

May 12, 2023

Honorable Nancy Skinner, Chair  
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

### **Elimination of Budget Bill Control Section 4.06 and Control Section 4.07, and Amendments to Control Section 3.94 and Control Section 13.40**

On January 10, 2023, the Governor released the Governor's Budget which reflected a balanced plan of funding delays, reductions, fund shifts, trigger reductions and borrowing to address the projected \$22.5 billion budget shortfall. Portions of the Governor's proposed plan were implemented using Control Sections.

At the May Revision, Finance updated the state's economic and demographic forecast and reassessed general workload expenditures. As a result, the 2023-24 May Revision estimates an increase in the budget shortfall of \$9.3 billion compared to the Governor's Budget. After accounting for over \$200 million in erosion to previous Governor's Budget adjustments and prior to implementing the Governor's balanced budget plan at May Revision, the total shortfall grows to \$31.5 billion. To close the projected shortfall, provide greater transparency, and submit a balanced budget, the Administration respectfully submits the following changes to the Control Sections proposed in the 2023-24 Governor's Budget:

**Control Section 3.94: Restoration of Delayed Appropriation**—It is requested that Control Section 3.94, which provided delayed funding for various appropriations as part of the Governor's Budget balanced budget plan, be amended to reflect the following:

(1) delete subdivision (c)(1)(A) to remove \$10 million in delayed funding for additional forest resilience projects that are in the final stages of the review process, (2) amend subdivision (c)(2)(B) to reduce by \$15 million the delayed funding for additional forest resilience projects; (3) delete subdivision (c)(1)(Q) to remove \$40 million in delayed funding for San Joaquin Valley flood plain restoration, and (4) delete subdivision (c)(4)(N) to remove \$15 million in delayed funding for the Women in Construction Priority Unit. The May Revision includes proposals to restore funding for these programs in department budgets. (See Attachment 1)

**Control Section 4.06: Various Reductions to 2021 and 2022 Budget Acts**—It is requested that Section 4.06 be deleted. The Governor's Budget reverted various unexpended

balances of appropriations made in the 2020, 2021, and 2022 Budget Acts in Control Section 4.06. To provide transparency at the department/agency level, the May Revision proposes technical adjustments to shift those reversions from the statewide control section to the impacted budgets.

**Control Section 4.07: Various Reductions to 2023-24 Appropriations**—It is requested that Section 4.07 be deleted. The Governor's Budget reduced various items of appropriation in the 2023-24 fiscal year in Control Section 4.07. To provide transparency at the department/agency level, the May Revision proposes technical adjustments to shift those reversions from the statewide control section to the impacted budgets.

**Control Section 13.40: Budgetary Loan Borrowing from Special Funds**—It is requested that Section 13.40 be amended to reflect an increase in the allowable amount of special funds that may be transferred to the General Fund from \$850,000,000 to \$1,265,000,000. (See Attachment 2)

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Greg Bruss, Principal Program Budget Analyst, at (916) 322-5540.

JOE STEPHENSHAW  
Director  
By:

/s/ Erika Li

ERIKA LI  
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Anthony J. Portantino, Chair, Senate Appropriations Committee  
Attention: Mark McKenzie, Staff Director  
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee  
Attention: Kirk Feely, Fiscal Director  
Honorable Chris R. Holden, Chair, Assembly Appropriations Committee  
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Gabriel Petek, Legislative Analyst  
Christopher W. Woods, Senate President pro Tempore's Office  
Jason Sisney, Assembly Speaker's Office  
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office  
Katja Townsend, Capitol Director, Assembly Republican Leader's Office

“SEC. 3.94.

(a) For purposes of this section only, “excess General Fund” means total General Fund available for allocation if the state fully funds baseline obligations, enrollment, caseload, and population adjustments as determined by the Department of Finance at the release of the Governor’s Budget for fiscal year 2024–25, plus the following Constitutional obligations as calculated by the Department at the time of determination required by subdivision (c):

- (1) Section 8 of Article XVI of the California Constitution;
- (2) Sections 20 and 21 of Article XVI of the California Constitution; and
- (3) Article XIII B of the California Constitution.

(b) On or before January 10, 2024, the Director of Finance shall determine whether the state excess General Fund for the 2024–25 fiscal year is sufficient to support the restoration of all the reversions and reductions in appropriations identified in subdivision (c). If the Director of Finance determines there is not sufficient excess General Fund, subdivision (c) shall not be implemented.

(c) If the Director of Finance determines that sufficient excess General Fund is available as calculated in subdivision (b), the Department shall notify the Joint Legislative Budget Committee, in writing, of this determination, and provide the Controller a schedule of appropriations in fiscal year 2023–24 to be augmented and associated encumbrance and liquidations periods for the following actions:

(1) Related to appropriations made in the 2020–21 fiscal year:

~~(A) \$10,000,000 in augmentation of Item 0509-112-0001 of Section 2.00 for the Climate Catalyst Fund.~~

(2) Related to appropriations made in the 2021–22 fiscal year:

(A) \$20,000,000 in augmentation of Item 3540-101-0001 of Section 2.00 for Urban Forestry.

(B) ~~\$31,000,000~~ \$16,000,000 in augmentation of Item 0509-112-0001 of Section 2.00 for the Climate Catalyst Fund.

(C) \$15,000,000 in augmentation of the amount appropriated for aqueduct solar panel pilot provided in SEC. 35 of the Budget Act of 2021 (Ch. 574, Stats. 2022).

(D) \$14,800,000 in augmentation of Item 8570-102-0001 of Section 2.00 for the Farm to Community Food Hubs Program.

(E) \$5,800,000 in augmentation of Item 8570-102-0001 of Section 2.00 for the Urban Agriculture Program.

(F) \$8,500,000 in augmentation of Item 8570-002-0001 of Section 2.00 for the Sustainable California Grown Cannabis Pilot Program.

(G) \$4,750,000 in augmentation of Item 3970-101-0001 of Section 2.00 for composting opportunities.

(H) \$2,000,000 in augmentation of Item 3970-101-0001 of Section 2.00 for recycling feasibility grants.

(3) Related to appropriations made in the 2022–23 fiscal year:

(A) \$50,000,000 in augmentation of Item 2240-111-0001 of Section 2.00 for accessory dwelling unit financing.

(B) \$200,000,000 in augmentation of Item 2240-111-0001 of Section 2.00 for the Dream for All program.

(C) \$1,250,000 in augmentation of Item 4265-001-0001 of Section 2.00 for Public Health Regional Climate Planning.

(D) \$23,750,000 in augmentation of Item 4265-111-0001 of Section 2.00 for Public Health Regional Climate Planning.

(E) \$75,000,000 in augmentation of Item 3790-101-0001 of Section 2.00 for the Statewide Parks Program.

(F) \$10,000,000 in augmentation of Item 0540-101-0001 of Section 2.00 for stewardship of state-owned lands.

(G) \$5,000,000 in augmentation of the amount appropriated for water refilling stations at schools provided in Control Section 19.58 of the Budget Act of 2022 (Ch. 249, Stats. 2022).

(H) \$40,000,000 in augmentation of Item 8570-101-0001 of Section 2.00 for the State Water Efficiency and Enhancement Program.

(I) \$175,000,000 in augmentation of Item 3760-101-0001 of Section 2.00 for coastal protection and adaptation.

(J) \$65,000,000 in augmentation of Item 0650-001-0001 of Section 2.00 for the Transformative Climate Communities Program.

(K) \$25,000,000 in augmentation of Item 0650-101-0001 of Section 2.00 for the Regional Climate Resilience Program.

(L) \$6,000,000 in augmentation of Item 3600-102-0001 of Section 2.00 for the Natural Community Conservation Program Planning and Land Acquisition Program.

(M) \$4,000,000 in augmentation of Item 3480-103-0001 of Section 2.00 for the Climate Smart Land Management Program.

(N) \$12,500,000 in augmentation of Item 3340-002-0001 of Section 2.00 for local nature based solutions.

~~(O) \$40,000,000 in augmentation of Item 3640-103-0001 of Section 2.00 for San Joaquin Valley flood plain restoration.~~

(P) \$10,400,000 in augmentation of Item 3760-103-0001 of Section 2.00 for San Francisco Bay wetlands.

(Q) \$25,000,000 in augmentation of Item 0650-101-0001 of Section 2.00 for the Extreme Heat and Community Resilience Program.

(R) \$8,900,000 in augmentation of Item 8570-102-0001 of Section 2.00 for the Healthy Refrigeration Grant Program.

(S) \$15,000,000 in augmentation of Item 8570-102-0001 of Section 2.00 for the Healthy Soils Program.

(T) \$14,500,000 in augmentation of Item 8570-102-0001 of Section 2.00 for the Pollinator Habitat Program.

(U) \$21,500,000 in augmentation of Item 8570-102-0001 of Section 2.00 for Technical Assistance and Conservation Management Plans.

(V) \$4,700,000 in augmentation of Item 8570-002-0001 of Section 2.00 for research in greenhouse gas reduction.

(W) \$5,000,000 in augmentation of Item 8570-002-0001 of Section 2.00 for support of the Invasive Species Council.

(X) \$4,700,000 in augmentation of Item 8570-002-0001 of Section 2.00 for the New and Beginning Farmer Training and Farm Manager Apprenticeships Program.

(Y) \$25,000,000 in augmentation of Item 0509-112-0001 of Section 2.00 for support of the Climate Catalyst Fund.

(A) \$13,000,000 in augmentation of Item 3970-101-0001 of Section 2.00 for recycling feasibility grants.

(AA) \$4,500,000 in augmentation of Item 3970-101-0001 of Section 2.00 for Recycling Market Development Zone Loan Program.

(BB) \$10,000,000 in augmentation of Item 3360-102-0001 of Section 2.00 of the Budget Act of 2022 (Ch. 249, Stats. 2022) for the Industrial Grid Support and Decarbonization Program.

(4) Related to appropriations made in the 2023–24 fiscal year:

(A) \$134,000,000 in augmentation of various General Fund items of Section 2.00 for programs that support water and drought resilience.

(B) \$35,000,000 in augmentation of various General Fund items of Section 2.00 for programs that support wildfire and forest resilience.

- (C) \$440,000,000 in augmentation of various General Fund items of Section 2.00 for programs that support climate resilience.
- (D) \$263,000,000 in augmentation of various General Fund items of Section 2.00 for programs that support nature-based solutions.
- (E) \$50,000,000 in augmentation of various General Fund items of Section 2.00 for programs that support extreme heat.
- (F) \$50,000,000 in augmentation of various General Fund items of Section 2.00 for sea level rise investments.
- (G) \$400,000,000 in augmentation of various General Fund items of Section 2.00 for programs that support investments in energy.
- (H) \$250,000,000 in augmentation of Item 0690-101-0001 of Section 2.00 for multifamily seismic retrofits.
- (I) \$50,000,000 in augmentation of various General Fund items of Section 2.00 for the community air protection program.
- (J) \$100,000,000 in augmentation of Item 2240-110-0001 of Section 2.00 for the CalHome Program.
- (K) \$10,000,000 in augmentation of Item 7100-001-0001 of Section 2.00 for targeted emergency medical technician training.
- (L) \$10,000,000 in augmentation of Item 7120-101-0001 of Section 2.00 for the Emerald Cities Collaborative for the California Youth Leadership Corps for community change learn-and-earn career pathway programs at 20 selected community colleges.
- (M) \$20,000,000 in augmentation of Item 7350-001-0001 of Section 2.00 for the Apprenticeship Innovation Funding program.
- ~~(N) \$15,000,000 in augmentation of Item 7350-001-0001 of Section 2.00 for the Women in Construction Priority Unit.~~
- (O) \$31,000,000 in augmentation of Item 3790-101-0001 of Section 2.00 for the statewide parks program.
- (P) \$1,000,000,000 in augmentation of Item 0521-131-0001 of Section 2.00 of the Budget Act of 2022 (Ch. 249, Stats. 2022) for the Transit and Intercity Rail Capital Program.
- (c) This section shall become inoperative on July 1, 2024."

“SEC. 13.40

The Director of Finance may collectively transfer up to ~~\$1,265,000,000~~ \$850,000,000 from various special funds to the General Fund as budgetary loans during the 2023–24 fiscal year. The specific special funds to borrow from will be determined after further review but will only be from idle resources not required for currently projected operational or programmatic purposes. The loans will be repaid in a future year when the fund or account from which the loan was made has a need for the moneys or there is no longer a need for the moneys in the General Fund.”



May 12, 2023

Honorable Nancy Skinner, Chair  
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

### **Amendment to Budget Bill Control Section 3.60**

It is requested that Control Section 3.60 be amended to reflect changes in state retirement contribution rates for state members of the California Public Employees' Retirement System (CalPERS) and the Judges' Retirement System II (JRS II), as adopted by the CalPERS Board of Administration on April 18, 2023, and February 14, 2023, respectively (see Attachment 1).

The newly adopted state employer contribution rates result in net reduced state contributions of \$1,703,000 ongoing from the \$254,781,000 included in the Governor's Budget. The \$1,703,000 ongoing decrease consists of a decrease of \$48,504,000 General Fund, an increase of \$48,736,000 special funds, and a decrease of \$1,935,000 other nongovernmental cost funds.

The decrease in state employer contributions for CalPERS members is due mainly to the application of multiple state supplemental pension payments. The increase in the state employer contribution rate for JRS II members is attributed to the amortization of investment losses.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Evelyn Suess, Assistant Program Budget Manager, at (916) 445-3274.

JOE STEPHENSHAW

Director

By:

/s/ Erika Li

ERIKA LI

Chief Deputy Director

Attachment

cc: Honorable Anthony J. Portantino, Chair, Senate Appropriations Committee  
Attention: Mark McKenzie, Staff Director  
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee  
Attention: Kirk Feely, Fiscal Director  
Honorable Chris R. Holden, Chair, Assembly Appropriations Committee  
Attention: Jay Dickenson, Chief Consultant  
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Jason Sisney, Assembly Speaker's Office  
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office  
Katja Townsend, Capitol Director, Assembly Republican Leader's Office  
Justyn Howard, Deputy Secretary of Fiscal Policy and Administration, Government  
Operations Agency  
Michele Nix, Acting Chief Financial Officer, California Public Employees' Retirement  
System  
Willem (Will) Schaafsma, Chief, Division of Financial Planning, Policy and Budgeting,  
California Public Employees' Retirement System  
Stacy Guzman, Budget Manager, California Public Employees' Retirement System

Amend Control Section 3.60 as follows:

“SEC. 3.60. (a) Notwithstanding any other law, the employers' retirement contributions for the 2023–24 fiscal year that are chargeable to any item with respect to each state officer and employee who is a member of the Public Employees' Retirement System (PERS) or the Judges' Retirement System II and who is in that employment or office shall be the percentage of salaries and wages by state member category, as follows:

Miscellaneous, First Tier .....	<del>32.10%</del> <u>32.00%</u>
California State University, Miscellaneous, First Tier .....	<del>32.10%</del> <u>32.00%</u>
Miscellaneous, Second Tier .....	<del>32.10%</del> <u>32.00%</u>
State Industrial .....	<del>21.80%</del> <u>21.00%</u>
State Safety .....	<del>22.48%</del> <u>22.75%</u>
Peace Officer/Firefighter .....	<del>51.05%</del> <u>50.00%</u>
California State University, Peace Officer/Firefighter .....	<del>51.05%</del> <u>50.00%</u>
Highway Patrol .....	<del>66.72%</del> <u>71.78%</u>
Judges' Retirement System II .....	<del>23.00%</del> <u>23.58%</u>

The Director of Finance may adjust amounts in any appropriation item, or in any category thereof, as a result of changes from amounts budgeted for employer contributions for 2023–24 fiscal year retirement benefits to achieve the percentages specified in this subdivision. Beginning in the 2013–14 fiscal year, adjustments to the California State University (CSU) rates are applied to the actual pensionable 2013–14 fiscal year payroll, which is \$2,307,876,000, as identified by the Controller. This process establishes pension funding adjustments through this section for CSU. This results in pension funding for CSU of ~~\$746,607,000~~\$744,010,000 General Fund for the 2023–24 fiscal year. These amounts also will be part of the total appropriation in Item 6610-001-0001.

(b) Notwithstanding any other law, the Director of Finance shall require retirement contributions computed pursuant to subdivision (a) to be offset by the Controller with surplus funds in the Public Employees' Retirement Fund, employer surplus asset accounts.

(c) Notwithstanding any other law, for purposes of calculating the “appropriations subject to limitation” as defined in Section 8 of Article XIII B of the California Constitution, the appropriations shall be deemed to be the amounts remaining after the adjustments required by subdivisions (a) and (b) are made.

(d) Of the percentage of salaries and wages by state member categories identified in subdivision (a), the following percentages are estimated to be the result of the

increased employee contributions pursuant to Chapter 296 of the Statutes of 2012 (AB 340), known as the California Public Employees' Pension Reform Act of 2013, and will be directed toward the state's unfunded pension liability:

Miscellaneous, First Tier .....	0.10%
California State University, Miscellaneous, First Tier .....	0.10%
Miscellaneous, Second Tier .....	0.10%
State Industrial .....	0.88%
State Safety .....	1.18%
Peace Officer/Firefighter .....	1.65%
California State University, Peace Officer/Firefighter .....	1.65%
Highway Patrol .....	1.32%

The contributions to the unfunded liability, as a result of the percentages of salaries and wages in this subdivision, are estimated to be \$139,107,887 (\$95,781,301 General Fund) for the 2023–24 fiscal year.

(e) The Director of Finance may adjust the percentage levels of the employers' retirement contributions listed in subdivisions (a) and (d) as a result of rates provided by the Board of Administration of the Public Employees' Retirement System. The Director of Finance shall notify the Controller by executive order of adjustments made pursuant to this subdivision. Within 30 days of making an adjustment pursuant to this subdivision, the Director of Finance shall report the adjustment in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations.

(f) (1) In addition to the employers' retirement contributions listed in subdivisions (a) and (d), the Department of Finance may direct the Controller to transfer up to the amount identified for appropriation pursuant to subclause (IV) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution equivalent to the amount described in paragraph (3) of subdivision (d) of Section 35.50 to supplement the state's retirement contributions for the 2023–24 fiscal year.

(2) The Director of Finance shall direct the Controller to transfer the amount specified in paragraph (1) to either of the following:

(A) The Public Employees' Retirement Fund.

(B) The Surplus Money Investment Fund and other funds in the Pooled Money Investment Account that accrue interest to the General Fund, for repayment of principal and interest of a cash loan that was made to supplement the state's retirement contributions.

(3) The supplemental payment described in this subdivision is for unfunded liabilities for state-level pension plans in excess of current base amounts for the 2023–24 fiscal year. Therefore, any amount transferred to a fund identified in paragraph (2) constitutes an obligation pursuant to subclause (IV) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution.

(4) The Director of Finance shall provide the Controller a schedule of the timing and amounts to be used for purposes of this subdivision."



May 12, 2023

Honorable Nancy Skinner, Chair  
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

**Amendment to Budget Bill Control Section 11.95, Home and Community-Based Services Spending Plan**

It is requested that Control Section 11.95 be amended to reflect an updated expenditure period beyond March 31, 2024, for specified programs that receive an authorization to spend funds beyond the state's current expenditure deadline. The amendments also make other clarifying changes to facilitate implementation of this Control Section and align with federal guidance (see Attachment 1).

The effect of my request action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Andrew Duffy, Principal Program Budget Analyst, at (916) 445-6423.

JOE STEPHENSHAW

Director

By:

/s/ Erika Li

ERIKA LI

Chief Deputy Director

Attachment

cc: On following page

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Honorable Vince Fong, Vice Chair, Assembly Budget Committee  
Attention: Joseph Shinstock, Fiscal Director  
Honorable Dr. Joaquin Arambula, Chair, Assembly Budget Subcommittee No. 1  
Honorable Caroline Menjivar, Chair, Senate Budget and Fiscal Review Subcommittee No. 3  
Gabriel Petek, Legislative Analyst  
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Jason Sisney, Assembly Speaker's Office  
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office  
Katja Townsend, Capitol Director, Assembly Republican Leader's Office  
Mark Ghaly, Secretary, California Health and Human Services Agency  
Marko Mijic, Undersecretary, California Health and Human Services Agency  
Brendan McCarthy, Deputy Secretary, California Health and Human Services Agency  
Kimberly Chen, Assistant Secretary, California Health and Human Services Agency  
Michelle Baass, Director, Department of Health Care Services  
Jacey Cooper, Chief Deputy Director, Department of Health Care Services  
Erika Sperbeck, Chief Deputy Director, Department of Health Care Services  
Lori Walker, Deputy Director and Chief Financial Officer, Department of Health Care  
Services  
Jessica Bogard, Budget Officer, Department of Health Care Services  
Ryan Woolsey, Fiscal Forecasting Chief, Department of Health Care Services

Amend Control Section 11.95 as follows:

"SEC. 11.95. (a) It is the intent of the Legislature in enacting this section to effectively administer increased federal funding for home and community-based services made available by Section 9817 of the federal American Rescue Plan Act of 2021 (P.L. 117-2) and to provide necessary flexibility to claim and expend all available increased federal funding. It is the intent of the Legislature to continue the funding system and flexibilities established pursuant to Section 11.95 of the 2021 Budget Act.

(b) (1) The State Department of Health Care Services shall claim increased federal funds for qualified services and shall transfer funds equivalent to the amount of federal funds attributable to the increased federal funding and which are required to be spent to enhance, expand, and strengthen home and community-based services pursuant to federal law to the Home and Community-Based Services American Rescue Plan Fund, which was established in the State Treasury by Section 11.95 of the 2021 Budget Act.

(2) In order to implement paragraph (1), the Director of Finance may augment any item of appropriation from the Federal Trust Fund or federal reimbursement authority to account for increased federal funding and may reduce any item of appropriation from the General Fund or other state funds to reflect savings resulting from the increased federal funding deposited in the Home and Community-Based Services American Rescue Plan Fund pursuant to paragraph (1).

(3) The Controller shall, upon the order of the Director of Finance, transfer funds between the Home and Community-Based Services American Rescue Plan Fund, General Fund, Federal Trust Fund, any other state fund, or any item of appropriation.

(c) Moneys deposited in the Home and Community-Based Services American Rescue Plan Fund, together with any interest earned by these funds, shall be available upon appropriation by the Legislature for purposes authorized under and consistent with federal law, regulations, and guidance. Except as provided in this section, allocations of these funds shall be made in the annual Budget Act or other legislation. Sections 8.50 and 28.00 do not apply to the funds described in this section.

(d) (1) All appropriations from the Home and Community-Based Services American Rescue Plan Fund shall be available for ~~encumbrance or encumbrance, expenditure, and liquidation by the state through March 31, 2024, December 31, 2023, unless a program has received authorization by the Department of Finance and approved by the Legislature consistent with subdivision (h) of this section, to expend, encumber, and liquidate funds through September 30, 2024. an earlier deadline is specified at the time of appropriation. All obligations from the Home and Community-Based Services American Rescue Plan Fund shall be available for liquidation until June 30, 2026.~~



(2) The Director of Finance may extend the dates of availability for encumbrance ~~or~~, expenditure, and liquidation of any appropriation described in paragraph (1) if a later deadline is authorized by the federal government or if the Director of Finance determines that the department, office, or other state entity will complete the program, project, or function such that funds will be ~~encumbered or~~ expended by the federal expenditure deadline of March 31, 2025, 2024.

(3) The Director of Finance may extend or shorten the dates of availability for ~~liquidation~~ encumbrance, expenditure, and liquidation of any appropriation described in paragraph (1) to conform to federal law, regulations, or guidance.

(e) (1) The Director of Finance may adjust the expenditure authority of items of appropriation made by this Budget Act or by any other law from the Home and Community-Based Services American Rescue Plan Fund and schedules thereof consistent with subdivisions (a) and (c) and paragraph (2) of this subdivision. It is the intent of the Legislature that changes to the home and community-based services spending plan be considered during development of the budget ~~for the 2023-24 fiscal year~~ to the extent feasible.

(2) Adjustments made pursuant to this subdivision may be authorized only for the following purposes:

(A) To transfer expenditure authority between items of appropriations, programs, projects, and functions within the home and community-based services spending plan to effectively administer the funding.

(B) To provide expenditure authority for activities required to ensure full compliance with federal requirements including conducting audits and addressing audit findings.

(C) To decrease expenditure authority if available funding is projected to be lower than the sum of all appropriations or if an expenditure is disallowed by federal law, regulations, or guidance.

(D) To increase expenditure authority for any activity included in the revised Home- & Community-Based Services Spending Plan submitted to the Centers for Medicare & Medicaid Services on September 17, 2021, in order to expend all available increased federal funding.

(f) The provisions of subdivisions (c), (d), and (e) shall be applicable to any appropriations from the Federal Trust Fund and federal fund reimbursement authority associated with or matching expenditures from the Home and Community-Based Services American Rescue Plan Fund.

(g) The Director of Finance may administratively establish new items of appropriation, transfer authority, reimbursement authority, programs, projects, and functions if one does not exist and is necessary to implement this section.

(h) Distributions of funding pursuant to subdivision (c) and adjustments made pursuant to subdivision (b), (d), (e), (f), or (g) may be authorized not sooner than 30 days after notification in writing of the amount, purposes, and necessity thereof is provided to the Joint Legislative Budget Committee, or not sooner than whatever lesser time after that notification the chairperson of the joint committee, or the chairperson's designee, may in each instance determine.

(i) A loan or loans shall be made available from the General Fund to the Home and Community-Based Services American Rescue Plan Fund not to exceed \$750,000,000. The loan funds shall be transferred as needed to meet cashflow needs due to delays in claiming federal funds pursuant to subdivision (b) and federal reimbursements described by subdivision (f). All moneys so transferred shall be repaid as soon as sufficient funds have been claimed to meet immediate cash needs and in installments if the loan is outstanding for more than one year.

(j) This section shall be implemented only to the extent that any necessary federal approvals are obtained by the State Department of Health Care Services and federal financial participation under the Medi-Cal program is available and is not otherwise jeopardized.

(k) The Director of Finance shall notify the Controller by executive order of adjustments made pursuant to this section and shall provide a schedule of the timing and amounts to be used for purposes of this section.

(l) The Department of Finance shall report in writing on February 1, 2024, the amount of unexpended ~~or unencumbered~~ appropriations from the Home and Community-Based Services American Rescue Plan Fund as of September 30, 2023, ~~June 30, 2022~~ and the projected amount of unexpended ~~or unencumbered~~ appropriations for ~~June 30~~ March 31, 2024, by programmatic area to the Joint Legislative Budget Committee and the chairpersons of the budget committees and relevant subcommittees in each house of the Legislature."



May 12, 2023

Honorable Nancy Skinner, Chair  
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

### **Amendment to Budget Bill Control Section 12.00**

It is requested that Control Section 12.00 be amended to revise the State Appropriations Limit (SAL). Pursuant to Article XIII B of the California Constitution, the fiscal year 2023-24 SAL is estimated to be \$141,492,000,000 at May Revision. The revised limit is the result of applying the growth factor of 4.09 percent. The revised 2023-24 limit is \$2.625 billion above the \$138,867,000,000 estimated in January. Control Section 12.00 is proposed to be amended as follows:

“SEC. 12.00. For the purposes of Article XIII B of the California Constitution, there is hereby established a state “appropriations limit” of ~~\$138,867,000,000~~ \$141,492,000,000 for the 2023-24 fiscal year.

Any judicial action or proceeding to attack, review, set aside, void, or annul the “appropriations limit” for the 2023-24 fiscal year shall be commenced within 45 days of the effective date of this act.”

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Susan Wekanda, Principal Program Budget Analyst, at (916) 445-5332.

JOE STEPHENSHAW

Director

By:

/s/ Erika Li

ERIKA LI

Chief Deputy Director

Attachment

cc: Honorable Anthony J. Portantino, Chair, Senate Appropriations Committee  
Attention: Mark McKenzie, Staff Director  
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee  
Attention: Kirk Feely, Fiscal Director  
Honorable Chris R. Holden, Chair, Assembly Appropriations Committee  
Attention: Jay Dickenson, Chief Consultant  
Honorable Vince Fong, Vice Chair, Assembly Budget Committee  
Attention: Joseph Shinstock, Fiscal Director  
Honorable Steve Padilla, Chair, Senate Budget and Fiscal Review Subcommittee No. 4  
Honorable Wendy Carrillo, Chair, Assembly Budget Subcommittee No. 4  
Gabriel Petek, Legislative Analyst  
Christopher W. Woods, Senate President pro Tempore's Office  
Jason Sisney, Assembly Speaker's Office  
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office  
Katja Townsend, Capitol Director, Assembly Republican Leader's Office

May 12, 2023

Honorable Nancy Skinner, Chair  
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

### **Amendment to Budget Bill Control Section 12.32**

It is requested that Control Section 12.32 be amended as follows to reflect updated calculations at May Revision:

“SEC. 12.32. (a) It is the intent of the Legislature that appropriations that are subject to Section 8 of Article XVI of the California Constitution be designated with the wording “Proposition 98.” In the event these appropriations are not so designated, they may be designated as such by the Department of Finance, where that designation is consistent with legislative intent, not less than 30 days after notification in writing of the proposed designation to the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee, or not less than a shorter period after notification that the chairperson of the joint committee, or the chairperson’s designee, determines.

(b) Pursuant to the Proposition 98 funding requirements established in Chapter 2 (commencing with Section 41200) of Part 24 of Division 3 of Title 2 of the Education Code, the total appropriations for Proposition 98 for the 2023–24 fiscal year are ~~\$79,612,534,000, or 38.65~~ \$77,434,926,000, or 38.5 percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues appropriated for school districts are ~~\$70,394,820,000, or 34.2~~ \$68,110,999,000, or 33.85 percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues appropriated to school districts and community college districts for adult education and K–12 Career Technical Education Strong Workforce Program are ~~\$823,854,000, \$824,392,000, or 0.4~~ percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues appropriated for community college districts are ~~\$7,943,015,000, or 3.9~~ \$7,665,372,000, or 3.8 percent of total General Fund revenues, Education Protection Account revenues,

and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues appropriated for other state agencies that provide direct elementary and secondary level education, as defined in Section 41302.5 of the Education Code, are ~~\$85,461,000~~, \$86,527,000 or 0.04 percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues transferred to the Public School System Stabilization Account are ~~\$365,384,000~~, or 0.2, \$747,636,000, or 0.4 percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit.

(c) Notwithstanding any preexisting budgetary or accounting requirements to the contrary, the Department of Finance shall make the final determination of the proper budgeting and accounting of the revenues received by, and disbursements from, the Education Protection Account."

If you have any questions or need additional information regarding this matter, please call Brittany Thompson, Principal Program Budget Analyst, at (916) 445-0328.

JOE STEPHENSHAW  
Director  
By:

/s/ Erika Li

ERIKA LI  
Chief Deputy Director

cc: Honorable Anthony J. Portantino, Chair, Senate Appropriations Committee  
Attention: Mark McKenzie, Staff Director  
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee  
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Honorable Chris R. Holden, Chair, Assembly Appropriations Committee  
Attention: Jay Dickenson, Chief Consultant  
Honorable Vince Fong, Vice Chair, Assembly Budget Committee  
Attention: Joseph Shinstock, Fiscal Director  
Honorable John Laird, Chair, Senate Budget and Fiscal Review Subcommittee No. 1  
Honorable Kevin McCarty, Chair, Assembly Budget Subcommittee No. 2  
Gabriel Petek, Legislative Analyst  
Christopher W. Woods, Senate President pro Tempore's Office  
Jason Sisney, Assembly Speaker's Office  
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office  
Katja Townsend, Capitol Director, Assembly Republican Leader's Office

May 12, 2023

Honorable Nancy Skinner, Chair  
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

### **Amendment to Budget Bill Control Section 35.50**

It is requested that Control Section 35.50 be amended as follows to reflect updated calculations at May Revision.

“SEC. 35.50. (a) For purposes of paragraph (1) of subdivision (f) of Section 10, and subdivision (g) of Section 12, of Article IV of the California Constitution, “General Fund revenues” means the total resources available to the General Fund for a fiscal year before any transfer to or withdrawal from the Budget Stabilization Account.

(b) For purposes of subdivision (g) of Section 12 of Article IV of the California Constitution, the estimate of General Fund revenues for the 2023-24 fiscal year pursuant to this act, as passed by the Legislature, is ~~\$232,606,000,000~~ \$233,173,000,000.

(c) For purposes of paragraph (2) of subdivision (a) of Section 20 of Article XVI of the California Constitution, “General Fund revenues” shall be defined as revenues and transfers before any transfer to or withdrawal from the Budget Stabilization Account.

(d) Pursuant to subdivision (h) of Section 20 of Article XVI of the California Constitution, the following estimates are provided:

(1) For purposes of paragraph (2) of subdivision (a) of Section 20 of Article XVI of the California Constitution, the sum equal to 1.5 percent of General Fund revenues for the 2023-24 fiscal year is ~~\$3,132,000,000~~ \$3,077,000,000.

(2) For purposes of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (b) of Section 20 of Article XVI of the California Constitution, capital gain revenues that exceed 8 percent of General Fund proceeds of taxes for the 2023-24 fiscal year is ~~\$956,000,000~~ \$2,619,000,000.

(3) For purposes of subparagraph (F) of paragraph (1) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the amount of transfer to the Budget Stabilization Account in the 2023-24 fiscal year is ~~\$911,000,000~~ \$0.

(4) For purposes of clause (ii) of subparagraph (B) of paragraph (2) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the updated estimate of capital gain revenues that exceeds 8 percent of General Fund proceeds of taxes for the 2022-23 fiscal year is ~~\$2,881,000,000~~ \$4,701,000,000.

(5) For purposes of subparagraph (G) of paragraph (2) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the first true up of the transfer to the Budget Stabilization Account for the 2022-23 fiscal year is a reduction of ~~\$1,348,000,000~~ \$2,424,000,000.

(6) For purposes of clause (ii) of subparagraph (B) of paragraph (2) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the updated capital gain revenues that exceed 8 percent of General Fund proceeds of taxes for the 2021-22 fiscal year is ~~\$9,760,000,000~~ \$12,730,000,000.

(7) For purposes of subparagraph (G) of paragraph (2) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the second true up of the transfer to the Budget Stabilization Account for the 2021-22 fiscal year is ~~a reduction of \$453,000,000~~ \$1,388,000,000."

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Susan Wekanda, Principal Program Budget Analyst, at (916) 445-5332.

JOE STEPHENSHAW  
Director  
By:

/s/ Erika Li

ERIKA LI  
Chief Deputy Director

Attachment

cc: On following page



cc: Honorable Anthony J. Portantino, Chair, Senate Appropriations Committee  
Attention: Mark McKenzie, Staff Director  
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee  
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