



May 14, 2020

Honorable Holly Mitchell, Chair
Senate Budget and Fiscal Review Committee

Attention: Joe Stephenshaw, Staff Director (2)

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Control Sections 12.00 and 35.50 and Addition of Control Sections 3.92, 8.28, 11.90, 11.95, and 36.00

On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19. The impact on the state has resulted in a severe drop in economic activity, with corresponding negative effects on anticipated revenues. As a result of these conditions, all budget change proposals were reevaluated within the context of a workload budget based on the merits of each proposal and ultimately subject to the availability of funding.

As a result, the Administration is modifying specified Control Sections that were included in the 2020-21 Governor's Budget. Modifications reflect updated information at May Revision. Additional details on modified requests are listed below and on **Attachment 1 (See rows 1 through 4)**. To the extent there are corresponding Budget Bill language changes to modified proposals, these are detailed in **Section 1 of Attachment 2**.

As noted above, pursuant to Budget Letter 20-08, the Department of Finance conducted a thorough assessment of the most critical funding needs within the general framework of workload budget, as defined in Government Code Section 13308.05, and based upon revised expected revenues. This assessment not only resulted in the changes described in the preceding paragraph, but also requires a number of new adjustments and requests that are respectfully submitted and detailed below. Funding detail for these adjustments can be found in **Attachment 1 (See rows 5 through 11)**, and any related Budget Bill or statutory language changes associated with these adjustments can be found in **Section 2 of Attachment 2**. If necessary, additional information may be included in other back-up documentation submitted to the Legislature.

Modified Governor's Budget Proposals:

Control Section 12.00: State Appropriations Limit Estimate—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 2020-21 SAL is estimated to be \$115,860,000,000 at May Revision. The revised limit is the result of applying the growth factor of 3.62 percent. The revised 2020-21 limit is \$695 million below the \$116,555,000,000 estimated in January. **(See row 1 of Attachment 1 and Section 1 of Attachment 2)**

Control Section 35.50: Budget Stabilization Account Estimate—It is requested that Control Section 35.50 be amended to reflect updated calculations at May Revision, the suspension of the 2020-21 deposit required by Section 20 of Article XVI of the California Constitution, and the first ever withdrawal of funds from the Budget Stabilization Account to support General Fund costs in 2020-21. **(See row 2 of Attachment 1 and Section 1 of Attachment 2)**

New Requests for May Revision:

Control Section 3.92: Borrowing from Special Funds related to Employee Compensation Savings—It is requested that Control Section 3.92 be added to allow loans to the General Fund in amounts equivalent to the employee compensation reductions from each special fund. **(See row 7 of Attachment 1 and Section 2 of Attachment 2)**

Control Section 8.28: Restorations Trigger Related to Federal Funds—It is requested that Control Section 8.28 be added to authorize allocations of additional federal funds received by the state to specified departments or programs that were reduced as part of the 2020 Budget. **(See row 8 of Attachment 1 and Section 2 of Attachment 2)**

Control Section 11.90: Coronavirus Relief Fund—It is requested that Control Section 11.90 be added to authorize allocations of the federal funds received from the Coronavirus Relief Fund for the state's COVID-19 response. These funds are available for specified purposes for costs incurred between March 1, 2020 and December 30, 2020. **(See row 9 of Attachment 1 and Section 2 of Attachment 2)**

Control Section 11.95: COVID Federal Funds—It is requested that Control Section 11.95 be added to authorize allocations of the funds received from the federal government for the state's COVID-19 response. These funds are available for specified purposes, including offsetting or reducing General Fund appropriations, for costs incurred between March 1, 2020 and December 30, 2020. **(See row 10 of Attachment 1 and Section 2 of Attachment 2)**

Control Section 36.00: COVID Reserve—It is requested that Control Section 36.00 be added to authorize allocations to items of expenditure for purposes related to the Governor's March 4, 2020 COVID-19 proclamation of a state of emergency. These funds would be available no sooner than 72 hours after the Department of Finance provides written notification to the Joint Legislative Budget Committee. **(See row 11 of Attachment 1 and Section 2 of Attachment 2)**

If you have any questions or need additional information regarding this matter, please contact the appropriate Principal Program Budget Analyst for that subject matter area.

KEELY MARTIN BOSLER

Director

By:

/s/ Vivek Viswanathan

VIVEK VISWANATHAN

Chief Deputy Director

Attachment

cc:

Honorable Anthony Portantino, Chair, Senate Appropriations Committee

Attention: Mark McKenzie, Staff Director

Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee

Attention: Kirk Feely, Budget Fiscal Director

Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee

Attention: Jay Dickenson, Chief Consultant

Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee

Attention: Cyndi Hillery, Budget Director

Honorable Dr. Joaquin Arambula, Chair, Assembly Budget Subcommittee No. 1

Honorable Richard Pan, Chair, Senate Budget and Fiscal Review Subcommittee No. 3

Honorable Anna M. Caballero, Chair, Senate Budget and Fiscal Review Subcommittee No. 4

Honorable Jim Cooper, Chair, Assembly Budget Subcommittee No. 4

Honorable Nancy Skinner, Chair, Senate Budget and Fiscal Review Subcommittee No. 5

Honorable Shirley Weber, Chair, Assembly Budget Subcommittee No. 5

Gabriel Petek, Legislative Analyst (4)

Christopher W. Woods, Senate President pro Tempore's Office (2)

Jason Sisney, Assembly Speaker's Office (2)

Jayne Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office

Alex Khan, Chief Consultant, Assembly Republican Leader's Office

GB MODIFIED ISSUES

Row	Entity	Department	BR Title	General Fund	Other Funds	Positions	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
1	CS 12.00	State Appropriations Limit (SAL)	State Appropriations Limit Estimate	--	--	--	Yes	--	CG	JS	CC
2	CS 35.50	Budget Stabilization Account	Budget Stabilization Account Estimate	--	--	--	Yes	--	CG	JS	CC
3	CS 14.00	Special Fund Loans Between Boards of the Department of Consumer Affairs	This control section update is found in the BCSH Agency letter								
4	CS 15.14	Allocation of Greenhouse Gas Reduction Fund	This control section update is found in the Cal EPA letter								
Totals, GB Modified Issues				0	0	0.0					

NEW MR BCP ISSUES

Row	Entity	Department	BR Title	General Fund	Other Funds	Positions	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
5	CS 03.90	Reduction for Employee Compensation	This control section update is found in the Employee Compensation Adjustments letter								
6	CS 03.91	Reduction for Employee Compensation (Suspensions)	This control section update is found in the Employee Compensation Adjustments letter								
7	CS 03.92	Various	Borrowing from Special Funds related to Employee Compensation Savings	--	--	--	Yes	--	CG	JS	CC
8	CS 8.28	Various	Restorations Trigger Related to Federal Funds	--	--	--	Yes	--	CG	JS	CC
9	CS 11.90	Various	Coronavirus Relief Fund	--	--	--	Yes	--	CG	JS	CC
10	CS 11.95	Various	COVID Federal Funds	--	--	--	Yes	--	ALM	SO	MN
11	CS 36.00	Various	COVID Reserve	--	--	--	Yes	--	JK	YS	HK
Totals, New MR BCP Issues				0	0	0.0					

Section 1

Control Section changes for modified Governor's Budget proposals:

1. *Control Section 12.00. (See row 1 of Attachment 1).* To effectuate the revised State Appropriations Limit (SAL), the following Budget Bill language changes are necessary:

Control Section 12.00 is amended to read:

"SEC. 12.00. For the purposes of Article XIII B of the California Constitution, there is hereby established a state "appropriations limit" of ~~\$116,555,000,000~~ \$115,860,000,000 for the 2020-21 fiscal year.

Any judicial action or proceeding to attack, review, set aside, void, or annul the "appropriations limit" for the 2020-21 fiscal year shall be commenced within 45 days of the effective date of this act."

2. *Control Section 35.50. (See row 2 of Attachment 1).* To effectuate the revised Budget Stabilization Account Estimate, the following Budget Bill language changes are necessary:

Control Section 35.50 is amended to read:

"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 2020–21 fiscal year pursuant to this act, as passed by the Legislature, is ~~\$158,828,000,000~~ \$131,230,000,000.

(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 2020–21 fiscal year is ~~\$2,304,000,000~~ \$1,944,000,000.

(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 gains revenues that exceed 8 percent of General Fund proceeds of taxes for the 2020–21 fiscal year is ~~\$2,606,000,000~~ \$494,000,000.

(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 2020–21 fiscal year is ~~\$1,959,000,000~~ \$1,125,000,000.

(4) Notwithstanding paragraph (3) of subdivision (d) of this section, pursuant to paragraph (1) of subdivision (a) of Section 22 of Article XVI of the California Constitution, the transfer to the Budget Stabilization Account for the 2020–21 fiscal year in the amount of \$1,125,000,000 is suspended.

~~(4)~~ (5) 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 gains revenues that exceeds 8 percent of General Fund proceeds of taxes for the 2019–20 fiscal year is ~~\$3,268,000,000~~ \$3,445,000,000.

~~(5)~~ (6) 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 2019–20 fiscal year is a reduction of ~~\$108,000,000~~ \$2,000,000.

~~(6)~~ (7) 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 gains revenues that exceed 8 percent of General Fund proceeds of taxes for the 2018–19 fiscal year is ~~\$3,814,000,000~~ \$3,809,000,000.

~~(7)~~ (8) 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 2018–19 fiscal year is a reduction of ~~\$390,000,000~~ \$362,000,000.

(9) Pursuant to subparagraph (A) of paragraph (2) of subdivision (a) of Section 22 of Article XVI of the California Constitution, \$7,806,000,000 is hereby transferred from the Budget Stabilization Account to the General Fund for the 2020–21 fiscal year effective July 1, 2020."

Section 2

Control Section changes for new May Revision Proposals:

Add the following Control Sections:

1. *Control Section 3.92. (See row 7 of Attachment 1).*

SEC. 3.92. Notwithstanding any other law, and in accordance with Section 3.90, the Department of Finance may transfer amounts equivalent to the employee compensation reductions from each special fund as a loan to the General Fund. The Department of Finance shall order the repayment of all or a portion of the loan if it determines that either of the following circumstances exists: (a) the fund or account from which the loan was made has a need for the moneys, or (b) there is no longer a need for the moneys in the General Fund. These loans shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of transfer.

2. *Control Section 8.28 (See row 8 of Attachment 1).*

SEC. 8.28. (a) No later than seven days after any federal legislation has been enacted to provide additional funding to the state for the 2019-20 and/or 2020-21 fiscal years, the Director of Finance shall determine whether the federal legislation will make available, by June 30, 2021, additional federal funds that may be used to offset not less than thirteen billion nine hundred eighty-six million nine hundred forty thousand dollars (\$13,986,940,000) in General Fund expenditures.

(b) If the Director of Finance determines that sufficient federal funds have been made available as described in subdivision (a), the Director of Finance shall notify, in writing, the Joint Legislative Budget Committee of this determination, and that the following services and programs that were reduced in the 2020 Budget Act and bills related to the 2020 Budget Act shall be restored for the 2020-21 fiscal year, and the related items shall be augmented to reflect the restoration:

1. Office of Planning and Research
2. Scholarshare Investment Board
3. Department of Housing and Community Development
4. Department of Health Care Services
5. Department of Developmental Services
6. Department of Rehabilitation
7. Department of Social Services

8. Department of Corrections and Rehabilitation
9. Department of Education
10. California Community Colleges
11. University of California
12. California State University
13. Student Aid Commission
14. Department of General Services
15. Judicial Branch
16. Office of the Inspector General
17. Department of Fair Employment and Housing
18. Department of Fish and Wildlife
19. Department of Parks and Recreation
20. Office of Statewide Health Planning and Development
21. Department of Aging
22. Department of Public Health
23. Department of State Hospitals
24. Department of Child Support Services
25. Board of State and Community Corrections
26. State Library
27. Hastings College of the Law
28. Department of Food and Agriculture
29. Department of Veterans Affairs
30. Federal Per Diem for Veterans Housing within the Department of Veterans Affairs
31. Military Department
32. Wildlife Conservation Board
33. Control Section 3.60 Retirement Rate Adjustments
34. Control Sections 3.90 and 3.91 Employee Compensation Adjustments/Bargaining
35. Judicial Facilities Reassessment within the Judicial Branch

3. *Control Section 11.90 (See row 9 of Attachment 1)*

SEC. 11.90. (a) In the Coronavirus Aid, Relief, and Economic Security (CARES) Act created a Coronavirus Relief Fund, Congress provided \$9,525,564,744 to the state for expenditures incurred due to the COVID-19 public health emergency. Notwithstanding any other law, the Department of Finance may allocate these federal funds to support activities and expenses that promote public health and public safety. These activities include, but are not limited to, any of the following:

- (1) State and local public safety, including implementation of social distancing guidelines in public facilities;
- (2) State and local public health, including testing and contact tracing;
- (3) Services for vulnerable populations, including increased caseload;
- (4) K12 learning loss mitigation;

- (5) County public health, behavioral health, and health and human services; and
 - (6) Other items permitted by US Treasury guidance or frequently asked questions as allowable expenditures that support the state's COVID-19 response.
- (b) Funds may be allocated to offset or reduce General Fund appropriations in fiscal year 2019-20 and 2020-21 incurred to support the COVID-19 response between March 1, 2020 and December 30, 2020.
- (c) If funds allocated pursuant to the purposes identified in subsection (a) above are not spent by September 1, 2020, the Department of Finance may reallocate those funds to any item of appropriation for other allowable activity that has expenditures incurred to support COVID-19 response.
- (d) Funding to local governments, pursuant to this section, is contingent on adherence to federal guidance and the state's stay-at-home orders. Funding shall be released upon jurisdictions' certification of both.
4. **Control Section 11.95 (See row 10 of Attachment 1).**
- SEC. 11.95. (a) Federal legislation is providing the state funding for expenditures incurred due to the COVID-19 public health emergency. Notwithstanding any other law, the Department of Finance may allocate these funds to support the state's COVID-19 response.
- (b) Funds may be allocated to offset or reduce General Fund appropriations in fiscal year 2019-20 and 2020-21 that support the COVID-19 response between March 1, 2020 and June 30, 2021.
- (c) The Department of Finance may adjust any item in Section 2.00 of this Act to account for additional federal funding to support the COVID-19 response.
5. **Control Section 36.00 (See row 11 of Attachment 1).**
- SEC. 36.00. Notwithstanding any other law, \$2,863,000,000 is hereby appropriated from the General Fund for any purpose related to the Governor's March 4, 2020 proclamation of a state of emergency in response to the COVID-19 outbreak. Upon order of the Department of Finance, any portion of this appropriation may be transferred to any item for expenditure. Funds appropriated in this section may not be expended sooner than 72 hours after the Department of Finance notifies the Joint Legislative Budget Committee in writing of the purposes of the planned expenditure. The chairperson of the Joint Legislative Budget Committee or the chairperson's designee may shorten the 72-hour period by written notification.