Urban Montessori Charter School

May Board Meeting

Amended on May 18, 2020 at 2:20 PM PDT

Date and Time
Thursday May 21, 2020 at 6:15 PM PDT

Location
Virtual Only

PER GOVERNOR NEWSOM'S SHELTER IN PLACE EXECUTIVE ORDER DATED MARCH 19, 2020 (WHICH IS HERE IN ITS ENTIRETY) AND BY ORDER OF THE HEALTH OFFICER OF THE COUNTY OF ALAMEDA DATED MARCH 16, 2020 (WHICH IS HERE IN ITS ENTIRETY):
THIS WILL BE A VIRTUAL-ONLY MEETING

Join Zoom Meeting: https://us02web.zoom.us/j/5102904005

Meeting ID: 510 290 4005

One tap mobile +16699006833,,5102904005# US (San Jose) +13462487799,,5102904005# US (Houston) Dial by your location +1 669 900 6833 US (San Jose) +1 346 248 7799 US (Houston) +1 253 215 8782 US (Tacoma) +1 312 626 6799 US (Chicago) +1 929 436 2866 US (New York) +1 301 715 8592 US (Germantown) Meeting ID: 510 290 4005 Find your local number: https://us02web.zoom.us/u/kb8IDmVDDD

Important Notice: Due to increased demand, dial-in by phone audio conferencing capabilities may be unavailable. During this time, Zoom strongly recommends using computer audio capabilities (or via phone with the Zoom app) while on wifi.

If you have any trouble getting on the Zoom, please text 510-290-4005 for support.

Members: Loren Bentley Tammero, Koren Clark, Olivia Couch, Jan Faraguna, Christina Greenberg, Greg Klein, Davis Leung, Nancy McAfee Flemming, Fred Mooradally, Hae-Sin Thomas, Stacey Wang

Urban Montessori Charter School welcomes your participation at Board meetings. The purpose of a public meeting of the Board of Directors ("Board") is to conduct the affairs of the organization in public. Your participation assures us of continuing community interest in our school and assists the Board in making the best decisions for our school. To assist you in the ease of speaking/participating in our meetings, guidelines are provided at the bottom of this agenda. All materials for all board and committee meetings, including audio recordings of Regular Board Meetings, are available via http://www.urbanmontessori.org/board_of_directors.

Agenda

	Purpose	Presenter	Time
I. Opening Items			**6:15 PM**

A. Call the Meeting to Order		Davis Leung	1 m

This meeting is being audio-recorded.

B. Record Attendance		Davis Leung	1 m
C. Review of Action/Discussion Items	Discuss	Davis Leung	1 m

With input from the board, the Chair may decide, based upon a number of factors, to reorder the action/discussion items to best suit the needs of the meeting. No additional action/discussion items will be added at this time.

D. Board and Community Appreciations		Davis Leung	5 m

Members of the Board and UMCS community may provide appreciations and affirmations during this time.

E. Board Member Comment		Davis Leung	5 m

Any board member wishing to speak to an issue regarding UMCS that does not pertain to an agenda item may do so at this time. No further discussion or action will take place following each board member's comments.

F. Presentations from the Floor		Davis Leung	10 m

PRESENTATIONS ON NON-AGENDA ITEMS – Any person wishing to speak to any item not on the agenda will be granted three minutes to make a presentation. Speakers requiring translation shall have double time.

"What if [we] listened to others so deeply that they felt loved, accepted, and safe in [our] presence, no matter what they had to say?" -- Steve Shapiro, Author

II. Head of School Report — 6:38 PM

The Head of School and their designees will present topics of interest to the Board and the general public.

A. Head of School Report	Discuss	Krishna Feeney	20 m

Topics this meeting **may** include:

1. Distance Learning Updates
    1. Ongoing learning and support of students through distance learning.
2. COVID 19 LCAP Report and 2019/2020 updates
3. Staff and Student Recruitment for 2020-2021
4. Facilities 2020-2021 and draft FUA

III. Finance Committee — 6:58 PM

A. Information Item - Committee Report, including year to date financial report	Discuss	Greg Klein	15 m
B. Information Item - Budgeting and LCAP for 2020-2021, including facilities	Discuss	Greg Klein	10 m
C. Action Item - discuss and vote on Paycheck Protection Program Loan Resolution	Vote	Greg Klein	5 m
D. Action Item - discuss and vote on Facilities Use Agreement for 2020-2021	Vote	Krishna Feeney	15 m

PLACEHOLDER if ready

IV. Academic Oversight Committee — 7:43 PM

A. Committee report	Discuss	Frederic Mooradally	10 m

Including LCAP development work

V. Family Advisory Council — 7:53 PM

A. Committee Report	Discuss	Loren Bentley Tammero	10 m

VI. Executive & Governance Committee			**8:03 PM**
A. Committee Updates, including candidates for board service, Form 700, and training	Discuss	Christina Greenberg	5 m
B. Discuss and vote on committee members and committee chairs as needed.	Vote	Christina Greenberg	5 m
VII. Other Business			**8:13 PM**
A. Oakland and California Updates	Discuss	Hae-Sin Thomas	5 m

Updates and current events related to Oakland USD, Alameda County Office of Education, and other relevant state and city-wide efforts including the work of Families in Action for quality education, and how any update might impact UMCS.

B. Approve Minutes	Approve Minutes	Davis Leung	1 m
C. General Consent Report	Vote	Davis Leung	5 m

1. School Calendar 2020-2021 (First and Last days were approved earlier)

D. Collect New Business items for Future Meetings	Discuss	Davis Leung	5 m
VIII. Closing Items			**8:29 PM**
A. Adjourn Meeting	Vote	Davis Leung	1 m

THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice.

REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed.

SPECIAL PRESENTATIONS MAY BE MADE Notice is hereby given that, consistent with the requirements of the Bagley-Keene Open Meeting Act, special presentations not mentioned in the agenda may be made at this meeting. However, any such presentation will be for information only.

REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting of the Governing Board may request assistance by contacting UMCS at 5328 Brann Street, Oakland, CA 94619 or info@urbanmontessori.org.

FOR MORE INFORMATION For more information concerning this agenda or for materials relating to this meeting, please contact UMCS at 5328 Brann Street, Oakland, CA 94619 or board@urbanmontessori.org. All materials are available via the Governance Section of our website: http://www.urbanmontessori.org/governance.

Cover Sheet

Information Item - Committee Report, including year to date financial report

Section: III. Finance Committee
Item: A. Information Item - Committee Report, including year to date financial report
Purpose: Discuss
Submitted by:
Related Material: UMCS-April Financials Slides.pdf
UMCS-April Financials-20200515 (post-Revise).pdf

Urban Montessori Charter School Board Financial Update

PREPARED BY BRYCE FLEMING AND ALEJANDRA RODRIGUEZ

MAY 21, 2020

Charter School Specialists

BUSINESS • OPERATIONS • PERFORMANCE

Contents

2019-20 Forecast Update

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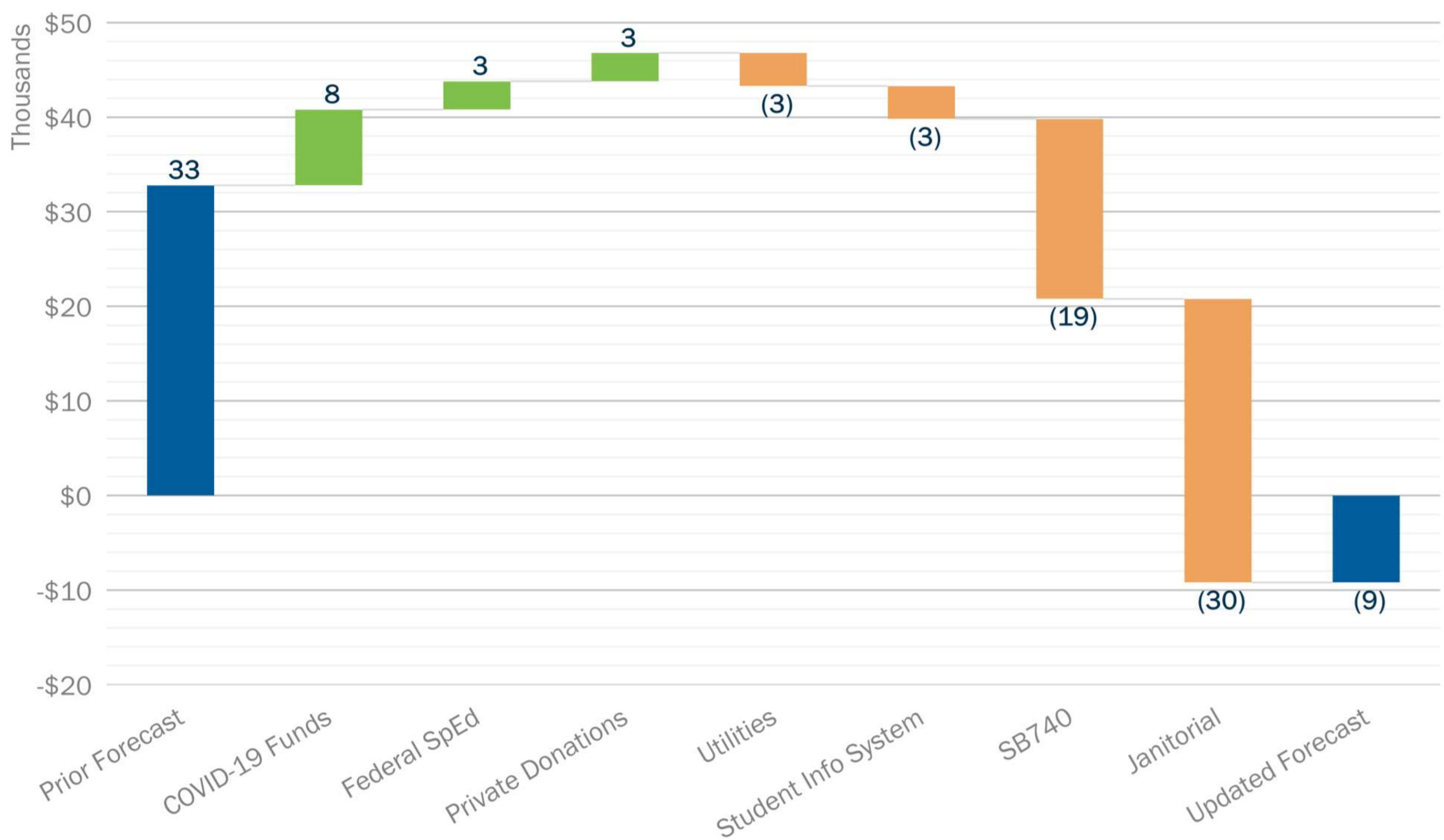
Decrease in operating income is largely driven by facilities



2019-20 Monthly Cash Balance

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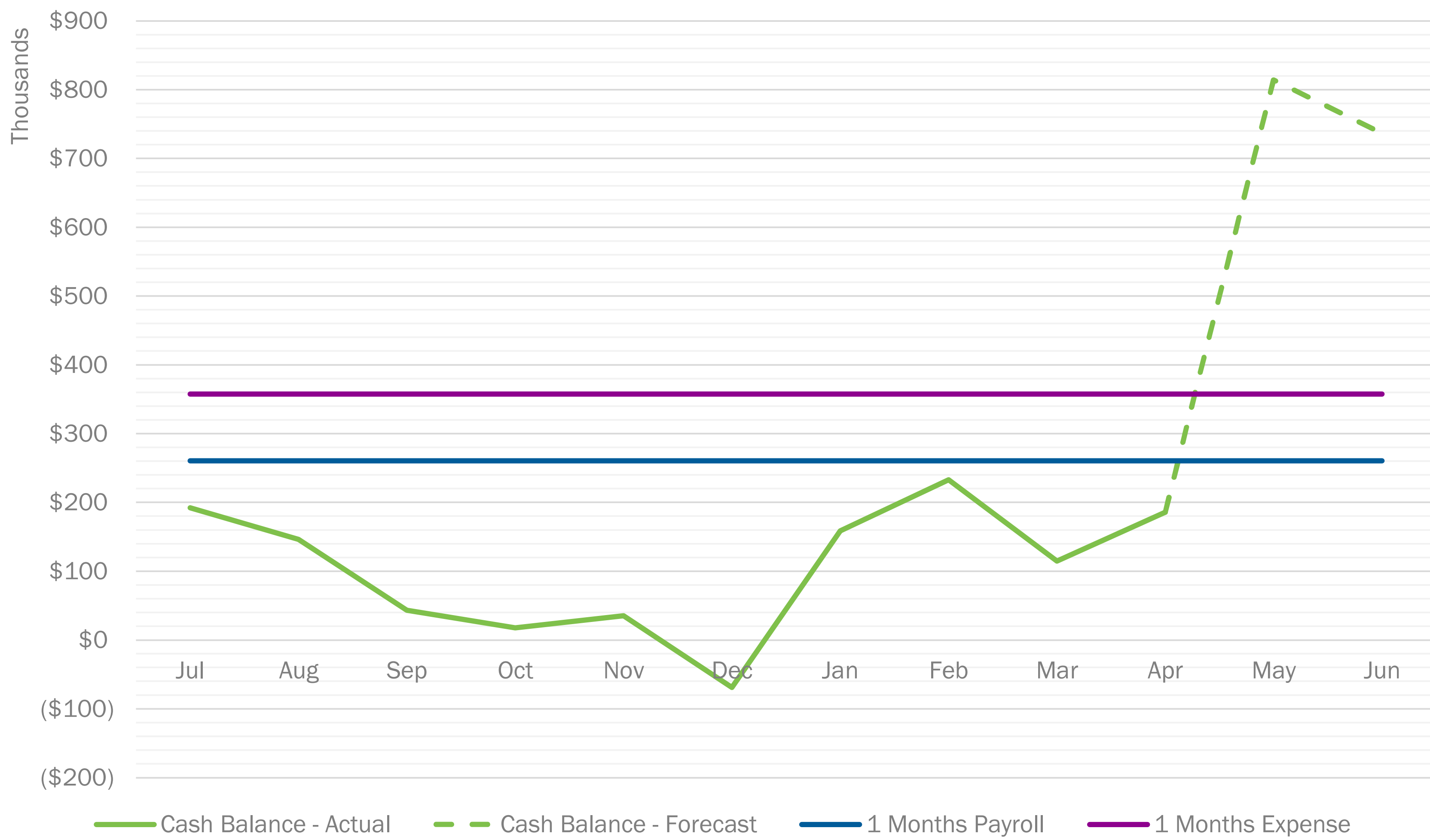
PPP loan is providing much needed cash to meet monthly expenses



2020-21 Budget Development (before Revise)

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Budget Comparison

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		2020-21	2020-21	Variance
		Prior Budget Draft	Current Budget Draft	
Revenue	LCFF Entitlement	3,254,259	3,254,305	46
	Federal Revenue	191,629	196,233	4,604
	Other State Revenues	342,194	342,194	-
	Local Revenues	100,896	100,896	-
	Fundraising and Grants	145,000	145,000	-
	Total Revenue	**4,033,977**	**4,038,627**	**4,650**
Expenses	Compensation and Benefits	3,229,617	3,169,516	60,102
	Books and Supplies	142,878	142,878	-
	Services and Other Operating	893,922	857,437	36,485
	Depreciation	-	-	-
	Other Outflows	-	4,743	(4,743)
	Total Expenses	**4,266,416**	**4,174,573**	**91,843**
	Operating Income	**(232,439)**	**(135,946)**	**96,493**
	Beginning Balance	318,745	272,982	(45,763)
	Operating Income	(232,439)	(135,946)	96,493
Ending Fund Balance (incl. Depreciation)		**86,306**	**137,036**	**50,730**
Ending Fund Balance as % of Expenses		**2.0%**	**3.3%**	**1.3%**

Budget Assumptions

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Small changes made from previous budget draft

Changes

- Kaiser Gold instead of Kaiser Platinum as highest healthcare option
- Field trip expense matches revenue
- $38k of CARES funding ($5k increase)

Similar Assumptions to Last Budget Draft

- LCFF rate cut of 5%
- $145k of fundraising and private grants
- Same number of staff positions as current year
- Salaries frozen at current year levels
- STRS ER contributions of 18.4%

State Budget Update

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Governor's May Revise

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Substantial changes from the January Proposal to the May Revise

LCFF

- 10% cut to LCFF from January Proposal (roughly 7.7% cut from current year funding levels)
- Deferrals of $1.9B in FY20 and $5.3B in FY21

STRS

- FY21 STRS ER contribution reduced to 16.15% from 18.4%

Other

- SPED funding per ADA to increase to $645
- Elimination of most other January Proposals
- Federal funding could help backfill some of these cuts

How to Close $54B Budget Deficit

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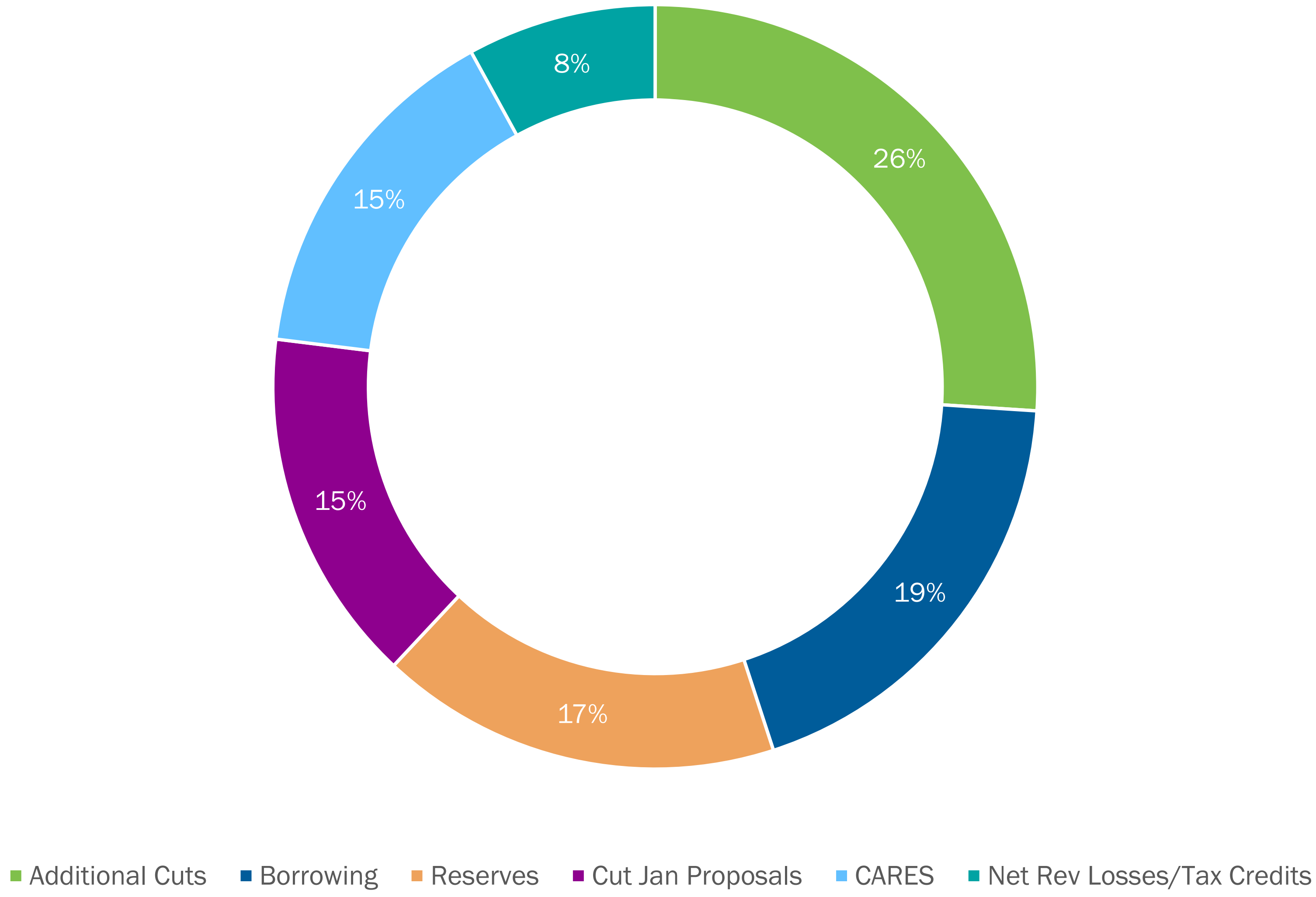

Preliminary May Revise Takeaways

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- LCFF COLA of -7.69%
- STRS: 16.15% from 18.41%
- PERS: 20.7% from 22.67%
- Reduced funding for ASES, CTE, SSP, Workforce
- CRF: 4.4B for LEAs heavily impacted by COVID
- Programs proposed in January cut, except SPED

Cash Deferrals

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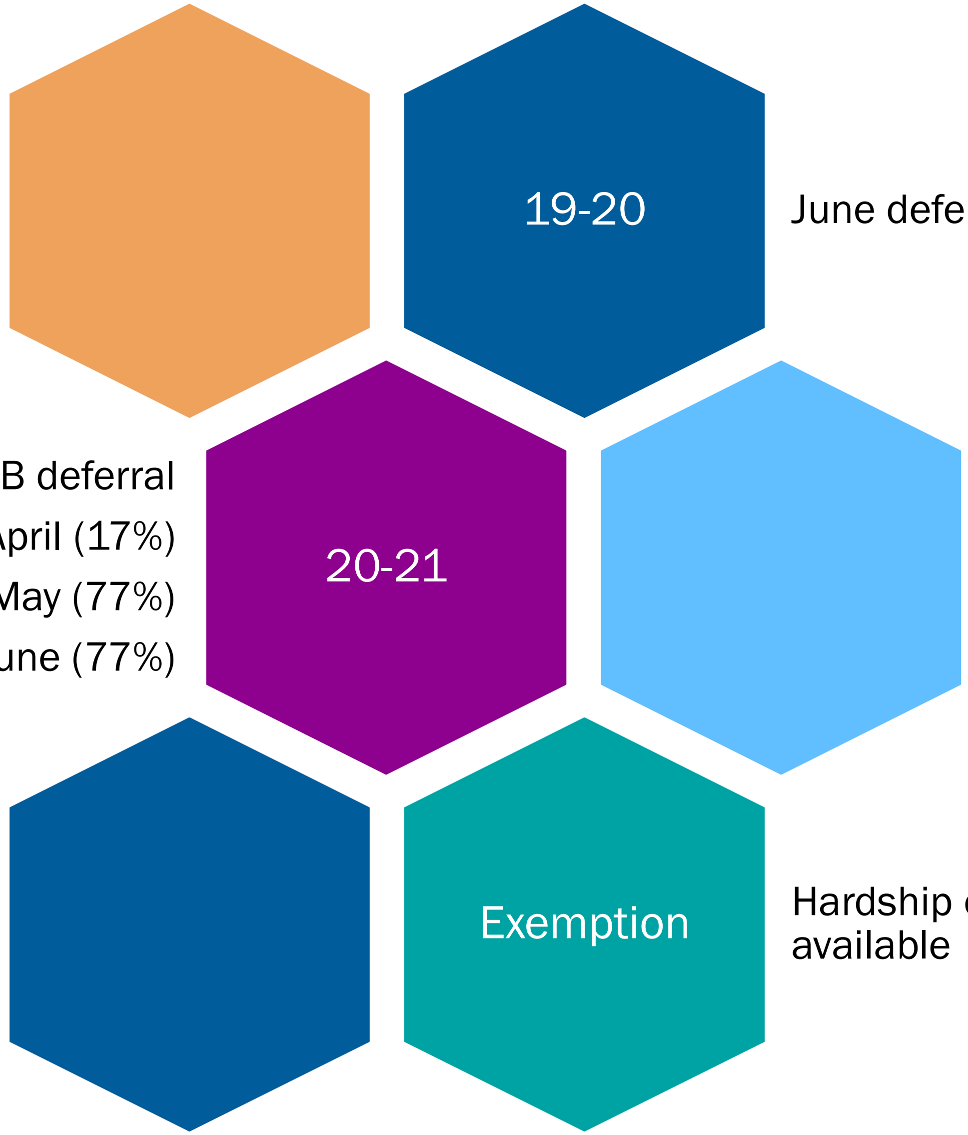

June deferral of $1.9B

$5.3B deferral
Defers April (17%)
May (77%)
June (77%)

Hardship exemption available

2020-21 Budget Development (after Revise)

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May Revise: Budget Comparison

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		2020-21 Prior Budget Draft	2020-21 Current Budget Draft	Variance
Revenue	LCFF Entitlement	3,254,259	3,162,108	(92,151)
	Federal Revenue	191,629	196,233	4,604
	Other State Revenues	342,194	365,548	23,354
	Local Revenues	100,896	100,896	-
	Fundraising and Grants	145,000	145,000	-
	Total Revenue	**4,033,977**	**3,969,784**	**(64,193)**
Expenses	Compensation and Benefits	3,229,617	3,130,379	99,238
	Books and Supplies	142,878	142,878	-
	Services and Other Operating	893,922	856,465	37,457
	Depreciation	-	-	-
	Other Outflows	-	4,743	(4,743)
	Total Expenses	**4,266,416**	**4,134,464**	**131,952**
	Operating Income	**(232,439)**	**(164,680)**	**67,759**
	Beginning Balance	318,745	276,477	(42,268)
	Operating Income	(232,439)	(164,680)	67,759
Ending Fund Balance (incl. Depreciation)		**86,306**	**111,796**	**25,490**
Ending Fund Balance as % of Expenses		**2.0%**	**2.7%**	**0.7%**

May Revise: Budget Assumptions

State budget assumptions might change before June budget is passed

Changes

- LCFF COLA of -7.69%
- $38k of CARES Funding ($5k increase)
- SPED State funding of $613 per ADA
- STRS ER contributions of 16.15%
- Kaiser Gold instead of Kaiser Platinum as highest healthcare option
- Field trip expense matches revenue

Similar Assumptions to Last Budget Draft

- $145k of fundraising and private grants
- Same number of staff positions as current year
- Salaries frozen at current year levels

Looking Back to the Last Recession

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Flashback to General Purpose Funding

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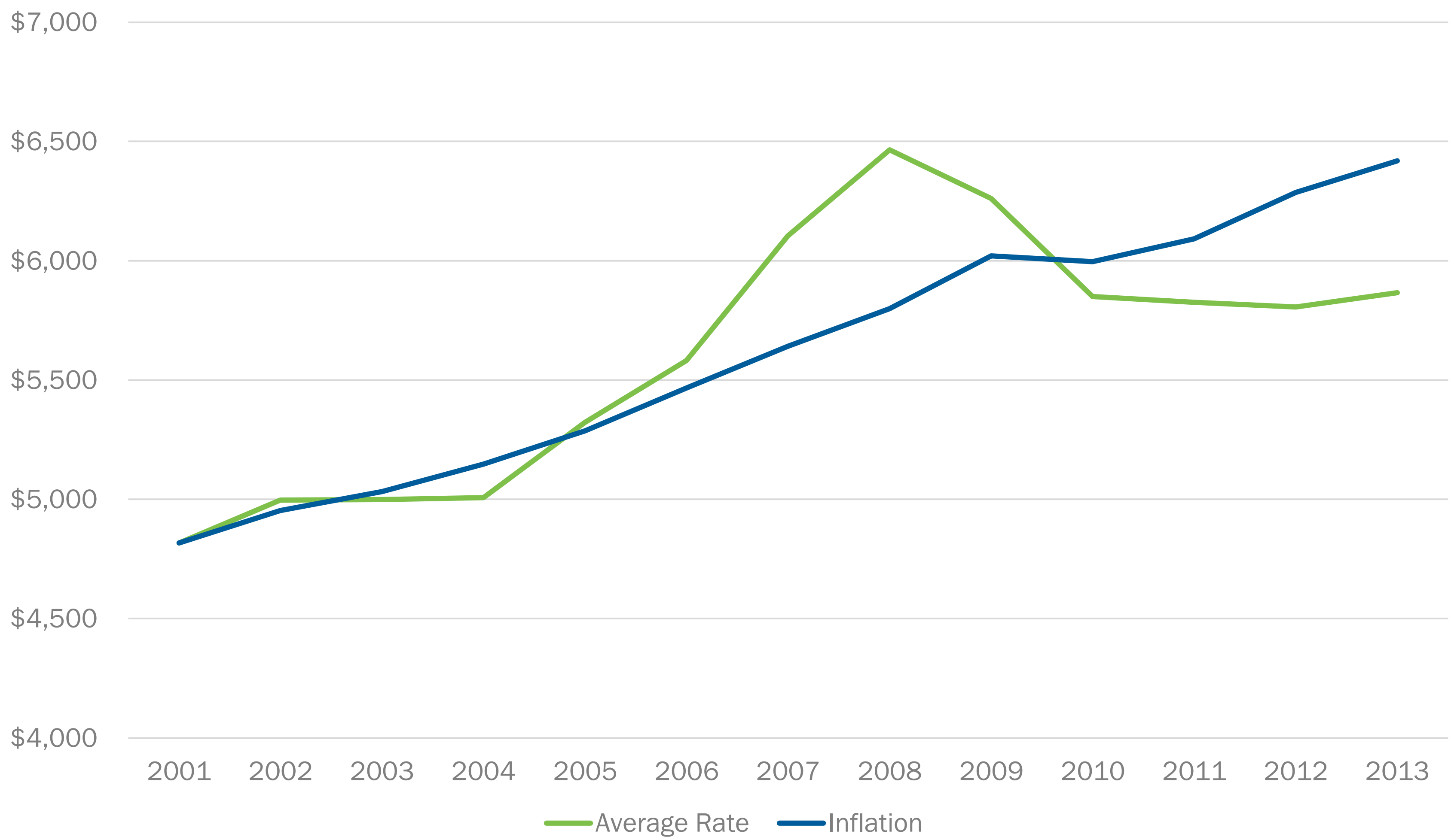
Funding remained relatively flat for several years after the last recession



Flashback to 2011-12 Deferrals

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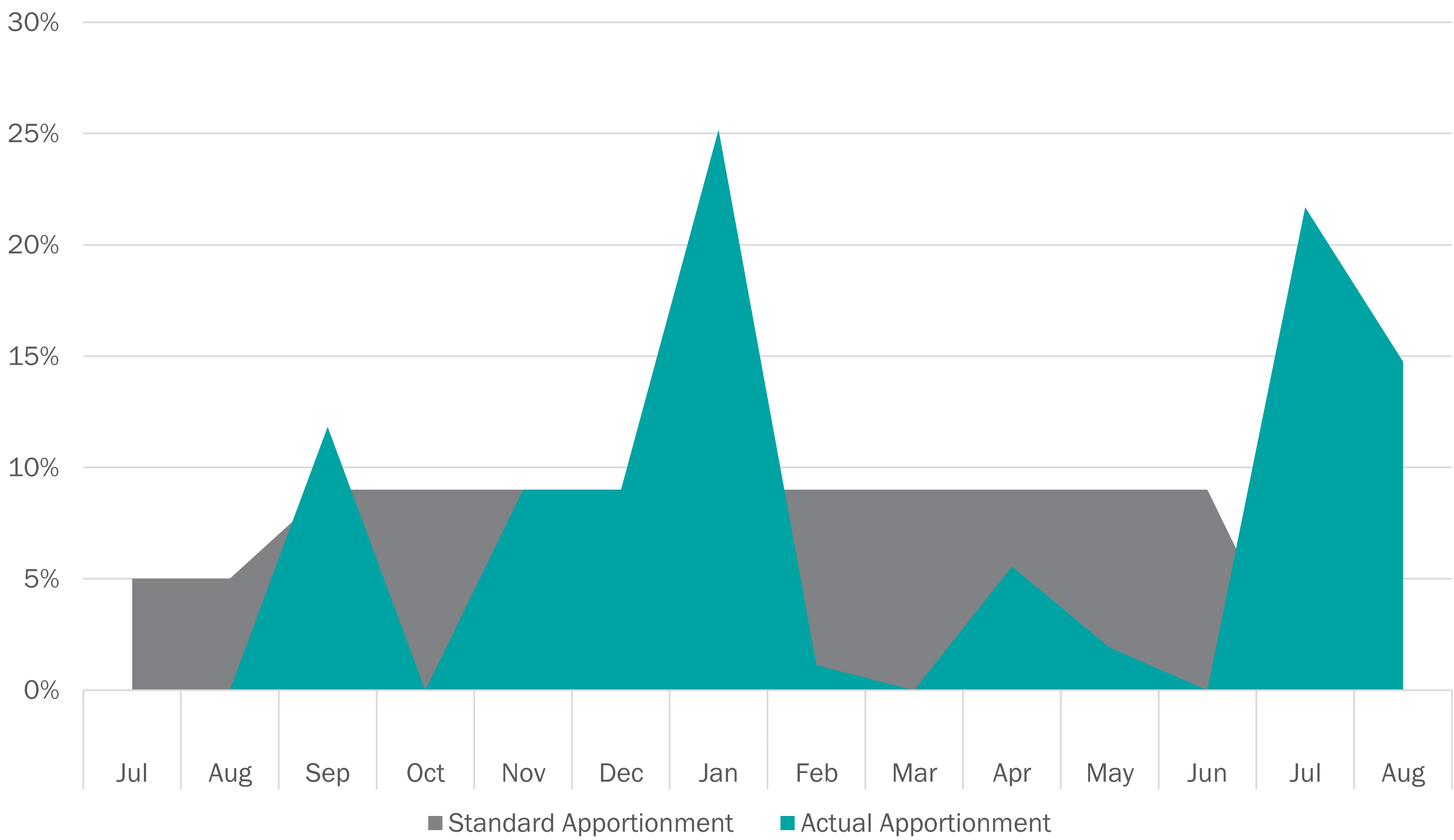
5 months with 0% paid & 38% of State Aid disbursed after the fiscal year



PPP Loan

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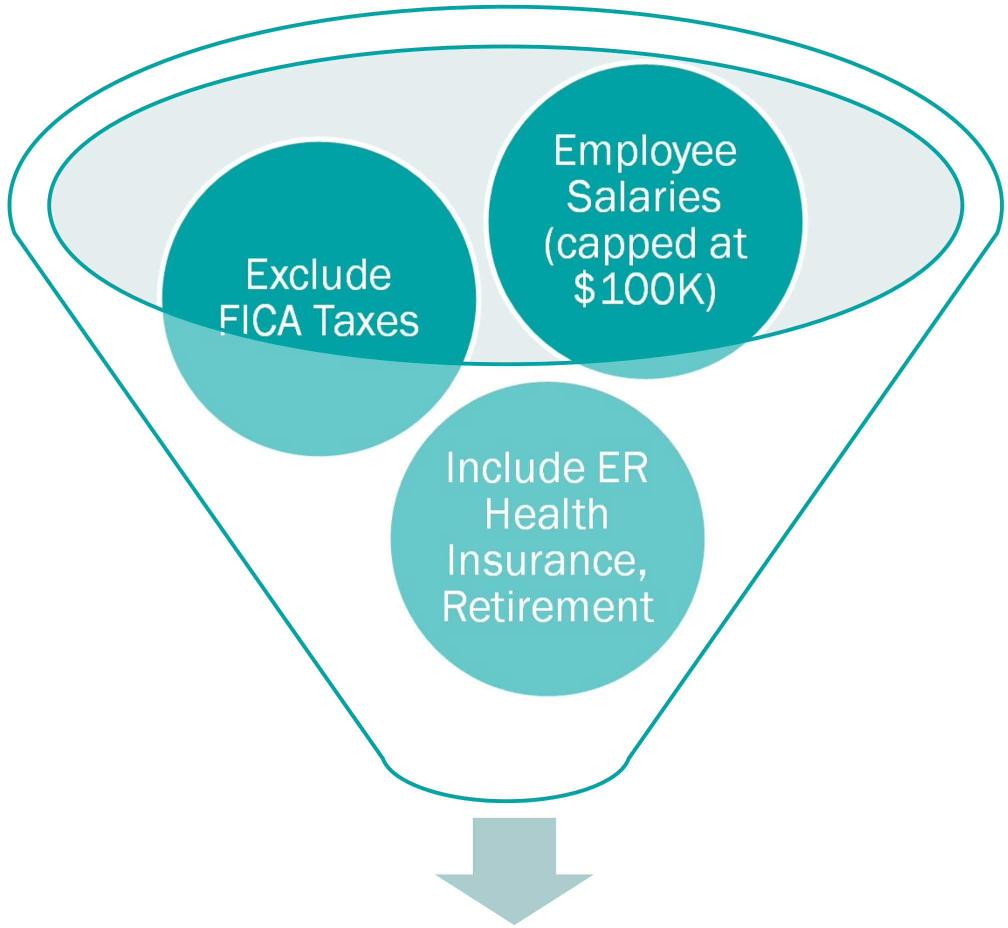
PPP – Loan Calculation



$291,605.60 x 2.5 = $729,014.00

PPP – Loan Terms

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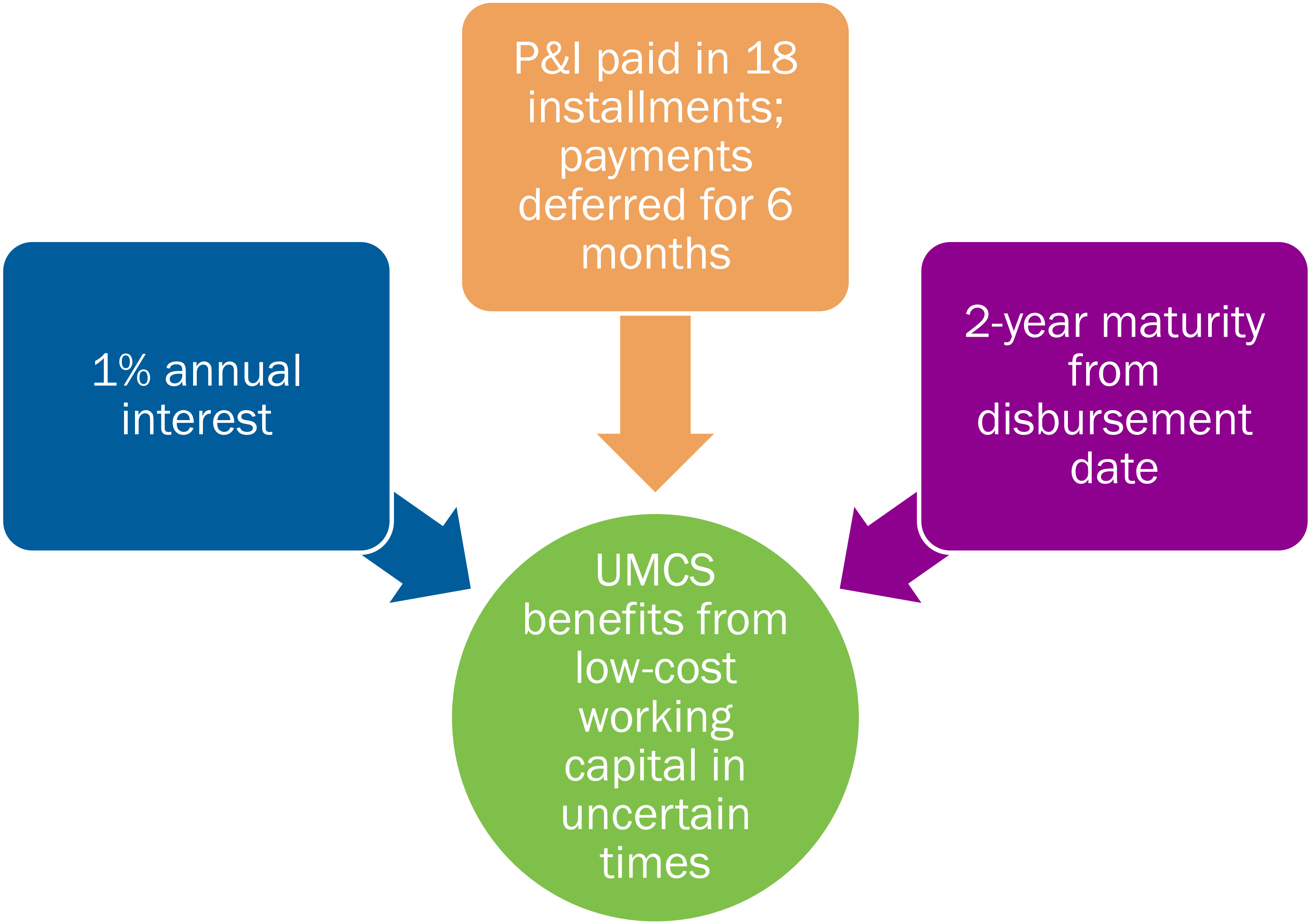

PPP – Loan Forgiveness

Part or all of loan may be forgiven if used on qualifying expenses

Forgiveness criteria includes minimum of 75% used for payroll costs and maintaining existing staffing levels

Urban Montessori
Income Statement
As of Apr FY2020

	Actual			YTD	Budget						
	Feb	Mar	Apr	Actual YTD	Approved Budget v1	Previous Forecast	Current Forecast	Previous Forecast vs. Current Forecast	Approved Budget v1 vs. Current Forecast	Current Forecast Remaining	% Current Forecast Spent
SUMMARY											
Revenue											
LCFF Entitlement	257,380	253,326	324,444	2,539,647	3,373,030	3,254,077	3,254,077	-	(118,953)	714,430	78%
Federal Revenue	27,723	18,730	30,194	82,096	160,952	162,260	165,755	3,495	4,803	83,660	50%
Other State Revenues	98,218	30,872	43,188	318,917	507,152	493,647	482,585	(11,062)	(24,567)	163,668	66%
Local Revenues	(4,657)	13,854	3,231	54,503	39,668	131,850	131,921	71	92,253	77,418	41%
Fundraising and Grants	20,268	13,482	889	228,018	321,314	240,757	247,288	6,531	(74,026)	19,270	92%
Total Revenue	**398,932**	**330,263**	**401,946**	**3,223,182**	**4,402,117**	**4,282,592**	**4,281,627**	**(965)**	**(120,491)**	**1,058,445**	**75%**
Expenses											
Compensation and Benefits	314,616	275,246	260,635	2,586,472	3,159,719	3,128,863	3,128,863	-	30,856	542,391	83%
Books and Supplies	9,004	9,171	10,227	93,427	166,273	123,828	124,344	(516)	41,929	30,917	75%
Services and Other Operating Expenditures	123,271	93,134	92,011	881,416	1,064,121	996,473	1,037,260	(40,787)	26,861	155,844	85%
Depreciation	-	-	-	-	-	-	-	-	-	-	
Other Outflows	(21,653)	263	-	5,719	-	-	-	-	-	(5,719)	
Total Expenses	**425,238**	**377,813**	**362,874**	**3,567,035**	**4,390,113**	**4,249,164**	**4,290,467**	**(41,303)**	**99,646**	**723,432**	**83%**
Operating Income	**(26,305)**	**(47,550)**	**39,073**	**(343,853)**	**12,004**	**33,428**	**(8,840)**	**(42,268)**	**(20,845)**	**335,013**	
Fund Balance											
Beginning Balance (Audited)					297,698	285,317	285,317				
Operating Income					12,004	33,428	(8,840)				
Ending Fund Balance					**309,702**	**318,745**	**276,477**				
Fund Balance as a % of Expenses					7%	8%	6%				

Urban Montessori
Income Statement
As of Apr FY2020

	Actual			YTD	Budget						
	Feb	Mar	Apr	Actual YTD	Approved Budget v1	Previous Forecast	Current Forecast	Previous Forecast vs. Current Forecast	Approved Budget v1 vs. Current Forecast	Current Forecast Remaining	% Current Forecast Spent
KEY ASSUMPTIONS											
Enrollment Summary											
K-3					242	250	250	-	8		
4-6					119	109	109	-	(10)		
7-8					36	31	31	-	(5)		
Total Enrolled					**397**	**390**	**390**	**-**	(7)		
ADA %											
K-3					95.5%	92.7%	92.7%	0.0%	-2.8%		
4-6					95.5%	93.8%	93.8%	0.0%	-1.7%		
7-8					95.5%	96.1%	96.1%	0.0%	0.6%		
Average ADA %					**95.5%**	**93.3%**	**93.3%**	**0.0%**	**-2.2%**		
ADA											
K-3					231.11	231.86	231.86	-	0.75		
4-6					113.65	102.29	102.29	-	(11.36)		
7-8					34.38	29.79	29.79	-	(4.59)		
Total ADA					**379.14**	**363.94**	**363.94**	**-**	**(15.20)**		

Urban Montessori
Income Statement
As of Apr FY2020

		Actual			YTD	Budget						
		Feb	Mar	Apr	Actual YTD	Approved Budget v1	Previous Forecast	Current Forecast	Previous Forecast vs. Current Forecast	Approved Budget v1 vs. Current Forecast	Current Forecast Remaining	% Current Forecast Spent
REVENUE												
LCFF Entitlement												
8011	Charter Schools General Purpose Entitlement - State Aid	171,206	143,054	143,054	1,332,366	1,865,593	1,769,031	1,769,031	-	(96,562)	436,665	75%
8012	Education Protection Account Entitlement	-	-	126,254	446,256	553,207	567,248	567,248	-	14,041	120,992	79%
8019	State Aid - Prior Years	4,663	-	-	4,663	-	4,663	4,663	-	4,663	-	100%
8096	Charter Schools in Lieu of Property Taxes	81,511	110,272	55,136	756,362	954,230	913,135	913,135	-	(41,095)	156,773	83%
	SUBTOTAL - LCFF Entitlement	**257,380**	**253,326**	**324,444**	**2,539,647**	**3,373,030**	**3,254,077**	**3,254,077**	**-**	**(118,953)**	**714,430**	**78%**
Federal Revenue												
8181	Special Education - Entitlement	-	-	-	-	54,000	54,000	57,495	3,495	3,495	57,495	0%
8220	Child Nutrition Programs	-	8,244	3,904	16,338	43,265	42,503	42,503	-	(763)	26,165	38%
8291	Title I	27,723	-	17,971	45,694	45,185	45,694	45,694	-	509	-	100%
8292	Title II	-	5,201	3,604	8,805	8,502	8,805	8,805	-	303	-	100%
8294	Title IV	-	5,285	4,715	10,000	10,000	10,000	10,000	-	-	-	100%
8297	PY Federal - Not Accrued	-	-	-	1,259	-	1,259	1,259	-	1,259	-	100%
	SUBTOTAL - Federal Revenue	**27,723**	**18,730**	**30,194**	**82,096**	**160,952**	**162,260**	**165,755**	**3,495**	**4,803**	**83,660**	**50%**
Other State Revenue												
8319	Other State Apportionments - Prior Years	-	139	-	4,259	-	4,259	4,259	-	4,259	(0)	100%
8381	Special Education - Entitlement (State	-	30,150	15,075	159,950	205,870	195,799	195,799	-	(10,072)	35,849	82%
8382	Special Education Reimbursement (State	23,760	-	-	23,760	39,600	39,600	39,600	-	-	15,840	60%
8520	Child Nutrition - State	-	583	279	1,150	2,119	2,082	2,082	-	(37)	932	55%
8545	School Facilities Apportionments	74,458	-	-	74,458	175,712	166,504	147,719	(18,785)	(27,992)	73,261	50%
8550	Mandated Cost Reimbursements	-	-	-	6,729	6,508	6,719	6,719	-	211	(10)	100%
8560	State Lottery Revenue	-	-	20,111	40,888	77,344	78,685	78,685	-	1,341	37,797	52%
8590	COVID-19 LEA Response Funds	-	-	7,723	7,723	-	-	7,723	7,723	7,723	-	100%
	SUBTOTAL - Other State Revenue	**98,218**	**30,872**	**43,188**	**318,917**	**507,152**	**493,647**	**482,585**	**(11,062)**	**(24,567)**	**163,668**	**66%**
Local Revenue												
8634	Food Service Sales	-	5,913	700	20,376	25,628	25,628	25,628	-	-	5,251	80%
8676	After School Program Revenue	7,947	7,941	72	27,470	-	27,399	27,470	71	27,470	(0)	100%
8699	All Other Local Revenue	2,629	0	-	4,198	171	4,199	4,199	-	4,028	1	100%
8702	Oakland Measure G1	-	-	-	-	13,870	74,625	74,625	-	60,755	74,625	0%
8999	Uncategorized Revenue	(15,233)	-	2,458	2,458	-	-	-	-	-	(2,458)	
	SUBTOTAL - Local Revenue	**(4,657)**	**13,854**	**3,231**	**54,503**	**39,668**	**131,850**	**131,921**	**71**	**92,253**	**77,418**	**41%**
Fundraising and Grants												
8801	Walkathon	-	-	2	106	25,000	104	106	2	(24,894)	0	100%
8802	Private Grants	10,392	12,730	887	181,529	200,000	175,000	181,529	6,529	(18,471)	0	100%
8803	All In for Learning	-	-	-	4,000	40,000	22,000	22,000	-	(18,000)	18,000	18%
8811	Fall Campaign	9,254	-	-	15,737	21,192	15,737	15,737	-	(5,455)	0	100%
8812	Other Fundraising (Movie Night, Apparel, etc)	622	752	-	10,174	10,122	11,443	11,443	-	1,321	1,269	89%
8814	Field Trips Donations	-	-	-	16,473	25,000	16,473	16,473	-	(8,527)	(0)	100%
	SUBTOTAL - Fundraising and Grants	**20,268**	**13,482**	**889**	**228,018**	**321,314**	**240,757**	**247,288**	**6,531**	**(74,026)**	**19,270**	**92%**
TOTAL REVENUE		**398,932**	**330,263**	**401,946**	**3,223,182**	**4,402,117**	**4,282,592**	**4,281,627**	**(965)**	**(120,491)**	**1,058,445**	**75%**

Urban Montessori
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EXPENSES												
Compensation & Benefits												
Certificated Salaries												
1100	Teachers Salaries	66,382	58,771	64,751	598,229	762,337	745,426	745,426	-	16,911	147,197	80%
1103	Teacher - Substitute Pay	2,010	5,027	-	22,912	-	22,912	22,912	-	(22,912)	(0)	100%
1148	Teacher - Special Ed	29,010	29,010	29,010	268,300	340,152	325,959	325,959	-	14,193	57,659	82%
1300	Certificated Supervisor & Administrator Salaries	9,583	9,583	9,583	96,049	115,000	115,000	115,000	-	-	18,951	84%
1322	Cert Admin - Custom 2	7,587	7,587	7,587	75,874	91,048	91,048	91,048	-	-	15,174	83%
	SUBTOTAL - Certificated Salaries	**114,573**	**109,979**	**110,932**	**1,061,364**	**1,308,537**	**1,300,345**	**1,300,345**	**-**	**8,192**	**238,982**	**82%**
Classified Salaries												
2100	Classified Instructional Aide Salaries	67,874	67,774	59,421	530,680	684,106	670,978	670,978	-	13,127	140,298	79%
2102	Classified- Counselors	11,981	10,684	7,771	115,253	157,148	145,127	145,127	-	12,021	29,874	79%
2103	Classified- Substitutes	714	369	-	6,153	6,655	6,435	6,435	-	220	282	96%
2105	Classified- Reading Specialist	5,570	5,570	5,570	52,134	87,000	61,274	61,274	-	25,726	9,140	85%
2400	Classified Clerical & Office Salaries	12,521	12,365	12,364	131,610	149,760	147,725	147,725	-	2,035	16,114	89%
2900	Classified Other Salaries	8,974	8,974	8,974	86,119	112,858	101,198	101,198	-	11,661	15,078	85%
	SUBTOTAL - Classified Salaries	**107,635**	**105,737**	**94,100**	**921,951**	**1,197,527**	**1,132,737**	**1,132,737**	**-**	**64,790**	**210,786**	**81%**
Employee Benefits												
3100	STRS	28,426	26,582	26,401	244,171	305,255	295,150	295,150	-	10,105	50,979	83%
3300	OASDI-Medicare-Alternative	6,927	6,824	6,057	60,237	78,386	79,117	79,117	-	(732)	18,881	76%
3400	Health & Welfare Benefits	54,669	18,698	23,017	245,633	215,691	267,674	267,674	-	(51,983)	22,041	92%
3500	Unemployment Insurance	2,386	523	128	11,694	11,721	12,234	12,234	-	(513)	540	96%
3600	Workers Comp Insurance	-	6,903	-	41,423	42,603	41,606	41,606	-	997	183	100%
	SUBTOTAL - Employee Benefits	**92,409**	**59,530**	**55,604**	**603,158**	**653,655**	**695,781**	**695,781**	**-**	**(42,125)**	**92,623**	**87%**
Books & Supplies												
4100	Approved Textbooks & Core Curricula Materials	-	-	-	-	20,000	-	-	-	20,000	-	
4200	Books & Other Reference Materials	-	-	-	102	2,000	102	102	-	1,898	0	100%
4315	Custodial Supplies	-	-	-	1,066	7,000	2,000	2,000	-	5,000	934	53%
4320	Educational Software	101	101	101	3,968	4,000	4,000	4,000	-	-	32	99%
4325	Instructional Materials & Supplies	-	-	-	6,181	6,000	6,181	6,181	-	(181)	0	100%
4326	Art & Music Supplies	137	-	-	12,154	20,000	12,154	12,154	-	7,846	0	100%
4330	Office Supplies	533	53	470	2,262	4,000	4,000	4,000	-	-	1,738	57%
4335	PE Supplies	-	-	-	542	1,500	542	542	-	958	0	100%
4340	SpEd Materials & Supplies	-	-	-	-	3,000	750	750	-	2,250	750	0%
4410	Classroom Furniture, Equipment & Supplies	166	94	7	1,662	4,000	1,655	1,662	(7)	2,338	(0)	100%
4420	Computers: individual items less than $5k	57	-	2,268	3,494	5,000	5,000	5,000	-	-	1,506	70%
4430	Non Classroom Related Furniture, Equipment & Supplies	-	-	91	944	2,000	854	944	(90)	1,056	(0)	100%
4710	Student Food Services	7,465	8,673	7,290	57,321	84,773	83,278	83,278	-	1,495	25,957	69%
4720	Other Food	544	250	-	3,731	3,000	3,312	3,731	(419)	(731)	(0)	100%
	SUBTOTAL - Books and Supplies	**9,004**	**9,171**	**10,227**	**93,427**	**166,273**	**123,828**	**124,344**	**(516)**	**41,929**	**30,917**	**75%**
Services & Other Operating Expenses												
5215	Travel - Mileage, Parking, Tolls	36	28	27	288	3,000	500	500	-	2,500	212	58%
5305	Dues & Membership - Professional	-	(150)	-	4,800	6,000	6,000	6,000	-	-	1,200	80%
5450	Insurance - Other	-	6,808	-	40,839	34,842	40,839	40,839	-	(5,997)	-	100%
5515	Janitorial, Gardening Services & Supplies	19,192	10,402	9,317	99,283	80,000	90,000	120,000	(30,000)	(40,000)	20,717	83%
5520	Security	65	136	-	608	-	608	608	-	(608)	(0)	100%
5530	Utilities- Pleasant	-	13,828	-	28,770	20,500	29,000	29,000	-	(8,500)	230	99%
5535	Utilities- Brann	8,126	7,780	7,077	53,399	27,790	50,000	53,339	(3,339)	(25,549)	(60)	100%

Urban Montessori
Income Statement
As of Apr FY2020

		Actual			YTD	Budget						
		Feb	Mar	Apr	Actual YTD	Approved Budget v1	Previous Forecast	Current Forecast	Previous Forecast vs. Current Forecast	Approved Budget v1 vs. Current Forecast	Current Forecast Remaining	% Current Forecast Spent
5605	Equipment Leases	1,108	1,222	1,108	11,196	14,024	14,024	14,024	-	-	2,828	80%
5610	Brann Rent	19,338	-	19,338	58,015	76,680	76,680	76,680	-	-	18,665	76%
5615	Repairs and Maintenance - Building	-	-	-	1,304	25,000	5,000	5,000	-	20,000	3,696	26%
5631	Jarlath Rent	22,000	22,000	22,000	242,000	264,000	264,000	264,000	-	-	22,000	92%
5803	Accounting Fees	-	-	-	12,630	11,000	12,630	12,630	-	(1,630)	-	100%
5805	Administrative Fees	354	-	354	1,526	-	6,386	6,386	-	(6,386)	4,860	24%
5808	Oakland Measure G1 (teacher retention)	-	-	-	-	9,000	-	-	-	9,000	-	
5809	Banking Fees	69	44	81	725	360	644	725	(81)	(365)	1	100%
5812	Business Services	9,333	9,333	9,333	93,333	112,000	112,000	112,000	-	-	18,667	83%
5815	Consultants - Instructional	2,500	2,660	-	17,660	2,000	25,000	25,000	-	(23,000)	7,340	71%
5824	District Oversight Fees	6,736	-	5,981	17,931	34,641	34,322	34,322	-	319	16,391	52%
5826	Directors Contingency	-	-	-	-	55,000	-	-	-	55,000	-	
5827	Middle School Program expenses (8816 offset)	-	-	-	-	1,808	1,808	1,808	-	-	1,808	0%
5830	Field Trips Expenses	13,698	-	-	45,409	55,000	45,409	45,409	-	9,591	(0)	100%
5833	Fines and Penalties	-	20	-	160	500	500	500	-	-	340	32%
5836	Fingerprinting	208	430	-	1,595	3,000	1,595	1,595	-	1,405	-	100%
5839	Fundraising Expenses	4,056	1,350	-	5,532	13,000	2,226	5,532	(3,306)	7,468	-	100%
5845	Legal Fees	1,878	2,900	4,763	10,575	62,000	10,000	10,575	(575)	51,425	0	100%
5851	Marketing and Student Recruiting	-	-	-	-	3,000	-	-	-	3,000	-	
5857	Payroll Fees	839	558	451	5,081	4,488	6,000	6,000	-	(1,512)	919	85%
5860	Printing and Reproduction	716	716	716	7,071	10,000	10,000	10,000	-	-	2,929	71%
5861	Prior Yr Exp (not accrued	-	-	(341)	11,645	-	11,986	11,986	-	(11,986)	341	97%
5863	Professional Development	9,283	1,078	(450)	13,615	25,000	13,044	13,615	(571)	11,385	(0)	100%
5869	Special Education Contract Instructors	170	5,800	8,800	41,550	55,000	62,750	62,750	-	(7,750)	21,200	66%
5875	Staff Recruiting	-	-	-	3,000	4,000	4,000	4,000	-	-	1,000	75%
5878	Student Assessment	727	-	206	4,827	5,000	5,000	5,000	-	-	173	97%
5880	Student Health Services	-	-	-	-	5,000	3,500	3,500	-	1,500	3,500	0%
5881	Student Information System	791	5,397	1,775	29,243	12,000	26,331	29,246	(2,915)	(17,246)	3	100%
5887	Technology Services	20	-	633	1,313	3,000	3,000	3,000	-	-	1,687	44%
5910	Communications - Internet / Website Fees	794	794	794	6,562	14,789	9,492	9,492	-	5,297	2,930	69%
5915	Postage and Delivery	197	-	50	976	3,200	3,200	3,200	-	-	2,224	30%
5920	Communications - Telephone & Fax	1,036	-	-	8,956	8,500	9,000	9,000	-	(500)	44	100%
	SUBTOTAL - Services & Other Operating Exp.	**123,271**	**93,134**	**92,011**	**881,416**	**1,064,121**	**996,473**	**1,037,260**	**(40,787)**	**26,861**	**155,844**	**85%**
Capital Outlay & Depreciation												
	SUBTOTAL - Capital Outlay & Depreciation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Other Outflows												
7999	Uncategorized Expense	(21,653)	263	-	5,719	-	-	-	-	-	(5,719)	
	SUBTOTAL - Other Outflows	**(21,653)**	**263**	**-**	**5,719**	**-**	**-**	**-**	**-**	**-**	**(5,719)**	
TOTAL EXPENSES		**425,238**	**377,813**	**362,874**	**3,567,035**	**4,390,113**	**4,249,164**	**4,290,467**	**(41,303)**	**99,646**	**723,432**	**83%**

Urban Montessori

Monthly Cash Forecast
As of Apr FY2020

	2019-20 Actuals & Forecast													
	Jul Actuals	**Aug** Actuals	**Sep** Actuals	**Oct** Actuals	**Nov** Actuals	**Dec** Actuals	**Jan** Actuals	**Feb** Actuals	**Mar** Actuals	**Apr** Actuals	**May** Forecast	**Jun** Forecast	**Forecast**	**Remaining Balance**
Beginning Cash	**(50,474)**	**192,046**	**146,051**	**43,255**	**17,720**	**35,142**	**(68,964)**	**158,807**	**232,903**	**114,726**	**185,890**	**814,383**		
REVENUE														
LCFF Entitlement	-	156,247	217,380	331,207	334,228	252,717	412,718	257,380	253,326	324,444	192,428	196,750	3,254,077	325,251
Federal Revenue	9	1,250	-	-	-	4,189	-	27,723	18,730	30,194	33,179	13,404	165,755	37,076
Other State Revenue	10,814	10,602	18,773	18,931	18,773	25,790	42,956	98,218	30,872	43,188	70,125	26,278	482,585	67,265
Other Local Revenue	23,835	2,681	(7,858)	1,382	(2,200)	5,169	19,066	(4,657)	13,854	3,231	167	2,626	131,921	74,625
Fundraising & Grants	-	33,147	18,880	14,768	526	13	126,046	20,268	13,482	889	9,617	9,652	247,288	-
TOTAL REVENUE	**34,658**	**203,926**	**247,175**	**366,288**	**351,327**	**287,878**	**600,787**	**398,932**	**330,263**	**401,946**	**305,518**	**248,710**	**4,281,627**	**504,217**
EXPENSES														
Certificated Salaries	26,198	115,619	118,597	116,504	116,458	112,387	120,117	114,573	109,979	110,932	119,203	119,779	1,300,345	-
Classified Salaries	19,034	61,745	105,834	111,235	122,336	93,205	101,089	107,635	105,737	94,100	103,949	106,838	1,132,737	-
Employee Benefits	62,936	38,095	55,022	64,477	74,725	56,084	44,276	92,409	59,530	55,604	56,752	35,871	695,781	-
Books & Supplies	746	563	9,049	9,122	19,789	18,618	7,139	9,004	9,171	10,227	6,955	10,082	124,344	13,880
Services & Other Operating Expenses	70,531	78,079	61,872	83,939	132,697	65,414	80,468	123,271	93,134	92,011	87,806	40,905	1,037,260	27,132
Capital Outlay & Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Outflows	7,915	3,612	8,942	92	-	(16,134)	22,681	(21,653)	263	-	(5,719)	-	-	-
TOTAL EXPENSES	**187,361**	**297,714**	**359,315**	**385,369**	**466,006**	**329,575**	**375,770**	**425,238**	**377,813**	**362,874**	**368,946**	**313,474**	**4,290,467**	**41,012**
Operating Cash Inflow (Outflow)	**(152,703)**	**(93,788)**	**(112,140)**	**(19,081)**	**(114,679)**	**(41,697)**	**225,017**	**(26,305)**	**(47,550)**	**39,073**	**(63,429)**	**(64,764)**	**(8,840)**	**463,205**
Revenues - Prior Year Accruals	526,556	23,760	19,605	23,429	19,516	-	1,969	(27,853)	35,834	12,602	-	-		
Accounts Receivable - Current Year	-	(1,000)	-	(500)	1,500	-	(1,250)	316	934	-	-	-		
Other Assets	43,312	-	-	-	-	-	-	-	-	-	-	-		
Expenses - Prior Year Accruals	(8,338)	(31,185)	-	-	-	-	10,361	23,190	-	(2,836)	(24,222)	-		
Accounts Payable - Current Year	(124,505)	50,527	(17,253)	(36,371)	105,136	(63,657)	(13,693)	99,257	(112,601)	20,450	(23,265)	(23,265)		
Summerholdback for Teachers	(41,802)	5,690	6,993	6,988	5,948	1,247	5,368	5,492	5,206	1,876	10,394	10,394	-	
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	729,014	-		
Ending Cash	**192,046**	**146,051**	**43,255**	**17,720**	**35,142**	**(68,964)**	**158,807**	**232,903**	**114,726**	**185,890**	**814,383**	**736,749**		

Urban Montessori
Balance Sheet
As of Apr FY2020

	Jun FY2019	Apr FY2020
ASSETS		
Cash Balance	(50,474)	185,890
Accounts Receivable	648,728	13,310
Prepaids	43,312	-
Fixed Assets, Net	20,850	20,850
TOTAL ASSETS	**662,416**	**220,050**
LIABILITIES & EQUITY		
Accounts Payable	224,012	124,053
Due to Others	102,400	102,400
Current Loans and Other Payables	50,687	52,133
Beginning Net Assets	1,020,465	285,317
Net Income (Loss) to Date	(735,148)	(343,853)
TOTAL LIABILITIES & EQUITY	**662,416**	**220,050**

Cover Sheet

Information Item - Budgeting and LCAP for 2020-2021, including facilities

Section: III. Finance Committee
Item: B. Information Item - Budgeting and LCAP for 2020-2021, including facilities
Purpose: Discuss
Submitted by:
Related Material: FullBudgetSummary.pdf
UMCS-MYP-20200515 (post-Revise).pdf

GOVERNOR
Gavin Newsom

May 14, 2020

To the members of the Senate and the Assembly of the California Legislature:

The world has changed dramatically since I proposed my budget in January. A global health crisis has triggered a global financial crisis–threatening both lives and livelihoods across the nation and world.

As this emergency has unfolded, Californians have met the moment—acting quickly to protect one another whether serving on the frontlines or staying at home. Together, we flattened the COVID-19 curve and saved lives. Now, we are confronted with a steep and unprecedented economic crisis.

This is no normal year. And this no ordinary May Revision.

In January, California was the rocket fuel powering the American economic resurgence—with 118 consecutive months of growth, stratospheric job creation, and the highest credit rating in nearly two decades. Together, we'd built the largest rainy day fund in state history, made prudent one-time investments and paid off our wall of debt. Because of this work, California is in a far stronger fiscal position today than it has been during previous downturns.

Now, our state is in an unprecedented emergency, facing massive job losses and shortfalls in record time. This budget reflects that emergency. California is once again called to lead—to adopt an on-time, balanced budget that protects our people and progress from the most acute effects of the harm and uncertainty caused by COVID-19.

I am proposing a fiscal blueprint to fund our most essential priorities—public health, public safety and public education—and to support workers and businesses, especially small businesses, who are the lifeblood of our economy. California will do its part to keep our communities healthy and safe, to shorten the economic shadow of the current crisis, and build a bridge to recovery and renewal.

California did not create this problem and should not be required to solve it alone. The federal government must pass a relief package for state and local governments. Without one, deep cuts to core services like schools, universities, and safety net programs will be unavoidable—both in California and across the country.

Our economy has changed, but our values remain the same. I look forward to working with you to pass a budget that aligns with both our shared principles and our reduced means. While we can't be certain how fast recovery and renewal will come, we know California and Californians can and will get through this.

We have the talent, drive, diversity and work ethic to not only persevere but to overcome. We are strong of will and generous of spirit. We've faced—and faced down—unanticipated adversity and, every time, emerged stronger than ever. It's the California story, and this is only the latest chapter.

By standing strong and standing together, we can and will meet this difficult moment and build a bridge to a brighter future.

With respect,

/s/

Gavin Newsom

STATE CAPITOL • SACRAMENTO, CALIFORNIA 95814 • (916) 445–2841

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INTRODUCTION

The COVID-19 pandemic has caused enormous hardship for families, businesses and governments across the world, the United States and California. It has endangered health, stressed the health care system and caused devastating losses in family and business income.

COVID-19 has caused a global economic crisis which has had a profound impact on California. It has caused business closures, job losses and has driven millions of Californians to seek unemployment and other assistance. Necessary efforts to contain the virus and to address its effects have increased costs for state and local governments across the country.

California's prudent fiscal management, including its structurally balanced budget and record reserves, puts it in a much better position than other governments to contend with these challenges. However, the effects of the COVID-19 Recession on the state budget are massive. Substantial federal assistance is essential to safeguard core government functions, as well as to support a safe, quick economic recovery.

The May Revision is guided by the principle of prudent fiscal management to: protect public health, public safety and public education; provide assistance to small businesses and Californians most hurt by the pandemic; and to invest in a safe and quick economic recovery. It proposes to strategically use federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds to support schools, public health and local governments. It is anchored in a commitment to preserving core services and supporting Californians facing the greatest hardships.

Introduction

Consistent with the state's constitutional obligation to enact a balanced budget and the prohibition against issuing long-term bonds to finance deficits, the May Revision proposes to cancel new initiatives proposed in the Governor's Budget, cancel and reduce spending included in the 2019 Budget Act, draw down reserves, borrow from special funds and temporarily increase revenues. It also reflects savings from the Administration's direction to agencies and departments to increase efficiency and streamline existing efforts. Finally, the May Revision reflects reductions needed to address the remaining budget gap in the event the federal government does not provide states and local governments additional necessary funding to support public health, safety and education, and a safe, swift economic recovery. While under the May Revision the budget would be balanced next year, a significant structural out-year deficit would remain, increasing to over $16 billion by 2023-24.

Immediate action is required for the Governor and the Legislature to enact a balanced budget by July 1. The Administration will work in partnership with the Legislature to enact a balanced budget and to advocate for increased federal funding for state and local governments. In the event that sufficient additional funds do not materialize, the Administration is committed to considering alternatives to protect core services, including additional borrowing, revenue increases, revenue accelerations and other options. To be workable, any alternative solution must mitigate, not exacerbate, the structural deficit the state faces and avoid repeating a pattern of successive years of fiscal and financial distress.

California's Pre-Pandemic Budget and Economy

California began 2020 with a solid fiscal foundation—a strong and diverse economy, historic reserves, and a structurally balanced budget. It had eliminated past budgetary debts and deferrals and was making extraordinary payments to reduce pension liabilities.

In January, a budget surplus of $5.6 billion was projected for the 2020-21 fiscal year. Revenues through March were running $1.35 billion above projections.

COVID-19 Recession

The COVID-19 pandemic and resulting recession has changed the fiscal landscape dramatically. The entrepreneurs who run small businesses throughout California have been severely impacted. Unemployment claims have surged—with increased claims of 4.4 million from mid-March to May 9, and a projected 2020 unemployment rate of

18 percent. Job losses have occurred in nearly every sector of the economy, but they have been most acute in sectors not fully able to telework such as leisure and hospitality, retail trade, and personal services. Lower-wage workers have disproportionately borne the impact of job losses. COVID-19 has amplified the wage disparity that existed before the pandemic—a fact that is particularly concerning as state median income did not return to the pre-Great Recession level until 2018.

Personal income is projected to decline by 9 percent in 2020; in 2023, personal income is expected to return to the 2019 level of $2.6 trillion—$470 billion or 15 percent below the level expected in the Governor's Budget.

COVID-19 Impact on State Budget

Job losses and business closures are sharply reducing state revenues. Compared to the January forecast, General Fund revenues are projected to decline over $41 billion. This revenue drop, combined with increased costs in health and human services programs and the added costs to address COVID-19, leads to a projected budget deficit of approximately $54 billion before the changes proposed in the May Revision. Without the actions below, the out-year structural deficit would be approximately $45 billion annually.

Balanced Approach to Closing the Budget Gap

The state is constitutionally required to enact a balanced budget. Consistent with this obligation, the May Revision proposes to:

- Cancel $6.1 billion in program expansions and spending increases, including canceling or reducing a number of one-time expenditures included in the 2019 Budget Act. It also includes redirecting $2.4 billion in extraordinary payments to California Public Employees' Retirement System (CalPERS) to temporarily offset the state's obligations to CalPERS in 2020-21 and 2021-22. It further reflects savings from the Administration's direction to agencies to increase efficiency in state operations now and into the future.
- Draw down $16.2 billion in the Budget Stabilization Account (Rainy Day Fund) over three years, and allocate the Safety Net Reserve to offset increased costs in health and human services programs over the next two years. The May Revision reflects the withdrawal of $8.3 billion, including $7.8 billion from the Rainy Day Fund and $450 million from the Safety Net Reserve in 2020-21.

- Borrow and transfer $4.1 billion from special funds.
- Temporarily suspend net operating losses and temporarily limit to $5 million the amount of credits a taxpayer can use in any given tax year. These short-term limitations will generate new revenue of $4.4 billion in 2020-21, $3.3 billion in 2021-22, and $1.5 billion in 2022-23 to increase funding for schools and community colleges and maintain other core services.
- Reflect the Administration's nationwide request of $1 trillion in flexible federal funds to support all 50 states and local governments, and identifies reductions to base programs and employee compensation that will be necessary if sufficient federal funding does not materialize.

See The May Revision Proposes Balanced Solution figure below.

May Revision Proposes Balanced Solution (dollars in billions)	
Cancelled Expansions & Other Reductions	$8.4
Reserves	8.8
Borrowing/Transfers/Deferrals	10.4
New Revenues	4.4
Federal Funds	8.3
Triggers	14.0
	$54.3

USING CARES ACT FUNDS STRATEGICALLY

The May Revision proposes to use federal CARES Act funds to support schools, strengthen local public health preparedness and response, and support health and human services at the local level in response to the COVID-19 pandemic.

Specifically, the May Revision proposes to:

- Use $4.4 billion for schools to run summer programs and other programs that address equity gaps that were widened during the school closures.
- Direct $3.8 billion to protect public health and public safety; $1.3 billion to counties for public health, behavioral health and other health and human services programs; and $450 million to cities for public safety and to support homeless individuals.

PROTECTING PUBLIC HEALTH, PUBLIC SAFETY AND PUBLIC EDUCATION

The May Revision protects public health and public safety. It provides needed funds to contain the spread of COVID-19 and its effects. To that end, the May Revision proposes to:

- Invest in wildfire prevention and mitigation as well as other emergency response capabilities.
- Prioritize $4.4 billion in federal funding to address learning loss and equity issues exacerbated by the COVID-19 school closures this spring. These funds will be used by districts to run summer programs and other programs that address equity gaps that were widened during the school closures. These funds will also be used to make necessary modifications so that schools can reopen in the fall and help support parents' ability to work.
- Reallocate $2.3 billion in funds previously dedicated to paying down schools' long-term unfunded liability to California State Teachers' Retirement System (CalSTRS) and CalPERS to instead pay the school employers' retirement contributions, to address the decline in the constitutionally required funding for schools and community colleges resulting from the COVID-19 Recession.
- Create a new obligation of 1.5 percent of state appropriation limit revenues starting in 2021-22 to avoid a permanent decline in school funding that grows to $4.6 billion in additional funding for schools and community colleges in 2023-24.
- Preserve the number of state-funded childcare slots and expand access to childcare for first responders.
- Preserve community college free-tuition waivers and maintain Cal Grants for college students, including the grants for students with dependent children established last year. Since many workers return to higher education and job training after losing a job, continuing these programs and initiatives will prioritize affordability and access to higher education and job training opportunities.

SUPPORTING CALIFORNIANS FACING THE GREATEST HARDSHIPS

The COVID-19 Recession is making the effects of wage disparity even worse and is having a disproportionate impact on families living paycheck to paycheck. The May Revision prioritizes direct payments to families, children, seniors and persons with disabilities by doing the following:

- Maintain the newly expanded Earned Income Tax Credit, which puts a billion dollars in the pockets of working families with incomes under $30,000, including a $1,000 credit for eligible families with children under the age of 6.
- Maintain grant levels for families and individuals supported by the CalWORKs and SSI/SSP programs.
- Prioritize funding to maintain current eligibility for critical health care services in both Medi-Cal and the expanded subsidies offered through the Covered California marketplace for Californians with incomes between 400 percent and 600 percent of the federal poverty level.

In addition, unemployment insurance benefits in 2020-21 are estimated to be $43.8 billion, which is 650 percent higher than the $5.8 billion estimated in the Governor's Budget. This is primarily supported by federal funding, federal loans, and employer taxes.

ENHANCING GOVERNMENT EFFICIENCY

Historically, state government has been slow to adopt modernizations in the workplace. But the COVID-19 pandemic has forced a massive experiment in telework and allowed state managers, led by the Government Operations Agency, to rethink business processes. This transformation will allow for expanded long-term telework strategies, increased modernization and delivery of government services online, reconfigured office space, reduced leased space, and when possible, flexible work schedules for employees.

The Administration is working to deliver more government services online. This includes expanding the Department of Motor Vehicles' virtual office visits pilot to other departments and agencies with more face-to-face interactions with Californians. The Office of Digital Innovation will continue to assist agencies and departments in automating processes to increase value and provide greater convenience for the public.

Nearly all state operations will be reduced over the next two years. Nonessential contracts, purchases, and travel are suspended. Departments have been directed to fill only the most essential vacant positions.

SUPPORTING JOB CREATION, ECONOMIC RECOVERY AND OPPORTUNITY

During this time of unprecedented unemployment, the Administration will work in partnership with the Legislature to help get people back to work and support the creation of good-paying jobs. It will develop proposals and actions to support a robust and equitable recovery both in the near term and the long term. To this end, the Administration is considering options to support job creation including: assistance to help spur the recovery of small businesses and the jobs they create, support for increased housing affordability and availability and investments in human and physical infrastructure. Any investments and actions will focus on equity, shared prosperity and long-term growth.

Small businesses have suffered massive losses as a result of the COVID-19 Recession. They will face increased costs to modify their operations to reduce the risk of COVID-19 transmission and spread. Given the critical role of small business in California's economy, the May Revision proposes to:

- Augment the small business guarantee program by $50 million for a total increase of $100 million to fill gaps in available federal assistance. This increase will be leveraged to access existing private lending capacity and philanthropy to provide necessary capital to restart California small businesses.
- Retain Governor's Budget's proposals to support new business creation and innovation by waiving the $800 minimum franchise tax for new businesses.

The Governor has convened a Task Force on Business and Jobs Recovery—a diverse group of leaders from business, labor, and the non-profit sector—to develop actionable recommendations and advise the state on how economic recovery can be expedited and address the effects of wage disparity that were made even worse by COVID-19. The Administration is committed to additional actions, informed by the Task Force and other stakeholders, to support a safe, swift and equitable economic recovery.

The Administration is also committed to working with colleges and universities to build on their experience with distance learning and develop a statewide educational program that will allow more students to access training and education through distance learning. This will allow non-traditional students who are working and parenting the opportunity to complete coursework at their own pace and after hours.

DEFINING THE PATH FORWARD

California's history has been marked by periods of great challenge—brought on by global conflict and change, by natural disasters, and by economic crises. California's history has also been one of innovation, ingenuity, resiliency, and resurgence. The COVID-19 pandemic and the recession that has accompanied it pose a new challenge for the state.

California will overcome this challenge as it has overcome challenges in the past. The state, its businesses and its families will recover and will emerge stronger and more resilient. The May Revision takes a balanced and focused approach. It directs actions to stop the spread of COVID-19; protects core functions like public health, public safety and public education; and supports those facing the greatest hardships. It proposes actions to support a safe, swift and robust economic recovery. It is a responsible fiscal plan for California as it navigates the path to recovery.

SUMMARY CHARTS

This section provides various statewide budget charts and tables.

2020-21 May Revision
General Fund Budget Summary
(Dollars in Millions)

	2019-20	2020-21
Prior Year Balance	$11,280	$1,619
Revenues and Transfers	$136,836	$137,417
Total Resources Available	**$148,116**	**$139,036**
Non-Proposition 98 Expenditures	$94,145	$89,030
Proposition 98 Expenditures	$52,352	$44,871
Total Expenditures	**$146,497**	**$133,901**
Fund Balance	**$1,619**	**$5,135**
Reserve for Liquidation of Encumbrances	$3,175	$3,175
Special Fund for Economic Uncertainties	-$1,556	$1,960
Safety Net Reserve	**$900**	**$450**
Budget Stabilization Account/Rainy Day Fund	**$16,156**	**$8,350**

Note: Numbers may not add due to rounding.

General Fund Expenditures by Agency

(Dollars in Millions)

	2019-20	2020-21	Change from 2019-20 Dollar Change	Percent Change
Legislative, Judicial, Executive	$6,848	$4,144	-$2,704	-39.5%
Business, Consumer Services & Housing	1,262	291	-971	-76.9%
Transportation	289	239	-50	-17.3%
Natural Resources	3,771	3,547	-224	-5.9%
Environmental Protection	723	42	-681	-94.2%
Health and Human Services	41,920	45,275	3,356	8.0%
Corrections and Rehabilitation	13,444	13,351	-93	-0.7%
K-12 Education	54,578	47,689	-6,889	-12.6%
Higher Education	17,041	15,372	-1,669	-9.8%
Labor and Workforce Development	186	159	-27	-14.5%
Government Operations	2,331	1,329	-1,002	-43.0%
General Government:				
Non-Agency Departments	1,076	911	-165	-15.3%
Tax Relief/Local Government	505	432	-73	-14.5%
Statewide Expenditures	2,523	1,120	-1,403	-55.6%
Total	**$146,497**	**$133,901**	**-$12,596**	**-8.6%**

Note: Numbers may not add due to rounding.

2020-21 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	$4,144	$3,655	$566	$8,365
Business, Consumer Services & Housing	291	1,084	1,134	2,509
Transportation	239	17,484	641	18,364
Natural Resources	3,547	1,802	1,399	6,748
Environmental Protection	42	3,851	18	3,911
Health and Human Services	45,275	25,911	-	71,186
Corrections and Rehabilitation	13,351	2,576	-	15,927
K-12 Education	47,689	117	1,541	49,347
Higher Education	15,372	188	723	16,283
Labor and Workforce Development	159	878	-	1,037
Government Operations	1,329	351	8	1,688
General Government				
Non-Agency Departments	911	1,917	8	2,836
Tax Relief/Local Government	432	2,774	-	3,206
Statewide Expenditures	1,120	791	1	1,912
Total	**$133,901**	**$63,379**	**$6,039**	**$203,318**

Note: Numbers may not add due to rounding.

Summary Charts

General Fund Revenue Sources
(Dollars in Millions)

	2019-20	2020-21	Change from 2019-20 Dollar Change	Change from 2019-20 Percent Change
Personal Income Tax	$94,773	$76,841	-$17,932	-18.9%
Sales and Use Tax	24,941	20,613	-4,328	-17.4%
Corporation Tax	13,870	16,577	2,707	19.5%
Insurance Tax	3,052	2,986	-66	-2.2%
Alcoholic Beverage Taxes and Fees	385	389	4	1.0%
Cigarette Tax	58	56	-2	-3.4%
Motor Vehicle Fees	31	40	9	29.0%
Other	1,887	12,109	10,222	541.7%
Subtotal	**$138,997**	**$129,611**	**-$9,386**	**-6.8%**
Transfer to/from the Budget Stabilization Account/Rainy Day Fund	-2,160	7,806	9,966	-461.4%
Total	**$136,837**	**$137,417**	**$580**	**0.4%**

Note: Numbers may not add due to rounding.

2020-21 Revenue Sources
(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2019-20
Personal Income Tax	$76,841	$1,874	$78,715	-$18,534
Sales and Use Tax	20,613	10,025	30,638	-4,614
Corporation Tax	16,577	-	16,577	2,707
Highway Users Taxes	-	8,124	8,124	324
Insurance Tax	2,986	-	2,986	-66
Alcoholic Beverage Taxes and Fees	389	-	389	4
Cigarette Tax	56	1,848	1,904	-21
Motor Vehicle Fees	40	10,004	10,044	586
Other	12,109	20,366	32,475	4,200
Subtotal	**$129,611**	**$52,241**	**$181,852**	**-$15,414**
Transfer to/from the Budget Stabilization Account/Rainy Day Fund	7,806	-7,806	-	-
Total	**$137,417**	**$44,435**	**$181,852**	**-$15,414**

Note: Numbers may not add due to rounding.

Saving Lives and Emergency Response

The COVID-19 pandemic is a global crisis. As of May 12, 2020, COVID-19 has resulted in over 291,300 deaths worldwide, including over 82,100 in the United States. In response to the COVID-19 pandemic, the Administration took immediate action to reduce the spread of the virus in the state. California was the first state in the nation to respond on a statewide basis by requiring residents to stay home to mitigate the spread of COVID-19. These proactive measures have been successful, limiting the number of cases and deaths. The Administration continues to put public health at the forefront as the state begins its phased approach to reopening the economy.

Responding to COVID-19

On March 4, 2020, the Governor proclaimed a state of emergency for the novel coronavirus outbreak, which causes a disease known as COVID-19. Within two weeks, the Administration issued a statewide stay-at-home order for residents to mitigate the spread of the virus. Even prior to these actions, the State Operations Center had been activated, informed by the state's public health officers, to prepare for an expected surge of patients infected with the virus. Based on data from medical models, projections indicated that hospitals would be inundated with patients, outstripping medical resources both in terms of available beds as well as the staffing and supplies needed to care for them. Necessary actions to address the immediate needs for various vulnerable populations were identified and taken, and local governments were provided state assistance for testing, housing, and sheltering activities. In addition, food banks were supported and staffed as the demand for these services began to increase.

Since that time, not only has assistance continued for vulnerable populations, but health care workers and others in the medical system have also been supported, in recognition of the stressful situations in which they are working, and in some cases the risks these conditions may pose to their families.

Pursuant to a Presidential Disaster declaration, funds from the Federal Emergency Management Agency (FEMA) became available to help pay for the substantial fiscal burden of the state's response efforts.

The May Revision reflects $1.8 billion net General Fund expenditures for the state's direct emergency response efforts for the COVID-19 pandemic. A significant portion of this funding will provide the 25-percent cost share required to leverage FEMA funding. So far, the state has supported the following activities:

- Personal Protective Equipment and Other Critical Medical Supplies—Since the worldwide COVID-19 pandemic broke out, procuring personal protective equipment has been a major challenge as a result of supply shortages resulting from increased global demand. The state has been able to secure a dependable supply of medical-grade masks in a quantity that will meet the state's needs. The state has also procured other critical supplies, such as medical equipment, gloves, and gowns.
- Hospital Surge Preparation—To assist the state's medical system with an anticipated surge in COVID-19 patients needing hospitalization, the state has established over 3,000 beds and will be ready to support an additional 2,000 new beds in the fall, in addition to the beds that the hospital system has added.
- Hotels for Healthcare Workers and Support Staff—Staff who care for or come into contact with COVID-19 patients in the medical system and who cannot self-isolate at home have been provided free or low-cost hotel accommodations.
- Supporting the State's Vulnerable Populations—Recognizing the needs of the state's vulnerable populations, including the homeless, foster youth, and seniors, the state has provided support for housing, food, and other assistance.
- State Response Operations and Other Support Services—The state has provided resources for child care workers, small businesses, local probation and sheriffs, and other support services to assist with challenges related to the pandemic. This includes a Department of Public Health call center for the general public, response activities at the State Operation Center, and various allocations from the SB 89 appropriation.

- Reopening the State—To support the decision to safely reopen the state, there are six indicators that have been identified. Funding will support statewide testing and contact tracing and tracking, which will provide information for decision making.

The May Revision also includes $716 million net General Fund as a set-aside contingency for additional response activities in the budget year. This represents a 25-percent cost share and the remainder is anticipated to be funded by additional FEMA funding, should there be a surge of new cases in the budget year.

COVID-19 Federal Assistance

The federal government has provided temporary federal funding to support the state's response to the COVID-19 pandemic as well as financial support to mitigate the effects of the broader stay-at-home orders. This funding was made available through four federal bills designed to help pay for emergency response, testing and contact tracing, health care, and financial relief to individuals, families, and businesses as well as state and local government including schools and higher education institutions. The following summarizes the four bills passed by Congress since March 2020:

- Coronavirus Preparedness and Response Supplemental Appropriations Act (HR 6074)—Provided emergency funding for public health and health care.
- Families First Coronavirus Response Act (HR 6201)—Provided some early assistance to families and temporarily increased the federal match for some state programs including Medi-Cal and In-Home Supportive Services.
- Coronavirus Aid, Relief, and Economic Security (CARES) Act (HR 748)—Broadened the assistance available including funding for states, local governments, education, child care, individuals and families. Funding also expanded, extended, and supplemented unemployment insurance benefits. Finally, this measure provided assistance to businesses, including the health care sector, small businesses, farmers, airports, and transit agencies.
- Paycheck Protection Program and Health Care Enhancement Act (HR 266)—Expanded funding for small businesses, hospitals, community and rural health centers, and substantially expanded funding for testing and contact tracing to support reopening businesses and the economy while continuing to be vigilant about protecting the public.

As of May 9, 2020 the estimated funding that California expects to receive, including direct benefits to individuals, families, small businesses, higher education institutions, and the health care industry totals over $186 billion and is detailed in the chart below:

Summary of Federal Stimulus Funds
(Dollars in Thousands)

Federal Vehicle	To/Thru State	Direct Stimulus	Total
Preparedness and Response (HR 6074)	$63,333	$1,535,765	$1,599,098
Families First (HR 6201)	11,496,346	2,090,559	13,586,905
CARES Act (HR 748)	59,151,934	75,660,544	134,812,478
Payroll Protection/Health Care (HR 266)	465,000	35,864,291	36,329,291
Total	**$71,176,613**	**$115,151,159**	**$186,327,772**

The federal funding identified above will not be sufficient to address the state's fiscal crisis or the enormous hardship for families, businesses and governments in California caused by the unprecedented COVID-19 pandemic.

STATE PROGRAMS

Over $71 billion in federal funds is estimated to support state programs or to provide safety net services to individuals and families in the following areas:

- Coronavirus Relief Funds ($9.5 billion), discussed below.
- Unemployment insurance benefits (over $50 billion) to millions of individuals.
- Enhanced federal share of costs ($5.3 billion), primarily Medi-Cal.
- K-12 Schools ($2 billion).
- State and local public health (over $600 million), excluding funding provided directly to Los Angeles County from the Centers for Disease Control and Prevention.
- Food and nutrition programs (nearly $1 billion), including child nutrition programs typically available through schools.

DIRECT ASSISTANCE

In addition to the federal funds that are allocated through the state budget, over $115 billion has been distributed or identified to support individuals and families, small businesses, hospitals and providers, including rural and community clinics, schools, higher education institutions and college students, local housing authorities, airports, and local government. A breakdown of these funds as well as the funds that flow through the state is detailed in the following chart.

Summary of Federal Stimulus Funds
(Dollars in Thousands)

Beneficiary	To/Thru State	Direct Stimulus	Total
Various from Coronavirus Relief Fund (CRF)	$9,525,547	$5,795,738	$15,321,285
State	5,804,702	-	5,804,702
Individual	51,727,142	22,465,995	74,193,137
Business	-	1,888,981	1,888,981
Small Business	-	71,237,166	71,237,166
Local Government	525,686	3,769,009	4,294,695
Housing Authority/Local Government	63,902	468,117	532,019
Schools	2,002,533	-	2,002,533
Colleges[1/]	-	1,789,981	1,789,981
Community Based Organizations (CBOs)	391,612	299,149	690,761
CBO/Individual Food Assistance	964,794	2,090,559	3,055,353
Hospitals	4,216	5,339,753	5,343,969
Multiple Beneficiaries	166,479	6,711	173,190
Total	**$71,176,613**	**$115,151,159**	**$186,327,772**

1/ The CARES Act requires that 50 percent of the funding from the Higher Education Emergency Relief Fund be allocated for emergency grants to students for food, housing, course materials, technology, healthcare, and child care.

The following summarizes direct funds that are targeted to response efforts.

- Coronavirus Relief Funds—$5.8 billion was allocated directly to 21 units of local government (15 counties, city and county of San Francisco, and 5 cities) with populations over 500,000.
- Economic Impact Payments—$22.5 billion has been allocated, as of May 8, 2020, to more than 13.5 million California families who have filed a federal tax return in 2018 or 2019. Additional payments are expected over the coming weeks or months and are likely to total about $29 billion.
- Small Business Grants and Loans—Over 300,000 California small businesses have received a combination of grants and loans totaling over $70 billion primarily to support continued payment of employees and to help overcome the temporary loss of revenue they are experiencing. While these amounts are significant, the awards to date only benefit about 7.5 percent of California's 4 million small businesses.

- Hospitals, Providers, and Rural and Community Clinics—$5.3 billion has been allocated to date through various formula allocations. Initial allocations were based on the number of Medicare fee-for-service payments. More recent payments have been made according to: (1) Medicare and Medicaid disproportionate share and uncompensated care payments and (2) hospitals that provided inpatient care for 100 or more COVID-19 patients. A total of 369 rural hospitals, including acute care general hospitals, rural health clinics, and community health centers in rural areas recently received $311.6 million. These funds are intended to help address COVID-19 hospitalizations and offset the loss of revenues as a result of the stay-at-home orders to prevent the spread of COVID-19.
- Higher Education—Colleges and universities in California received over $1.7 billion to help support the transition to distance learning and offset lost revenues. Colleges are required to allocate at least half of the funds to provide direct emergency aid to students, such as grants to students for food, housing, course materials, technology, healthcare, and child care.
- Public Transit Agencies—$3.6 billion was allocated to offset lost fares and revenue from sudden loss of ridership.
- Food Assistance—In addition to funds provided through state programs, several programs also provide assistance to families, such as the Pandemic EBT Program. Support is also provided through the Commodity Assistance Program which purchases food for allocation to food banks and community-based organizations who then provide food to families. While detailed data is not available for all the available allocations, at least $2 billion has been identified for California to date.
- Housing—Various public housing agencies are expected to receive at least $500 million to maintain normal operations of low-income housing units as well as provide rental assistance and support for homeless individuals and families.
- Airport Improvements and Airline Relief—Airports in California will receive $1.1 billion to support airport improvement projects. These totals do not reflect any assistance provided through the Payroll Support to Air Carriers Program that may be allocated to airlines to avoid layoffs and furloughs of employees based in California.

CORONAVIRUS RELIEF FUND

The CARES Act allocated Coronavirus Relief Funds (CRF) to state and local governments for expenditures incurred between March 1 and December 30, 2020 in response to COVID-19, not previously accounted for in the most recent state and local budgets. These funds cannot be used to backfill lost revenues or to serve as the state match for drawing down other federal funds (such as FEMA reimbursements).

Based on the state's population, California received a total of $15.3 billion with $9.5 billion paid to the state. Cities and counties with populations over 500,000 received $5.8 billion directly from the U.S. Treasury. The funding allocated to five large cities was deducted from the county share. The figure below shows the amount by county and for these five cities, including the city and county of San Francisco.

The May Revision allocates a portion of the state's $9.5 billion CARES Act funding to local governments to further support their COVID-19 efforts—$450 million to cities for homelessness and public safety and $1.3 billion to counties for public health, behavioral health, and other health and human services as detailed in the following chart.

Coronavirus Relief Fund Allocations
Total by County and Selected Cities
(Dollars in Thousands)

Cities and Counties	Direct Allocations [1/]	State Allocations [1/]	Total Allocations	Cities and Counties	Direct Allocations [1/]	State Allocations [1/]	Total Allocations
Alameda County	$291,634	$38,577	$330,211	Placer County	-	$40,768	$40,768
Alpine County	-	116	116	Plumas County	-	1,925	1,925
Amador County	-	4,069	4,069	Riverside County	431,091	57,024	488,115
Butte County	-	22,433	22,433	Sacramento County	181,199	25,210	206,409
Calaveras County	-	4,698	4,698	City of Sacramento	89,623	-	89,623
Colusa County	-	2,205	2,205	San Benito County	-	6,428	6,428
Contra Costa County	201,281	26,625	227,906	San Bernardino County	380,408	50,320	430,728
Del Norte County	-	2,847	2,847	San Diego County	334,062	54,224	388,286
El Dorado County	-	19,737	19,737	City of San Diego	248,451	-	248,451
Fresno County	81,580	16,228	97,808	City/County San Francisco	153,824	20,347	174,171
City of Fresno	92,756	-	92,756	San Joaquin County	132,989	17,592	150,581
Glenn County	-	2,906	2,906	San Luis Obispo County	-	28,976	28,976
Humboldt County	-	13,874	13,874	San Mateo County	133,761	17,694	151,455
Imperial County	-	18,547	18,547	Santa Barbara County	-	45,698	45,698
Inyo County	-	1,846	1,846	Santa Clara County	158,100	31,314	189,414
Kern County	157,078	20,778	177,856	City of San Jose	178,295	-	178,295
Kings County	-	15,653	15,653	Santa Cruz County	-	27,963	27,963
Lake County	-	6,590	6,590	Shasta County	-	18,431	18,431
Lassen County	-	3,129	3,129	Sierra County	-	308	308
Los Angeles County	1,057,341	163,064	1,220,405	Siskiyou County	-	4,456	4,456
City of Los Angeles	694,405	-	694,405	Solano County	-	45,815	45,815
Madera County	-	16,102	16,102	Sonoma County	-	50,594	50,594
Marin County	-	26,490	26,490	Stanislaus County	96,086	12,710	108,796
Mariposa County	-	1,761	1,761	Sutter County	-	9,925	9,925
Mendocino County	-	8,879	8,879	Tehama County	-	6,661	6,661
Merced County	-	28,420	28,420	Trinity County	-	1,257	1,257
Modoc County	-	905	905	Tulare County	-	47,714	47,714
Mono County	-	1,478	1,478	Tuolumne County	-	5,576	5,576
Monterey County	-	44,425	44,425	Ventura County	147,622	19,527	167,149
Napa County	-	14,098	14,098	Yolo County	-	22,568	22,568
Nevada County	-	10,210	10,210	Yuba County	-	8,052	8,052
Orange County	554,134	73,300	627,434	**Total**	**$5,795,720**	**$1,289,065**	**$7,084,785**

[1/] Numbers may not tie due to rounding.

The May Revision proposes to allocate the remaining state CRF ($8.2 billion) for costs related to mitigating the significant impacts of the COVID-19 pandemic as summarized in the following chart.

Coronavirus Relief Fund Allocations
(Dollars in Thousands)

State Directed Coronavirus Relief Fund Allocations	Amount
State Offsets: Vulnerable Populations and Public Health and Safety	$3,786,500
K-12 Learning Loss Mitigation	4,000,000
County Public Health, Behavioral Health, and Health and Human Services	1,289,065
City Homelessness and Public Safety Funding	450,000
Total	**$9,525,565**

In total, the CRF allocations are estimated to offset nearly $3.8 billion in state General Fund costs. This total includes current year costs funded pursuant to the provisions of Section 36.00, Chapter 2, Statutes of 2020, needed to meet immediate needs of various vulnerable populations. These savings will be achieved through a proposed control section that provides needed flexibility to offset General Fund costs between March 1 and December 30, 2020.

In addition, the May Revision allocates $4 billion state CRF to mitigate learning loss related to COVID-19 school closures, including summer learning opportunities, additional instructional time, and other academic services and supports.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health has been at the forefront of the state's response to the COVID-19 pandemic—extensively planning, preparing, and responding to the pandemic since mid-January. The Department's efforts include issuing a stay-at-home order to save lives, increasing testing capacity, increasing hospital surge capacity, and issuing statewide public health guidance.

The May Revision maintains and increases the Department's disease surveillance and identification workforce. Specifically, the May Revision proposes $5.9 million General Fund for 2020-21 and $4.8 million General Fund ongoing, to support laboratory staff to increase the laboratories' testing capacity, and to purchase equipment and laboratory supplies that are specifically utilized for COVID-19 testing as well as other diseases. In addition, the May Revision maintains critical funding for infectious disease prevention and control, including $5 million General Fund each for STD, HIV, and hepatitis C virus prevention and control.

ENHANCING EMERGENCY RESPONSE AND PREPAREDNESS

This year, in response to the global COVID-19 pandemic, the state has been faced with implementing an unprecedented emergency response effort necessary to protect the health of Californians. However, the state is also at risk from other types of emergencies. The May Revision continues the Administration's prioritization of enhancing emergency response and preparedness.

OFFICE OF EMERGENCY SERVICES

Although the state is experiencing significant economic impacts from the COVID-19 pandemic and a decrease in state revenues, the May Revision reflects $127 million for Office of Emergency Services (Cal OES) to enhance the state's emergency preparedness and response capabilities.

- Community Power Resiliency—Maintain $50 million one-time General Fund to support additional preparedness measures that bolster community resiliency. Building on the state's 2019-20 power resiliency investments, these measures will support critical services still vulnerable to power outage events, including schools, county election offices, and food storage reserves. This proposal will support a matching grant program to help local governments prepare for, respond to, and mitigate the impacts of power outages.
- California Disaster Assistance Act (CDAA)—A total of $38.2 million one-time General Fund (maintaining $16.7 million included in the Governor's Budget and an additional $21.5 million) to increase the amount of funding available through the CDAA, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclaimed by the Governor. This augmentation increases total CDAA funding available in the Budget to $100.8 million.
- California Earthquake Early Warning Program—Maintain $17.3 million to operate this new innovative program that uses science, monitoring, and technology to alert people, businesses, and transit agencies via devices before the anticipated strongest seismic activity arrives. The May Revision proposes to switch the fund source for the loan from the General Fund to the School Land Bank Fund.
- California Cybersecurity Integration Center—Maintain $7.6 million General Fund and 12 positions for Cal OES (a total of $11.1 million General Fund and 22 positions across

various agencies) to enhance the state's critical cybersecurity infrastructure. This investment will provide a full-time Joint Incident Response Team to bolster the state's capabilities in preventing, mitigating, and responding to cyberattacks.

- Disaster Planning, Preparedness, and Response—Maintain $9.4 million ($9.2 million General Fund) and 50 positions to enhance Cal OES's ability to prepare for, respond to, and assist the state in recovering from disasters while maximizing eligible federal reimbursements.
- Seismic Safety Commission Transfer—Maintain $2.5 million ($503,000 General Fund) to transfer the Seismic Safety Commission to Cal OES. These resources will be critical to supporting the effective integration of the Seismic Safety Commission into Cal OES, resulting in increased coordination, earthquake preparedness and seismic safety benefits. The May Revision reduces this proposal by $446,000 General Fund.
- Wildfire Forecast and Threat Intelligence Integration Center—Maintain $2 million General Fund to enhance the state's emergency response capabilities through improved forecasts for tracking and predicting critical fire weather systems, which improves situational awareness of fire threat conditions in real-time, consistent with Chapter 405, Statutes of 2019 (SB 209). The May Revision proposes to reduce this proposal by $6.8 million General Fund across various departments.

GENERAL FUND SOLUTIONS

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. Therefore, the May Revision proposes to withdraw $101.8 million ($26.8 million General Fund) for Cal OES and Department of Forestry and Fire Protection (CAL FIRE) for implementation of the home hardening pilot grant program authorized by Chapter 391, Statutes of 2019 (AB 38). Infrastructure investments to improve the resiliency of vulnerable communities will be considered as part an overall infrastructure plan. The May Revision maintains $8.3 million Greenhouse Gas Reduction Fund for CAL FIRE to meet defensible space-related and other requirements pursuant to AB 38.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Over the past several years, the state has experienced unprecedented increases in wildfire activity driven by climate change. Furthermore, recent forecasts indicate that 2020 is likely to be an active fire year given lower than average precipitation, snowpack, and fuel moisture levels.

Despite the significant budget shortfall, the May Revision reflects an additional $90 million General Fund ($142.7 million ongoing) to further enhance CAL FIRE's fire protection capabilities for the 2020 fire season and beyond.

- CAL FIRE Relief Staffing and Early Ramp-Up of 2020 Fire Season Surge Capacity—Maintain $85.6 million General Fund ($135.1 million ongoing) for permanent firefighting positions to provide CAL FIRE with operational flexibility throughout the peak fire season and beyond as fire conditions dictate. These resources will be leveraged to provide relief for frontline firefighting staff, which will directly benefit employee health and wellness. Additionally, these resources will serve as an immediate resource pool to be deployed strategically, based on fire risk, to build CAL FIRE's surge capacity by staffing additional engines during the late fall, winter, and early spring, and adding a fourth firefighter on a portion of engines. Given the urgent needs associated with preparing for the upcoming 2020 peak fire season, CAL FIRE will utilize seasonal firefighters and other surge capacity resources, and begin phasing in permanent firefighting staff later in the year.
- Innovation Procurement Sprint—An increase of $4.4 million General Fund ($7.6 million ongoing) to enable CAL FIRE to implement the new pioneering wildfire prediction and modeling technology that was procured through the Innovation Procurement Sprint process initiated through Executive Order N-04-19. The recently-executed contract will enable CAL FIRE to access a wildfire predictive software program that can perform hundreds of millions of simulations daily, over large geographic areas, and generate predictions and wildfire forecasts based on simulated or reported ignition points throughout the state. The data from this software program will be used to inform fire pre-positioning and suppression tactical operations, with the intent to more readily control and contain wildfires, and to protect people and assets at risk.

GENERAL FUND SOLUTIONS

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- Direct Mission Support—$34.3 million General Fund.
- Wildland Firefighting Research Grant Program—$5 million General Fund.

ENCOURAGING RECOVERY

Until March, California enjoyed an historic economic expansion that reduced unemployment from a peak of 12.3 percent to 3.9 percent, and lowered the poverty rate from a peak of over 16 percent to under 12 percent. Real per capita personal income had increased by almost 25 percent between 2007 and 2018. This strong economic growth enabled billions in investments to improve schools and roads, to increase access to and affordability of higher education, to create a robust state earned income tax credit program and to steadily increase the state's minimum wage. But even during this period of expansion, growth was uneven and unequal, and too many continued to struggle to make ends meet.

COVID-19 ended the longest recovery period in the state's history. The recession that is following has caused massive job losses, precipitous drops in family and business income, and is exacerbating inequality. The May Revision forecasts a peak unemployment rate of 24.5 percent in the second quarter of this year and a decline in personal income of nearly 9 percent in 2020.

The May Revision proposes policies and investments to encourage recovery for all Californians. With additional funding and policy changes at the federal level, there are greater opportunities for state and local government to shape a safe, swift recovery that will promote greater resilience and sustainability.

SUPPORTING THE RECOVERY OF SMALL BUSINESS

Small businesses are the core of California's economy—nearly 4 million businesses employ approximately half of the private workforce. Small businesses are job creators, innovators, and are key to the fabric of the state's diverse communities.

Small businesses have suffered massive losses as a result of the COVID-19 Recession. They are facing increased costs to modify their operations in order to reduce the transmission of COVID-19. Given their critical role in California's economy, the May Revision proposes increased funding to support the recovery of this sector in the near- and long-term.

MINIMUM FRANCHISE TAX

The May Revision maintains the Governor's Budget proposal to waive the $800 minimum franchise tax for the first year of business creation. This proposal supports new business creation and innovation by limiting an often costly barrier to entry.

SMALL BUSINESS LOAN GUARANTEES

The California Infrastructure and Economic Development Bank's (IBank) Small Business Finance Center manages California's small business loan guarantees, disaster loan guarantees, and direct lending programs. The Small Business Loan Guarantee Program provides financial assistance and access to capital needed to small businesses. It works to leverage private lending to reduce the cost of capital for small businesses.

The May Revision proposes to increase funding for this program by $50 million for a total increase of $100 million to fill gaps in available federal assistance and grow California's program. This increase will be leveraged to access existing private lending capacity and philanthropic funding to increase the funds available to provide necessary capital to restart California small businesses.

As part of the federal Payroll Protection Program, over 300,000 California small businesses have received a combination of grants and loans totaling over $70 billion primarily to support continued payment of employees and to help overcome temporary loss of revenue. While these amounts are significant, the awards to date only benefit about 7.5 percent of California's 4 million small businesses.

SMALL BUSINESS AND ECONOMIC DEVELOPMENT

To further support the needs of underserved communities and direct small businesses to capital options, California helps fund a network of federally contracted centers to consult and train California small business owners. The Governor's Office of Business and Economic Development administers a grant program that funds business technical assistance centers to expand services to underserved small businesses, and the Capital Infusion Program to help small businesses access capital.

The May Revision maintains the Governor's Budget investment of $758,000 ongoing General Fund for four positions to bring business and economic development to Inland and Northern California.

SUPPORTING JOB CREATION

During this time of unprecedented unemployment, the Administration will work in partnership with the Legislature to help get people back to work and support the creation of good-paying jobs. It will develop proposals and actions to support a robust and equitable recovery both in the near- and in the long-term. To this end, the Administration is considering options to support job creation including: assistance to help spur the recovery of small businesses and the jobs they create, support for increased housing affordability and availability, and investments in human and physical infrastructure. Any investments and actions will focus on equity, shared prosperity and long-term growth.

The Governor has convened a Task Force on Business and Jobs Recovery—a diverse group of leaders from business, labor, and the non-profit sector—to develop actionable recommendations and advise the state on how economic recovery can be expedited and address the effects of wage disparity that are being made even worse by the COVID-19 Recession. The Administration is committed to additional actions, informed by the Legislature, the Task Force, and other stakeholders to support a safe, swift and equitable economic recovery.

The Administration is also committed to working with colleges and universities to build on their experience with distance learning and develop a statewide educational program that will allow more students to access training and education through distance learning, allowing non-traditional students who are working and parenting, the opportunity to complete coursework at their own pace and after hours.

Caltrans Investments

In the immediate term, Caltrans will accelerate projects to achieve cost savings, support the creation of new jobs in the transportation sector, and improve roads.

The Federal Highway Administration estimates that approximately 13,000 jobs are created for every billion dollars spent on highway infrastructure. While fuel tax revenues used to fund transportation projects are expected to drop by a total of $1.8 billion through 2024-25, the May Revision maintains current planning and engineering staffing levels to continue developing and designing previously programmed projects. This will support preparedness for when stimulus funding becomes available.

Housing

The state has made significant investments to address a decades-in-the-making housing shortage that has resulted in skyrocketing housing costs, making home ownership an impossibility for many Californians.

Low-income Californians have been disproportionately impacted by the recession. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) allows property owners with a mortgage through a government-sponsored entity to request forbearance without fees or penalties for six to twelve months. If the property is not owner-occupied, the owner is required to pass on savings to tenants. However, the forbearance does not defer payments, it postpones them.

State Support for Renters and Homeowners

The Governor took a series of actions to pause evictions statewide and to compel financial institutions to halt foreclosure proceedings. The Judicial Branch also temporarily halted default and eviction proceedings. These efforts have provided immediate relief for Californians.

The May Revision proposes to expend $331 million in National Mortgage Settlement funds for housing counseling, mortgage assistance and renter legal aid services as follows: the California Housing Financing Agency will administer $300 million for housing counseling and mortgage assistance, and the remaining $31 million to the Judicial Council to provide grants to legal aid services organizations.

STATE FUNDING FOR HOUSING

The May Revision maintains the $500 million in low-income housing state tax credits in the Governor's Budget. This program will continue to expedite housing development throughout the state by leveraging federal bonding capacity to create more opportunities for tax-exempt building of affordable housing. The state also continues ongoing investments including a real estate transaction fee (estimated at $277 million for 2020-21) for affordable housing, ongoing revenue from cap and trade auction proceeds (estimated at $452 million for 2020-21) for infill development that also reduces vehicle miles traveled and greenhouse gas emissions, and $4 billion in Proposition 1 bonds for veterans and affordable housing programs. The Administration will work to expedite allocation of these bond funds.

The May Revision includes $1.1 billion in available federal funds through the Community Development Block Grant Program for critical infrastructure and disaster relief related to the 2017 and 2018 wildfires.

Additionally, California is estimated to receive a total of $532 million in federal funds for housing and homeless programs under the CARES Act. These funds will assist the state and local jurisdictions in acquiring housing for people experiencing homelessness, as well as securing low- and moderate-income housing in response to the COVID-19 pandemic. The state intends to utilize these funds to continue bolstering necessary housing production in the aftermath of the COVID-19 pandemic.

Given the increased federal funds and anticipated future actions to support jobs and infrastructure, as well as the effects of the COVID-19 Recession, the following funds are proposed for reversion:

- $250 million in mixed-income development funds over the next three years.
- $200 million in infill infrastructure grant funds.
- $115 million in other housing program funds.

These funds have not been allocated or dedicated to specific projects.

IMPROVING STATE HOUSING PROCESSES AND PROCEDURES

The Administration continues its commitment to implement and identify process improvements to streamline housing programs to remove barriers to increase housing production.

These include creation of a joint application for tax credits between the Tax Credit Allocation Committee and California Debt Limit Allocation Committee, the realignment of Housing and Community Development's program award schedules to expedite funding awards and have a greater impact on the ground, and working on improvements to revamp the state's housing planning process with input from key stakeholders and local governments. These efforts will facilitate better, more efficient, and more effective distribution of state resources and ultimately valuable housing production.

The May Revision proposes to leverage federal funds and existing state programs and properties to implement a comprehensive strategy to increase housing supply and to support preservation, protection, and production of housing. This includes:

- Preserving existing subsidized affordable housing stock by stabilizing existing deed-restricted affordable housing and guarding against private sector actors buying up distressed assets;
- Seeking strategies to stabilize tenants in existing units;
- Significantly streamlining, upzoning and producing new housing units, especially on excess and surplus lands, in transit-oriented infill areas and on public land; and
- Building a workforce development strategy to support a skilled and trained housing workforce pipeline with high-road wage rates, and promoting innovative alternative construction methods.

SUPPORTING THE RECOVERY

The CARES Act provides temporary program enhancements and expanded unemployment insurance benefits to millions of workers no longer employed due to the COVID-19 Recession. Most notably, the CARES Act included a federally funded temporary emergency benefit increase of $600 per week through July 31, 2020 and a federally funded Pandemic Unemployment Assistance (PUA) program to provide up to 39 weeks of unemployment insurance benefits to individuals who do not qualify for traditional unemployment compensation, including business owners, the self-employed, independent contractors, individuals with limited work history, and other individuals not usually eligible for regular state unemployment insurance benefits who are unemployed as a direct result of the COVID-19 Recession.

The Short-Term Compensation program included in the CARES Act is another benefit that helps employers retain workers at reduced time and wages—ready to restart operations once stay-at-home orders are eased. Unlike regular unemployment insurance, these benefits are 100-percent funded for up to 26 weeks by the federal government through the end of 2020. It is intended to support businesses in retaining their workers as the economy reopens and customers come back. The Administration is working to address the cumbersome process that has delayed enrollment to increase the number of businesses participating in this program.

A STRONGER, MORE INCLUSIVE ECONOMY

While average per capita income had increased almost 25 percent in real terms from 2007 to 2018, median household income was flat over the same period. Most of the jobs added since the Great Recession were in lower-wage sectors. Job growth was also uneven across regions. Income inequality persisted, and prosperity was not shared by all regions of the state.

The COVID-19 Recession is disproportionately impacting low-wage workers and communities of color, and worsening inequality and opportunity. Informed by the Future of Work Commission and advised by the Task Force on Jobs and Business Recovery, the Administration will continue to work on actions to protect those facing the greatest hardships from COVID-19. It will also work on tangible actions to broaden opportunity, better prepare the state's workforce, and modernize worker safety net protections.

The California state minimum wage increased by $1 per hour on January 1, 2020 to reach $12 per hour for businesses with 25 or fewer employees, and $13 per hour for businesses with 26 or more employees. These increases will affect roughly 60 percent of Californians. Annual increases of $1 per hour are scheduled to continue until the statewide minimum wage reaches $15 per hour for everyone, with indexing for inflation after that. The May Revision maintains these scheduled increases.

The 2019 Budget Act significantly expanded the Earned Income Tax Credit (EITC) beginning in tax year 2019, by more than doubling the existing credit from $400 million to $1 billion. The expanded program extends credits to 1 million additional households, raising the number of households receiving the credit to 3 million. The expanded credit includes a $1,000 credit for every family that otherwise qualifies for the credit and has at least one child under the age of 6. The May Revision continues the EITC at this expanded level.

ENCOURAGING RECOVERY

The May Revision also maintains increased resources to protect employees and address the misclassification of employees.

K-12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, 1,000 local school districts, and more than 1,200 charter schools provides instruction in English, mathematics, history, science, and other core competencies.

The May Revision includes total funding of $99.7 billion ($47.7 billion General Fund and $52 billion other funds) for all K-12 education programs.

PROPOSITION 98—AVOIDING PERMANENT DECLINE

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The Guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The Local Control Funding Formula is the primary mechanism for distributing these funds to support all students attending K-12 public schools in California.

The COVID-19 Recession is having a massive impact on the economy and the state's General Fund revenues. This is having an equally significant negative impact on the state's K-14 Proposition 98 Guarantee. The May Revision estimates that the Guarantee will decline by $19 billion from the Governor's Budget. This decline in funding is approximately 23 percent of the 2019 Budget Act Proposition 98 funding level. Even more troubling, is that declining average daily attendance and declining per capita income numbers cause the Guarantee to stay at a depressed level for the entire forecast period.

To mitigate the deleterious impacts of the state's revenue decline impacts on funding for K-14 schools immediately, the May Revision proposes the following:

- Temporary Revenue Increases. The May Revision proposes the temporary three-year suspension of net operating losses and limitation on business incentive tax credits to offset no more than $5 million of tax liability per year. These measures along with other more minor tax changes will generate $4.5 billion in General Fund revenues and approximately $1.8 billion in benefit to the Proposition 98 Guarantee.
- Federal Funds. The May Revision proposes a one-time investment of $4.4 billion ($4 billion federal Coronavirus Relief Fund and $355 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures, including supporting an earlier start date for the next school year.
- Revising CalPERS/CalSTRS Contributions. The 2019 Budget Act included $850 million to buy down local educational agency employer contribution rates for CalSTRS and CalPERS in 2019-20 and 2020-21, as well as $2.3 billion towards the employer long-term unfunded liability. To provide local educational agencies with increased fiscal relief, the May Revision proposes redirecting the $2.3 billion paid to CalSTRS and CalPERS towards long-term unfunded liabilities to further reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the CalSTRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 18.2 percent to 16.02 percent in 2021-22. The CalPERS Schools Pool employer contribution rate will be reduced from 22.67 percent to 20.7 percent in 2020-21 and from 25 percent to 22.84 percent in 2021-22.

The May Revision also proposes a significant new obligation for schools to avoid a permanently depressed level of funding for K-14 schools. In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level (Test 2), by a total of approximately $13 billion. To accelerate the recovery from this funding reduction, the May Revision proposes to provide supplemental appropriations above the constitutionally required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of General Fund revenues per year, up to a cumulative total of $13 billion. This will accelerate growth in the Guarantee, which the Administration proposes to increase as a share of the General Fund. Currently, Proposition 98 guarantees that K-14 schools receive approximately 38 percent of the General Fund in Test 1 years. The May Revision proposes to increase this share of funding to 40 percent by 2023-24.

The May Revision also reflects the withdrawal of all of the funding in the Public School System Stabilization Account, which was projected at the Governor's Budget to be approximately $524 in 2019-20. The May Revision projects that no additional deposits will be required and the entire amount is available to offset the decline in the Guarantee.

IMPACTS OF COVID-19 ON K-12 EDUCATION

Since the beginning of the COVID-19 pandemic in early March, local educational agencies across the state have closed for classroom instruction, transitioning students and teachers to distance learning models. The loss of classroom-based instruction has had unprecedented impacts on students and families, with significant learning loss for low-income students and students with disabilities.

To provide local educational agencies with flexibility to meet the challenges of serving students in this new environment, the Administration and the Legislature have authorized resources and waivers over the last two months designed to support distance learning. These actions include:

- Passing SB 117, which provided $100 million to local educational agencies for cleaning and protective equipment, held local educational agencies harmless for Average Daily Attendance (ADA) loss, waived instructional time requirements to prevent funding loss, made it easier for charter schools to convert to a distance learning model, protected funding for after school programs, and extended timelines for assessments, uniform complaint procedures, and special education requirements.
- Issuing Executive Orders N-26-20, N-30-20, N-45-20, and N-56-20. These orders defined expectations for local educational agencies for service delivery during COVID-19 school closures, suspended state academic assessments for the 2019-20 school year, provided additional time for local educational agencies and communities to complete their local control and accountability plans, increased programmatic flexibility for after school programs, and required local educational agencies to be

transparent with their communities about actions taken to ensure continuity of student learning during the COVID-19 pandemic.

Additionally, the Superintendent of Public Instruction and the California Collaborative for Educational Excellence have provided guidance and instructional resources to help local educational agencies navigate distance learning and delivery of nutrition and other student services during the COVID-19 pandemic.

The Administration will engage with stakeholders and the Legislature through the spring and summer to determine an appropriate process for the development and adoption of local control and accountability plans and budget overviews for parents that are due December 15, 2020, pursuant to Executive Order N-56-20.

The Administration's priorities for education will include a strong focus on equity for vulnerable students, stability for core instructional programs, learning loss mitigation, and support for helping schools through the current economic downturn. The following May Revision proposals reflect these priorities and provide a roadmap for academic and fiscal recovery.

LEARNING LOSS MITIGATION

The May Revision proposes a one-time investment of $4.4 billion ($4 billion federal Coronavirus Relief Fund and $355 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures. Specifically, funds may be used for:

- Learning supports that begin prior to the start of the school year, and the continuing intensive instruction and supports into the school year.
- Extending the instructional school year, including an earlier start date, by increasing the number of instructional minutes or days.
- Providing additional academic services for pupils, including diagnostic assessments of student learning needs, intensive instruction for addressing gaps in core academic skills, additional instructional materials or supports, or devices and connectivity for the provision of in-classroom and distance learning.
- Providing integrated student supports to address other barriers to learning, such as the provision of health, counseling or mental health services; professional

development opportunities to help teachers and parents support pupils in distance-learning contexts; access to school breakfast and lunch programs; or programs to address student trauma and social-emotional learning.

Funds will be allocated to local educational agencies offering classroom-based instruction based on a formula that takes into account the share of students most heavily impacted by school closures, including students with disabilities, low-income students, English learners, youth in foster care, and homeless youth.

Additionally, California received $1.6 billion in federal Elementary and Secondary School Emergency Relief funds. Of this amount, 90 percent ($1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive for COVID-19 related costs. The remaining 10 percent ($164.7 million) is available for COVID-19 related state-level activities. The May Revision proposes to allocate these funds in the following manner:

- $100 million for grants to county offices of education for the purpose of developing networks of community schools and coordinating health, mental health, and social service supports for high-needs students. The COVID-19 pandemic has exacerbated conditions associated with poverty, including food insecurity, housing and employment instability, and inadequate health care, which has led to additional barriers to learning.
- $63.2 million for training and professional development for teachers, administrators, and other school personnel, focused on mitigating opportunity gaps and providing enhanced equity in learning opportunities, addressing trauma-related health and mental health barriers to learning, and developing strategies to support necessary changes in the educational program, such as implementing distance learning and social distancing.
- $1.5 million for the Department of Education for state operations costs associated with COVID-19 pandemic.

ALIGNING K-12 APPROPRIATIONS WITH AVAILABLE RESOURCES

The reduction in the Proposition 98 minimum guarantee, when combined with statutory technical adjustments, creates a shortfall of $15.1 billion ($14.8 billion General Fund) for K-12 schools over 2018-19, 2019-20, and 2020-21. Addressing this gap requires a balance of solutions, including the withdrawal of new proposals, deferrals, and absent additional federal funds, base reductions.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- Educator Workforce Investment Grants: $350 million
- Opportunity Grants: $300.3 million
- Community Schools Grants: $300 million
- Special Education Preschool Grant: $250 million
- Workforce Development Grants: $193 million
- Teacher Residency Program: $175 million
- Credential Award Program: $100 million
- Child Nutrition Programs: $70 million
- Classified Teacher Credential Program: $64.1 million
- Local Services Coordination (CCEE): $18 million
- Computer Science Supplementary Authorization Incentive: $15 million
- Online Resource Subscriptions for Schools: $2.5 million
- California College Guidance Initiative: $2.5 million
- Computer Science Resource Lead: $2.5 million
- School Climate Workgroup: $150,000

Additionally, the May Revision suspends the statutory cost-of-living adjustment of 2.31 percent in 2020-21 for all eligible programs.

LOCAL CONTROL FUNDING FORMULA

Absent additional federal funds, the COVID-19 Recession requires a 10 percent ($6.5 billion) reduction to LCFF. This reduction includes the elimination of a 2.31 percent cost-of-living adjustment. This reduction will be triggered off if the federal government provides sufficient funding to backfill this cut.

The May Revision also proposes apportionment deferrals to align Proposition 98 expenditures and resources with the need of local educational agencies to maintain a level of fiscal stability. In 2019-20, the Budget proposes to defer $1.9 billion of LCFF apportionments to 2020-21. An additional $3.4 billion is added to the 2019-20 deferral in 2020-21, for a total of $5.3 billion in LCFF deferrals scheduled for payment in 2021-22.

SPECIAL EDUCATION

The May Revision maintains the Administration's commitment to increasing special education resources and improving special education financing, programs, and student outcomes. Specifically, the May Revision sustains the Governor's Budget proposal to increase special education base rates, updated at May Revision to $645 per pupil (reflecting the suspension of the 2.31 percent cost-of-living adjustment), apportioned on a three-year rolling average of local educational agency ADA (allocated to Special Education Local Plan Areas). This new base rate represents a 15 percent increase in the Proposition 98 General Fund contribution to the base formula funding over the amount provided in the 2019 Budget Act.

As in the Governor's Budget, the May Revision proposes that all other existing AB 602 special education categorical funding sources remain as in current law until a finalized formula is adopted.

Further, the May Revision includes $15 million federal Individuals with Disabilities Education Act (IDEA) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, and $7 million federal IDEA funds to assist local educational agencies with developing regional alternative dispute resolution services and statewide mediation services for cases arising from the COVID-19 pandemic special education distance learning service delivery models.

Finally, the May Revision maintains funding for a study of the current special education governance and accountability structure, and two workgroups to study improved accountability for special education service delivery and student outcomes. The $1.1 million Proposition 98 General Fund used to fund these proposals is replaced with federal IDEA funds. An additional $600,000 federal IDEA funds is proposed for: (1) a workgroup to study the costs of out-of-home care, and how these services can be funded in a way that better aligns with the existing provision of these services, and (2) the development of an individualized education program addendum for distance learning.

K-12 CATEGORICAL PROGRAMS

Absent additional federal funds, to limit base reductions to the LCFF, the May Revision includes the following Proposition 98 reductions to K-12 categorical programs, totaling $352.9 million:

- After School Education and Safety: $100 million
- K-12 Strong Workforce Program: $79.4 million
- Career Technical Education Incentive Grant Program: $77.4 million
- Adult Education Block Grant: $66.7 million
- California Partnership Academies: $9.4 million
- Career Technical Education Initiative: $7.7 million
- Exploratorium: $3.5 million
- Online Resource Subscriptions for Schools: $3 million
- Specialized Secondary Program: $2.4 million
- Agricultural Career Technical Education Incentive Grant: $2.1 million
- Clean Technology Partnership: $1.3 million

OTHER K-12 BUDGET ISSUES

Significant Adjustments:

- Local Property Tax Adjustments—An increase of $84.5 million Proposition 98 General Fund in 2019-20 and $727 million Proposition 98 General Fund in 2020-21 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in both years.
- Full-Day Kindergarten Facilities—A decrease of $300 million one-time non-Proposition 98 General Fund for construction of new, or retrofit of existing, facilities for full-day kindergarten programs. This is roughly the amount that is unexpended from $400 million provided for this purpose in the 2018 and 2019 Budget Acts. The May Revision proposes sweeping these unexpended program funds to facilitate budgetary resiliency.

- AB 1840 Adjustments—An increase of $5.8 million one-time Proposition 98 General Fund for Inglewood Unified School District and $16 million one-time Proposition 98 General Fund for Oakland Unified School District, amounting to 50 percent of the operating deficit of these districts, pursuant to Chapter 426, Statutes of 2018 (AB 1840).
- Categorical Program Growth—A decrease of $10.9 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of average daily attendance.

FLEXIBILITIES FOR LOCAL EDUCATIONAL AGENCIES

The COVID-19 Recession is going to create tremendous challenges at the local level. The Administration is committed to working with local educational agencies, labor organizations and other stakeholders during this difficult time to offer flexibilities that will minimize impacts to students and allow local educational agencies to continue to make progress on closing the achievement gap for students with disabilities, low-income students, English learners, youth in foster care, and homeless youth. The May Revision includes the following fiscal and programmatic flexibilities:

- Exemptions for local educational agencies if apportionment deferrals create a documented hardship.
- Authority for local educational agencies to exclude state pension payments on behalf of local educational agencies from the calculation of required contributions to routine restricted maintenance.
- Subject to public hearing, increases on local educational agency internal inter-fund borrowing limits to help mitigate the impacts of apportionment deferrals.
- Authority to use proceeds from the sale of surplus property for one-time general fund purposes.
- Options for specified special education staff to utilize technology-based options to serve students.
- Extension of the deadline for transitional kindergarten teachers to obtain 24 college units of early childhood education, from August 1, 2020 to August 1, 2021.

The Administration intends to work with the Legislature and education stakeholders on other options, including expanded flexibility, to protect core services and minimize impacts on students in the context of reduced funding.

K-12 AND EARLY CHILDHOOD EDUCATION

To address the impacts of the COVID-19 pandemic on child care providers, the state took immediate action to protect providers and families and expand access to care for vulnerable, at-risk children and children of essential workers. Specifically, the Administration and the Legislature authorized SB 117 and Executive Orders N-45-20 and N-47-20 that accomplish the following:

- Provide 30 days of payment protection to providers who experienced closures or reduced attendance due to the COVID-19 pandemic.
- Suspend family fees for 60 days.
- Allow children of essential workers and additional populations of vulnerable children to be eligible for subsidized care, regardless of income.
- Direct the Department of Social Services and the Department of Education to publish guidance on health and safety practices to keep families accessing child care safe during the COVID-19 pandemic.

The Administration also provided $100 million General Fund, pursuant to SB 89, to clean and sanitize child care facilities, provide protective supplies for child care workers, and increase access to subsidized child care for at-risk children and children of essential workers.

To assist with the child care needs of families outside of the subsidized system, the Department of Social Services worked with employers of essential workers to set up pop-up child care programs. To date, there are close to 500 temporary pop-up child care programs throughout California. The state also released a web portal to help parents locate open child care providers near their home or work.

CARES ACT FUNDING FOR CHILD CARE

California received $350.3 million through the federal CARES Act for COVID-19 related child care activities. To maximize the benefits of these funds to providers and families, the May Revision proposes the following expenditure plan:

- $144.3 million for state costs associated with SB 89 expenditures, family fee waivers, and provider payment protection.
- $125 million for one-time stipends for state-subsidized child care providers offering care during the COVID-19 pandemic.
- $73 million for increased access to care for at-risk children and children of essential workers.
- $8 million to extend family fee waivers until June 30, 2020.

DEPARTMENT OF EARLY CHILDHOOD DEVELOPMENT

The Governor's Budget proposed to establish the Department of Early Childhood Development under the California Health and Human Services Agency effective July 1, 2021, to promote a high-quality, affordable, and unified early childhood system. The Governor's Budget included $6.8 million General Fund in 2020-21 and $10.4 million ongoing General Fund to transition the existing early learning and child care programs from the Department of Education and the Department of Social Services to the new department.

To achieve General Fund savings while maintaining the goal of consolidating the state's early learning and child care programs under one agency, the May Revision proposes to modify this proposal by transferring the child care programs to the Department of Social Services. This will align all child care programs within a single department in state government and will ease the administration of collective bargaining commencing later this year. The May Revision maintains $2 million General Fund in 2020-21 to support this transition.

STATE PRESCHOOL

The May Revision protects access to the State Preschool program for income-eligible children. While the current fiscal situation requires a pause in the state's planned early education investments, the Administration's priority to work toward universal preschool access for all children in unchanged.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- $159.4 million General Fund to eliminate 10,000 slots scheduled to begin April 1, 2020 and 10,000 additional slots scheduled to begin April 1, 2021.
- $130 million Proposition 98 General Fund to align State Preschool funding with demand.
- $94.6 million Proposition 98 General Fund and $67.3 million General Fund to reflect a 10 percent decrease in the State Preschool daily reimbursement rate.
- $20.5 million Proposition 98 General Fund and $11.6 million General Fund to reflect suspension of a 2.31 percent cost-of-living adjustment.
- $3.3 million Proposition 98 General Fund and $3 million General Fund to eliminate a 1 percent add-on to the full-day State Preschool reimbursement rate.

CHILD CARE

When considering the availability of state General Fund and federal resources at May Revision, the Administration prioritizes access to subsidized child care for income-eligible families. State subsidized child care is critical to keeping low-income women in the workforce, which is more important than ever given the COVID-19 Recession. California received an increase of $53.3 million federal Child Care and Development Block Grant funds for federal fiscal year 2020, which the May Revision proposes to increase access for approximately 5,600 children in the Alternative Payment Program. Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- $363 million one-time General Fund and $45 million one-time federal Child Care and Development Block Grant funds from the 2019 Budget Act for child care workforce and infrastructure.
- $223.8 million General Fund to reflect a 10 percent decrease in the Standard Reimbursement Rate and the Regional Market Rate.
- $35.9 million General Fund to reflect to reflect lower caseload estimates in CalWORKs Stage 2 and Stage 3 child care.
- $25.3 General Fund to reflect suspension of a 2.31 percent cost-of-living adjustment.
- $10 million one-time General Fund from the 2019 Budget Act for child care data systems

- $4.4 million one-time General Fund to reduce resources available for the Early Childhood Policy Council, leaving $2.2 million available for both 2020-21 and 2021-22.

Additionally, the May Revision appropriates $13.4 million federal funds through the Health and Human Services Agency to reflect the state's 2020 Preschool Development Grant award.

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HIGHER EDUCATION

Higher Education includes the California Community Colleges (CCC), the California State University (CSU), the University of California (UC), the Student Aid Commission, and several other entities. The May Revision includes $18.6 billion General Fund and local property tax for all higher education entities in 2020-21.

EQUITY AND ACCESS

FINANCIAL AID COMMITMENT

The May Revision reflects the Administration's commitment to supporting equity and access at the UC, CSU, and CCCs. The May Revision maintains the state's investment in two years of free community college while also providing students with continued access to major financial aid programs, including the California College Promise fee waiver, Cal Grant awards, the students with dependent children Cal Grant supplement, and the Middle Class Scholarship. Protecting these programs ensures that hundreds of thousands of low and middle income Californians can still attend a CCC, CSU, or UC campus without the burden of paying tuition.

EXPANDING ACCESS THROUGH TECHNOLOGY AND INNOVATIVE PRACTICES

The May Revision reflects the state's need to accommodate more students while resources are constrained. Although the economic response from the

COVID-19 pandemic will constrain the state's financial resources, the number of students seeking to enroll at UC, CSU, and CCC campuses is expected to grow in the coming years. CCCs, in particular, will likely see notable increases because their enrollment tends to rise when economic challenges emerge.

The Administration expects that the UC, CSU, and CCCs will continue to work toward maximizing access and maximizing equity, even in an era of constrained state resources. Each segment is expected to harness its innovative strength in order to:

- Create, expand, and continually improve the quality of online educational opportunities that are broadly accessible.
- Adopt policies that better enable underrepresented students interested in job reskilling to enroll in college courses and programs.
- Collaboratively adopt the use of a common online learning management system, for example, Canvas, which is already used by over 80 percent of the UC, CSU, and CCCs.
- Expand opportunities for competency-based education and for credit-by-exam to enable students to earn credit for a broader range of previous experiences, including on-the-job training, internships, military service, or independent efforts.
- Collaboratively develop a common approach to awarding credit for similar learning outcomes, regardless of which segment or campus was involved.
- Establish system-wide policy goals in the following areas:
  - The percentage of courses using open educational resources and offered online.
  - The percentage of students earning credit through competency-based education and/or credit by exam.
  - Providing registration priority to underrepresented students.
- Maintain or further invest in programs that support students' basic needs particularly for underrepresented students.

USE OF RESTRICTED FUND SOURCES

Numerous statutes authorize the CSU and the CCCs to charge fees to support specific operating and/or enterprise activities, such as campus health services, student parking, student housing, and meal services. The UC's broad autonomy also enables the UC to charge similar fees. To assist the UC, CSU, and CCCs, the Administration will pursue statutory changes to enable the UC, CSU and CCCs to use restricted fund balances, except lottery balances, to address COVID-19 related impacts and the loss of revenue from university enterprise functions.

Coupled with this, restricted fund balance flexibility would be a requirement for the CSU and the CCCs, and a request of the UC, that any restricted fund balances first be used to mitigate the impacts to programs and services that predominantly support underrepresented student access to, and success at, a college or university, and to expand the number of students annually served in online courses and programs.

Additionally, the Administration will pursue statutory changes authorizing the UC to temporarily use the savings from the refinancing of specified debt to address COVID-19 related impacts and the loss of revenue from university enterprise functions.

FEDERAL CARES ACT FUNDS

The CARES Act included a national total of $30.8 billion to support an Education Stabilization Fund. Of this funding, roughly $14 billion is allocated to a Higher Education Emergency Relief Fund, roughly $13.2 billion is allocated to an Elementary and Secondary School Emergency Relief Fund and $3 billion is allocated to a Governor's Emergency Education Relief Fund. The UC, CSU, and CCC's are expected to receive at least $260 million, $525 million, and $579 million, respectively, from the Higher Education Emergency Relief Fund. The federal methodology for allocating these funds to schools and institutions varies, and institutions of higher education are required to expend half of the higher education funds to provide emergency grants to students. The Administration expects CCCs, CSU, and UC to set-aside a portion of the funding for emergency grants to students to provide emergency grant assistance to foster youth.

UNIVERSITY OF CALIFORNIA

Consisting of ten campuses, the UC is the primary institution authorized to independently award doctoral degrees and professional degrees. The UC educates approximately 280,000 undergraduate and graduate students and receives the highest state subsidy per student among the state's three public higher education segments. In 2018-19, the UC awarded 77,000 degrees. An additional 400,000 students participate in continuing education programs through the university extensions.

Significant Adjustments:

- UC PATH—Increase the authorization for the UC Office of the President to assess campuses to support UC PATH from $15.3 million to $46.8 million and include provisional language requiring the UC Office of the President to collaborate with campuses to maximize their use of non-core funds to support the assessment.
- Graduate Medical Education—An increase of $1.5 million ongoing General Fund to maintain the Proposition 56 Graduate Medical Education Program at an ongoing total of $40 million.
- UC Riverside School of Medicine—Maintain $11.3 million ongoing General Fund to support the current operations of the UC Riverside School of Medicine.
- UC San Francisco School of Medicine Fresno Branch Campus—Maintain $1.2 million ongoing General Fund to support the UC San Francisco School of Medicine Fresno Branch Campus in partnership with UC Merced.
- Subject Matter Project—$6 million federal funds to support subject matter projects to address learning loss in mathematics, science, and English/language arts resulting from the COVID-19 pandemic.
- Animal Shelter Grant Program—Maintain $5 million one-time General Fund for an animal shelter grant demonstration project.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- $169.2 million ongoing General Fund to support a 5-percent UC base increase.
- $3.6 million ongoing General Fund to support a 5-percent UC Division of Agriculture and Natural Resources base increase.
- $3 million ongoing General Fund to establish the Center for Public Preparedness Multi-Campus Research Initiative.
- $4 million one-time General Fund to support degree and certificate completion programs at UC extension centers.
- $1.3 million one-time General Fund to support a UC Subject Matter Project in computer science.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- A decrease of $338 million ongoing General Fund to reflect a 10-percent reduction in support of UC. In implementing this reduction, the Administration expects UC to minimize the impact to programs and services serving underrepresented students and student access to the UC.
- A decrease of $34.4 million ongoing General Fund to reflect a 10-percent reduction in support of UC, UC Office of the President, UC PATH, and the UC Division of Agriculture and Natural Resources.
- A decrease of $4 million limited-term General Fund provided to support summer term financial aid.

CALIFORNIA STATE UNIVERSITY

The CSU serves approximately 410,000 undergraduate students across 23 campuses and receives funding from a variety of sources, including state General Fund, federal funds, lottery funds, and student tuition and fees. In 2018-19, the CSU awarded over 127,000 degrees. The CSU also provides opportunities for residents to enroll in professional and continuing education programs.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- $199 million ongoing General Fund to support a 5-percent increase in base resources.
- $6 million one-time General Fund to support degree and certificate completion programs.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- A decrease of $398 million ongoing General Fund to reflect a 10-percent reduction in support for the CSU. In implementing this reduction, the Administration expects the CSU to minimize the impact to programs and services serving underrepresented students and student access to the CSU.

- A decrease of $6 million limited-term General Fund provided to support Summer Term Financial Aid.

CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the nation, serving roughly one-quarter of the nation's community college students, or approximately 2.1 million students. The CCCs provide basic skills, career education, and undergraduate transfer education with 73 districts, 115 campuses, and 78 educational centers. In 2018-19, the community colleges awarded more than 98,000 certificates, 186,000 degrees and transferred about 103,000 students to four-year institutions.

OTHER COMMUNITY COLLEGE FLEXIBILITIES

To assist CCCs in their recovery from the impacts of the COVID-19 pandemic and provide CCCs with additional near term certainty, the May Revision proposes statutory changes to:

- Exempt direct COVID-19 related expenses incurred by districts from the 50 Percent Law. This would not include revenue declines.
- Suspend procedures regarding the development of short-term career technical education courses and programs to expedite the offering of these programs and courses.
- Reflect the revised 2019-20 Student Centered Funding Formula rates.
- Further utilize past-year data sources that have not been impacted by COVID-19 within the Student Centered Funding Formula.
- Extend the Student Centered Funding Formula hold harmless provisions for an additional two years and require reductions to the Student Centered Funding Formula that are necessary to balance the budget to be proportionately applied to all CCCs by reducing the Formula's rates, stability, and hold harmless provisions.

Significant Adjustments:

- The May Revision sustains support for two years of free community college, for the Student Success Completion Grants, sustains several categorical programs at current funding levels, including the Educational Opportunity Programs and Services

Program and the Disabled Students Programs and Services Program, and sustains the proposal to provide $10 million ongoing Proposition 98 General Fund to support immigrant legal services.

- The May Revision maintains $106.4 million Proposition 98 General Fund to support the proposed CCC System Support Program.
- Other adjustments:
  - An increase of $130.1 million Proposition 98 General Fund as a result of decreased offsetting local property tax revenues.
  - A decrease of $11.4 million ongoing Proposition 98 General Fund to establish or support food pantries at community college campuses. The May Revision proposes statutory changes to support community college food pantries within available Student Equity and Achievement Program funding.
  - A decrease of $5.8 million ongoing Proposition 98 General Fund to support Dreamer Resource Liaisons. The May Revision proposes statutory changes to support Dreamer Resource Liaisons within available Student Equity and Achievement Program funding.
  - Deferral of $330.1 million Proposition 98 General Fund from 2019-20 to 2020-21.
  - Deferral $662.1 million Proposition 98 General Fund from 2020-21 to 2021-22.
- CCC Facilities—Including projects proposed at the Governor's Budget, the May Revision proposes total general obligation bond funding of $223.1 million including $28.4 million to start 25 new capital outlay projects and $194.7 million for the construction phase of 15 projects anticipated to complete design by spring 2020. This allocation represents the next installment of the $2 billion available to CCCs under Proposition 51.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- $700,000 one-time General Fund provided to the Chancellor's Office to convene a working group and develop the report required by SB 206. The Administration expects the Chancellor's Office to seek private philanthropy to support the work group and to develop the required report.

- $15 million one-time Proposition 98 General Fund for a faculty pilot fellowship program.
- $10 million one-time Proposition 98 General Fund for part-time faculty office hours.
- $10 million one-time Proposition 98 General Fund to develop and implement zero-textbook cost degrees.
- $5 million ongoing Proposition 98 General Fund to provide instructional materials for dual enrollment students.
- $9.3 million ongoing Proposition 98 General Fund, of which $0.1 million is attributable a revised cost-of-living adjustment at the May Revision, for a 2.31 percent cost-of-living adjustment for various categorical programs.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- $167.7 million ongoing Proposition 98 General Fund, of which $0.6 million is attributable a revised cost-of-living adjustment at the May Revision, for a 2.31 percent cost-of-living adjustment for apportionments.
- $31.9 million ongoing Proposition 98 General Fund for enrollment growth.
- $83.2 million Proposition 98 General Fund, of which $40.4 million was one-time, for support of apprenticeship programs, the California Apprenticeship Initiative, and work-based learning models.
- Decreasing available Student Centered Funding Formula Proposition 98 General Fund by $593 million Proposition 98 General Fund, or roughly 10 percent when combined with a foregone cost-of-living adjustment. To maintain student access to CCCs, the Administration proposes statute to proportionally reduce district allocations through adjustments to the Formula's rates, stability provisions, and hold harmless provisions.
- Decreasing support for the CCC Strong Workforce Program by $135.6 million Proposition 98 General Fund.
- Decreasing support for the Student Equity and Achievement Program by $68.8 million Proposition 98 General Fund.

- Decreasing Support for the Part-Time Faculty Compensation, Part-Time Faculty Office Hours, and the Academic Senate of the CCCs by $7.3 million Proposition 98 General Fund.
- Reducing Support for Calbright College by $3 million Proposition 98 General Fund.

The May Revision also proposes to defer $330 million from 2019-20 to 2020-21 and $662.1 million from 2020-21 to 2021-22. These deferrals will help to maintain programs given the magnitude of the reduction proposed to the schools. Also, the community colleges will benefit from supplemental payments to increase the Proposition 98 guarantee starting in 2021-22.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission administers financial aid programs, including the Cal Grant program and the Middle Class Scholarship Program. The state's Cal Grant program is estimated to provide over 394,000 financial aid awards to students who meet specified eligibility criteria in 2019-20.

The Administration remains committed to fostering equity and access within the state's higher education institutions. In an effort to support college affordability, the May Revision maintains all financial aid programs, adjusted for caseload.

Significant Adjustments:

- Cal Grant Program Costs—An increase of $599.7 million General Fund in 2020-21 to account for the following:
  - Participation Estimates—A decrease of $348,000 in 2020-21 to reflect a decrease in the estimated number of new recipients in 2019-20. The May Revision also reflects increased costs of $11.89 million in 2019-20.
  - Temporary Assistance for Needy Families Reimbursements (TANF)—A decrease of $600 million in 2020-21, which increases the amount of General Fund needed for program costs by a like amount. This is a technical adjustment and reflects increased TANF needed in the state's CalWORKs program.
- Tuition Award for Students at Private Nonprofit Institutions—A decrease of $8.9 million General Fund to reflect the reduction of the maximum Cal Grant award for private nonprofit institutions from $9,084 to $8,056. Current law specified the application of

this adjustment because required students with associates degree for transfer admittance levels were not met.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn or modified from the Governor's Budget:

- $1.8 million limited-term to support new leased space for the California Student Aid Commission's headquarters
- $88.4 million one-time General Fund provided in the 2019 Budget Act to support the Golden State Teacher Grant Program
- $15 million one-time General Fund provided in the 2019 Budget Act to support the Child Savings Accounts Grant Program
- $4.5 million one-time General Fund to revise the proposal for the Student Debt Loan Work group and Outreach to only support the work group, and no longer provide outreach grants to higher education institutions

Hastings College of the Law

Hastings College of the Law is affiliated with the UC system, but is governed by its own Board of Directors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree, but also has masters programs. In 2018-19, Hastings enrolled 964 full-time equivalent students. Of these, 940 were Juris Doctor students.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- $1.4 million ongoing General Fund to support operational costs

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore it:

- A decrease of $1.5 million ongoing general fund to reflect a 10-percent reduction in support of the Hastings College of the Law.

CALIFORNIA STATE LIBRARY

The California State Library serves as the central reference and research library for the Governor and Legislature. Additionally, the State Library provides critical assistance to the 186 library jurisdictions and nearly 1,128 libraries across the state.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- $1 million one-time General Fund to support the Lunch at the Library program
- $1 million one-time General Fund to support the Online Services (Zip Books) program
- $132,000 ongoing General Fund to support a Director of Legislative Affairs position at the State Library

Absent additional federal funds, the COVID-19 Recession makes the following reduction necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore it:

- A decrease of $1.75 million ongoing General Fund to reduce funding to the Library Services Act

SCHOLARSHARE INVESTMENT BOARD

The ScholarShare Investment Board administers the Golden State ScholarShare 529 College Savings Trust Program, the Governor's Scholarship Programs, and the California Memorial Scholarship Program.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- A decrease of $15 million one-time General Fund provided in the 2019 Budget Act to support the Child Savings Accounts Grant Program

FRESNO DRIVE

The May Revision maintains $2 million one-time General Fund to support the Fresno Developing the Region's Inclusive and Vibrant Economy (DRIVE) initiative's Fresno-Merced Food Innovation Corridor concept. While the Administration recognizes the significance of this project to economic development, the state is not in the fiscal condition to allocate funding levels proposed in the Governor's Budget and the May Revision proposes reducing the remaining funding allocated for this project as follows:

- $31 million one-time General Fund to support the Fresno-Merced Food Innovation Corridor concept
- $17 million one-time General Fund to support a plan to design educational pathways to improve social and economic mobility in the greater Fresno Region. The Collaborative is expected to receive a grant from the funding allocated in the 2019-20 budget for Innovation Grants

Urban Montessori Charter School - May Board Meeting - Agenda - Thursday May 21, 2020 at 6:15 PM

HEALTH AND HUMAN SERVICES

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services. Medi-Cal is a public health care program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government mandates basic services be included in the program, including: physician services; family nurse practitioner services; hospital inpatient and outpatient services; laboratory and radiology services; family planning; and early and periodic screening, diagnosis, and treatment services for children. In addition to these mandatory services the state provides optional benefits, such as outpatient drugs and medical equipment. The Department also operates the California Children's Services and the Primary and Rural Health programs, and oversees county-operated community mental health and substance use disorder programs.

The Medi-Cal budget is $99.5 billion ($22.7 billion General Fund) in 2019-20 and $112.1 billion ($23.2 billion General Fund) in 2020-21. The May Revision assumes that caseload will increase significantly due to economic conditions associated with the COVID-19 Recession. Specifically, the May Revision assumes that caseload will peak at 14.5 million in July 2020, or about 2.0 million above what caseload would have been absent the COVID-19 pandemic.

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The May Revision maintains Medi-Cal program eligibility, including for the optional expansion and undocumented children and young adults, in order to help the state's low income residents respond to the COVID-19 pandemic.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- California Advancing and Innovating Medi-Cal (CalAIM)—The May Revision proposes to delay implementation of the CalAIM initiative, resulting in a decrease of $695 million ($347.5 million General Fund) in 2020-21. In addition, the May Revision removes $45.1 million General Fund in 2020-21 and $42 million General Fund in 2021-22 in associated funding for the Behavioral Health Quality Improvement Program.
- Full-Scope Medi-Cal to Undocumented Older Adults—The May Revision proposes to withdraw this proposal for a savings of $112.7 million ($87 million General Fund), inclusive of In-Home Supportive Services costs.
- Medi-Cal Aged, Blind, and Disabled Income Level Expansion—The May Revision proposes not to implement the 2019 Budget Act expansion of Medi-Cal to aged, blind, and disabled individuals with incomes between 123 percent and 138 percent of the federal poverty level, for a savings of $135.5 million ($67.7 million General Fund). Furthermore, the May Revision proposes not to implement the Aged, Blind, and Disabled Medicare Part B disregard.
- 340B Supplemental Payment Pool—The May Revision proposes to withdraw this proposal to provide payments to non-hospital clinics for 340B pharmacy services for a savings of $52.5 million ($26.3 million General Fund) in 2020-21, growing to $105 million ($52.5 million General Fund) in 2021-22 and thereafter.
- Postpartum Mental Health Expansion—The May Revision proposes not to implement the 2019 Budget Act expansion of Medi-Cal to post-partum individuals who are receiving health care coverage and who are diagnosed with a maternal mental health condition, for a savings of $34.3 million General Fund in 2020-21.
- Hearing Aids—The May Revision proposes to withdraw this proposal to assist with the cost of hearing aids and related services for children without health insurance coverage in households with incomesup to 600 percent of the federal poverty level, for a savings of $5 million General Fund.

- 2019 Budget Act Reversions—The May Revision proposes to revert and reduce funding from various augmentations that were included in the 2019 Budget Act. These adjustments include reverting funding for behavioral health counselors in emergency departments, Medi-Cal enrollment navigators, and the Medical Interpreters Pilot Project. In addition, the May Revision proposes to eliminate the augmentation for caregiver resource centers. These changes result in General Fund savings of $25 million in 2019-20 and 2020-21, and $10 million in 2021-22.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- Adult Dental and Other Optional Benefits—The May Revision proposes to reduce adult dental benefits to the partial restoration levels of 2014. In addition, the May Revision proposes to eliminate audiology, incontinence creams and washes, speech therapy, optician/optical lab, podiatry, acupuncture, optometry, nurse anesthetists services, occupational and physical therapy, pharmacist services, screening, brief intervention and referral to treatments for opioids and other illicit drugs in Medi-Cal, and diabetes prevention program services, for a total General Fund savings of $54.7 million.
- Proposition 56 Adjustments—Beginning in 2020-21, the May Revision proposes to shift $1.2 billion in Proposition 56 funding from providing supplemental payments for physician, dental, family health services, developmental screenings, and non-emergency medical transportation, value-based payments, and loan repayments for physicians and dentists to support growth in the Medi-Cal program compared to 2016 Budget Act. About $67 million in Proposition 56 funding would continue to support rate increases for home health providers, pediatric day health care facilities, pediatric sub-acute facilities, AIDS waiver supplemental payments, already awarded physician and dentist loan repayments, and trauma screenings (and associated trainings).
- Community-Based Adult Services (CBAS) and Multipurpose Senior Services Program (MSSP)—The May Revision proposes to eliminate the CBAS and MSSP programs. The effective date for CBAS would be January 1, 2021 for a General Fund savings of $106.8 million in 2020-21 and $255.8 million in 2021-22 (full implementation). The effective date for MSSP would be no sooner than July 1, 2020. These proposals are discussed in detail under The Department of Aging.

- Federally Qualified Health Centers (FQHC) Payment Adjustments—The May Revision proposes to eliminate special carve outs for FQHCs for a savings of $100 million ($50 million General Fund).
- Estate Recovery—The May Revision proposes to reinstate the estate recovery policy in place before the 2016 Budget Act for a General Fund savings of $16.9 million beginning in 2020-21.
- Martin Luther King, Jr. Hospital—The May Revision proposes to eliminate a supplemental payment for this hospital, which results in $8.2 million General Fund savings in 2020-21 and $12.4 million ongoing.
- County Administration—The May Revision proposes to hold funding for county administration at the 2019 Budget Act level, inclusive of $12.7 million General Fund approved in March 2020 through the Control Section 36.00 process, for a savings of $31.4 million ($11 million General Fund).
- Family Mosaic Project—The May Revision proposes to eliminate this state-funded project for an ongoing General Fund savings of $1.1 million beginning in 2020-21.

To reduce costs, the May Revision also proposes efficiencies, as follows:

- Managed Care Efficiencies—The May Revision proposes various changes to the way that managed care capitation rates are determined. These changes include various acuity, efficiency, and cost containment adjustments. These adjustments would be effective for the managed care rate year starting January 1, 2021, and would yield General Fund savings of $91.6 million in 2020-21 and $179 million in 2021-22, growing thereafter. Additionally, the May revision assumes a 1.5 percent rate reduction for the period July 1, 2019, through December 31, 2020, for General Fund savings of $182 million in 2020-21.

The May Revision also contains the following adjustments:

- Enhanced Federal Funding—A decrease of $5.1 billion General Fund, associated with the assumed receipt of an enhanced Federal Medical Assistance Percentage (FMAP) through June 30, 2021. This includes federal funding reflected in the Department of Social Services and Department of Developmental Services budgets for Medicaid-covered services.
- Managed Care Organization (MCO) Tax—A decrease of $1.7 billion General Fund in 2020-21 associated with the April 2020 federal approval of a revised MCO tax.

- Drug Rebate Reserve—A decrease of $181 million General Fund due to not restoring a drug rebate volatility reserve.
- County Medical Services Program (CMSP)—The CMSP Board has amassed a considerable reserve since the state changed their realignment allocation in the wake of implementing the Affordable Care Act. The 2019 Budget Act suspended the Board's annual allocation until the reserve level reaches two years of expenditures, shifting the revenues the Board otherwise would have received to offset General Fund costs in the CalWORKs program. In light of the COVID-19 pandemic, the May Revision proposes to shift $50 million of the reserves in each of the next four fiscal years to offset General Fund CalWORKs costs. In recognition of the expedited timeline by which the reserves would return to reasonable levels, the May Revision also proposes to restore the Board's annual allocation beginning in 2021-22.
- Skilled Nursing Facilities (SNFs)—To support COVID-19 response in SNFs, the May Revision maintains the nursing facility reform framework proposed in the Governor's Budget. In addition, the May Revision assumes a 10-percent rate increase for SNFs for four months during the COVID-19 pandemic, at a General Fund cost of $72.4 million in 2019-20 and $41.6 million in 2020-21. The Administration is waiting approval from the federal Centers for Medicare and Medicaid Services to implement this increase.
- e-cigarette Tax—A decrease of $10 million General Fund in 2020-21, and $33 million General Fund ongoing beginning in 2021-22, associated with shifting unallocated revenues from the proposed e-cigarette tax increase to support growth in Medi-Cal costs.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare Services, Community Care Licensing, and Disability Determination. The May Revision includes $32.1 billion ($13 billion General Fund) for DSS programs in 2020-21.

The Department administers a wide array of federal and state-funded services that provide cash assistance; food and nutrition; services to help protect children and assist families; care and assistance programs for adults; services for foster parents, youth and families; adoption services; hearings and appeals; and services for refugees, immigrants, trafficking victims, disaster victims, and housing and homelessness services. The May Revision maintains eligibility for these critical services as the state recovers from the COVID-19 pandemic. The May Revision also maintains critical social services as many families are in need as the state recovers from the COVID-19 Recession.

CalWORKs

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. Eligibility requirements and benefit levels are established by the state. Counties have flexibility in program design, services, and funding to meet local needs.

Total TANF expenditures are $11.2 billion (state, local, and federal funds) in 2020-21. The amount budgeted includes $9.2 billion for CalWORKs program expenditures and $2 billion in other programs. Other programs include Child Care, Child Welfare Services, Foster Care, Department of Developmental Services programs, the Statewide Automated Welfare System, Work Incentive Nutritional Supplement, California Community Colleges Child Care and Education Services, Cal Grants, and the Department of Child Support Services. Average monthly CalWORKs caseload is estimated to be approximately 724,000 families in 2020-21, a 102 percent increase from the Governor's Budget projection due to the COVID-19 pandemic.

The May Revision maintains CalWORKs program eligibility, in order to support the state's low-income residents respond during the COVID-19 pandemic. In addition, the May Revision includes an increase of $82.3 million General Fund/TANF Block Grant for CalWORKs county administration to facilitate enrollment in the program and services to beneficiaries.

The May Revision assumes the Safety Net Reserve is used to support health and social services programs over the course of two years. This proposal would result in a savings of $450 million General Fund in 2020-21 and $450 million in 2021-22.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- CalWORKs Employment Services and Child Care—The May Revision reflects reduced assumptions about the uses of CalWORKs Employment Services and Child Care. These changes would result in a savings of $665 million General Fund in 2020-21.
- CalWORKs Expanded Subsidized Employment—The May Revision reduces all but the base funding for CalWORKs Subsidized Employment. This proposal would result in a savings of $134.1 million General Fund in 2020-21.
- CalWORKs Home Visiting—The May Revision reduces funding for CalWORKs Home Visiting. This proposal would result in a savings of $30 million General Fund in 2020-21.
- CalWORKs Outcomes and Accountability Review (CalOAR)—The May Revision eliminates funding for CalOAR, but provides counties the options the ability to continue implementing this improvement. This proposal would result in a savings of $21 million General Fund in 2020-21.

IN-HOME SUPPORTIVE SERVICES

The IHSS program provides domestic and related services such as housework and transportation, and personal care services to eligible low-income aged, blind, and disabled persons. These services are provided to assist individuals to remain safely in their homes. The May Revision includes $14.7 billion ($4.3 billion General Fund) for the IHSS program in 2020-21. Average monthly caseload in this program is estimated to be 581,901 recipients in 2020-21, a 0.4-percent decrease from the Governor's Budget.

To reduce costs, the May Revision also proposes efficiencies, as follows:

- Conform IHSS Residual Program to Timing of Medi-Cal Coverage—The May Revision assumes the IHSS Residual Program conforms to timing of Medi-Cal coverage. This proposal would result in a savings of $72.6 million General Fund in 2020-21.
- IHSS Payroll savings—The May Revision assumes the Department will enter into a contract with the state Case Management, Information, and Payroll System vendor to perform IHSS payroll functions. This proposal would result in a savings of $9.2 million General Fund in 2020-21.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- IHSS Service Hours—The May Revision assumes a 7-percent reduction in the number of hours provided to IHSS beneficiaries, effective January 1, 2021. This proposal would result in a savings of $205 million General Fund in 2020-21.
- County and Public Authority Administration—The May Revision freezes IHSS county administration funding at the 2019-20 level. This proposal would result in a savings of $12.2 million General Fund in 2020-21.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP)

The federal SSI program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In California, the SSI payment is augmented with an SSP grant. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration administers the SSI/SSP program, making eligibility determinations, computing grants and issuing combined monthly checks to recipients. The state-only Cash Assistance Program for Immigrants provides monthly cash benefits to aged, blind, and disabled legal noncitizens who are ineligible for SSI/SSP due solely to their immigration status.

The May Revision includes $2.7 billion General Fund in 2020-21 for the SSI/SSP program. This represents a 0.4-percent increase from the Governor's Budget. The average monthly caseload in this program is estimated to be 1.2 million recipients in 2020-21, a 0.7-percent increase from the Governor's Budget. The May Revision preserves funding for the expansion of CalFresh eligibility to SSI recipients.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore them:

- SSI/SSP Grants—The May Revision assumes an offset to the SSP grant that is equivalent to the amount of the federal January 2021 cost of living adjustment to the SSI portion of the grant. This proposal would result in a savings of $33.6 million General Fund in 2020-21, but no reduction in overall SSI/SSP grants received by recipients compared to the prior year.

CHILDREN'S PROGRAMS

Child Welfare Services include family support and maltreatment prevention services, child protective services, foster care services, and permanency programs. California's child welfare system provides a continuum of services for children who are either at risk of, or have suffered, abuse, neglect, or exploitation. Program success is measured in terms of improving the safety, permanence, and well-being of children and families. The May Revision includes $506.1 million General Fund on 2020-21 for these programs, an decrease of $90.5 million General Fund since the Governor's Budget. When federal, state, 1991 Realignment, and 2011 Realignment funds are included, total funding for children's programs is over $6.7 billion in 2020-21.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- Foster Family Agencies—The May Revision eliminates Foster Family Agency social worker rate increases. This proposal would result in a savings of $4.8 million General Fund in 2020-21.
- Family Urgent Response System—The May Revision eliminates the Family Urgent Response System. This proposal would result in a savings of $30 million General Fund in 2020-21.
- Public Health Nurse Early Intervention Program—The May Revision eliminates the Public Health Nurse Early Intervention Program in Los Angeles County. This proposal would result in a savings of $8.3 million General Fund in 2020-21.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore them:

- Continuum of Care Reform Rates—The May Revision assumes a reduction in Continuum of Care Reform short-term residential treatment program provider payment rates of 5-percent. It also assumes the suspension of additional level of care rates 2 through 4. This proposal would result in a savings of $28.8 million General Fund in 2020-21.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides individuals with developmental disabilities a variety of services that allow them to live and work independently or in supported environments. California provides services to individuals with developmental disabilities as an entitlement. The May Revision includes $9.2 billion ($5.5 billion General Fund) and estimates that approximately 366,353 individuals will receive developmental services in 2020-21.

Prior to 1969, services for individuals with developmental disabilities were primarily limited to those provided in state-operated institutions. The Lanterman Developmental Disabilities Services Act established a statewide network of regional centers and related services to allow consumers to live independent and productive lives in the community. The May Revision maintains the entitlement to services for individuals with developmental disabilities despite the economic and budgetary challenges resulting from the COVID-19 pandemic.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- Enhanced Performance Incentive Program—Align Regional Center performance contracts and require Regional Centers to meet an advanced tier of performance measures and outcomes to be eligible for an incentive payment. This results in a savings of $60 million General Fund in 2020-21, 2021-22 and 2022-23.
- Enhanced Caseload Ratios for Young Children—Reduce the regional center services coordinator caseload ratio for children who are three to five years old. This results in a savings of $11.8 million General Fund in 2020-21.
- Systemic, Therapeutic, Assessment, Resources and Treatment Training—Provide training and supportive services for individuals with co-occurring developmental disabilities and mental health needs. This results in a savings of $2.6 million General Fund in 2020-21.
- Provider Rate Adjustments—Provide supplemental rate increases for Early Start Specialized Therapeutic Services, Infant Development Programs and Independent Living services. This results in a savings of $10.8 million General Fund in 2020-21 and $21.6 million in 2021-22.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- Cost Sharing for Higher Income Families—Establish a cost-sharing program and would result in a savings of approximately $2 million General Fund in 2020-21 and $4 million ongoing.
- Rate Reductions, Expenditure, and Utilization Reviews—Adjust provider rates and review expenditure trends resulting in anticipated savings of $300 million General Fund in 2020-21.
- Uniform Holiday Schedule—Implement the uniform holiday schedule outlined in Welfare and Institutions Code section 4692. This proposal would result in a savings of approximately $31.3 million General Fund in 2020-21.
- Regional Center Operations—A reduction to the operations budget for Regional Centers. This proposal results in a savings of $30 million General Fund in 2020-21 and $55 million ongoing.

To reduce costs, the May Revision also proposes efficiencies, as follows:

- Maximize Federal Funding for Eligible Services and Enroll Individuals into Medi-Cal—The May Revision includes an increase in anticipated federal funds to include additional individuals with developmental disabilities eligible for and enrolled in Medi-Cal and new waiver eligible services. This proposal would result in a savings of $27 million General Fund in 2020-21 and $40 million ongoing.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people of California. The Budget includes $3.2 billion ($209.1 million General Fund) in 2020-21 for the Department.

The Department has been at the forefront of the state’s response to the COVID-19 pandemic. The Department has been extensively planning, preparing, and responding to the COVID-19 pandemic since mid-January. The Department’s efforts include issuing a stay-at-home order to save lives, increasing testing capacity, increasing hospital surge capacity, and issuing state guidance for the many sectors of our communities impacted by COVID-19.

The May Revision maintains and increases the Department's disease surveillance and identification workforce. Specifically, the May Revision proposes $5.9 million General Fund for 2020-21 and $4.8 million General Fund ongoing, to support laboratory staff to increase the laboratories' testing capacity, and to purchase equipment and laboratory supplies that are specifically utilized for COVID-19 testing. Additionally, resources will support emergency coordination, communication, and response, and provide ongoing support for public health laboratory capacity and disease surveillance.

Despite the budget challenges the state will face in the immediate future as a direct result of the COVID-19 pandemic, the May Revision continues to prioritize funding augmentations for infectious disease prevention and control that were included in the 2019 Budget Act. Specifically, the May Revision maintains $5 million General Fund each for STD, human immunodeficiency virus (HIV), and hepatitis C virus prevention and control.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn:

- Department of Public Health Home Visiting and Black Infant Health—$4.5 million General Fund ongoing beginning in 2020-21.

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The May Revision includes $2.1 billion ($1.9 billion General Fund) in 2020-21 for the support of the Department's programs. The patient population is expected to reach 6,791 by the end of 2020-21, including patients receiving competency treatment in jail-based settings.

The Administration continues to promote the safety of State Hospital patients and staff during the COVID-19 pandemic. The May Revision includes investments in the Conditional Release Program community program directors, pharmacy modernization, statewide roof repairs and replacement, statewide ligature risk mitigation special repair funding (suicide prevention retrofitting), protective services staffing, and the post-incident debriefing and support (violent incident response peer-support network).

The state is not in a fiscal position to implement new programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are reduced or withdrawn from the Governor's Budget:

- Treatment Planning and Delivery—The May revision reduces the Governor's Budget proposal that would have increased treatment team ratios and supported implementation of trauma-informed care and the development of a comprehensive discharge planning program in 2020-21. The proposal continues to provide increased ratios for primary care physicians in the state hospitals. This results in savings of $22.6 million General Fund in 2020-21.
- State Hospital System Operations and Administration—The May Revision withdraws investments for various operational and administrative activities including quality improvement and internal auditing, regulation promulgation, and an electronic document management system. This proposal results in savings of $7.7 million General Fund in 2020-21.
- Community Care Collaborative Pilot Program—The May Revision withdraws the proposal that would have established a six-year pilot program in three counties to provide funding and incentives to treat and serve individuals deemed incompetent to stand trial in the community and increase local investments in strategies to reduce the rate of arrests, rearrests, and cycling in and out of institutions for this population. This results in a savings of $24.6 million General Fund in 2020-21. The Administration will continue to work with the Legislature on an alternative to address the current backlog of incompetent to stand trial individuals and more effectively serve this population in the community.

DEPARTMENT OF AGING

The California Department of Aging (CDA) contracts with the network of 33 county and non-profit Area Agencies on Aging, that directly manage an array of federal and state-funded services that provide nutritious meals at home and in the community; help older adults find employment; support older and disabled individuals to live as independently as possible; promote healthy aging and community involvement; and assist family members in their care giving role.

The May Revision includes $218.4 million ($30.8 million General Fund) for CDA, a decrease of $36.5 million General Fund from the 2020-21Governor's Budget.

The May Revision maintains critical services delivered through the Area Agencies on Aging. Maintaining many of these core services will be particularly critical in serving older adults, people with disabilities, and families in the state as this population navigates and recovers from the COVID-19 pandemic.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore them:

- Community-Based Adult Services (CBAS) and Multipurpose Senior Services Program (MSSP)—The May Revision proposes to eliminate the CBAS and MSSP programs. The effective date for CBAS would be January1, 2021, for a savings of $1.6 million General Fund in 2020-21 and $2.7 million ongoing. The effective date for MSSP would be no sooner than July 1, 2020, for a savings of $22.2 million General Fund in 2020-21 and $21.8 million ongoing.

Department of Child Support Services

The Department of Child Support Services promotes parental responsibility to enhance the well-being of children by providing child support services to establish parentage and collect child support. The May Revision includes $316.6 million General Fund on 2020-21 for child support programs, an increase/decrease of $47.7 million General Fund since the Governor's Budget.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- Child Support Disregard Pass-through—Child support disregard pass-through statutory change proposal. This results in savings of $8.4 million General Fund in 2020-21.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- Local Child Support Agencies—The May Revision assumes the funding levels for local child support agencies reverts to the 2018 funding level. This proposal results in savings of $38.2 million General Fund in 2020-21.

To reduce costs, the May Revision also proposes efficiencies, as follows:

- State Operations and Contracts—The May Revision reduces the Department's state operations and contract costs. This proposal results in savings of $8.3 million General Fund in 2020-21.

OTHER POLICY PROPOSALS AND MAJOR WORKLOAD ADJUSTMENTS

The May Revision maintains expanded subsidies in the Covered California Marketplace, including the extension of subsidies to individuals who are between 400 and 600 percent of poverty, up to approximately $75,000 for individuals and $150,000 for a family of four. The May Revision also includes the following significant policy proposals and workload adjustments.

- Covered California Adjustments—A decrease of $164.2 million General Fund in 2019-20 and $90.3 million General Fund in 2020-21 to reflect lower-than-projected enrollment in state subsidies. In addition, an increase of $15 million General Fund revenues in 2020-21 to reflect increased individual mandate penalty revenues associated with an assumed higher number of uninsured individuals due to COVID-19 Recession.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- California Cognitive Care Coordination Initiative—$3.6 million General Fund one-time to reflect the withdrawal of this proposal.
- Mental Health Services Act Reform—The May Revision defers this proposal.
- Office of Health Care Affordability—The May Revision defers this proposal.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore them:

Urban Montessori Charter School - May Board Meeting - Agenda - Thursday May 21, 2020 at 6:15 PM

- Song-Brown Healthcare Workforce Training Program—A decrease of $33.3 million General Fund ongoing due to not implementing the 2019 Budget Act action to make funding for the Song-Brown program ongoing.

1991 AND 2011 REALIGNMENT

The programs and funding for 1991 and 2011 Realignment are funded through two sources: state sales tax and Vehicle License Fees. These fund sources are projected to decline by 13 percent from 2018-19 to 2019-20 and grow slightly in 2020-21. This decline is significant and the first time since 2011 Realignment, there has been a significant decline in realigned revenues to support the entitlement programs funded by realignment.

See Homelessness and Local Government chapter for more details on the allocation of Coronavirus Relief Funds to fund public health, and to protect vulnerable populations impacted by the COVID-19 pandemic.

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1991 Realignment Estimate[1] - at 2020-21 May Revision

Amount	CalWORKs MOE	Health	Social Services	Mental Health	Family Support	Child Poverty	Totals
2018-19 State Fiscal Year							
Base Funding							
Sales Tax Account	$752,888	$-	$2,295,806	$34,036	$450,130	$104,422	$3,637,281
Vehicle License Fee Account	367,663	900,036	172,864	95,260	299,963	254,172	2,089,958
Total Base	**$1,120,551**	**$900,036**	**$2,468,670**	**$129,296**	**$750,093**	**$358,594**	**$5,727,239**
Growth Funding							
Sales Tax Growth Account:	-	-	33,922	-	-	-	33,922
Caseload Subaccount	-	-	(33,922)	-	-	-	(33,922)
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	-	131	62,948	164	-	40,139	103,382
Total Growth	**$-**	**$131**	**$96,870**	**$164**	**$-**	**$40,139**	**$137,304**
Total Realignment 2018-19[2]	**$1,120,551**	**$900,167**	**$2,565,540**	**$129,460**	**$750,093**	**$398,733**	**$5,864,543**
2019-20 State Fiscal Year							
Base Funding							
Sales Tax Account	$655,721	$-	$2,029,056	$-	$392,037	$90,945	$3,167,759
Vehicle License Fee Account	339,033	911,547	201,734	-	210,842	271,393	1,934,549
Total Base	**$994,754**	**$911,547**	**$2,230,790**	**$-**	**$602,879**	**$362,338**	**$5,102,308**
Growth Funding							
Sales Tax Growth Account:	-	-	-	-	-	-	-
Caseload Subaccount	-	-	-	-	-	-	-
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	-	-	-	-	-	-	-
Total Growth	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**
Total Realignment 2019-20[2]	**$994,754**	**$911,547**	**$2,230,790**	**$-**	**$602,879**	**$362,338**	**$5,102,308**
2020-21 State Fiscal Year							
Base Funding							
Sales Tax Account	$655,721	$-	$2,029,056	$-	$392,037	$90,945	$3,167,759
Vehicle License Fee Account	339,033	886,580	201,734	-	235,809	271,393	1,934,549
Total Base	**$994,754**	**$886,580**	**$2,230,790**	**$-**	**$627,846**	**$362,338**	**$5,102,308**
Growth Funding							
Sales Tax Growth Account:	-	-	2,606	-	-	-	2,606
Caseload Subaccount	-	-	(2,606)	-	-	-	(2,606)
County Medical Services Growth Subaccount	-	-	-	-	-	-	-
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	63,002	31,060	-	-	-	74,243	168,305
Total Growth	**$63,002**	**$31,060**	**$2,606**	**$-**	**$-**	**$74,243**	**$170,911**
Total Realignment 2020-21[2]	**$1,057,756**	**$917,640**	**$2,233,396**	**$-**	**$627,846**	**$436,581**	**$5,273,219**

[1] Dollars in thousands.

[2] Excludes $14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

2011 Realignment Estimate[1] - at 2020-21 May Revision

	2018-19	2018-19 Growth	2019-20	2019-20 Growth	2020-21	2020-21 Growth
Law Enforcement Services	**$2,560.7**		**$2,297.9**		**$2,327.0**	
Trial Court Security Subaccount	559.7	7.3	478.2	-	481.1	-
Enhancing Law Enforcement Activities Subaccount[2]	489.9	221.3	489.9	181.6	489.9	244.9
Community Corrections Subaccount	1,311.2	54.8	1,152.0	-	1,173.8	-
District Attorney and Public Defender Subaccount	37.9	3.7	35.0	-	36.5	-
Juvenile Justice Subaccount	162.0	7.3	142.8	-	145.7	-
Youthful Offender Block Grant Special Account	*(153.1)*	*(6.9)*	*(135.0)*	-	*(137.7)*	-
Juvenile Reentry Grant Special Account	*(8.9)*	*(0.4)*	*(7.8)*	-	*(8.0)*	-
Growth, Law Enforcement Services		**294.4**		**181.6**		**244.9**
Mental Health[3]	**1,120.6**	6.8	**1,120.6**	-	**1,120.6**	-
Support Services	**3,756.7**		**3,277.1**		**3,330.8**	
Protective Services Subaccount	2,336.2	61.0	2,021.8	-	2,047.2	-
Behavioral Health Subaccount	1,420.5	67.8	1,255.3	-	1,283.6	-
Women and Children's Residential Treatment Services	*(5.1)*	-	*(5.1)*	-	*(5.1)*	
Growth, Support Services		**135.6**		**-**		**-**
Account Total and Growth	**$7,868.0**		**$6,877.2**		**$7,023.3**	
Revenue						
1.0625% Sales Tax	7,156.8		6,199.8		6,276.5	
General Fund Backfill[4]	-		6.0		12.0	
Motor Vehicle License Fee	711.2		671.4		734.8	
Revenue Total	**$7,868.0**		**$6,877.2**		**$7,023.3**	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

[1] Dollars in millions.

[2] Base Allocation is capped at $489.9 million. Growth does not add to the base.

[3] Base Allocation is capped at $1,120.6 million. Growth does not add to the base.

[4] General Fund backfill pursuant to Revenue and Taxation Code sections 6363.9 and 6363.10.

HOMELESSNESS AND LOCAL GOVERNMENT

Local governments deliver important services directly to people. County governments are primarily responsible for delivering health, public health, and social services programs like indigent health, behavioral health, CalWORKs, nutritional assistance eligibility, and child welfare services, among others. Many of these programs are entitlement programs and the COVID-19 Recession is causing a significant increase in caseloads. Counties also manage jails and supervise offenders on probation at the direction of the courts. Many of these programs are supported through 2011 and 1991 Realignment revenues (sales tax and vehicle license fee revenues). These revenues are being impacted significantly by the COVID-19 Recession. City governments are responsible for zoning and land use, parks, animal control, police and fire. In addition to their distinct responsibilities, cities and counties have also made considerable efforts in recent years to coordinate services and plan for housing to address homelessness.

HOMELESSNESS

California has experienced significant increases in the number of unsheltered individuals in recent years, a problem inextricably linked to the state's underproduction of affordable housing. The Administration's response has simultaneously focused on preservation and production of new affordable housing while also investing in comprehensive solutions to address homelessness. The Governor's State of the State address in February 2020 laid out a clear, comprehensive agenda on homelessness: greater investment in solutions, more accountability at all levels of government, and streamlining to facilitate the implementation of innovative approaches.

Over the past two years, the Budget has included over $1.15 billion General Fund in direct homelessness funding to local governments and Continuums of Care, including $500 million for the Homeless Emergency Aid Program (HEAP) and $650 million for the Homeless Housing, Assistance and Prevention Program (HHAP).

The Governor's Budget proposed another substantial infusion of funding for homelessness, including $750 million General Fund to establish the California Access to Housing Fund. The Governor's Budget also included $695 million ($348 million General Fund) for California Advancing and Innovating Medi-Cal, which would have expanded the whole person care model statewide among other changes to address social determinants of health in the state's Medi-Cal system.

The COVID-19 Recession has substantially altered the state's fiscal outlook. Nevertheless, the Administration's broad goals to reduce homelessness have not changed; moving individuals and families experiencing homelessness into stable housing and providing support to help stabilize and prevent homelessness. But, given the state's current fiscal constraints, the strategy to achieve those goals has needed to evolve.

PROJECT ROOMKEY

At the outset of the COVID-19 pandemic, the Administration acted quickly to prioritize protecting the spread of the virus in the homeless population. Project Roomkey is a multi-agency state effort to provide safe isolation motel rooms for vulnerable individuals experiencing homelessness. This occupancy program is currently supported by the Federal Emergency Management Agency (FEMA) through May 31, 2020. The state will request 30-day extensions as necessary.

Early in the COVID-19 pandemic, $100 million was allocated to local governments and Continuums of Care to help reduce the spread of COVID-19 among Californians experiencing homelessness using the existing HHAP allocation formulas. This funding was provided to implement social distancing and increased sanitation at shelters and to support Project Roomkey. In addition, $50 million was provided to the Department of Social Services to secure hotel and motel rooms and acquire trailers to safely house homeless populations most at risk due to COVID-19.

As of mid-May, Project Roomkey and its county partners have secured over 15,000 hotel and motel units, of which more than 7,200 are occupied, and purchased and disbursed 1,305 trailers to local governments for the same purpose. Local governments are paying only for the occupied motel rooms, and these expenditures will leverage federal reimbursements through FEMA.

These units are providing short-term emergency shelter for homeless individuals to mitigate the spread of COVID-19 among this vulnerable population and maintain hospital and emergency room capacity in the event a surge of critically ill COVID-19 patients.

LEVERAGING FEDERAL FUNDS TO CREATE A PERMANENT SOLUTION

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. Instead of General Fund, the May Revision proposes $750 million in federal funding and directs the use of these funds to purchase hotels and motels secured through Project Roomkey, to be owned and operated by local governments or non-profit providers. The state will also use these funds to provide significant technical assistance to local jurisdictions or other parties seeking to purchase and operate former Project Roomkey hotels and motels to address homelessness in their localities. The state has worked with local governments to include purchase options where feasible. These purchases are necessary to protect public health and stop the spread of COVID-19 in the homeless population. These efforts also help to maintain hospital and emergency room capacity in the event of a surge of critically ill COVID-19 patients.

In addition to Project Roomkey, the state will continue to work with local governments and service providers to maximize federal funding to provide safe interim housing options, rapid rehousing opportunities and rental subsidies for individuals and families experiencing homelessness.

The May Revision includes:

- Homeless Coordinating and Financing Council Administrative Resources—$1.5 million General Fund ongoing and 10 permanent Homeless Coordinating and Financing Council positions to effectively carry out statutory mandates and strengthen its strategic coordination of the state's efforts to address homelessness.

LOCAL GOVERNMENT

The CARES Act provides a direct allocation of $9.5 billion to California and $5.8 billion to cities and counties with populations over 500,000 (includes 15 counties, 5 cities, and the city and county of San Francisco). CARES Act funding provides relief to states and local governments for expenditures incurred between March 1 and December 30, 2020, in response to the COVID-19 pandemic. According to federal guidance, this funding must be used for expenditures incurred for COVID-19 related activities before December 30, 2020, and cannot be used to backfill lost revenues.

The May Revision allocates a portion of the state's CARES Act funding to local governments—$450 million to cities and $1.3 billion to counties—to be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic.

- Cities—Six California cities received a direct CARES Act allocation as a result of their size—for a total of $1.5 billion direct from the federal government. The May Revision supplements this by providing $450 million to all cities that did not receive a direct allocation. Of these recipients, cities with populations above 300,000 will receive a direct state allocation while all other cities will be provided funding through their counties. Recipient jurisdictions must spend these funds consistent with federal law and are advised to prioritize these dollars to supplement existing efforts by counties and Continuums of Care to address the impacts of COVID-19 on people experiencing homelessness, including but not limited to outreach and hygiene efforts, shelter and housing supports, public safety, and rental subsidies.
- Counties—The state is allocating $1.3 billion of its CARES Act funding directly to counties based on population size to address the public health, behavioral health, and other health and human services needs that have arisen as a result of the COVID-19 pandemic.

Funding is contingent on adherence to federal guidance and the state's stay-at-home orders and will be released upon jurisdictions' certification of both.

PUBLIC SAFETY

DEPARTMENT OF CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) incarcerates people convicted of the most violent felonies, supervises those released to parole, and provides rehabilitation programs to help them reintegrate into the community. The department strives to facilitate the successful reintegration of the individuals in its care back to their communities equipped with the tools to be drug-free, healthy, and employable members of society by providing education, treatment, and rehabilitative and restorative justice programs. The May Revision proposes total funding of $13.4 billion ($13.1 billion General Fund and $311 million other funds) for the Department in 2020-21.

The Governor's Budget projected an overall adult inmate average daily population of 123,716 in 2020-21. Spring projections, prior to impacts associated with the COVID-19 pandemic, assumed an average daily population of 122,536, a difference of 1,180. The Governor's Budget projected an overall parolee average daily population of 55,082 in 2020-21. The average daily parolee population is now projected to be 56,966, an increase of 1,884. These projections are prior to proposals outlined below.

PRISON CAPACITY

The adult prison population has steadily declined over many years, presenting opportunities for CDCR to reduce its reliance on contract prison capacity. After more than a decade, CDCR terminated its final remaining contract to house inmates out-of-state in June 2019. In addition, CDCR terminated a contract with a private in-state facility for male inmates in September 2019. Given the projected continued decline in the inmate population throughout 2019-20 and 2020-21, the May Revision continues the Administration's plan to close all private in-state contract correctional facilities for male inmates in 2020-21. While the last private in-state contract facility, Golden State Correctional Facility, was set to close on April 30, 2020, the contract was extended through the end of May 2020 to reduce inmate movement and facilitate increased physical distancing given the COVID-19 pandemic. The May Revision also reflects the Administration's plan to phase out two of the remaining three male, public in-state contract correctional facilities by 2021, and the third by July 2022.

The Governor's Budget indicated that if population trends hold, the Administration would close a state-operated prison within the next five years. The May Revision proposes to close one facility beginning in 2021-22 and a second facility beginning in 2022-23. These closures will be achieved through various actions that will further reduce the prison population through rehabilitation.

COVID-19 RESPONSE

CDCR took a series of proactive measures to reduce the presence and spread of COVID-19 in its institutions. Among other things, CDCR restricted inmate movement, activated gyms and dayrooms to create physical distancing, modified the parole suitability hearing process to take place by video and telephone conference, restricted family visitation and provided inmates with free telephone calls, initiated a staff screening process upon entering facilities, suspended large-scale construction projects within the secure perimeter of CDCR facilities, and suspended in-person rehabilitative programs and education classes. CDCR also delayed the Basic Correctional Officer Academy and modified the training to provide for social distancing, and employed the California Prison Industry Authority to produce cloth face masks and hand sanitizer for inmates and staff.

On March 24, 2020, the Governor issued Executive Order N-36-20, to mitigate the spread of COVID-19 in the state's adult institutions by stopping intake for 30 days, which was subsequently extended to 60 days. Intake is expected to resume on May 26, 2020. In addition, CDCR initiated the release of inmates who were within 60 days of release at the beginning of April 2020, and who were not serving a current term for domestic violence, a violent felony, or required to register as a sex offender. These measures provided immediate relief to enable CDCR to increase physical distancing as well as limit the introduction and spread of COVID-19. As of May 6, 2020, the adult inmate population was 117,498, compared to 122,941 as of March 25, 2020, a reduction of 5,443 inmates.

CDCR estimates that approximately 3,500 inmates will be held in county jails as a result of the suspension of intake for 60 days. Once intake resumes, those inmates will be transferred to CDCR over a period of approximately 28 days.

EARNING RELEASE THROUGH REHABILITATION

The May Revision sustains academic, vocational and rehabilitative program investments made in recent years to continue the progress made to support inmates in preparing for release.

The May Revision proposes the closure of two adult institutions—one beginning in 2021-22 and a second beginning in 2022-23. The closures are estimated to result in savings of $100 million in 2021-22, $300 million in 2022-23 and $400 million ongoing.

- Reduce Reception Center Process to 30 days—The suspension of intake provided CDCR the opportunity to move the majority of inmates from reception centers to mainline institutions, thereby creating space in the reception centers to facilitate safely reopening intake. CDCR plans to reduce the reception center process to as little as 30 days instead of 90 to 120 days. This will allow inmates to begin participating in academic and rehabilitative programs sooner and will likely enable CDCR to convert some existing Reception Center housing to General Population housing in 2020-21. This change will save $3.7 million General Fund in 2020-21, and significantly more in future years with the exact amount depending on the timing and details of future prison closures.
- Changes to Good Conduct Credits—CDCR will pursue changes to good conduct credits that will be applied prospectively. While the changes are still being developed, they will be informed by preliminary recidivism data associated with existing good conduct credits. The preliminary estimate is that these changes will save $2.7 million General Fund in 2020-21, and significantly more in future years with the exact amount depending on the timing and details of future prison closures.

TEMPORARY MODIFIED WORK ASSIGNMENTS

The May Revision includes $16.7 million General Fund annually for two years to provide modified work assignment posts for staff with medical conditions that result in restrictions or limitations, such as pregnancy, to provide them opportunities to continue working or return to work earlier than would otherwise be possible. This proposal advances the Administration's commitment to the health and wellness of its correctional staff and promotes the recruitment and retention of a diverse workforce. The Department will use the period covered by the limited term funding to determine the appropriate level of ongoing resources for this program.

The May Revision sustains the following General Fund proposals submitted in the Governor's Budget:

- Mental Health Psychiatry Registry—$13.3 million ($1.4 million included in the Governor's Budget)
- Intake Cell Retrofits for Suicide Prevention—$3.8 million one-time
- Medical Guarding and Transportation—$14.8 million
- Expansion of Statewide Telepsychiatry Program—$5.9 million
- Legionella Remediation at California Health Care Facility—$9.7 million in 2019-20 and $4.3 million ongoing
- Information Technology Security Staffing and Tools—$2.9 million
- Existing Capital Outlay Projects—$40.8 million to support several existing CDCR projects actively in the construction phase, as well as several projects that are necessary to comply with legal requirements and public health and safety needs.

VALLEY STATE PRISON YOUTH OFFENDER REHABILITATIVE COMMUNITY

The Governor's Budget proposed $6.2 million General Fund in 2020-21, and $10.1 million ongoing, to establish Youth Offender Rehabilitative Communities. These are programs that house offenders under the age of 26 together at select adult institutions in campus-style environments conducive to positive behavioral programming. As a result of COVID-19, inmate movement has been restricted. However, in recognition that these communities serve to connect youth offenders to positive mentors, as well as rehabilitative and educational programs targeted to their unique needs, the May Revision proposes to retain a model program that will be established at Valley State

Prison in Chowchilla. This reduces the Governor's Budget proposal to $1.3 million in 2020-21 and $2 million ongoing.

OTHER SIGNIFICANT ADJUSTMENTS

To reduce costs, the May Revision also proposes efficiencies, as follows:

- Consolidate Fire Camps—The May Revision proposes the consolidation of fire camps that are currently not at capacity. The May Revision assumes the closure of eight camps, that will be selected in coordination with the California Department of Forestry and Fire Protection (CAL FIRE). The locations selected will take into consideration proximity to other fire camps in an effort to minimize impacts to communities that rely on the services provided by inmate fire crews. CDCR's savings are estimated to be $7.4 million General Fund in 2020-21 and $14.7 million ongoing.
- Draw Down Federal Funds for Health Care for Community Reentry Programs—Under federal policy, individuals who are considered prison inmates are ineligible for Medicaid benefits. However, this exclusion does not apply to individuals residing in supervised residential treatment facilities, such as reentry facilities designed to transition individuals from prison to the community. The Centers for Medicare and Medicaid Services (CMS), which sets these policies, recently issued guidance outlining how it distinguishes between prisons and supervised residential treatment facilities. Specifically, CMS has stated that in order to qualify for Medicaid eligibility residents must generally have freedom to seek employment in the community and access resources available to the general public, such as education, libraries, and healthcare facilities. CDCR is implementing operational changes at its reentry facilities to adhere to these guidelines in a manner that ensures public safety, thereby allowing the state to draw down federal funding for residents' health care and saving $4.2 million General Fund in 2020-21 and $8.5 million ongoing.
- Eliminate the Integrated Services for Mentally Ill Parolee Program—The Integrated Services for Mentally Ill Parolee Program provides wraparound services, including some transitional housing for approximately 1,500 of 18,000 mentally ill parolees. While the Administration remains committed to mental health treatment in the community, this program has shown limited effectiveness at reducing recidivism. In an effort to make better use of limited state funding (this program is costly, at $10,000 per parolee), the May Revision proposes to eliminate the program. The Department will adjust policies to connect these individuals with community resources, which ultimately provides better continuity of care long-term. Elimination

of this program is expected to result in savings of $8.1 million General Fund in 2020-21 and $16.3 million ongoing General Fund.

- Eliminate Parole Outpatient Clinics—The Department employs mental health clinicians that provide treatment to parolees out of parole offices across the state called Parole Outpatient Clinics. With the passage of the Affordable Care Act, most parolees now have access to mental health services through Medi-Cal or other insurance. Therefore, the services provided in the Parole Outpatient Clinics can otherwise be accessed through Medi-Cal or other insurance. The May Revision proposes to no longer fund Parole Outpatient Clinics to eliminate redundancy in services and utilize services where the state receives financial participation from the federal government through Medi-Cal. This will also help long-term continuity of care since individuals can only access Parole Outpatient Clinic services while on parole. This proposal retains Parole Outpatient Clinic psychiatrists to continue meeting emergency medication needs for parolees with mental illness. This proposal is expected to result in estimated savings of $9.1 million General Fund in 2020-21, and $17.6 million ongoing General Fund.
- Remote Court Appearance—CDCR will pursue efforts to increase video capabilities to enable remote court appearances by inmates and staff. This will result in efficiencies associated with transportation of inmates from their assigned prison to a prison closer to the court, and daily transportation of inmates to court. This will also reduce inmate absences from rehabilitation and work assignments.

CAP PAROLE TERMS

In an effort to align community supervision terms with evidence that most recidivism occurs earlier in the supervision period, create incentives for positive behavior change, and more effectively use limited state resources, the May Revision proposes to cap supervision for most parolees at 24 months, establish earned discharge for non-Penal Code section 290 registrants at 12 months, and establish earned discharge at 18 months for certain Penal Code section 290 registrants. This proposal is expected to result in estimated savings of $23.2 million General Fund in 2020-21, increasing to $76 million ongoing General Fund in 2023-24.

OTHER CHANGES

The May Revision also removes $20.6 million from CDCR's baseline budget to eliminate the Tattoo Removal Program ($2.1 million) and to reduce ongoing prison maintenance funding ($18.5 million).

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following significant proposals are withdrawn from the Governor's Budget:

- Academic Information Technology Modernization—$26.9 million to provide laptops to inmates participating in academic and vocational training to better prepare inmates for reentry.
- Expanding Higher Education Opportunities—$1.8 million for tuition, books, materials, training, and equipment for inmate-students.
- Expanded Inmate Visitation—$4.6 million for an additional visitation day at nine institutions.
- Staff Development and Support—$21.4 million to enhance staff development through new training for correctional officers and counselors.
- Video Surveillance—$21.6 million General Fund in 2020-21 and $2.1 million ongoing to expand video surveillance capabilities at three facilities.
- Quality Management and Patient Safety—$9.9 million General Fund in 2020-21 and $11.8 million ongoing General Fund to evaluate risks and implement best practices to improve the health care delivery system.
- Health Care Facility Updates at the California Rehabilitation Center—$5.9 million one-time funding for various maintenance projects.
- Various Capital Outlay Projects—$70.8 million associated with the withdrawal of various projects proposed in the Governor's Budget. The May Revision also reduces the overall out year costs for CDCR projects by approximately 67 percent.

The May Revision also proposes to modify the following proposals included in the Governor's Budget:

- Centralize Discrimination Complaints—Reduces the proposal from $1.8 million ongoing to $943,000 to promote objectivity and fairness in the investigation of equal opportunity complaints.

- Roof Replacement—Reduces the proposal from $78.2 million over two years for two roof replacement projects to $37.6 million for one roof replacement at California State Prison, Sacramento.

REALIGN DIVISION OF JUVENILE JUSTICE

The Division of Juvenile Justice currently houses approximately 800 offenders. The Governor's Budget proposed to transfer the Division of Juvenile Justice to a newly created independent department within the Health and Human Services Agency. That approach was intended to align the rehabilitative mission of the state's juvenile justice system with trauma-informed and developmentally appropriate services supported by programs overseen by the state's Health and Human Services Agency.

The May Revision proposes to expand on previous successful efforts to reform the state's juvenile justice system by transferring the responsibility for managing all youthful offenders to local jurisdictions. The May Revision proposes to stop intake of new juvenile offenders effective January 1, 2021 and begin the closure of all three state juvenile facilities and the fire camp through the attrition of the current population. Offenders over the age of 18 that will eventually be transferred to an adult institution will be prioritized for placement in the Youth Offender Rehabilitative Community established at Valley State Prison.

Closing state juvenile facilities and directing a portion of the state savings to county probation departments will enable youth to remain in their communities and stay close to their families to support rehabilitation. Local juvenile detention facilities have a significant number of vacant beds, providing an opportunity to house a greater number of youthful offenders locally. In 2019, the average daily population for local juvenile halls and camps and ranches was about 3,600, and their rated capacity is currently about 11,200. In recognition that some youth currently housed in state juvenile facilities have sex behavior treatment or mental health treatment needs, the May Revision includes $2.4 million General Fund in 2020-21, increasing to $9.6 million ongoing, to be awarded as competitive grants by the Board of State and Community Corrections. Grants will be awarded to county probation departments that will serve as hubs to meet the specific treatment needs of youth throughout the juvenile justice system.

LOCAL PUBLIC SAFETY

Proposition 47 Savings—Voters passed Proposition 47 in November 2014, which requires misdemeanor rather than felony sentencing for certain property and drug crimes and permits inmates previously sentenced for these reclassified crimes to petition for resentencing. The Department of Finance currently estimates net savings of $102.9 million General Fund for Proposition 47 when comparing 2019-20 to 2013-14, a decrease of $19.6 million from the Governor's Budget estimate for 2019-20. These funds will be allocated according to the formula outlined in the initiative.

Post Release Community Supervision—The May Revision includes $12.9 million General Fund for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision (PRCS) as a result of the implementation of Proposition 57. This is a decrease of $902,000 from the amount estimated in the Governor's Budget.

ADULT PROBATION REFORM

The Governor's Budget included $60 million General Fund annually for three years and $30 million General Fund in 2023-24, to supervise and provide probation services for misdemeanants, with the aim of improving public safety by reducing recidivism of these individuals. The Budget also included reforms to reduce felony and misdemeanor probation terms to two years, and allow for earned discharge for probationers. The Governor's Budget also included $11 million ongoing General Fund, in addition to baseline funding of $112.7 million General Fund, to stabilize SB 678 funding provided to counties. While the Administration is still supportive of the policy objectives included in these reforms, given the state's current fiscal situation, the May Revision withdraws the probation reform proposed in the Governor's Budget.

The Administration recognizes the importance of county probation departments in the public safety continuum and plans to continue discussions on how to protect public safety and improve rehabilitation efforts in the community.

The May Revision maintains the existing SB 678 calculation, which will provide county probation departments $112.7 million General Fund in 2020-21.

BOARD OF STATE AND COMMUNITY CORRECTIONS

The Governor's Budget stated the intent to strengthen the state's oversight of county jails. The Board of State and Community Corrections will more actively engage counties regarding deficiencies identified as part of its inspections through its public board meeting process and to the extent resources allow, conduct more frequent follow-up inspections. The Board will also provide additional technical assistance to those counties where issues are identified. Also, as part of the Title 15 jail standards review, the Board will make sure the standards are consistent with national best practices.

Absent additional federal funds, the COVID-19 Recession makes the following reduction necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore it:

- Adult Reentry Grant—$37 million to provide competitive awards to community-based organizations to support offenders formerly incarcerated in state prison.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

To meet the short-term needs of local law enforcement training due to the COVID-19 pandemic and the potential long-term impact of reduced state and local budgets, the Commission on Peace Officer Standards and Training (POST) will leverage existing funding provided in the 2018 Budget Act to provide for the strategic development and implementation of a framework to support distance learning opportunities for all California law enforcement agencies.

Specifically, the May Revision proposes to use $10 million General Fund previously appropriated to: (1) create a Distance Learning Grant Program, (2) increase the functionality of POST's Learning Portal, and (3) upgrade previously produced and developed distance learning courses and videos.

The May Revision proposes the establishment of a Distance Learning Grant Program to allocate $5 million to governmental entities and non-profit law enforcement educational institutions to develop and deliver training through innovative, distance learning modalities with a focus on use of force and de-escalation, implicit bias and racial profiling, community policing, cultural diversity, and organizational wellness.

The POST Learning Portal is a secure website available for California peace officers, dispatchers, and law enforcement instructors to access self-paced training courses and applications to support law enforcement training in California. Access to the Learning Portal is free to California law enforcement in the POST program. POST will explore replacing, enhancing, and/or modernizing the functionality of the Learning Portal by adding and incorporating additional modules that would provide law enforcement agencies the ability to develop their own agency-specific courses to develop and deliver their own instructor-led distance training.

Finally, POST will identify and upgrade existing distance learning courses and videos but are in legacy software formats no longer supported, such as Adobe Flash Player. By converting these materials, POST can ensure that relevant training materials continue to be accessible to local law enforcement agencies. POST also anticipates continued creation of high-quality, online in-service and specialized training videos that enable law enforcement to meet Continuous Professional Training mandates through distance learning options.

To reduce costs, the May Revision also proposes to revert $16.5 million in unspent funding appropriated in prior budgets.

VICTIM SERVICES

Crime victims and their families bear significant physical, emotional, and financial burdens. The May Revision reflects the Administration's continuing commitment to both assist crime victims and their families in recovering from such traumas, and to proactively make strategic investments to protect those who face a high risk of victimization by maintaining the following Governor's Budget proposals:

- Restitution Fund Backfill—$23.5 million one-time General Fund to backfill declining fine and fee revenues in the Restitution Fund, allowing the Victim Compensation Board to continue operating at its current resource level.
- California Violence Intervention and Prevention (CalVIP) Grant Program—$9 million General Fund ongoing for the Board of State and Community Corrections to continue funding the CalVIP program, which provides competitive grants to cities and community-based organizations to support services such as community education, diversion programs, outreach to at-risk transitional age youth, and violence reduction models.

IMPROVING INDIGENT DEFENSE

Currently, the Office of the State Public Defender's mission is focused on assisting individuals sentenced to death with post-conviction appeals. The Governor's Budget included $4 million General Fund in 2020-21 and $3.5 million annually thereafter to expand the Office's mission to include improving the quality of indigent defense services provided by counties. Specifically, these resources were intended to provide training and technical assistance for attorneys providing indigent defense, with the goal of promoting more effective representation statewide. Absent additional federal funds, the COVID-19 Recession makes a reduction of this amount to $2.1 million ongoing necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore it.

In addition, the state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The May Revision withdraws $10 million one-time General Fund included in the Governor's Budget for the Board of State and Community Corrections to administer a pilot program, in consultation with the Office of the State Public Defender, to supplement local funding for indigent criminal defense.

DEPARTMENT OF JUSTICE

As chief law officer of the state, the Attorney General has the responsibility to see that the laws of California are uniformly and adequately enforced. This responsibility is fulfilled through the diverse programs of the Department of Justice (DOJ). The department provides legal services on behalf of the people of California; serves as legal counsel to state agencies; provides oversight, enforcement, education, and regulation of California's firearms laws; provides evaluation and analysis of physical evidence; and supports data needs of California's criminal justice community. The May Revision includes total funding of approximately $1.1 billion, including $365.9 million General Fund, to support the DOJ. This represents a reduction from the Governor's Budget of $14 million, of which $4.3 million is General Fund. Absent additional federal funds, the COVID-19 Recession makes this reduction necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore it.

BUREAU OF FIREARMS

The Bureau of Firearms regulates and enforces the manufacture, sale, ownership, safety training, and transfer of firearms. In recent years, there have been several laws enacted that affect the purchasing and ownership of a firearm in California, thereby increasing the Bureau's workload. The May Revision continues the Administration's commitment to strengthen gun violence protections by including the following significant investments:

- Chapter 730, Statutes of 2019 (AB 879)—$5.9 million General Fund in 2020-21 and $8.3 million in 2021-22 to regulate and track the sale of firearm precursor parts. This represents an increase of $928,000 in 2020-21 and $3.3 million in 2021-22 from the Governor's Budget due to updated implementation costs. AB 879 requires the sale of firearm precursor parts to be conducted by or processed through a licensed firearm precursor part vendor beginning July 1, 2024. Precursor parts can be used to manufacture "ghost guns" that are untraceable due to a lack of serial numbers or identifying markers. Given the risk that such guns present to public safety, the May Revision includes resources to accelerate the implementation of these requirements to July 1, 2022.
- Firearms Information Technology Modernization—$2.4 million Dealers' Record of Sale (DROS) Special Account to begin the planning and analysis phase of combining and modernizing the existing firearms tracking systems. DOJ currently tracks firearms using 11 information technology systems that are antiquated, costly to update, and inefficient at gathering data. New firearms policies and reporting requirements are difficult to implement given the disconnected structure of these systems. Modernizing these systems will enable DOJ to respond to changing business needs and legislative mandates efficiently and in a cost-effective manner.
- Chapter 737, Statutes of 2019 (SB 61)—$2.1 million DROS Special Account in 2020-21, $1 million in 2021-22, and $379,000 annually thereafter to implement and enforce the provisions of SB 61 that prohibit the sale of semiautomatic centerfire rifles to any person under 21 years of age, except a law enforcement officer or active duty member of the Armed Forces, and prohibit a person from making an application to purchase more than one semiautomatic centerfire rifle in any 30-day period. This represents a reduction of $379,000 in 2020-21 and $379,000 in 2021-22 to remove limited-term legal positions included in the Governor's Budget proposal.
- Chapter 738, Statutes of 2019 (SB 376)—$981,000 DROS Special Account in 2020-21, $306,000 in 2021-22, and $232,000 annually thereafter to track and report annual firearms sales, loans, and transfers to enforce the provision under SB 376 that

reduces the threshold for which a manufacturer's license is required from 100 firearms manufactured annually to 50.

- "Other" Firearm Registration—$128,000 DROS Special Account in 2020-21 and $862,000 in 2021-22 to close regulatory loopholes for assault weapons that are not currently defined as a rifle, pistol, or shotgun. This proposal enables DOJ to appropriately define and regulate such weapons.

OTHER SIGNIFICANT ADJUSTMENTS

The May Revision also includes the following adjustments:

- Bureau of Forensic Services—$3.8 million General Fund to backfill the continued decline in fine and fee revenues in the DNA Identification Fund, bringing the total amount available to $35.8 million one-time funds ($25.8 million General Fund and $10 million Fingerprint Fees Account). This funding will enable DOJ to continue processing forensic evidence for client counties.
- Replacement of License 2000 System—$724,000 Gambling Control Fines & Penalties Account in 2020-21 for the initial planning and analysis phase of replacing the License 2000 System, which is used by the Bureau of Gambling Control and Gambling Control Commission to manage cardroom licensing, registration, and auditing functions.
- Sex Offender Registration (Chapter 541, Statutes of 2017 (SB 384)) Funding Alignment—A net change of zero by moving $4.8 million General Fund expenditures proposed in the Governor's Budget for 2020-21 and 2021-22 to 2022-23 and 2023-24, to align the funding to implement SB 384 with an updated implementation timeline.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- Bureau of Forensic Services Equipment and Facility Maintenance—$7.3 million ongoing General Fund to replace forensic laboratory equipment and perform facility maintenance.
- Tax Recovery in the Underground Economy Enforcement Teams (Chapter 626, Statutes of 2019 (AB 1296))—$5.7 million ongoing General Fund.
- Healthcare Rights and Access Section—$2.2 million ongoing General Fund.

- Northern Region: Consolidated Forensic Science Laboratory Campus—$9.5 million General Fund for the acquisition phase of a new Consolidated Forensic Science Laboratory Campus project in the Sacramento area. The project, which is estimated to cost approximately $440 million, will be put on hold indefinitely.

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Urban Montessori Charter School - May Board Meeting - Agenda - Thursday May 21, 2020 at 6:15 PM

JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, courts of appeal, trial courts, and the Judicial Council. The trial courts are funded with a combination of General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund. The May Revision includes total funding of $4.3 billion ($2.2 billion General Fund and $2.1 billion other funds) in 2020-21 for the Judicial Branch, of which $1 billion General Fund is provided to support trial court operations. The Judicial Council is responsible for managing the resources of the Judicial Branch.

MAINTAINING ACCESS TO JUSTICE

OPERATIONAL CHANGES IN RESPONSE TO COVID-19

The Judicial Branch has had to radically change their operations to protect the public from the spread of COVID-19 while also maintaining access to justice. Actions taken by the Judicial Council include extending court deadlines, suspending jury trials, using technology to conduct proceedings remotely, and suspending evictions and foreclosures. Trial courts have also taken actions to protect the public by closing courthouses and courtrooms, limiting operations to only essential court functions, and suspending collection activities, among others.

These actions have resulted in delays in court operations and a backlog of cases that will take time for the courts to process as they continue to practice physical distancing.

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Judicial Branch

In an effort to help the trial courts address the backlog of cases and resume normal operations, the May Revision includes $50 million one-time General Fund in 2020-21.

The COVID-19 pandemic has required the Judicial Branch to reevaluate processes and like state government, the Judicial Branch should use this crisis as an opportunity to make more convenient and efficient court operations. The May Revision includes $25 million ongoing General Fund for modernizing court operations with the goal of achieving efficiencies and increasing access to court services online. For example, the Judicial Council may allocate this funding for projects such as enabling electronic case filing, digitizing court documents, resolving disputes online, and utilizing video technology to facilitate remote participation in hearings.

These efficiency efforts are even more important to maintain access to justice given the COVID-19 Recession. Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- Trial Courts—A base reduction of $178.1 million General Fund in 2020-21 and ongoing and an additional decrease of $28.1 million General Fund beginning in 2021-22 associated with a 5 percent reduction in operating expenses, which will be achieved through efficiencies.
- State Level Judiciary—A decrease of $23.2 million General Fund in 2020-21 and ongoing and an additional decrease of $10.6 million in 2021-22 associated with a 5 percent reduction in operating expenses, which will be achieved through efficiencies.
- Other Judicial Branch Programs—A decrease of $15.2 million ongoing General Fund to reflect a 5 percent reduction to the following programs: Dependency Counsel; Court Interpreters; California Collaborative and Drug Court Projects; Court Appointed Special Advocate Program; Model Self-Help Program; Equal Access Fund; Family Law Information Centers; and Civil Case Coordination.

The May Revision withdraws the following proposals included in the Governor's Budget given the drastic impact of the COVID-19 pandemic on the state's economy:

- Trial Court Operations—$107.6 million ongoing General Fund to support trial court operations.
- Court Facilities—$43.6 million General Fund to begin the design and construction of courthouse projects, consistent with the Judicial Council Facilities Reassessment. This

action suspends $2 billion ($505 million General Fund) over the next five years as the courts reassess how they use their facilities in the wake of the COVID-19 pandemic.

- Information Technology Initiatives—$10.3 million General Fund in 2020-21 to advance three information technology initiatives. These initiatives can be funded from the $25 million for modernization.
- Court Navigator Program—$8.1 million General Fund in 2020-21 and $15.5 million ongoing to fund court navigators in trial courts.
- Digitizing Documents—$6.9 million General Fund in 2020-21 and $11.3 million General Fund in 2021-22 to digitize court records in approximately 15 courts, including appellate and trial courts. This initiative can be funded from the $25 million for modernization.
- Appellate Court Appointed Counsel Projects—$1.2 million ongoing General Fund to support increased costs for contractual services provided by the Supreme Court and the Courts of Appeal Court Appointed Counsel projects.
- Statutory Statewide External Audit Program—$1 million ongoing General Fund to support audits conducted by the State Controller's Office.

ONLINE ADJUDICATION OF INFRACTIONS AND EXPANSION OF ABILITY TO PAY

The May Revision maintains funding included in the Governor's Budget to expand the ability to pay program statewide. This program is even more critical with the onset of the COVID-19 Recession as it will enable low-income individuals to apply online to have fines and fees from infractions reduced in accordance with their ability to pay. Eligible participants will have their penalties reduced by 50 percent or more and can make payments over a period of time. In addition, online adjudication allows individuals to avoid physically appearing in court, thereby reducing public health risks to court users and staff.

OTHER SIGNIFICANT ADJUSTMENTS

The May Revision also includes the following adjustments:

- Fine and Fee Revenues—Consistent with this Administration's prior commitment to prevent declining revenues in this area from impacting court operations, the May Revision includes an additional $238.5 million one-time General Fund in 2020-21 to backfill these losses. Specifically, $90.9 million for estimated lost revenue in 2019-20 and $147.6 million for 2020-21. As of the Governor's Budget, the backfill was

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estimated to be $41.8 million in 2019-20 and $35.2 million in 2020-21, bringing the total backfill over the two-year period to $315.5 million General Fund.

- Trial Court Employee Benefits—$30 million ongoing General Fund for trial court employee health benefit and retirement costs, which is a decrease of $5.1 million from the Governor's Budget due to updated cost estimates.
- Language Access—$9.9 million General Fund in 2020-21 and $9.6 million General Fund annually thereafter for increased costs for court interpreters and to purchase equipment for the newly established Video Remote Interpreting Program. This is an increase of $1 million ongoing General Fund from the Governor's Budget due to updated court interpreter costs.

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ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency's programs promote the state's economic vitality in a sustainable manner by reducing greenhouse gas emissions, enhancing environmental quality, and protecting public health.

The Secretary coordinates the state's regulatory programs and provides fair and consistent enforcement of environmental law. The May Revision includes $3.9 billion ($42 million General Fund, $3.8 billion special funds, and $18.3 million bond funds) for programs included in this Agency.

The impacts of climate change and environmental pollution continue to be an urgent threat to the environment and vulnerable populations. For these reasons, the May Revision continues to prioritize the state's limited resources on emergency preparedness and protecting vulnerable populations.

CAP AND TRADE EXPENDITURE PLAN

The Governor's Budget proposed a $965 million Cap and Trade Expenditure Plan, which continued support for several existing ongoing programs while prioritizing community air protection, where emissions have a disproportionate impact on disadvantaged populations in both urban and rural communities.

In light of current economic conditions, there is significant uncertainty surrounding the amount of Cap and Trade proceeds that will be generated in the upcoming auctions, which could result in lower auction proceeds than previously estimated as statewide emissions of greenhouse gases have decreased significantly.

The May Revision maintains the Governor's Budget Cap and Trade Expenditure Plan, and establishes a "pay-as-you-go" budget mechanism to authorize budget act expenditures based on actual proceeds received at each quarterly auction. This proposed budget mechanism will prioritize initial auction proceeds for the following programs:

- Air Quality in Disadvantaged Communities: AB 617 Community Air Protection Program and agricultural diesel emission reduction.
- Forest Health and Fire Prevention, including implementation of the requirements of Chapter 391, Statutes 2019 (AB 38).
- Safe and Affordable Drinking Water.

Departments would be directed to prioritize non-discretionary costs, such as salaries and wages, and any remaining auction proceeds would be allocated to other programs proportionally.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL REFORM

The May Revision maintains the Administration's commitment to governance and fiscal reform for the Department of Toxic Substances Control.

Over the course of the past year, the Administration has developed a vision for the future of the department through stakeholder engagement, input from members and committees of the Legislature, and three public workshops conducted in Sacramento, Bakersfield and Los Angeles.

In response to the public processes, the Governor's Budget proposed a comprehensive reform package that: (1) creates a board structure to provide transparency of departmental decision making and additional policy guidance, and (2) reforms the fee setting processes to appropriately fund the activities of the Department.

Governance

The May Revision maintains the proposal to establish a new Board of Environmental Safety to enhance the department's management structure, reflecting stakeholder input and addressing longstanding concerns about the department. Specifically, the new five-member Board will:

- Set and review fees through a public process;
- Provide an appeal forum for permit decisions; and
- Provide strategic guidance for the department director on key issues, including the hazardous waste permitting process and prioritization of site cleanup. The Board will also have an independent ombudsperson to serve as an impartial resource to the public for the evaluation of suggested actions the department should undertake.

Fiscal Reform

The May Revision also maintains the proposal to establish a sustainable funding source to enable the Department to meet its statutory requirements, as well as eliminate the need for a General Fund backfill in future years. This proposal is comprised of three elements:

- Fee Authority—Statutory changes to authorize the Board to go through a public fee-setting process, with spending levels subject to the budget process. This will create fiscal stability into the future as circumstances change.
- Hazardous Waste Fee Restructure—Statutory language that will streamline the existing fee structure to provide the Board with the ability to set fees through a public process to distribute the cost of managing hazardous waste more equitably and support the polluter-pays principle.
- Toxic Substances Control Account—Statutory changes to authorize the Board to adjust the Environmental Fee through a public process.

Climate Resilience

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- Climate Catalyst Fund—$250 million General Fund

Since the Governor's Budget was released, climate leaders both inside and outside the Administration have identified more than 700 climate-related projects seeking more than $5.8 billion in near-term capitalization. These include projects in transportation emission reduction, sustainable agriculture and forestry, circular economy, and clean power market expansion. While budget realities preclude the use of General Fund to provide low-interest loans and loan guarantees for these projects, the Administration remains committed to leveraging private capital to support a Climate Catalyst Fund.

Other Adjustments

Department of Toxic Substances Control

To reduce costs, the May Revision proposes fund shifts as follows:

- Funding from the Air Pollution Control Fund—$59 million in expenditures from the General Fund to Air Pollution Control Fund penalty revenues on a one-time basis.
- Stringfellow Superfund Site—$5.5 million in expenditures from the General Fund to existing special funds specifically dedicated for this purpose.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- New Clean up at Orphan Sites—$4.2 million General Fund.

State Water Resources Control Board

To reduce costs, the May Revision proposes a fund shift as follows:

- Funding from the Air Pollution Control Fund—$24 million in expenditures from the General Fund to Air Pollution Control Fund penalty revenues on a one-time basis.

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OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- Evaluating Unassessed Chemicals Using Precision Prevention Methodologies—$6 million General Fund

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NATURAL RESOURCES

The Natural Resources Agency consists of 26 departments, boards, commissions and conservancies responsible for administering programs to conserve, restore, and enhance the natural, historical, and cultural resources of California. The May Revision includes $6.7 billion ($3.5 billion General Fund, $1.8 billion special funds, and $1.4 billion bond funds) for programs included in this Agency.

The impacts of climate change and environmental pollution continue to be an urgent threat to the environment and vulnerable populations. The Agency's departments are on the frontlines of battling wildfires, navigating droughts and floods, and preparing for sea-level rise. For these reasons, the May Revision continues to prioritize the state's limited resources on emergency preparedness and protecting the public from climate risks.

DEPARTMENT OF WATER RESOURCES

The May Revision maintains the following critical flood and water quality projects proposed in the Governor's Budget:

- American River Common Features Flood Control Project—$46 million one-time General Fund for the 2020-21 cost associated with a Sacramento region flood control project that leverages $1.5 billion in federal funding. The total state share for this project is $277 million, and the remaining state share will be considered for inclusion in future infrastructure investments.

- New River Improvement Project—$18 million one-time General Fund and $10 million Proposition 68 bond funds to support the New River Improvement Project, which will address solid waste and pollution exposure challenges in the City of Calexico, and support health, recreation, and economic benefits in the area.
- Salton Sea Management Plan—$19.3 million Proposition 68 bond funds to address the air quality and habitat restoration objectives at the Salton Sea through implementation of the North Lake Pilot Project.

GENERAL FUND SOLUTIONS

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- Sustainable Groundwater Management Act Implementation—$40 million General Fund. The state remains committed to supporting local communities' transition to sustainable groundwater use, and the Department of Water Resources will allocate $26 million of existing Proposition 68 bond funds to local agencies in critically overdrafted basins to help defray the cost of implementation projects. In addition, a state interagency team will be created to work with stakeholders to identify tools and strategies to address the economic, environmental, and social effects of changing land use and agricultural production. Additional funding for SGMA-related projects may be considered for inclusion in future infrastructure investments.
- Tijuana River Project—$35 million General Fund given potential alternative sources of funding which may be allocated for this purpose.

STATE PARKS

The May Revision maintains funding for the following projects to enhance the state park system.

- Establishing a New State Park—$5 million General Fund, reduced from $20 million in the Governor's Budget, to create a new state park that is inclusive and supports equitable access for all Californians. The Department will work with various philanthropic, conservation, and park interest groups to secure a property and design the vision and operations for the new park.

- Acquiring Lands to Expand Parks—$4.6 million from various bond funds to acquire inholding properties that expand existing state parks and provide other co-benefits such as protecting biodiversity.
- Improving Facilities in Urban Areas—$6.1 million Proposition 68 bond funds to expand access to state parks in urban areas and make other improvements to parks that serve disadvantaged communities.
- Enhancing Access Programming—$8.8 million Proposition 68 bond funds to expand both technological and physical access to parks, as well as culturally inclusive enhancements to park programming and interpretive exhibits.

GENERAL FUND SOLUTIONS

To reduce costs, the May Revision proposes fund shifts as follows:

- Indian Heritage Center—$95 million from the General Fund to lease revenue bonds. State Parks is in the process of completing the preliminary plans for the project. Once the plans are finalized, the state can explore the option of financing the project from lease revenue bonds.
- Deferred Maintenance—$45 million from the General Fund to Proposition 68 bond funds for deferred maintenance projects in the state parks system.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- Outdoor Equity Grants Program—$20 million General Fund to establish the outdoor equity grants program under Chapter 675, Statutes of 2019 (AB 209). The state remains committed to working with stakeholders to keep access to parks for all communities a priority.

Absent additional federal funds, the COVID-19 Recession makes the following reduction necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore it:

- Base Reductions—$30 million ongoing General Fund beginning in 2021-22. State Parks will work with stakeholders to work on a reduction plan that maintains equity and regional access. The Department is collaborating regionally with local and federal park operators to ease current use restrictions and adapt park operations to updated public health conditions as informed by state and local public health orders, particularly as they relate to physical distancing. The Department will monitor fiscal impacts of recent and ongoing restricted park operations and any budget adjustments necessary from these modified operations will be addressed at a later time.

DEPARTMENT OF FISH AND WILDLIFE

The May Revision prioritizes funding for the following purposes:

- Cutting Green Tape—$4 million to increase the scale and pace of restoration work, incorporate efficiencies into grant programs, and incorporate the use of programmatic permitting options.
- Land Management—$2.2 million to improve the management of more than one million acres of wildlife areas and ecological reserves owned by the Department.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- Advancing Biodiversity Protection—$13.8 million General Fund.

Absent additional federal funds, the COVID-19 Recession makes the following reduction necessary to balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore it:

- Baseline General Fund Reduction and Repurpose of the Habitat Conservation Fund—$33.7 million General Fund to reduce the Department's state operations General Fund expenditure level. This reduction will be partially offset by a $18.9 million shift from the Habitat Conservation Fund to the new Biodiversity Protection Fund to support the Department's core biodiversity conservation and enforcement programs.

OTHER GENERAL FUND SOLUTIONS

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- Light Detection and Ranging (LiDAR) Technology—$80 million General Fund.
- California Conservation Corps Residential Centers—$3.5 million General Fund associated with the cancellation of the expansion of the Corps' residential center program.

To reduce costs, the May Revision proposes efficiencies as follows:

- Natural Resources Agency New Facility Relocation—$4.8 million associated with a reduction of the Governor's Budget proposal. The move into the new Natural Resources building will be put on hold until a evaluation on telework opportunities is completed. For additional information, see the Government Efficiencies section of the Statewide Issues and Various Departments chapter.

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LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency addresses issues relating to California workers and their employers. The Agency is responsible for labor law enforcement, workforce development, and benefit payment and adjudication. The Agency works to combat the underground economy and to help businesses and workers in California.

Since 2019, the Budget has included targeted investments to strengthen the states' workforce training programs and health care and safety net services. Increases of $35 million in pre-apprenticeship and apprentice training, $36 million in prison to employment training, and over $60 million in Mental Health workforce investments continue to provide the needed resources for the state to meet its ever-changing workforce needs and supplying a pathway for Californians to improve their upward economic mobility.

In light of the unprecedented increase in unemployment due to the COVID-19 Recession, the state must continue to show leadership in addressing workforce health and safety concerns of all Californians as well as support and promote high-quality jobs so workers, families, and communities can secure and maintain economic security. The May Revision continues to move forward with many of the Governor's Budget proposals to strengthen the state's workforce and benefit systems as California looks to recover from this recession.

UNEMPLOYMENT INSURANCE

As a result of the COVID-19 pandemic, the Employment Development Department (EDD) has been inundated with an unprecedented surge in unemployment insurance (UI) claims. As of May 9, EDD has processed and approved approximately 4.4 million UI claims that will provide over $12.2 billion in UI benefits. In an effort to address the nationwide impacts of the COVID-19 pandemic, the federal government enacted the Families First Act and the CARES Act, both providing temporary program enhancements and expanded unemployment insurance benefits to millions of workers who are no longer employed due to the COVID-19 Recession. Most notably, the CARES Act included a federally funded temporary emergency benefit increase of $600 per week through July 31, 2020 and a federally funded Pandemic Unemployment Assistance (PUA) program to provide up to 39 weeks of UI benefits to individuals who do not qualify for traditional unemployment compensation, including business owners, the self-employed, independent contractors, individuals with limited work history, and other individuals not usually eligible for regular state UI benefits who are unemployed as a direct result of the COVID-19 pandemic. The PUA program runs through December 31, 2020.

These federal investments will help stabilize income for the affected workforce in the short term. However, enhanced and expanded benefits are temporary. Additionally, the CARES Act allows states to borrow from the federal government to pay state UI benefits with no interest, but only through the end of 2020. California, like other states, has already begun borrowing and similar to the Great Recession, the state will likely need to borrow in the tens of billions of dollars, resulting in significant future annual interest payments until the loans are repaid. For context, the state borrowed over $65 billion from 2009-2017 and paid total interest of $1.4 billion from 2011-2018.

To address the increased volume of UI claims, EDD has implemented several strategies to increase efficiencies and maintain program continuity. EDD has launched a new call center and expanded hours at existing call centers that will now operate seven days a week from 8:00 a.m. to 8:00 p.m. It has implemented a one-stop shop for those applying for unemployment insurance as well as the new federal PUA program and streamlined the eligibility requirements for claimants allowing for expedited approvals. Additionally, EDD has administratively redirected hundreds of staff internally and added hundreds more from across various state departments to review and process claims.

The May Revision maintains $46 million to continue implementation of the Benefit Systems Modernization Project. This project will modernize and consolidate the department's Unemployment Insurance (UI), Disability Insurance (DI), and PFL benefit systems. The state of this legacy system and the need to replace it has come into sharp focus during the COVID-19 pandemic as millions of Californians have accessed the system to apply for UI benefits.

RECENT STATE ACTIONS

The COVID-19 pandemic has had significant impacts on California's workers and businesses, driving the unemployment rate above Great Recession levels. In order to mitigate these impacts, the Administration took a number of executive actions to extend UI claim call center hours to meet increased UI demand, provide financial support for immigrant workers affected by the COVID-19 Recession, announce the receipt of philanthropic funding to assist undocumented workers, implement federal funding to assist individuals affected by the COVID-19 Recession, and create a time-limited rebuttable presumption for accessing workers' compensation benefits applicable to Californians who must work outside of their homes during the stay at home order, among other things.

REALIGNING WORKFORCE TRAINING

The COVID-19 Recession is causing unemployment levels the state has never seen. As the economy recovers, it is critical that the state's workforce training programs are aligned to the jobs that employers need. For these reasons, the Administration is prioritizing the reorganization of various entities under California's Labor Agency that aligns fragmented programs and services to better support data, policy, and program analysis of the state's workforce training programs. The proposed consolidation of the state's workforce training programs under a new Department of Better Jobs and Higher Wages is needed more now than ever given the underlying changes in the state's economy. The Department will be comprised of the California Workforce Development Board, the Employment Training Panel, Workforce Services Branch, and Labor Market Information Division, which are currently in the Employment Development Department, and the Division of Apprenticeship Standards, currently in the Department of Industrial Relations.

PAID FAMILY LEAVE

The May Revision continues to include the expansion of job protections for any worker eligible for paid family leave (PFL) benefits and resources to support small businesses

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that extend these benefits to their employees. It also maintains a $10 million General Fund investment for the Social Entrepreneurs for Economic Development initiative, providing entrepreneurial training for individuals, including those who are undocumented.

ENFORCEMENT OF LABOR LAWS

Chapter 296, Statutes of 2019 (AB 5) established a new statutory employment test to determine whether a worker may be classified as an independent contractor instead of an employee. State labor laws provide employees certain protections like minimum wage, unemployment insurance, and protections against discrimination. The misclassification of workers as independent contractors has been a nationwide problem for many years, depriving these workers of their lawful benefits. The employment test under AB 5 presumes all workers are employees unless the employer can demonstrate a worker meets specified conditions, known as the ABC Test.

As mentioned above, the federal CARES Act provides benefits for workers traditionally not eligible for UI benefits. While the CARES Act provides some relief to workers who are misclassified, these workers will lose this benefit when the federal stimulus ends because their misclassification prohibits them from accessing the traditional state UI system. Companies who continue to misclassify their employment status avoid providing benefits and contributing to the unemployment benefit system, hurting California workers and adding pressure to the state’s UI system.

The May Revision maintains the Governor's Budget proposal to enforce compliance with AB 5, including $17.5 million for the Department of Industrial Relations, $3.4 million for the Employment Development Department, and $780,000 for the Department of Justice.

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STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

This Chapter describes items in the Budget that are statewide issues or related to various departments.

TRANSFORMING STATE GOVERNMENT

The COVID-19 pandemic has disrupted state government operations, forcing the state to find creative ways to adapt and deliver core functions. It has also created an opportunity to rethink the way the state delivers services to its nearly 40 million residents. Investments in technology have already advanced the ability of government to deliver services during the current pandemic, and the state is committed to building on this progress to make California an example of what government should look like in the 21st century.

Transforming state government will include lessons learned from the state's real time experiment with a statewide telework program. The state's response has shown that teleworking on a large scale is possible, and the ability to optimize a telework approach can reduce the state's carbon footprint and leased office space, while increasing the state's digital presence for the benefit of both California's employees and the people they serve.

GOVERNMENT EFFICIENCY

The Administration, coordinated by the Government Operations Agency, will work with agencies and departments to examine their workforce to determine classifications and/or positions that can telework without disruption to serving the citizens of California. Increased telework could reduce statewide absenteeism, increase employee retention, promote inclusion, and move the state toward being an "employer of choice." Telework is also environmentally favorable, as it reduces vehicle miles traveled and improves air quality.

The COVID-19 pandemic challenged the state to reexamine in-person processes to protect state employees and the public. For example, the Department of Motor Vehicles (DMV) temporarily closed its field offices, but encouraged the public to use its alternative service channels such as online, mail, and kiosks, and a new Service Advisor on DMV's website. Additionally, DMV launched its Virtual Field Office to create new digital options for transactions with DMV staff that previously required an in-person office visit. As a result, a substantial majority of all DMV transactions can now be processed without a field office visit. The state will build on DMV's successful pilot program and look to implement similar digital-based services in other agencies or departments that provide a direct service to the public.

In an effort to transform the way the state conducts business and serves Californians, the Administration will use the Office of Digital Innovation to assist agencies and departments to rethink how to meet the public's needs, including by delivering more government services online. The state will build on the lessons learned through establishing the COVID19.ca.gov website to build a new CA.gov website. The new site will be user-centered to allow Californians simple, easily understood transactions and to access all state information at a single portal.

WORKSPACE INNOVATIONS

With an increased remote workforce, the Administration, led by the Department of General Services (DGS), will evaluate the state's real estate portfolio to determine which agencies and departments may be able to reduce lease space. Agencies and departments may be able to reconfigure their workspace to include additional meeting rooms and hoteling space, thereby reducing their lease footprint. Reducing space will decrease not only lease costs, but also energy costs. Additionally, DGS will look for possible restacking opportunities in state-owned buildings.

Absent additional federal funds, the COVID-19 Recession makes reductions necessary to balance the state budget. The May Revision includes several budget solutions that reduce costs, such as pausing building renovations and reducing proposed relocation costs.

- State Office Building Projects, Sacramento Region—Withdrawal of $721.7 million Public Buildings Construction Fund for the design-build phase of three office building renovation projects in the Sacramento Region: Gregory Bateson ($183.6 million), Jesse Unruh ($116.8 million), and Natural Resources ($421.3 million). These projects will be paused until a statewide evaluation of office space needs has been completed.
- Health and Human Services Relocation to the Clifford L. Allenby Building—A decrease of $4.1 million General Fund to reduce the level of resources associated with the relocation of the Department of Developmental Services, the Department of State Hospitals, and the California Health and Human Services Agency to the new Clifford L. Allenby Building.
- Natural Resources Agency New Facility Relocation—A decrease of $4.8 million General Fund associated with a reduction of a Governor's Budget proposal to relocate staff from the Natural Resources Agency into the New Natural Resources Headquarters Building.

ADDITIONAL EFFICIENCY AND COST SAVING MEASURES

In addition to the efficiencies described above, the May Revision proposes a 5-percent reduction to nearly all state department budgets beginning in 2021-22.

- Reduce Travel
  - Reduce statewide travel costs by using video conferencing for meetings or trainings, where possible.
  - Reduce state fuel and insurance costs by assessing use of telematics (a mini GPS device that tracks distance, time, location, and speed) in state vehicles.
- Improve State Processes
  - Improve processes and quality of services from the customer's point of view by encouraging agencies and departments to attend the Department of Human Resources' Lean Academy.

  - Establish performance-based oversight of regulatory programs to better measure, track, and allocate limited resources based on predetermined program performance measures.
- Other Cost Saving Opportunities
  - Reevaluate the state fleet and vehicle home storage permits.
  - Identify opportunities for efficiency in technology contracts.

EMPLOYEE COMPENSATION

Absent additional federal funds, the COVID-19 Recession requires reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them. Savings in employee compensation will need to be part of the budget solution absent federal funds.

Collective bargaining negotiations will commence or continue with all of the state's bargaining units to reduce pay by approximately 10 percent, relative to June 2020 pay levels. The May Revision assumes these savings will begin with the July 2020 pay period. The state will make every attempt to reach these savings through collective bargaining. However, the Administration will include a budget provision to impose reductions if the state cannot reach an agreement. The May Revision assumes savings of an additional $2.8 billion ($1.4 billion General Fund).

The May Revision prioritizes maintaining $604 million ongoing ($261 million General Fund) in salary increases for the state's lowest paid workers in Chapter 4, Statutes of 2016 (SB 3), and the $260 per month payments to improve affordability and access to healthcare. The May Revision also maintains funding for all 2021 calendar year increases in health care premiums and enrollment for active state employees, and retiree health care prefunding for active employees.

STATE RETIREMENT CONTRIBUTIONS

The state faces unfunded pension obligations of $167 billion, which will continue to increase in the foreseeable future as the state's retirement systems absorb the impact of the current recession. While the state has made great strides in paying down those liabilities to ensure the long-term security of the state's retirement benefits, the current budget problem requires a judicious approach.

Proposals necessary to balance the state budget include:

- CalPERS State Annual Pension Contribution Payment Offset—Chapter 33, Statutes of 2019 (SB 90) authorized a $3 billion General Fund supplemental pension payment toward the California Public Employees' Retirement System (CalPERS) state plans' unfunded liabilities with the goal of maximizing the state's savings over the next three decades. Of the $3 billion, $2.5 billion was paid to CalPERS in 2019. CalPERS applied approximately $100 million of the $2.5 billion to produce savings in the 2019-20 employer contributions. The May Revision proposes to redirect the remaining $2.4 billion over the next two years to pay the state's obligations that will produce more immediate savings to the state and results in a reduction in the state's retirement contribution.

- Redirect Remaining $500 million General Fund Supplemental Pension Payment—The May Revision proposes statutory changes to eliminate the remaining $500 million General Fund supplemental pension payment to CalPERS as authorized under SB 90. SB 90 was subsequently amended by Chapter 859, Statutes of 2019 (AB 118) to specify that of the $500 million payment to CalPERS, $243 million would be applied to the California Highway Patrol (CHP) retirement plan. The Governor's Budget proposed to accelerate the payment in 2019-20; however, current fiscal challenges warrant the elimination of these discretionary payments so the funds can be directed toward offsetting General Fund costs to maintain core programs. AB 118 also authorized multiple payments of $25 million annually beginning in 2019-20 through 2022-23 from the Motor Vehicle Account (MVA) toward the CHP plan. The 2019-20 payment from the MVA is scheduled to be paid as planned. However, the May Revision proposes to suspend the remaining $25 million annual MVA payments through 2022-23, along with the elimination of the $243 million General Fund supplemental pension payment to CHP. The May Revision expects to achieve this through collective bargaining with the association.

- Suspension of California State Teachers' Retirement Systems (CalSTRS) Annual Rate Increases—Given the COVID-19 Recession, the May Revision proposes statutory changes that will suspend the annual rate increases authorized by the Teachers' Retirement Board at the 2019-20 level until 2023-24. The Administration will instead continue to make supplemental payments from the Proposition 2 required debt payments. This proposal will provide $1.8 billion General Fund savings over the multiyear to the state's annual contribution to the CalSTRS defined benefit program.

The State Retirement and Health Care Contributions figure provides an historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), JRS II, and the Legislators' Retirement System (LRS) for pension and health care benefits.

State Retirement and Health Care Contributions [1/ 2/ 4/]

(Dollars in Millions)

	CalPERS[4/]	CSU CalPERS	CalSTRS	JRS	JRS II	LRS[5/]	Active Health & Dental[6/]	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding[7/]
2011-12	$3,174		$1,259	$195	$58		$2,439	$1,505		0
2012-13	2,948 [8/]	$449 [8/]	1,303	160	51		2,567	1,365 [8/]	$222 [8/]	0
2013-14	3,269	474	1,360	188	52	$1	2,697	1,383	225	22
2014-15	4,042	543	1,486	179	63	1	2,797	1,462	256	38
2015-16	4,338	585	1,935	190	67	1	2,968	1,556	263	63
2016-17	4,754	621	2,473	202	68	1	3,104	1,623	272	342 [10/]
2017-18	5,188	661	2,790	199	80	1	3,192	1,695	285	189
2018-19	5,506	683	3,082	194	84	1	3,255	1,759	313	394
2019-20	5,946	716	3,323	263	87	1	3,443	1,892	331	562
2020-21[3/ 9/]	6,259	733	3,597	225	85	1	3,713	2,068	362	703

1/ The chart does not include contributions for University of California pension or retiree health care costs.

2/ The chart does not reflect the $6 billion supplemental pension payment to CalPERS in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84). Chapter 33, Statutes of 2019 (SB 90), and Chapter 859, Statutes of 2019 (AB 118), authorized multiple one-time supplemental pension payments to CalPERS and CalSTRS, which are also not reflected in the chart. The impact of the adjustments to the SB 90 and AB 118 supplemental pension payments, as proposed by the May Revision to the Governor's Budget, are also not reflected in the chart.

3/ The chart does not reflect the suspension of the Teachers' Retirement Board's statutory authority to increase the state contribution rate for fiscal years 2020-21 through 2023-24, as proposed by the May Revision.

4/ In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS. Amounts displayed in this column reflect statewide contributions to the five CalPERS state plans, including contributions from employers that are not included in the annual Budget Act.

5/ The state continues to make employer contributions to the Legislators' Retirement System. CalPERS reported the estimated 2020-21 contribution amount is $84,308.

6/ These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and the California State University (CSU).

7/ Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

8/ Beginning in 2012-13, CSU pension and health care costs are displayed separately.

9/ Estimated as of the 2020-21 May Revision. Of the total estimated 2020-21 contributions, contributions sourced from the General Fund are estimated to be $4,015 million for CalPERS, $733 million for CSU CalPERS, $1,744 million for Active Health and Dental, and $335 million for OPEB Prefunding. Fiscal year 2020-21 contributions to CalSTRS, JRS, JRS II, LRS, and Retiree Health & Dental (including CSU) are all General Fund costs.

10/ Amount includes a one-time prefunding contribution of $240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

FAIRGROUNDS

The Network of California Fairs, consisting of 77 fairgrounds throughout California, have historically supported their own operations through revenue-generating activities with limited supplemental state support. A total of 53 of the 77 fairgrounds are state-affiliated fairs and have state civil service employees. As a result of the COVID-19 pandemic, fairs are canceling revenue-generating activities and are projected to lose approximately $98 million in revenue between March and June 2020, and revenue loss is expected to continue.

Many fairs have little to no reserves and must initiate the layoff process immediately as they may become insolvent. The May Revision includes $40.3 million General Fund in 2019-20 to support state-affiliated fairs that are projected to have insufficient reserves to pay legally mandated costs that may be incurred during the state civil service layoff process, including staff salary, payout of leave balances, and unemployment insurance.

The Administration will work with fairs, local governments, and partners toward alternative options due to the lack of General Fund subsidies available in this budget. The Administration plans to engage the Legislature and stakeholders over the course of the next year to develop a thoughtful approach to transition the state's relationship with fairs, while acknowledging the need to continue supporting property that may be necessary for emergency operations.

PROPOSITION 12

On November 6, 2018, California voters approved Proposition 12, which expanded current animal housing requirements and established new, more stringent minimum space standards on housing for calves raised for veal, breeding pigs and egg-laying hens. The measure also makes it illegal for businesses in California to knowingly sell eggs or uncooked pork or veal that came from animals housed in a manner that does not meet the new confinement requirements, including products from animals raised and maintained at facilities located in California and out-of-state. The Department is finalizing statutorily mandated regulations to establish comprehensive program requirements.

The May Revision proposes $1.4 million and 6 positions in 2020-21, and $2.8 million and 15 positions ongoing to support full implementation of Proposition 12, and also includes statutory changes to establish new fee authority that will support associated program costs. This proposal will be funded for two years by a short-term loan from within the Food and Agriculture Fund until this new fee revenue can support all program costs.

OTHER SIGNIFICANT ADJUSTMENTS

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- State Water Efficiency and Enhancement Program Grants—$20 million General Fund
- Cal Expo Fiscal Support and Assessment—$2.25 million General Fund

Absent additional federal funds, the COVID-19 Recession makes the following reduction necessary to balance the state budget. The reduction will be triggered off if the federal government provides sufficient funding to restore it:

- California Biodiversity Initiative Baseline Reduction—A decrease of $3.9 million General Fund ongoing beginning in 2020-21.

CALIFORNIA PUBLIC UTILITIES COMMISSION

BROADBAND EXPANSION

The COVID-19 pandemic requires significant numbers of Californians to telework, learn via distance education, and receive healthcare through telehealth. The drive toward these technology platforms highlights the state's inequities in access to computers, technology tools, and connectivity. In response, the California Public Utilities Commission (Commission) took action in April to help bridge this digital divide by making $25 million available from the California Teleconnect Fund for hotspots and Internet service for student households, prioritizing rural, small, and medium-sized school districts. The Commission also made $5 million available from the California Advanced Services Fund Adoption Account to help cover the cost of computing and hotspot devices. The Commission coordinated with the California Department of Education and this funding will be prioritized toward low-income communities and communities with high percentages of residents with limited English proficiency.

To identify which areas of the state lack sufficient access to broadband, the May Revision includes $2.8 million and 3 positions in additional resources from the Public Utilities Commission Utilities Reimbursement Account for the Commission to enhance its broadband mapping activities. This additional information will better inform the state's broadband infrastructure grant program, improve safety by providing broadband speed data at emergency response locations such as fairgrounds, and enhance the state's ability to compete for federal broadband funding.

The May Revision proposes statute intended to increase the ability of the state to compete for federal funding to improve access to broadband Internet in California.

Wildfire Mitigation Efforts

Chapter 81, Statutes of 2019 (AB 111), added $50.1 million in 2019-20 for the Commission to review and enforce utility wildfire mitigation plans and implement Chapter 79, Statutes of 2019 (AB 1054). These bills were enacted to facilitate consumer access to safe, reliable, and affordable power by providing a durable solution to the problems arising from utility-caused wildfires. The bills established a new Wildfire Safety Division, created procedures and standards applicable to catastrophic wildfire proceedings, codified the prudent manager standard for wildfire liability, and established a Wildfire Fund and mechanisms to capitalize the fund to protect ratepayers.

The May Revision continues to build on the Commission's emergency response and preparedness efforts and includes an additional 11 positions for the Commission to further improve its Wildfire Mitigation Plan guidelines and performance metrics.

Overall, the Governor's Budget and May Revision together contain 106 new positions and $30 million for the Commission to address issues related to utility-caused wildfires.

Department of Motor Vehicles

In response to the COVID-19 pandemic, the DMV temporarily closed its field offices to protect both its employees and the public.

DMV took several immediate actions to accommodate the needs of the public. All driver licenses that expire between March 1 and May 31, 2020, have been extended, and temporary paper extensions have been made available for seniors. The validity of expiring commercial driver licenses, endorsements, and certificates has been extended through June 30, 2020. In-person renewals have also been waived for eligible driver license and identification cardholders with expirations in March, April, and May 2020.

During its temporary closure, DMV began procuring personal protective equipment for its staff and developing plans to promote appropriate physical distancing within its offices for an eventual public reopening. DMV began a limited reopening of 25 field offices and 10 industry business centers on May 8 to honor existing appointments and serve customers whose unique transactions cannot be completed through one of DMV's multiple alternative service channels.

During this closure the DMV has continued to encourage the public to utilize its alternative service channels such as online, mail, and kiosks, and customers can use the Service Advisor on DMV's website to learn about service options. Additionally, DMV also quickly launched its DMV Virtual Field Office to create new digital options for transactions with DMV staff that previously required an in-person office visit. As a result, a substantial majority of all DMV transactions can now be processed without a field office visit.

The federal deadline by which a federally compliant driver license or identification will be required to board domestic flights or enter secure federal facilities has been extended until October 2021. DMV continues to be funded to provide REAL IDs by this deadline. As offices reopen, DMV will be able to address these and other transactional needs in field offices.

California Department of Veterans Affairs

The California Department of Veterans Affairs (CalVet) works to serve the nearly 1.6 million veterans and their families living in California. CalVet strives to ensure that veterans of every era and their families receive state and federal benefits and services they have earned as a result of honorable military service. CalVet operates eight homes throughout the state that provide residential and medical care services to aged or disabled California veterans who served on active duty.

To reduce costs, the May Revision also proposes the following fund shift:

- Southern California Veterans Cemetery—A transfer of $24.5 million from the Southern California Veterans Cemetery Master Development Fund to the General Fund. The

May Revision also includes a withdrawal of the Governor's Budget proposal to allocate $700,000 from the Fund to conduct a study of various sites in the Irvine area for the future development of a Veterans Cemetery in Southern California.

ELECTRONIC HEALTHCARE RECORD SYSTEM

The May Revision includes one-time funding of $1.2 million General Fund to begin implementation a new information technology project for a single electronic healthcare record system to replace multiple legacy systems. The system will streamline data entry and will provide a centralized repository for the health records to modernize CalVet's medical record keeping.

MASTER PLAN

In January 2020, CalVet released its statutorily required Master Plan for the overall operation of the veterans homes. The Master Plan discusses veteran population trends in California, the potential location of future facilities and alternate service delivery models, and includes several recommendations, some of which are reflected in the May Revision as follows:

- Closure of the Barstow Veterans Home—The Barstow Home was identified in the Master Plan as not meeting most criteria for an ideal veterans home, including proximity to veterans populations, proximity to the federal Veterans Administration healthcare system, availability of health care service providers, presence of a local nursing program, and availability of a sizable local health care workforce. In light of statewide fiscal challenges, the May Revision proposes to initiate the closure of the home. Barstow Home funding for 2020-21 now reflects a $400,000 General Fund reduction to operating costs, and a projected $3 million reduction in associated revenue. Long-term General Fund savings from closing the home are expected to be $14 million annually.
- Realigning Levels of Care—The Governor's Budget proposed realigning the levels of care at the Yountville, Chula Vista, and Barstow Homes. The proposal has been modified in the May Revision to reflect the Barstow closure, and a one-year delay for realignment at Chula Vista and Yountville. The May Revision includes a $2.6 million net General Fund savings in 2020-21 as a result of these changes.
- Mental Health Services for Veterans—The May Revision includes $1.1 million General Fund in 2020-21 and $2.1 million ongoing to improve behavioral health services at

the veterans homes by standardizing mental health support staffing. This reflects a six-month delay in the implementation of this Governor's Budget proposal, resulting in a decrease of $1.1 million General Fund in 2020-21.

CALIFORNIA CONSUMER FINANCIAL PROTECTION

The May Revision sustains the Governor's Budget proposal for $10.2 million Financial Protection Fund and 44 positions in 2020-21, growing to $19.3 million and 90 positions ongoing in 2022-23, to revamp the Department of Business Oversight (DBO) as the Department of Financial Protection and Innovation, and empower the Department to provide consumers greater protection from predatory practices while facilitating innovation and ensuring a level playing field for all companies operating responsibly in California.

This proposal, known as the California Consumer Financial Protection Law, seeks to cement California's consumer protection leadership amidst a consumer-protection retreat by federal agencies, including the Consumer Financial Protection Bureau. The fragmented oversight of financial services has left consumers vulnerable to abuse. These problems are further exacerbated in times of crisis, including the ongoing COVID-19 pandemic.

The goals of this proposal are to:

- Protect consumers from predatory businesses, without imposing undue burdens on honest and fair operators.
- Restore financial protections that have been paralyzed at the federal level.
- Spur—not stifle—innovation in financial services by improving regulatory communication and anticipating emerging products and services. Extend state oversight to important financial-services providers not currently subject to state supervision, such as debt collectors.
- Increase public outreach and education, especially for vulnerable populations.
- Expand fact-based decision-making through studies on consumer behaviors and market impacts of financial products and services.
- Provide more effective services to consumers by increasing responses to consumer complaints and integrating consumer needs and experiences into oversight and enforcement. This proposal will not affect entities licensed through a different

department or agency, provided the entity is acting within the scope of their license.

The Department expects that initial start-up costs for the first three years of the new program will be covered by using the available settlement proceeds in the State Corporations and Financial Institutions Funds (which will become the new Financial Protection Fund), cost recovery on examinations, and potential new settlements; future costs are expected to be covered by fees on the newly covered industries.

The May Revision includes budget bill language that makes the funding and positions contingent upon the Legislature passing the necessary statutory language to implement the new program. This approach is intended to continue the discussion on the proposal's statutory language into the summer to give the Legislature more time to evaluate the proposal.

RESPONSIBLE BEVERAGE SERVICE TRAINING ACT DELAY

The Department of Alcoholic Beverage Control (ABC) licenses and regulates persons and businesses engaged in the manufacture, importation, distribution, and sale of alcoholic beverages in the State of California. The Department's mission is to administer the provisions of the Alcoholic Beverage Control Act in a manner that fosters and protects the health, safety, welfare, and economic well-being of the people of California.

The Governor's Budget included $3.1 million Alcohol Beverage Control Fund to provide the capacity and resources to implement the Responsible Beverage Service Training Act, established in Chapter 847, Statutes of 2017 (AB 1221), and to provide electronic payment services. These resources will introduce new online functionality for electronic payments, enable online applications for new licenses and renewals, electronic notification of application status or renewal notices, and provide a database of certificates of alcohol servers in compliance with AB 1221.

AB 1221 requires that alcohol servers receive training on responsible beverage service within 60 days of their employment date, beginning July 1, 2021. This change in law creates a new statewide mandate for licensees and a new training requirement for as many as one million alcohol servers.

The May Revision includes statutory language to delay the July 1, 2021 alcohol server training requirement to July 1, 2022, to provide relief to licensees through the delayed collection of responsible beverage service-associated training fees. The licensees, who are expected to cover the costs for servers to participate in the training, are being severely impacted by the downturn in the economy. ABC will continue developing the Responsible Beverage Service training system, and the online payment services and licensing application systems as part of their business modernization efforts. Licensees will benefit from these improved services as these projects move forward in 2020-21.

CANNABIS

The Governor's Budget announced the Administration's intent to consolidate the cannabis-regulatory functions in the Departments of Consumer Affairs, Food and Agriculture, and Public Health into a single Department of Cannabis Control, and stated more details would be submitted to the Legislature in the spring.

The Administration was in the process of developing a more detailed plan, including establishing workgroups tasked with building a foundation and infrastructure for the transition. However, this process was interrupted by the COVID-19 pandemic, requiring a delay in the consolidation as planned. Instead of initiating this change through the May Revision, the Administration will release details of a proposed consolidation in the 2021-22 Governor's Budget.

In light of the delayed cannabis consolidation effort, the May Revision includes special fund proposals from each of the licensing entities to address expiring limited-term funding and positions. These proposals include $68.2 million for the Department of Consumer Affairs, Bureau of Cannabis Control, $20.8 million for the Department of Public Health, and $54.8 million for the Department of Food and Agriculture to continue cannabis licensing and enforcement activities, as well as make improvements to enforcement including, but not limited to, proposed statutory changes to shift sworn investigators from the Department of Consumer Affairs' Division of Investigations to its Bureau of Cannabis Control.

UPDATED ALLOCATION OF THE CANNABIS TAX FUND

Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. Pursuant to Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer, and enforce the Cannabis Act, followed by research and activities related to the legalization of cannabis and the past effects of its criminalization. Once these priorities have been met, the remaining funds are allocated to youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities. The Budget estimates $296.9 million will be available for these purposes in 2020-21, and the structure of these allocations is unchanged from 2019-20:

- Youth education, prevention, and early intervention and treatment and school retention—60 percent ($178.1 million)
- Environmental protection—20 percent ($59.4 million)
- Public safety-related activities—20 percent ($59.4 million)

These figures reflect a total reduction of $35.9 million compared to the Governor's Budget estimate due to lower than expected tax receipts as result of the COVID-19 pandemic.

CANNABIS TAX REFORM

The Governor's Budget proposed to simplify tax administration for cannabis by changing the point of collection of cannabis taxes. The changes would have moved the responsibility for the cultivation excise tax from the final distributor to the first, and for the retail excise tax from the distributor to the retailer. The Administration remains committed to simplifying and improving cannabis tax administration and will work with stakeholders on a proposal for inclusion in the budget next year.

CALIFORNIA VOLUNTEERS

As the State Service Commission for California, California Volunteers manages programs and initiatives aimed at increasing the number of Californians engaged in service and volunteering. This includes the lead role for Emergency Support Function – 17 (ESF-17), in which California Volunteers is responsible for volunteer and donation management during the COVID-19 pandemic response and recovery. The state's response to the COVID-19 pandemic has highlighted the need to build-up and support these activities. The May Revision provides $2.9 million ongoing General Fund for administrative and strategic planning staff, including emergency volunteer coordinators located in the three most populated regions of the state. This infrastructure builds the state's capacity to respond to the COVID-19 pandemic, as well as future emergencies, by increasing opportunities for Californians to serve their communities in a time of need.

The May Revision also provides $10.1 million ongoing General Fund to sustain nearly 500 AmeriCorps volunteer positions that were established with funding from the 2019 Budget Act. AmeriCorps volunteers serve statewide in programs that address critical community needs in education, public safety, health and human services, and the environment. AmeriCorps members also are participating in COVID-19 response and recovery by volunteering in food banks, assisting with meal deliveries to seniors, and meeting a variety of other COVID-19 related community needs as they arise. While the AmeriCorps program provides valuable services to communities at any time, it is particularly important now that organizations supported by volunteers, such as schools, local governments and nonprofit organizations, are facing increased fiscal constraints. The program also presents an opportunity for Californians laid off due to the COVID-19 pandemic to gain valuable work experience while earning a stipend and a grant for higher education.

SECRETARY OF STATE

The CARES Act included $400 million in new Help America Vote Act funds, made available to states to prevent, prepare for, and respond to the COVID-19 pandemic for the 2020 federal election cycle. This funding is intended to provide states with additional resources to protect the 2020 elections from the effects of COVID-19. California has received $36.3 million, which is available for expenditure through December 31, 2020. Among other things, the funding can be used to increase California's ability to vote-by-mail, expand early voting and online registration, and improve the safety of voting in-person by providing additional voting facilities, more polling place workers, and personal protective equipment.

Executive Order N-64-20, issued on May 8, 2020, requires each county elections official to send vote-by-mail ballots for the November 3, 2020 General Election to all registered voters so that Californians can exercise their right to vote in a safe and accessible manner. The Administration will continue to work with the Legislature and the Secretary of State to determine how requirements for in-person voting opportunities and other details of the November election will be implemented, while preserving public health and giving county elections officials needed flexibility.

DEPARTMENT OF CONSUMER AFFAIRS

The May Revision proposes statutory changes to increase fees for the following boards and bureaus to provide sufficient funding for operational costs. The need for fee increases is generally due to cost growth over the last few years.

- Acupuncture Board
- Board of Behavioral Sciences
- Bureau of Private Postsecondary Education
- Medical Board of California
- Podiatric Medical Board

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn or modified from the Governor's Budget:

- Board and Bureau Workload—A decrease of $1.4 million various special funds to phase in or remove certain resources proposed in the Governor's Budget.
- Organizational Change Management Process Improvement—A decrease to fund only currently filled positions at this time.
- Increased Workload Related to Health Care Practitioners and Unprofessional Conduct, Medical Board and Investigation and Enforcement Unit proposals (SB 425)—Various decreases to phase-in resources requested in the Governor's Budget.

CALIFORNIA HORSE RACING BOARD

In response to Governor Gavin Newsom's direction to implement additional safety measures and reviews at Santa Anita Park, a review panel was formed to examine the horses' past performance, review their medical history, and perform physical examinations at Santa Anita. The Governor's Budget included $1.3 million Horse Racing Fund and 12 positions in 2020-21 and ongoing to implement enhanced safety procedures at tracks across the state.

However, given the economic uncertainty and the currently unknown changes facing the future operations of horse racing tracks, the May Revision is modifying the original proposal by phasing in the positions over a four-year period of time, providing an initial savings of $1,169,000 and $444,000 ongoing. This modification is informed by the knowledge and experience gained over the initial implementation of the safety panel over the past 10 months, which identified opportunities for improvements, as well as a more strategic and methodical approach to extend the practice to all racing statewide.

This revised proposal provides for immediate fiscal relief for the racing industry while still providing the needed resources to continue the existing safety review panel and extend it to all racing statewide. In addition, this proposal will provide the needed resources to effectively implement the necropsy review program without creating a backlog in other enforcement and administrative action investigation cases.

Additionally, the May Revision includes an increase of $1.3 million special fund to support growing contract costs related to more stringent testing equipment requirements, changes in the methodology and scope of equine drug testing at the Kenneth L. Maddy Laboratory at the University of California, Davis, and employee compensation costs.

Other Significant Adjustments

To reduce costs, the May Revision also proposes the following efficiency and fund shift:

- Department of General Services, Capitol Annex Projects—A transfer of $754.2 million from the State Project Infrastructure Fund to the General Fund. These funds were previously earmarked for the design and construction of a series of projects necessary for the renovation or reconstruction of the Capitol Annex. Funding remains available for pre-construction activities for the projects, and the costs associated with the design and construction phases will be shifted to lease-revenue bond financing.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- California Arts Council—Withdrawal of a one-time increase of $10.5 million General Fund in 2020-21.

- California Military Department, California Cadet Corps—Reversal of the 2018-19 expansion of the California Cadet Corps for a decrease of $6.3 million General Fund in 2020-21 and $8 million General Fund in 2021-22.
- Precision Medicine Program—Reversion of $18.1 million in previously appropriated funds that have yet to be allocated. The 2016, 2017, and 2018 Budget Acts included a total of $50 million for this program and $30 million remains unallocated. This adjustment allows the Office of Planning and Research to retain $2.1 million to administer previously allocated research grants as well as $9.8 million for research related to Adverse Childhood Events.

STATE APPROPRIATIONS LIMIT CALCULATION

Pursuant to Article XIIIB of the California Constitution, the 2020-21 limit is estimated to be $115.9 billion. The revised limit is the result of applying the growth factor of 3.62 percent to the prior year limit. The revised 2020-21 limit is $695 million below the $116.6 billion estimated in January. This decrease is primarily due to changes in the following factors:

- Per Capita Personal Income
  - January Percentage Growth: 4.08%
  - May Revision Percentage Growth: 3.73%
- State Civilian Population
  - January Percentage Growth: 0.44%
  - May Revision Percentage Growth: 0.21%
- K-14 Average Daily Attendance
  - January Percentage Growth: -0.33%
  - May Revision Percentage Growth: -0.67%

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ECONOMIC OUTLOOK

The longest economic expansion in U.S. history ended in March 2020 with the onset of the COVID-19 pandemic. Just one month earlier, both the U.S. and California were at historic low unemployment rates, at 3.5 percent and 3.9 percent, respectively. California in particular had an extraordinarily strong economy with a nominal Gross Domestic Product of $3.1 trillion in 2019, and employment growth rates that had consistently outpaced the rest of the nation.

The first U.S. case of COVID-19 was confirmed on January 20, 2020 and on January 26, 2020 in California. California immediately began implementing its pandemic plan, which had been developed over the last 10 years to ensure that public health would be protected in the case of a pandemic. This planning included implementing policies necessary to protect the public health, such as stay-at-home orders—first for the most vulnerable and then the general population, social distancing guidelines for when Californians had to leave their home and the closure of non-essential businesses. These policies resulted in a COVID-19 incidence that was lower in California than the rest of the United States. As of May 1, over 1 million cases and 67,000 deaths were reported in the nation. In California, 55,000 cases had been reported by May 1 (5 percent of the nation's total cases), and over 2,000 deaths (or 3 percent of all U.S. deaths). The public health measures put in place to slow the spread of the pandemic also had an immediate impact on the state's economy. And, the continuing pandemic—with no treatment or vaccine currently available—will have an ongoing impact on California's economic outlook.

Over 30 million Americans filed an initial unemployment claim from mid-March through early May. This includes 4.0 million claims from California—one out of every five California workers has filed an unemployment claim since mid-March. California's economic outlook has been affected dramatically by the pandemic.

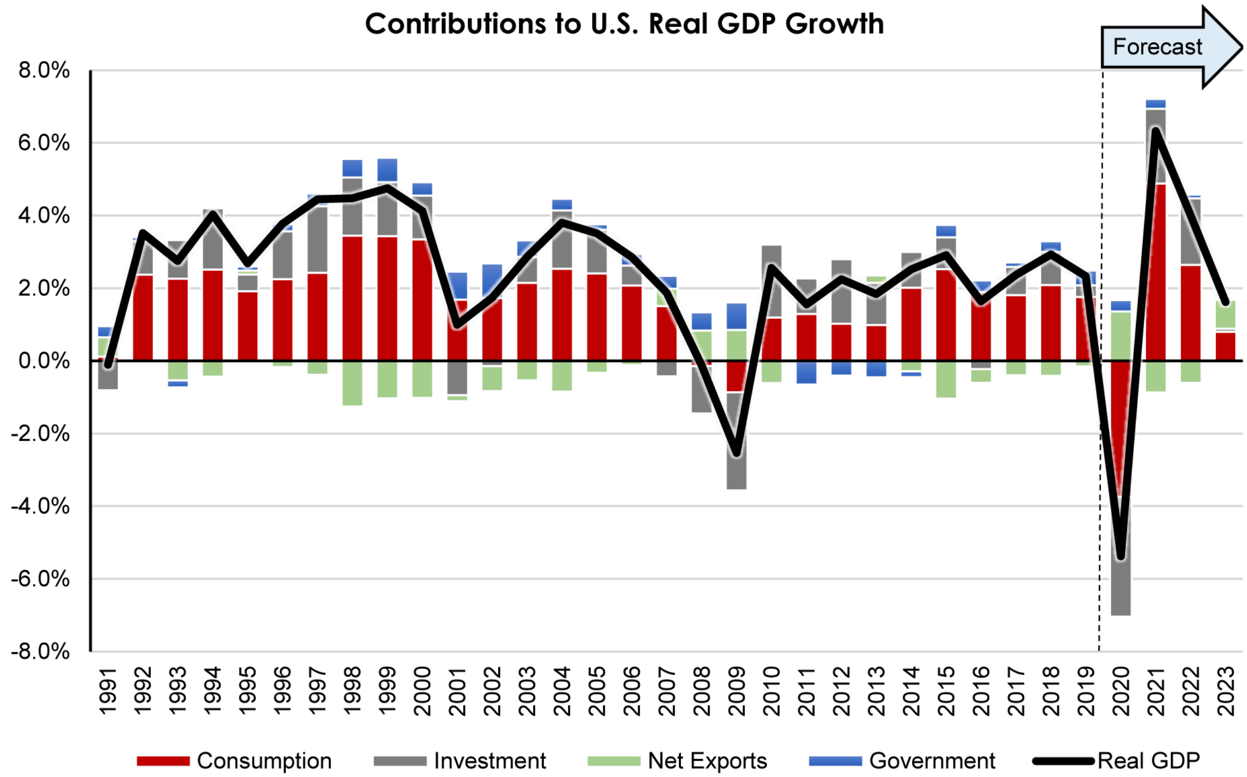
California unemployment rate is expected to peak at 24.5 percent in the second quarter of 2020, before slowly decreasing to 10.6 percent by the fourth quarter of 2023. California personal income and construction permits are expected to decrease by around 9 percent and 21 percent, respectively in 2020, while inflation is projected to decelerate from 3 percent in 2019 to 1 percent in 2020.

Economic recovery from the COVID-19 Recession is projected to be only slightly faster than during the Great Recession. Recognizing uncertainty around current unprecedented events and subsequent policy actions, an extended disruption scenario was modeled to illustrate how the pace and type of recovery may vary given different policy environments, business choices, and consumer behaviors.

THE NATION

After a growth of 2.3 percent in 2019, the May Revision assumes U.S. real GDP will contract by 5.4 percent in 2020—a drop more than twice the 2.5-percent decrease in 2009 at the height of the Great Recession. GDP growth is projected to begin to rebound starting in 2021, growing at 4 percent on average through 2023. The U.S. forecast was finalized based on data available in early April; unlike the California outlook, it does not incorporate data from the rest of April and early May.

U.S. real GDP contracted by 4.8 percent on a seasonally adjusted annualized rate basis in the first quarter of 2020. Household consumption saw its highest quarterly decline since 1980, reflecting the introduction of stay-at-home orders and business closures throughout the country. Second-quarter real GDP is expected to fall by 26.5 percent on a seasonally adjusted annualized rate basis due to the continuation of widespread stay-at-home orders and various non-essential business closures. Consumption, which makes up about two-thirds of GDP, is expected to be the primary drag on growth as households stop spending money on goods and services as a result of business closures, rising unemployment, ongoing public health concerns, and lower consumer confidence. (See figure on Contributions to U.S. Real GDP Growth.) Investment, imports, and exports, are also projected to decline sharply in 2020; as a result, U.S. real GDP will fall by 5.4 percent within one year after the longest period of economic expansion in U.S. history. During the Great Recession, U.S. real GDP fell by 4.0 percent over seven quarters from its peak in the fourth quarter 2007 to its trough in the second quarter of 2009.



Source: U.S. Bureau of Economic Analysis; CA Department of Finance, May Revision Forecast.

The U.S. unemployment rate rose from 3.5 percent in February 2020 to 4.4 percent in March 2020, with the number of employed decreasing from 158.8 million to 155.8 million. At the same time, the labor force - those employed or actively looking for work - fell from 164.5 million to 162.9 million. The unemployment rate rose to 14.7 percent in April, with the number of employed decreasing to 133.4 million. The number of people actively looking for work rose to 23.1 million, bringing the labor force to 156.5 million.

In the second quarter of 2020, the U.S. unemployment rate is projected to average 8.4 percent, only four months after averaging around 3.5 percent from September 2019 to February 2020—its lowest rate since December 1969. (See figure on Selected Economic Indicators.) Compared to the Great Recession, from the point unemployment began to rise in the third quarter of 2007, it took almost two years for the unemployment rate to reach 8.7 percent before eventually peaking at 10.0 percent in October 2009. Unemployment claims data since early April, that are not incorporated in the U.S. forecast, suggests the U.S. unemployment rate will be much higher than the 8.4 percent forecast in the second quarter.

S&P 500 Index, 1995 to 2020

Shaded areas indicate U.S. recession.
Source: S&P Dow Jones Indices.

The stock market was especially volatile in early 2020. With record intra-day swings, single-day gains, and the largest point drops in history, along with business and political uncertainty, several companies temporarily suspended dividend payouts. The Standard and Poor's 500 index (S&P 500) fell almost one third from almost 3,400 to 2,300 in just over four weeks through February and March. (See figure on S&P 500 Index.)

In response to the economic fallout from COVID-19, Congress passed a series of measures to alleviate some of the negative impacts. The most significant of which was the CARES Act, which made over $2 trillion available for relief, including direct stimulus checks for individuals, expanding the scope and benefit amount of unemployment insurance, loans for large businesses, some direct aid for state and local governments and forgivable Paycheck Protection Program (PPP) loans for small businesses, designed to encourage worker retention. Uptake of PPP loans was so rapid that funds were quickly exhausted and Congress authorized an additional $310 billion for the program in April.

Selected Economic Indicators

	2017	2018	2019	Forecast 2020	2021	2022	2023
United States							
Nominal gross domestic product, $ billions	$ 19,519	$ 20,580	$ 21,428	$ 20,578	$ 22,181	$ 23,413	$ 24,259
Real gross domestic product, percent change	2.4%	2.9%	2.3%	-5.4%	6.3%	4.0%	1.6%
Contributions to real GDP growth							
Personal consumption expenditures	1.8%	2.1%	1.8%	-3.7%	4.9%	2.6%	0.8%
Gross private domestic investment	0.8%	0.9%	0.3%	-3.3%	2.1%	1.8%	0.1%
Net exports	-0.3%	-0.3%	-0.2%	1.4%	-0.9%	-0.6%	0.8%
Government purchases of goods and services	0.1%	0.3%	0.4%	0.3%	0.3%	0.1%	-0.1%
Personal income, $ billions	$ 16,879	$ 17,819	$ 18,602	$ 18,913	$ 19,494	$ 20,406	$ 21,176
Corporate profits, percent change	0.7%	-3.3%	0.2%	-20.3%	50.6%	2.4%	1.8%
Housing permits, thousands	1,282	1,329	1,386	--	--	--	--
Housing starts, thousands	1,209	1,250	1,298	1,077	1,121	1,259	1,244
Median sales price of existing homes	$ 248,800	$ 261,600	$ 274,600	--	--	--	--
Federal funds rate, percent	1.0%	1.8%	2.2%	0.4%	0.1%	0.1%	0.1%
Consumer price index, percent change	2.1%	2.4%	1.8%	0.7%	2.3%	2.6%	2.7%
Unemployment rate, percent	4.4%	3.9%	3.7%	8.0%	7.9%	4.3%	3.6%
Civilian labor force, millions	160.3	162.1	163.5	163.6	163.1	165.4	167.2
Nonfarm employment, millions	146.6	148.9	150.9	144.1	142.7	150.9	154.1
California							
Personal income, $ billions	$ 2,370	$ 2,514	$ 2,634	$ 2,400	$ 2,402	$ 2,510	$ 2,647
Exports of goods, percent change	5.3%	3.6%	-2.7%	--	--	--	--
Housing permits, thousands	114	117	113	89	95	104	118
Housing unit net change, thousands	85	78	95	--	--	--	--
Median sales price of existing homes	$ 537,860	$ 569,480	$ 592,450	--	--	--	--
Consumer price index, percent change	2.9%	3.7%	3.0%	1.0%	2.9%	3.5%	3.4%
Unemployment rate, percent	4.8%	4.3%	4.1%	18.0%	17.6%	15.6%	12.1%
Civilian labor force, millions	19.2	19.3	19.4	19.4	19.5	19.5	19.6
Nonfarm employment, millions	16.8	17.2	17.4	14.9	15.0	15.5	16.1
Percent of total nonfarm employment							
Mining and logging	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction	4.8%	5.0%	5.1%	5.2%	4.2%	4.5%	4.6%
Manufacturing	7.8%	7.7%	7.6%	7.5%	7.6%	7.5%	7.5%
Trade, transportation, and utilities	17.9%	17.7%	17.5%	16.0%	16.3%	16.6%	17.1%
Information	3.1%	3.2%	3.3%	3.6%	3.7%	3.8%	3.9%
Financial activities	4.9%	4.9%	4.7%	4.8%	4.8%	4.7%	4.7%
Professional and business services	15.3%	15.5%	15.6%	14.7%	15.0%	15.1%	15.1%
Educational and health services	15.8%	15.9%	16.1%	19.4%	19.7%	19.4%	19.0%
Leisure and hospitality	11.6%	11.6%	11.7%	8.5%	8.5%	8.7%	8.8%
Other services	3.4%	3.3%	3.3%	2.4%	2.4%	2.5%	2.5%
Government	15.2%	15.0%	15.0%	17.7%	17.6%	17.1%	16.6%

Forecast based on data available as of April 2020.
Percent changes calculated from unrounded data.

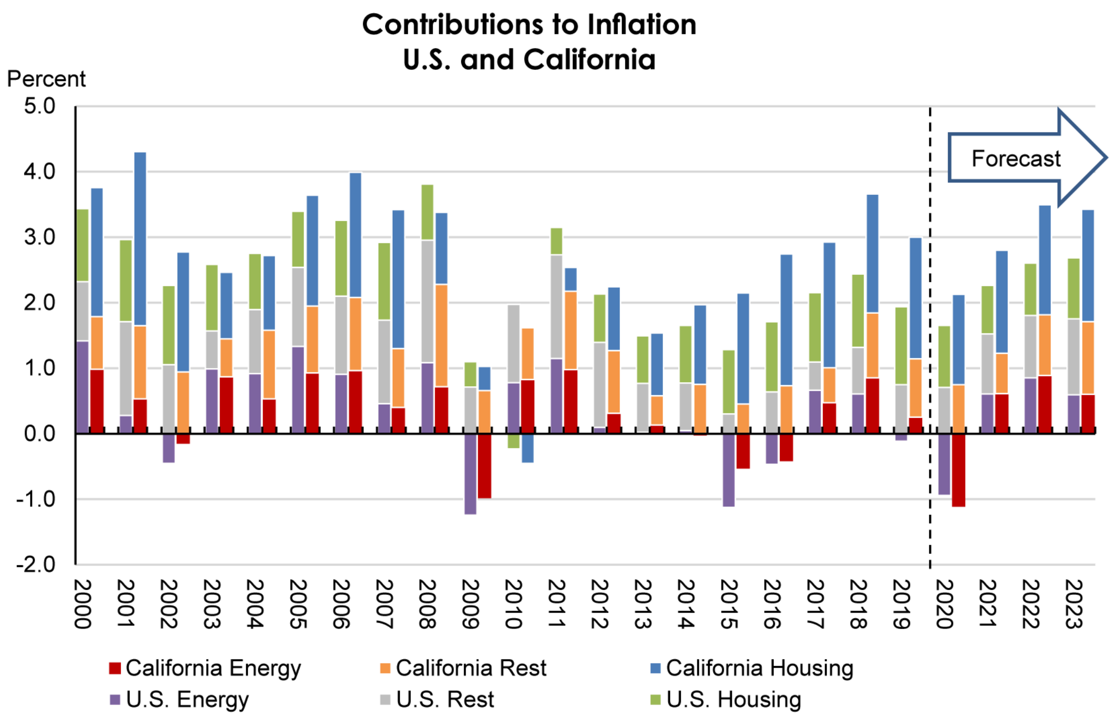
In mid-March, the Federal Reserve cut the benchmark interest rates to a range of 0 to 0.25 percent from a range of 1.0 to 1.25 percent, and has signaled that interest rates will remain in this range for the foreseeable future. Benchmark interest rates were set to the same range during the Great Recession although the magnitude of the cut was much greater—falling from a target of 5.25 percent in August 2008, and then interest rates remained near zero for several years until December 2015. In addition to cutting interest rates, the Federal Reserve also announced its commitment to using unconventional monetary policy to support the economy. This included announcing unlimited use of quantitative easing to support financial markets by buying government and corporate bonds as well as engaging in a main street lending program by purchasing loans made to main street businesses from banks. These federal measures were factored into the U.S. and California inflation forecast as well as in the California economic outlook.

Headline inflation, which is the rate of change in the price of all goods and services, is expected to slow in 2020 as demand for goods and services is drastically reduced with stay-at-home orders (except for essential needs) and social distancing measures in place. The headline Consumer Price Index (CPI) is a weighted average of the prices of a market basket of consumer goods and services. A surge in demand for goods and services can cause inflation to rise as consumers are willing to pay more for the goods or services. Conversely, a drop in demand for goods and services can cause inflation to slow as producers or service providers are willing to charge less for their goods or services to clear inventory or spare capacity. In March 2020, U.S. inflation already showed signs of deceleration, slowing to 1.5 percent following 2.4 percent on average in January and February 2020. U.S. headline inflation is expected to turn negative in the second quarter of 2020 (-3.7 percent), and to rebound in the second half of 2020 to an average of 2.2 percent, bringing annual 2020 U.S. headline inflation to 0.7 percent, following 1.8 percent in 2019. U.S. headline inflation is expected to gradually rise to 2.3 percent in 2021 and to firm up to around 2.7 percent on average in 2022 and 2023 as economic recovery gets underway and consumer confidence strengthens. (See figure on Contributions to Inflation U.S. and California.)

California

The state's unemployment rate rose to 5.3 percent in March following six consecutive months at a record low 3.9 percent. The number of initial unemployment claims filed since then suggests that unemployment will rise rapidly in the short-term. Initial unemployment claims data show that 4.0 million Californians, or one in five workers, applied for unemployment insurance in mid-March through early May. Independent contractors and self-employed workers have also been able to claim benefits under the federally-funded Pandemic Unemployment Assistance program launched on April 28, 2020.

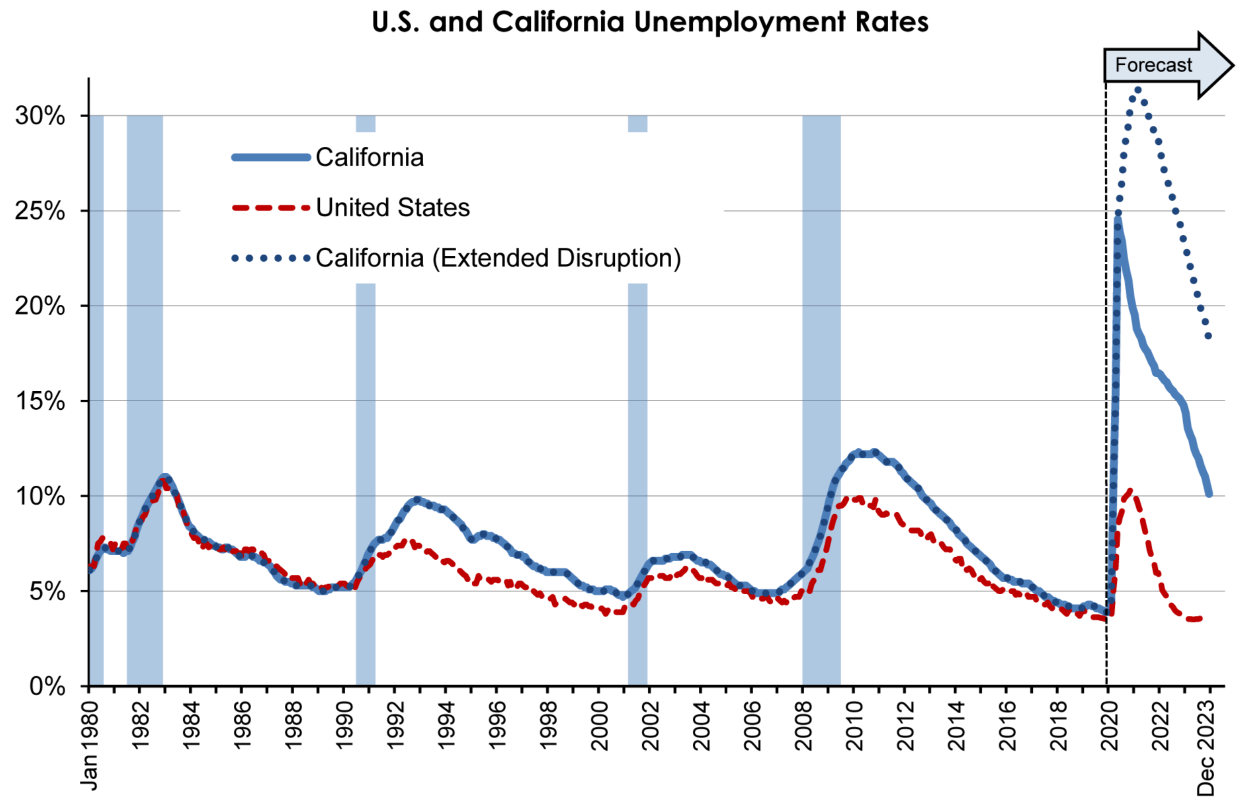
The May Revision forecast projects the negative economic impacts due to the pandemic to be largest in the second quarter of 2020 and to persist throughout the forecast. A slow recovery is projected as restrictions gradually begin to ease.



Source: U.S. Bureau of Labor Statistics; CA Department of Finance, May Revision Forecast.

The unemployment rate is projected to reach 24.5 percent in the second quarter of 2020, meaning that one in four California workers will be out of work, or around 4.8 million people. This is more than twice the 2.2 million Californians unemployed during the height of the Great Recession in the fourth quarter of 2010— with a peak unemployment rate of 12.3 percent. Following this peak, the unemployment rate is expected to gradually decline, reaching 10.6 percent in the fourth quarter of 2023. (See figure on U.S. and California Unemployment Rates.)

Around 3.7 million nonfarm jobs are expected to be lost over the first two quarters of 2020, around one in five of the jobs that existed in 2019. While job losses are expected to occur in most sectors, the most severe losses will fall disproportionately on lower-income workers. The number of jobs in the leisure and hospitality sector is expected to decrease by 53 percent in the first two quarters of 2020 or by around 1.1 million jobs. Similarly, nonfarm employment in administrative, waste, and remediation services is expected to contract by 52 percent or by 590,000 jobs, retail trade by 39 percent or by 655,000 jobs, and other services by 54 percent or by 314,000 jobs. These sectors are not as adaptable to teleworking as other affected industries such as information or professional, scientific, and technical services. While the forecast projects 3.6 million nonfarm jobs lost in the second quarter, the total number of unemployed Californians will reach 4.8 million due to self-employed and independent contractors who will lose

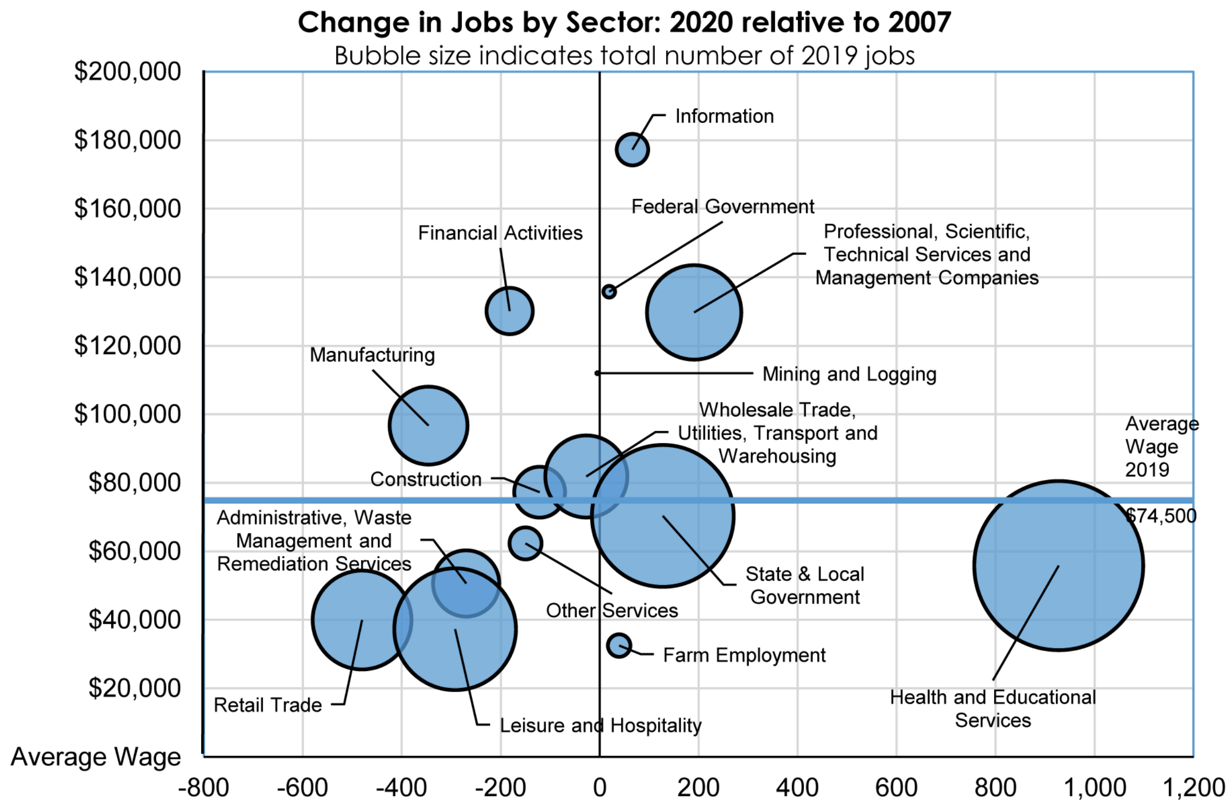


Shaded areas indicate U.S. recessions.
Source: U.S. Bureau of Labor Statistics; CA Employment Development Department, Labor Market Information Division; CA Department of Finance, May Revision Forecast.

work, and to account for the additional 750,000 Californians who were already seeking work in early 2020.

The sudden job losses in 2020 are expected to largely undo a decade of job growth in many sectors since the Great Recession, and to exacerbate ongoing job losses in some others. (See figure on Change in Jobs by Sector: 2020 Relative to 2007.) For example, between 2007 and 2019, the leisure and hospitality sector added 473,000 jobs to reach 2 million jobs. In 2020, the sector is projected to contract by around 765,000 jobs, meaning that the sector will average almost 300,000 fewer jobs this year than in 2007 just prior to the onset of the Great Recession. An exception to this is the educational and health services sector, which is expected to continue to grow slightly in 2020 as demand for services in this sector remains high. This was also the only sector that continued to add jobs throughout the Great Recession and recovery, adding 835,000 jobs from 2007 to reach 2.8 million jobs in 2019.

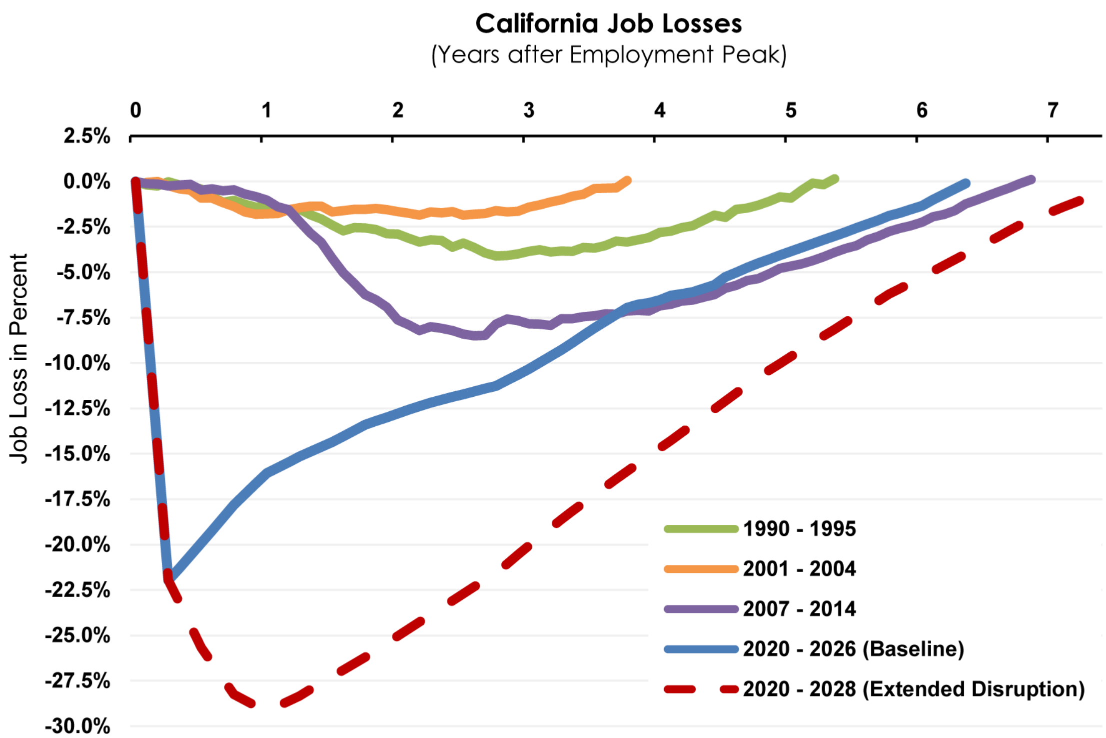
After falling by 14.3 percent in 2020, nonfarm employment is expected to grow by 0.6 percent in 2021. Job growth is expected to accelerate to 3.2 percent in 2022 and 3.8 percent in 2023; however, the level of nonfarm jobs in 2023 is still expected to remain 8 percent lower than the 2019 level. The May Revision forecast projects that it will take



Source: CA Employment Development Department, Labor Market Information Division; CA Department of Finance, May Revision Forecast.

six years to return to the level of jobs California had before the outbreak of COVID-19, one year faster than the recovery from the Great Recession. (See figure on California Job Losses.)

This forecast assumes that the public health crisis of the pandemic will be controlled and economic activity will increase as statewide stay-at-home orders are modified and eased. The recovery is expected to be gradual, fairly measured, and restrained as firms repair business ties, and consumers and businesses slowly regain the confidence to spend money. The ongoing risks of potential future outbreaks are also expected to cause businesses to make fundamental changes in their operations, such as reducing restaurant capacity, implementing temperature checks and/or health screenings, and purchasing personal protective equipment for their employees. This also includes increasing adoption of automation and online sale channels which are expected to permanently lower the number of jobs from 2019 levels in public-serving sectors such as retail, administration, and leisure and hospitality. Other sectors, including information, transportation and warehousing, professional, scientific and technical services, and management of companies, are expected to have more jobs in the long run as demand for services in these industries increases in the near future. For example, regular teleworking may become a permanent arrangement for some industries.



Source: U.S. Bureau of Labor Statistics; CA Employment Development Department, Labor Market Information Division; CA Department of Finance, May Revision Forecast.

While the state will experience an unprecedented increase in unemployment and loss of jobs, the average wage per job in California is projected to grow slightly by 1.4 percent in 2020 after growing by 3.9 percent in 2019. Average wage growth is then expected to rise gradually each year—by 2.6 percent in 2021, 3.1 percent in 2022 and 3.4 percent in 2023. By comparison, during the Great Recession, wage growth slowed to 0.4 percent in 2009, before rising each year to reach a growth of 4.2 percent by 2012. The slight positive wage growth in 2020 largely reflects the changing composition of jobs, as businesses in higher-paying sectors are more likely to retain staff due to the ability to telework, while job losses will be greater in lower-paying sectors.

Average wages in most sectors are projected to decline as firms freeze hiring, postpone bonus and salary increases, and cut hours for hourly wage earners. In 2020, the average leisure and hospitality job is expected to lose around $1,800 or 5 percent of its 2019 average yearly wage of around $37,000. By comparison, during the Great Recession in 2009, leisure and hospitality jobs lost around 1.5 percent of their average yearly wage.

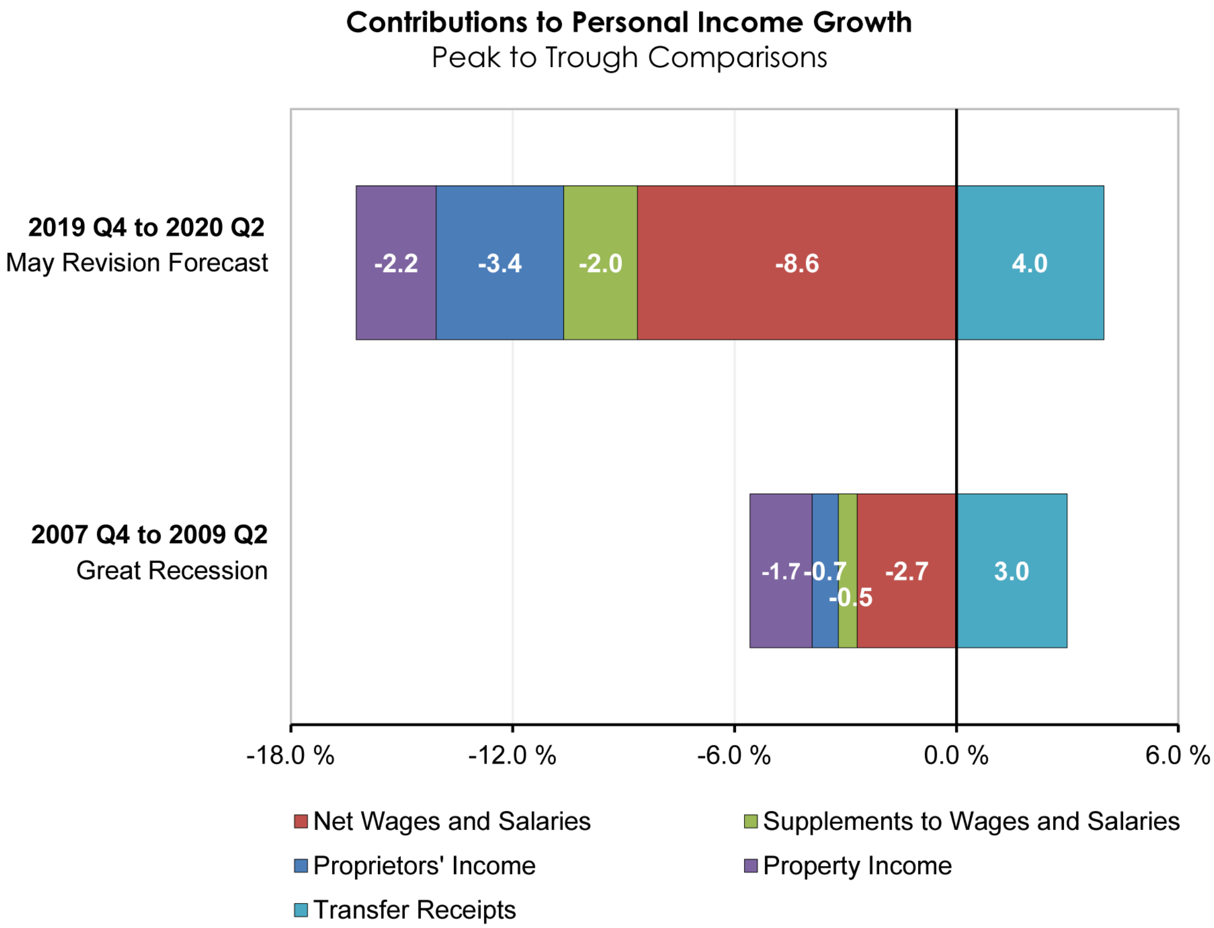
The forecast assumes that the minimum wage will continue to rise progressively by $1 each year until it reaches $15 an hour. Further, it assumes the minimum wage increases to $14 an hour for large employers and $13 an hour for small employers, with up to 25 employees, on January 1, 2021, despite meeting the criteria for job losses and sales tax revenue declines that would allow the minimum wage increases to be paused for a year.

Under the assumption of continued increases, the average wage in leisure and hospitality—a sector with one in five workers earning the state minimum wage— is expected to recover to 2019 levels by 2022. Salaries in high-paying sectors are also expected to fall in 2020. For example, the average wage in professional, scientific, technical and management services is projected to fall by $2,200 or 1.7 percent of the 2019 yearly average wage of $131,000. This is also more than the Great Recession, when salaries in the sector fell by only 0.1 percent. Despite wages falling in most sectors, the state average wage is projected to rise in 2020, reflecting the fact that job losses are expected to be more severe in lower-paying sectors while employers in higher-paying sectors are more likely to retain staff.

The economic consequences of the pandemic are also expected to negatively impact other sources of income beyond wages and salaries. California personal income, which includes income from wages and salaries, businesses ownership, property ownership, and government transfers, grew by 4.8 percent in 2019 but is expected to decrease by 9 percent or $230 billion in 2020. Personal income is expected to gradually recover starting in 2021 and return to pre-pandemic levels in 2023. (See figure on Contributions to California Personal Income Growth.)

As Californians have stayed home due to the COVID-19 pandemic, there has been an unprecedented decline in business sales and revenues. Many companies have furloughed or laid off workers, and otherwise tried to navigate the current pandemic environment. Following a growth of 5.2 percent in 2019, total wages and salaries are projected to decrease in 2020 by 12.8 percent or $170 billion, greater than the 6-percent peak-to-trough decline in the Great Recession. As firms begin to recall or re-hire workers in mid-2020, total wages and salaries are projected to increase by 3.2 percent in 2021 and to reach a growth of 7.2 percent by 2023.

Californians who own their own businesses are also expected to see their income decrease in 2020. Reductions in consumer spending and restrictions on non-essential activities will disrupt proprietors' business activity resulting in loss of income. Businesses not able to successfully navigate the pandemic environment will have to shut down or declare bankruptcy. As a result, proprietorship income is projected to decrease by



Source: U.S. Bureau of Economic Analysis; CA Department of Finance, May Revision Forecast.

26 percent or by $66 billion in 2020 and to continue shrinking by 8 percent in 2021 before rebounding and reaching a 6-percent growth rate by 2023. Proprietorship income increased by 4.9 percent in 2019.

Property income includes income received from corporate dividend payouts, interest income, and rental value of property. Following a growth of 2.2 percent in 2019, property income is projected to decrease by 9 percent or by $50 billion in 2020. Due to the sharp drops in the stock market early in the year, and due to ongoing uncertainties impacting business income and decisions, dividend income is expected to decrease by 27 percent or by $46 billion in 2020. Dividend income is expected to continue shrinking in 2021, by 11 percent, before recovering in 2022 and reaching a 12-percent growth rate by 2023. In line with the Federal Reserve's interest rate decisions, interest income is expected to decrease by about 7 percent in 2020 and to grow slowly through 2023.

Housing costs have been historically higher in California than for the nation. The share of households that were homeowners in the state decreased from 58 percent in 2007 to

55 percent in 2018. The median renting household in California paid around $17,000 in rent in 2018—about 32 percent of median household income for renters. In 2007, just before the Great Recession, the median renting household paid around $14,200 in 2018 dollars—about 29 percent of median household income for renters. With unprecedented job and income losses across almost all sectors, a shrinking share of Californians will be able to purchase new homes and keep up with mortgage payments, leading to even more Californians becoming renters, resulting in increased pressures on the rental market. As a result, rental income is expected to increase by 7 percent or by $12 billion in 2020. Rental income is expected to remain around that level in 2021 before slowing to 3.6 percent by 2023.

Transfer payments are expected to rise due to increased unemployment insurance payouts as well as other forms of government assistance. The federal CARES Act provided many Californians with one-time direct payments and temporarily expanded the state's unemployment insurance program in 2020. After increasing by 7.9 percent in 2019, transfer payments are expected to increase by 17 percent or by $64 billion in 2020 before gradually decreasing through 2023 as government assistance ends and unemployed Californians reintegrate into the job market.

Personal income is not expected to return to 2019 levels until 2023. In comparison, personal income fell by 3.3 percent during the Great Recession and recovered to 2007 levels by 2011. The forecast projects the impacts of the pandemic on personal income and its components to be larger in magnitude and in percentages compared to the Great Recession.

The forecast projects that California permits for residential single-family and multi-family units will decrease by 21 percent or 24,000 units to around 90,000 in 2020. In comparison, during the housing shock associated with the Great Recession, residential permits decreased by 44 percent or 29,000 units in 2009. The state has built far fewer units than implied by population growth over the last ten years, and pent-up demand is expected to continue to support the housing sector despite the recession. California authorized the construction of around 113,400 units in 2019 and homebuilding activity in the first two months of 2020 was exceptionally strong, averaging 133,700 units annually. However, the number of authorized units decreased in March by 30 percent from February to only 87,700 units. Permits are expected to grow by 6 percent in 2021 and to reach a growth of 14 percent by 2023.

With the state's ongoing housing imbalance and climate change regulations, California's overall inflation will remain higher than the nation's over the forecast period. California inflation reflects the rate of change in the Consumer Price Index

(CPI) for the metropolitan areas of Los Angeles, Riverside-San Bernardino, San Diego, and San Francisco. In March 2020, headline inflation in the Los Angeles metropolitan area slowed to 1.9 percent following 3.2 percent average growth in January and February 2020 and 3.1 percent annual growth in 2019; in Riverside-San Bernardino, headline inflation slowed to 2.3 percent in March 2020 following 3.0 percent in January 2020 and 2.9 percent annual growth in 2019; and in San Diego, headline inflation slowed to 1.8 percent in March 2020 following 2.3 percent in January 2020 and 2.4 percent annual growth in 2019. The CPI for San Francisco for March 2020 is not available.

Assuming statewide that the stay-at-home order is in place through most of the second quarter of 2020, California headline inflation is expected to turn negative in the second quarter (-2 percent) and in the third quarter (-0.6 percent). As consumer demand ramps up in the fourth quarter 2020, California headline inflation is expected to rise to around 2.1 percent in the fourth quarter bringing annual 2020 inflation to 1 percent, following 3 percent in 2019.

Driving slower headline inflation in 2020 are lower prices for gasoline, dining-out, apparel, household furnishings and appliances, and other discretionary goods (e.g. televisions, new cars, jewelry) and discretionary services and services that require close contact with customers (e.g. hair and nail salons and fitness centers). However, prices for some essential goods and services (e.g. groceries, housekeeping supplies, medical care) are expected to rise in 2020 due to increased demand. In 2021, consumer demand is expected to remain subdued as economic uncertainties remain. California headline inflation is expected to remain slow through the first half of 2021 before rebounding in the second half bringing the annual average headline inflation to 2.9 percent in 2021. As economic growth returns and consumer demand recovers going forward, California headline inflation is expected to rise to around 3.5 percent on average in 2022 and 2023.

During the Great Recession, California's annual headline inflation turned negative for the first time on record in 2009 (-0.3 percent). This negative inflation was driven by a sharp and sustained drop in energy prices and a rapid deceleration in shelter inflation. The May Revision expects energy prices to rebound in early 2021 and shelter inflation to remain relatively stable throughout the forecast period.

CONTINUING RISKS

The Governor's Budget noted economic risks from a U.S. recession, stock market volatility, a global economic slowdown, federal policy, a housing shortage, and an aging population. Several of these risks have materialized, and the economic disruptions of the COVID-19 pandemic have exacerbated these pre-existing risks.

The initial outbreak of COVID-19 in China led to some supply chain disruptions as the Chinese government closed factories and quarantined workers. Additionally, ports closed and cargo ships stopped traveling to China, creating logistical bottlenecks in international shipping. Initially, the U.S. was positioned to draw down domestic inventories and find secondary sources for manufacturing components and finished products that were no longer being exported from China.

As COVID-19 spread throughout the world, uncertainties grew around the availability of secondary sources and the reliability of shipping between countries. With these challenges looming, domestic manufacturers leaned more heavily on domestic inventories, causing a decline in international trade volume. In March, U.S. exports of goods and services fell by 9.6 percent to $188 billion from February, the largest monthly decrease on record. U.S. imports of goods and services fell 6.2 percent to $232 billion in March, the largest monthly decrease since January 2009. The March 2020 levels of U.S. exports and imports were the lowest since November 2016. Exports of goods also decreased in California, down 4.3 percent in March to $14 billion. Imports of goods into the state increased by 8.4 percent to $29 billion, as importers were able to source supplies from Thailand, Taiwan, and Japan to offset impacts of China's lockdown. The duration of lockdowns in countries around the world and the uncertainty surrounding the effects on the supply chain of a possible second wave of COVID-19 pose ongoing risks to U.S. and California trade and ability to maintain a steady flow of components needed for manufacturing, construction, and retail sales.

Along with supply chain disruptions, oil markets have suffered from both supply and demand side issues. Early in March, a dispute between oil producers in Saudi Arabia and Russia led to an unprecedented price war. Combined with the producers' price cuts was a large decrease in the demand for oil driven by COVID-19 stay-at-home orders and business closures. While the price war has ended, oil demand remains low. The oil industry is now in a position where storage is near capacity. In April, this predicament led to the first negative oil futures price in history, large losses of earnings, abandonment of exploration projects, and subsequent bankruptcies of oil companies. Questions surrounding the future of small domestic oil companies and the imminent restructuring of the domestic oil industry has implications for oil and gas prices as well as California's oil industry. The oil industry had a total economic impact of $152 billion in 2019, or roughly 5 percent of the state's current dollar GDP.

Climate change and extreme weather events continue to affect California. Increasing temperatures and possible drought conditions will exacerbate wildfire risks throughout the state. Housing and business location decisions may be affected by threats of wildfire and economic growth in certain regions of the state will be impacted. Rising sea levels also present a challenge to coastal communities.

The state continues to face a critical housing shortage. With fewer permits issued, an unprecedented increase in unemployment and the reluctance of builders to build homes during an economic downturn, will worsen the housing shortage. Californians will face increasing affordability issues which will affect their decisions about where to live. Businesses will also base location decisions on the ability of their employees and customers to live nearby.

Other demographic challenges—aging population, lower fertility rates, and lower migration rates—persist in spite of the global pandemic. These challenges will persist and may be exacerbated as the state recovers from the economic and public health consequences of COVID-19.

Extended Disruption Scenario

If protecting public health requires extended restrictions to remain in place and lift more gradually, economic disruptions will continue. Under this scenario, there are likely to be more bankruptcies and job losses. The unemployment rate would peak at 31.2 percent in the first quarter of 2021, and nonfarm job losses from peak to trough would surpass 5 million. As more businesses close, the ability of the economy to bounce back is reduced, causing slower job growth in the medium term across all sectors and especially lower wage sectors. In this scenario, recovery to 2019 pre-crisis levels of employment would not occur until 2027. By 2023, the unemployment rate would remain at a high of 20.7 percent, and nonfarm payroll employment would be about 1.5 million below the baseline scenario.

Widespread business closures and sustained job loss would lead to extended contractions in wages and proprietorship income. Persistent low demand for business' products and services would lead to more companies suspending dividend payouts. While transfer payments will remain high because more Californians would remain unemployed, they will not be high enough to offset the substantial loss of income.

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Personal income and most of its components would not return to positive growth until 2022, and would not recover to 2019 levels within the forecast period. Under this scenario, total personal income would be $219 billion below the baseline scenario in 2023. Wages and salaries would be the largest drag on personal income, remaining $163 billion below the baseline scenario in 2023, but proprietorship income and property income also lag below baseline.

Due to lower demand, residential units authorized by permits would not begin growing until 2022, and would not recover to 2019 levels within the forecast period. By 2023, total residential permits would be about 28,000 units below the baseline scenario.

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REVENUE ESTIMATES

After a record economic expansion, the U.S. economy abruptly entered into a recession in March of this year. This change in the economic landscape has had an immediate negative impact on revenues, with all three major revenue sources showing significant declines relative to the Governor's Budget forecast. From 2018-19 through 2020-21, the May Revision baseline revenue estimate (absent policy changes) has decreased by over $41 billion, and over $43 billion before accounting for transfers. The changes in the three largest tax sources are:

- Personal income tax revenues are revised downward by almost $33 billion due to a decline in all income sources, but particularly wages, proprietorship income, and capital gains.
- Sales tax receipts are down by almost $10 billion due mainly to lower consumption and investment by businesses.
- Corporation tax revenues are down over $5 billion based on a significant drop in corporate profits.

After accounting for transfers, which includes loan repayments as well as automatic and discretionary transfers to the Rainy Day Fund, baseline General Fund revenues at the May Revision forecast are down relative to the Governor's Budget by $41.2 billion over the budget window; higher than the Governor's Budget by $665 million in 2018-19; lower than the Governor's Budget by $9.7 billion in 2019-20; and lower than the Governor's Budget by over $32 billion in 2020-21.

The baseline General Fund Revenue Forecast table compares the revenue forecasts by source in the Governor's Budget to the baseline May Revision forecast.

2020-21 May Revision
General Fund Revenue Forecast
Baseline
(Dollars in Millions)

Source	2020-21 Governor's Budget	May Revision	Change From Governor's Budget Forecast	
Fiscal 2018-19: Preliminary				
Personal Income Tax	$98,599	$99,189	$590	0.6%
Sales & Use Tax	26,128	26,150	22	0.1%
Corporation Tax	14,063	14,075	13	0.1%
Insurance Tax	2,723	2,727	4	0.2%
Alcoholic Beverage	378	378	0	0.0%
Cigarette	62	62	0	0.0%
Pooled Money Interest	648	648	0	0.0%
Other Revenues	1,223	1,242	19	1.6%
Subtotal	$143,823	$144,471	$648	0.5%
Transfers[1/]	-4,444	-4,427	17	-0.4%
Total	**$139,379**	**$140,044**	**$665**	0.5%
Fiscal 2019-20				
Personal Income Tax	$101,682	$94,773	-$6,909	-6.8%
Sales & Use Tax	$27,185	$24,941	-2,244	-8.3%
Corporation Tax	$15,305	$13,870	-1,435	-9.4%
Insurance Tax	$3,023	$3,052	29	1.0%
Alcoholic Beverage	$383	$385	2	0.6%
Cigarette	$60	$58	-2	-3.8%
Pooled Money Interest	$574	$547	-27	-4.6%
Other Revenues	$2,187	$3,208	1,020	46.7%
Subtotal	$150,399	$140,833	-$9,565	-6.4%
Transfers[1/]	-3,913	-4,001	-88	2.2%
Total	**$146,486**	**$136,833**	**-$9,653**	-6.6%
Fiscal 2020-21				
Personal Income Tax	$102,877.72	$76,619.63	-$26,258	-25.5%
Sales & Use Tax	$28,242.79	$20,570.80	-7,672	-27.2%
Corporation Tax	$16,006.93	$12,367.49	-3,639	-22.7%
Insurance Tax	$3,116.77	$2,985.80	-131	-4.2%
Alcoholic Beverage	$388.51	$388.98	0	0.1%
Cigarette	$58.03	$55.80	-2	-3.8%
Pooled Money Interest	$514.18	$183.53	-331	-64.3%
Other Revenues	$2,197.73	$6,071.57	3,874	176.3%
Subtotal	$153,403	$119,244	-$34,159	-22.3%
Transfers[1/]	-1,768	187	1,955	-110.6%
Total	**$151,635**	**$119,431**	**-$32,204**	-21.2%
Three-Year Total			**-$41,192**	

Totals may not add because of rounding.

[1/] Includes transfers to Budget Stabilization Account for each year.

REVENUE SOLUTIONS

As part of the balanced approach to managing the budget deficit, the May Revision includes two significant temporary changes to tax law, two measures to reduce the sales tax gap, and maintains three tax measures included in the Governor's Budget.

These tax measures as a whole are intended to raise revenue, stimulate economic growth, and help those in need. These revenue measures net $4.4 billion in 2020-21, $3.3 billion in 2021-22 and $1.4 billion in 2022-23.

- The May Revision maintains three General Fund tax proposals in the Governor's Budget:
  - Extending the sales tax exemption for diapers and menstrual products through the end of 2022-23.
  - Extending the carryover period for film credits awarded under Program 2.0 from 6 years to 9 years.
  - Extending the current exemption from the minimum tax for first year corporations to first year LLCs, partnerships, and LLPs.
- The May Revision also maintains a new tax on e-cigarettes based on nicotine content and will be deposited in a new special fund.
- The Administration is committed to streamlining and increasing compliance of the state's cannabis tax collection, but is delaying changes proposed in the Governor's Budget.
- Suspend Net Operating Losses for 2020, 2021, and 2022 for medium and large businesses.
- Limit business incentive tax credits from offsetting more than $5 million of tax liability for 2020, 2021, and 2022.
- Require used car dealers to remit sales tax to the Department of Motor Vehicles with the registration fees.
- Require the use of market value for determining price for private auto sales.

Changes in Revenues
(Benefit to General Fund, Dollars in Millions)

	2020-21	2021-22	2022-23
Suspend Net Operating Losses for 2020, 2021, and 2022	$1,820	$1,300	$380
Limit Business Incentive Tax Credits to Offset no more than $5 million of Tax Liability Per Year for 2020, 2021, and 2022	2,000	1,540	910
Interaction Between NOL Suspension and Credit Limitation	611	454	206
Require Used Car Dealers to Remit Sales Tax to DMV with Registration Fees	12	24	24
Require the use of Market Value for Determining Price for Private Auto Sales	30	61	61
New May Revision General Fund Revenue Solutions	**$4,473**	**$3,379**	**$1,581**
Provisions included in Governor's Budget			
Extension of Sales Tax Exemption for Diapers and Menstrual Products through 2022-23	0	-23	-46
Extend the First Year Exemption from Minimum Tax to LLCs, Partnerships, and LLPs	-50	-100	-100
Extend Carryover Period for Program 2.0 Film Credits from 6 years to 9 years	0	0	-1
General Fund Revenue Solutions	**$4,423**	**$3,256**	**$1,434**

MAY REVISION REVENUE FORECAST

The May Revision General Fund Revenue Forecast table shows total General Fund revenue and changes relative to the Governor's Budget forecast, after inclusion of the revenue solutions. The total revenue for 2020-21 is forecast to be $124.9 billion. After inclusion of transfers, which includes a $7.8 billion withdrawal from the Rainy Day Fund, total revenue for 2020-21 is $137.4 billion, and overall revenues are $23.2 billion lower than the Governor's Budget forecast.

2020-21 May Revision
General Fund Revenue Forecast
(Dollars in Millions)

Source	2020-21 Governor's Budget	May Revision	Change From Governor's Budget Forecast	
Fiscal 2018-19: Preliminary				
Personal Income Tax	$98,599	$99,189	$590	0.6%
Sales & Use Tax	26,128	26,150	22	0.1%
Corporation Tax	14,063	14,075	13	0.1%
Insurance Tax	2,723	2,727	4	0.2%
Alcoholic Beverage	378	378	0	0.0%
Cigarette	62	62	0	0.0%
Pooled Money Interest	648	648	0	0.0%
Other Revenues	1,223	1,257	34	2.8%
Subtotal	$143,823	$144,485	$663	0.5%
Transfers[1/]	-4,444	-4,426	18	-0.4%
Total	**$139,379**	**$140,060**	**$681**	0.5%
Fiscal 2019-20				
Personal Income Tax	$101,682	$94,773	-$6,909	-6.8%
Sales & Use Tax	$27,185	$24,941	-2,244	-8.3%
Corporation Tax	$15,305	$13,870	-1,435	-9.4%
Insurance Tax	$3,023	$3,052	29	1.0%
Alcoholic Beverage	$383	$385	2	0.6%
Cigarette	$60	$58	-2	-3.8%
Pooled Money Interest	$574	$547	-27	-4.6%
Other Revenues	$2,187	$3,209	1,022	46.7%
Subtotal	$150,399	$140,835	-$9,564	-6.4%
Transfers[1/]	-3,913	-3,998	-85	2.2%
Total	**$146,486**	**$136,837**	**-$9,649**	-6.6%
Fiscal 2020-21				
Personal Income Tax	$102,878	$76,841	-$26,037	-25.3%
Sales & Use Tax	$28,243	$20,613	-7,630	-27.0%
Corporation Tax	$16,007	$16,577	570	3.6%
Insurance Tax	$3,117	$2,986	-131	-4.2%
Alcoholic Beverage	$389	$389	0	0.1%
Cigarette	$58	$56	-2	-3.8%
Pooled Money Interest	$514	$184	-331	-64.3%
Other Revenues	$2,198	$7,222	5,025	228.6%
Subtotal	$153,403	$124,867	-$28,535	-18.6%
Transfers[1/]	-1,768	12,550	14,318	-809.9%
Total	**$151,635**	**$137,417**	**-$14,218**	-9.4%
Three-Year Total			**-$23,186**	

Totals may not add because of rounding.

[1/]Includes transfers to Budget Stabilization Account for each year.

THE IMPACT OF TAX PAYMENT DEFERRALS ON REVENUE

On March 21, 2020, the federal government delayed the Internal Revenue Service tax filing deadline from April 15 to July 15. The state conformed to the federal deadline. It is anticipated that a large amount of income and corporate tax payments that would typically be received in April, May and June will be deferred until the 2020-21 fiscal year. The delay in receiving payments is not expected to affect revenue as the deferred payments that are received in July or later will be accrued back to the 2019-20 fiscal year.

The quarterly sales tax filing deadline for all tax payers with sales tax payments less than $1 million was delayed until July 31, 2020. The California Department of Tax and Fee Administration (CDTFA) will also grant a one-year payment plan for certain tax payers, providing additional relief for small businesses impacted by the COVID-19 Recession. Similar deferrals have been granted for other fees and taxes administered by CDTFA.

LONG-TERM FORECAST

The Long-Term Revenue Forecast table below shows the forecast for the largest three sources of General Fund revenues from 2018-19 through 2023-24. Total General Fund revenues from these sources are expected to drop from $139.4 billion in 2018-19 to a low point of $114 billion in 2020-21. By 2023-24, it will only have grown to $128 billion.

Long-Term Revenue Forecast — Three Largest Sources
(General Fund Revenue — Dollars in Billions)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Average Year-Over-Year Growth
Personal Income Tax	$99.2	$94.8	$76.8	$76.8	$81.4	$87.7	-1.9%
Sales and Use Tax	$26.1	$24.9	$20.6	$23.7	$24.6	$25.4	0.0%
Corporation Tax	$14.1	$13.9	$16.6	$15.9	$16.0	$14.9	1.6%
Total	**$139.4**	**$133.6**	**$114.0**	**$116.4**	**$122.0**	**$128.0**	-1.4%
Growth	6.4%	-4.2%	-14.6%	2.1%	4.8%	4.9%	

Note: Numbers may not add due to rounding.

PERSONAL INCOME TAX

Compared to the Governor's Budget forecast, the baseline personal income tax forecast is higher by $590 million in 2018-19, and lower by $6.9 billion in 2019-20 and $26.3 billion in 2020-21. Over the three-year period, the personal income tax forecast reflects a total decrease of $32.6 billion.

Due to higher unemployment, taxable wages have been revised substantially lower, which negatively impacts personal income tax wage withholding receipts. Typically, wages comprise around 55 percent to 60 percent of all personal income tax receipts.

Taxable wages were revised from 5.9 percent growth to a decline of 12.6 percent in 2020, and from 4.2 percent growth to 3.3 percent in 2021.

The S&P 500 is forecast to drop from its current level to bottom at 2,032 in the 4^{th} quarter of 2020—a 40-percent decline from its peak levels—and increase by 5.5 percent per year from those levels. This is a significant downgrade from the Governor's Budget, which assumed that the S&P 500 would be at 3,129 at the end of 2020. This forecast reflects the expected ongoing disruption to economic activity from the COVID-19 pandemic in the second half of 2020 and into 2021, which does not yet appear to be fully reflected in stock market prices at the end of April. This downgraded market forecast leads to a significant decrease in the forecast for capital gains realizations from $151 billion to $119 billion in 2020 (see figure with Capital Gains Realizations), $147 billion to $70 billion in 2021, and $144 billion to $84 billion in 2022. Capital gains realizations are forecast to return to a normal level of 4.5 percent of personal income by 2025 at $132 billion, still well below the Governor's Budget forecast of $152 billion due to the lower personal income forecast.

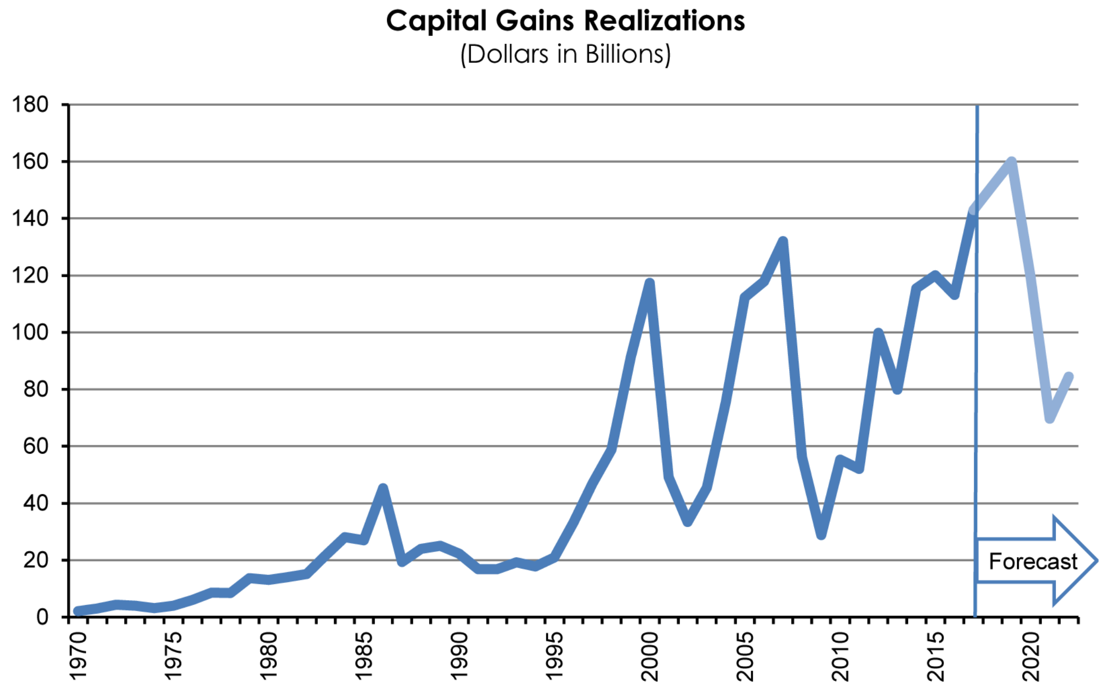
Forecasting revenues associated with capital gains is subject to significant uncertainty because realizations are heavily dependent upon stock market performance and when taxpayers choose to buy or sell stock. The S&P 500 is assumed to drop 40 percent from its peak level in February 2020 of 3,386 to 2,032 in the fourth quarter of 2020. In the last recession, the S&P 500 dropped by over 50 percent; in the technology-driven recession of 2001, it dropped by about 47 percent.

The personal income tax forecast includes Propositions 30 and 55 revenues, which are estimated at $7.6 billion in 2019-20 and $5.9 billion in 2020-21. These estimates are lower than the Governor's Budget by $878 million and $2.5 billion, respectively, due primarily to lower wages and capital gains realizations.

The highest-income Californians continue to pay a very large share of the state's personal income tax. For the 2018 tax year, the top one percent of income earners paid over 46 percent of personal income taxes. This percentage has been greater than 40 percent for 14 of the last 15 years.

SALES AND USE TAX

The baseline sales tax forecast is lower by $2.2 billion in 2019-20 and $7.7 billion in 2020-21. Due to the COVID-19 Recession, taxable sales are expected to decline by



4.6 percent in 2019-20 and a further 17.3 percent in 2020-21. At Governor's Budget, taxable sales were expected to grow 4.4 percent in 2019-20 and 3.3 percent in 2020-21.

Taxable consumer spending is expected to be lower than Governor's Budget by 11 percent in 2019-20 and by 28 percent in 2020-21. While consumer spending declined only 8.9 percent during the Great Recession from 2007-08 to 2008-09, it is expected to decline by 15.6 percent from 2019-20 to 2020-21. Of the industries that generate significant taxable consumer sales, restaurants, automobile dealerships, and retail clothing stores are expected to decline more significantly.

By contrast, taxable capital investment is expected to be lower than Governor's Budget by 7.7 percent in 2019-20 and 34 percent in 2020-21. Investment is expected to decline 25 percent from 2019-20 to 2020-21 compared with 17.6 percent during the Great Recession from 2007-08 to 2008-09.

CORPORATION TAX

The baseline corporation tax forecast is higher by $13 million in 2018-19, lower by $1.4 billion in 2019-20, and lower by $3.6 billion in 2020-21. Corporate profits are expected to grow 4.4 percent in 2019-20 and then decline 18 percent in 2020-21 due to the COVID-19 Recession. At the Governor's Budget, corporate profits were forecast to grow by 3.6 percent in 2019-20 and 4.1 percent in 2020-21. Corporate profits are expected to fare better during the recession than profits from smaller firms, such as those that report their business income on personal income tax returns.

Businesses incur net operating losses (NOLs) for tax purposes when allowable deductions and losses exceed taxable income. Federal law allows businesses with NOLs to carry forward these losses indefinitely and deduct them against 80 percent of income earned in future years. Federal tax law after changes adopted in 2017 did not allow NOLs to be carried back to offset income in prior years. The federal Coronavirus Aid, Relief, and Economic Security (CARES)Act provided a 5-year carryback for NOLs incurred in 2018, 2019, and 2020 and suspended the 80-percent limitation for NOLs carried forward for 2018, 2019, and 2020. California law, which prior to the adoption of the 2017 federal tax changes was in conformity with federal NOL rules, conformed to the carryback prohibition, but not to the 80-percent taxable income limitation. Further, California has not conformed to the CARES Act re-allowance of NOL carrybacks. In 2018, over $27 billion in NOL deductions were used, which could have reduced corporate tax revenues by over $2 billion.

Business incentive tax credits directly reduce corporate tax liability and are generally intended to encourage a certain type of behavior, such as research and development, which may occur to a lesser extent in the absence of the credit. In 2018, businesses reduced their corporate tax liability by over $2.9 billion through the use of credits, with $2.4 billion from the research and development tax credit.

The May Revision revenue solutions recognize the disproportionate tax relief that has been provided to larger corporations, compared to small businesses, which has resulted in relatively lower tax payments. Accordingly, the May Revision suspends NOLs for three years for medium and large businesses and limits credit utilization to no more than $5 million in recognition of the COVID-19 Recession and its impacts on small businesses.

INSURANCE TAX

The insurance tax forecast is higher by $29 million in 2019-20 and lower by $131 million in 2020-21. The forecast includes the Insurance Commissioner's order for insurance companies in certain lines of insurance to refund premiums for March and April to reflect re-classifications of risk due to the COVID-19 pandemic. Despite the pandemic, the impact to insurance tax revenues is expected to be relatively modest and is expected to follow the pattern of prior recessions. Insurance tax premiums are expected to decline 2 percent in 2020 versus growth of 3 percent assumed in the

Governor's Budget, and are expected to grow 3 percent in 2021, which is unchanged from the Governor's Budget.

ELECTRONIC CIGARETTE TAX

In order to address the rapidly increasing youth use of potent nicotine-based vaping products, the May Revision maintains the new vaping tax based on nicotine content proposed in the Governor's Budget. The new tax will begin on January 1, 2021, and will be $2 for each 40 milligrams of nicotine in the product, equivalent to the tax on a pack of cigarettes. The new tax will be in addition to all existing taxes on e-cigarettes, which are presently taxed as tobacco products under state law.

Revenues from the new tax are expected to be $33 million in 2020-21, will be deposited into a new special fund, and will be used to increase enforcement and to offset Medi-Cal costs. The Budget includes $13.9 million and 10.5 positions for the Department of Tax and Fee Administration to administer the proposed tax and $7 million for the California Highway Patrol to establish a task force in collaboration with the Department of Justice dedicated to combatting the underground market for vaping products. In addition to the tax, the Administration will support a statewide ban on all flavored nicotine products as of January 1, 2021.

CANNABIS EXCISE TAX

Proposition 64, commonly referred to as the Adult Use of Marijuana Act, levies excise taxes on the cultivation and retail sale of both recreational and medical cannabis. The cultivation tax is paid on all recreational and medicinal cultivation of cannabis, and was increased, to adjust for inflation, to $9.65 per ounce of flower, $2.89 per ounce of trim, and $1.35 per ounce of fresh cannabis plant on January 1, 2020. In addition, there is a 15-percent tax on the retail price of cannabis. Both cannabis excise taxes together generated $299 million in 2018-19. The revenue from excise taxes was revised down from $479 million to $443 million in 2019-20 and $590 million to $435 million in 2020-21. While similar products like alcohol and tobacco tend to be recession-resistant, the forecast assumes that cannabis businesses will be more negatively impacted by the COVID-19 pandemic. Cannabis businesses have less access to banking services that could provide liquidity, have a younger consumer base likely to be disproportionately affected by the COVID-19 Recession, and still must contend with competition from the black market (See the Statewide Issues and Various Departments chapter for additional discussion).

PROPERTY TAX

The property tax is a local revenue source; however, the amount of property tax generated each year has a substantial impact on the state budget because local property tax revenues allocated to K-14 schools generally offset General Fund expenditures.

Preliminary data show statewide property tax revenues increased 5.8 percent in 2019-20, which is 0.6 percentage point lower than the 6.4-percent growth rate anticipated at the Governor's Budget. California counties committed to cancel penalties and charges related to late payments that may arise due to hardships arising from COVID-19, which is reflected in the 2019-20 preliminary data. Property tax revenues are expected to grow 3.5 percent in 2020-21, which is 2.2 percentage points lower than the 5.7-percent growth expected at the Governor's Budget due to increased delinquencies, which typically rise in a recession. Approximately 42 percent ($32 billion) of 2020-21 property tax revenues will go to K-14 schools. While this amount includes $2.3 billion that schools are expected to receive in 2020-21 due to the dissolution of redevelopment agencies, it excludes the $9.4 billion shifted from schools to cities and counties to replace Vehicle License Fee (VLF) revenue losses stemming from the reduced VLF rate of 0.65 percent.

On May 6, an executive order was issued waiving penalties for property taxes paid after April 10 for residential property and small business taxpayers who demonstrate they have experienced financial hardship through May 6, 2021. The executive order also extended the deadline for certain businesses to file Business Personal Property Statements through May 31, 2020, to avoid penalties.

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Urban Montessori
Multi-year Projection
As of Apr FY2020

	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23
SUMMARY				
Revenue				
LCFF Entitlement	3,254,077	3,162,108	3,199,292	3,222,859
Federal Revenue	165,755	196,233	160,427	161,263
Other State Revenues	482,585	365,548	345,641	348,108
Local Revenues	131,921	100,896	101,555	102,231
Fundraising and Grants	247,288	145,000	145,000	145,000
Total Revenue	**4,281,627**	**3,969,784**	**3,951,915**	**3,979,460**
Expenses				
Compensation and Benefits	3,128,863	3,130,379	3,230,272	3,368,481
Books and Supplies	124,344	142,878	143,755	144,413
Services and Other Operating Expenditures	1,037,260	856,465	856,857	857,105
Depreciation	-	-	-	-
Other Outflows	-	4,743	1,779	-
Total Expenses	**4,290,467**	**4,134,464**	**4,232,662**	**4,370,000**
Operating Income	**(8,840)**	**(164,680)**	**(280,747)**	**(390,539)**
Fund Balance				
Beginning Balance (Unaudited)	225,801	276,477	111,796	(168,950)
Audit Adjustment	59,516			
Beginning Balance (Audited)	285,317	276,477	111,796	(168,950)
Operating Income	(8,840)	(164,680)	(280,747)	(390,539)
Ending Fund Balance	**276,477**	**111,796**	**(168,950)**	**(559,489)**
Total Revenue Per ADA	11,765	10,369	10,221	10,217
Total Expenses Per ADA	11,789	10,799	10,947	11,220
Operating Income Per ADA	(24)	(430)	(726)	(1,003)
Fund Balance as a % of Expenses	6%	3%	-4%	-13%

Urban Montessori
Multi-year Projection
As of Apr FY2020

	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23
Key Assumptions				
Enrollment Breakdown				
TK	20	21	22	21
K	69	71	72	72
1	56	59	60	60
2	55	53	53	53
3	50	49	48	48
4	52	39	39	43
5	33	47	36	38
6	24	28	38	27
7	13	22	21	30
8	18	14	18	18
Total Enrolled	**390**	**403**	**407**	**410**
ADA %				
K-3	92.7%	95.0%	95.0%	95.0%
4-6	93.8%	95.0%	95.0%	95.0%
7-8	96.1%	95.0%	95.0%	95.0%
Average ADA %	**93.3%**	**95.0%**	**95.0%**	**95.0%**
ADA				
K-3	232	240	242	241
4-6	102	108	107	103
7-8	30	34	37	46
Total ADA	**364**	**383**	**387**	**390**
Demographic Information				
CALPADS Enrollment (for unduplicated % calc)	393	403	407	410
# Unduplicated (CALPADS)	165	169	171	172
# Free & Reduced Lunch (CALPADS)	132	135	136	137
# ELL (CALPADS)	71	73	74	75
New Students	-	10	4	3
School Information				
FTE's	42.6	41.4	41.4	41.4
Teachers	17	17	17	17
Certificated Pay Increases	7%	0%	3%	3%
Classified Pay Increases	7%	0%	3%	3%
# of school days	-	-	-	-
Default Expense Inflation Rate		0%	0%	0%

Urban Montessori
Multi-year Projection
As of Apr FY2020

		Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23
REVENUE					
LCFF Entitlement					
8011	Charter Schools General Purpose Entitlement - State Aid	1,769,031	1,604,797	1,626,524	1,638,498
8012	Education Protection Account Entitlement	567,248	596,725	602,648	607,090
8019	State Aid - Prior Years	4,663	-	-	-
8096	Charter Schools in Lieu of Property Taxes	913,135	960,586	970,120	977,271
	SUBTOTAL - LCFF Entitlement	**3,254,077**	**3,162,108**	**3,199,292**	**3,222,859**
Federal Revenue					
8181	Special Education - Entitlement	57,495	49,125	50,375	50,875
8220	Child Nutrition Programs	42,503	45,105	45,553	45,889
8291	Title I	45,694	45,694	45,694	45,694
8292	Title II	8,805	8,805	8,805	8,805
8294	Title IV	10,000	10,000	10,000	10,000
8297	PY Federal - Not Accrued	1,259	-	-	-
8299	CARES Funding	-	37,504	-	-
	SUBTOTAL - Federal Revenue	**165,755**	**196,233**	**160,427**	**161,263**
Other State Revenue					
8319	Other State Apportionments - Prior Years	4,259	-	-	-
8381	Special Education - Entitlement (State	195,799	234,687	213,431	215,004
8382	Special Education Reimbursement (State	39,600	39,600	39,600	39,600
8520	Child Nutrition - State	2,082	2,209	2,231	2,248
8545	School Facilities Apportionments	147,719	-	-	-
8550	Mandated Cost Reimbursements	6,719	6,278	6,784	7,045
8560	State Lottery Revenue	78,685	82,773	83,595	84,211
8590	COVID-19 LEA Response Funds	7,723	-	-	-
	SUBTOTAL - Other State Revenue	**482,585**	**365,548**	**345,641**	**348,108**
Local Revenue					
8634	Food Service Sales	25,628	26,271	26,930	27,606
8676	After School Program Revenue	27,470	-	-	-
8699	All Other Local Revenue	4,199	-	-	-
8702	Oakland Measure G1	74,625	74,625	74,625	74,625
	SUBTOTAL - Local Revenue	**131,921**	**100,896**	**101,555**	**102,231**
Fundraising and Grants					
8801	Walkathon	106	25,000	25,000	25,000
8802	Private Grants	181,529	50,000	50,000	50,000
8803	All In for Learning	22,000	25,000	25,000	25,000
8811	Fall Campaign	15,737	15,000	15,000	15,000
8812	Other Fundraising (Movie Night, Apparel, etc)	11,443	10,000	10,000	10,000
8814	Field Trips Donations	16,473	20,000	20,000	20,000
	SUBTOTAL - Fundraising and Grants	**247,288**	**145,000**	**145,000**	**145,000**
TOTAL REVENUE		**4,281,627**	**3,969,784**	**3,951,915**	**3,979,460**

Urban Montessori
Multi-year Projection
As of Apr FY2020

		Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23
EXPENSES					
Compensation & Benefits					
Certificated Salaries					
1100	Teachers Salaries	745,426	756,303	778,992	802,362
1103	Teacher - Substitute Pay	22,912	40,000	41,200	42,436
1148	Teacher - Special Ed	325,959	327,138	336,952	347,061
1170	Teacher - Custom 3	-	50,000	55,000	55,000
1300	Certificated Supervisor & Administrator Salaries	115,000	115,000	118,450	122,004
1322	Cert Admin - Custom 2	91,048	91,048	93,779	96,593
	SUBTOTAL - Certificated Salaries	**1,300,345**	**1,379,489**	**1,424,374**	**1,465,455**
Classified Salaries					
2100	Classified Instructional Aide Salaries	670,978	657,623	677,351	697,672
2102	Classified- Counselors	145,127	133,426	137,428	141,551
2103	Classified- Substitutes	6,435	-	-	-
2105	Classified- Reading Specialist	61,274	61,274	63,113	65,006
2400	Classified Clerical & Office Salaries	147,725	138,820	142,985	147,274
2900	Classified Other Salaries	101,198	103,215	106,311	109,501
	SUBTOTAL - Classified Salaries	**1,132,737**	**1,094,358**	**1,127,188**	**1,161,004**
Employee Benefits					
3100	STRS	295,150	280,910	287,009	334,002
3300	OASDI-Medicare-Alternative	79,117	81,407	84,117	86,515
3400	Health & Welfare Benefits	267,674	240,947	252,995	265,644
3500	Unemployment Insurance	12,234	11,212	11,212	11,212
3600	Workers Comp Insurance	41,606	42,055	43,377	44,650
	SUBTOTAL - Employee Benefits	**695,781**	**656,533**	**678,710**	**742,023**
Books & Supplies					
4100	Approved Textbooks & Core Curricula Materials	-	15,000	15,000	15,000
4200	Books & Other Reference Materials	102	1,000	1,000	1,000
4315	Custodial Supplies	2,000	-	-	-
4320	Educational Software	4,000	4,000	4,000	4,000
4325	Instructional Materials & Supplies	6,181	8,000	8,000	8,000
4326	Art & Music Supplies	12,154	5,000	5,000	5,000
4330	Office Supplies	4,000	4,000	4,000	4,000
4335	PE Supplies	542	1,000	1,000	1,000
4340	SpEd Materials & Supplies	750	1,500	1,500	1,500
4410	Classroom Furniture, Equipment & Supplies	1,662	2,000	2,000	2,000
4420	Computers: individual items less than $5k	5,000	5,000	5,000	5,000
4430	Non Classroom Related Furniture, Equipment & Supplies	944	2,000	2,000	2,000
4710	Student Food Services	83,278	88,378	89,255	89,913
4720	Other Food	3,731	6,000	6,000	6,000
	SUBTOTAL - Books and Supplies	**124,344**	**142,878**	**143,755**	**144,413**
Services & Other Operating Expenses					
5215	Travel - Mileage, Parking, Tolls	500	500	500	500
5305	Dues & Membership - Professional	6,000	6,000	6,000	6,000
5450	Insurance - Other	40,839	40,839	40,839	40,839
5515	Janitorial, Gardening Services & Supplies	120,000	85,000	85,000	85,000
5520	Security	608	600	600	600
5530	Utilities- Pleasant	29,000	-	-	-
5535	Utilities- Brann	53,339	50,000	50,000	50,000
5605	Equipment Leases	14,024	14,024	14,024	14,024

Urban Montessori
Multi-year Projection
As of Apr FY2020

		Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23
5610	Brann Rent	76,680	174,000	174,000	174,000
5615	Repairs and Maintenance - Building	5,000	5,000	5,000	5,000
5631	Jarlath Rent	264,000	-	-	-
5803	Accounting Fees	12,630	19,300	19,300	19,300
5805	Administrative Fees	6,386	6,386	6,386	6,386
5809	Banking Fees	725	600	600	600
5812	Business Services	112,000	120,000	120,000	120,000
5815	Consultants - Instructional	25,000	2,500	2,500	2,500
5824	District Oversight Fees	34,322	33,352	33,744	33,992
5826	Directors Contingency	-	45,000	45,000	45,000
5827	Middle School Program expenses (8816 offset)	1,808	1,808	1,808	1,808
5830	Field Trips Expenses	45,409	20,000	20,000	20,000
5833	Fines and Penalties	500	500	500	500
5836	Fingerprinting	1,595	1,595	1,595	1,595
5839	Fundraising Expenses	5,532	10,270	10,270	10,270
5843	Interest - Loans Less than 1 Year	-	5,000	5,000	5,000
5845	Legal Fees	10,575	15,000	15,000	15,000
5851	Marketing and Student Recruiting	-	3,500	3,500	3,500
5857	Payroll Fees	6,000	6,000	6,000	6,000
5860	Printing and Reproduction	10,000	10,000	10,000	10,000
5861	Prior Yr Exp (not accrued	11,986	-	-	-
5863	Professional Development	13,615	13,000	13,000	13,000
5869	Special Education Contract Instructors	62,750	90,000	90,000	90,000
5875	Staff Recruiting	4,000	4,000	4,000	4,000
5878	Student Assessment	5,000	5,000	5,000	5,000
5880	Student Health Services	3,500	5,000	5,000	5,000
5881	Student Information System	29,246	23,000	23,000	23,000
5884	Substitutes	-	15,000	15,000	15,000
5887	Technology Services	3,000	3,000	3,000	3,000
5910	Communications - Internet / Website Fees	9,492	9,492	9,492	9,492
5915	Postage and Delivery	3,200	3,200	3,200	3,200
5920	Communications - Telephone & Fax	9,000	9,000	9,000	9,000
	SUBTOTAL - Services & Other Operating Exp.	**1,037,260**	**856,465**	**856,857**	**857,105**
Depreciation Expense					
	SUBTOTAL - Depreciation Expense	**-**	**-**	**-**	**-**
Other Outflows					
7438	Long term debt - Interest	-	4,743	1,779	-
	SUBTOTAL - Other Outflows	**-**	**4,743**	**1,779**	**-**
TOTAL EXPENSES		**4,290,467**	**4,134,464**	**4,232,662**	**4,370,000**

Cover Sheet

Action Item - discuss and vote on Paycheck Protection Program Loan Resolution

Section: III. Finance Committee
Item: C. Action Item - discuss and vote on Paycheck Protection Program Loan Resolution
Purpose: Vote
Submitted by:
Related Material: PPP Resolution.pdf

OMB Control No: 3245-0201
SBA Application / Loan No 56385272-06
Beneficial State Bank Loan No 8421009161

U.S. Small Business Administration

RESOLUTION OF BOARD OF DIRECTORS OF URBAN MONTESSORI CHARTER SCHOOL

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(1) WHEREAS the mission of Urban Montessori Charter School, hereinafter referred to as "Nonprofit Organization", is to develop self-directed and engaged learners who are academically, socially and emotionally prepared to succeed in any high school. Nurturing the innovators of tomorrow to creatively meet the challenges of today's world with confidence, compassion and grace, Urban Montessori cultivates individual curiosities and strengths, while holding children to a high standard of excellence. At Urban Montessori, children deepen their understanding of what it means to live responsibly in a diverse urban community.

(2) WHEREAS the "Nonprofit Organization experienced decreases in fundraising due to COVID-related closures, including missing the annual Walkathon fundraiser, one of the largest fundraisers of the fiscal year;

(3) WHEREAS additionally, the All in For Learning campaign saw reduced attendance and revenue due to COVID-19, as many families were already concerned leading up to formal "Shelter in Place" orders, and the event regularly generates revenue in the weeks after as families participate in auctions and provide post-event sponsorship support;

(4) WHEREAS the Nonprofit Organization has continued to maintain its afterschool expense, despite not continuing to receive afterschool revenue;

(5) WHEREAS the Nonprofit Organization has experienced increased costs due to supporting students, families, and teachers to successfully implement Distance Learning;

(6) WHEREAS the Nonprofit Organization has retained all employees on payroll for eight (8) weeks and has made no staffing reductions while school is closed due to COVID-19;

(7) WHEREAS the Nonprofit Organization has experienced increased cleaning costs due to COVID-19;

(8) WHEREAS the Nonprofit Organization must plan for enrollment shortfalls because of the COVID-related closures and potential changes in families' concerns given the on-going pandemic.

(9) WHEREAS, the Nonprofit Organization can reasonably expect historic and massive reductions in revenue from the State of California for fiscal year 2020-2021 and the succeeding one to two fiscal years, including the potential for medium and long term deferrals in state funding that cause short-term cash and budget challenges;

OMB Control No: 3245-0201
SBA Application / Loan No 56385272-06
Beneficial State Bank Loan No 8421009161

(10) WHEREAS as a result of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") passed on March 27, 2020 , the United States Small Business Administration ("SBA") received funding and authority through the CARES Act to modify existing loan programs and establish a new loan program to assist small businesses nationwide adversely impacted by the COVID-19 pandemic emergency to administer guarantee 100 percent of SBA Section 7(a) Loan Program loans under a new program titled the "Paycheck Protection Program" ("PPP"), which incentivizes small businesses and nonprofit organizations to retain employees and will forgive up to the full principal balance of such loans if all employees are kept on payroll for eight (8) weeks provided that loan proceeds are used exclusively for payroll expenses, mortgage interest, rent and utilities;

(11) WHEREAS the maximum amount of the Paycheck Protection Program is 2.5 times the average monthly payroll or $10,000,000, whichever is less; and

(12) WHEREAS 1) the terms of the PPP require certification of the employment status of individual employees and other data prior to the debt being forgiven and 2) expenses found to be ineligible will be repayable over a period of two years.

NOW, THEREFORE, in consideration of the above statements set forth herein, be it:

(1) RESOLVED, that the officers of Nonprofit Organization named below, or any one of them, or their, or any one of their, duly elected or appointed successors in office, be and they are hereby authorized and empowered in the name and on behalf of this Nonprofit Organization to execute and deliver to the Small Business Administration, an agency of the Government of the United States of America (hereinafter called "SBA"), in the form required by SBA, the following documents:

(a) Application for a loan or loans, the total thereof not to exceed in principal amount $729,014.00, maturing upon such date or dates and bearing interest at such rate or rates as may be prescribed by SBA; (b) Applications for any renewals or extensions of all or any part of such loan or loans and of any other loans, heretofore or hereafter made by SBA to this Nonprofit Organization; (c) the Note or Notes of this Nonprofit Organization evidencing such loan or loans or any renewals or extensions thereof; and (d) any other Instruments or Agreements of this Nonprofit Organization which may be required by SBA in connection with such loans, renewals, and/or extensions; and that said officers in their discretion may accept any such loan or loans in installments and give one or more Notes of this Nonprofit Organization therefore, and may receive and endorse in the name of this Nonprofit Organization any checks or drafts representing such loan or loans or any such installments; (e) sign Guarantee of loan or loans in the principal amount of $729,014.00.

(2) FURTHER RESOLVED, that the aforesaid officers or any one of them, or their duly elected or appointed successors in office, be and they are hereby authorized and empowered to do any acts, including but not limited to the mortgage, pledge, or hypothecation from time to time with SBA of any or all assets of this Nonprofit Organization to secure such loan or loans, renewals and extensions, and to execute in the name and on behalf of this Nonprofit Organization or otherwise, any Instruments or Agreements deemed necessary or proper by SBA, in respect of the collateral securing any indebtedness of this Nonprofit Organization;

OMB Control No: 3245-0201
SBA Application / Loan No 56385272-06
Beneficial State Bank Loan No 8421009161

(3) FURTHER RESOLVED, that any indebtedness heretofore contracted and any Contracts or Agreements heretofore made with SBA on behalf of this Nonprofit Organization, and all acts of officers or agents of this Nonprofit Organization in connection with said indebtedness or said Contracts or Agreements, are hereby ratified and confirmed;

(4) FURTHER RESOLVED, that the officers referred to in the foregoing resolutions are as follows:

Krishna Feeney (Typewrite Name)	Head of School (Title)	________________ (Signature)
Davis Leung (Typewrite Name)	Board Chair (Title)	________________ (Signature)
Greg Klein (Typewrite Name)	Board Secretary and Treasurer (Title)	________________ (Signature)
________________ (Typewrite Name)	________________ (Title)	________________ (Signature)

(5) FURTHER RESOLVED, that SBA is authorized to rely upon the aforesaid resolutions until receipt of written notice of any change.

CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution regularly presented to and adopted by the Board of Directors of Urban Montessori Charter School at a meeting duly called and held at

VIRTUAL-ONLY meeting per “Shelter in Place” orders
Meeting https://us02web.zoom.us/j/5102904005
Meeting ID: 510 290 4005
Password: [there was no password]

on the 21st day of May, 2020 , at which a quorum was present and voted, and that such resolution is duly recorded in the minute book of this corporation; that the officers named in said resolution have been duly elected or appointed to, and are the present incumbents of, the respective offices set after their respective names; and that the signatures set opposite their respective names are their true and genuine signatures.

____

Secretary

Cover Sheet

Committee Updates, including candidates for board service, Form 700, and training

Section: VI. Executive & Governance Committee
Item: A. Committee Updates, including candidates for board service, Form 700, and training
Purpose: Discuss
Submitted by:
Related Material: DRAFT Calendar of Regular and Committee Meetings 2020-2021.pdf
For adoption in June 2020.pdf

Urban Montessori
CHARTER SCHOOL

DRAFT Calendar of Meetings of the Board of Directors
July 1, 2020 - June 30th, 2021
~~5328 Brann Street, Oakland, CA 94619~~
[TO BE UPDATED WITH NEW SCHOOL ADDRESS]

Regularly planned meetings for the year are below and begin at 6:15pm. As needed, candidates for Board membership may be placed on any month's agenda. For any virtual-only meetings due to potential COVID-19 related Shelter In Place orders, teleconference links shall be provided on the UMCS Google Calendar as well as on each meeting's agenda.

1. August 20th, 2020
2. September 17th, 2020
3. October 22nd, 2020
4. December 3rd, 2020
5. January 21st, 2021
6. February 18th, 2021
7. March 18th, 2021
8. April 22nd, 2021
9. May 20th, 2021
10. June 17th, 2021 ← officers elected for upcoming school/fiscal year

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Academic Oversight committee regularly meets the second Tuesday of the month at 4:45pm in the Head of School's office. This committee meets to review student achievement progress, identify gaps and trends, ask questions, provide input to the Head of School, and review relevant policy drafts.

Finance committee regularly meets the Friday before a Regular Board meeting at 3:30pm in the Head of School's office. This committee oversees the school's fiscal health, including monthly budget-to-actual reports, fundraising efforts, and facility planning.

Executive committee regularly meets 1:15-2:15pm on the Monday of the week before the month's regular full Board meeting. You can read more about the Executive Committee here.

As needed, Special Meetings of the Board may be called by the Chairperson of the Board, and Special Meetings of a committee may be called by the chairperson of the committee. Special Meetings are any meetings not regularly scheduled above at the beginning of the school year. They are opportunities for the Board to have additional time to do its work.

Per California's Brown Act, agendas for all Regular Meetings and Committee Meetings are posted at school and online here at least 72 hours in advance. Per California's Brown Act, supporting materials are made available to the public at the same time they are made available to the Board, and this may occur after the 72 hour agenda-posting requirement.

Similarly, per California's Brown Act, agendas and materials for Special Meetings of the Board and of committees are posted at school and online here at least 24 hours in advance. Per California's Brown Act, supporting materials are made available to the public at the same time they are made available to the Board, and this may occur after the 24 hour agenda-posting requirement.

Calendario de Reuniones del Consejo de Administración
1 de julio de 2020 - 30 de junio de 2021
~~**5328 Brann Street, Oakland, CA 94619**~~

Las reuniones planificadas regularmente para el año están a continuación y comienzan a las 6:15 pm. Según sea necesario, los candidatos para la membresía de la Junta pueden ser incluidos en la agenda de cualquier mes. Para cualquier reunión solo virtual debido a posibles órdenes de Refugio en el lugar relacionadas con COVID-19, se proporcionarán enlaces de teleconferencia en el Calendario de Google de UMCS, así como en la agenda de cada reunión.

1. 20 de agosto de 2020
2. 17 de septiembre de 2020
3. 22 de octubre de 2020
4. 3 de diciembre de 2020
5. 21 de enero de 2021
6. 18 de febrero de 2021
7. 18 de marzo de 2021
8. 22 de abril de 2021
9. 20 de mayo de 2021
10. 17 de junio de 2021 ← oficiales elegidos para el próximo año escolar / fiscal

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El comité de **Supervisión Académica** se reúne regularmente el segundo martes de cada mes a las 4:45 pm en la oficina del director de la escuela en el campus de Brann. Este comité se reúne para revisar el progreso de los logros de los estudiantes, identificar brechas y tendencias, hacer preguntas, proporcionar comentarios al Director de la Escuela y revisar borradores de políticas relevantes.

Comité de **Finanzas** se reúne el viernes antes de una reunión de la Junta Regular a las 4 pm en la oficina del Jefe de la Escuela. Este comité supervisa la salud fiscal de la escuela, incluyendo el presupuesto mensual a los informes reales, los esfuerzos de recaudación de fondos y la planificación de las instalaciones

El comité **Ejecutivo** se reúne regularmente 1: 15-2:15pm el lunes de la semana antes de la reunión regular completa de la Junta del mes. Puede leer más sobre el Comité Ejecutivo aquí.

Cuando sea necesario, las reuniones especiales de la Junta podrán ser convocadas por el Presidente de la Junta y las Reuniones Especiales de una comisión por el presidente de la comisión.

Según la Ley Brown de California, las agendas de todas las Reuniones Ordinarias y Reuniones de los Comités se publican en la escuela y en línea aquí por lo menos 72 horas antes. Según la Ley Brown de California, los materiales de apoyo se ponen a disposición del público al mismo tiempo que se ponen a disposición de la Junta y esto puede ocurrir después del requisito de publicación de la agenda de 72 horas.

Del mismo modo, por la Ley Brown de California, las agendas y materiales para las Reuniones Especiales de la Junta y de los comités se publican en la escuela y en línea aquí por lo menos 24 horas de antelación. Según la Ley Brown de California, los materiales de apoyo se ponen a disposición del público al mismo tiempo que se ponen a disposición de la Junta y esto puede ocurrir después del requisito de publicación de la agenda de 24 horas.

For adoption in June 2020

BOLD items are generally for the general consent report.

1. LCAP (delayed until December)
2. LCAP Federal Addendum (delayed until December)
3. Budget Overview for Parents (delayed until December)
4. School Plan for Student Achievement (delayed until December)
5. Overall Budget for 2019-20
6. FY20 EPA Resolution and Spending Plan
7. CARS -- (delayed until further notice)
8. Facilities Use Agreement (may be adopted in May)
9. **Reviewed Family Handbook**
10. **Reviewed Employee Handbook**
11. **Reviewed UMCS Board Bylaws**
12. **Reviewed UMCS Board Book**
13. Board roles for the new school/fiscal year, including committee leadership
14. Board membership if needed
15. **Updated School Calendar for 2020-2021** (may be adopted in May)
16. **Calendar of Regular Board and Committee Meetings**
17. **Updated 2019-20 "Daily Schedules" for both campuses**
18. **Charter Safe renewal contract for 2020-2021**
19. Field trip contracts (if needed)
20. COVID-19 Report with CDE template

Other items may also require June 2020 approvals and will be added to the agenda as needed.

Cover Sheet

Approve Minutes

Section:	VII. Other Business
Item:	B. Approve Minutes
Purpose:	Approve Minutes
Submitted by:	
Related Material:	Minutes of UMCS Regular Meeting 04.23.2020.docx

Regular Meeting of the Board of Directors

Thursday, Ap 6:15 – 9:00 PM

Urban Montessori
CHARTER SCHOOL

PER GOVERNOR NEWSOMES' SHELTER IN PLACE' EXECUTIVE ORDER DATED MARCH 19, 2020 (WHICH IS HERE IN ITS ENTIRETY) AND BY ORDER OF THE HEALTH OFFICER OF THE COUNTY OF ALAMEDA DATED MARCH 16, 2020 (WHICH IS HERE IN ITS ENTIRETY):

THIS WILL BE A VIRTUAL-ONLY MEETING

Join Zoom Meeting
https://zoom.us/j/5102904005

Meeting ID: 510 290 4005

One tap mobile
+16699006833,,5102904005# US (San Jose)
+13462487799,,5102904005# US (Houston)

Dial by your location
+1 669 900 6833 US (San Jose)
+1 346 248 7799 US (Houston)
+1 929 436 2866 US (New York)
+1 253 215 8782 US
+1 301 715 8592 US
+1 312 626 6799 US (Chicago)
Meeting ID: 510 290 4005
Find your local number: https://zoom.us/u/acCJbLpEWB

Important Notice: Due to increased demand, dial-in by phone audio conferencing capabilities may be unavailable. During this time, Zoom strongly recommends using computer audio capabilities (or via phone with the Zoom app) while on wifi.

Members: Loren Bentley Tammero, Koren Clark, Olivia Couch, Jan Faraguna, Christina Greenberg, Greg Klein, Davis Leung, Nancy McAfee Flemming, Fred Mooradally, Hae-Sin Thomas, Stacey Wang

Urban Montessori Charter School welcomes your participation at Board meetings. The purpose of a public meeting of the Board of Directors ("Board") is to conduct the affairs of the organization in public. Your participation assures us of continuing community interest in our school and assists the Board in making the best decisions for our school. To assist you in the ease of speaking/participating in our meetings, guidelines are provided at the bottom of this agenda. All materials for all board and committee meetings, including audio recordings of Regular Board Meetings, are available via http://www.urbanmontessori.org/board_of_directors.

1. **Call to Order and Attendance** 6:20 PM
   Davis called the meeting to order at 6:20. Koren, Jan, Nancy, Christina, Nancy, Davis, and Greg are present.

   Greg shared about recording, and virtual participation.

2. **Review of Action/Discussion Items** 6:20 PM
   The board may decide, based upon a number of factors, to reorder the action/discussion items to best suit the needs of the meeting. No additional action/discussion items will be added at this time.

   Moving Items 12a, 12b, and 10c to after Item 6.

3. **Board and Community Appreciations** 6:23 PM
   Members of the Board and UMCS community may provide appreciations and affirmations during this time.

   Krishna appreciated Silvia Guzman and Latinx Families for supporting Grocery distribution
   Greg appreciated Teacher Lisa and Soraiya for their support in LL classroom.

4. **Board Member Comment** 6:24 PM
   Any board member wishing to speak to an issue regarding UMCS that does not pertain to an agenda item may do so at this time. No further discussion or action will take place following each board member's comments.

   None at this time.

5. **Presentations from the Floor** 6:25 PM
   PRESENTATIONS ON NON-AGENDA ITEMS – Any person wishing to speak to any item not on the agenda will be granted three minutes to make a presentation.

"What if [we] listened to others so deeply that they felt loved, accepted, and safe in [our] presence, no matter what they had to say?" -- Steve Shapiro, Author

None at this time.

6. **Head of School Report** 6:40 PM
   a. The Head of School and their designees will present topics of interest to the Board and the general public. Topics this meeting may include:
   See full report at https://drive.google.com/open?id=127E_vyvF3HSd9euzFUaZ2eoU3LfZq9kEoPPG559bWrI
      i. *Response to COVID-19:*
         1. *Ongoing learning and support of students through distance learning*
         2. *Partnered to with Mandela to distribute food to families within the school community*
         3. *Continue to work and fine tune distance learning process implemented within the classrooms and how teachers interact with students and how students interact with each other.*
         4. *Feels like students and families are feeling supported.*
         5. *Learning how to work with families understanding that families have very different situations at home.*
      ii. 2019/2020 LCAP updates and Planning for 2020/2021
      iii. *We are doing the work, while awaiting next steps from the State as everything is fairly fluid in terms of potential changes to templates and deadlines.*
      iv. Staff and Student Recruitment for 2020-2021
         1. *First round of student offers is completed. We are adjusting how we go forward based upon the results of the first round and looking to offer all spots available. Operations working thoughtfully going forward.*
         2. *We have 3 lead teachers not returning. 1 has already been filled internally, another offer has been issued to a strong candidate, and Admin is actively interviewing for the last position. Changing how we are staffing SPED.*
      v. Facilities 2020-2021
      vi. *We have a final offer for a single-site solution. Tilden is our first and primary offer and Santa Fe is our back-up offer. Board will take action on this offer later this meeting.*

Loren arrived at 6:34.

Upcoming events. Teacher Emily commented that we will be adding a date for info sessions to give families more information on Lower El to Upper El. Emily also commented that graduation dates for 6th grade and 8th grade will also be added to the calendar.
Loren commented that we had 2 nights on advancement to middle school. Lauren was wondering what that uncertainty looked like. Krishna responded that there were only 6 or 7 who were undecided based on the 60ish that were eligible to advance to middle school
Greg commented that families should contact their teachers or Krishna/Daniel if they need help, whichever the family feels more comfortable with. Please reach out if you need help. Jan feels like it is super helpful to have the community partnership and the families within our school that enables that outreach.
Distance Learning. Greg speaking for his personal family shared how his child has experienced distance learning and it seemed to him that teachers are trying different things to help individual kids progress.
Parent Comment Slide. Survey was anonymous, so there is not necessarily any way to reach out to those whose submitted their answers to the survey, but families have been reaching out to administration and teachers outside of the survey process, too. The number of students that do NOT have access to the internet is low (as far as we know it is 1 or 2), but the school is providing paper packets for those who do not have access or who prefer paper. Those families know how to interact with an alternate process. Everyone who has asked for a Chromebook has received one.
LCAP slide. As of right now, we are operating as normal until we receive definitive changes required by the state. Most (if not all) of the processes will be the same, but the form may change a bit.
Greg asked why we might rescind an offer. Krishna answered that EnrollOaks automatically rescinds a month after offer. If there is no answer, then the offer is automatically rescinded. We/EnrollOaks must rescind in order to offer the next person on the list.
Facilities. It is an unusual offer in that we have been offered exclusive use of the Tilden campus, but Roses in Concrete is still going through their appeals process. Because of this, we have been offered sufficient space at the Santa Fe facility.

Koren left at 7:00

Enrollment Slide. Questions about how we are pulling kids off of the waitlist.

Moving up Items 12a and 12b

12a. Action Item - Vote on General Consent Report
Minutes from March 19, 2020 Regular Meeting
Independent Auditor Contract for 2019-2020
~~Calendar for School Year 2020-2021~~
School calendar was been pulled and tabled from the consent report. First and Last Day were approved at a previous meeting.

Davis motioned to adopt the modified Consent Report. Christina seconded. Vote 6-0-0. Approved by roll-call vote.

12b. Action Item - discuss and vote on Final Facilities offer from OUSD
Greg motioned to approve and accept the offer. Davis seconds. Vote 6-0-0. Approved/Accepted by roll-call vote.

10c. Action Item - Discuss and vote on Partnering with Board on Track for the remainder of 2019/20 and 2020/21 school year
Krishna shared her recommendation for the school to partner with BoardOnTrack for support and coaching through June 30, 2020 at no cost to the school.
Greg shared about the OnTrack Oakland cohort of schools partnering with BoardOnTrack
Davis shared his support for partnership.
Jan asked about other schools who are members of BoardOnTrack

Christina made a motion to approve. Davis seconded. Vote 5-0-1. Greg abstained. Approved by roll-call vote.

7. **Finance Committee** 7:21 PM
   Find reports here (https://drive.google.com/open?id=1gdHrWXfpNGCPy9eF5YfACW2A5cbjg26l; https://drive.google.com/open?id=1Va3i0Mt6ggCThT1bsXVZcI_qc3h7GSiR)
   a. Information Item - Committee Report, including year to date financial report
   ADA has been trending better than last year, though we are a smaller school as a whole.
   Cash remains very tight.
   Going forward, we don't know what it is going to look like exactly, but we do know it is going to be bad.
   Davis Disconnected at 7:29; reconnected at 7:30
   Committee is working with a draft goal of getting to a three-month cash reserve.
   b. Information Item - Budgeting and LCAP for 2020-2021, including facilities

Committee started discussing next year's budget. This was the first time discussing the budget since Covid really took effect. We had initially started with a 2% increase in the budget. Now we are discussing what may be the "worst case scenario". There have been numbers that have been as extreme as a contraction of 20%, though that may occur the following school year, 2021-2022. Currently, we are looking at a drop in revenue of 5-7%. This would result in a $240k shortfall. Engagements have begun with staff as to how we think we need to make up that shortfall.
Loren: Is there a savings from moving from 2 facilities to 1 facility? KF. Yes. Rent and utility savings have been included in the budget already. We have not incorporated any changes to staffing.

Christina dropped off the call at 7:57. Meeting is was paused due to lack of quorum. Christina is back 7:59

8. **Academic Oversight Committee** 8:00 PM
   a. Information Item - Committee report
      i. *Jan shared that there was no meeting this month. Jan connected with Daniel on supporting on thinking through what data makes sense to track right now in the COVID-19 era. Important for Fall 2020 support for students.*
      ii. *Loren asked about missing state testing. It means there will be no CA School Dashboard.*
   b. Information Item - LCAP development for 2020-2021
      i. *State may ask us to adopt a document specifically regarding how the school has adapted to Covid as opposed to the normal three-year plan.*

9. **Family Advisory Council Update** 8:04 PM
    a. Information Item - FAC Report
        i. *FAC has not had a meeting since the last Board meeting. There was a call with Krishna on how FAC could support the community at large. Progress has been slow. FAC will reach out to the Board once FAC has determined next steps if help from the Board is needed.*
        ii. *Greg mentioned that the School will need help from the FAC for LCAP development and engagement.*

10. **Executive & Governance Committee** 8:05 PM
    a. Information Item - Committee Updates, including candidates for board service, Form 700, and training
        i. *Deadline has been pushed back. Please still complete and have ready to turn in as soon as it is safe to do so at school with a wet signature.*
        ii. *Please get your from 700 to Krishna before June 30, 2020. Discussed Board on Track earlier.*

    b. Action Item - Discuss and vote on committee members and committee chairs as needed.
        i. *No action needed.*

    c. Action Item - Discuss and vote on Partnering with Board on Track for the remainder of 2019/20 and 2020/21 school year
        i. *MOVED ABOVE AFTER ITEM 6*

11. **Oakland and California State Update** 8:14 PM
    a. Information Item - updates on the work of Families in Action Oakland (FIA)
    Greg shared about FIA's recent Facebook Live celebration focusing on schools that have done a great job on A-G graduation rates for Black and Latinx students.
    b. Information Item - updates on policies & timelines related to OUSD's Blueprint for Quality Schools, and other relevant state and city-wide efforts, and how they may impact UMCS
        i. *Tabled, no public comment*

12. **Other Discussion/Action Items** 8:15 PM
    a. Action Item - Vote on General Consent Report
        i. Minutes from March 19, 2020 Regular Meeting
        ii. Independent Auditor Contract for 2019-2020
        iii. Calendar for School Year 2020-2021
            1. *MOVED ABOVE AFTER ITEM 6. And 12iii was pulled and not voted on.*
    b. Action Item - discuss and vote on Final Facilities offer from OUSD
        i. *MOVED ABOVE AFTER ITEM 6*

13. **New Business for Future Meetings** 8:15 PM
    a. *None at this time*

14. **Motion to Adjourn** 8:15PM
    a. *Nancy moved to adjourn. Loren seconded. Vote 6-0-0. Adjourned by roll-call vote.*

THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice.

REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed.

SPECIAL PRESENTATIONS MAY BE MADE Notice is hereby given that, consistent with the requirements of the *Bagley-Keene Open Meeting Act*, special presentations not mentioned in the agenda may be made at this meeting. However, any such presentation will be for information only.

REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY Pursuant to the *Rehabilitation Act of 1973* and the *Americans with Disabilities Act of 1990*, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting of the Governing Board may request assistance by contacting UMCS at 5328 Brann Street, Oakland, CA 94619 or info@urbanmontessori.org.

FOR MORE INFORMATION For more information concerning this agenda or for materials relating to this meeting, please contact UMCS at 5328 Brann Street, Oakland, CA 94619 or board@urbanmontessori.org. All materials are available via the Governance Section of our website: http://www.urbanmontessori.org/governance.