

# GENERAL GOVERNMENT AND STATEWIDE ISSUES

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

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## EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes \$1.1 billion (\$498.1 million ongoing General Fund) for employee compensation, health care, and retiree health care prefunding costs for active state employees—including in these costs are collectively bargained salary and benefit increases. The Budget includes funding for telework stipends, pay differentials for psychiatric inpatient programs at the California Department of Corrections and Rehabilitation and for the Division of Juvenile Justice, increases related to minimum wage pursuant to Chapter 4, Statutes of 2016 (SB 3), and the recently negotiated contract with the Bargaining Unit 13 employees represented by the International Union of Operating Engineers.

The Budget also includes a one-time payment of \$1,500 per employee to state employees who provided 24-hour care or protection throughout the COVID-19 Pandemic despite exceedingly high workload and difficult in-person conditions for State Bargaining Units 5 (Highway Patrol), 6 (Correctional Officers), 7 (Protective Services and Public Safety), and 8 (CAL FIRE).

The Administration continues negotiations with five bargaining units representing attorneys and administrative law judges, firefighters, engineers, scientists, and psychiatric technicians, whose contracts or side letter agreements are expired or will expire in summer 2022.

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## STATE RETIREMENT CONTRIBUTIONS

### CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) CONTRIBUTIONS

The Budget includes \$8.2 billion one-time (\$4.6 billion General Fund) for the statutorily required annual state contribution to CalPERS for state pension costs. Included in these contributions are \$744 million one-time General Fund for California State University retirement costs.

Additionally, the Budget includes \$2.9 billion in one-time Proposition 2 debt repayment funding for fiscal year 2022-23 to further reduce the unfunded liabilities of the CalPERS state plans. This proposed change will result in a minimum of \$5.8 billion in estimated savings for the state over the next three decades. Dependent on the availability of Proposition 2 funding, an additional \$5 billion is projected to be paid to CalPERS over fiscal years 2023-24 to 2025-26.

### CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS) CONTRIBUTIONS

The Budget includes \$3.7 billion General Fund for state contributions to CalSTRS. The State Retirement and Health Care Contributions Figure provides an historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and health care benefits.

State Retirement and Health Care Contributions <sup>1/2/3/</sup>

(Dollars in Millions)

	CalPERS	CSU CalPERS	CalSTRS	JRS	JRS II	LRS <sup>5/</sup>	Active Health & Dental <sup>6/</sup>	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding <sup>7/</sup>
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 <sup>8/</sup>
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	242	91	1	3,371	1,844	326	562
2020-21	4,925	680	3,428 <sup>4/</sup>	225	84	1	3,665	2,023	357	600
2021-22	5,363	677	3,862	193	86	1	4,018	2,335	410	1,292 <sup>9/</sup>
2022-23 <sup>10/</sup>	7,475	744	3,712	208	86	1	3,892	2,302	408	735

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

<sup>2/</sup> The chart does not reflect the following pension payments: \$6 billion supplemental payment to CalPERS in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84), additional payments to CalPERS and CalSTRS authorized in Chapter 33, Statutes of 2019 (SB 90), Chapter 859, Statutes of 2019 (AB 118), Chapter 78, Statutes of 2021 (AB 138), and the 2022 Budget Act.

<sup>3/</sup> In addition to the Executive Branch, this chart includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS. Amounts displayed in the CalPERS column include statewide contributions to the five CalPERS state plans, including contributions from employers that are not included in the annual Budget Act.

<sup>4/</sup> As part of the 2020 Budget Act, the Teachers' Retirement Board's statutory authority to adjust the state contribution rate for fiscal year 2020-21 was suspended. The amount shown excludes \$297 million in Proposition 2 supplemental pension payment authorized in the 2020 Budget.

<sup>5/</sup> The state continues to make employer contributions to the Legislators' Retirement System. CalPERS reported the estimated 2022-23 contribution amount is \$47,497.

<sup>6/</sup> 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).

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

<sup>8/</sup> Amount includes a one-time prefunding contribution of \$240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

<sup>9/</sup> Amount includes \$616 million one-time Proposition 2 debt repayment funding to help ensure full funding of OPEB by 2046. This amount was provided by the state as employer, on behalf of employees, due to the suspension of employee prefunding contributions in 2020-21 as a result of the implementation of the Personal Leave Program 2020. The amount is based on the actuarial liability for each bargaining unit at that time.

<sup>10/</sup> Estimated as of the 2022 Budget Act, contributions sourced from the General Fund are estimated to be \$3,821 million for CalPERS, \$744 million for CSU CalPERS, \$1,827.9 million for Active Health and Dental, and \$365 million for OPEB Prefunding. Fiscal year 2022-23 contributions to CalSTRS, JRS, JRS II, LRS, and Retiree Health & Dental (including CSU) are all General Fund costs.

## STATE WORKFORCE DEMOGRAPHIC DATA COLLECTION

The California Department of Human Resources (CalHR) will work with the State Controller's Office to establish new demographic categories for the collection of data pertaining to the ancestry or ethnic origin of African American employees beginning on

or after January 1, 2024. The collection of this data continues CalHR's duties to maintain statistical information necessary for the evaluation of equal employment opportunity and upward mobility within state civil service, and will be included in the Annual Census of Employees in State Civil Services report released on or after January 1, 2025.

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### **LANGUAGE ACCESS PILOT**

The Budget includes \$5 million one-time General Fund in 2022-23, for the Government Operations Agency (GovOps) to establish a Language Access Pilot Program. The pilot program is intended to increase participation of non-English or limited-English speakers in California's public hearings and meetings. In developing the pilot program, GovOps will research various translation technologies and develop a pool of trained and qualified interpreters. Starting in January 2024, GovOps is required to deploy the Language Access Pilot Program during at least four public hearings. GovOps will provide pilot program updates annually during budget hearings including recommendations and scalability options to expand the pilot program statewide.

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### **BROADBAND MIDDLE-MILE INITIATIVE**

The Budget includes \$300 million one-time General Fund in 2023-24 and \$250 million one-time General Fund in 2024-25, for the California Department of Technology (CDT) to support the completion of the Broadband Middle-Mile Initiative. The 2021 Budget Act provided \$3.25 billion to CDT for the purpose of building an open-access middle-mile broadband network in unserved and underserved areas of California.

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### **CAL-HOPE PROGRAM**

The Budget provides \$100 million in General Fund in the 2022-23 fiscal year for the California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Fund to start this new program. An ongoing \$15 million General Fund component is budgeted to specifically aid children in foster care. Funds in this account will be used to create trust accounts for children who have lost a parent or primary caregiver to COVID-19 and for children in long-term foster care. The deposits in the trust accounts may be used for any purpose by the recipients.

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## CANNABIS

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### CANNABIS TAX REFORM

The Budget includes statutory changes to reform cannabis taxes, provide relief to equity cannabis retailers, and authorize high-road cannabis employers and cannabis equity operators to claim tax credits. These policy changes simplify the tax structure and remove administrative burdens and costs, which reduces barriers to entry into the legal, regulated cannabis market. Major changes include the following:

- Effective July 1, 2022, eliminate the cultivation tax on all harvested cannabis that enters the commercial market.
- Effective January 1, 2023, shift the point of collection and remittance for excise tax from distribution to retail, maintaining a 15-percent excise tax rate through 2024-25.
- Until December 31, 2025, allow equity cannabis retailers who have received an equity fee waiver from the Department of Cannabis Control to retain 20 percent of the excise tax they collect, as a reimbursement for all costs associated with the collection of the cannabis excise tax.
- Allow high-road commercial cannabis businesses to claim tax credits of up to \$250,000 per business per year, for tax years 2023 through 2027, for an aggregate program total of \$20 million.
- Allow cannabis equity operators to claim tax credits of up to \$10,000 per business per year, for tax years 2023 through 2027.
- Set Allocation 3 funding for youth education/intervention/treatment, environmental restoration, and state and local law enforcement programs at a baseline of approximately \$670 million annually for 2022-23, 2023-24, and 2024-25. Up to \$150 million one-time General Fund is available as needed for these years to backfill Allocation 3 funding if tax revenues do not reach the baseline amount.
- Strengthen existing law that requires cannabis businesses to enter into labor peace agreements with their employees with additional enforcement tools, and lowers the threshold of applicable businesses from 20 employees to 10 employees beginning in July 1, 2024.
- Strengthen tax enforcement policies to increase tax compliance and collection and reduce unfair competition.

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## UPDATED ALLOCATION OF THE CANNABIS TAX FUND

Proposition 64 specifies the allocation of cannabis tax revenues 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 \$670 million will be available for these purposes in 2022-23, and the structure of these allocations is unchanged from 2021-22:

- **Education, prevention, and treatment of youth substance use disorders and school retention**—60 percent (\$401.8 million)
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation**—20 percent (\$133.9 million)
- **Public safety-related activities**—20 percent (\$133.9 million)

These figures reflect a total increase of \$74.7 million compared to the Governor's Budget estimate. These estimates also reflect the statutory changes that restructure the cannabis tax framework and maintain a baseline level of funding for this allocation.

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## CANNABIS LOCAL JURISDICTION RETAIL ACCESS GRANT PROGRAM

The Budget includes \$20.5 million one-time General Fund to establish the Cannabis Local Jurisdiction Retail Access Grant Program that will provide funding to cities and counties that do not currently have a local cannabis retailer licensing program. This program is intended to aid localities with the development and implementation of local retail licensing programs and to support consumers in gaining access to regulated and tested products through an expansion of California's legal marketplace. This grant program will:

- Award up to \$10 million in grant funding by June 20, 2023 to eligible local jurisdictions to develop and implement a retailer licensing program, with priority given to local jurisdictions whose retail programs assist equity applicants.

- Award the remaining funds of up to \$10 million, on or after June 30, 2023, to eligible local jurisdictions based on the number of permits issued for the cannabis local jurisdiction retailer licensing program.
- Support costs related to staff salaries and benefits, equity applicants and licensees, environmental reviews, and permitting expenses.

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## CALIFORNIA ARTS COUNCIL

The California Arts Council's mission is strengthening arts, culture, and creative expression as the tools to cultivate a better California for all. The Arts Council administers grants and programs to support the state's arts and cultural communities through the development of partnerships with the public and private sectors to enhance the cultural, educational, social, and economic growth of California.

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## SIGNIFICANT INVESTMENTS

- **Support For Cultural Districts**—\$30 million one-time General Fund, to be spent over three years, to support the 14 existing cultural districts and expand the cultural districts program to support traditionally underserved communities that reflect the geographic and racial diversity of the state.
- **California Poet Laureate and Youth Poet Laureate**—\$173,000 ongoing General Fund to support the California Poet Laureate and California Youth Poet Laureate, and to provide outreach and technical assistance to all 58 counties for literary arts programs.
- **State Parks Partnership**—\$25 million one-time General Fund for the California Department of Parks and Recreation to create new California Cultural and Art Installations in the Parks Program for state and local parks. Art installations will reflect local cultural heritages, connect the public to natural resources of state and local parks, and provide contemporary experiences to visitors.

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## CALIFORNIA VETERAN HEALTH INITIATIVE

The United States Department of Veterans Affairs' 2021 National Veteran Suicide Prevention Annual Report stated that veterans die by suicide at a rate nearly double that of their non-veteran peers, and noted an emergent rise in suicides among veterans

in the 18-to-34 age group and among women veterans. Recognizing the importance of addressing the prevention of veteran suicide, the Budget includes \$50 million one-time General Fund, to be spent over three years, for the California Department of Veterans Affairs to establish the California Veteran Health Initiative to provide a comprehensive, coordinated approach to addressing veteran suicide. Specifically, the Initiative consists of the following three components:

- **Outreach and Education Campaign**—\$5 million for an awareness campaign that educates veterans and the broader community to inform the knowledge, behaviors, and attitude surrounding veteran suicide.
- **Veteran Suicide Surveillance and Review Program**—\$5 million to establish a multidisciplinary team of professionals and stakeholders focusing on the identification and collection of veteran-specific suicide data; coordinate a statewide assessment of veteran's mental health; and provide recommendations on future prevention, intervention, and post-intervention strategies. This program will build upon the work of the Violence Prevention Initiative at the California Department of Public Health.
- **Veteran Mental Health Support Network Grants**—\$40 million to provide competitive grants to local jurisdictions that provide matching grants to expand mental health service capacity by supporting a network of veteran-specific mental health services throughout the state. The intent of this program is to assist in the creation of self-sustaining, ongoing programs that support veterans and maximize available federal programs (U.S. Veterans Affairs and Medi-Cal).

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## PROMOTING EQUITABLE ACCESS TO STATE PARKS

The Administration is committed to advancing safe, equitable, and enjoyable access to parks, open spaces, natural resources, and recreational amenities for all Californians. The Budget includes \$131.3 million to increase equitable access to state parks through the following investments:

- **State Parks Infrastructure Funding**—\$50 million one-time General Fund for future State Parks infrastructure projects to increase equitable access to state parks, improve visitor experiences, and build recreational opportunities to foster community connections and remove barriers to park access.



- **Colonel Allensworth State Park**—\$28 million one-time General Fund for the construction of a new visitor center and other interpretive enhancements. The new visitor center will better tell the story of this historic African American community and the contributions of its founders and members.
- **K-12 and Interpretive Program Enrichment**—\$15 million one-time General Fund for outdoor environmental education and access programming through the expansion of existing K-12 programs. These programs will support outdoor environmental education for underserved youth statewide.
- **Partnership with CAAM**—\$15 million one-time General Fund for the Department of Parks and Recreation to partner with the California African American Museum (CAAM) to better tell the inclusive story of black history in state parks.
- **California State Library Partnership**—\$13.5 million one-time General Fund to expand a pilot program to provide state park passes for check out at local libraries. This funding will increase the number of passes available to local libraries.
- **State Parks Tribal Lands Acknowledgement, Interpretation, and Exhibit Improvements**—\$9.8 million one-time General Fund to support California Native Americans' engagement and interpretation in state parks. Tribal land acknowledgements will be addressed through signage and improved interpretation to connect the public with tribal history and contemporary experiences. These improvements will bring forward California Native American voices throughout state parks.

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## STATE CAPITOL ANNEX PROJECTS

The Budget includes a one-time \$917 million General Fund transfer to the State Project Infrastructure Fund (SPIF) to fully fund the remaining design, pre-construction, and construction activities for the State Capitol Annex Projects. This includes the replacement of the State Capitol Building Annex, construction of a new parking structure and a new Visitor Center facility, and West Wing improvements necessary to provide for a fully functional Capitol Building. Prior budgets have provided a total of \$183 million General Fund that has been transferred to the SPIF for planning and pre-construction activities that are currently underway. The Annex projects are currently scheduled for completion in 2026.

## **REDUCING BOND DEBT OBLIGATIONS**

To strengthen budget resiliency, the Budget includes several multi-year proposals that will contribute to a reduction in the state's long-term debt obligations. Capital projects totaling approximately \$3.2 billion currently authorized for lease revenue bond financing will be shifted to General Fund, including \$480 million in 2021-22, \$837 million (for the State Capitol Annex) in 2022-23 and approximately \$1.9 billion in 2023-24. In addition, approximately \$1.7 billion in callable GO bonds are proposed for redemption in the 2024-25 fiscal year. These proposals will utilize one-time funding to structure a multi-year approach to reducing the state's long-term bond debt obligations, and will provide flexibility in the event of an unexpected change in the state's fiscal condition. When fully implemented, these actions will result in total debt service savings of approximately \$2.5 billion over the life of the bonds.

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## **OFFICE OF PLANNING AND RESEARCH**

The Office of Planning and Research (OPR) assists the Governor and the Administration in planning, research, policy development, and legislative analysis. OPR formulates long-range state goals and policies to address four key areas: land use and planning, climate risk and resilience, sustainable economic development, and targeted long-range research needs. The Budget includes total funding of \$1.4 billion, including \$577.9 million General Fund, for OPR.

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## **OFFICE OF COMMUNITY PARTNERSHIPS AND STRATEGIC COMMUNICATIONS**

The Budget includes \$65 million General Fund in 2022-23 through 2025-26 to establish the Office of Community Partnerships and Strategic Communications within OPR. The Office will manage the state's highest priority public awareness and community outreach campaigns. The Budget also includes \$230 million one-time California Emergency Relief Fund for the Office to continue COVID-19 vaccine-related public education and outreach campaigns.

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## **CALIFORNIA INITIATIVE TO ADVANCE PRECISION MEDICINE**

The Budget includes \$10 million one-time General Fund to administer a competitive grant program using the principles of precision medicine to harness the power of computational analytics, next-generation genetic sequencing, and data sharing and

aggregation to provide interventions that are tailored to a specific patient, instead of an “average” patient. The Budget also includes \$9.3 million one-time General Fund to increase participation of underrepresented communities in biomedical research.

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## CALIFORNIA VOLUNTEERS

The Budget includes General Fund investments to support California Volunteers' efforts in engaging Californians in service, volunteerism, and civic engagement.

- **Summer Youth Jobs Program**—\$25 million one-time to continue the Youth Jobs Corps program that provides employment opportunities for youth in areas including COVID-19 recovery, food insecurity, and climate action. In addition to providing youth with employment opportunities, the program provides other services such as case management, resume preparation, and special job training.
- **Foster Grandparents and Senior Companions**—\$10 million one-time for volunteer programs to engage older adults in volunteer service that benefit schools, families, and communities across the state. The Foster Grandparent Program pairs older adult volunteers with children of all ages for intergenerational mentoring, tutoring, and connections.
- **Building Neighbor-to-Neighbor Networks**—\$10 million in 2022-23 through 2025-26 to expand California's existing volunteer infrastructure and bolster the statewide Neighbor-to-Neighbor initiative to recruit, train, equip, and organize neighbors to address community needs. This program builds on the community mobilization and connections that resulted from the pandemic.
- **California Climate Action Corps**—\$3.9 million in 2024-25 and 2025-26 to continue funding for the existing Climate Action Corps program. These resources will support the mission of empowering Californians to take meaningful actions to protect their communities against the harshest impacts of climate change.
- **Californians for All College Service Program**—\$73.1 million in 2024-25 and 2025-26 to continue funding for the Californians for All College Service Program. This state service and career development program will continue to provide opportunities for California college students, including AB 540 eligible students, to contribute to their communities while supporting lower debt college pathways for low-income students.

## STATE APPROPRIATIONS LIMIT

The State Appropriations Limit, or Gann Limit, caps the amount of revenues from proceeds of taxes that can be appropriated by the state, which serves to constrain state spending. Any excess revenues appropriated above the state's limit over a two-year period must ultimately be reallocated evenly between schools and taxpayer refunds. While at the May Revision, appropriations were estimated to be below the appropriations limit in the 2020-21 and 2021-22 fiscal years by \$2.6 billion, the Budget now projects the state to be \$11 billion below the limit for this two-year period based on statutory changes enacted as part of the Budget and a revision to the spending that counts toward the limit. As a result of these changes, the 2022-23 fiscal year is also estimated to be below the limit by over \$12 billion.

Specifically, consistent with the provisions of the State Appropriations Limit, the state expands the definition of state subventions by specifying that money provided to a local agency for identified state programs must first be accounted for in local limits, but only up to a local agency's appropriation limit. Additionally, the Budget revised the levels of excluded spending in the 2021-22 and 2022-23 fiscal years, which includes investments in state infrastructure and expenditures to provide relief to families, most notably, \$9.5 billion for the Better for Families Tax Refund.

Estimates for the 2020-21 and 2021-22 two-year state appropriations limit calculations are not final, because final revenue and expenditure adjustments for the 2021-22 fiscal year will not be determined until the 2023 Budget Act. The Administration will continue to monitor the limit and make recommendations to update it to reflect changes in the state's economy.