a condition of receiving program funding, county human services agencies that elect

Figure 16

Major Human Services Programs and Departments—Spending Trends

General Fund (Dollars in Millions)

	2017-18	2018-19	Change From 2017-18 to 2018-19	
			Amount	Percent
Department of Developmental Services	$4,152.7	$4,502.4	$349.7	8.4%
In-Home Supportive Services	3,443.7	3,812.6	369.0	10.7
SSI/SSP	2,840.0	2,792.8	-47.2	-1.7
County Administration/Automation	773.5	823.2	49.7	6.4
Child welfare services	500.1	512.9	12.8	2.6
CalWORKs	437.5	372.6	-64.9	-14.8
Department of Child Support Services	315.6	318.6	3.1	1.0
Department of Rehabilitation	64.6	64.6	—	0.1
Department of Aging	34.0	36.3	2.3	6.8
All other social services (including state support)	525.6	709.6	184.0	35.0
Totals	**$13,087.2**	**$13,945.6**	**$858.4**	**6.6%**

to participate in the program will be required to submit plans to the Department of Social Services (DSS) that detail how they intend to operate the county home visiting program. Participating families would be eligible to receive a one-time stipend to purchase household items related to child safety.

Figure 17

Major Actions—Human Services Programs

2018-19 General Fund Effect (In Millions)

Program	Amount
CalWORKs	
Creates new Safety Net Reserve and makes initial deposit for the CalWORKs program	$200.0[a]
Increases monthly cash grants by 10 percent, beginning April 1, 2019	90.0
Provides three-year funding for new CalWORKs Home Visiting Initiative	158.0
Augments existing housing and homelessness programs within CalWORKs	31.6
Provides one-time funding for county "single allocation" funding for employment services	23.5
In-Home Supportive Services (IHSS)	
Augments funding on a one-time basis for IHSS administrative costs	15.4
Provides temporary funding to support planning for the federally mandated electronic visit verification system	0.6[b]
SSI/SSP	
Provides one-time funding to eliminate the SSI cash-out policy and establish a hold harmless program	220.0
Child Welfare Services	
Provides additional resources for Continuum of Care Reform-related county administrative activities	11.1
Expands eligibility for Chafee higher education grants for former foster youth up to age 26	4.0
Funds one-time training and services to reduce foster youth interaction with law enforcement	4.0
Immigration	
Augments existing immigration services funding	10.0
Funds immigration legal aid services at California State University campuses	7.0[c]
Food Assistance	
Funds CalFresh fruits and vegetables pilot program	9.0
Provides one-time grant funds for food bank infrastructure	5.5
Funds one-time grants to food banks to operate diaper banks	10.0
Other Department of Social Services	
Provides one-time grant funds for services for Holocaust survivors	3.6
Provides one-time grant funds for youth citizenship and engagement programming	2.0
Provides one-time funding for Senior Home Safe program	15.0
Department of Child Support	
Augments existing funds for local child support agencies	3.0
Department of Aging	
Augments existing long-term care ombudsman funding	2.3
Developmental Services	
Delays enforcement of "Uniform Holiday Schedule" by one year	29.3
Augments funding on a one-time basis for consumer transitions from DCs to the community	26.0
Provides one-time "bridge funding" for service providers' direct services staff	25.0
Increases rates for certain health-related service providers to match Medi-Cal rates	17.7
Funds deferred maintenance projects at Porterville DC	10.0[d]
Provides augmentations for various DDS headquarters activities	3.7
Provides one-time funding for Best Buddies Program	1.5

[a] This funding is in a reserve and is therefore not reflected in the 2018-19 budget for CalWORKs.

[b] Reflects total General Fund support provided to the Department of Social Services, Department of Developmental Services, Office of Systems Integration, and Department of Health Care Services to support planning for the federally mandated electronic visit verification system.

[c] Additional campus legal aid services funding provided as part of the University of California and the community colleges budgets.

[d] Funding for deferred maintenance is budgeted through Control Section 6.10.

DC = Developmental Center and SSI/SSP= Supplemental Security Income/State Supplementary Payment.

New Safety Net Reserve With $200 Million Initial Deposit. The budget creates the Safety Net Reserve, which aims to set aside funds for the future expenditures of two programs: CalWORKs and Medi-Cal. (These are programs that, during a recession, typically have increased expenditures as caseload increases.) The 2018-19 budget plan deposits an initial $200 million in the CalWORKs subaccount and directs the Department of Finance to develop a methodology to calculate caseload savings in these programs and deposit a portion of these savings into the reserve in future years.

Figure 18

Maximum Monthly CalWORKs Grant

Family of Three in a High-Cost County With No Other Income

	Without Grant Increase	With Grant Increase[a]	Amount	Percent
Grant	**$714**	**$785**	**$71**	**10%**
Grant as a percent of FPL[b]	40%	44%		

[a] Budget legislation provides a 10 percent grant increase effective April 1, 2019.
[b] Anticipated 2019 federal poverty level (FPL) based on LAO estimate.

Updated Budget Methodology Results in Additional Funding for County Operations. Recent caseload-driven reductions to county funding for CalWORKs administration and services—referred to as the "single allocation"—raised concerns that additional reductions for administration and services might lead counties to eliminate staff positions, reassign staff, or reduce some services. In light of these concerns, the 2017-18 budget package required the administration to revisit the single allocation budget methodology. The spending plan is based on this new methodology to calculate the *eligibility and administration* component of the single allocation. (The administration plans to update the *employment services* component in the coming year.) The updated *eligibility and administration* component, which was proposed as part of the May Revision, is $593 million—$55.6 million above what was proposed in the Governor's January budget.

The new methodology allocates to counties a base funding amount that does not change each year and a caseload funding amount that increases or decreases in years when the caseload increases or decreases by more than 5 percent. The base funding amount is set at 40 percent of average historical funding for the single allocation and will not change from one year to the next. Additionally, caseload funding cannot increase or decrease by a step of more than 5 percent each year, even if the caseload increases or decreases by more than 5 percent. Caseload funding will not change in years when the caseload is steady and does not increase or decrease by more than 5 percent. This new methodology is intended to have the effect of reducing year-over-year fluctuations in this component of the single allocation.

The spending plan also includes a one-time $23.5 million augmentation to the *employment services* component of the single allocation. This has the effect of maintaining funding for this component at the amount provided in 2017-18.

Expanded Funding to Support Programs for Homeless CalWORKs Families. The spending plan includes two actions related to assistance for homeless CalWORKs families. First, the spending plan augments existing funding for the Housing Support Program (HSP) by $24 million in 2018-19 and by an additional $24 million General Fund in 2019-20. Under the plan, overall funding for HSP will be $95 million General Fund in 2019-20 and thereafter. Through HSP, participating county human services agencies help CalWORKs families who are homeless or at-risk of becoming homeless find and move in to permanent housing. Currently, 49 counties participate in the program.

Second, the spending plan provides $7.6 million General Fund to increase the daily maximum voucher amount for the Homeless Assistance Program (HAP) payments from $65 to $85. The HAP provides daily housing payments to homeless (or at-risk of becoming homeless) CalWORKs families that are used to purchase nightly housing accommodations (for example, in a hotel). Temporary housing assistance is available for up to 16 consecutive days each year. Payments are intended to serve as temporary assistance for families as they search for permanent housing. The daily rate was last increased in 2006 (from $40 per day to $65 per day).

Fingerprinting Requirement Discontinued. As part of legislation associated with the *2017-18 Budget Act*, the administration discontinued the use of the Statewide Fingerprint Imaging System (SFIS) as a requirement for issuing CalWORKs benefits, effective July 1, 2018. Prior to the discontinuance of SFIS, in addition to the standard use of a photo ID to verify identity, adults applying for CalWORKs were required to have their fingerprints taken and matched against other applicants in order to prevent individuals from receiving duplicate cash aid. Going forward, the state will continue the existing process for verification, except without the use of fingerprint imaging. This means that adult applicants will continue the standard practice of providing a photo ID to initiate the application and eligibility determination process. The 2018-19 spending plan provides $2.4 million to decommission SFIS.

In-Home Supportive Services (IHSS)

The 2018-19 spending plan includes $3.8 billion General Fund for IHSS, a net increase of about $370 million (10.7 percent) over revised estimates of 2017-18 costs. The year-over-year net increase in estimated IHSS General Fund costs is primarily due to caseload growth and increased state minimum wage costs, which are partially offset by the scheduled decrease in General Fund assistance provided to counties. The major changes to the IHSS program include (1) a one-time funding increase for IHSS administrative costs and (2) funding to support the planning and implementation of an electronic verification system in IHSS and other Medicaid-funded programs.

IHSS Administrative Costs. The 2017-18 budget included language that required the administration, in consultation with counties, to update the budgeting assumptions used to estimate IHSS administrative costs. Although the administration proposed a new budgeting methodology as part of the January budget proposal, counties raised concerns that IHSS county staffing costs may not have been fully captured. The spending plan provides an additional $15.4 million General Fund on a one-time basis for IHSS administrative costs, totaling $268 million General Fund ($733 million total funds) for IHSS administration in 2018-19. We note that the administration will reexamine the revised budgeting methodology for IHSS administrative cost as a part of the 2020-21 budget process.

Electronic Visit Verification (EVV). Federal law enacted in 2016 initially required states to use an EVV system for Medicaid-funded personal care services by January 1, 2019 and home health care services by January 1, 2023. In July 2018, the federal government extended the implementation date for Medicaid-funded personal care services to January 1, 2020. Required functions of the EVV system include electronically collecting and verifying date of service, start and end time, and type of services provided—functions that the current systems in California are not fully equipped to do. Failure to comply with EVV will result in an escalating reduction of Medicaid federal funds for those services affected by EVV. While the administration is working with the federal government to request a "good faith effort" time extension (until January 1, 2021) to implement EVV in order to avoid the out-year penalties for failure to comply with the set deadlines, the 2018-19 spending plan provides resources for the planning and subsequent implementation of EVV across various departments.

Specifically, the 2018-19 spending plan provides $949,000 ($559,000 General Fund) to support planning for the EVV system across the Department of Social Services, Department of Health Care Services, Department of Developmental Services, and Office of Systems Integration. The spending plan also includes budget bill language that (1) authorizes the Department of Finance to increase DSS's state operations and local assistance resources by up to $1 million General Fund in 2018-19 to develop and implement an EVV solution, (2) temporarily exempts the administration from creating regulations for the implementation of EVV—allowing it to instead implement EVV through all-county letters in 2018-19, and (3) proposes general principles to which the administration shall adhere to when implementing EVV.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

The 2018-19 budget includes $2.8 billion General Fund for SSI/SSP, which is slightly—about 2 percent—lower than the revised estimates for 2017-18. The decrease is primarily due to the expiration of one-time funding for augmentations provided in prior years. We note that the 2018-19 SSI/SSP General Fund budget does not include $220 million in one-time General Fund provided to eliminate the SSI cash-out and create a hold harmless program for households negatively affected by the policy change. (These funds are mainly displayed in the state budget for food assistance programs and county administration and automation, and are available to be used over multiple years.) The 2018-19 spending plan includes budget-related legislation potentially providing future cost-of-living adjustments (COLAs) to SSP grant levels.

Ending The SSI Cash-Out Policy. The budget includes legislation that eliminates the SSI cash-out policy—effectively making SSI/SSP recipients eligible for CalFresh food benefits. The implementation date is scheduled to be June 1, 2019. We note that trailer bill legislation allows for a delayed implementation date (no later than August 1, 2019) if the necessary automation changes are not completed by June 1, 2019. The administration expects that the majority of affected households would benefit from ending the SSI cash-out. However, some households currently receiving federal food benefits are expected to experience a reduction in those benefits. As a result, the budget includes language that would establish a hold harmless program in the form of a state-funded food benefit program for these households.

As previously mentioned, the spending plan provides $220 million one-time General Fund (to be used over multiple years) for the necessary programmatic and automation changes to end the SSI cash-out and implement the hold harmless policy. The budget includes intent language focused on the continuation of the hold harmless policy once the initial funds are fully used. We note that roughly $3 million of the $220 million allocated to end the SSI cash-out will be used on an annual basis to increase Cash Assistance Program for Immigrants (CAPI) grant levels to SSI/SSP grants levels—an increase of $10 for individual CAPI grants and $20 dollars for couple CAPI grants—upon the elimination of the SSI cash-out (expected to be June 1, 2019).

Future COLAs May Be Provided. The 2018-19 budget includes language that would adjust the SSP portion of the grant based on annual changes to the cost of living, as measured by the California Necessities Index, beginning July 1, 2022. These COLAs to SSP grant levels would be subject to appropriation in future budget acts.

Department of Aging

The budget provides $36 million General Fund for the Department of Aging in 2018-19, an increase of $2.3 million (6.8 percent) above 2017-18. This increase represents an ongoing augmentation for the Long-Term Care Ombudsman program—from $1 million General Fund in 2017-18 to $3.7 million General Fund in 2018-19. These additional funds would increase the base funding levels for all local ombudsman programs from at least $35,000 to at least $100,000 per fiscal year.

Adult Protective Services Housing Program

State law requires that each county have an adult protective services (APS) program to investigate reports of abuse and neglect of elders and dependent adults who live in private settings. County APS offices typically coordinate services such as counseling, money management, and out-of-home placement for the abused or neglected adult. The state is responsible for program oversight for APS, including statewide training of APS workers to ensure consistency. In 2011, the main programmatic and fiscal responsibility for APS was realigned to counties. APS is funded through a combination of state, county, federal, and 2011 realignment funds.

Establishes Limited-Term State Matching Funds for County Senior Home Safe Program.

The spending plan provides $15 million General Fund in 2018-19 on a one-time basis—available to be spent over three years—to establish the Senior Home Safe Program. Under this pilot program, state funding will be awarded to counties or tribes to provide housing-related supports to seniors experiencing homelessness or at risk of homelessness primarily due to elder or dependent abuse, neglect, self-neglect, or financial exploitation. Participating counties and tribes are required to provide a dollar-for-dollar match to receive state funds. Budget-related legislation also requires an independent evaluation of the impacts of the program.

Child Welfare Services

Continues Funding for the Continuum of Care Reform (CCR). The 2018-19 spending plan provides $205 million in General Fund to continue the state's CCR efforts. Although this reflects a decrease of $44 million compared to revised spending in 2017-18, it is higher than prior projections of 2018-19 CCR spending. This higher funding level relative to previous projections, largely reflects lower projected CCR-related saving rather than policy changes that result in higher CCR costs. For example, the spending plan assumes slower movement of foster children out of group homes and into lower cost, home-based family settings than had previously been projected, which has the effect of increasing projected CCR spending.

New Policy Changes in CCR. The spending plan includes several major CCR-related policy changes, which we describe below:

- ***Ensures Funding at the Time of Placement for Emergency Foster Caregivers.*** Foster children can be placed with relative caregivers on an emergency basis before full foster caregiver approval is granted. (We note that children may also be placed on an emergency basis with unrelated adults with a close connection to the child.) When a child is placed on an emergency basis, the caregiver generally does not receive foster care assistance payments while the caregiver approval process is pending. CCR's new foster caregiver approval process, Resource Family Approval (RFA), has taken longer than expected and delayed when emergency caregivers begin to receive foster care assistance payments. In response, in March, the Legislature passed and the Governor signed Chapter 8 of 2018 (AB 110, Committee on Budget), which authorized funding for foster care assistance payments at the time of placement on a temporary basis in 2017-18. The spending plan includes a long-term solution that provides funding for foster care payments at the time of placement on an ongoing basis starting in 2018-19. The state will primarily utilize federal Emergency Assistance (EA) funding available through the Temporary Aid for Needy Families block grant to pay for these temporary payments. EA funding for these payments will generally expire after whichever comes first: (1) the foster caregiver completes the RFA process and begins receiving standard foster care assistance payments or (2) after six months in 2018-19 and three months in 2019-20 and beyond. In general, for emergency caregivers whose RFA remains pending after the specified time periods have lapsed, counties will be able, but not required, to use county funding for temporary foster care assistance payments until RFA is completed. The shorter time period in which funding is available after 2018-19 reflects the state's expectation that counties eventually will be able to reduce the time it takes to complete the RFA process.
- ***Provides Additional Funding for County Administration.*** For 2018-19, the spending plan provides $123 million in General Fund for county administrative activities related to CCR. Of the total, $11 million reflects an augmentation over the Governor's May budget proposal, which will assist counties in (1) clearing an accumulated backlog of RFA applications that remain unapproved and (2) carrying out the new level-of-care assessment tool that will be used under CCR to determine foster care payment levels. The funding for the assessment tool will

be ongoing, while the funding for the RFA backlog is expected to be one time.

- ***Extends Group Homes as an Allowable Placement Option Beyond 2018.*** Under existing state law, group homes would no longer be an allowable foster care placement option after December 31, 2018 for most foster children. Instead, foster children could either be placed in a short-term residential treatment program (the new congregate care placement option under CCR) or in a home-based family setting. The spending plan temporarily extends group homes as an allowable placement option for foster children beyond December 31, 2018 for up to one year.

Expands Eligibility for Chafee Higher Education Grants. The Chafee Education and Training Vouchers Program provides grants of up to $5,000 a year for individuals who (1) were in foster care at some point between the ages of 16 and 18, (2) are less than 22 years old as of July 1st of the award year, (3) have a financial need, and (4) are attending qualifying career and technical training or college. This federal- and state-funded program was established by federal law in 1999 and is administered in California by the Student Aid Commission through an interagency agreement with DSS. The program is intended to address the large disparity between foster youth higher education attainment rates compared with that of the general population. However, many former foster youth are unable to take full advantage of the program due to delayed college enrollment after high school or delayed training or degree program completion beyond the age cap. The spending plan provides the program with an ongoing $4 million augmentation from the General Fund to increase the maximum eligible age to receive Chafee Foster Youth Grants to 26 years old beginning in the 2018-19 award year.

Establishes Programs to Reduce Foster Youth Interaction With Law Enforcement. Currently, law enforcement officers are called in response to behavioral incidents involving foster youth residing in many congregate care settings. A concern is that some of these calls are for relatively minor incidents that may not have resulted in such an intervention for youth who were not in congregate care. The involvement of law enforcement in these situations exposes foster children to the criminal justice system, which can lead to adverse outcomes for the youth involved. The spending plan requires congregate care facilities to develop protocols specifying the circumstances under which law enforcement may be contacted in response to behavior exhibited by resident children. These protocols must state that contacting law enforcement can only be done as a last resort and only upon approval of a staff supervisor. In addition, the spending plan includes $4 million one time from the General Fund for DSS to provide training for congregate care staff, law enforcement, and county personnel in order to reduce the frequency of foster youth involvement with law enforcement. The funding will also support community-based services for foster youth in congregate care, including mentoring, educational enrichment, and self-awareness and health programming among others.

Immigration Assistance

As shown in Figure 19 (see next page), the budget plan includes a total of $31 million General Fund for new one-time grant programs that provide legal services for immigrants. These programs are in addition to ongoing funding of $48 million for existing immigration services, administered by DSS. This total amount—$79 million—is $11 million greater than the one-time and ongoing funding provided in 2017-18. Below, we describe the new one-time funding provided for immigration services as part of the 2018-19 spending plan.

Immigration Services Augmented on One-Time Basis. The Immigration Services Funding program within DSS provides grants to nonprofit legal aid organizations to provide various legal services. These services include (1) assisting individuals applying for naturalization, deferred action, and other immigration remedies; (2) conducting outreach and education in immigrant communities; and (3) providing legal defense for individuals subject to deportation proceedings. A total of $65 million General Fund was provided for these services ($45 million ongoing) as part of the

Figure 19

New One-Time Funding for Immigration Assistance and Legal Services[a]

2018-19 Budget Act, *General Fund (In Millions)*

Program	Description	Amount
Legal services for TPS recipients	Grants to nonprofit legal aid organizations to advise and represent current or former TPS holders.	$10
Legal services at CCC[b]	Administered by DSS, legal aid services for undocumented community college students and employees.	10
Legal services at CSU	Administered by DSS, legal aid services for undocumented community college students and employees.	7
Legal services at UC	Potentially administered by the UC law schools. Legal services for undocumented students and employees.	4
Total		**$31**

[a] New one-time funding is in addition to $48 million ongoing for immigration legal services at DSS.
[b] Counts towards state's Proposition 98 minimum education funding requirement.
TPS = Temporary Protected Status and DSS = Department of Social Services.

2017-18 budget. (An additional $3 million has been provided in recent years for legal representation of unaccompanied undocumented minors.) The spending plan includes a one-time augmentation of $10 million for immigration services specifically to be used to provide services to unaccompanied undocumented minors and for recipients of Temporary Protected Status (TPS). Under TPS, the federal government provides temporary refugee status to immigrants of certain countries that have experienced armed conflict, a natural disaster, or other extraordinary circumstances.

Immigration Services for College and University Students. The spending plan designates new, one-time funding of $21 million General Fund to provide immigration services for students, staff, and faculty at the state's higher education segments—the community colleges ($10 million), California State University (CSU) ($7 million), and the University of California (UC) ($4 million). The community colleges and CSU are to provide these services to students, staff, and faculty via an existing immigration services grant program at DSS. Specifically, DSS would use these monies to contract with several dozen nonprofit organizations that provide legal aid services under the state's existing Immigration Services Funding program. As discussed above, grant funds would be used to provide legal consultations and legal representation. Regarding the UC portion, at the time of budget enactment, the UC had not yet determined whether they would provide legal aid services through their law schools or if they would also provide these services via DSS' existing grant program.

Food Assistance

CalFresh Fruits and Vegetables Pilot Program. The spending plan provides $9 million General Fund to conduct a three-year pilot project in which CalFresh food assistance recipients will be eligible to receive one dollar in additional food benefits (that could be used for any CalFresh-eligible food item) for each one dollar purchase of California-grown fruits and vegetables. The pilot will be tested in at least three locations statewide. Additional food benefits generated from the purchase of fruits and vegetables would be automatically added to the individual's electronic benefit transfer card.

Food Bank Infrastructure Grants. The spending plan includes $5.5 million General Fund on a one-time basis for grants for community food banks to make infrastructure improvements, such as the purchase of refrigerated storage, vehicles used for food distribution, warehouse equipment, and technology systems used for inventory management.

Providing Diapers to Low-Income Families. The spending plan includes $10 million General Fund to provide one-time grants to four large food banks to operate a temporary program to supply low-income parents with diapers.

Department of Child Support Services

Funding for Child Support Services. The 2018-19 spending plan provides the Department of Child Support Services (DCSS) with $319 million General Fund, an increase of $3 million (1 percent) relative to revised estimates for 2017-18. This increase is due to a $3 million ongoing General Fund augmentation to local child support agencies. Budget language requires that DCSS work with the Child Support Directors Association of California (CSDA) to determine an allocation schedule for the augmentation. Counties that receive these additional funds are required to report annually on child-to-staff ratios, total collections, cost avoidance benefits, and number of families served. In addition, the 2018-19 spending plan includes budget-related legislation requiring DCSS, in collaboration with CSDA, to submit a report to the Legislature by July 1, 2019 on programwide operational efficiencies and proposed refinements to the current budgeting methodology for the child support program.

Department of Developmental Services (DDS)

The spending plan provides $4.5 billion from the General Fund ($7.4 billion total funds) to support DDS in 2018-19, an increase of 8 percent from $4.2 billion General Fund ($6.9 billion total funds) in 2017-18. The year-over-year increase is largely the result of caseload increases, changes in service utilization, and costs associated with scheduled increases to the state minimum wage. The spending plan also provides several policy augmentations that together comprise around $100 million in new General Fund spending.

Delays Enforcement of 14-Day Uniform Holiday Schedule. The spending plan provides $29.3 million from the General Fund ($48.3 million total funds) to delay enforcement of the 14-day "uniform holiday schedule" by one year. This policy—first enacted in 2009 as a recessionary budget solution—prohibits service providers from billing for services on 14 predetermined days each year. This means that providers either do not provide services on those days or absorb the cost of doing so—resulting in General Fund savings. The 14-day policy has not been enforced since 2015 due to litigation brought by service provider associations. Because a 2016 court ruling ultimately upheld the state's policy, the Governor proposed to start enforcing it again as of July 1, 2018. A legislative compromise was reached with the Governor, however, to delay enforcement for one year, meaning that for 2018-19, the state will not prescribe a set holiday schedule.

Augments Funding for Consumer Transitions From Developmental Centers (DCs) to the Community. DDS is in the process of completing the final phase of a decades-long transition from an institution-based system of service delivery to a more integrated community-based system. In December 2018, it will close Sonoma DC, which opened more than 125 years ago. The department will also close Fairview DC and the general treatment area of Porterville DC by December 2021, at the latest. The secure treatment program at Porterville DC will remain open indefinitely. Although the state is expected ultimately to save money by closing DCs and serving individuals in the community, it has incurred significant costs during the transition. These costs include (1) developing resources in the community to serve former DC residents, (2) creating a community-based safety net to replace DC-based safety net services, (3) covering the transition costs of moving residents into the community, (4) facilitating closure of DC facilities, (5) providing bonus incentives to retain DC staff who care for the remaining DC residents, and (6) offsetting the loss of federal funding at the DCs. The spending plan provides $26 million one-time General Fund ($30.6 million total funds) to support the transition costs of consumers expected to move from Sonoma, Fairview, and Porterville DCs in 2018-19. This is in addition to $43.9 million General Fund ($67.9 million total funds) in "base" community placement plan funding that has historically been provided each year.

Provides "Bridge Funding" for Service Providers. The spending plan provides $25 million from the General Fund ($40.2 million total funds), available over two years and conditional on receiving federal approval for matching funds, for the wages and benefits of service provider staff that provide direct services to consumers. The bridge funding is one-time as DDS and the Legislature await findings and recommendations from a three-year rate study scheduled to be completed by March 2019. It is meant to increase funding for service providers until any recommendations from the rate study can be implemented. Budget bill language gives DDS and the Department of Finance flexibility in how to implement and allocate funding.

Increases Rates for Certain Health-Related Service Providers. The spending plan provides $17.7 million from the General Fund ($30.1 million total funds) in 2018-19 to increase certain service provider rates to match rate increases in the Medi-Cal system. Of the total General Fund increase, $17.1 million is for home health providers, while $351,000 is for pediatric day health care providers and $202,000 is for providers at intermediate care facilities-developmentally disabled (ICF-DDs). Within the DDS system, certain rates are determined by the "schedule of maximum allowances," which are Medi-Cal-set rates. Because the rates for these three services were increased in the Medi-Cal system, the spending plan provides funding to increase the rates DDS pays for these services.

Provides Funding for Deferred Maintenance at Porterville DC. The spending plan includes one-time funding of $10 million from the General Fund, available over three years, for deferred maintenance projects at Porterville DC. Although the final selection of projects is yet to be made, DDS will focus on the areas of Porterville DC that serve the secure treatment program, since it will remain open indefinitely. (The $10 million for DDS is part of a one-time General Fund allocation of $305 million for deferred maintenance projects at 20 state departments. For more details on this allocation, please see the "Other Provisions" section of this report.)

Adds Language Related to Self-Determination Program (SDP). One of the more significant policy changes in DDS that will occur in 2018-19 is implementation of SDP. Chapter 683 of 2013 (SB 468, Emmerson) authorized SDP, with an initial three-year phase-in period, but made implementation contingent on approval of federal matching funds. The state just received federal approval on June 6 and the spending plan contains both budget and trailer bill language related to the rollout of SDP. Budget bill language allows DDS to shift up to $2.8 million General Fund from the Regional Center (RC) budget to DDS state operations for the administration of SDP. Trailer bill language specifies how some of the federal matching funds generated by SDP should be prioritized for participant training and person-centered planning.

SDP represents a fundamental shift in how consumers receive services and supports through the DDS system. It allows consumers and their families to decide which services and supports they need and prefer by allowing them to direct the process by which such decisions are made. Statute stipulates that SDP must cost the same or less for each participating consumer than what is currently spent through the traditional services/supports delivery system. RCs will still be involved in determining the total amount of money available to each consumer, ensuring that consumers work with an approved financial management service to manage their money, and ensuring that consumers are only authorized to purchase allowable services and supports (for example, services and supports that are eligible for federal matching funds). SDP will ultimately be offered to anyone in the DDS system, but it will first be phased in over three years with up to 2,500 consumers representing all 21 RCs.

HOMELESSNESS

Emergency Aid Block Grants for Homelessness. The budget includes a one-time allocation of $500 million for block grants to local governments to fund a variety of homelessness services—such as shelter services, rental assistance, outreach, and construction of affordable housing. $150 million of the grants is divided among the state's 11 most populous cities based on their homeless populations. The remainder is divided among Continuums of Care—local entities that administer housing assistance programs with a particular area, often covering a county or group of counties—roughly based on their homeless populations.

No Place Like Home. The budget package places the No Place Like Home (NPLH) program before the voters for their approval at the November 2018 election. In 2016, the Legislature created the NPLH program to construct and rehabilitate permanent supportive housing for those with mental illness who are homeless. The program authorizes the issuance of bonds backed by personal income tax revenues raised under the Mental Health Services Act (Proposition 63 of 2004). Before these bonds can be issued, the state must complete a validation process whereby the courts determine whether issuance of the bonds is legal. The validation action is pending. If NPLH is approved by voters, the state would be able to issue the bonds without going through the validation process.

Other Funding for Homelessness. The budget also includes a collection of homelessness-related funding augmentations for outreach, mental health services, and assistance targeted to CalWORKs families, seniors, youth, and victims of domestic violence. These augmentations total $109 million in 2018-19. More detail on these augmentations can be found in the "Health and Human Services" sections of this report.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

The budget package provides a total of $11.7 billion from various fund sources—the General Fund, bond funds, and various special funds—for programs administered by the California Natural Resources and Environmental Protection Agencies. This is a net decrease of about $3.5 billion (23 percent) compared to 2017-18 estimated expenditures. This reduction primarily is related to a $2.6 billion decrease in the amount of bond funds budgeted. (We note that estimated bond expenditures for 2017-18 are somewhat inflated because of how prior-year bond appropriations are reflected in budget documents, making year-over-year comparisons of bond spending difficult.) **Figures 20 and 21** (see next page) display total funding provided for major departments overseen by the natural resources and environmental protection agencies, respectively.

Cap-and-Trade Expenditures

State cap-and-trade auction revenue is deposited in the Greenhouse Gas Reduction Fund (GGRF). As shown in **Figure 22** (see page 55), the spending plan allocates $3.1 billion from the GGRF for various programs. This plan includes: (1) $1.5 billion in continuous appropriations, (2) $166 million in other existing spending commitments, and (3) $1.4 billion in discretionary spending. The plan assumes at least $2.6 billion in auction revenue in 2018-19, more than $400 million carried over from the end of 2017-18, and $50 million in interest income accrued to the fund. We discuss the major parts of this expenditure plan in more detail below.

Continuous Appropriations ($1.5 Billion). Under legislation passed in 2014, about 60 percent of annual auction revenue (less certain other existing spending commitments) is continuously appropriated to high-speed rail (25 percent), affordable housing and sustainable communities (20 percent), transit and intercity rail capital (10 percent), and low carbon transit operations (5 percent).

Other Existing Spending Commitments ($166 Million). The spending plan includes $166 million for spending commitments made in prior years. Similar to the current year, some of these allocations—specifically backfilling the State Responsibility Area (SRA) fee suspension ($28 million) and the expanded manufacturing sales

Figure 20

Natural Resources Budget Summary

(Dollars in Millions)

Expenditures	2016-17 Actual	2017-18 Estimated	2018-19 Budgeted	Change From 2017-18 Amount	Change From 2017-18 Percent
Totals	**$5,039**	**$8,767**	**$7,212**	**-$1,554**	**-18%**
By Department					
Forestry and Fire Protection	$1,305	$2,179	$1,844	-$335	-15%
Parks and Recreation	480	806	1,304	497	62
General obligation bond debt service	1,025	951	1,026	76	8
Water Resources	548	2,003	716	-1,287	-64
Energy Commission	396	683	533	-150	-22
Fish and Wildlife	431	520	524	4	1
Natural Resources Agency	312	333	293	-40	-12
Wildlife Conservation Board	94	496	196	-300	-60
Conservation Corps	94	109	157	48	44
Conservation	124	171	131	-40	-23
State Lands Commission	32	45	99	54	119
Other resources programs[a]	199	470	389	-81	-17
By Fund Source					
General Fund	$2,726	$3,512	$3,622	$110	3%
Special funds	1,271	2,145	1,777	-368	-17
Bond funds	885	2,740	1,521	-1,219	-44
Federal funds	157	369	293	-76	-21
By Purpose					
State operations	$4,174	$5,661	$4,913	-$747	-13%
Local assistance	556	2,146	1,734	-412	-19
Capital outlay	309	960	566	-394	-41

[a] Includes state conservancies, Coastal Commission, and other departments.

Figure 21

Environmental Protection Budget Summary

(Dollars in Millions)

Expenditures	2016-17 Actual	2017-18 Estimated	2018-19 Budgeted	Change From 2017-18 Amount	Change From 2017-18 Percent
Totals	**$3,714**	**$6,436**	**$4,544**	**-$1,893**	**-29%**
By Department					
Resources Recycling and Recovery	$1,500	$1,743	$1,568	-$175	-10%
Air Resources Board	700	1,705	1,386	-319	-19
Water Resources Control Board	1,137	2,578	1,137	-1,441	-56
Toxic Substances Control	247	263	303	40	15
Pesticide Regulation	94	104	105	1	1
Other departments[a]	37	44	44	1	2
By Fund Source					
General Fund	$96	$217	$130	-$88	-40%
Special funds	2,905	4,286	3,842	-443	-10
Bond funds	427	1,564	202	-1,362	-87
Federal funds	286	370	370	—	—
By Purpose					
State operations	$1,247	$1,753	$1,638	-$115	-7%
Local assistance	2,467	4,530	2,906	-1,624	-36
Capital outlay	—	154	—	-154	

[a] Includes the Environmental Protection Agency, Office of Environmental Health Hazard Assessment, and general obligation bond debt service.

Figure 22

2018-19 Cap-and-Trade Expenditure Plan

(In Millions)

Program	Department	Amount
Continuous Appropriations[a]		**$1,490**
High-speed rail	High-Speed Rail Authority	$621
Affordable housing and sustainable communities	Strategic Growth Council	497
Transit and intercity rail capital	Transportation Agency	248
Transit operations	Caltrans	124
Other Existing Spending Commitments		**$166**
Manufacturing sales tax exemption backfill	N/A	$89
State administrative costs	Various	49
SRA fee backfill	CalFire/Conservation Corps	28
Discretionary Spending		**$1,401**
Mobile Source Emissions		
Heavy duty vehicle and off-road equipment programs	Air Resources Board	$180
Clean Vehicle Rebate Project	Air Resources Board	175
Low-income light duty vehicles and school buses	Air Resources Board	100
Low-carbon fuel production	Energy Commission	13
Local Air Pollution Reduction		
Local air district programs to reduce air pollution	Air Resources Board	245
Local air district administrative costs	Air Resources Board	20
Technical assistance to community groups	Air Resources Board	10
Agriculture		
Agricultural diesel engine replacements	Air Resources Board	112
Methane reductions from dairies	Food and Agriculture	99
Incentives for food processors	Energy Commission	64
Healthy Soils	Food and Agriculture	5
Agricultural renewable energy	Energy Commission	4
Forestry		
Forest health and fire prevention	CalFire	160
Prescribed fire and fuel reduction	CalFire	30
Local fire response	Office of Emergency Services	25
Regional forest restoration projects	Natural Resources Agency	20
Urban forestry	CalFire	5
Other programs		
Transformative Climate Communities	Strategic Growth Council	40
Waste diversion	CalRecycle	25
Urban greening	Natural Resources Agency	20
Climate and energy research	Strategic Growth Council	18
Low-income weatherization	Community Services and Development	10
Energy Corps	Conservation Corps	6
Wetland restoration	Fish and Wildlife	5
Coastal adaptation	Various	5
Woodstove replacements	Air Resources Board	3
Technical assistance for disadvantaged communities	Strategic Growth Council	2
Total		**$3,056**

[a] Continuous appropriations based on revenue assumption of $2.6 billion in 2018-19.

CalTrans = California Department of Transportation; SRA = State Responsibility Area; CalFire = California Department of Forestry and Fire Protection; and CalRecyle = California Department of Resources Recycling and Recovery.

tax exemption ($89 million)—are "taken off the top" before determining continuous appropriations.

Discretionary Spending ($1.4 Billion). Revenue that is not continuously appropriated—sometimes referred to as discretionary revenue—is available to be allocated through the annual budget act or other legislation. The budget includes $1.4 billion in discretionary GGRF spending for various programs. Most of the programs received GGRF in prior years as well. Some of the notable changes to the allocations in 2018-19 include:

- ***Prescribed Fire and Regional Forestry.*** The spending plan provides $30 million for prescribed burning and fuel reduction in forests and $20 million for regional forest restoration projects. This funding is part of the administration's proposal to implement the Forest Carbon Plan. Up to $7 million of this funding may be allocated to the California Air Resources Board (CARB) for monitoring air pollutant emissions related to prescribed burning. (In addition, the spending plan continues cap-and-trade funding for forest health and fire prevention activities, funded at $160 million in 2018-19.)
- ***Local Air Districts.*** The spending plan includes $20 million for two years to pay for local air district costs of implementing Chapter 136 of 2017 (AB 617, C. Garcia). Local air district costs include purchasing and maintaining air monitoring equipment and developing community air protection plans. The budget also includes $30 million over two years from the Air Pollution Control Fund for these activities, providing a total of $50 million for these purposes.
- ***Low-Carbon Fuel Production.*** The spending plan provides $12.5 million to the California Energy Commission (CEC) for grants to low-carbon fuel production facilities. This allocation backfills a portion of the $23 million that was provided for this purpose in 2017-18 from the Alternative and Renewable Fuel Vehicle Technology Fund (ARFVTF). The budget plan redirects these ARFVTF dollars to pay for an expansion of zero-emission vehicles (ZEV) fueling infrastructure in 2018-19. (We discuss this change in the ZEV section below.)

Multiyear Commitments for Certain Programs. Most of the new spending is one time, but some programs would receive multiyear funding. These multiyear programs are: (1) $200 million annually over eight years to continue light-duty ZEV rebates, including $175 million for the Clean Vehicle Rebate Project and $25 million for incentives for light-duty vehicles for low-income consumers; (2) $30 million ongoing for prescribed fire and fuel reduction; (3) the two-year $20 million allocation for AB 617 implementation; and (4) $6 million ongoing to the California Conservation Corps for energy efficiency activities in the Energy Corps program. In addition, Chapter 626 of 2018 (SB 901, Dodd) directs $200 million annually from 2019-20 through 2023-24 to forest health, prescribed fire, and fuel reduction projects.

Strategy to Ensure Fund Solvency. The budget prohibits most departments and agencies from spending more than 75 percent of their GGRF allocations before the final quarterly auction of the fiscal year (scheduled for May 2019). Once the final auction is complete and the total amount of 2018-19 revenue is determined, the Department of Finance (DOF) will determine how much of the revenue is available to fund the discretionary programs specified in the expenditure plan. DOF must then notify the Joint Legislative Budget Committee of its determination within 30 days. This strategy is meant to ensure fund solvency if actual revenue is lower than $2.6 billion. Certain programs—most notably $200 million to CARB for light-duty ZEV rebates—are not be subject to the 75 percent restriction.

Proposition 68 Resources Bond

California voters approved Proposition 68 in June 2018. This measure authorizes the state to sell a total of $4.1 billion in general obligation bonds for resources-related purposes, including parks, habitat restoration, and water projects. The *2018-19 Budget Act* appropriates over one-quarter of the bond. Specifically, this includes $1.3 billion for 20 departments. **Figure 23** shows expenditures for each department and program proposed for Proposition 68 funding in 2018-19.

Environmental License Plate Fund

The Environmental License Plate Fund (ELPF) supports various resources and environmental protection programs. The fund is primarily supported from the sale and renewal of personalized motor vehicle license plates, as well as a portion of fees on the sale and renewal of certain specialty license plates. The Department of Motor Vehicles recently began offering "legacy license plates," which has increased revenues in recent years. The fund is estimated to receive $55 million in revenues in 2018-19. As displayed in Figure 24 (see next page), the budget includes several new ELPF expenditures. Most of this funding is provided on a one-time or limited-term basis.

Department of Fish and Wildlife (DFW)

The budget includes $524 million from various sources for DFW. This is roughly equivalent to the amount provided in 2017-18.

Funding Augmentations. The budget provides $39.1 million ($34.1 million General Fund and $5 million Tire Recycling Management Fund) in augmentations for DFW. Of this amount, $29.6 million is authorized for three years and $9.5 million is provided on a one-time basis. The new funding is provided for the following purposes:

- ***Address Operating Shortfall***—$19.6 million for three years to address an operating shortfall in the Fish and Game Preservation Fund and allow DFW to continue its existing activities.
- ***Expand Activities***—$10 million for three years (including $5 million from the Tire Recycling Management Fund) to expand DFW's current

Figure 23

2018-19 Funding From Proposition 68 Resources Bond

(In Millions)

Department	Primary Uses	Amount
Parks and Recreation	Local and state parks	$482.6
Water Resources Control Board	Groundwater cleanup and management, safe drinking water	177.3
Water Resources	Flood protection, groundwater recharge	160.8
Natural Resources Agency	Salton Sea, river and parkway recreation, green infrastructure	126.2
Wildlife Conservation Board	Habitat conservation	71.9
Coastal Conservancy	San Francisco Bay restoration, coastal forests	53.7
Sierra Nevada Conservancy	Watershed Improvement Program, habitat restoration	36.3
Santa Monica Mountains Conservancy	Habitat restoration, LA River restoration	34.0
Food and Agriculture	Water efficiency, healthy soils	31.0
Fish and Wildlife	River and wetland restoration	23.6
Ocean Protection Council	Marine wildlife, assisting coastal communities	20.3
Forestry and Fire Protection	Urban forestry	14.6
Conservation Corps	Parkway restoration, grants to local corps	9.8
San Gabriel Mountains and LA River Conservancy	LA River restoration	8.7
Tahoe Conservancy	Upper Truckee River and Marsh restoration	3.2
Conservation	Agricultural conservation	2.2
Baldwin Hills Conservancy	Habitat restoration	1.2
Sacramento-San Joaquin Delta Conservancy	Economic development	1.1
Coachella Valley Mountains Conservancy	Habitat restoration	0.2
San Diego River Conservancy	San Diego River restoration	0.1
Various	Statewide bond administration	1.4
Total		**$1,260.0**

LA = Los Angeles.

Figure 24

Major New ELPF Expenditures in the 2018-19 Budget

(In Millions)

Department	Purpose	Amount
CNRA	Ocean Resiliency Program to address threats of climate change on coastal and marine ecosystems	$15.0
TRPA/SWRCB	Backfill General Fund monies redirected to DFW	6.6
CalFire	Fireworks stewardship program for seized illegal fireworks	3.6
SLC	Boca Chica Lowlands Restoration Project	2.0
Delta Stewardship Council	Delta Science Program	2.0
General Services	Backfill Energy Resources Programs Account funding	1.9
Conservation	Watershed coordinator grants	1.8
Coastal Conservancy	Backfill bond funds for ongoing operations	1.0
CNRA	Establish project monitoring unit	0.7

ELPF = Environmental License Plate Fund; CNRA = California Natural Resources Agency; TRPA = Tahoe Regional Planning Agency; SWRCB = State Water Resources Control Board; DFW = Department of Fish and Wildlife; CalFire = California Department of Forestry and Fire Protection; SLC = State Lands Commission; and DWR = Department of Water Resources.

service levels and authority for 30 new positions.

- ***Expand California Waterfowl Habitat Program***—$5 million one time to expand this program—which provides grants to landowners for improving waterfowl habitat conditions on their private lands—to working agricultural rice fields.
- ***Launch California Biodiversity Initiative***—$2.5 million one time for a new effort to improve understanding of and preserve the state's biodiversity.
- ***Conduct Budget Review and Develop Tracking System***—$2 million one time for DFW to contract with an independent entity to conduct a service-based budget review and develop a new budget tracking system by January 2021. DFW can also use a portion of these funds to support associated staff work. The budget package includes budget trailer legislation (1) specifying the scope and interim deadlines for these activities and (2) authorizing DFW to accept private funds to help support the review and system.

California Energy Commission

The budget provides $533 million for CEC in 2018-19, a net decrease of $150 million (22 percent) compared to estimated prior-year expenditures. The net decrease largely reflects a technical issue related to unspent 2016-17 funds that were carried over into 2017-18. This decrease is partially offset by an increase in spending for ZEV fueling infrastructure, discussed below.

ZEV Fueling Infrastructure. The budget includes $134.5 million ARFVTF for ZEV fueling infrastructure, including $114.5 million for electric vehicle charging stations and $20 million for hydrogen fueling stations. These funds will be administered through the existing Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP). The $114.5 million for electric vehicle charging stations is $99 million more than the 2017-18 funding level. This increase reflects (1) a $43 million one-time allocation from the ARFVTF fund balance, (2) a $15 million one-time transfer from the Air Quality Improvement Fund, and (3) redirecting $41 million from other ARFVTP activities, such as grants for low-carbon fuel production facilities. (As discussed earlier in the cap-and-trade section of this report, $12.5 million GGRF is being used to backfill a portion of funding for low-carbon fuel production.) The administration intends to allocate all ARFVTP funding (about $95 million annually) to ZEV fueling infrastructure over the next several years.

Department of Water Resources

The budget includes $716 million for DWR, which represents a $1.3 billion decrease compared to the prior year. (These totals do not include the roughly $1.7 billion in annual payments from water contractors for DWR's work on the State Water Project, as those funds are not appropriated through the annual budget act.) This year-to-year decrease is primarily due to the way bond funds are accounted for in the annual budget. Specifically, DWR had $1.7 billion in 2017-18 spending authority from bond funds appropriated over the past several years, compared to the roughly $350 million appropriated in the *2018-19 Budget Act*.

Flood Management. The budget provides $195 million from the General Fund for flood management projects—primarily levee improvements—in the Central Valley. This funding falls into two categories:

- First, the budget includes $170 million one time for six specific urban levee improvement projects—identified in the budget act—that have already been authorized by the U.S. Army Corps of Engineers and funded by Congress. These monies would meet federal requirements for the state's share of funding those projects and be used in combination with local and federal funds.
- Second, the budget provides $25 million on an ongoing basis to perform regular maintenance and repairs on the levees for which the state holds special responsibility and liability. DWR will perform some of these activities and allocate some funding to local agencies that have contracted with DWR to maintain the state's levees. Additionally, from this ongoing amount, the budget sets aside $1.3 million in 2018-19 to study the feasibility of levying an assessment to support flood management activities within the Sacramento-San Joaquin Drainage District.

In addition to these funds, the budget includes $96.5 million for various flood management activities from Proposition 68 (as mentioned earlier) and $100 million from the General Fund to address deferred maintenance and repairs on levees in the Central Valley (described in the "Other Provisions" section of this report).

CalFire

The budget includes $1.8 billion from various fund sources to support the California Department of Forestry and Fire Protection (CalFire), a net decrease of $335 million, or 15 percent, from the estimated 2017-18 level. This decrease is primarily due additional one-time fire-fighting costs provided in 2017-18, particularly for the large fires that occurred in Sonoma and Napa Counties in October 2017 and in Ventura County in December 2017.

Helicopter Fleet Replacement. The budget includes $101 million from the General Fund in 2018-19 for the procurement of four new helicopters as part of CalFire's helicopter fleet replacement plan. Funding for procurement of the first helicopter was provided in the 2017-18 budget. Under the plan, all 12 of CalFire's helicopters would be replaced by 2020-21. The one-time cost of fleet replacement, including ancillary costs and capital outlay, is currently estimated at $315 million. The administration estimates ongoing support costs will grow to about $14 million annually for increased staffing and maintenance needs.

Fire Protection. The budget provides an increase of about $50 million from the General Fund to support CalFire's firefighting capabilities. This includes $11 million for increased staffing and vehicle maintenance, $9.4 million for additional dispatchers at Emergency Command Centers, $7.3 million for additional California Conservation Corps (CCC) fire crews, and $4 million to lengthen the season that McClellan Reload Air Base is staffed. (The budget also provides funding for a new firefighter training program for parolees at the Ventura Training Center, which is discussed in the "Judiciary and Criminal Justice" section of this report.)

California Conservation Corps

The budget includes a total of about $157 million ($90 million General Fund) for CCC, a net increase of about $48 million, or 44 percent, above estimated 2017-18 expenditures. This year-over-year change primarily reflects an increase of almost $36 million in General Fund spending for capital outlay projects. These projects mainly consist of $24 million for the planning and construction costs of a kitchen, multipurpose room, and dorm replacement at the Auburn residential center, as well as funding for the acquisition and planning phase to build new residential centers (as discussed below).

Expansion and Replacement of Residential Center Facilities. The budget includes $9 million from the General Fund for the acquisition and planning phases of new residential centers in Auberry ($4.3 million), Los Pinos ($1.4 million), and Greenwood ($3.2 million), as well as the study phase in Yountville ($200,000). This funding begins the implementation of a major expansion of residential centers over the next five years. The first two of these facilities will provide services in new locations. The center at Greenwood will replace an existing residential center that is no longer serviceable, and the new center at Yountville will replace an existing nonresidential center in Napa. The projects are estimated to cost a combined total of $163 million (General Fund and lease revenue bonds) to complete.

Department of Parks and Recreation (DPR)

The budget includes $1.3 billion from various fund sources to support DPR, a net increase of $497 million, or 62 percent, from the estimated 2017-18 level. This is primarily due to $483 in one-time Proposition 68 funding (discussed above).

Parks Funding Augmentation. The budget assumes that $79 million of fuel tax revenue will be transferred to the State Parks and Recreation Fund (SPRF) in 2018-19 as a result of Chapter 5 of 2017 (SB 1, Beall). This is an increase of $25 million from the amount transferred in 2017-18, which primarily reflects the full implementation of the fuel tax increases established in SB 1. Of the transferred amount, the budget provides (1) $26.6 million to address a historical budget shortfall in SPRF and $7.7 million to build up the fund's year-end reserve; (2) $3 million to continue support that was initiated in 2017–18 for recruitment and training, off-highway vehicle grants, and abandoned watercraft abatement grants; and (3) $41.9 million ongoing and 361 positions to expand service levels throughout the state park system. The department utilized its newly implemented accounting system—known as Service-Based Budgeting or SBB—to inform its proposed allocation of additional resources and positions across the state parks. The largest funding increases are for facilities and maintenance, natural resource management, and local engagement.

California Indian Heritage Center. The budget authorizes $200 million—$100 million from the General Fund and up to $100 million in donations—for the planning and construction of a California Indian Heritage Center in West Sacramento. The center is intended to replace the State Indian Museum at Sutter's Fort State Historic Park in Sacramento. The new center would be managed by the department in collaboration with tribal representatives. The final project is expected to include up to 120,000 square feet of building space, outdoor plazas and venues, and educational trails to the Sacramento River. It is expected to be completed by the end of 2022.

State Lands Commission (SLC)

The *budget provides* $99 million for SLC, which is more than double the current-year level of $45 million. The significant funding increase is to plug offshore oil and gas wells, as described below.

Abandoned Oil and Gas Wells. The budget provides $58 million in 2018-19 for SLC to plug and secure two offshore oil and gas sites near Santa Barbara. Specifically, the budget provides $38 million for Platform Holly and $20 million for Rincon Island as proposed by the administration. Under the administration's plan, $20 million would be provided for each site in 2019-20, and an additional $10.5 million for Rincon Island in 2020-21. SLC assumed control and responsibility for the facilities at these sites after the lessees declared fiscal insolvency and relinquished the leases they had held with the state. These wells and facilities are on state lands and will continue to pose risks to the environment and public health until they are fully plugged and secured. The ultimate cost to the state is likely to be less than the $109 million that the Legislature approved, however, as the state is in active negotiations for a prior lessee to pay some of the costs. Any funds that the state ultimately receives will reimburse the General Fund for these upfront appropriations. The Legislature also approved supplemental reporting language requiring SLC to submit a status update regarding funding, work, costs, and the terms of other offshore leases by January 10, 2019.

State Water Resources Control Board (SWRCB)

The budget includes a total of about $1.1 billion ($72 million General Fund) for SWRCB in 2018-19. This is a net reduction of $1.4 billion, or 56 percent, below 2017-18 expenditures. The decrease is due mainly to an almost $1.5 billion reduction in bond funding from Proposition 1 (2014).

Safe Drinking Water. As part of the January 10 budget package, the administration proposed budget trailer legislation to impose new charges on water system customers and certain agricultural entities. The revenues, in turn, would have been used to implement a financial assistance program to address unsafe drinking water. The Legislature did not adopt the Governor's proposal. However, the Legislature approved $20 million from the General Fund on a one-time basis for SWRCB, mainly to ensure safe drinking water in schools and provide emergency relief grants to households. (The budget also includes $3.5 million from the General Fund for the Office of Emergency Services to provide emergency water tanks.)

TRANSPORTATION

The spending plan provides $23.2 billion from all fund sources for transportation programs. As shown in Figure 25, this is a net increase of $4.7 billion, or 25 percent, when compared to the revised level of spending in 2017-18. This largely reflects increased spending resulting from the recent transportation funding package contained in Chapter 5 of 2017 (SB 1, Beall). The spending plan also includes other augmentations for the California Department of Transportation (Caltrans), the California Highway Patrol (CHP), and the Department of Motor Vehicles (DMV).

Senate Bill 1 Funding

Senate Bill 1 increased fuel taxes and vehicle charges to support existing and new transportation programs. It also repays monies loaned in the past to the General Fund from various transportation accounts. In total, the spending plan assumes SB 1 provides $4.6 billion in 2018-19—a $1.8 billion (62 percent) increase from the revised level of spending in 2017-18. (The main reason for the year-to-year increase is that the increased taxes and charges authorized by SB 1 were in effect for

Figure 25

Transportation Program Expenditures[a]

(Dollars in Millions)

Program/Department	2016-17	2017-18	2018-19	Change From 2017-18 Amount	Change From 2017-18 Percent
Department of Transportation	$9,151	$11,417	$14,218	$2,802	25%
California Highway Patrol	2,344	2,416	2,601	185	8
Shared revenues (local streets/roads)	1,277	1,882	2,587	705	37
Department of Motor Vehicles	1,059	1,124	1,184	60	5
High-Speed Rail Authority	733	305	1,177	872	286
State transit assistance	339	726	983	257	35
Other transportation programs[b]	334	649	428	-221	-34
Totals	**$15,238**	**$18,518**	**$23,179**	**$4,661**	**25%**

[a] Includes state General Fund, state special funds, state bond funds, federal funds, and reimbursements.
[b] Includes California State Transportation Agency, California Transportation Commission, and Board of Pilot Commissioners.

only part of 2017-18.) The $4.6 billion in spending includes:

- $1.6 billion for state highways.
- $1.2 billion for local streets and roads.
- $778 million for transit.
- $758 million for programs supporting multiple types of transportation.
- $170 million for other transportation programs (such as for active transportation).
- $105 million for state parks and agricultural programs (from the fuel tax revenues associated with off-highway vehicles).

The budget package also amends SB 1 to allow local governments to fund projects upfront and later reimburse themselves with funds they receive in future years through SB 1.

Caltrans

The budget plan for Caltrans includes total expenditures of $14.2 billion from all fund sources, an increase of $2.8 billion (or 25 percent) from the revised 2017-18 level of expenditures. The increase from 2017-18 to 2018-19 primarily reflects new funding provided from SB 1 for highway maintenance and rehabilitation. As discussed below, the budget also augments Caltrans' capital outlay support program, provides increases for Caltrans' compensation costs and various other purposes, and places a limit on Caltrans' indirect cost recovery charges for certain local governments.

Highway Maintenance and Rehabilitation. The budget increases highway maintenance spending from the Road Maintenance and Rehabilitation Account (RMRA) established by SB 1 from $421 million to $576 million—a $154 million increase. The increase consists of (1) $100 million for major maintenance contracts (specifically for bridges and culverts) and (2) $53.6 million to support 400 new positions. Of the new positions, 300 are to perform routine maintenance, while the remaining 100 are to oversee construction contracts for major maintenance. Additionally, the budget increases spending from the RMRA on highway rehabilitation projects included in the State Highway Operations and Protection Program (SHOPP) from $424 million to $994 million—a $570 million increase.

Capital Outlay Support. The budget increases spending from various funds on Caltrans' capital outlay support program to deliver new projects through the SHOPP and other programs from $1.9 billion to $2 billion—a $168 million increase. The increase consists of (1) $137 million for 785 state staff and overtime equivalent positions, (2) $22 million for 87 external consultant equivalent positions, (3) $3.3 million for project permits, (4) $2 million (one time) for construction arbitration costs, (5) $1.2 million (one time) for a Caltrans' facility needs study to be conducted by the Department of General Services, and (6) $1 million for training. Further, provisional language allows the Department of Finance (DOF) (after notification to the Joint Legislative Budget Committee [JLBC]) to increase or decrease spending for additional state staff or external consultants to meet project delivery needs. Under the language, DOF can increase spending by up to $36 million at any point in the fiscal year and can increase or decrease spending by up to $13.3 million on or after January 1, 2019.

Compensation Cost Adjustment. The budget provides a $58 million increase from the State Highway Account (SHA) to address what Caltrans characterizes as insufficient funding for its existing positions. The augmentation is spread across Caltrans' programs based on their historical compensation expenditures and position history, with most of the increase going to highway maintenance ($20.5 million) and administration ($16.1 million). Caltrans indicates that this augmentation will alleviate the need for new position requests for most of its programs over the next few years.

Indirect Cost Recovery Rate Limit for Self-Help Counties. When Caltrans performs work for a local government, it charges the local government for associated indirect costs, such as for accounting. The budget package includes trailer bill language to limit Caltrans to charging no more than 10 percent for administrative indirect cost recovery to self-help counties (counties with sales tax measures dedicated to transportation improvements) until July 1, 2021. The budget provides Caltrans with $10 million (SHA) to fully make up for the resulting decrease in its indirect cost recovery revenues.

California Highway Patrol

The budget provides $2.6 billion to fund CHP operations. This is an increase of $185 million, or 7.8 percent—mainly due to increases in funding for capital outlay projects—compared to the revised level of spending in 2017-18. Nearly all of this funding is from the Motor Vehicle Account (MVA), which derives the majority of its revenue from vehicle registration fees and driver license fees.

Field Office Replacement Projects. The budget includes a total of $169 million from the MVA to fund replacement CHP offices. This total includes (1) $3.7 million for the performance criteria phase in Santa Fe Springs and Baldwin Park; and (2) $165 million for the design-build phase in Quincy ($37 million), El Centro ($40 million), Hayward, ($48 million), and San Bernardino ($40 million). This funding is part of the administration's ongoing plan to replace deficient CHP area offices.

Radio Console Replacement Project. The budget provides $3.9 million from the MVA in 2018-19 to begin the replacement of the remaining antiquated dispatch consoles in all communication centers statewide over the next four years. The CHP estimates future expenditures from the MVA of $4.5 million in 2019-20, $4.9 million in 2020-21, and $509,000 in 2021-22 in order to complete the replacement project.

Vehicle Fleet Replacement. The budget includes an ongoing augmentation of $4.5 million from the MVA for the replacement of CHP vehicles that exceed the Department of General Services' recommended vehicle replacement mileage threshold of 100,000 miles. The CHP expects to replace a total of 1,105 vehicles in 2018-19.

Department of Motor Vehicles

The budget provides $1.2 billion for DMV operations, an increase of $60 million (or 5 percent) from the revised level of 2017-18 expenditures. Nearly all of this funding is from the MVA.

Driver License and Identification (ID) Card Processing. The 2018-19 budget includes $351 million for DMV to process driver licenses and ID cards. This is an increase of $21 million from the 2017-18 level due to workload related to the issuance of new driver licenses and ID cards that comply with federal standards—commonly referred to as "REAL IDs." The budget authorizes the Director of Finance to further augment the level of funding for driver license and ID card processing by $16.6 million to alleviate customer wait times at DMV field offices, following a 30-day notification to the JLBC. The Director of Finance is authorized to approve additional resources above $16.6 million to the extent DMV is able to justify the resources and provide an update on how the $16.6 million is to be used and its impact on wait times. (The Director of Finance has already authorized a total increase of $16.6 million and the Legislature has concurred with the request.)

Front-End Sustainability (FES) Project. In 2013, the DMV initiated the FES project to complete the upgrade of its vehicle registration and fee collection system, which currently depend on 45-year old technology. The budget package provides an increase of $15 million in 2018-19 to support the implementation of the FES project. The budget package also includes trailer legislation to increase by $1 per-transaction fee (from $3 to $4) charged to private entities (such as car dealerships) that utilize the system to collect vehicle registration fees on the department's behalf, in order to help offset the project's implementation costs. The FES project is expected to be completed in 2022-23 at a total cost of $89 million, with the above fee increase expiring in 2023.

Field Office Replacement and Renovation Projects. The budget includes $7.9 million in 2018-19 to continue the replacement and renovation of the Oxnard and Reedley DMV field offices, as well as to construct perimeter fencing at 13 existing field offices. The budget also includes $200,000 to begin advanced planning for two future renovation projects proposed for 2021-22.

Other Budget Augmentations. The budget also includes (1) $3.1 million for the replacement of IT equipment that has reached the end of its useful life and (2) $1.4 million to extend the state's clean air vehicle decal program as authorized by Chapter 630 of 2017 (AB 544, Bloom). This program permits certain low- and zero-emission vehicles to operate in the state's carpool lanes regardless of the vehicle's occupancy level.

JUDICIARY AND CRIMINAL JUSTICE

The 2018-19 budget provides $14.3 billion from the General Fund for judicial and criminal justice programs, including support for program operations and capital outlay projects, as shown in Figure 26. This is an increase of $616 million, or 4.5 percent, above the revised 2017-18 General Fund spending level.

Judicial Branch

The budget provides $3.8 billion for support of the judicial branch—an increase of $247 million (or 7 percent) from the revised 2017-18 level. This amount includes $1.9 billion from the General Fund and $499 million from the counties, with most of the remaining balance from fine, penalty, and court fee revenues. The General Fund amount is a net increase of $161 million, or 9 percent, from the revised 2017-18 amount. Funding for trial court operations is the single largest component of the judicial branch budget, accounting for around four-fifths of total spending.

Trial Court Operations. The budget includes various General Fund augmentations for trial court operations, including the following:

- ***General Purpose Funding ($122.8 Million).*** The budget includes $122.8 million in general purpose trial court operations funding. Of this amount, $75 million will be allocated by Judicial Council to trial courts based on its priorities. The remaining $47.8 million is to be allocated to trial courts with below average funding levels.
- ***Self-Help Services ($35.6 Million).*** The budget provides $19.1 million in limited-term funding for self-help centers and $16.5 million on a one-time basis to support county law libraries. The budget package also requires the Judicial Council to conduct a cost-benefit analysis of self-help services by November 2020. (We note that the budget package also makes ongoing a $10 million augmentation to the Equal Access Fund Program to provide legal services and assistance to indigent individuals in civil cases that was set to end after 2018-19.)
- ***Health Benefits and Retirement Costs ($24.9 Million).*** The budget provides $24.9 million for increased trial court health benefit and retirement costs.
- ***Fine and Fee Backfill ($9.3 Million).*** The budget provides $9.3 million to backfill a further decline in 2018-19 fine and fee revenue collected to support trial court operations, for a total General Fund backfill of $64.3 million in 2018-19.
- ***Language Access ($8 Million).*** The budget package provides $4 million to Judicial Council for trial court signage,

Figure 26

Judicial and Criminal Justice Budget Summary

General Fund (Dollars in Millions)

				Change From 2017-18	
	2016-17	2017-18	2018-19	Amount	Percent
Department of Corrections and Rehabilitation	$10,675	$11,603	$11,874	$271	2.3%
Judicial branch	1,702	1,748	1,909	161	9.2
Department of Justice	219	238	282	44	18.6
Board of State and Community Corrections	108	67	181	114	169.1
Other departments[a]	78	71	98	27	37.6
Totals, All Departments	**$12,782**	**$13,727**	**$14,344**	**$616**	**4.5%**

[a] Includes Office of the Inspector General, Commission on Judicial Performance, Victim Compensation Board, Commission on Peace Officer Standards and Training, State Public Defender, funds provided for trial court security, and debt service on general obligation bonds.

Detail may not total due to rounding.

court interpreter equipment, and other language-access-related activities at trial courts, as well as $4 million (one-time) to support trial court interpreter services.

- ***Online Traffic Pilot ($3.4 Million).*** The budget provides $3.4 million to Judicial Council to develop and test different activities related to the online adjudication of certain traffic infractions at a minimum of eight trial courts.

In addition, the budget includes a $48.2 million reduction in General Fund support for trial court operations in 2018-19 in order to reflect the availability of property tax revenue in accordance with Control Section 15.45 and Section 2578 of the Education Code. Such funds are remitted to the state by counties that collect more property tax than state law allows them to spend on education.

The budget also appropriates $15 million from the Trial Court Trust Fund on a one-time basis to support start-up costs associated with the implementation of the state's new pretrial process as required by Chapter 244 of 2018 (SB 10, Hertzberg). The budget specifies that the funds will be reimbursed by the General Fund in 2019-20.

Capital Outlay. The budget provides $1.3 billion for various trial court construction projects. This amount includes $32.2 million from the Immediate and Critical Needs Account (ICNA) for the pre-construction design activities for three projects. The budget also provides $1.3 billion in lease revenue bond authority for the construction of ten projects, as shown in Figure 27. The annual debt service on these bonds will be paid from the General Fund instead of ICNA. (ICNA receives revenue from certain court fee and fine increases to fund trial court facility projects.) The budget package also requires Judicial Council to reassess its trial court facility needs by December 31, 2019.

Figure 27

Lease Revenue Bonds Backed by General Fund Authorized for Court Construction

(In Millions)

County/Courthouse Project	Construction Cost
Glenn—renovation and addition to Willows Courthouse	$38.3
Imperial—New El Centro Courthouse	41.9
Riverside—New Indio Juvenile and Family Courthouse	45.3
Riverside—New Mid-County Civil Courthouse	75.8
Sacramento—New Sacramento County Courthouse	459.8
Shasta—New Redding Courthouse	138.8
Siskiyou—New Yreka Courthouse	59.2
Sonoma—New Santa Rosa Criminal Courthouse	160.7
Stanislaus—New Modesto Courthouse	237.2
Tuolumne—New Sonora Courthouse	57.7
Totals	**$1,314.8**

Corrections and Rehabilitation

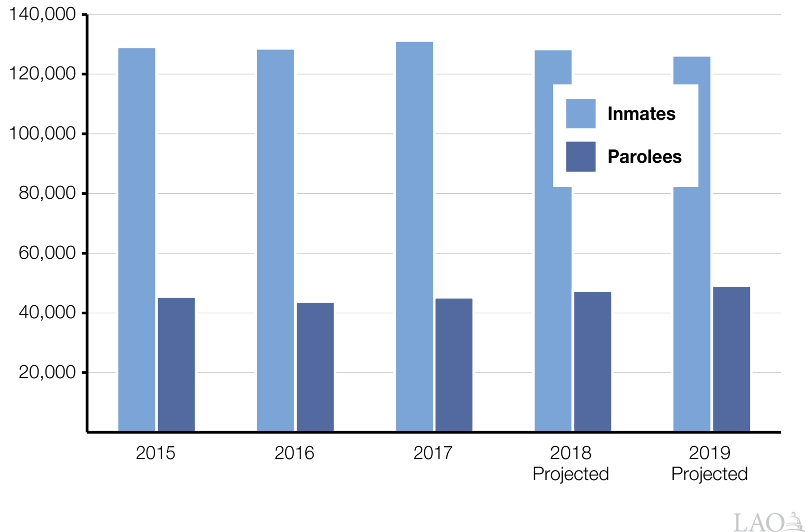
The budget act provides $11.9 billion from the General Fund for support of the California Department of Corrections and Rehabilitation (CDCR). This is a net increase of $271 million, or 2 percent, above the revised 2017-18 level of spending. This increase primarily reflects additional costs related to (1) Hepatitis C treatment for inmates, (2) the replacement of radio equipment in CDCR facilities and vehicles, and (3) prison roof replacements and mold remediation. This additional spending is partially offset by various spending reductions, including reduced spending for contract beds due to a decline in the inmate population.

Adult Correctional Population. Figure 28 (see next page) shows the recent and projected changes in the inmate and parolee populations. As shown in the figure, the prison population is projected to decline slightly from about 128,500 inmates at the end of 2017-18 to about 126,300 inmates by the end of 2018-19. The parole population is projected to increase slightly from about 47,500 to about 49,200 parolees by the end of 2018-19. These trends are primarily due to the estimated impact of Proposition 57 (2016), which made all nonviolent offenders eligible for release consideration, expanded CDCR's authority to award sentencing credits to inmates, and requires that judges decide

Figure 28

Adult Inmate and Parolee Populations Projected to Change Slightly

As of June 30 Each Year



in all cases whether juveniles should be tried in adult court.

Inmate Health Care. The budget includes $3.2 billion from the General Fund for inmate health care. This includes the following augmentations: (1) $105.8 million on a limited-term basis to increase the number of inmates with Hepatitis C that receive treatment, (2) $20.1 million to implement various strategies intended to improve how the department manages mental health beds, (3) $18.1 million on a limited-term basis to increase payments to contract psychiatrists who provide services when civil servants are unavailable, (4) $10.8 million to provide health care services in reentry facilities, and (5) $8.3 million for additional costs to implement the Electronic Health Record System.

Equipment and Roof Repairs. The budget includes various General Fund augmentations to purchase equipment and repair roofs. This includes $72.3 million to replace roofs as well as to address mold damage at various institutions. The budget also includes $32.9 million for CDCR to replace public safety radio system infrastructure used at several institutions and by the statewide inmate transportation unit. In addition, the budget includes $17.5 million to purchase vehicles that are primarily used to transport inmates to receive health care.

Rehabilitation Programs. The budget provides $16.8 million in additional support for rehabilitation programs. This includes (1) $8.3 million (General Fund) to increase the availability of career technical education programs and (2) $4 million (Inmate Welfare Fund) to support innovative programming grants on an ongoing basis. The budget also provides $2.1 million from the General Fund for CDCR to establish the Ventura Training Facility, which will provide firefighter training and certification for about 80 parolees. The budget also provides $2 million to the Department of Forestry and Fire Protection and $3.5 million to the California Conservation Corps to support the training center.

Division of Juvenile Justice (DJJ). Legislation approved as part of the budget package allows DJJ to house more juvenile and adult court youth in order to reduce the number of such youth housed in adult prison. For example, the legislation authorizes DJJ to operate a seven-year pilot program to house certain adult court youth who can serve their entire sentences in DJJ if they are able to complete them before turning age 25. The budget includes $2.1 million from the General Fund to support this new workload.

Other Budget Adjustments. The budget includes various other augmentations from the General Fund to support CDCR operations. These include (1) $16.5 million to pay for overtime worked by custody staff, (2) $13.5 million to reduce the inmate caseload for Correctional Counselors, (3) $12.9 million to expand training for employees, (4) $10.3 million to increase custody staffing primarily related to medical guarding and transportation, (5) $9.1 million to implement a two-year contraband interdiction pilot program, and (6) $8.2 million for additional costs to provide janitorial services at the Correctional Health Care Facility in Stockton.

Capital Outlay. The budget provides an additional $39.1 million from the General Fund to support various capital outlay projects in state prisons. Some of the most significant projects are to: (1) construct a kitchen at the California Correctional Center in Susanville ($19.7 million), (2) develop working drawings to construct mental health crisis bed facilities at two state prisons ($7.1 million), and (3) develop preliminary plans to construct additional medication distribution rooms at various state prisons ($3.3 million). The budget also provides $43 million in increased lease revenue bond authority to improve prison health care facilities.

Department of Justice (DOJ)

The budget provides $683 million for support of DOJ in 2018-19—an increase of $36 million, or 5.5 percent, from the revised 2017-18 level of spending. This amount includes $282 million from the General Fund—a net increase of $44 million, or 19 percent, from the revised 2017-18 level of spending. (This increase does not include employee compensation increases.)

Forensics Workload. The budget includes a total of $18.9 million in one-time General Fund support for various forensics-related workload. First, the budget provides $6 million to backfill an additional decline in criminal fine and fee revenue available to support DOJ's Bureau of Forensics Services (BFS) and $5.4 million to replace BFS laboratory equipment. Second, the budget provides $6.5 million to help counties and cities address the backlog of unprocessed sexual assault evidence and $1 million to inventory the total amount of unprocessed evidence in the state.

Other Budget Adjustments. The budget includes (1) $11.1 million (Ammunition and Safety Enforcement Special Fund) for the regulation of ammunition and firearms and (2) $10 million one time (General Fund) to implement a tier-based sex offender registry as required by Chapter 541 of 2017 (SB 384, Wiener and Anderson).

Other Criminal Justice Programs

Board of State and Community Corrections (BSCC). The budget includes various one-time General Fund augmentations for new grant programs to be administered by BSCC. This includes (1) $50 million for community-based organizations that provide housing services to formerly incarcerated individuals, (2) $37.3 million to provide services to youth in lieu of punishment such as jail (commonly referred to as "diversion programs"), and (3) $28.2 million to assist counties with a temporary increase in the population supervised by county probation departments due to the release of prison inmates as a result of Proposition 57.

Commission on Peace Officer Standards and Training (POST). The budget includes a one-time $25 million General Fund augmentation to POST for law enforcement training activities: (1) $15 million for use of force and de-escalation training, (2) $5 million for crisis mental health training, and (3) $5 million to provide competitive grants for innovative trainings or procedures that could reduce officer-involved shootings.

OTHER PROVISIONS

Proposition 2 Infrastructure

Proposition 2 Requires Infrastructure Spending After BSA Reaches Maximum Level. Under Proposition 2, the state is required each year to set aside funds for reserves, debt payments, and—potentially—infrastructure. In particular, the state must deposit funds into the rainy day fund—the BSA—until it reaches its maximum level of 10 percent of General Fund tax revenue. (The state can suspend or withdraw these deposits when facing a budget emergency.) Once the BSA reaches this maximum, required deposits that would bring the fund above 10 percent of General Fund taxes instead must be spent on infrastructure. Under the budget plan's revenue assumptions, the maximum

BSA level is $13.8 billion. With both a required and optional deposit, the budget package sets aside enough funds so that the BSA reaches its maximum level at the end of 2018-19.

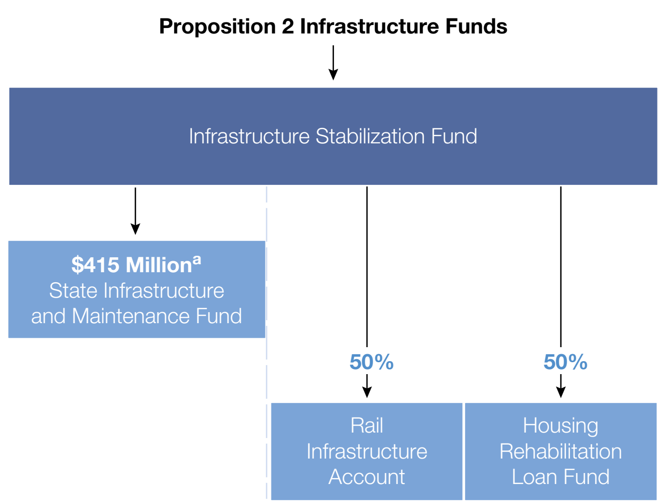
Proposition 2 Infrastructure Spending to Begin in 2019-20 if Economy Continues to Grow. Each year that General Fund tax revenues increase, the maximum level of the BSA also increases (typically by several hundred millions of dollars). Beginning in 2019-20, any Proposition 2 requirement in excess of the amount needed to max out the reserve must be dedicated to infrastructure. For example, if the 2019-20 Proposition 2 requirement is $1.5 billion, around $1 billion would be allocated to infrastructure projects.

Trailer Bill Appropriates These Funds to Three Uses. Chapter 43 (AB 1831) appropriates future available Proposition 2 infrastructure funds to the Infrastructure Stabilization Fund (from 2019-20 through 2021-22). As shown in Figure 29, the legislation distributes these funds to the following three uses:

- ***State Infrastructure and Maintenance Fund.*** The first $415 million available is dedicated to fund state capital outlay, lease payments related to state capital outlay, and deferred maintenance. The Legislature will appropriate these funds for these dedicated purposes in future annual budget bills.
- ***Rail Infrastructure Account.*** After dedicating $415 million to state infrastructure, Chapter 43 continuously appropriates half of the remaining funds to the Transportation Agency for the newly established Rail Modernization Improvement Program. The Secretary of Transportation will allocate the funds to high-priority rail projects, including those that benefit shared use corridors and station areas.
- ***Housing Rehabilitation Loan Fund.*** Chapter 43 continuously appropriates the other half of the remaining Proposition 2 infrastructure funds to the Multifamily Housing Program, administered by the California Department of Housing and Community Development. This program funds the construction and rehabilitation of affordable rental housing for lower-income households.

Figure 29

Trailer Bill Legislation Appropriates Proposition 2 Infrastructure Funds Beginning in 2019-20



[a] If amount in the Infrastructure Stabilization Fund is less than $415 billion, the entire amount is deposited into the State Infrastructure and Maintenance Fund.

Deferred Maintenance and Other Infrastructure

Deferred Maintenance. As summarized in Figure 30, the budget includes $305 million on a one-time basis from the General Fund (non-Proposition 98) for deferred maintenance projects at 20 state departments in 2018-19. The departments have up to three years to expend these funds. (The budget also includes $28 million in Proposition 98 General Fund for community college projects.) The budget includes a provision that allows departments to use up to 10 percent of their allocations—up to $5 million—to conduct assessments of department infrastructure.

Because the administration has not identified all of the specific projects that departments will undertake with the funding, the budget requires DOF to provide a list of projects to the Joint Legislative Budget Committee (JLBC) 30 days prior to allocating funds to a department. Subsequent to the allocation of funds, departments may change their list of projects subject to approval by DOF. DOF must notify the JLBC of any projects added with estimated costs of greater than $1 million, as well as provide a quarterly report of all changes to the list of projects. The budget also requires DOF to provide the JLBC with an annual report on the status of funded projects.

Capitol Annex. The budget sets aside $630 million from the General Fund into the State Project Infrastructure Fund (SPIF) for the renovation of the State Capitol Annex, originally constructed in 1952. Budget trailer legislation authorizes the use of lease revenue bonds of up to $756 million for the renovation in the event that total funding in SPIF (including $128 million of previously available fund balance) is not sufficient to cover project costs. The legislation also authorizes lease revenue bonds of $423 million to construct a new office building near the State Capitol to be used as "swing space" for legislators and staff during the renovation of the Annex.

Sacramento Area State Office Buildings. The budget includes $29.6 million from the General Fund for the initial planning phase—known as the performance criteria phase—for three state office building projects in the Sacramento area. These capital outlay projects are:

- ***Construction of Richards Boulevard Building ($18.1 Million).*** The budget provides funding for the performance criteria phase of a project to construct a complex of four buildings with a total of 1 million net usable square feet at the former site of the state printing plant. The total estimated cost of this project is about $1 billion. The facility is expected to house the California Department of Tax and Fee Administration; the Board of Equalization; and various departments within the Business, Consumer Services, and Housing Agency.
- ***Renovation of the Bateson Building ($5.2 Million).*** This project will involve the renovation of the 215,000 net usable square foot building constructed in 1981. The total cost of the project is estimated at $161 million. The building is expected to house various departments currently in leased space, such as the Department of Parks and Recreation, Department of Water Resources, and Department of Forestry and Fire Protection.
- ***Renovation of the Unruh Building ($6.3 Million).*** This building was constructed in 1929 and has 125,000 net usable square feet. The total cost of the project is estimated at $90 million. The State Treasurer's Office—the building's major tenant—is expected to

Figure 30

Deferred Maintenance

2018, Non-Proposition 98 General Fund (In Millions)

Department	Amount
Water Resources	$100
Judicial Branch	50
California State University	35
University of California	35
California Exposition and State Fair	15
Developmental Services	10
General Services	10
State Hospitals	10
Corrections and Rehabilitation	9
Science Center and African American Museum	7
Military	4
Office of Emergency Services	4
State Special Schools	4
Veterans Affairs	4
California Fairs	3
Forestry and Fire Protection	2
Employment Development	1
Food and Agriculture	1
Conservation Corps	0.5
Hastings College of Law	0.5
Total	**$305**

relocate back to the Unruh Building after completion of the renovation.

Debt Service. The budget provides $7.6 billion from various funds for debt service payments in 2018-19. This represents an increase of 6 percent from 2017-18. This total includes $6.5 billion for general obligation bonds ($5 billion from the General Fund), and $1 billion for lease revenue bonds ($623 million from the General Fund).

Employee Compensation

Labor Agreements Increase State Annual Costs. Assuming union members ratify agreements with Bargaining Units 9 and 10, the state has active memoranda of understanding (MOU) with 20 of the 21 state rank-and-file employee bargaining units. (The MOU with Bargaining Unit 5 [Highway Patrol] expired in July 2018.) In 2018-19, the budget assumes that state costs to pay for salary and benefits (excluding retirement benefits) for rank-and-file employees and their managers will increase by $1.4 billion ($725 million from the General Fund). In addition, various provisions in MOUs will significantly increase state annual costs for years to come. These include scheduled salary increases, funding state contributions to prefund retiree health benefits, increases in health care costs, and increases in other benefit costs.

Retirement Costs Continue to Grow. The state's costs to pay for pension and retiree health benefits continue to grow. The budget assumes that the state's costs to pay for active and retired state employees' pension benefits will increase by $340.5 million ($189 million General Fund) in 2018-19 to a total contribution of $6.2 billion ($3.6 billion from the General Fund). State pension costs are expected to grow for the foreseeable future due to CalPERS phasing in the effects of actuarial assumption changes and salary growth. In addition, the budget assumes that the state's costs to pay for health benefits received by retired state employees will increase by about $170 million to a total of $2.2 billion in 2018-19. These costs also are expected to grow for the foreseeable future due to increases in health premiums and the number of retired state employees and eligible dependents receiving the benefit.

Financial Information System for California (FI$Cal)

An Integrated Financial Management System. For the last several years, the administration has been engaged in the design, development, and implementation of the FI$Cal project. This information technology (IT) project will replace the state's aging and decentralized IT financial systems with a new system integrating state government processes in the areas of budgeting, accounting, cash management, and procurement. Since the project began, it has changed considerably in scope, schedule, and cost from what was initially anticipated. These changes have been documented in special project reports (SPRs). In February 2018, the California Department of Technology approved the seventh SPR for FI$Cal.

New Project Plan. The new project plan—SPR 7—changes the scope of the FI$Cal project in two significant ways. First, it ends the project before the State Controller's Office's (SCO's) accounting functions fully transition onto FI$Cal. Second, it changes the "onboarding" approach so that not all departments that were previously anticipated to transition to FI$Cal will actually transition. Although SPR 7 makes significant changes to the scope of the FI$Cal project, it only reflects very minor changes in overall project costs. Based on SPR 7, the total estimated cost for the project is $918 million ($493 million General Fund) and is estimated to be completed in July 2019. The 2018-19 spending plan provides $53.5 million ($52.2 million General Fund) to continue with the FI$Cal project and maintain and operate the FI$Cal system.

SCO's Integrated Solution. In light of persistent challenges, SPR 7 establishes a new approach for deploying the accounting functions related to SCO. Rather than transitioning fully to FI$Cal, as prior SPRs planned, SPR 7 introduced the Integrated Solution. Under the Integrated Solution, SCO will run the FI$Cal system and its existing legacy accounting systems in tandem. The Integrated Solution develops interfaces between both FI$Cal and SCO's legacy systems so that data is entered only once (in either system) but then both systems share the data. This way each system can perform the accounting and cash management functions for the state. The administration proposed this approach because of SCO's continued concern regarding the performance and accuracy of the FI$Cal system. The Integrated Solution allows additional time for testing and validating the FI$Cal system using reports produced by SCO's legacy systems before SCO fully transitions.

The cost of the Integrated Solution is not reflected as a project cost in SPR 7. Instead the 2018-19 spending plan provides SCO $5.4 million ($3.1 million General Fund) to support the Integrated Solution. In total, SCO anticipates it will cost $25.6 million (all funds) through 2021-22 to (1) develop and test the new accounting and cash management functions in FI$Cal, (2) develop the Integrated Solution, and (3) support the maintenance and operations of the FI$Cal project once the legacy systems are decommissioned. None of these costs are reflected in the total FI$Cal project cost. However, as a means of tracking project costs, the Legislature adopted supplemental reporting language as part of the 2018-19 budget that requires the Department of Finance to provide a list of enacted budget proposals related to the Integrated Solution by January 1, 2020.

Cannabis Regulation and Enforcement

As summarized in **Figure 31**, the budget includes an increase of $129 million (primarily from the Cannabis Control Fund and Cannabis Tax Fund) for several departments to regulate cannabis businesses. This amount roughly doubles the amount provided in 2017-18. The funding is provided on a two-year limited-term basis. A majority of the funding supports the departments responsible for licensing and compliance oversight of cannabis businesses, including retailers, cultivators, and manufacturers. Other activities supported by the funding include administrative hearings of appeals filed by licensees, tax collection, and implementation of an information technology system (IT) to track cannabis products from cultivation through retail. The budget act allows the amounts provided from the Cannabis Control Fund for the Bureau of Cannabis Control, Department of Public Health, and Department of Food and Agriculture to be augmented by

Figure 31

Summary of Funding Increases for Cannabis Regulation and Enforcement

2018-19 (In Millions)

Department	Primary Purposes	Amount
Bureau of Cannabis Control	Licensing and enforcement of retailers, distributors, and other licensees; grants to equity applicants	$54.3
Food and Agriculture	Licensing and enforcement of cultivators	28.3
General Services	Administrative hearings on behalf of licensing departments	13.0
Public Health	Licensing and enforcement of manufacturers	10.6
GO-Biz	Grants for substance abuse treatment and other services	10.0
Employment Development	Administration of employment tax program	3.7
Highway Patrol	Develop protocols for determining when drivers are under the influence of cannabis	3.0
Tax and Fee Administration	Administration of cultivation and retail excise taxes	2.3
University of California	Research on effects of cannabis	2.0
Cannabis Control Appeals Panel	Hearing appeals of decisions made by cannabis licensing departments	1.4
Secretary of State	Business filings and trademark registration	0.4
Finance	Audit of Bureau of Cannabis Control	0.4
Total		**$129.4**

GO-Biz = Governor's Office of Business and Economic Development.

the Department of Finance (DOF) for additional resources needed to implement IT, licensing, and enforcement activities. The budget also authorizes a $59 million loan from the General Fund to the Cannabis Control Fund in case licensing revenues are not sufficient to cover costs.

Voting Equipment

Reimbursement to Counties for Voting Equipment. The budget includes up to $134.4 million General Fund for the state to reimburse counties for costs counties incur to replace voting systems. Counties may seek reimbursement for costs to replace voting systems incurred after April 29, 2015. The Secretary of State will determine the maximum amount of state funding available to each county based on the size of the county, the number of voters registered in the county, and the Secretary of State's estimate of need for county voting equipment.

Census

Over $90 Million for Census Outreach. The budget provides $90 million to the Government Operations Agency for outreach activities related to the decennial census through 2020-21. Outreach will be led by the Complete Count Census (a committee established for the purpose of ensuring California has a complete and accurate census count). The budget package requires the Complete Count Census to report on various elements of census preparation—including the media campaign and funding allocations for local, targeted outreach—over the next three years. These reports are due to the Joint Legislative Budget Committee, the Assembly Select Committee on the Census, and the Senate Select Committee on the 2020 United States Census various progress.

Office of Emergency Services (OES)

The budget provides OES with $1.5 billion (more than two-thirds from federal funds) in 2018-19. This is a net increase of $38 million, or about 3 percent, compared to the estimated spending level in 2017-18. In addition to the augmentations described below, the budget includes $10 million from the General Fund to support local domestic violence shelters (discussed in the "Homelessness" section of this report).

California Disaster Assistance Act (CDAA). The budget includes an increase of $88.1 million in 2018-19 and $23.5 million ongoing from the General Fund for CDAA (for a total of $127.2 million in 2018-19 and $62.6 million ongoing for CDAA). Most of the increase in 2018-19 is expected to be used to provide reimbursements to local governments related to damage to local infrastructure caused by storms in early 2017 and fires in late 2017. The ongoing funding represents the average of spending on CDAA in recent years.

California Earthquake Early Warning (CEEW) System. The budget includes $15.8 million from the General Fund in 2018-19 and $750,000 from the General Fund annually thereafter to support the CEEW system. Of the total in 2018-19, $15 million is to complete the build-out of 283 remaining planned sensor stations required for the system.

Military Department

The budget provides $231 million for the California Military Department (CMD), including $104 million from the General Fund and $125 million from federal funds. This total is an increase of $16 million, or 7 percent, from 2017-18 estimated expenditures.

California Cadet Corps. The budget provides an additional $7.2 million in General Fund support in 2018-19 (increasing to over $8 million annually in future years) to more than triple the size of the cadet corps program from its current level of 51 schools and 6,000 cadets to 175 schools and 21,875 cadets by 2022-23. This increase in support will fund a greater share of program costs that are currently paid for by schools in areas such as commandant training, supplies, and activities. It will also fund uniforms and state-level activities for these additional participating schools. Finally, it will fund curriculum updates, improved facilities for CMD staff, and a larger state-level staff (12 additional positions in 2018-19 and 11 thereafter).

Military Academies. The budget includes $3.6 million from the General Fund in 2018-19 ($3.3 million ongoing) to enable CMD to support activities at both the California Military Institute (CMI) and Porterville Military Institute (PMI). Most of this funding is to support 21 military personnel to run the military program component of the schools, similar to the support currently provided at the Oakland Military Institute (OMI).

Labor Programs

New Statewide Prison to Employment Initiative. The spending plan includes $36 million General Fund over two years ($16 million in 2018-19 and $20 million in 2019-20) for the California Workforce Development Board (State Board) to distribute grants to local workforce boards to fund employment training opportunities for at least 1,000 ex-offenders and to integrate local employment training with programs offered by parole and probation departments. Funds could be used for a variety of services, including English language learning, basic skills and adult education, training stipends, industry-approved certification programs, pre-apprenticeship, and on-the-job training, among others. In addition to direct employment services, the spending plan funds supportive services for ex-offenders who participate in job training. Supportive services are services that an ex-offender may require in order to attend job training and commonly include bus passes, childcare vouchers, and housing assistance. Ex-offenders who participate in employment services would be eligible for up to $5,000 each in supportive services. Funding would also be provided to support the creation of regional partnerships between the local boards, California Department of Corrections and Rehabilitation, parole centers and county probation departments, and community-based reentry service providers. These funds would be used to facilitate collaboration among the partner organizations in order to customize job placement based on each ex-offender's training history, education needs, and work experience. The State Board will perform a study of the initiative in 2021-22, evaluating the degree to which individuals who receive services under the initiative are able to successfully complete workforce training programs and successfully transition into the labor market and broader workforce education system.

Funds the Breaking Barriers to Employment Initiative. The spending plan includes $15 million General Fund to provide workforce training support grants pursuant to Chapter 824 of 2017 (AB 1111, E. Garcia), known as the Breaking Barriers to Employment grant program. Grant funds will supplement workforce development services for individuals with barriers to employment in order for them to successfully enter, participate in, and complete existing training programs. Eligible individuals include, among others, out-of-school youth, the long-term unemployed, English language learners, the California Work Opportunity and Responsibility to Kids (CalWORKs) participants, seasonal farmworkers, and persons with disabilities.

Expanded Funding for Apprenticeship Consultants. The 2018-19 spending plan includes $3.5 million special funds to support 22 new apprenticeship consultant staff positions at the Division of Apprenticeship Standards within the Department of Industrial Relations. These staff will support new apprenticeship training programs in nontraditional industries, including certain state civil service classifications, information technology, and healthcare services. The budget plan includes ongoing funding of $5.6 million special funds to support a total of 42 apprenticeship consultants by 2021-22. These positions will be funded out of the Employment Training Fund, which consists of revenue from an existing payroll tax on employers. Typically, these funds are used by the Employment Training Panel to distribute workforce training grants to businesses.

Department of Veterans Affairs

The spending plan for California Department of Veterans Affairs (CalVet) includes $414 million General Fund in 2018-19, an increase of $9.2 million (2.3 percent) over revised estimates for 2017-18. This amount is expected to be offset by $76 million from federal reimbursements for Veterans Homes.

Additional Reporting Requirements for Veterans Homes Master Plan. The 2017-18 budget included language that requires CalVet to develop a systemwide master plan for the veterans homes by July 1, 2019. Key components of the master plan include (1) an assessment of current demand for services, (2) projecting future long-term care needs among California's veterans, and (3) determining how to align the veterans homes system to meet current and future demand across all levels of care.

The 2018-19 budget extends the deadline for the master plan to December 31, 2019 and requires that the master plan be updated every five years. Additionally, CalVet is required to include additional information in the master plan about (1) potential location of future veterans homes, (2) the possible provision of services through a community-based model, and (3) the local cost of living for employees. The 2018-19 spending plan provides $241,000 General Fund for two permanent positions beginning 2019-20 (once the limited-term resources provided in 2017-18 expire) to support the future development of the master plan.

Capital Outlay. The 2018-19 budget includes funding for two capital outlay projects:

- ***Veterans Home of California, Yountville Skilled Nursing Facility.*** The plan provides about $7 million General Fund for the beginning phase to construct a new skilled nursing and memory care facility at the Veterans Homes of California in Yountville. The new facility, which is estimated to cost a total of $293 million, would largely replace the existing skilled nursing facility and memory care unit at Yountville.
- ***California Central Coast Veterans Cemetery (CCCVC).*** The plan includes $571,000 from private donations to complete the working drawings for the expansion of the CCCVC. The expansion is estimated to result in about 3,700 in-ground burial sites. The total cost of the project is estimated to be $9.2 million and will be covered by a combination of federal, state, and private funds.

Earned Income Tax Credit (EITC)

State EITC Adopted in 2015. The EITC is a personal income tax credit that is intended to reduce poverty among California's poorest working families by increasing their after-tax income. California adopted the state EITC in 2015. The state EITC builds on the similarly structured federal EITC. (For more information on the federal EITC and the prior state EITC, see our *2015-16 State Spending Plan*.) The budget package modifies the existing EITC in two ways.

Closes Age Gaps. By building on the federal EITC, the state EITC inherited certain eligibility restrictions. Specifically, under the federal EITC, eligible filers without a qualified dependent child must be at least age 25 and younger than age 65. The 2018-19 budget plan expands the state EITC to working individuals without children who are between the ages of 18 and 25, as well as to those over age 65. The administration estimates this change will allow up to 500,000 previously ineligible filers to claim the state EITC.

Expanded to Higher Income Families. The 2018-19 budget plan expands income eligibility to $16,800 for filers with no children and $24,960 for filers with one or more qualifying children. The higher income thresholds account for the rising minimum wage. For instance, $24,960 reflects the annual earnings of one person working fulltime at the 2019 minimum wage of $12 per hour. These changes will allow about 220,000 additional households to claim the credit. In addition, because of the higher income thresholds, the credit phases out more slowly for those eligible tax filers with higher incomes. As a result, the amount of the credit will be somewhat higher—by tens of dollars—for a filer near the high end of current qualifying range.

Increased Spending on EITC Education, Outreach, and Tax Preparation. The 2018-19 budget provides $10 million for grants to various organizations to expand awareness of the EITC.

Business Tax Credits

Extends Film Tax Credit by Five Years. The budget package extends the motion picture tax credit through the 2024-25 fiscal year. The California Film Commission competitively awards up to $330 million per year in tax credits to motion picture production companies. The credit amount is 20 percent of certain production expenses, such as crew wages and post-production costs. (The credit is higher—25 percent—for independent films and relocating television productions.)

Extends California Competes and Provides $20 Million for Small Business Assistance. The budget package extends the California Competes program by five years. This program allows the administration to negotiate tax credit agreements under which selected businesses may qualify for tax credits by meeting hiring and investment targets. The budget package reduces the annual limit on available credits from $200 million to $180 million. The budget also provides $20 million per year for five years for grants to organizations that offer technical assistance services to small businesses and entrepreneurs.

Extends New Employment Credit. The budget package extends the New Employment Credit by five years. This credit is intended to provide an incentive for businesses to hire individuals who, because of their personal history, may have difficulty entering the workforce or developing employment skills. Businesses operating in specified areas of the state may claim a credit if they hire an eligible individual, pay the new employee at least 150 percent of the state minimum wage ($16.50 per hour in 2018), and comply with certain reporting requirements. The annual amount of credits allowed varies and is unrestricted. Eligible businesses claimed about $1.4 million in credits for 2016.

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