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## California State Senate

COMMITTEE  
ON  
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL  
SACRAMENTO, CA 95814

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September 9, 2013  
State Capitol, Room 4203  
Upon Adjournment of Session

<b><u>BILL NO.</u></b>	<b><u>AUTHOR</u></b>	<b><u>SUBJECT</u></b>
A.B. 102	Committee on Budget	Resources – VOTE ONLY

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### REGULAR ORDER OF BUSINESS

A.B. 103	Committee on Budget	Education
A.B. 106	Committee on Budget	General Government
A.B. 108	Committee on Budget	Collective Bargaining

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**  
*Mark Leno, Chair*

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<b>Bill No:</b>	<b>AB 102</b>
<b>Author:</b>	<b>Committee on Budget</b>
<b>As Amended:</b>	<b>August 27, 2013</b>
<b>Consultant:</b>	<b>Catherine Freeman</b>
<b>Fiscal:</b>	<b>Yes</b>
<b>Hearing Date:</b>	<b>September 9, 2013</b>

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**Subject:** Resources Omnibus Trailer Bill

**Summary:** This bill makes various changes to implement the energy, resources, environmental protection and agriculture budget actions adopted as part of the 2013-14 budget package.

**Background:** As part of the 2013-14 budget package, AB 102 makes various statutory changes to implement the budget act.

**Proposed Law:** This bill includes the following key changes:

1. Shifts the Ocean Protection Council to the Natural Resources Agency and consolidates ocean programs under the Secretary for Natural Resources. Does not impact the ability of the Department of Fish and Wildlife to regulate the taking of species under the Fish and Game Code.
2. Allows revenues from agricultural leases provided to the state to be directed to the management of those leases, rather than for the future purchase of state lands.
3. Repeals a provision requiring that certain funds appropriated to the Department of Fish and Wildlife from the California Environmental License Plate Fund be transferred to the Department of Parks and Recreation for trust purposes. The intent of the legislation was met in a prior budget act and is no longer necessary.
4. Allows members of the Legislature to designate an alternate to sit on Natural Resources Agency boards and commissions. Because these members are ex-officio and do not vote, the alternates would have the same restrictions.
5. Prioritizes small, and then medium-sized, local air districts with regard to the allocation of funding for the retrofit or replacement of the most polluting school buses because these districts lack the local funding to bring the remaining school buses into compliance with the Truck and Bus Regulation.
6. Provides a change to the Architectural Paint Recovery Program and Carpet Stewardship Program at the Department of Resources Recycling and Recovery (CalRecycle) to allow the administrative fees supporting these programs to be paid quarterly in arrears rather than yearly.
7. Reforms the Beverage Container Recycling Program at CalRecycle in order to: (1) create a more stringent certification process, (2) provide a new, formal training and technical assistance program, mandate the use of certain updated information technology tools, and, (3) restrict recycling centers to only redeem beverage containers for which a California Redemption Value has been paid.
8. Provides technical cleanup to extend the repeal date that allows the Department of Finance to delegate to the Department of Parks and Recreation authority to plan, design, construct and administer contracts and professional services for legislatively-approved capital outlay projects, as is consistent with other boards and departments.

9. Makes technical statutory changes to eliminate the non-critical functions of the Department of Forestry and Fire Protection, and reduce the statutory responsibilities of the department, in order to meet workload within its authorized spending levels.
10. Provides the necessary statutory changes to shift the Education and the Environment Initiative from the Secretary for Cal-EPA to the Department of Resources Recycling and Recovery.
11. Requires Joint Legislative Budget Committee notification within 30 days of any hydroelectric power project relicensing proposal by the Federal Energy Regulatory Commission that, if approved by the department, would obligate the General Fund in the future.
12. Requires the California Alternative Energy and Advanced Transportation Financing Authority to develop and administer a risk mitigation program for Property Assessed Clean Energy (PACE) loans.
13. Provides for the transfer of a Caltrans building to the Department of Parks and Recreation for incorporation into the capital development plan for the San Diego State Historic Park.
14. Extends a concession agreement at Will Rogers State Beach to exceed 20 years in order to allow the concessionaire to amortize improvements over a longer period of time.
15. Eliminates the term limits on voting members of the Delta Stewardship Council.
16. Requires the California Energy Commission, in administering the Electric Program Investment Charge as developed by the California Public Utilities Commission, to develop and administer this program with a focus on ratepayers and with annual reporting to the Legislature. Does not change the authorization status of the program.
17. Makes several changes to the California Public Utilities Commission (CPUC) including: (1) approves \$35 million for cyber-security research at the Lawrence Livermore National Laboratory, (2) provides for a zero-based budgeting exercise at the CPUC to be reported to the Legislature in 18-months, (3) creates the Office of Ratepayer Advocates as a separate budgetary program at the CPUC, with a separate budget and positions, and, (4) requires notice to the Legislature of future litigation settlements. Does not make changes to the commissioner elections or case assignments, nor to the executive leadership of the CPUC.

**Fiscal Effect:** This bill should not result in any changes to the budget act or related budget actions.

**Support:** Unknown

**Opposed:** Unknown

**Comments:** This bill provides the necessary statutory references to enact the 2013-14 budget related to resources, environmental protection, energy and agriculture.

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**  
*Mark Leno, Chair*

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<b>Bill No:</b>	<b>AB 103</b>
<b>Author:</b>	<b>Committee on Budget</b>
<b>As Amended:</b>	<b>September 6, 2013</b>
<b>Consultant:</b>	<b>Kim Connor and Keely Martin Bosler</b>
<b>Fiscal:</b>	<b>Yes</b>
<b>Hearing Date:</b>	<b>September 9, 2013</b>

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**Subject:** Education Omnibus Budget Trailer Bill

**Summary:** This bill makes various changes to the education budget and trailer bills, adopted as part of the 2013-14 budget package.

**Background:** As part of the 2013-14 budget package, several bills were adopted to implement the K-12 and higher education provisions of the 2013 budget act. These bills included, Chapter 29 (SB 73, Budget), Chapter 47 (AB 97, Budget), Chapter 48, (AB 86, Budget), Chapter 49 (SB 91, Budget), and Chapter 50, (AB 94, Budget). This bill makes various changes to provisions included in these bills, along with other related provisions.

**Proposed Law:** This bill includes the following key changes:

**Higher Education**

1. **Apprenticeship Program.** The 2013 budget act consolidated under the California Community Colleges, the apprenticeship programs that were administered separately under the California Department of Education and the California Community Colleges. This bill makes various technical changes to the code to conform definitions related to the apprenticeship programs and makes a technical date change for the development of common administrative practices between the programs.
2. **Middle Class Scholarship.** The 2013 budget act created a new Middle Class Scholarship for students that do not qualify for the Cal Grant Program but come from a family with a household income that is less than \$150,000. This bill makes technical amendments that conform the academic requirements definition for the Middle Class Scholarship to the Cal Grant program. This bill also makes clarifying changes to ensure that the University of California (UC) and the California State University (CSU) systems do not use the Middle Class Scholarship to supplant existing institutional aid. The changes ensure CSU and UC flexibility to change policies unrelated to aid for undergraduate students, which is the only group eligible for the Middle Class Scholarship.
3. **Community Colleges – Deferrals.** Reduces the deferrals to the Community Colleges by \$2.8 million.
4. **Community Colleges – Mandates.** Makes technical name corrections to various Community Colleges mandates.
5. **Community Colleges – Cash Flow Language.** Authorizes the Department of Finance to accelerate the apportionment of General Fund between July 1, 2013 and February 1, 2014 if it is determined that the Community Colleges have a budgetary shortfall related to property tax resulting from the dissolution of redevelopment agencies. Requires notification of the Joint

Legislative Budget Committee if a shortfall is determined and acceleration is granted by the Department of Finance.

6. **Redevelopment Agency Dissolution Property Tax Backfill for 2012-13.** Allows the Department of Finance to authorize up to \$100 million Proposition 98 General Fund for the California Community Colleges if property taxes related to the dissolution of redevelopment agencies are not received as estimated for 2012-13. The Department of Finance has until December 31, 2013 to make a final determination about the amount of property tax received by the Community Colleges and the amount of General Fund backfill required. The Department of Finance may consider updated estimates of other local property tax revenue, student fee revenue, or other sources of revenue when making final determinations about what amount of General Fund is needed to backfill the California Community Colleges.

### **K-12 Education**

7. **Local Control Funding Formula.** Makes a several technical and clarifying changes related to the new Local Control Funding Formula (LCFF), including:
  - a) Clarifies statutes related to the William's settlement agreement to delink from previous categorical funding while continuing requirements within the new funding model, and specifies that LCFF funding will be used to offset any resulting reimbursable state mandate.
  - b) Makes technical statutory changes to align Community Day School and County Community School funding with new LCFF requirements.
  - c) Specifies that statutes guiding state apportionments to county offices of education and charter schools will apply only to the Education Protection Account beginning in 2013-14, and will sunset on July 1, 2021, since funds will be apportioned pursuant to the new LCFF.
  - d) Clarifies funding calculations that apply to district reorganizations filed before and after December 1, 2013.
  - e) Clarifies free and reduce-price meal eligibility is based on federal income eligibility criteria for purposes of unduplicated pupil counts under LCFF, instead of receipt of meals.
  - f) Specifies that 2012-13 ADA counts, as of February 20, 2014, shall be used for purposes of calculating Economic Recovery Target rate "add-ons" for qualifying LEAs.
  - g) Deletes LCFF provisions governing declining enrollment funding calculations to allow school districts in decline to receive either the prior year or current year average daily attendance (ADA) funding and corresponding grade span proportions, whichever is greater.
  - h) Repeals statute authorizing special funding for the Center for Advanced Research Technology (CART) program -- operated by the Fresno Unified and Clovis Unified school districts -- which will now be funded pursuant to LCFF. Retains statutes for the CART program that guide minimum instructional day, computation of average daily attendance, supervision of pupils, and the program sunset date.

- i) Makes a technical correction to clarify that only charter schools serving students that a county office of education would otherwise be responsible for educating, are eligible to claim the alternative education funding rate under LCFF.
- j) Requires that the California Department of Education (CDE) and Department of Social Services enter into a memorandum of understanding to share foster youth data, and changes the due date of a CDE report on foster youth outcomes.
- k) Specifies that Home-to-School Transportation funding includes funding for the Small School District Transportation Program.
- l) Establishes a process for school districts and county offices of education to share maintenance of effort (MOE) requirements related to Adult Education and Home-to - School Transportation.
- m) Specifies that Regional Occupational Centers and Programs, including those operated under a joint powers agreement, shall be funded at their 2012-13 funding levels through 2014-15.
- n) Specifies that average daily attendance (ADA), for the purpose of calculating county office of education operational grant funding under the LCFF, shall include the ADA of charter schools authorized by districts over which the county office has jurisdiction.
- o) Specifies that if a county office of education meets or exceeds its LCFF funding target, it will be funded pursuant to the county LCFF funding formula or at the higher hold-harmless level.
- p) Authorizes school districts and charter schools to submit changes to California Longitudinal Pupil Achievement Data System (CALPADS) within the timeframes and procedures established by the Department of Education.
- q) Clarifies that Necessary Small School (NSS) average daily attendance (ADA) does not count for purposes of base funding, but does count for supplemental and concentration grant funding.
- r) Clarifies that the amount of NSS funding received by a school district that qualified for NSS funding in the 2012-13 fiscal year, is included within their hold harmless calculation.
- s) Repeals statute to clarify that NSS funding containing grades 7-8 are funded at the elementary NSS rate for those grades, not the high school NSS rate. These changes are consistent with current law.
- t) Provides that the \$3.5 million per year that the Torrance Unified School District (TUSD) will continue to pass through to its local Regional Occupational Center in 2013-14 and 2014-15 for average daily attendance associated with non-TUSD students will not count toward the district's LCFF target.
- u) Clarifies that the \$2 million in one-time funds appropriated in 2013-14 to the Office of Planning and Research to support State Board of Education activities related to LCFF implementation is non-Proposition 98 General Fund.

8. **Local Control Accountability Plan.** Makes various changes related to the Local Control Accountability Plan (LCAP), including:
  - a) Requires LCAP to adhere to regulations adopted related to expenditure of supplemental and concentration grant funding.
  - b) Clarifies that a budget cannot be approved for a school district or county office of education before a LCAP, or update to the existing plan, is adopted and clarifies terms under which a budget review committee shall be formed.
  - c) Requires the State Board of Education, in developing LCAP templates, to include guidance to LEAs in reporting a listing of expenditures for specific actions and a listing of expenditures for low-income pupils, English learner pupils, re-designated English learner pupils, and pupils residing in foster care, in 2014-15 and each year thereafter.
  - d) Requires school districts and county offices of education to ensure that all written notifications related to the LCAP or annual update are available to parents in languages other than English, as specified under current law.
  - e) Specifies that school district and county office of education actions related to achieving the goals of the LCAP shall not supersede local collective bargaining agreements. Further specifics that specific actions described in the local plan that are inconsistent with local bargaining agreements shall be renegotiated, and implemented only as agreed to after renegotiation.
  - f) Adds local bargaining units to the groups that school district and COEs must consult in the development of the LCAP.
  - g) Provides greater detail related to career technical education state priorities.
9. **Department of Education – State Operations.** Appropriates up to \$3.164 million in General Funds (Non-Proposition 98) to the California Department of Education (CDE) for State Operations, as follows:
  - a) **LCFF Implementation.** Provides up to \$1.4 million to support the implementation and administration of the LCFF. Specifically, the bill appropriates \$933,000 (ongoing funds) for six positions for this purpose. An additional \$479,000 for up to five positions may be authorized, contingent upon Department of Finance approval of an expenditure plan.
  - b) **LCAP Implementation.** Provides up to \$1.3 million for the support and development of the LCAP. Specifically, this bill appropriates \$570,000 (ongoing funds) for five positions for this purpose. An additional \$723,000 for up to six positions may be authorized, contingent upon Department of Finance approval of an expenditure plan.
  - c) **Career Technical Education Grant Implementation.** Provides \$459,000 (one-time funds) for three limited-term positions to implement the California Career Technical Education Pathways competitive grant program;
10. **Clean Energy Jobs Act.** Makes several technical changes related to implementation of the California Clean Energy Jobs Act (Proposition 39):

- a) Specifies that CDE shall use prior-year enrollment data, instead of average daily attendance, for purposes of allocating energy efficiency funds to the state special schools.
  - b) Clarifies that small school districts may elect to bundle year one and year two energy efficiency funds in 2013-14, and extends the application deadline for this bundling option by one month.
  - c) Clarifies that statutes requiring schools to repay Proposition 39 funding if they vacate the facility within five years of project completion apply to local educational agencies, not just school districts.
11. **Career Technical Education Grant Program Evaluation.** Directs \$250,000 in one-time Proposition 98 funds, appropriated in the 2013 budget for the Career Technical Education Pathways Grant Program, for an independent evaluation. These one-time funds shall be allocated to a local education agency identified by the Superintendent of Public Instruction to contract for the evaluation.
12. **Instructional Day Requirements.** Specifies that the penalty for districts that fail to meet instructional day requirements is a maximum of five days' average daily attendance apportionments, and makes other technical and conforming changes.
13. **California School Finance Authority.** Makes several clarifying changes related to the transfer of the California School Finance Authority from the California Department of Education to the State Treasurer's Office beginning in 2013-14.
14. **General Fund Loan for Inglewood Unified School District.** Clarifies that the General Fund to the Inglewood Unified School District shall include costs incurred by the California Infrastructure and Economic Development Bank (I-Bank).
15. **Special Education Funding.** Clarifies that Program Specialists and Regionalized Services (PSRS) and professional development funds are included in the special education funding base when calculating the Statewide Target Rate for Special Education Local Planning Areas (SELPAs).

**Fiscal Effect:**

**Support:**

**Opposed:**

**Comments:**



**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**  
*Mark Leno, Chair*

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<b>Bill No:</b>	<b>AB 106</b>
<b>Author:</b>	<b>Committee on Budget</b>
<b>As Amended:</b>	<b>September 6, 2013</b>
<b>Consultant:</b>	<b>Mark Ibele, Brady Van Engelen and Joe Stephenshaw</b>
<b>Fiscal:</b>	<b>Yes</b>
<b>Hearing Date:</b>	<b>September 9, 2013</b>

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**Subject:** Revenue and Taxation, General Government, and Public Safety

**Summary:** The bill makes technical and clarifying changes to tax incentive programs that are scheduled to change effective December 31, 2013, by expanding the ability to claim certain credits for sales taxes paid by businesses. The bill clarifies the designation of census tracts that would be eligible for the new hiring tax credit and specifies the make-up of the California Competes Tax Credit Committee. The bill makes technical changes in laws related to public safety and allocations for law enforcement activities.

**Background:** The bill makes changes and clarifications to existing law:

1. Allows for an income tax credit, equivalent to the sales tax paid on qualified capital equipment, to be claimed if the equipment is purchased prior to the end of the calendar year and placed in service prior to January 1, 2015, and provides other clarifications to existing enterprise zone tax credits. Under current law, businesses located in enterprise zones, and/or certain other targeted tax areas, are allowed to claim the credit if the purchase is made and the equipment is placed into service prior to the end of the calendar year ending December 31, 2013.
2. Provides clarification to provisions related to the designation of eligible census tracts for purposes of the hiring credit. The hiring credit recently enacted by the Legislature is available to businesses located in certain census tracts of high unemployment and poverty rates.
3. Specifies that the Director of the Governor's Office of Business and Economic Development serves as chair of the California Competes Tax Credit Committee, and that Senate and Assembly appointees may not be members of the Legislature. The committee is authorized to award specified tax credits according to written agreements between taxpayers and the state.
4. Expands the definition of "remote interest" so that board or commission members that were a member of a 501(c)(5) will still be required to recuse from voting on issues that they may have a remote interest in, but will not be in violation of state conflict of interest code.
5. Updates the Enhancing Law Enforcement Activities Subaccount allocation (ELEAS) percentages to ensure that all funds (\$489.9 million) are allocated as intended.
6. Removes the requirement that counties collect information on the number of felons who would have been subject to certain sentencing provisions if felony probation had not been granted. SB 75 (Budget and Fiscal Review Committee), Chapter 31, Statutes of 2013, required counties to provide this data in order to be eligible for certain grant moneys.

However, counties are not otherwise required to collect this information. If this requirement is not removed, numerous counties would be ineligible for grants provided pursuant to SB 678 (Leno and Benoit), Chapter 608, Statutes of 2009, and SB 75.

7. Extends the sunset date for the Juvenile Interstate Compact from July 1, 2014 to July 1, 2016. The Juvenile Interstate Compact ensures the supervision of juvenile offenders placed outside of California.
8. Includes an appropriation of \$100,000 from the General Fund to the Governor's Office of Economic Development to provide staff support for the California Competes Tax Credit Committee.

**Fiscal Effect:** Regarding the provisions related to enterprise zone tax credits, these revenue effects were incorporated in the estimates for AB 93 and SB 90, both adopted by the Legislature in June of this year. Department of Finance (DOF) therefore indicates that these provisions of the bill have zero revenue impact relative to the 2013 Budget Act revenue baseline. According to DOF, a preliminary analysis indicates that if the bill is not enacted, additional revenues of approximately \$20.0 million would be received as a result of increased income tax liabilities.

**Support:** Unknown

**Opposed:** Unknown

**Comments:** NA

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**  
*Mark Leno, Chair*

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<b>Bill No:</b>	<b>AB 108</b>
<b>Author:</b>	<b>Committee on Budget</b>
<b>As Amended:</b>	<b>September 5, 2013</b>
<b>Consultant:</b>	<b>Peggy Collins</b>
<b>Fiscal:</b>	<b>Yes</b>
<b>Hearing Date:</b>	<b>September 9, 2013</b>

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**Subject:** State Employees: Memoranda of Understanding

**Summary:** Approves addenda to existing memoranda of understanding (MOUs) entered into by the Administration and specified bargaining units that require the expenditure of funds, and would allocate funds for those purposes.

**Background:** Under the Ralph C. Dills Act, the Legislature must approve collective bargaining agreements between the State and employee groups, formalized in MOUs. Additionally, existing law requires the Legislature to approve any addenda or side letters to existing MOUs that require the expenditure of funds not already approved by the Legislature through an MOU, the budget act or other legislative vehicle.

**Proposed Law:** AB 108 would approve the following addenda to existing MOUs:

1. Bargaining Unit 5, California Association of Highway Patrol (CHP), effective July 1, 2013. Authorizes a reimbursement increase for specified expenses incurred while traveling on state business. No appropriation is needed.
2. Bargaining Unit 12, International Union of Operating Engineers, at the Department of Water Resources (DWR), effective July 1, 2013. Authorizes salary increases, ranging from 17.9 percent to 37.4 percent, for certain rank and file and supervisor classifications to assist with short-term critical retention needs. The existing classifications of electrical Mechanical Testing Technician and Control System Technician will be consolidated into one new classification, Hydroelectric Plant Technician, pending approval by the State Personnel Board. Increases will be staged for retirement purposes based on the following schedule: after July 1, 2013 and before July 1, 2014, any pay increase will not be used to determine final compensation; after July 1, 2014 and prior to July 1, 2015, 50 percent of the pay increase will be used to determine final compensation; starting July 1, 2015, and continuing thereafter, the entire salary increase shall be used to determine final compensation. The total funding for the addendum is \$18.3 million.
3. Bargaining Units 1, 3, 4, 11, 15, 17 and 20, Service Employees International Union Local 1000; Bargaining Unit 12, International Union of Operating Engineers; Bargaining Unit 18, California Association of Psychiatric Technicians; and Bargaining Unit 19, American Federation of State, County, and Municipal Employees, at the Department of Developmental Services (DDS), effective upon approval of this act. Addresses the layoff and relocation of employees at Lanterman Developmental Center. No appropriation is needed.
4. Bargaining Unit 7, California Statewide Law Enforcement Association; and Bargaining Units 1 and 4, Service Employees International Union Local 1000, at the Department of Motor Vehicles (DMV), effective July 2, 2013. Authorizes salary increases for certain rank and file and supervisor classifications based on a review that recommended classification and salary restructuring. Increases range from 1.5 percent to 7.5 percent. The total funding for these addenda is \$26.8 million.

5. Bargaining Unit 8, California Department of Forestry and Fire Protection Firefighters, Department of Forestry and Fire Protection (CALFIRE), effective September 1, 2013. Authorizes increases to the amount provided to employees for business and travel expenses, and codifies an agreement in existence since 1992 that provides a pre-retirement death benefit for employee dependents. No appropriation is needed.

**Fiscal Effect:** Up to \$45.1 million in General Fund and other non-General Fund sources.

**Support:** None

**Opposed:** None

**Comments:** The bill would approve addenda to existing MOUs for employees at five state departments. The costs associated with three of these agreements have been included in the 2013 budget act.

The CHP agreement includes a 5.9 percent salary increase previously authorized in the 2013 budget act. This increase is the result of a statutorily-required salary survey.

The DWR agreement seeks to address recruitment and retention challenges at hydroplant facilities that are impacting the operation of the State Water Project.

The DDS agreement is necessary due to the anticipated closure of Lanterman Developmental Center by the end of 2014.

The DMV agreement salary increases are the result of a review of current classifications' workloads in DMV offices, required by a 2007 MOU.

The CALFIRE agreement to increase the amount provided for business and travel expenses reflects agreements approved for other bargaining units this year.