



Final Action Report

A Summary of the 2016 Budget Act

September 20, 2016

Chapter 23, Statutes of 2016

Senate Committee on Budget and Fiscal Review
Senator Mark Leno, Chair

FINAL ACTION REPORT

September 20, 2016

Senate Bill 826
2016-17 Budget Bill

Senate Committee on Budget and Fiscal Review

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September 20, 2016

The Senate Committee on Budget and Fiscal Review has completed its Final Action Report, which is a detailed summary of the 2016-17 budget actions taken by the Legislature, along with the Governor's vetoes. This report is available on the website of the Committee on Budget and Fiscal Review:

Please follow the links:

- 1 – www.sen.ca.gov
- 2 – Committees
- 3 – Budget and Fiscal Review
- 4 – Committee Home
- 5 – Latest Information
- 6 – Final Action Report 2016

I hope you will find this information useful. Please feel free to contact the staff of the Committee on Budget and Fiscal Review should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Mark Leno".

MARK LENO
Chair, Senate Budget and Fiscal Review

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INTRODUCTION

2016 Budget Act

Summary

The Senate Committee on Budget and Fiscal Review's Final Action Report provides a summary of the contents of the 2016 Budget Act, including various statutory changes, and reflects actions taken by the Senate Committee on Budget and Fiscal Review, the Conference Committee on the Budget, and final negotiations between the leadership of the Legislature and the Administration.

On June 9, 2016, the Conference Committee completed its work to reconcile the Senate and the Assembly versions of the 2016-17 budget, and issued the Conference Report (SB 826). The Conference Committee built upon the extensive work throughout the year of both the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget. Working from the general framework of the Governor's Budget and May Revision, the Legislature incorporated significant and important budgetary and policy changes to the state's expenditure plan. On June 15, 2016, the Legislature passed the 2016 Budget Act, SB 826 (Chapter 23, Statutes of 2016), thus meeting its constitutional obligation to pass a timely balanced budget. Concurrently, the Legislature also approved numerous budget trailer bills on June 15, 2016 and June 16, 2016. Budget trailer bills are designed to implement certain provisions of the 2016 Budget Act as noted elsewhere in this report. The 2016 Budget Act was signed by the Governor, without veto, on June 27, 2016, representing the state's sixth consecutive on-time budget. Concurrent with the signing of the budget bill, the Governor signed several related budget trailer bills. In August, follow-up budget bill providing for certain appropriation adjustments was approved, along with several other budget trailer bills.

The 2016-17 budget continues the Legislature's ongoing commitment to California's residents by strengthening the state's investments in public programs and services. With this budget, the Legislature continues its emphasis on rebuilding state programs and services, which have still not caught up with the economic recovery. Earlier this year, the Legislature advocated for, and was successful in realizing, additional support for developmental disability programs. The budget package incorporates measures that address homelessness, make important changes to the CalWORKs program, continues important investments in childcare and higher education, and sets aside funds for affordable housing, while at the same time retaining a commitment to fiscal stability for the state.

The budget includes total General Fund expenditures of \$122.5 billion for 2016-17, an expenditure level, which is about \$300 million higher than under the May Revision. However, the adopted budget also includes shifts and repurposing of program expenditures, with additional emphasis on expenditures for programs that address legislative priorities. In addition, the budget plan calls for increased targeted spending commitments over a multi-year period. The budget adopts the Administration's revenue assumptions for 2016-17 of \$120 billion, and its property tax estimates.

The budget provides for increased reserves, similar to the Governor's plan, and continues to pay down long-term and budgetary debt. In addition, the budget balances these with targeted prudent investments in human services, education, health care, and other areas that will improve the state's human and social capital. The budget provides for \$8.5 billion in general reserves, comprising \$1.8 billion in the Special Fund for Economic Uncertainties (SFEU) and \$6.7 billion in the Budget Stabilization Account (BSA). This amount includes a \$2.0 billion discretionary deposit to the BSA. The budget summary for 2016-17 is provided below:

**General Fund Budget Summary
Prior Year and Adopted Budget
(Dollars in Millions)**

	<u>2015-16</u>	<u>2016-17</u>
Prior Year Balance	\$3,444¹	\$4,874
Revenues and Transfers	<u>117,001</u>	<u>120,310</u>
Total Resources Available	\$120,445	\$125,184
Non-Proposition 98 Expenditures	65,849	71,418
Proposition 98 Expenditures	<u>49,722</u>	<u>51,050</u>
Total Expenditures	\$115,571	\$122,468
Fund Balance	\$4,874	\$2,716
Reserve for Liquidation of Encumbrances	966	966
Special Fund for Economic Uncertainties	3,908	1,750
Budget Stabilization Account	\$3,420	\$6,714

¹After prior year adjustments.

Major Highlights of the Adopted Budget

Resources and Fiscal Structure

The adopted budget assumes the Governor's revenue assumptions for 2016-17 of \$123.6 billion (prior to transfers, including to the BSA), representing an increase of about four percent from the prior year. Revenue growth for the state's major taxes continues to be moderately strong, reflecting continued economic growth. In periods of economic growth, the state's elastic tax structure results in revenue growth that exceeds the growth rate of the underlying economy. Revenue assumptions for major General Fund tax sources are shown in the table below:

**General Fund Revenue Sources
Prior Year and Adopted Budget
(Dollars in Millions)**

	<u>2015-16</u>	<u>2016-17</u>	<u>Percent Change</u>	<u>Percent Total¹</u>
Personal Income Tax	\$79,962	\$83,393	4.3	67.5
Sales and Use Tax	25,028	25,727	2.8	20.8
Corporation Tax	10,309	10,992	6.6	8.9
Insurance Tax	2,486	2,345	-5.7	1.9
Other Sources ²	1,030	1,147	11.4	0.9
Total	\$118,815	\$123,604	4.0	--

¹Based on 2016-17.

²Excludes transfers and loan repayments.

The adopted budget includes total General Fund expenditures of \$122.5 billion for 2016-17, up from \$115.6 billion in the prior year. This amount includes \$51.1 billion for Proposition 98 (General Fund and Education Protection Account) and \$71.4 billion on Non-Proposition 98 programs. The total represents an increased level of spending from the prior year (not including the additional expenditures on debt retirement) of about six percent.

In addition, as shown in the table on page 2, the budget sets aside billions of additional resources to pay-down debt and make deposits to the BSA. The adopted budget provides for \$8.5 billion in general reserves, comprising combined amounts of \$1.8 billion in the SFEU, and mandatory and discretionary deposits to the BSA (for a total balance in that fund of \$6.7 billion). The budget also pays off \$1.3 billion of Proposition 2 eligible long-term and budgetary debt.

Based on current funding plan, the General Fund shows a slight operating deficit in the current year (due largely to a significant discretionary deposit to the BSA of \$2 billion) and a modest operating surplus in 2017-18. In 2018-19 and 2019-20, operating deficits reemerge, however these forecasts assume continued pay-down of debt over the four years of \$3.4 billion in aggregate. In addition, by 2019-20, the BSA balance is forecasted to be \$9.8 billion.

Expenditure Highlights

The budget package represents a comprehensive approach to continue the restoration of essential educational, human services, and health programs, while maintaining the state's solid fiscal outlook. Specifically, the budget funding plan provides resources for many of the Legislature's priorities—especially in the areas of child care, human services, health, and education—within the established fiscal framework. The foundation for the plan largely begins with the Governor's base level funding, but incorporated distinctive and important changes in program spending reflecting the Legislature's priorities. Major spending categories are shown below.

**General Fund Expenditure
Prior Year and Adopted Budget
(Dollars in Millions)**

	<u>2015-16</u>	<u>2016-17</u>	<u>Percent Change</u>	<u>Percent Total¹</u>
Legislative, Judicial, Executive	\$3,239	\$3,513	8.5	2.9
Business, Consumer, Housing	637	877	37.7	0.7
Transportation	258	237	-8.1	0.2
Natural Resources	2,714	2,819	3.9	2.3
Environmental Protection	223	88	-60.5	0.1
Health and Human Services	31,512	33,240	5.5	27.1
Corrections and Rehabilitation	10,196	10,571	3.7	8.6
K-12 Education	49,521	51,277	3.5	41.9
Higher Education	14,268	14,531	1.8	11.9
Labor and Workforce	212	176	-17.0	0.1
Government Operations	761	1,756	130.7	1.4
General Government	2,030	3,383	66.7	2.8
Total	\$115,571	\$122,468	6.0	--

¹Based on 2016-17.

Principal Budget Components

The 2016-17 budget includes funding for the following initiatives and programs:

Homelessness Initiative. The Senate’s “No Place Like Home” initiative, is a multifaceted initiative to address homelessness and related issues. The plan includes a grant program funded through Proposition 63 revenue bonds for supportive housing. As part of this initiative, the budget includes more outreach to individuals with disabilities who may qualify for Supplemental Security Income (SSI), as well as additional resources for programs to reduce homelessness for CalWORKs families and for families that participate in the child welfare system. The plan also continues to fulfill the promise to rebuild the state’s social safety net by reinvesting in CalWORKs through the elimination of the maximum family grant and by increasing the grant levels for maximum aid payment.

K-12 Education. In K-12 education, the budget continues to provide ongoing resources for the Local Control Funding Formula and one-time discretionary resources. To address the teacher shortage facing the state, there is additional funding for teacher recruitment, preparation, and retention. The plan funds a college readiness block grant, to ensure all students have the access and support needed to graduate and attend college.

Early Childhood Education. In child care and pre-school, the budget includes a major investment in childcare rate increases and pre-school slots, together totaling over \$500 million when fully phased-in over four years. These substantial increases are implemented as minimum wage increases in future years.

Higher Education. In higher education, the budget plan provides additional funds to enroll more undergraduate and graduate students at the University of California and the California State

University systems, and incorporates the Senate’s “College Readiness” program to assist low-income students attend and complete college. In addition, \$200 million more in Prop 98 funding is provided to community colleges to expand access to career technical education.

Housing Programs. In housing, the budget includes a tax credit program that will increase the effectiveness of affordable housing programs, adds enforcement staff to investigate housing discrimination complaints and facilitate compliance, adds a local government grant program that will facilitate the development of transitional housing for ex-offenders, and designates \$400 million for affordable housing, if subsequent legislation is agreed upon.

Health and Developmental Services. In health and developmental services, the budget augments programs for healthcare workforce development, limits estate recovery in the Medi-Cal program, restores acupuncture services as a benefit in the Medi-Cal program, provides funding for health programs such as drug overdose and hepatitis prevention, and creates a grant program for children’s crisis services. The plan also improves the closure plans for the state developmental centers and improves oversight of the transition of developmental center residents into the community.

Human Services. In human services, the budget eliminates the CalWORKs maximum family grant, increases the SSI/SSP grant, provides augmentations for the Immigration Services Program and the Commercially Sexually Exploited Children Program, provides additional resources for the monitoring of psychotropic medications for foster youth, invests in senior nutrition programs and the State Emergency Food Assistance Program, and makes clarifications regarding the legal protections for immigrant youth.

Resources and the Environment. In resources and the environment, the budget continues oversight of the ongoing drought and statewide efforts to reduce water consumption. In addition, the budget provides oversight of the energy and utility ratepayer funds, expedites Aliso Canyon mitigation efforts, and provides funding for pest prevention studies in the Department of Pesticide Regulation.

Public Safety and Justice. In public safety and justice, the budget plan adheres to the Legislature’s emphasis on positive programs to help individuals avoid the criminal justice system, rehabilitate incarcerated individuals, and facilitate the transition of ex-offenders to society through longer term and more effective programs. Among the priorities is to increase the availability of transitional housing, mental health and substance abuse treatment, and services for victims of domestic violence.

The budget represents a balanced approach, both in terms of revenues and expenditures, and with respect to savings and wise reinvestment. It focuses on reducing financial, social, and environmental costs in the future, while ensuring access to social services, health care, higher education, and justice systems. Spending is reasonable, with all new expenditures fully paid for from other budgetary savings and additional analytically-based revenue estimates. Based on revenue estimates of the Administration, the budget includes critical and responsible reinvestments and significant reserves. Overall, the budget is a fiscally responsible approach to continue rebuilding the state’s public programs.

Subcommittee No. 1 – Education

6100	Department of Education	6610	California State University
6120	California State Library	6870	California Community Colleges
6440	University of California	6980	California Student Aid Commission
6600	Hastings College of the Law		

Subcommittee No. 2 – Natural Resources, Environmental Protection, Energy and Transportation

0540	Secretary for Natural Resources	3820	San Francisco Bay Conservation and Development Commission
0521	Transportation Agency	3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy
0555	Secretary for Environmental Protection	3830	San Joaquin River Conservancy
2600	California Transportation Commission	3835	Baldwin Hills Conservancy
2660	Department of Transportation	3840	Delta Protection Commission
2665	High-Speed Rail Authority	3845	San Diego River Conservancy
2670	Board of Pilot Commissioners	3850	Coachella Valley Mountains Conservancy
2720	California Highway Patrol	3855	Sierra Nevada Conservancy
2740	Department of Motor Vehicles	3860	Department of Water Resources
3100	California Science Center and African American Museum	3875	Sacramento-San Joaquin Delta Conservancy
3340	California Conservation Corps	3885	Delta Stewardship Council
3360	California Energy Commission	3900	Air Resources Board
3460	Colorado River Board of California	3930	Department of Pesticide Regulation
3480	Department of Conservation	3940	State Water Resources Control Board
3540	Department of Forestry and Fire Protection	3960	Department of Toxic Substances Control
3560	State Lands Commission	3970	Department of Resources Recycling and Recovery
3600	Department of Fish and Wildlife	3980	Office of Environmental Health Hazard Assessment
3640	Wildlife Conservation Board	8570	Department of Food and Agriculture
3720	California Coastal Commission	8660	California Public Utilities Commission
3760	State Coastal Conservancy		
3780	Native American Heritage Commission		
3790	Department of Parks and Recreation		
3810	Santa Monica Mountains Conservancy		

Subcommittee No. 3 – Health and Human Services

0530	California Health and Human Services Agency	4265	Department of Public Health
0977	California Health Facility Financing Authority	4300	Department of Developmental Services
2240	Housing and Community Development	4560	Mental Health Services Oversight and Accountability Commission
4120	Emergency Medical Services Authority	4700	Department of Community Services and Development
4140	Office of Statewide Health Planning and Development	4800	California Health Benefit Exchange
4150	Department of Managed Health Care	5160	Department of Rehabilitation
4170	California Department of Aging	5175	Department of Child Support Services
4260	Department of Health Care Services	5180	Department of Social Services

Subcommittee No. 4 – State Administration and General Government

0509	Governor’s Office of Business and Economic Development	7502	Department of Technology
0650	Office of Planning and Research	7730	Franchise Tax Board
0690	Office of Emergency Services	7760	Department of General Services
0840	State Controller	7870	Victims Compensation and Government Claims Board
0845	Department of Insurance	8260	California Arts Council
0860	State Board of Equalization	8620	Fair Political Practices Commission
0890	Secretary of State	8800	Department of FISCAL
0950	State Treasurer’s Office	8820	Commission on the Status of Women and Girls
0950/0989	State Treasurer’s Boards, Commissions, and Authorities	8880	Department of Finance
1111	Department of Consumer Affairs – Board and Bureaus	8885	Commission on State Mandates
1700	Department of Fair Employment and Housing	8940	Military Department
1701	Department of Business Oversight	8955	Department of Veterans Affairs
2100	Alcoholic Beverage Control	9210	Local Government Financing
2240	Department of Housing and Community Development	9620	Payment of Interest on General Fund Loans
		Control Sections:	
		6.10	Funding for Deferred Maintenance Projects

Subcommittee No. 5 – Corrections, Public Safety, and the Judiciary

0250	Judicial Branch	7920	State Teachers' Retirement System
0280	Commission on Judicial Performance	8120	Commission on Peace Officer Standards and Training
0820	Department of Justice	8140	Office of the State Public Defender
4440	Department of State Hospitals	9650	Health and Dental Benefits for Annuitants
5225	Department of Corrections & Rehabilitation	9800	Augmentation for Employee Compensation
5227	Board of State and Community Corrections		
6645	CSU Health Benefits for Retired Annuitants		
7100	Employment Development Department		
7120	California Workforce Investment Board		
7320	Public Employment Relations Board		
7350	Department of Industrial Relations		
7501	Department of Human Resources		
7900	Public Employees' Retirement System		
			Control Sections:
		3.60	Contributions to Public Employee Retirement Benefits
		3.61	Contributions to Public Employee Retirement Benefits
		3.63	Augmentation for Contracts Impacted by Minimum Wage

SUBCOMMITTEE 1
ON
EDUCATION

Senate Committee on Budget and Fiscal Review

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SUBCOMMITTEE No. 1

EDUCATION

K-12

6100	Department of Education.....	1-1
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Higher Education

6120	California State Library	1-10
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6610	California State University	1-11
6600	Hastings College of Law	1-12
6870	California Community Colleges.....	1-12
6980	California Student Aid Commission	1-14

K-12 EDUCATION

6100 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

K-14 EDUCATION - PROPOSITION 98 OVERALL

The 2016 Budget Act includes adoption of the Governor's May Revision revenue estimates, which result in Proposition 98 funding at the Governor's May Revision funding levels for K-12 schools and community colleges (K-14 education), as illustrated below:

Budget Year	Proposition 98 Minimum Guarantee	Change from Estimated Guarantee as of June 2015	Applicable Proposition 98 Test ¹	K-12 Overall Per Pupil Expenditures ²
2014-15	\$67.1 billion	\$843 million increase	Test 1	\$9,875
2015-16	\$69.0 billion	\$641 million increase	Test 2	\$9,971
2016-17	\$71.9 billion	\$3.5 billion decrease	Test 3	\$10,480

Of the \$71.9 billion appropriated in 2016-17, \$63.0 billion (87.7 percent) funds K-12 education (including adult education); \$8 billion (10.8 percent) funds community colleges; \$975 million (1.4 percent) funds preschool and child care programs that are counted within Proposition 98; and \$82.6 million (one percent) funds other programs. The Governor's estimates of statewide average daily attendance were also adopted, including 5,966,068 K-12 pupils in 2016-17.

While maintenance factor payments are made as part of the Proposition 98 formula in 2014-15 and 2015-16, additional maintenance factor is created in 2016-17, resulting in approximately \$908 million in remaining maintenance factor obligation.

Proposition 98 Major Changes. The following significant investments in K-12 education were adopted:

DEBT REDUCTION

- **Mandates Backlog.** The budget appropriates \$1.4 billion to provide discretionary funds that will pay down the K-14 education mandates backlog. The backlog accumulated due to the state's earlier deferrals of the required payments, which reimburse local governments for new programs or higher levels of service that the state requires of them. (Of the total, \$1.2 billion is Proposition 98 one-

¹ In general, Test 1 is calculated based on a specified percent of General Fund revenues (currently around 38.1 percent).

Test 2 is calculated based on prior year funding, adjusted for changes in per capita personal income and attendance. Test 3 is calculated based on prior year funding, adjusted for changes in General Fund revenues, plus 0.5 percent and attendance.

² Figures do not include settle-up payments.

time funds and reappropriations, and \$194 million is from Proposition 98 settle-up payments.) It is the intent of the Legislature for the portion of these payments being provided to K-12 schools (\$1.28 billion) to be dedicated to supporting professional development and beginning teacher induction, and continuing implementation of the Common Core State Standards, the English Language Development Standards, and the Next Generation Science Standards. This builds on the approach of the budget acts of 2014 and 2015, which included \$450 million and \$3.8 billion respectively in K-14 mandates backlog payments.

LOCAL CONTROL FUNDING FORMULA (LCFF)

- **Appropriation of Funds.** The budget provides \$2.9 billion in additional resources from the General Fund for allocation through the LCFF to school districts and charter schools in 2016-17. This transition funding brings the formula to 96 percent of full implementation of school district and charter school LCFF targets. LCFF target funding levels were established in 2013-14 and are annually updated as each local education agency's (LEA's) target funding and the total overall LCFF full implementation amount are adjusted to reflect revised caseload estimates, demographics, and cost-of-living adjustments (COLAs). The transition funding provided in the 2014 Budget Act fully funded the county office of education (COE) LCFF targets.

Base workload adjustments were also provided to school districts, charter schools, and county offices of education to account for average daily attendance changes and COLAs across the three year period of 2014-15 through 2016-17. Adjustments to the LCFF base funding amount for school districts, charter schools, and county offices of education are continuously appropriated through existing statute.

OTHER MAJOR CHANGES

- **College Readiness Block Grant.** The budget includes \$200 million in one-time Proposition 98 funding for grants to LEAs with students in grades 9-12 who are low-income, English learner, or foster youth students. Funds are to be distributed on a per-pupil basis, with a minimum amount of \$75,000 for each LEA. LEAs may use these funds over a three-year period to provide additional opportunities and supports for students to increase their four-year college going rates, such as expansion of A-G course offerings, student and parent counseling, and advanced placement exam fees.
- **Charter School Start-Up Grants.** The budget includes \$20 million in one-time Proposition 98 funding to provide start-up grants for new charter schools. New charter schools may apply to the CDE for grants of up to \$575,000 for a classroom-based charter school and \$375,000 for a non-classroom-based charter school. These funds can be used for a variety of activities, including, but not limited to, purchasing instructional materials, supplies, furniture, professional development services curriculum and policy development, and facility and schoolsite preparation. These funds may only be disbursed after any carryover federal funding available for similar purposes, through the Public Charter Schools Grant Program, is fully exhausted.

- **Multi-Tiered Systems of Support.** The budget includes \$20 million in one-time Proposition 98 funding to be allocated to the Orange County Department of Education to provide grants to LEAs across the state for the purpose of funding services or practices aligned to the Multi-Tiered Systems of Support (MTSS) framework under development. These funds will build upon the \$10 million provided for the development of the statewide MTSS framework in the 2015-16 budget and allow for LEAs to create or expand local programs that implement MTSS strategies. Of the total funding, up to \$1 million may be used for administrative support of LEA grantees.
- **Proposition 47 and Truancy Reduction Funds.** The budget provides \$9.9 million in Proposition 47 Safe Neighborhoods and Schools Funds and an additional \$18 million in one-time Proposition 98 funding for dropout and truancy prevention programs to be allocated pursuant the formula determined through legislation adopted in the 2015-16 legislative year.
- **Safe Drinking Water in Schools.** The budget provides \$9.5 million in one-time Proposition 98 funding for the State Water Resources Control Board, in consultation with the Department of Education, to award grants to LEAs to improve access to, and quality of, drinking water in public schools.
- **Clean Energy Job Creation Fund.** The budget includes an increase of \$85.4 million to the Clean Energy Job Creation Fund as a result of estimated corporate tax savings designated for this purpose by Proposition 39. These funds will be used for energy efficiency projects at school districts, charter schools, and county offices of education.

TEACHER WORKFORCE CHANGES

- **Classified School Employees Credentialing Program.** The budget includes \$20 million in one-time Proposition 98 funding for grants to LEAs to provide opportunities for classified school employees to pursue a teaching credential. The Commission on Teacher Credentialing will administer the program and provide grants to LEAs that meet program requirements. Funds may be used over a five year period
- **Integrated Teacher Preparation Grant Program.** The budget includes \$10 million in one-time non-Proposition 98 General Fund for grants to post-secondary institutions for the creation or expansion of four-year integrated teacher preparation programs. The funding is designed to increase the number of students who receive their bachelor's degree and teaching credential concurrently within a four-year program. The Commission on Teacher Credentialing will administer the program and report on integrated programs and the numbers and types of credentials produced through the programs.
- **California Center on Teaching Careers.** The budget includes \$5 million in one-time Proposition 98 funding for the Commission on Teacher Credentialing to contract with an LEA to recruit additional teachers into the profession, including new teachers, former teachers, and teachers from out of state. The recruitment efforts will particularly focus on recruiting individuals in shortage areas of math, science, special education, and bilingual education.

OTHER LCFF ACCOUNTABILITY-RELATED CHANGES

- **State Accountability Support.** The budget provides \$29.6 million in one-time Proposition 98 funds for the California Collaborative on Educational Excellence (CCEE) (\$24 million in one-time 2015-16 funds and \$5.6 in reappropriated Proposition 98 funding) to conduct statewide training for all LEAs and education stakeholders on the evaluation rubrics, currently under development by the State Board of Education, and their use to inform development of local control and accountability plans, with a focus on improving student outcomes and closing the achievement gap. At least \$20 million of the total is to be used for the statewide training activities. Up to \$9.6 million of the remaining funds may be used to support a pilot program for the CCEE to assist LEAs in improving pupil outcomes. Finally, the process for referral of an LEA to the CCEE is amended to specify the CCEE shall consult with the Superintendent when accepting requests or referrals of LEAs for technical assistance.
- **LCFF Evaluation Rubric Implementation.** The budget provides \$500,000 annually for three years for support and development of evaluation rubrics and the School Accountability Report Card through a contract between the CDE and the San Joaquin County Office of Education.
- **Accountability Measures.** The budget includes language to extend the authority of the Superintendent of Public Instruction, with approval of the State Board of Education, to suspend calculation of the Academic Performance Index for the 2015-16 fiscal year.
- **Charter School Local Control and Accountability Plans.** The budget includes language clarifying that charter schools are required to annually complete a local control and accountability plan and annual update.

EARLY CHILDHOOD CARE AND EDUCATION PROGRAMS

Overall, the 2016 Budget Act provides \$3.7 billion (\$1.7 billion Proposition 98 General Fund; \$1 billion General Fund; \$1 billion federal funds) for child care, state preschool, and transitional kindergarten programs. The budget reflects a multi-year investment for child care and early learning, which grows to a total of \$527 million by 2019-20, for increases in child care provider rates and an additional 8,877 full-day state preschool slots (around 3,000 slots annually). In the budget year, augmentations total approximately \$145.3 million (\$51.5 million Proposition 98 General Fund, \$93.8 million General Fund). For out-year costs, please see table below:

2016 Budget Act – Total Cost of Augmentations

	2016-17 (in millions)	2017-18 (in millions)	2018-19 (in millions)	2019-2020 (in millions)
General Fund (on-going)	\$76.202	\$152.40	\$317.00	\$317.00
General Fund (one-time)	\$17.632*	\$35.265		
Proposition 98 (on-going)	\$51.505	\$126.959	\$183.049	\$210.00
Total	\$145.339	\$314.624	\$500.049	\$527.00

* Hold harmless funding to ensure all provider benefit equally from the rate increases.

The multi-year plan coincides with the state's minimum wage statutes, which will be effect by 2021. Notable investments include:

- **California State Preschool Program (CSPP).** State preschool provides part-day or full-day care and education for low-income three and four-year-old children. The budget provides \$480 million for part-day state preschool and \$591 million for full-day care. In addition, the budget provides an increase of 2,959 full-day slots to LEAs, effective March 1, 2017 (\$8.0 million Proposition 98 General Fund).
- **Child Care.** The budget provides approximately \$1.1 billion for CalWORKs child care, specifically: \$413 million for Stage 1, \$445 million for Stage 2, and \$287 million for Stage 3. In addition, the budget includes \$624 million for non-CalWORKs child care programs, such as: general child care (\$324 million), Alternative Payment Program (\$267 million), migrant child care (\$31 million), and care for children with severe disabilities (\$2 million).
- **Reimbursement Rates.** The budget provides the following increases to the standard reimbursement rate (used to reimburse providers that contract with the State Department of Education); regional market rate (used to pay providers that accept vouchers), and license-exempt rate:
 - **Standard Reimbursement Rate (SRR).** Effective January 1, 2017, provides a ten percent increase to the SRR (\$44 million Proposition 98 General Fund, \$24 million other funds).
 - **Regional Market Rate (RMR).** Between January 1, 2017, and June 30, 2018, establishes the RMR, which is the reimbursement for providers who accept vouchers, at the greater of: (a) the 75th percentile of the 2014 survey; or (b) 104.5 percent of the 85th percentile of the 2009 survey (deficited by 10.11 percent); 104.5 percent of the 85th percentile of the 2005 survey.
 - **License-exempt rate.** Effective January 1, 2017, increases, from 65 percent to 70 percent of the family child care home rate, the reimbursement to license-exempt child care providers.
- **Preschool Quality Rating Improvement System (QRIS).** The budget continues its investment of \$50 million General Fund for the Quality Rating and Improvement System (QRIS) consortia to support quality improvements for child care providers.
- **Income eligibility.** Trailer bill language establishes the income eligibility threshold for families to qualify for subsidized child care at 70 percent of the state median income in 2007.
- **“Blue Ribbon Commission.”** Trailer bill language specifies a plan to establish a commission to improve services for children birth to age three, and explore options for providing pre-kindergarten to all four year olds.
- **Legislative intent.** Trailer bill language declares legislative intent to reimburse child care providers at the 85th percentile of the most recent RMR; to update to the most recent RMR ceiling, based on available funding; and to increase the RMR ceilings, through the 2018-19 fiscal year, to reflect increased costs to providers, as a result of state minimum wage increases.

OTHER ISSUES

- **K-12 High-Speed Network.** The budget provides a total of \$8 million (\$4.5 million in ongoing Proposition 98 funds and \$3.5 million in one-time Proposition 98 funding) for the operations of the K-12 High Speed Network (HSN). Combined with expenditure authority provided for the use of K-12 HSN reserves and funds from internet subsidy reimbursements, the total expenditure authority for the K-12 HSN in 2016-17 is \$22 million. The budget also requires that the Department of Education provide three-quarters of the state's funding for the K-12 HSN by August of each year. In addition, the K-12 HSN is required to provide additional reporting on E-rate and California Teleconnect Fund subsidies received as a result of network connectivity grants and expenditure of these funds is subject to approval by the Department of Finance with notification to the Joint Legislative Budget Committee.
- **Statewide Student Assessments.** The budget includes a decrease of \$12.6 million (\$3.7 million increase in federal funds and \$16.2 million decrease in Proposition 98 funds) in funding for contracts for statewide assessments, including the California Assessment of Student Performance and Progress and other assessments, such as the English Language Proficiency Assessment for California. In total, \$134.3 million is provided for statewide assessment contracts in 2016-17 (\$24.1 million in federal funds and \$110.2 million in Proposition 98 funds).
- **California School Information Services Program.** The budget provides \$6.6 million in one-time Proposition 98 funding for the California School Information Services program.
- **School Breakfast Start-up Grants.** The budget provides \$2 million in one-time Proposition 98 funding for providing school breakfast program startup grants in the 2017-18 and 2018-19 fiscal years.
- **State Special Schools Deferred Maintenance.** The budget provides \$4 million in one-time non-Proposition 98 General Fund for deferred maintenance projects at the state special schools. The budget also included language requiring the state special schools to use \$1.8 million of their existing operations budget to address the deferred maintenance backlog.
- **State Special Schools Capital Outlay.** The budget provides \$1.7 million in non-Proposition 98 General Fund for the construction of a new middle school activity center at the California School for the Deaf in Fremont.
- **Special Olympics.** The budget provides \$1 million in one-time Proposition 98 funding to the Los Angeles County Office of Education (LACOE) to contract with Special Olympics of Northern and Southern California to expand the Special Olympic Unified Strategy for Schools.
- **Next Generation Science Standards Implementation.** The budget includes \$3.5 million ongoing Proposition 98 funds for the San Francisco Unified School District to contract with the Exploratorium to provide statewide professional development and resources for the implementation of the Next Generation Science Standards.

- **Student Friendly Services Website.** The budget includes an additional \$1.5 million in ongoing Proposition 98 funding for the Student Friendly Services Website, bringing total ongoing funding for the website to \$2 million. The funds will be used to support online tools for college planning and preparation services for students and their families, teachers, counselors, and administrators.
- **Career Technical Education Incentive Grant.** The budget includes flexibility for the Superintendent of Public Instruction in allocating funding to LEAs for the Career Technical Education Incentive Grant and allows the Department of Education to determine if grantees met local match requirements and reduce funding allocations, if necessary. The budget also provides \$7.8 million in one-time Proposition 98 funding for the Career Technical Education Incentive Grant Program. This is a technical adjustment and does not change the total amount of funding provided for this program for use in 2016-17 (\$300 million).
- **Special Education Property Tax Adjustments.** The budget includes two adjustments for special education programs based on potential property tax changes. First, the budget provides authority for the appropriation of Proposition 98 General Fund for support of special education programs if the amount of property taxes provided for this purpose from the dissolution of redevelopment agencies is less than the estimated amount reflected in the Budget Act of 2016. Second, the budget appropriates up to \$27.4 million in one-time Proposition 98 funds for support of special education programs to backfill for a reduction in property taxes provided for this purpose related to the elimination of the Triple Flip.
- **Growth and Cost-of-Living Adjustments.** The budget includes \$5.4 million in growth adjustments for the special education, preschool, child nutrition programs; and the charter school, school district and county office of education LCFE ADA changes. This budget does not include an adjustment for a COLA to reflect a zero percent COLA estimate.
- **Foster Youth Services.** The budget provides an allocation formula for the Foster Youth Services Coordinating Program funds commencing in 2016-17, that includes a base grant \$75,000 for each participating county office of education, with the formula allocating 70 percent of funds based on the number of foster youth in the county and 30 percent based on the number of school districts. Ongoing funding for the program was provided in the 2015-16 budget act.
- **Standardized Account Code Structure.** The budget provides \$3 million in one-time Proposition 98 funding for the Department of Education to contract with an LEA to initialize development of a new Standardized Account Code Structure (SACS) system. SACS is the system that the state uses to collect and report financial data from school districts, county offices of education, and some charter schools.

K-12 FEDERAL FUNDS ADJUSTMENTS

- **Mathematics Readiness Challenge Program.** The budget provides \$6.4 million in federal Title II carryover funding for partnerships between LEAs and postsecondary institutions for activities designed to reduce mathematics remediation rates at California state universities. Under this program, the Department of Education would award five grants to regional partnerships to

implement unique mathematics readiness programs and share the materials, curriculum, and outcome data with other institutions in the state.

- **Public Charter Schools Grant Program.** The budget provides \$34.5 million in federal carryover authority for the Public Charter Schools Grant Program. These funds are available for grants to new charter schools for start-up operations. The state received a five-year grant in 2010 and the remaining funds have been reappropriated since the end of the grant. Additional state funding for new charter schools is available in 2016-17, but only after these remaining grants funds are exhausted.
- **English Language Acquisition Professional Development.** The budget provides \$1.2 million in federal Title III carryover for a professional development video series and to update the English learner guidance publication.
- **National School Lunch Program.** The budget includes \$2.7 million in one-time federal funds to provide grants for school districts to purchase food serve equipment.

CDE STATE OPERATIONS ISSUES

The budget provides total state operations funding of \$358 million, and authority for 2,447 positions for CDE headquarters and the state special schools. Major changes to CDE operations in 2016-17 are described below:

- **DJ v. California Settlement.** The budget provides \$423,000 in ongoing General Fund for CDE to comply with a 2015 settlement agreement related to the collection and use of English learner data. These funds will support three education program consultant positions at CDE for the purpose of training LEA personnel on data entry and program requirements, conducting monitoring, expanding the current collections system and providing these LEAs with technical assistance in order to resolve issues raised by the lawsuit.
- **Instructional Quality Commission.** The budget provides \$362,000 in one-time General Fund to support curriculum framework activities of the Instructional Quality Commission. These funds will be used for the science and health curriculum frameworks under development in the 2016-17 fiscal year.
- **Language Development Advisory Committee.** The budget provides \$254,000 in ongoing General Fund for CDE to establish an advisory committee to help select language development assessments for children who are deaf or hard of hearing, aged birth to five and to provide ongoing technical assistance to LEAs in implementing these assessments, pursuant to SB 210 (Galgiani), Chapter 652, statutes of 2015.
- **State Accountability Support.** The budget provides \$251,000 in General Fund, annually for three years, to support two existing positions to continue the development, implementation, and maintenance of the state and federal accountability systems.

- **Dyslexia Support.** The budget provides \$207,000 in General Fund (\$140,000 ongoing and \$67,000 one-time) for CDE to develop program guidelines to assist teachers and parents in supporting students with dyslexia and provide ongoing technical assistance to LEAs in implementing these guidelines, pursuant to AB 1369, (Frazier) Chapter 647, Statutes of 2015.
- **Uniform Complaint Procedures.** The budget provides \$200,000 in one-time General Fund to support the CDE's workload related to the review of Uniform Complaint Procedure appeals for civil rights, physical education, lactation accommodations, foster and homeless youth rights, and courses without educational content.
- **Child and Adult Care Food Program.** The budget provides \$194,000 in ongoing federal funds for the CDE to undertake additional technical assistance and monitoring, as more agencies are participating in the at-risk afterschool meals component of Child and Adult Care Food Program. The budget also provides \$100,000 in federal funds, annually for two years, for CDE to provide training and assistance to agencies that are operating Child and Adult Care Food Programs and still implementing changes required by the federal Healthy and Hunger Free Kids Act (2010).
- **Health Framework: Sexual Abuse/Trafficking Prevention Education.** The budget reappropriates \$135,000 in one-time General Fund, originally provided in 2015-16, for CDE to develop a sex trafficking and sexual abuse section for potential inclusion in the next version of the state's health curriculum framework, pursuant to SB 1165 (Mitchell), Chapter 713, Statutes of 2014.

K-12 Education Budget Trailer Bills

1. *K-12 Education Omnibus – SB 828 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2016.*
2. *Education Clean-Up – AB 1624 (Committee on Budget), Chapter 319, Statutes of 2016.*

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY (CSL)

The 2016 Budget Act includes both ongoing and one-time funding for the state's efforts in preserving California's heritage and connecting people, libraries, and government resources and tools, including:

- **Library Innovation.** The budget provides an increase of \$4.8 million General Fund (\$1.8 million ongoing) for innovations in local library services through the California Library Services Act. Trailer bill language amends the act to allow libraries to expand the ways they use and share digital materials.
- **Additional Augmentations.** The 2016 Budget Act includes \$1 million one-time General Fund for California Historical Society, and \$1 million one-time General Fund for the Civil Liberties program.

The budget includes \$56,000 General Fund to provide additional funds for estimated increases in rent and facilities costs at the State Library's 900 N Street building in Sacramento, and \$505,000 General Fund to support additional costs of publications, database subscriptions, and other resources.

6440 UNIVERSITY OF CALIFORNIA (UC)

The 2016 Budget Act provides \$143.9 million General Fund in new ongoing funding over the 2015-16 year - this is \$18.5 million above the Administration's January proposal. Budget bill language states the additional \$18.5 million General Fund will be released if UC increases California resident enrollment by 2,500 undergraduate students by 2017-18, and the UC Board of Regents adopts a policy capping nonresident undergraduate enrollment. Other proposals incorporated into the budget include:

- **UC Admission of California Residents.** The budget includes trailer bill language that specifies as a condition of receiving funds in the 2016 Budget Act, UC approve a plan and timeline, beginning in the 2016-17 academic year, to increase the number of California resident freshman admits who meet admission requirements, at each campus, including students who are enrolled in high schools with seventy-five percent or more unduplicated pupils, and expand services and resources to students who enroll at UC from these schools.
- **Student Support Services.** The budget includes \$20 million one-time General Fund for student outreach and student support services for low-income and underrepresented minority students, including students who were enrolled in high schools with seventy-five percent or more unduplicated pupils.

- **Firearm Violence Research Center.** The budget includes \$5 million one-time General Fund over five years to establish a firearm violence research center at UC. Trailer bill language specifies research include, but not be limited to, the effectiveness of existing policies and laws, and efforts to promote the responsible ownership and use of firearms.
- **A-G Courses.** The budget provides \$4 million one-time General Fund to support the UC Scout program to provide California students and teachers free A-G course materials aligned to California state standards.
- **UC Innovation and Entrepreneurship program.** The budget provides \$22 million one-time General Fund for the UC Innovation and Entrepreneurship program. Budget bill language specifies that funding distribution and program details will be determined in Assembly Bill 2664 (Irwin).
- **Equal Employment Opportunity.** The budget includes \$2 million in one-time General Fund to support equal employment opportunity activities, along with budget bill language to require reporting on faculty diversity and how funding was spent.
- **Deferred Maintenance.** The budget provides \$35 million one-time General Fund for UC to address deferred maintenance needs.
- **Reports.** The budget requires UC to report to the Legislature, by March 1, 2017, regarding policy and budget changes necessary to meet specified baccalaureate attainment goals. Additionally, the budget requires UC to report any changes to policies and procedures related to outside employment activities by university executives or senior management, by January 31, 2017.
- **Additional Augmentations.** The budget provides \$500,000 on a one-time basis for the Underground Scholars Initiative at the Berkeley campus. The budget also includes \$2 million on a one-time basis for grants administered by the Wildlife Health Center at the Davis campus to local marine mammal stranding networks, and \$100,000 on a one-time basis for grants administered by the Wildlife Health Center at the Davis campus for large whale entanglement response.

6610 CALIFORNIA STATE UNIVERSITY (CSU)

The budget provides an increase of \$148.3 million ongoing General Fund to continue the state's reinvestment in the CSU. This is \$12.5 million above the Governor's budget, for a total increase of \$160.8 million ongoing General Fund above 2015-16. The \$12.5 million will be used to increase enrollment by at least 5,194 new full-time enrollment students, or a 1.4 percent enrollment increase above 2015-16. Other proposals incorporated in the budget include:

- **Plans to Improve Graduation Rates.** The budget includes \$35 million one-time General Fund for CSU, contingent upon the adoption of a plan to increase systemwide and campus four-year graduation rates for freshman, and two-year graduation rates for transfer students, and set specific improvement targets for underrepresented students and first-generation college students. Funds will

be used for activities related to the CSU Graduation Initiative and overall policies to increase two-year and four year graduation rates.

- **Deferred Maintenance.** The budget includes \$35 million one-time General Fund for CSU to address deferred maintenance needs.
- **Equal Employment Opportunity.** The budget provides \$2 million in one-time General Fund to support equal employment opportunity activities and budget bill language to require reporting on faculty diversity and how funding was spent.
- **Reports.** The budget requires CSU to report to the Legislature, by March 1, 2017, regarding policy and budget changes necessary to meet specified baccalaureate attainment goals. Additionally, the budget requires CSU to report any changes to policies and procedures related to outside employment activities by university executives or senior management, by January 31, 2017
- **Additional Augmentations.** The budget provides an additional \$15 million one-time General Fund for use as determined by the CSU Trustees, and \$20,000 General Fund for the Center for California Studies Sacramento Semester Program. Additionally, the budget provides an increase of \$1.1 million General Fund ongoing for support of the CSU Student Network, which is administered by the Education Insights Center at CSU Sacramento.

6600 HASTINGS COLLEGE OF LAW

The 2016 Budget Act provides \$1 million ongoing General Fund to increase Hastings base budget. Additionally, the budget includes an increase of \$18.75 million in lease-revenue bond financing for the design-build phase of the academic building replacement project, bringing total project costs to \$55.6 million lease-revenue bond financing. The budget includes \$2 million one-time General Fund to address Hastings' deferred maintenance needs.

6870 CALIFORNIA COMMUNITY COLLEGES (CCC)

The budget provides \$200 million Proposition 98 General Fund to establish the Strong Workforce Program, which will enable community college districts to expand access to career technical education (CTE) courses. Trailer bill language requires 40 percent of funds to be distributed to the CTE Regional Consortia, and 60 percent of funds to be distributed directly to community college districts. Funding will be based on a formula that includes the local unemployment rate, the region's proportion of CTE full-time-equivalent students, projected job openings, and proportion of successful workforce outcomes. Other proposals incorporated in the budget include:

- **California Community College (CCC) Enrollment.** The budget provides \$115 million Proposition 98 General Fund to reflect a two percent CCC enrollment growth (an additional 23,000 full-time equivalent students or 50,000 students by headcount).

- **Career Pathways Program.** Trailer bill language extends the sunset date for the Career Technical Education Pathways Program for one year, from June 30, 2016 to July 1, 2017 with \$48 million one-time Proposition 98 funds.
- **Basic Skills.** The budget provides \$30 million one-time Proposition 98 General Fund for the Basic Skills Transformation grants. Trailer bill language requires that in 2017-18, these funds will be allocated as part of a revised Student Success for Basic Skills Program that focuses on implementing practices that increase students' transition to college-level courses.
- **Base Apportionment.** The budget provides \$75 million ongoing Proposition 98 General Fund to increase the base apportionment in recognition of increased operating expenses in the areas of facilities, retirement benefits, professional development, full-time faculty, and other general expenses.
- **Innovation Awards.** The budget includes \$25 million in one-time Proposition 98 General Fund for the Innovation Awards that focus on innovations in curriculum and instruction, assessment of prior learning and experiences, and access to financial aid.
- **College Promise Innovation Grants.** The budget provides \$15 million one-time Proposition 98 General Fund to provide California College Promise Innovation Grants.
- **Online Education.** The budget includes \$20 million one-time Proposition 98 General Fund to expedite and enhance the development of online education available through the online course exchange of the Online Education Initiative.
- **Institutional Effectiveness Partnership Initiative.** The budget provides \$10 million Proposition 98 General Fund to support the initiative and requires a report on division activities.
- **Telecommunications and Data Security.** The budget provides an increase of \$15 million Proposition 98 General Fund, of which \$7 million is one-time to enhance network infrastructure across community college campuses.
- **Zero-Textbook-Cost Degree Program.** The budget provides \$5 million one-time Proposition 98 General Fund to support the Zero-Textbook-Cost Degree program, which will provide \$200,000 per degree developed by colleges, with a goal of reducing the cost of instructional materials for students.
- **Inmate Education.** The budget provides \$3 million Proposition 98 General Fund to support digital course content for inmates. Additionally, the budget provided \$2.5 million one-time GF to support the Chancellor's Office inmate education coordinator office, which supports inmate education partnerships between community colleges and Department of Corrections and Rehabilitation facilities.
- **Categorical Programs.** The budget provides an increase of \$14.7 million Proposition 98 General Fund to restore student services for CalWORKs recipients, part-time faculty office hours, and Fund for Student Success categorical programs to pre-recession funding levels.

- **Equal Employment Opportunity.** The budget includes an increase of \$2.3 million Employment Opportunity Fund and \$2 million Proposition 98 General Fund to promote equal employment opportunities in hiring and promotion at community college districts.
- **Academic Senate.** The budget provides an increase of \$300,000 Proposition 98 General Fund for the Academic Senate of the California Community Colleges.
- **CCC Deferred Maintenance.** The budget includes an increase of \$184.6 million one-time Proposition 98 General Fund to address deferred maintenance needs at community colleges.
- **Mandates Debt Repayment.** The budget includes an increase of \$106 million one-time Proposition 98 General Fund to pay for outstanding mandate debt on a per full-time equivalent student basis to reduce mandate debt while providing districts with one-time discretionary funding for local priorities.
- **Proposition 39.** The budget increases the amount of energy efficiency funds available to colleges to \$49.3 million to reflect increased revenue estimates.
- **Financial Aid.** The budget augments funding for the Student Financial Aid Administration program by \$2.5 million Proposition 98 to support student outreach and marketing efforts. Budget bill language requires the additional funds to be allocated to expand outreach for students from non-English speaking households and bilingual households, marketing and outreach aimed at baccalaureate degree pilot programs, and marketing and outreach aimed at increasing current and future student awareness of the Board of Governors Fee Waiver program. Additionally, the budget increases the Full-Time Student Success Grant by \$2.2 million Proposition 98 General Fund to include Cal Grant C students in the program.
- **City College of San Francisco.** The budget includes trailer bill language to provide City College of San Francisco with five years of restoration enrollment by authorizing the college to earn back enrollment funding for five years, beginning in 2017-18, if the college exceeds the systemwide enrollment target during this period.
- **Adult Education.** Trailer bill language provides \$5 million Proposition 98 General Fund to support technical assistance to adult educational regional consortia. The trailer bill also requires the Chancellor and Superintendent of Public Instruction to report, no later than August 1, 2017, on options for integrating the adult education assessments into the common assessment system developed by the community colleges, and extends the annual reporting on adult education outcomes to a two-part report due on October 30th and January 1st of each year.

6980 CALIFORNIA STUDENT AID COMMISSION

The budget approves an increase of \$396,000 General Fund on a one-time basis for planning for the procurement of a new grant delivery system, and an increase of \$2 million General Fund for security

upgrades to the existing grant delivery system. Of this amount, \$526,000 is provided on an ongoing basis and \$1,445,000 is provided on a one-time basis.

- **College Access Tax Credit Fund.** The budget provides an increase of \$3.2 million, for a total of \$5.1 million, to reflect available resources in the College Access Tax Credit Fund. This additional funding allows the commission to make a supplemental award of \$22 to each student who receives a Cal Grant B access award.
- **Middle Class Scholarship.** Trailer bill language adjusts the statutory appropriation for the middle class scholarship in 2016-17, and beyond with a \$42 million General Fund decrease. Funds available in 2016-17 will be \$74 million; with the allocation growing to \$117 million.
- **Debt Free College Education.** The budget includes supplemental reporting language requiring the Legislative Analyst's Office to review California financial aid programs, including options to phase-in financial aid increases to reduce and eliminate low and middle-income students' dependence on student debt to attend college, and report to the Legislature by January 1, 2017, on its findings.

Higher Education Budget Trailer Bills

1. *Higher Education Omnibus – AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016.*
2. *Education Clean Up – AB 1624 (Committee on Budget), Chapter 319, Statutes of 2016.*

SUBCOMMITTEE 2
ON
NATURAL RESOURCES,
ENVIRONMENTAL
PROTECTION, ENERGY
AND TRANSPORTATION

Senate Committee on Budget and Fiscal Review

Members

Lois Wolk, Chair

Jim Nielsen

Fran Pavley

Consultants

Farra Bracht

Catherine Freeman

SUBCOMMITTEE No. 2

NATURAL RESOURCES, ENVIRONMENTAL PROTECTION, ENERGY and TRANSPORTATION

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CAP-AND-TRADE

EXPENDITURES

The budget appropriates \$900 million for various programs designed to reduce greenhouse gas emissions in the transportation, environmental protection and resources program sectors.

- **Urban Greening.** Provides \$80 million for urban greening projects.
- **Transformative Communities.** The budget provides \$140 million, contingent upon the enactment of AB 2722 (Burke), Chapter 371, Statutes of 2016, for transformative climate communities.
- **Disadvantaged Communities.** The budget provides \$2 million for outreach to disadvantaged communities.
- **Transit and Intercity Rail.** The budget provides \$135 million for the Transit and Intercity Rail Capital Program at the Department of Transportation.
- **Active Transportation.** The budget provides \$10 million for the Active Transportation Program.
- **Healthy Forests.** The budget provides \$25 million for healthy forest programs, including fuels treatment, pest and diseased tree removal, and long-term protection of forested lands. Of this amount, \$3 million is for partnership with the California Conservation Corps.
- **Urban Forestry.** The budget provides \$15 million for urban forestry programs.
- **Vehicle Emissions Reduction Programs.** The budget provides \$133 million for the Clean Vehicle Rebate Program; \$80 million for the Enhanced Fleet Modernization Program Plus-Up Pilot Project and other specified light-duty equity pilot projects; and, \$150 million for heavy duty vehicles and off-road equipment investments.
- **Short-Lived Climate Programs.** The budget provides \$95 million to the Air Resources Board for grants or loans to reduce short-lived climate pollutants, of which \$40 million is for methane emission reductions from landfills in coordination with the Department of Resources Recycling and Recovery, \$50 million for methane emission reductions from dairy and livestock programs, and \$5 million for black carbon woodsmoke programs.
- **Energy Efficiency and Weatherization.** The budget provides \$20 million to the Department of Community Services and Development for energy efficiency upgrades and weatherization programs.
- **Water Efficiency.** The budget provides \$7.5 million for the State Water Efficiency and Enhancement Program.

- **Healthy Soils.** The budget provides \$7.5 million for the Healthy Soils Program.

TRAILER BILL LANGUAGE

SB 839 (Committee on Budget and Fiscal Review), Chapter 340, Statutes of 2016, provides guidance to the cap-and-trade expenditure programs including the following:

- **Clean Vehicles.** Effective November 1, 2016, makes changes to the eligibility criteria for vehicle rebates offered by the Clean Vehicle Rebate Project in the following manner:
 - Reduces the maximum income eligibility levels to qualify for rebates to \$150,000 for single filers, \$204,000 for head-of-household filers, and \$300,000 for joint filers;
 - Restricts rebates offered to plug-in hybrid electric vehicles to those that have an electric-only range of over 20 miles;
 - Exempts fuel-cell electric cars rebates from the new income cap; and,
 - Repeals the above provisions on June 30, 2017.
- **Short-Lived Climate Pollutants (Dairy).** Requires a grantee of Greenhouse Gas Reduction Funds (GGRF) for dairy programs to determine and mitigate impacts of investments of a proposed project on pollution, toxic air containments, groundwater and surface water impacts, truck traffic, and odor.
- **Biomass Procurement.** Requires retail sellers of electricity to purchase a total of 125 megawatts of power from biomass facilities that generate electricity from forest materials removed from specific high fire hazard zones, as designated by CalFire in the Governor's Proclamation of a State of Emergency issued October 30, 2015.
- **Forest Health.** Stipulates that GGRF grant funding for forest projects shall reduce greenhouse gas emissions and improve forest health, with priority given to projects that promote long-term forest management goals.
- **Urban Greening.** Establishes an urban greening program to support the development of sustainable communities. Under this program, the Secretary of the Natural Resources Agency awards GGRF funding to local governments and non-profits to develop greening projects, such as park expansions. At least 75 percent of the funding allocated by this program must be awarded to disadvantaged communities.
- **Healthy Soils.** Establishes a "Healthy Soils Program," which funds farmer demonstration projects that achieves greenhouse gas reductions through increasing soil organic matter and improving soil structure.
- **Environmental Farming.** Expands the membership and scope of the Scientific Advisory Panel on Environmental Farming.

- **Eligibility.** Clarifies that Native American tribes are among the entities to participate in and benefit from statewide efforts to reduce greenhouse gas emissions, and can receive programmatic funding for that purpose; and clarifies the role of a trustee of public lands.
- **Accounting.** Requires the California State Air Board to develop a standardized emissions greenhouse gas emissions inventory for natural and working lands and a framework for accounting for emission reductions from forests.
- **Recycling.** Expands and clarifies the definition of eligible uses for the Greenhouse Gas Reduction Revolving Loan program operated by CalRecycle.

Cap-and-Trade Budget and Trailer Bills

1. *Budget Bill – AB 1613 (Committee on Budget), Chapter 370, Statutes of 2016.*
2. *Trailer Bill – SB 859 (Committee on Budget and Fiscal Review), Chapter 368, Statutes of 2016.*

NATURAL RESOURCES

0540 SECRETARY FOR NATURAL RESOURCES AND CROSS-CUTTING ISSUES

The Secretary for Natural Resources oversees departments within the Natural Resources Agency. Proposals this year focused on administration of the Environmental License Plate Fund, management of forested areas, and continued allocation of bond funding for water projects.

- Environmental License Plate Fund.** The budget includes \$38.8 million in expenditures based on an estimated \$42 million in revenues. After required transfers to the Motor Vehicle Account (\$2.4 million), the amount available for expenditure is \$39 million. The figure below outlines the Environmental License Plate Fund (ELPF) expenditure allocations for the current year and budget year. Trailer bill language requires the department to collect a permit application fee for processing permits under the California Endangered Species Act (CESA). The fee includes a graduated fee schedule based on the cost of the project and exempts certain habitat mitigation and timber harvest projects.

**Environmental License Plate Fund Shortfall Solution
2016-17 Expenditure Plan
(Dollars in Thousands)**

Function	2014-15 (Final)	2015-16 (Estimated)	2016-17 (Estimated)
Department of Fish and Wildlife	\$15,511	\$9,762	\$15,652
Conservancies	\$9,556	\$11,492	\$10,720
Secretary for Natural Resources	\$3,419	\$3,788	\$4,299
Natural Resource Agency Departments	\$4,651	\$5,429	\$4,396
Tahoe Regional Planning Agency	\$3,998	\$3,998	\$0
Department of Parks and Recreation	\$2,713	\$0	\$0
Cal-EPA boards and Departments	\$1,242	\$1,479	\$1,471
Department of Education	\$403	\$410	\$410
Total	\$41,493	\$36,358	\$36,948

- Proposition 1 Statewide Obligations Pot.** The budget includes \$465 million for various programs identified in Proposition 1 under the statewide obligations pot. Trailer bill language requires annual reporting on Proposition 1. The budget does not include \$20 million for Lake Tahoe projects approved by the Senate but ultimately not included in the final budget package. See figure below for final budget allocations to various programs.

Proposition 1 Statewide Obligations Funding
2016-17 (Dollars in Millions)

Activity	Amount
Klamath River Hydroelectric Settlement	\$250
Central Valley Project Improvement Act	90
Salton Sea Restoration Act	80
San Joaquin River Restoration Agreement	45
Total	\$465

- **River Parkways, Urban Greening and Urban Streams.** The budget appropriates the remaining funds for the river parkways, urban greening and urban streams programs, a total of \$5.6 million (Proposition 12), and extends funding (\$140,000) and authority for a position for five years to manage the grants associated with these programs.
- **Implementation of SB 630 (Bi-State Regional Compact).** The budget allocates \$950,000 to be drawn from the Lake Tahoe Science and Lake Improvement Account to implement SB 630 (Pavley), Chapter 762, Statutes of 2013, as follows: (1) \$150,000 to the Secretary for Natural Resources for the bi-state science-based advisory council; (2) \$400,000 to the Tahoe Conservancy for aquatic invasive species projects and improved public access to sovereign lands; and, (3) \$400,000 to the State Water Board, for the Lahontan Regional Water Quality Control Board, for near shore monitoring of water quality in Lake Tahoe.
- **Implementation of AB 142 (Bigelow), Chapter 661, Statutes of 2015.** The budget includes \$125,000 Environmental License Plate Fund (ELPF) to hire a contractor to compile and submit a report to the Governor and the Legislature, by December 31, 2017, that analyzes the suitability or non-suitability of certain sections of the Mokelumne River for state wild and scenic river designation. Pursuant to AB 142, the Upper Mokelumne Watershed Authority will reimburse the state \$125,000 for the study.
- **Timber Regulation and Forest Restoration Public Process and Technical Support.** The budget makes ongoing \$230,000 (Timber Regulation and Forest Restoration Fund) to support public involvement processes, technical assistance, and scientific guidance (funds were previously a limited-term pilot project). Trailer bill language permits a reasonable per diem compensation to persons, other than public agency staff, who are serving on program advisory committees or working groups.
- **River Parkways and Cultural and Historical Endowment Reappropriation.** The state is currently providing statewide oversight and administering grant programs for propositions 12, 13, 40, 50, 84 and 1. The budget reappropriates the remaining balances of appropriations from the River Parkways and the California Cultural and Historical Endowment programs within these bond measures so that ongoing projects can be completed and so that the remaining funds can be awarded.

- **San Joaquin River Settlement (Proposition 84) and Fish Hatchery Expansion.** The budget includes \$32.5 million (Proposition 84) for implementation of the San Joaquin River Restoration Settlement, of which \$15.9 million will be used for the construction of a fish hatchery, and \$16.5 million will be used to reimburse the Department of Water Resources and Department of Fish and Wildlife for work across all aspects of the San Joaquin River Restoration Project.

3100 CALIFORNIA SCIENCE CENTER AND AFRICAN AMERICAN MUSEUM

- **Bathroom and Drinking Fountain Renovations at the California African American Museum (CAAM).** The budget includes \$275,000 (Exposition Park Improvement Fund [EPIF]) that will provide funding for the complete and comprehensive renovation of four bathrooms and the replacement of the two wall-mounted drinking fountains inside the CAAM building both for employees and guests.
- **Deferred Maintenance and Exhibit and Art Storage.** The budget includes \$2 million (General Fund) to provide deferred maintenance and to improve exhibit and art storage at CAAM.
- **Phase III Science Center.** The budget includes \$2 million (General Fund) for the Phase III development of the California Science Center related to Spaceship Endeavor. Budget bill language allows the funds to be used as a match for foundation funding.
- **Exposition Park Public Safety Staffing.** The budget includes \$1.5 million (EPIF) annually, for two years, to provide funding to continue management of the Department of Public Safety by the California Highway Patrol.
- **Exposition Park Reimbursement Authority Increase.** The budget provides an increase of the annual baseline reimbursement authority from its current amount of \$508,000 to \$638,000, to pay for annual assessments levied against the EPIF and address critical deferred park maintenance, major repairs, and capital improvements and to help meet assessment obligations and improve overall security.
- **Office of Exposition Park Assistant General Manager.** The budget includes \$150,000 (EPIF) and one assistant general manager position to assist in park operations. Provisional language allows augmentations to the EPIF for operational costs associated with major events at the park.
- **Increased Contracted Services at Exposition Park.** The budget includes \$515,000, of which \$335,000 will fund a new parking operator contract beginning July 1, 2016, and \$180,000 reflects increased landscaping costs.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

The budget supports the CCC transformation and expansion program that will shift several of the non-residential centers to residential centers. The budget supports the CCC role in wildfire prevention including partnerships with CalFIRE.

- **Residential Expansion.** The budget approves a five-year plan for major expansion of residential centers. Specifically, the plan includes a combined total of \$171 million over the next five years from the General Fund and lease-revenue bond funds to design and construct new CCC residential centers.
- **Butte Fire Center.** The budget includes \$2.6 million (General Fund), 12.5 positions, and 47 corpsmembers, to convert the former CalFIRE Magalia facility into a residential corpsmember facility serving Butte County.
- **Auburn Campus: Kitchen, Multipurpose Room, and Dorm Replacement.** The budget includes \$19.6 million from the General Fund for the construction phase of a new kitchen, multipurpose building and dormitory to replace the current facilities at the Auburn campus. This includes reappropriation of \$1.3 million for working drawings phase.
- **Fuel Reduction Program.** The budget includes \$2.7 million in 2016-17 and \$2.9 million in 2017-18 from State Responsibility Area Fire Prevention (SRA) funds, and position authority for up to five positions for program oversight and administration activities, effective January 1, 2017, through June 30, 2018, to continue the Fuel Reduction Program for two years.
- **Vehicle Replacement Plan.** The budget includes a three-year increase in annual expenditure authority of \$812,000 in the Collins Dugan Reimbursement Account in 2016-17, 2017-18, and 2018-19, to annually replace approximately thirty vehicles in its fleet.
- **C3 Project Funding Augmentation.** The budget includes a one-time budget augmentation of \$409,000 (Collins-Dugan Reimbursement Account Fund) for consultant services for project quality management.
- **Minimum Wage Funding Increase and Technical Adjustment.** The budget includes \$1.4 million (\$394,000 General Fund, \$494,000 Collins Dugan Reimbursement Account, \$396,000 SRA Fund, \$97,000 Proposition 39) to fully fund the corpsmembers' minimum wage increase of \$1.00 per hour, effective January 1, 2016.
- **Tahoe Base Center: Equipment Storage Relocation.** The budget reappropriates \$1.6 million for the working drawings and construction phases for the Tahoe Base Center project, due to unanticipated project delays.

3460 COLORADO RIVER BOARD OF CALIFORNIA

The Colorado River Board protects California's rights and interests in the water and power resources of the Colorado River System. The board's total budget of \$2.0 million was approved as proposed.

3480 DEPARTMENT OF CONSERVATION (DOC)

The DOC budget focuses on continued improvement to its oil and gas division and response to the Aliso Canyon natural gas leak. The remaining budget focuses on improving information technology programs, watershed improvements, and the provision of baseline funding for surface mining programs.

- **California Farmland Conservancy Program.** The budget includes a one-time local assistance appropriation of \$1.2 million (Proposition 40). Funds will be used by the California Farmland Conservancy Program to provide grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements.
- **Williamson Act Conservation Program.** The budget includes \$2.5 million (General Fund) for activities related to land conservation, such as those similar to the programs funded by the cancellation of Williamson Act contracts.
- **Oil and Gas Training Program.** The budget provides the Division of Oil, Gas, and Geothermal Resources (DOGGR) with two permanent positions and a baseline appropriation increase of \$1.3 million from the Oil, Gas and Geothermal Resources Fund (OGGAF), ongoing, to develop, implement, and conduct a comprehensive training program designed for DOGGR regulatory staff.
- **AB 1420 Implementation.** The budget includes ten permanent positions and a baseline increase of \$1.4 million (\$1.2 million ongoing), from OGGAF. Positions and funding will be used to: prevent possible pipeline releases by requiring that sensitive gas pipelines are tested on a periodic basis; map pipelines accurately to determine potential threats; provide transparency to the public as to the location of gas pipelines relative to urban areas; and, to review and update existing regulations as required by AB 1420 (Salas), Chapter 601, Statutes of 2015.
- **Orphan Well Remediation.** The budget includes an increase of \$1 million (OGGAF) to remediate hazardous orphaned wells. Provisional language to increase the expenditure limit on orphan well remediation is included.
- **Technical Adjustments.** The budget provides the following technical adjustments: (1) re-appropriation of \$10 million (OGGAF) shifting from data management to the Open Space Subvention Program at the Strategic Growth Council; and (2) reversion and reappropriation of \$180,000 (Proposition 84) to the California Farmland Conservancy Program.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

The Department of Forestry and Fire Protection has focused its activities on management of an increasing number and breadth of wildfires due to the prolonged drought. To that end, the budget is focused on management fire prevention activities, increased firefighting capabilities, replacement of firefighting equipment, and procurement of new helicopters to replace its aging fleet.

- **Helicopter Procurement.** The budget provides \$12 million (General Fund) to purchase one helicopter in 2016-17, with provisional language to allow, upon notification to the Joint Legislative Budget Committee, the following: (1) the Department of Finance (DOF) to augment the item for the actual single helicopter procurement cost, related fees, and support. The notification will include: (a) the model of helicopter being acquired; (b) the cost per unit; (c) procurement cost by fiscal year; and, (d) delivery schedule; and, (2) DOF to augment the item for capital outlay costs associated with studies, acquisition, preliminary plans, and working drawings for helicopter facility modifications.
- **Tree Removal.** The budget includes \$11 million (General Fund) to CalFIRE to assist in the removal and disposal of trees in high hazard areas. This includes: (1) \$6 million for grants to local entities for removal of hazardous trees that pose a threat to public health and safety; (2) \$5 million for equipment and personnel for hazardous tree removal and fuels reduction efforts; and, (3) trailer bill language to allow small biomass facilities to defer certain system interconnection costs.
- **State Responsibility Area (SRA) Local Assistance.** The budget includes \$10 million SRA Fund split equally between: (1) grants to fire safe councils, local conservation corps, grants to nonprofit organizations that can complete a fire prevention project applicable to the SRA, public education to reduce the fire risk in the SRA, and other fire prevention activities; and, (2) \$5 million for tree mortality reduction and removal efforts.
- **Contract County Capital Outlay.** The budget includes \$250,000 (General Fund) for contract counties (those counties providing wildland fire services in their respective jurisdictions while not duplicating services), for minor capital outlay funding as a part of their contracts.
- **Information Technology and Information Security Staffing Modernization.** The budget includes \$3 million (\$2.8 million General fund and \$228,000 other special funds), and 14 positions, to address increasing demands of information technology systems.
- **Public Information and Education.** The budget includes \$1.6 million (\$1.5 million General Fund and \$127,000 other special funds), and five positions, starting in 2016-17, to increase staffing for public information and education. This extends, in part, increased funding for drought-related public information.
- **Drought.** The budget includes \$77 million (\$74 million General Fund and \$3 million SRA Fire Prevention Fund), one-time, and 454.8 temporary help positions, to address heightened fire conditions due to drought.
- **Fire Safety, Flame Retardants and Building Insulation.** The budget includes \$125,000 (Building Standards Administrative Special Revolving Fund), on a one-time basis, for a contract to review, research, test and implement proposed building standards for fire safety of retardants in building insulation.

- **Board of Forestry Fire Protection Effectiveness Monitoring Services.** The budget includes \$425,000 (Timber Regulation and Forest Restoration Fund), for two years, to improve effectiveness monitoring assistance from academic institutions to support the evaluation of the environmental protection of the Forest Practice Act and rules.
- **Emergency Command Center Staffing.** The budget includes \$17 million (\$16.9 million General fund and \$28,000 various special funds), and 61.6 permanent positions, along with 34.3 two-year, limited-duration temporary help positions, to increase Emergency Command Center (ECC) staffing. The positions are requested to improve intake of emergency calls and allocate and manage resources for emergencies.
- **Situational Command Awareness Data Acquisition.** The budget includes \$7.6 million (\$7 million General Fund and \$600,000 special funds) and 12.8 positions beginning in the budget year, growing to \$13.2 million in two years, then leveling off to \$7.6 million after year three, ongoing. This includes the purchase of eight vehicles, including one for a battalion chief, for ongoing field level support, and requires require the department to lease new office space in order to accommodate the additional Sacramento-based positions.
- **Professional Standards Program.** The budget includes \$4.4 million (\$3.7 million ongoing) primarily from the General Fund, and 14 permanent positions to establish a professional standards program in headquarters, which would include a unit to provide additional oversight for internal investigations and adverse actions, as well as expand manager and supervisor training. Provisional language phases in the positions and emphasizes training activities.
- **Mobile Equipment Replacement Budget.** The budget includes a one-time \$6 million (General Fund) for mobile equipment replacement increase in 2016-17 to restore funding that was redirected in 2015-16 to purchase goods and services to address the removal of vegetation impacted by drought and pests.
- **Mount Bullion Conservation Camp: Emergency Sewer System Replacement.** The budget includes \$833,000 (Public Works Construction Fund) to replace sewage disposal system at Mount Bullion Conservation Camp in Mariposa County.
- **Reappropriation of Various Minor Capital Outlay Projects.** The budget includes minor appropriations from the budget acts of 2014 and 2015 for the La Cima Conservation Camp wastewater treatment system and the Columbia Air Attack Base facility improvement projects.
- **Implementation of SB 295 and AB 864—Intrastate Pipeline Inspection Staffing.** The budget includes \$1.2 million spending authority increase to the California Hazardous Liquid Pipeline Safety Fund and 17 permanent positions support the Office of the State Fire Marshal Pipeline Safety Division, in order to develop, implement, and oversee new requirements related to SB 295 (Jackson), Chapter 607, Statutes of 2015 and AB 864 (Williams), Chapter 592, Statutes of 2015. Trailer bill language adds annual reporting requirements intra-state pipelines within the jurisdiction of the State Fire Marshall, and clarification of the definition of oil to match federal law.

- **Fireworks.** The budget reappropriates a minor residual balance of funds for managing seized illegal fireworks, to allow for ongoing fireworks management through the 2016 fireworks season.
- **Aviation Contracts.** The budget increases support for fixed-wing aviation contracted services by \$3.5 million in the budget year, and increasing to \$9 million in four years. This is the result of a new contract signed with DynCorp International, LLC (DynCorp) after a successful request for proposal (RFP) bid to provide fixed-wing and rotary fleet. DynCorp provides pilots to operate fixed-wing aircraft, as well as maintenance technicians for both the department's fixed-wing and rotary fleet.
- **Exclusive Use Helicopters.** Consistent with previous years, the budget includes \$10.4 million General Fund one-time in 2016-17 for exclusive use helicopter contracts and ground crew temporary help position authority. These resources will supplement CalFIRE's existing fleet on fire incidents as necessary during emergency operations throughout the State of California.
- **Capital Outlay.** The Governor's budget includes funding for the following capital outlay proposals: (1) relocate the Potrero Forest Fire Station (\$400,000, General Fund); (2) phase five of the statewide communications system replacement (\$1.6 million, General Fund); (3) Ishi Conservation Camp domestic drinking water system replacement (\$871,000, General Fund); (4) replacement of water boilers at Fenner Canyon Conservation Camp (\$376,000, General Fund); and reappropriation of funding for twenty major capital outlay projects.

3560 STATE LANDS COMMISSION

The State Lands Commission's budget continues to focus on the improvement of its revenue collection efforts and implementation of audit recommendations for financial management, and removal of outdated structures within the commission's jurisdiction.

- **Abandonment of Becker Onshore Well.** The budget includes \$200,000 Oil Spill Prevention and Administration Fund (OSPAF) in 2016-17, and \$700,000 in 2017-18, to conduct Phase One activities related to the abandonment of the Becker onshore well. The well is part of the Summerland Oil Field developed in the late 1890s from shore and from wharfs that extended into the Pacific Ocean.
- **Marine Invasive Species Program Database and Workload.** The budget includes \$400,000 and a continuing appropriation of \$75,000 from the Marine Invasive Species Control Fund (MISCF) to develop, implement, and maintain an automated interactive public facing web-based data entry portal that will collect data on the ballast water and biofouling management practices of commercial ships that arrive at California ports.
- **Removal of Dennett Dam.** The budget includes \$367,000 (General Fund) to remove Dennett Dam, located on the Tuolumne River in Stanislaus County. The funding is contingent upon the Tuolumne River Preservation Trust providing an equal funding match.

- **Selby Slag Remediation.** The budget includes \$369,350 (General Fund), one-time, to fund the state's obligation to pay a proportionate share of certain ongoing hazardous waste remediation costs at Selby, California. Pursuant to a 1989 Consent Judgment the state's share of the cost of remediation is 38 percent.
- **Spatially Indexed Records System.** The budget includes \$225,000 (General Fund) to prepare a spatially indexed records management system plan. The results of the planning phase of the project will ensure that staff and citizens will be able to access historical records, provide a method to efficiently locate and access records vital to the commission's mission to protect records in the event of a disaster.
- **Yosemite Slough.** The budget includes \$85,000 (General Fund) to fund the commission's portion of 16 technical studies related to the remediation of Yosemite Slough in San Francisco.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

The Department of Fish and Wildlife budget focuses efforts on maintaining fisheries stocks during the ongoing drought, improving hatcheries and inland fisheries, Bay-Delta regulatory review, and payment of in-lieu taxes to local governments.

- **Drought.** The budget includes \$4.2 million (General Fund), on a one-time basis, for the following delta smelt-related activities: (1) \$2 million for a habitat restoration and food production adaptive management pilot project; (2) \$1.8 million for enhanced aquatic weed control; and, \$400,000 for continued monitoring and targeted studies. The budget also reflects a decrease of \$4.2 million to reflect improved conditions in the north, reducing the necessity for fish recues and water infrastructure and conveyance improvements.
- **Sacramento and San Joaquin River Tributaries.** The budget includes \$816,000 (General Fund) and one permanent position to complete negotiations in tributaries to the Sacramento-San Joaquin rivers for settlements that create water supply and regulatory certainty for water users and improve ecological flow and habitat for species.
- **Loan Repayments—Oil Spill Response Trust Fund.** The budget includes a technical adjustment to allow the department loan authority from the Renewable Resources Trust Fund to the Oil Spill Response Trust Fund in order to allow the department to repay the balance of the loan, \$3.5 million. The budget extends the repayment of \$35 million of the \$40 million Oil Spill Response Trust Fund transferred to the General Fund as a loan. Trailer bill language is included to release the obligation of the state oil spill administrator to collect oil spill response fees otherwise required to maintain the fund balance and to update the required dates for the repayment of loans.
- **Gray Lodge Wildlife Area—Field 82.** The budget includes \$108,000 from the Fish and Game Preservation Fund (FGPF), State Duck Stamp Account, for a project at the Gray Lodge Wildlife Area to provide habitat for nesting and brood-rearing waterfowl and other wetland dependent species.

- **Implementation of AB 96—Ivory Sale and Importation.** The budget includes \$1.8 million (General Fund) to implement enforcement of AB 96 (Atkins), Chapter 475, Statutes of 2015, banning illegal trade of elephant ivory and rhinoceros horns in California to protect African elephants and rhinoceros from extinction.
- **Marine Resources Management and Assessment.** The budget includes an increase in spending authority of \$443,000 per year from the Marine Invasive Species Control Fund (MISCF) for three years to improve resource assessment and increase the monitoring of critical marine species, which will result in significant short and long-term biological, economic, and social benefits to the people of California.
- **Proposition 50 Local Assistance Grants.** The budget includes \$2.1 million (Proposition 50) to award competitive grants that implement components of Water Security, Clean Drinking Water, Coastal and Beach Protection of 2002, the California Water Action Plan, and the Delta Stewardship Council's Delta Plan, consistent with the bond.
- **Technical Adjustments, Reversions and Realignment of Funds.** The department includes a reversion of \$3 million (Proposition 84) in order to provide for availability of funds in 2016-17. The budget realigns the Fish and Game Preservation Fund dedicated accounts, resulting in a \$6.2 million overall reduction, to better align the account's expenditure authority with revenues, to ensure the accounts remain structurally balanced. The budget includes an ongoing increase of \$13.5 million in Federal Trust Fund authority beginning in 2016-17.
- **Proposition 1 Local Assistance.** The budget includes \$20 million (Proposition 1), one-time, to provide increased grant funding and provisional language providing authority to award eligible grants from the 2015-16 grant solicitation cycle for watershed restoration projects.

3640 WILDLIFE CONSERVATION BOARD (WCB)

The Wildlife Conservation Board administers bond funds for various programs, mainly for wildlife restoration and management projects.

- **Proposition 1.** The budget includes a total of \$41.9 million in local assistance project funding that may also be made available for capital outlay. Of the total amount approved, \$38.4 million is for the WCB to continue the implementation of the stream flow enhancement program and \$3,500,000 is for the San Joaquin River Conservancy (SJRC), to continue implementation of the multi-benefit watershed protection and restoration program.
- **San Joaquin River—Proposition 40 Capital Outlay.** The budget includes \$2.5 million (\$1.5 million in expenditure authority and \$1 million in additional reimbursement authority) from Proposition 40 to allow the San Joaquin River Conservancy (SJRC) to implement its conservation, public access, recreation, and environmental restoration capital improvement programs.
- **Wildlife Restoration Fund.** The budget includes \$1 million from the Wildlife Restoration Fund for the purposes of the WCB's Public Access Program.

3720 CALIFORNIA COASTAL COMMISSION (CCC)

The Coastal Commission provides varying degrees of land-use planning within the state's coastal zone, and manages a number of grant and education programs funded by the sale of the Whale Tail license plate.

- **Local Coastal Programs.** The budget includes the following adjustments to give the commission the ability to complete its statutory mandates: (1) the conversion of the Local Coastal Program (LCP) enhancement pilot to baseline funding with 25 permanent staff positions; and, (2) baseline funding of \$3 million (General Fund) per year.
- **State Tax Return Voluntary Contributions.** The budget allocates \$430,000 from voluntary contributions on the state tax return to the "Protect Our Coast and Oceans Fund" to the commission as a one-time appropriation in 2016-17. Of this amount, \$365,000 is a one-year local assistance budget line item to provide Whale Tail grants. The remaining \$65,000 is a one-year state operations budget line item to support outreach and promotion for the "Protect Our Coast and Oceans" Fund.
- **Climate Resilience Projects.** The budget includes \$500,000 Coastal Trust Fund for climate change adaptation and climate resiliency planning and project work. These funds were originally part of the enacted budget for 2014-15 as a transfer from the Environmental License Plate Fund (ELPF) to the Coastal Trust Fund for these purposes. Due to shortfalls in the ELPF for 2014-15, the commission was directed to not to spend \$500,000 in 2014-15.
- **Relocation of South Coast District Office.** The budget includes \$451,000 from the General Fund to be used for one-time moving and set-up expenses for the relocation of the South Coast District Office in Long Beach and ongoing General Fund funding of \$411,000 for increased rent.

3760 STATE COASTAL CONSERVANCY (SCC)

The State Coastal Conservancy focuses on the provision of local assistance and capital outlay to projects that benefit the coast.

- **Coastal Access and Public Access Programs.** The budget includes \$850,000 to the Coastal Conservancy: \$500,000 from the Coastal Access Account and \$350,000 from the California Beach and Coastal Enhancement Account for purposes of local assistance and capital outlay to continue implementation of the Conservancy's Public Access, Education and related programs.
- **Fund Appropriations.** The budget includes \$5.4 million in bond funding from the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1) to the State Coastal Conservancy for the purposes of local assistance and capital outlay, program delivery, and planning and monitoring consistent with the bond act. The budget also reverts the unencumbered balance from a previous appropriation from Proposition 84 and appropriation of \$25 million to the Coastal Conservancy from the same fund, for purposes of local assistance and capital outlay, which includes \$7 million in reimbursement authority.

3780 NATIVE AMERICAN HERITAGE COMMISSION

The Native American Heritage Commission budget provides \$1.6 million and nine positions to continue as the state's trustee agency for protection and preservation of Native American cultural resources, sacred sites on public land and Native American burial sites.

3790 DEPARTMENT OF PARKS AND RECREATION (DPR)

The Department of Parks and Recreation manages the state's parks system, which includes the divisions of boating and waterways and off-highway vehicles. The department is focused on a multi-year reformation that is intended to revamp management of the department and improve visitor experiences at state-managed parks, while at the same time improving relations with local partners.

- **One-Time Base Funding to Maintain Operations.** The budget includes a one-time increase of \$16.9 million in spending authority from the State Parks and Recreation Fund (SPRF) to sustain its operations and maintain its base support budget. Additionally, the budget includes a one-time redirection of \$31 million in fuel tax revenues to the SPRF to maintain fund solvency.
- **Public Beach Restoration.** The budget includes \$2.6 million from the Public Beach Restoration Fund (PBRF) to administer its previously proposed Public Beach Restoration Act projects, and \$700,000 from the Harbors and Watercraft Revolving Fund (HWRF) to support a beach erosion control project.
- **Goat Canyon Sedimentation Basin Maintenance.** The budget includes two-year funding of \$1.9 million annually from the California Tire Recycling Management Fund, beginning in 2016-17, to maintain the Goat Canyon Sediment Basins at Border Field State Park by excavating and processing sediment and trash, disposing trash and reject material, exporting sediment, testing and monitoring of contaminants and conditions, and maintenance of infrastructure.
- **Hazardous Mine and Mill Remediation.** The budget includes \$1.2 million (one-time, SPRF) for permit monitoring, study, evaluation, alternative analysis, and implementation of remedial actions to abate contamination resulting from historic mining activities at Malakoff Diggins State Historic Park. Malakoff Diggins State Historic Park is currently under order issued by the Central Valley Regional Water Quality Control Board to protect human health, the environment, and waters of the state.
- **Local Assistance—Various Grant Funding and Operating Agreements.** Consistent with previous year appropriations, the budget includes funds in the amount of \$118.9 million from special and federal funds for the Local Assistance Program to provide grants to various agencies consistent with approved program guidelines. Funds are available for encumbrance or expenditure through June 30, 2018.

- **Quagga and Zebra Mussel Infestation Prevention Program.** The budget includes an increase in ongoing support funding of \$186,000 from the Harbors and Watercraft Revolving Fund (HWRF) for program delivery of the Quagga and Zebra Mussel Infestation Prevention Grant Program. These funds will ensure successful administration of grants available to water body managers and owners of reservoirs that are open to the public and are currently un-infested by quagga and zebra mussels.
- **Vessel Operator Certification Program.** Harbors and Navigation Code Section 678.7(a) authorizes a transfer totaling \$4 million (Harbors and Watercraft Revolving Fund) to the vessel operator certification account, of which \$1 million has been transferred to date. The balance of \$3 million is authorized in the budget for transfer in 2016-17. These funds will be used to support an existing appropriation to implement the requirements of SB 941 (Hill), Chapter 433, Statutes of 2014, which establishes the Vessel Operator Card Program.
- **Community Outreach Pilot Program.** The budget includes \$690,000 over two years from the State Parks Protection Fund, and three positions, for a pilot project to engage underserved and underrepresented communities. The pilot is a component of the relevancy committee's initiative "Engaging Underserved Populations with State Parks." Specifically, the project would establish state park community liaisons in the Bay Area and Angeles districts who will conduct outreach and engage local community members to create exhibits, tours, demonstrations, and other programs.
- **Spring Finance Letter Capital Outlay Proposals.** The budget includes reappropriation of existing capital outlay appropriations to allow for the completion of projects currently in process. These include: (1) El Capitan State Beach: construct new lifeguard operations facility; Torrey Pines State Natural Reserve: utility modernization; (2) Gaviota State Park: main water supply upgrades; (3) Heber Dunes State Vehicular Recreation Area: water system upgrades; and, (4) McArthur-Burney Falls Memorial State Park: ramp and boarding float replacement. Other reappropriations include Off-Highway Vehicle Fund projects, Proposition 84 items, South Yuba Bridge, updates to January proposals, and SPRF ongoing projects including Angel Island, Mendocino Headlands, Leo Carrillo, and McArthur-Burney.
- **Extensions of Liquidation.** The budget includes extension of liquidation for two local assistance grants in the Habitat Conservation Fund Program that supports acquisition, enhancement, restoration, and development of animal habitats. The projects were delayed due to technical studies and permit requirements.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION (BCDC)

The commission is the state planning and regulatory agency within the broader San Francisco Bay Area. The budget provides \$7.7 million for baseline activities. The budget allows for the relocation of BCDC offices into the Metropolitan Transportation Commission's new regional agency headquarters building in San Francisco at 375 Beale Street. This requires a one-time augmentation of \$350,000 (General Fund) to provide funding for costs associated with BCDC's relocation.

STATE CONSERVANCIES (VARIOUS REGIONAL CONSERVANCIES)

- **Santa Monica Mountains Conservancy (3810)—Bond Fund Appropriations.** The budget includes \$200,000 (Conservancy Fund), \$775,000 (Proposition 40), \$300,000 (Proposition 50), and \$1.1 million (Proposition 84) for the acquisition, enhancement, restoration, of natural lands, improvement of public recreation facilities and state operations. This includes technical adjustments requested in the spring finance letter.
- **Los Angeles River Proposition 1 Funding.** The budget did not appropriate \$14.1 million Proposition 1 to the Santa Monica Mountains Conservancy, nor \$20 million to the Rivers and Mountains Conservancy, from the Los Angeles River bond allocation, both proposed by the Governor.
- **Rivers and Mountains Conservancy (3825)—Proposition 50 and Proposition 84 Reversion and Reappropriations.** The budget includes a reversion from a 2012-13 Proposition 50 capital outlay appropriation and appropriates anew \$168,000 Proposition 50 local assistance for 2016-17, with provisional language to allow the funds to be available for either local assistance or capital outlay, and available for encumbrance through June 30, 2019.
- **San Joaquin River Conservancy (3830)—Proposition 40 Funding for Program Delivery.** The budget shifts program delivery funding from Proposition 84 to Proposition 40, in order to enable the conservancy to maintain the current level of staffing for program delivery without creating a negative bond allocation.
- **Baldwin Hills Conservancy (3835)—Proposition 40 Acquisition and Improvement Program.** The budget includes \$6 million in local assistance funding to provide grants for acquisitions and capital improvements from Proposition 40, pursuant to the bond act in order to implement the conservancy's mission of acquiring and developing open space in the Baldwin Hills area.
- **San Diego River Conservancy (3845)—Reimbursement Authority.** The budget includes \$1 million in reimbursement authority to fully implement projects consistent with the conservancy's mission, and funded by other state agency grants.
- **Coachella Valley Mountains Conservancy (3850)—Propositions 12, 40 and 84 Reappropriations.** The budget reappropriates from the unexpended balances of 2013-14 capital appropriations to continue its approved mission.
- **Coachella Valley Mountains Conservancy (3850)—Multi-Benefit Ecosystem and Watershed Protection and Restoration Project Grants Program.** The budget includes \$6.8 million from Proposition 1 to implement the remaining years in its competitive Multi-Benefit Ecosystem and Watershed Protection and Restoration Project Grants Program, consistent with bond requirements.
- **Sierra Nevada Conservancy (3855)—Proposition 84 Reversions and Spring Finance Letter New Appropriation.** The budget reverts the remaining balances of Proposition 84 and appropriates an additional \$403,000 to be used to further the approved mission of the conservancy, consistent with bond requirements, for local assistance.

- **Sierra Nevada Conservancy (3855)—Proposition 84 Reversions and Spring Finance Letter New Appropriation.** The budget increases its reimbursement authority from \$50,000 by \$400,000, for a total of \$450,000, and two permanent positions to oversee a multi-year reimbursement contract with the Department of Housing and Community Development (HCD).
- **Sacramento-San Joaquin Delta Conservancy (3875)—Augmentation to Support Administrations.** The budget includes a permanent baseline funding increase of \$10,000 from the General Fund to cover an increase in workers' compensation insurance.
- **Sacramento-San Joaquin Delta Conservancy (3875)—Implementation for Restoration Water Quality, and Economic Development Projects.** The budget includes an increase of \$290,000 in its federal reimbursement authority to fully implement the projects funded by three Environmental Protection Agency grants and one economic development administration grant.

3840 DELTA PROTECTION COMMISSION

- **Economic Sustainability Plan.** The budget includes \$150,000 (one-time, General Fund), for consultant work to review, and partially update, the economic sustainability plan as required by statute, including necessary public participation processes. This funding provides for consultants to augment the commission staff and assist in the review and update of the policies and recommendations of the plan, as well as conduct required public participation processes.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

The DWR has focused its efforts on management of the state's water resources during this historic drought, implementation of groundwater management legislation, and allocation of the final Proposition 1E flood funding.

- **System Reoperation Program and Surface Storage Program.** The budget reverts, and appropriates anew funding to continue the system reoperation programs and surface storage program. The original work plan prepared in 2009 was to complete the studies by 2014. However, the study proved to be very complex and required extensive engagement with stakeholders. As a result, the project schedule was extended to 2017. Phase 3 of the study was completed in 2015. Phase 4 of the study was planned to be completed in 2017. The surface storage program request (\$225,000 reversion and appropriation anew) continues studies for the various surface storage studies previously approved by the Legislature.
- **California National Hydrography Dataset and Stream Gages.** The budget includes \$2.3 million (General Fund) to continue and restore the collection and use of data relating to statewide hydrology.
- **Increased Flood Protection (Bond Funds).** The budget reverts \$28.9 million from unused balances of Proposition 84, and appropriates anew \$62.5 million from Proposition 84, and

\$360,000 from Proposition 13. This proposal specifically includes \$60 million (Propositions 84) to provide state-support of local flood management activities within the Sacramento-San Joaquin Delta. Additionally, approximately \$1.4 million (Propositions 13 and 84) is budgeted in support of the department's Flood Corridors Program and \$1.5 million (Propositions 84) in support of the Statewide Flood Control Subventions Program.

- **General Fund Restoration (\$11.5 million).** The budget restores General Fund to three main programs within the department's flood protection divisions, including:
 - \$10.1 million for flood system operations and maintenance. The department directly operates and maintains 293 miles of state-federal project levees, where no local levee protection district exists. Additionally, the department maintains over 1200 miles of flood control channels and more than 20 related flood control structures and activities.
 - \$900,000 for flood emergency response. The department annually works with local agencies with responsibilities for flood protection, and emergency response and planning.
 - \$500,000 for flood risk reduction programs.
- **Technical Adjustments, Reappropriations, Extensions of Liquidation and Reversions.** The budget provides reappropriations, extensions of liquidation periods, and technical adjustments for various funds. These technical changes are critical to various projects that cannot be completed by June 30, 2016. This includes the following items: (1) water recycling and desalination feasibility studies; (2) flood corridor program; (3) Yuba-Feather flood protection program; (4) desalination grant projects; (5) water use efficiency grants; (6) integrated regional water management program and grants; and, (7) Proposition 1 programs.
- **May Revision Loan Payment Deferrals.** The budget defers repayment of: (1) \$1.1 million General Fund loan from the California Water Fund; and, (2) \$2.4 million (General Fund) from the Environmental Water Fund.
- **Riverine Stewardship Technical Assistance.** The department currently administers two programs relating to river and stream restoration: the Fish Passage Improvement Program and the Urban Streams Restoration Program. These programs have received funding under previous general obligation bond acts (Propositions 13, 50 and 84). The budget combines remaining dollars from these bond acts (\$2.4 million from Proposition 13, \$600,000 from Proposition 50, and \$1.66 million from Proposition 84) to provide technical assistance to federal, state, and local entities undertaking river and stream restoration projects. The budget also allocates \$17 million in reimbursement authority to allow DWR to receive payment from federal or state entities as part of its providing the technical assistance.
- **San Joaquin River Restoration and Truckee River Operating Agreement Implementation (State and Federal Reimbursement).** The budget gives DWR the authority to receive funds from other state and federal entities associated with the San Joaquin River Restoration (\$25.1 million in reimbursement), and provides DWR with ongoing support for implementation of the Truckee River Operating Agreement (\$350,000 reimbursement authority).

- **Drinking Water Quality – Pilot Projects (Safe Drinking Water Local Assistance Funding).** The budget includes \$2.5 million (Proposition 50) in local assistance to fund pilot and demonstration projects for treatment and removal of seven specific contaminants, as well as drinking water disinfection projects using ultraviolet technology and ozone treatment. The language of Proposition 50 specifically delineates that the funds must be used for pilot projects to eliminate seven, listed contaminants.
- **Water Loss Audit Program Implementation.** The budget includes \$350,000 (General Fund) ongoing support to implement the distribution system water loss audit program required by SB 555 (Wolk), Chapter 679, Statutes of 2015. In addition, a one-time appropriation of \$150,000 (General Fund) is included to develop rules and processes for validation and submittal, and for the utilization of a public on-line water audit submittal tool and database.
- **Local Assistance for Small Communities.** The budget includes \$5 million (General Fund) to the Department of Water Resources (DWR) to provide emergency drinking water support for small communities. This is in addition to \$5 million included in the January budget.
- **Public Education.** The budget reduces by \$3 million (General Fund) in the DWR budget to reflect the reduced need for statewide water saving public education campaigns.
- **Drought Preparedness and Resilience for Urban Water Agencies.** To effect long-term water conservation, the budget includes \$4.5 million (General Fund) to DWR and the State Water Resources Control Board (SWRCB) to review and update local water shortage contingency plans, develop recommendations for new water use efficacy targets, and to establish a permanent urban water use efficiency data tracking system.
- **Facilitation Support for Groundwater Sustainability Agencies.** The budget includes \$1 million (General Fund) for DWR to support local public agencies with facilitations services as they implement new groundwater laws.
- **Statewide Agricultural Land Use Data.** The budget includes \$1 million (General Fund), one-time, to DWR to support the use of remote sensing technology to establish statewide agricultural land use data, in order to support new groundwater law requirements.
- **Salinity Barriers Reduction and Reappropriation.** The budget reduces by \$42 million (General Fund) originally intended for the installation of emergency salinity barriers in the Delta. The budget reappropriates various special funds should the barriers be necessary in 2017.
- **Drought Reporting Language.** Trailer bill language requires LAO recommended reporting language by the department to, on or before January 1, 2020, provide the Legislature with a plan for ongoing program reforms, and an evaluation of the success of the reforms adopted in the budget.
- **Lake Nacimiento Intertie.** The budget provides \$10 million (General Fund) as local assistance to support the Lake Nacimiento-Lake San Antonio Intertie Project in Monterey County.

3885 DELTA STEWARDSHIP COUNCIL

The Delta Stewardship Council's budget increases by \$3.6 million (General Fund) to support independent science through the Delta Science Program and to update the Delta Plan and regulations to address flood management, ecosystem restoration, and water supply reliability. Specifically, the budget includes:

- **Delta Science Program.** \$2.1 million annually to bolster the Delta Science Program's mission of providing the best available science by increasing support for monitoring and science investigations, and the Delta Plan Interagency Implementation Committee's high-impact science actions, which were endorsed in 2015 by the 17-member panel comprised of state and federal agencies.
- **High-Priority Delta Plan Updates.** \$1.45 million for the next two years to update the Delta Plan, regulations, and recommendations relative to flood management, ecosystem restoration, water supply, and the significant shift in policy from the Bay Delta Conservation Plan (BDCP) to WaterFix and EcoRestore.

Natural Resources Budget Trailer Bills

1. *Resources - SB 839 (Committee on Budget and Fiscal Revenue), Chapter 340, Statutes of 2016.*
2. *Energy – SB 840 (Committee on Budget and Fiscal Review), Chapter 341, Statutes of 2016.*
3. *Monterey County Water Agency – SB 831 (Committee on Budget and Fiscal Review), Chapter 338, Statutes of 2016.*

ENVIRONMENTAL PROTECTION

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

- **Environmental Justice.** The budget provides \$904,000 (various special funds) to make permanent a pilot project designed to reduce adverse environmental impacts in the most vulnerable communities in California. The budget supports increased enforcement and compliance initiatives in more areas identified as disadvantaged in the state. The program is a collaboration between the Office of the Secretary and four of its boards and departments (Air Resources Board (ARB), CalRecycle, Department of Pesticide Regulation (DPR), and the State Water Board).

The remainder of the Secretary's budget was approved as proposed.

3900 AIR RESOURCES BOARD (ARB)

The Air Resources Board continues to manage greenhouse gas emission reduction programs, including the auction of cap-and-trade revenues. Budget actions include a focus on civil penalties for automobile emission violations, monitoring of natural gas leaks, and environmental justice programs. The ARB also has taken steps to move its mobile sources testing lab from El Monte to Riverside.

- **Air Resources Board (ARB)—Neighboring Air Quality Monitoring Near Oil and Gas Operations.** The budget provides a total of \$2.3 million from the Oil, Gas and Geothermal Administrative Fund (OGGAF) to support neighborhood air quality monitoring near oil and gas facilities. This includes \$579,000 for four new permanent full-time air pollution specialists, a one-time equipment request of \$1.4 million and an additional \$340,000 per year for equipment maintenance and consumables to support air monitoring of toxic compounds, methane, particulate matter, and meteorological parameters at and around communities near oil and gas-related facilities. The resources will enable short-term (three to four months per site) community monitoring near oil and gas activities and source testing to identify potential areas of elevated risk.
- **Litigating Civil Penalties (Air Resources Board).** The budget provides \$3.2 million from the Air Pollution Control Fund (APCF), and eight positions for program and litigation costs associated with litigating civil penalties concerning Volkswagen and others for using "defeat devices" on diesel engines. Additionally, the budget includes \$1 million for a one-time equipment purchase and \$1 million to contract with the State Attorney General. The resources support thorough investigation and preparation of a civil litigation case concerning Volkswagen, Audi and Porsche vehicles using defeat devices to circumvent emission test procedures.
- **Refrigerant Management Program—Technical Adjustment.** The budget provides for a net-zero redirection of \$695,000 per year, collected from facilities subject to annual implementation fees under the AB 32 Refrigerant Management Program to fund four existing positions that are meeting the implementation needs of the program, and currently funded under the Cost of Implementation Account within the APCF. In addition to this net-zero redirection of funding for existing

positions, the budget includes a net-zero redirection of \$180,000 in contract funding for continued maintenance and support of the registration and reporting system.

- **Pesticide Air Monitoring Network.** The budget includes \$1.3 million in 2016-17 and \$596,000 in 2017-18 for a two-year limited term. Of the 2016-17 approved funds, \$715,000 in one-time equipment purchases and \$136,000 in maintenance expenses will be funded by civil penalty revenues from the APCF. Of the 2017-18 approved funds, \$136,000 in maintenance expenses will be funded by civil penalty revenues from the APCF. The Department of Pesticide Regulation Fund will cover the remainder of the ARB's costs in 2016-17 (\$463,000) and 2017-2018 (\$460,000). The funds will be used to expand the current network of year-round pesticide air monitoring stations, enhance pesticide laboratory analysis capabilities, and resume seasonal ambient pesticide monitoring in environmental justice communities.
- **Air Quality Improvement Program (AQIP) Augmentation.** The budget includes an annual expenditure authority increase from \$24.2 million to \$31.7 million (Air Quality Improvement Fund) to align the average annual revenue of \$30 million for this program. The AQIP funds air quality improvement projects related to fuel and vehicle technologies to reduce criteria pollutant, air toxic and greenhouse gas emissions.
- **Realign Distributed Administration—Technical Adjustment.** The budget includes a technical adjustment to align administration and distributed administration program authority with administrative operating costs. The next-zero adjustment reflects a \$48 million alignment within the budget display.
- **Enhanced Fleet Modernization Program.** The budget includes a one-time \$4.6 million direct appropriation from the Enhanced Fleet Modernization Subaccount (EFMS) in order to continue to partner with the Department of Consumer Affairs (DCA), Bureau of Automotive Repair (BAR), in managing the Enhanced Fleet Modernization Program (EFMP). The budget previously has included a direct appropriation of \$2.8 million from EFMS for the ARB portion of operating EFMP. This budget item will increase ARB's 2016-17 spending authority by \$4.6 million, to a total of \$7.4 million.
- **Sustainable Freight Action Plan and Implementation.** The budget includes eight positions and \$200,000 per year in contract funds from the Motor Vehicle Account. This includes one air resources supervisor I, one staff air pollution specialist, one air resources engineer, and three air pollution specialists to meet the increased workload to negotiate, develop, and implement emission reduction measures and to further sustainable freight pathways to zero and near-zero emissions; develop and implement corridor level freight pilot projects; develop and implement a freight facility handbook; as well as provide support for other activities and deliverables to further sustainable freight.
- **Motor Vehicle Insurance Account Assessment.** The budget includes one-time expenditure authority from the Air Pollution Control Fund (APCF) to reimburse the state Office of Risk Management for a payment made by Department of General Services on behalf of the ARB for a \$10 million judgement associated with a car accident in 2011.

- **SB 350 Implementation.** The budget includes three permanent full-time positions to support a better understanding of plug-in electric vehicle energy demand projections and environmental benefits associated with plug-in electric vehicle use in California, including in low-income and disadvantaged communities, evaluate and report on how to increase access to zero or near-zero transportation for low-income customers, and develop greenhouse gas planning targets, for the integrated resource plans (IRPs) they are tasked with developing for the electricity sector and investor-owned and public utilities, which will need to increase their overall renewable portfolio to 50 percent. These activities are critical so that the Air Resources Board can meet its obligations under SB 350 (De León), Chapter 547, Statutes of 2015, and the state can meet its near- and long-term climate goals and reduce dependence on traditional fossil fuels.
- **Implementation of AB 1496 (Methane Emission Measurement).** The budget includes \$580,000 and four new permanent full-time positions, \$790,000 in annual contract funding, and \$60,000 for a one-time equipment funding from the Cost of Implementation Account to meet the legislative requirements of AB 1496 (Thurmond), Chapter 604, Statutes of 2015, to carry out measurements of high-emission methane "hot spots" and conduct life-cycle greenhouse gas emission analysis in the natural gas sector.
- **Natural Gas Tracking System Study.** Trailer bill language requires that the California Energy Commission, on or before September 15, 2017, report to the Legislature on a recommended plan for tracking natural gas, as specified. Requires the Air Resources Board, in consultation with the commission, to develop a model of fugitive and vented emissions of methane from specified natural gas infrastructure.
- **Short Lived Climate Pollutants.** The budget includes: (1) \$1.2 million (Air Pollution Control Fund [APCF], for two years), and two positions, for the Clean Bus and Truck Standards programs; (2) \$580,000 (APCF), for two years, and four positions, for the Advanced Clean Cars Program; and, (3) \$1.4 million (APCF), for two years, and five positions, to implement SB 605 (Lara), Chapter 523, Statutes of 2014.

3930 DEPARTMENT OF PESTICIDE REGULATION

The State Water Resources Control Board is primarily responsible for pesticide application and regulation. To this end, the department's budget focuses on improved regulation of marijuana cultivation and increased protection for pollinators.

- **Marijuana Cultivation.** The budget provides the State Water Resources Control Board (SWRCB) with \$6.7 million (\$6 million General Fund and \$700,000 Waste Discharge Permit Fund), and the Department of Pesticide Regulation \$700,000 (Department of Pesticide Regulation Fund) to continue efforts to bring both legal and illegal marijuana cultivation under full enforcement of water quality and pesticide laws. Trailer bill language revises and clarifies certain aspects of the medical marijuana legislative package passed last year in order to provide more time for substantive review.

- **Pesticide Air Monitoring Network.** The budget includes \$2.3 million (Department of Pesticide Regulation Fund and Air Pollution Control Fund civil penalties) and five positions to the Department of Pesticide Regulation (DPR) and Air Resources Board (ARB) to expand the current network of year-round pesticide air monitoring, enhance pesticide laboratory analysis capabilities, and resume previously suspended seasonal ambient pesticide monitoring to better evaluate the impact of pesticides on children's health and in disadvantaged communities.
- **Pollinator Protection.** The budget provides four positions and \$670,000 in DPR Funds (\$308,000 ongoing) to address the increasing workload with pollinator protection issues. One position will help evaluate and assess ecotoxicology studies and establish new pollinator data requirements in collaboration with the U.S. Environmental Protection Agency (EPA). The second position will organize onsite field events for growers and beekeepers, develop a California-managed pollinator protection plan, conduct enforcement training, create and disseminate brochures and educational materials, evaluate rulemaking, and investigate pollinator/pesticide bee damage incidents and causes. Budget bill language requires that two positions be available to expedite the development of a pollinator protection plan, develop and conduct investigative enforcement training for new label use restrictions and regulations, identify pollinator bee and pesticide incidents and investigate cause, and to expedite the development of a rulemaking on pollinator protection.
- **Neonicotinoids Study.** Separately, the budget provides \$750,000 (General Fund) to provide a consumer product database for a residential level study the impacts of ornamental uses of neonicotinoids.
- **Reappropriation of Pesticide Registration Data Management System.** The budget provides a technical budget adjustment to the previously approved information technology project due to additional review, so the project requirements, before funding, could be encumbered against the system integrator contract, the main contract for the project. There is no change to the total funding requested for the project.
- **Continuing the Air Monitoring Network.** The budget includes ongoing resources of \$468,000 (Department of Pesticide Regulation Fund), and 1.5 positions, including contract funds for laboratory sample analysis. This will make permanent the previously approved, limited-term project, to monitor ambient air pesticide concentrations (including soil fumigants), and calculate the human health risk from exposure to multiple pesticides for long time periods.
- **Augmentation of the Food Safety Program.** The budget includes \$391,000 one-time, and \$313,000 ongoing (Department of Pesticide Regulation Fund), and three environmental scientist positions to address increased workload from pesticide residue detections.
- **Mitigating Pesticide Impacts on Workers.** The budget includes \$482,000 from the DPR Fund and two permanent positions to address the growing need to develop strategies to mitigate pesticide impacts on workers and bystanders. This proposal includes ongoing contract funds for a facilitator (\$20,000) to lead public meetings and for mitigation research (\$150,000).

- **Pesticide Poisoning Sunset Date.** Trailer bill language extends to January 1, 2019, from January 1, 2017, the date by which a laboratory testing for pesticide poisoning must share specified information with the Department of Pesticide Regulation.

3940 STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board is primarily responsible for management of the state's water quality and water rights programs. To this end, the board has focused its budget proposals on drought-related programs, implementation of Proposition 1, and implementation of programs designed to reduce the impacts of legal and illegal activities on water quality.

- **Drinking Water Program—Federally Mandated Inspections Workload.** The budget includes 10 positions and \$1.4 million (Safe Drinking Water Account) to the State Water Board to increase compliance with United States Environmental Protection Agency (US EPA) federal requirements related to drinking water, for which the Division of Drinking Water (DDW) is responsible. Specifically, the budget provides positions in the northern and southern California field operations branches. The DDW has a significant backlog in federally-mandated water system inspections (i.e., sanitary surveys), including small water systems in severely disadvantaged communities. These positions will increase the number of federally-required sanitary surveys completed annually.
- **Drought Activities.** The budget includes \$21.4 million for one year for continued drought-related activities by the State Water Board. Of this amount, \$5.4 million General Fund will support water rights activities, \$1 million Cleanup and Abatement Account will support water quality efforts, and \$15 million in one-time local assistance Cleanup and Abatement Account grants will support projects that provide water systems with both interim and permanent solutions to drought emergencies.
- **Water Rights Permitting.** The budget includes seven positions and \$851,000 (Water Rights Fund) to process applications to appropriate water, petitions to change existing rights, wastewater change petitions, and licensing of water rights. The program is funded through fees charged to water right permit and license holders.
- **Board Member Per Diem.** Trailer bill language authorizes an increase in regional water board member per diem from \$100 to \$250 (the Governor's budget requested an increase to \$500). The language authorized board members to receive one day's per diem to review materials in preparation for board meetings. Further, it deletes provisions stating that board members receiving unrelated salary are not eligible for per diem, and caps total statewide expenditures for board member per diem in lieu of the current cap for each regional board. This cap is in accordance with the increased per diem payments proposed and assumes each regional board meets once monthly.
- **Local Lead Water Testing and Public Education (State Water Board).** The budget includes \$480,000 Safe Drinking Water Account and two positions for the State Water Board to: (1) address US Environmental Protection Agency-identified deficiencies in the State Water Board reporting of public water system compliance with federal reporting requirements; and (2) develop and implement guidance documents based on the federal Lead and Copper Rule to improve tools for public water systems and their customers, including local educational agencies. The budget

provides two additional positions to allow the State Water Board to come into federal compliance with public water system reporting.

- **Drinking Water Program Expenditure Cap.** The Legislature approved trailer bill language to increase from \$34 million to \$38 million the drinking water program cap which properly accounts for the additional fund sources and program expenditures. The amount of the cap was incorrectly calculated and did not take proper account of all the sources of funds used to support the administration of the California Safe Drinking Water Act, nor did it account for additional program costs to satisfy statutory obligations.
- **Technical Adjustments, Reappropriations and Reversions.** The budget includes (1) reversion of unused state operations and local assistance authority; (2) re-appropriation of local assistance authority to align with encumbrance dates in Proposition 1; and, (3) the appropriation of funds in Proposition 84 to ensure the purpose of the bonds is met with the funding of new projects. The budget also provides a reappropriation to extend the encumbrance and liquidation period of the local assistance funds in the site cleanup subaccount (SCS) and the replacing, removing, or upgrading underground storage tanks (RUST) loans from the fiscal year 2015-16 appropriation. The reappropriated funds will be available for encumbrance until June 30, 2018 and liquidation until June 30, 2021.
- **High-Speed Rail Authority—Expedited Permitting.** The budget includes \$387,000 in annual reimbursement spending authority and 3.3 permanent positions to address federally-required water quality 401 certification needs and oversight of the high speed rail project in order to meet the High-Speed Rail Authority's requested permitting schedule.
- **Leviathan Mine Workload.** The budget includes \$211,000 ongoing General Fund and 1.9 permanent positions to support workload needed to implement and oversee provisions set forth in the "Leviathan Mine Site Work and Cost Allocation Settlement Agreement" between Atlantic Richfield Company and state parties, including the Lahontan Water Board. Funded work would include review of remedial investigation and feasibility study work plans and reports prepared for the Leviathan Mine superfund site pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and participating in the natural resource damage assessment (NRDA) regarding releases from Leviathan Mine site.
- **Proposition 1 Water Commission.** The budget includes one position and \$130,000 reimbursement authority to provide technical assistance and policy expertise under an interagency agreement with the Department of Water Resources to support the development and implementation of the California Water Commission's Proposition 1 Water Storage Investment Program.
- **Drinking Water in Schools.** The budget includes \$10 million (one-time, Proposition 98 funding), for the State Water Board, in consultation with the Department of Education, to administer a grant program for water bottle filling station installations, with point of use filtration when necessary, to deliver safe drinking water to students who do not currently have access. Separately approved four positions to the board for data collection and management to track access to safe drinking water.

- **May Revision Loan Deferrals.** The budget defers a \$1.6 million General Fund loan from the Drinking Water Operator Certification Special Account until June 30, 2019.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

The Department of Toxic Substances Control is in the middle of a major re-focus of its programs and management. The department's budget focuses on improving permitting and regulatory approaches to toxic substances.

- **Hazardous Waste Management Permitting Support.** The budget includes an increase of \$1.2 million (Hazardous Waste Control Account [HWCA]) to make permanent eight, limited-term, positions that are set to expire at the end of the current year. These positions were previously provided to address a hazardous waste permit renewal backlog, as well as to update cost estimates associated with closing hazardous waste facilities.
- **Enhanced Permitting Capacity and Support.** The budget includes \$2.4 million from the HWCA, and 15 positions within the permitting division, to fully implement process improvements under the permit enhancement work plan. The funding is intended to sustain timely permitting actions, mitigate the incidence of facilities operating for extended periods of time on expired permits, and improve enforcement.
- **Independent Review Panel (IRP).** The budget did not include two additional positions proposed by the Senate, with limited-term funding, to allow for more continuity of staffing for the IRP; and did not approve budget bill language requiring the department to provide IRP access to state facilities and workers in order to provide a more robust review of the department.
- **Listing Lead Acid Batteries (Department of Toxic Substances Control [DTSC]).** The budget includes \$255,000 (Toxic Substances Control Account), and two positions, to evaluate listing lead acid batteries as "priority products" subject to safer consumer product regulations. As part of a hazardous waste source reduction initiative, DTSC will conduct research, engage with stakeholders, evaluate options, and implement recommended actions to better protect the people and environment of California from adverse impacts related to the manufacture, use, recycling and disposal of lead acid batteries.
- **AB 276 Ability to Pay: Cost Recovery.** The budget includes \$200,000 and two permanent positions (\$180,000 Toxic Substances Control Account and \$20,000 Hazardous Waste Control Account) to implement the expanded information request authority pursuant to AB 276 (Assembly Committee on Environmental Safety and Toxic Materials), Chapter 459, Statutes of 2015). AB 276 allows DTSC to require a potentially responsible party (PRP) to provide information regarding the party's ability to pay for a response action at a site where there has been, or may be, a release of hazardous waste, hazardous substances, or hazardous materials in the environment.
- **Attorney General Independent Review and Panel Costs.** The budget includes an augmentation of \$50,000 in 2016-17 (\$25,000 Toxic Substances Control Account and \$25,000 Hazardous Waste Control Account). The request also includes \$25,000 in 2017-18 split similarly between the two accounts. Funds will be used to reimburse the Attorney General for expenses associated with its

support for the Independent Review Panel (IRP), which was established pursuant to Senate Bill 83 (Committee of Budget and Fiscal Review), Chapter 24, Statutes of 2015. The IRP is responsible for reviewing and making recommendations regarding improvements to the department's permitting, enforcement, public outreach, and fiscal management. The IRP consists of three appointed members.

- **Biomonitoring.** The budget extends, for two additional years, two limited-term positions and \$350,000 (Toxic Substances Control Account) in the Biomonitoring California Program. These two positions will continue to analyze specific toxic chemical contaminants in biological samples from ongoing population-based investigations. The budget provides an additional \$150,000 to DTSC as part of an overall \$1 million provided to the Department of Public Health and Office of Environmental Health Hazard Assessment.
- **Treated Wood Waste.** The budget includes an augmentation \$370,000 (Hazardous Waste Control Account) for two years to implement SB 162 (Galgiani), Chapter 351, Statutes of 2015, related to the management of treated wood waste. Trailer bill language extends the implementation period for an additional six months, to provide a full two years to implement the requirements of SB 162 to conduct a comprehensive evaluation of treated wood waste handlers, their compliance with the requirements, and the effectiveness of the standards. It requires DTSC to inspect at least 25 percent of treated wood waste generators and treated wood waste disposal facilities in conducting its evaluation.
- **Argonaut Mine Dam Retrofit.** The budget includes \$14.3 million (General Fund), one-time, to retrofit the Argonaut Mine Dam in Jackson, California. This follows various state and federal studies that concluded that the dam is structurally unstable and has a significant chance of complete failure with sustained rainfall.
- **Replacement of Laboratory Equipment.** The budget includes \$2 million (HWCA) on a one-time basis to procure laboratory and investigatory equipment used for conducting investigations in support of criminal, civil, and administrative enforcement of hazardous waste laws. Available funding is the result of a settlement agreement that specifies the use of these funds.
- **Strategic Program Development.** The budget augments, by \$747,000 (\$347,000 HWCA and \$373,000 from the Toxic Substances Control Account), and converts five positions from limited-term to permanent, for strategic program development. The department intends to have the five positions report as a team to the existing Special Assistant for Program Review. The team will work systematically through the department's core programs and support services to evaluate the strengths, weaknesses, opportunities, and threat in program and service functions. The team will prioritize areas or issues for development.
- **Office of Environmental Justice and Tribal Affairs.** The budget includes an augmentation of \$881,000 (\$441,000 from Toxic Substances Control Account and \$440,000 from Hazardous Waste Control Account), and six positions, to create the proposed Office of Environmental Justice and Tribal Affairs. The proposal is intended to strengthen the coordination of environmental justice and tribal affairs activities and to enhance engagement with impacted communities. The office will also identify and address gaps within its own programs that may contribute to unequal environmental

protections or outcomes in these communities, and broaden the transparency of and access to DTSC programs.

- **Salton Sea.** Appropriates \$1.4 million from Waste Discharge Permit Fund for the State Water Control Board to provide grants for the projects that eliminate public health and safety risks for wastewater, agricultural, and other discharge of urbanized areas of tributaries of the Salton Sea.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

CalRecycle continues to address a shortfall in its largest program, the Beverage Container Recycling Program (BCRP). The budget includes minor changes to education programs and allocation of settlement fees. The budget does not include major changes to the BCRP.

- **Improving the Beverage Container Recycling Fund.** The budget does not include Senate proposal to develop a convenience zone pilot program that would have allowed three local jurisdictions authority and funding to demonstrate alternatives to the state's convenience zone requirements for beverage container redemption.
- **Education and the Environment Initiative (EEI).** The budget includes \$1.4 million from the Environmental License Plate Fund to CalRecycle, for an interagency agreement with the Department of Education, to leverage outside funding for the EEI program. This includes the Governor's proposal to increase the program by \$700,000.
- **Settlement Fees for Public Service Announcements.** The budget includes \$150,000 (Integrated Waste Management Account), one-time, to develop public service announcements regarding the proper handling and disposal of universal and household hazardous waste, including electronic waste. This funding is the result of a settlement agreement that specifies the use of these funds.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)

- **Biomonitoring.** The budget includes an additional \$250,000 to OEHHA as part of an overall \$1 million provided to the Department of Public Health and DTSC.
- **Neighboring Air Quality Monitoring Near Oil and Gas Operations.** The budget includes a total of \$350,000 and two new permanent full-time positions, to be funded by direct appropriation from the OGGAF, to support the ARB in its proposed project to monitor neighborhood air quality near oil and gas facilities. This includes \$300,000 for the positions and \$50,000 per year in contracts. The resources will enable OEHHA to support ARB in the identification of chemical hazards and the characterization of potential risks in California communities related to ongoing oil and gas production activities and from unanticipated events such as the natural gas leak at Aliso Canyon. Additionally, trailer bill language authorizes the use of the OGGAF for this purpose.

Environmental Protection Budget Trailer Bills

1. *Resources - SB 839 (Committee on Budget and Fiscal Revenue), Chapter 340, Statutes of 2016.*
2. *Energy – SB 840 (Committee on Budget and Fiscal Review), Chapter 341, Statutes of 2016.*

ENERGY AND UTILITIES

3360 CALIFORNIA ENERGY COMMISSION (CEC)

The California Energy Commission continues to focus work on improving the state's energy infrastructure, ramping down programs related to the now-defunct public goods charge, and administering programs related to renewable energy resources.

- **Bioenergy Research.** The budget includes \$15 million (General Fund) to the CEC for bioenergy research. Budget bill language requires that awards under this appropriation be issued using a competitive grant solicitation process including a provision for federal cost share for alternative fuel applied research and demonstration solicitations.
- **Public Goods Charge Ramp-Down.** The budget includes the continued reduction of \$1.3 million from the Public Interest Research, Development, and Demonstration Fund (PIER), and the Renewable Resource Trust Fund (RRTF), through the Public Goods Charge (PGC) for the Renewable Energy Program and the Public Interest Energy Research Program (PIER). This is in response to the sunset of the authority to collect the PGC, effective on January 1, 2012. As a result, the PGC program is undergoing a multi-year phased staff reduction.
- **AB 802 (Williams) and AB 865 (Alejo) Implementation.** The budget includes eight permanent positions and \$500,000 (ERPA) in baseline technical support, for a total request of \$1.6 million (ERPA), to support the implementation of AB 802 (Williams), Chapter 590, Statutes of 2015, which accelerates energy efficiency through benchmarking and customer data analysis. The budget includes one permanent position and \$135,000 (ERPA) to implement AB 865 (Alejo), Chapter 583, Statutes of 2015, which charges CEC with developing a diversity outreach program to qualified businesses.
- **SB 350 (De León) Implementation.** The budget includes 29.5 permanent positions, and ongoing contract funds of \$3.5 million, for a total of \$7.6 million from the Cost of Implementation Account, Air Pollution Control Fund, to implement SB 350 (de León), Chapter 547, Statutes of 2015, the Clean Energy and Pollution Reduction Act of 2015.
- **Acceptance Test Technician Certification Providers.** The budget includes for the conversion of one limited-term position to permanent to continue ongoing implementation of the Acceptance Test Technician Certification Providers, at a cost of \$107,000 (ERPA). The budget requests conversion of one position (international relations senior advisor) to permanent to continue coordination with other nations as it relates to greenhouse gas emission reductions, at a cost of \$120,000 (ERPA).
- **Continued Support of Energy Infrastructure to Meet 21st Century Policy and Planning Objectives.** The budget includes for the conversion of six limited-term positions to permanent to continue supporting the revival of energy data collection activities and the development of disaggregated energy demand forecasts, to implement and support statewide energy decisions at

the CEC. Total funding request for provision is \$724,000 from the Energy Resources Program Account (ERPA).

- **One-Time Expenditure Authority for Unspent Public Interest Energy Research (PIER) Natural Gas Funds.** The budget includes the expenditure of unspent funds from the PIER Natural Gas Fund as directed by the CPUC. The CPUC directs the CEC to submit a research plan to utilize \$3.6 million in unspent funds, resulting from completed projects that came in under-budget.
- **California Energy Commission—Natural Gas Electricity System Interactions and Grid Reliability.** The budget includes baseline authority for three permanent positions, one-time contract funds of \$1 million, for technical assistance, and ongoing contract funds of \$150,000, for a total request of \$1.7 million from the Public Interest Research, Development, and Demonstration Fund to improve the Energy Commission's technical ability to monitor, model, and analyze the interaction of California's electricity and natural gas systems for grid reliability. This includes pipeline and system dispatch modeling, underground storage operations, forward price monitoring and financial risk assessment, and relationships between weather and gas balances as they influence electric reliability.
- **Title 20 Appliance Efficiency Standards Compliance Assistance and Enforcement Program.** The budget includes two permanent positions to support the Title 20 Appliance Efficiency Standards Compliance Assistance and Enforcement Program. Senate Bill 454 (Pavley), Chapter 591, Statutes of 2011, authorized the commission to establish an administrative enforcement process for violations of the commission's appliance efficiency standards, with penalties up to \$2,500 per violation. Total funding request for this provision is \$275,000 from the Appliance Efficiency Enforcement Subaccount.
- **American Recovery and Reinvestment Act (ARRA) Investments.** The budget provides \$8 million in federal fund authority in the budget year, and \$2.5 million through 2026-27, to implement both voluntary and mandatory programs to increase energy efficiency in existing buildings, and to conduct a competitive grant program to facilitate more effective use of local government knowledge and authority to promote and conduct energy efficiency improvements in existing buildings. The proposal also requests federal fund transfer authority to shift \$5 million (ARRA funds) to the Department of General Services for the Energy Efficiency State Property Revolving Fund loan program.

Approved the following trailer bill language:

- **New Solar Homes Partnership Program.** The budget requires that, should the California Public Utilities Commission order a continuation of the New Solar Homes Partnership Program, and determines that the California Energy Commission be the third party administrator, that funds should be made available for this purpose.
- **Energy Retrofits.** The budget authorizes a state department or agency to contract for an energy retrofit program and requires any company performing this service use apprentice-able occupations in building and construction trades.

- **Alternative and Renewable Fuel and Vehicle Technology Fund Transfer.** The budget repeals the annual fund transfer of \$10 million from the Public Interest Research, Development, and Demonstration Fund to the Alternative and Renewable Fuel and Vehicle Technology Fund, authorized by Health and Safety Code Section 44273.
- **Natural Gas Tracking System.** The budget provides that the CEC, on or before September 15, 2017, report to the Legislature on a recommended plan for tracking natural gas, as specified. The budget requires the Air Resources Board, in consultation with the commission, to develop a model of fugitive and vented emissions of methane from specified natural gas infrastructure.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)

The budget includes a series of actions designed to implement recent legislation and to improve staffing and accountability related to natural gas infrastructure statewide.

- **Implementation of SB 380 (Pavley).** SB 380 (Pavley), Chapter 14, Statutes of 2016, was chaptered on May 10. The budget provides \$2.1 million from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to the CPUC for additional staffing and procurement of technical services to conduct public hearings, proceedings, analysis, complex modeling, staff training, equipment, and travel to perform analysis of the impacts of a full or partial closure of Aliso Canyon.
- **Adjustments to Electric Program Investment Charge (EPIC).** The budget includes an increase of \$11.2 million (EPIC) for program and administration activities, as well as \$4.5 million in one-time technical assistance for technical support activities, as directed by the California Public Utilities Commission (CPUC).
- **California LifeLine Costs.** The budget includes \$483.1 million for state operations and local assistance costs for the LifeLine program. This reflects an estimate of nearly three million program subscribers in the 2016-17 fiscal year.
- **Safety Division at the CPUC.** The budget provides 11 permanent positions and \$1.7 million from the PUCURA, to be used to create the Division of Safety Advocates, an independent division within the CPUC. The Legislature did not approve trailer bill language to establish a safety intervenor for the division.
- **Additional Funds for Legal Costs.** The budget includes \$6 million from the PUCURA to retain the services of outside counsel so that the CPUC can cooperate with the two criminal investigations that are currently underway.
- **Information Technology Resources.** The budget includes \$3.4 million (distributed across 12 CPUC funds) and 24 permanent positions for its information technology service branch to better enable it to support mission-critical programs, provide public transparency, and inform decision-makers. The budget also provides \$7.1 million in funding from various CPUC funds over two years

for an information technology (IT) contract and positions for a one-time software customization and on-going support to automate some CPUC process that are currently manual.

- **Human Resource Workforce Planning and Development.** The budget includes \$672,000 from the PUCURA annually for six positions. The staff will contribute to CPUC building a strong and specialized learning and development unit focused on recruitment, development, and retention of staff.
- **Rail Transit Safety.** The budget includes \$701,000 (Public Transportation Account, State Transportation Fund) annually for five positions and four Department of General Services' truck leases. These resources will enable the CPUC's safety inspection and accident investigation efforts to keep up with the significant recent expansion in rail transit systems (does not include heavy rail).
- **Funding for Service Quality Study.** The budget includes \$500,000 in reimbursements for a one-time contract to examine AT&T and Verizon's network facilities, and policies and procedures for service outages, and to advise CPUC on network issues.
- **SB 793 - Green Tariff Renewables.** The budget includes \$160,000 from PUCURA for three years to fund limited-term staff to administer the Green Tariff Shared Renewables (GTSR) program, as modified by SB 793 (Wolk), Chapter 587, Statutes of 2015.
- **SB 541 - For-Hire Transportation Carriers: CPUC Enforcement.** The budget includes \$372,000 from the Public Utilities Commission Transportation Reimbursement Fund for two years for a \$250,000 contract and limited-term staffing to implement SB 541 (Hill), Chapter 718, Statutes of 2015.
- **SB 350 Clean Energy and Pollution Reduction Act and AB 802 Energy Efficiency.** The budget includes \$3.35 million annually from the PUCURA for 23 permanent positions to implement SB 350 (de León) Chapter 547, Statutes of 2015 and AB 802 (Williams), Chapter 590, Statutes of 2015.
- **Ongoing Implementation of SB 1414 Demand Response Programs.** The budget provides ongoing funding of \$131,000 from the PUCURA and converts the current limited-term position doing this work to a permanent position to continue the implementation of certain provisions of SB 1414 (Wolk), Chapter 627, Statutes of 2014.
- **AB 1266 Electric and Gas Corporations-Excess Compensation.** The budget includes \$160,000 annually from the PUCURA for two new permanent half-time positions for proceedings and reviews of excess compensation as required by AB 1266 (Gonzalez), Chapter 599, Statutes of 2015.
- **Ongoing Implementation of AB 327.** The budget includes funding of \$527,000 from the PUCURA for four permanent positions and one three-year limited-term position to support the continued implementation of select provisions of AB 327 (Perea), Chapter 611, Statutes of 2013.

- **eFiling Administration Support (eFAST) Platform Creation and Business Configuration Projects.** The budget includes \$5.35 million from various CPUC funds for a one-time software customization (for a total IT contract of \$7.1 million over 2016-17 and 2017-18) and 6.3 permanent positions in 2016-17, and an additional 3.7 positions in 2017-18, for a total of 10 positions on an on-going basis. The proposed funding will be distributed across 10 funds.

Approved the following statutory changes in trailer bill language (TBL):

- **California Public Utilities Commission (CPUC) Reporting.** TBL requires the CPUC to report to the Legislature on options to locate operations and staff outside the commission's San Francisco headquarters.
- **Green Tariff Sunset.** The budget repeals the sunset that would have ended the requirement that investor-owned utilities to offer the Green Tariff Shared Renewable Program to customers. The program will now end when the 600 megawatt cap of the program is reached.
- **Biomethane Injection Study.** The budget requests a study from the California Council on Science and Technology on technical aspects of biomethane related to its delivery in common carrier pipelines and impacts on end uses of biomethane.
- **Search Warrants for Smart Readers.** The budget clarifies that a search warrant is not necessary for the collection of data related to smart meters.
- **New Solar Homes Partnership Program.** Should the California Public Utilities Commission order a continuation of the program, and determines that the California Energy Commission be the third party administrator, the budget specifies that funds should be made available for this purpose.
- **Biomass Interconnection.** The budget establishes interconnection requirements for certain bioenergy projects from which generation capacity is procured, as related to biomass projects.

3860 DEPARTMENT OF WATER RESOURCES (CALIFORNIA ENERGY RESOURCES SCHEDULING DIVISION)

- The program was approved as budgeted.

Natural Resources and Energy Budget Trailer Bills

1. *Resources - SB 839 (Committee on Budget and Fiscal Revenue), Chapter 340, Statutes of 2016.*
2. *Energy – SB 840 (Committee on Budget and Fiscal Review), Chapter 341, Statutes of 2016.*

FOOD AND AGRICULTURE

8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

The budget includes actions to emphasize best farming practices using greenhouse gas emission reduction funds; improve local fairs; and to increase funding for pest prevention, including for Asian Citrus Psyllid and Pierce's disease.

- **Market Match.** The budget includes \$5 million General Fund for the Nutrition Incentive Matching Grant Program, a new program established in 2016, which doubles the purchasing power of nutrition assistance benefits (e.g., CalFresh) when spent on California-grown foods, nuts, vegetables, and specialty crops, at participating farmers markets.
- **Pest Prevention and Asian Citrus Psyllid.** The baseline budget includes \$131 million (multiple special funds) for plant health and pest prevention. Above this the Legislature provided \$27 million specifically for Asian Citrus Psyllid/Huanglongbing eradication and \$21.4 million for Pierce's Disease. The budget includes a \$1 million increase funding for Asian Citrus Psyllid prevention over the current year.
- **Network of California Fairs Oversight.** The budget includes two permanent positions (one agricultural program supervisor and one attorney) and \$435,000 (Fair and Exposition Fund) in 2016-17, and \$392,000 ongoing, for the Fairs and Expositions Branch to improve oversight of the activities of the 79 fairs (of which 77 are active) that make up the network of California fairs. The department workload includes supervision of fair meetings, legal counsel, and management of deferred maintenance funds.
- **Alternative Fuels Quality and Oversight Program.** The budget includes \$1.1 million (Cost of Implementation Account, Air Pollution Control Fund) in 2016-17, and \$1.4 million annually thereafter, to establish the Alternative Fuels Quality and Oversight Program to regulate alternative transportation fuels (biofuels). The funds will support 5.8 existing positions in 2016-17, and an additional 2.5 positions annually thereafter.
- **Medical Marijuana Regulation Projects.** The budget includes \$2 million (Medical Marijuana Regulation and Safety Act Fund), one-time, for project management and support services for the licensing and track and trace solutions.
- **Avian Influenza Prevention and Response.** The budget includes one permanent position and \$192,000 in 2016-17, and \$167,000 ongoing, General Fund, for the Animal Health and Food Safety Services Division to meet current and continued threats to animal health and the food supply posed by highly pathogenic avian influenza outbreaks.

Natural Resources and Agriculture Budget Trailer Bills

1. *Resources - SB 839 (Committee on Budget and Fiscal Revenue), Chapter 340, Statutes of 2016.*
2. *Energy - SB 840 (Committee on Budget and Fiscal Review), Chapter 341, Statutes of 2016.*

TRANSPORTATION

0521 TRANSPORTATION AGENCY

The 2016 Budget Act includes expenditures of \$307.7 million for the Transportation Agency from a combination of special funds, federal trust funds, and reimbursements. Of this amount, \$96.4 million in federal funds is for the California Traffic Safety Program, about \$335 million from the Greenhouse Gas Reduction Fund is for the Transit and Intercity Rail Capital Program, and administrative costs are \$4.8 million. The budget redirects one position from the California Department of Transportation (Caltrans) to the Transportation Agency and increases federal reimbursements by \$159,000 to establish a Traffic Records Program Manager who will coordinate statewide efforts to align various state agencies and local government's traffic record systems. In addition, on a one-time basis, \$200,000 in federal fund authority will be used to complete a traffic records assessment using an outside vendor or interagency agreement with another state department.

2600 CALIFORNIA TRANSPORTATION COMMISSION

The budget provides \$28.7 million for the California Transportation Commission (CTC). This amount includes \$191,000 on an ongoing basis for one senior transportation engineer to review the State Highway Operation and Protection Plan (SHOPP) list of projects to ensure adequacy, consistency with the asset management plan and funding priorities, and recommend the SHOPP for approval, in addition to performing other key transparency and oversight functions. The budget also shifts funding authority for program support from Proposition 1B bond funds to the State Highway Account to align funding for program support with current workload.

2660 DEPARTMENT OF TRANSPORTATION

The California Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive state system of 50,000 road and highway lane miles, 13,100 state bridges, and 205,000 culverts; funds three intercity passenger rail routes; and provides funding for local transportation projects. The budget includes \$9.8 billion, almost all of which is from special funds, bond funds, federal funds or reimbursements. Of this amount, \$335 million of cap-and-trade proceeds will support capital investments in transit and intercity rail. Projects that may be eligible for funding include rail capital projects, including: rail cars and improving connectivity to existing and future rail system, intercity, commuter, and urban rail projects that increase service levels, improve reliability, and decrease travel time, rail and transit integration, and Bus Rapid Transit and other bus transit investments. In addition, \$100 million of cap-and-trade proceeds will fund low-carbon transit operations through the existing State Transit Assistance program in order to reduce greenhouse gas emissions by supporting new, or expanded, bus or rail services, or expanded intermodal transit facilities.

Other proposals adopted and incorporated in the budget include:

- **Capital Outlay Support (COS).** The COS budget was reduced by \$32.5 million and 94 full-time equivalents (FTE) from the 2016-17 Governor's budget, for a total of 9,512 FTEs (includes 8,161 state positions, 404 personnel years (PY) of cash overtime, and 947 PY equivalents for architectural and engineering contracts) and \$1.8 billion in costs.
- **Language to Provide Flexibility.** Budget bill language was adopted to exempt local State Transportation Improvement (STIP) projects deprogrammed from the 2016 STIP from the full cost recovery due to reduction in revenues from the price-based excise tax. The California Transportation Commission has calculated that \$754 million of projects must be taken out of the current STIP plan to reflect the decline in available state funding for transportation. The budget bill language also provides authority for Caltrans to increase COS staffing if funding is found to put some or all of these projects back into the STIP.
- **Continuation of Proposition 1B Bond Act Administration.** The budget includes funding for 39 positions in 2016-17 and 36 positions in 2017-18 for the administration of Proposition 1B. This workload continues to decline as Proposition 1B-related projects are completed.
- **Additional Funding for the UC Institute for Transportation Studies (UC ITS).** The budget includes an additional \$3 million (one-time) from the Public Transportation Account for the UC ITS. In addition, the Legislature adopted budget bill language that conditions the receipt of these funds on the Regents of the University of California along with the Transportation Agency, submitting an expenditure plan to the Legislature that describes expected outcomes and benefits of the uses of these funds. In addition, the language requires the funds to be used to complete a post-implementation review of the Project Resourcing and Schedule Management (PRSM) information technology system upgrade completed by the Department of Transportation and requires that the funds not be used for outreach or marketing.
- **District 7 Express Lane Maintenance.** The budget provides for a permanent increase of \$2,377,000 (\$1,145,000 in personal services and \$1,232,000 in operating expenses) in reimbursement funding to support the maintenance of Interstate 10 and Interstate 110 express lanes. The operating expenses provide for the rental of specialized equipment to support the maintenance of the express lanes.
- **Federal Bridge Load Rating.** The budget includes federal reimbursement authority of \$4,640,000 (\$3,653,000 in personal services for 26 permanent positions, \$237,000 in operating expenses and a one-time augmentation of \$750,000 to contribute to a national software update). The staffing request is expected to complete the initial bridge load rating of 11,300 state and local bridges by fiscal year 2021-22 to satisfy the requirements in the 2011 corrective action plan with the Federal Highway Administration. Budget bill language was adopted requiring Caltrans to report to the Legislature, by March 1, 2017 with detailed information regarding its efforts to complete bridge load ratings. Specifically, the report shall include (1) an explanation of any delays in completing the required bridge load ratings, (2) an accounting of how resources budgeted to this task have

been spent to date, (3) an update on the number of bridge load ratings completed, (4) an estimate of the workload required to complete bridge load ratings of bridges built prior to 1978, and (5) an estimate of the workload required to complete bridge load ratings of bridges built since 1978.

- **Local Project Oversight for Federal Highway Administration.** The budget provides \$1 million from local federal subvention funds for five positions and consulting resources to conduct activities associated with new Federal Highway Administration requirements for project oversight and program compliance reviews.
- **All Roads Network Linear Referenced Data Mandate.** The budget includes \$2.2 million one-time, and \$223,000 for two years, to meet federal requirements supporting a single geographic reference for all roads called the Linear Referencing System. This system provides information about pavement condition, traffic conditions, and will be expanded to include all federal aid eligible roads (local, county, and state roads) in California.
- **Toll Collection Services.** The budget transfers toll collection services that Caltrans provides for the Bay Area Toll Authority from Caltrans' Traffic Operations Program to the Maintenance Program to consolidate resources, improve departmental efficiencies, and provide flexibility for the operation of toll collection services during peak commute times. The transfer includes the following changes: (1) 161 permanent positions, 120 temporary help positions, and nearly \$16 million in reimbursement authority; (2) reduces the Traffic Operations Program by 40 permanent positions and \$2.4 million in reimbursement authority; and, (3) increases the Maintenance Program by 29 temporary help positions and \$1.4 million in reimbursement authority. The 29 temporary positions are being requested to minimize toll collectors' overtime hours, provide flexibility over peak travel times, and minimize costs.
- **State Transit Assistance Funding Allocation.** Trailer bill language requires the State Controller to distribute state transit assistance funding for fiscal years 2015-16, 2016-17, and 2017-18 to the same entities and according to the same ratios as calculated and published by the Controller for the fourth quarter of 2014-15. Provides that the remaining 2015-16 distributions shall include adjustments so that the 2015-16 amounts ultimately provided reflect the 2014-15 operator ratios.
- **Tribal Gaming Revenues.** Trailer bill language provides for the General Fund to retain the tribal gaming revenues anticipated in 2016-17. Otherwise, there would be a General Fund loss resulting from the interaction between the transportation loans that are partially being repaid out of Proposition 2 and the tribal gaming revenues which would not be deposited into the General Fund because the loan was not fully repaid.
- **High Occupancy Vehicles (HOV) Lanes.** Trailer bill language requires Caltrans to report to the Legislature by December 1, 2017 on the degradation status of the state's HOV lanes.
- **Active Transportation.** The budget provides an additional \$10 million for the Active Transportation Program from the Greenhouse Gas Reduction Fund for bicycle and pedestrian programs that make walking or biking to school and work safer and easier.

2665 HIGH-SPEED RAIL AUTHORITY

The High-Speed Rail Authority (HSRA) is responsible for the development and construction of the state's high-speed rail system. The HSRA's budget includes expenditures for support: environmental work, design, planning, right-of-way acquisition, and construction; and local assistance of \$1.7 billion—all from special funds, federal funds, and bond funds. This includes \$1.1 billion from the Proposition 1A, High-Speed Passenger Train Bond Fund, \$32 million in federal funds, and \$500 million from the Greenhouse Gas Reduction Fund (GGRF).

Other proposals included in the budget that are intended to better ensure the successful delivery of the project are:

- **High-Speed Rail Auditing.** The budget includes \$826,000 for six permanent auditor positions to perform audits of contract costs that have been billed and reimbursed and to perform audits requested by the HSRA board.
- **Reappropriation of Proposition 1A Bond Funds.** The budget reappropriates \$145.2 million Proposition 1A bond funds (for three years) to continue environmental review and preliminary design tasks to further planning for Phase I (San Francisco to Los Angeles/Anaheim) and Phase II (extensions to San Diego, Sacramento, and the Altamont Corridor).
- **Positive Train Control Project Reappropriation.** The budget reappropriates \$25 million Proposition 1A (High-Speed Rail Passenger Train Bond) bond funds which extends the liquidation period for the completion of three positive train control projects administered by the Southern California Rail Authority (Metrolink), from June 30, 2016 to June 30, 2017, to allow for the completion of three projects that are currently underway.

2670 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN

The budget provides \$2.3 million in special funds for baseline operations of the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun this includes a budget augmentation of \$298,000 from the Board of Pilot Commissioners' Special Fund. The augmentation provides on a one-time basis \$185,000 for increased rent (\$35,000) and costs associated with testing and training new pilots (\$150,000) to maintain a full roster of trainees. The augmentation also provides on an ongoing basis \$113,000 to finance statutorily required maritime pilot/trainee medical assessments (\$100,000) conducted by the University of California, San Francisco, School of Medicine and annual audits by the State Controller's Office to ensure compliance with current auditing standards (\$13,000).

2720 CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) is responsible for ensuring the safe and efficient flow of traffic on state roads and county roads in unincorporated areas. The budget includes total expenditures of \$2.3 billion from the Motor Vehicle Account (MVA) and other special funds. Proposals approved in the budget include:

- **Various Capital Outlay Proposals.** The budget includes \$31.1 million from the MVA to fund site acquisition and preliminary plans for new CHP offices in Hayward, Ventura, and El Centro. The final budget substitutes the Quincy replacement facility with the San Bernardino office replacement project. The budget reappropriates \$3.4 million MVA for the Santa Barbara facility replacement project to extend the availability of these funds through June 30, 2019. In addition, \$800,000 is provided for advanced planning and site selection to identify three additional offices to replace as part of the CHP's ongoing office replacement plan.
- **CHP Enhanced Radio System (CHPERS).** The budget includes \$445,000 MVA to acquire 640 acres at Sawtooth Ridge (outside of Needles, CA) for Phase 1 of CHPERS. About 23 acres of this land would be used for a radio tower site and access road. In addition, the CHP is required to report on the feasibility of using the remainder of the land for a conservation easement and to report on how to ensure that future maintenance conducted on the site does not affect the ecological integrity of the area.
- **Integrated Database Management System Costs.** The budget approves \$894,000 from the MVA to cover cost increases associated with CHP's use of the California Department of Technology's Integrated Database Management System which supports several of CHP's legacy applications. This will be the third year that CHP has received a one-time augmentation to cover the funding shortfall associated with IDMS. CHP intends to have a plan approved to start implementing the replacement project in 2017-18.
- **Expanded Network Infrastructure.** The budget includes \$1.715 million MVA on an ongoing basis to cover increased costs associated with expanding CHP's network bandwidth capacity throughout the state.
- **Motorcyclist Safety Program Safety Outreach and Education.** The budget approves \$1 million ongoing from the California Motorcyclist Safety Fund to improve the effectiveness of the Motorcyclist Safety Program.
- **Relocation of the Fresno Area Office.** The budget includes \$1.918 million one-time from the MVA for the relocation of the Fresno area office to a new facility. Consistent with the approval of relocation of the Fresno area office in the 2010 Budget Act, construction of the Fresno area office lease-purchase option project began in October 2015.
- **Contracting Budget Bill Language.** Budget bill language was adopted to allow the Department of General Services to use a single master architect and a single environmental service contract for multiple CHP area office replacement projects, and another single contract for the CHPERS Tower

and Vault Replacement projects. Under this provision and the contracts that have already been established for these projects, the use of this approach would be limited to a maximum of 10 CHP office replacement projects.

2740 DEPARTMENT OF MOTOR VEHICLES

The budget provides total funding for the Department of Motor Vehicles (DMV) of \$1.1 billion in special funds. The budget includes:

- **Vehicle Registration Fee Increase.** Trailer bill language increases the base vehicle registration fee by \$10 (from \$46 to \$56), effective January 1, 2017, and indexes the base registration fee to the consumer prices index beginning in 2017-18, allowing the fee to automatically increase with inflation.
- **Capital Outlay for DMV Area Offices.** The budget includes \$5.6 million MVA for various phases for four DMV field office replacement projects in Inglewood, Santa Maria, Delano, and San Diego.
- **Self-Service Terminals.** The budget provides \$8 million MVA on an ongoing basis to fund existing and increased costs related to the expansion of the use of self-service terminal. These terminals serve as an alternative for customers who would otherwise conduct their transactions in DMV field offices with DMV staff. The budget also required DMV to report on the location and utilization of self-service terminals, as well as any cost savings resulting from the diversion of transactions through these terminals.
- **Driver License and Identification Card Production Cost Increase.** The budget includes \$6.9 million from the MVA on an on-going basis to fund an increase in the production costs for drivers' and identification cards.
- **Expanded Eligibility for Drivers' Licenses.** The budget includes \$1.4 million MVA for the ongoing implementation of AB 60 (Alejo), Chapter 524, Statutes of 2013 for additional resources including staff, facilities' lease costs through December 2016, and interpreter services. These funds provide for an additional 11 positions for administrative reviews and 32 positions for secondary reviews in 2016-17.
- **REAL ID Implementation.** The budget includes \$4.6 million MVA and 70 positions on an ongoing basis to begin the process of implementing AB 1465 (Gordon), Chapter 708, Statutes of 2015. AB 1465 authorizes DMV to require proof of residency for all original driver license and identification (DL/ID) card applications beginning July 1, 2016.
- **Federal Vehicle Conformity Requirements.** Trailer bill language makes changes to the California Vehicle Code to require motor carriers to obtain a United States Department of Transportation number as a condition of being assigned a California carrier identification number.

- **Federal Driver’s License and Identification Card Requirements.** Trailer bill language amends existing statute to conform with federal REAL ID requirements, specifically that only one document (driver's license or identification card) can be issued per person and that the senior ID, which under current law expires after 10 years; but under REAL ID a card can be in effect for no more than eight years before it expires.
- **Motor Voter Process.** Trailer bill language requires the Department of Motor Vehicles to pilot and evaluate a process to register voters pursuant to AB 1461 (Gonzales, Chapter 729, Statutes of 2015), to address voters that do not fully complete the registration process and to report on October 15, 2016, on the outcome of this pilot, other process changes proposed to ensure the full completion of voter registration, and an evaluation of these options.
- **High Occupancy Vehicles (HOV) Lane Stickers.** Trailer bill language removes the cap on issuing Green (for plug-in electric hybrids) HOV Lane stickers until 2019. Includes findings and declarations related to Green and White stickers.

Transportation Budget Trailer Bills

1. *Transportation — SB 838 (Committee on Budget and Fiscal Review), Chapter 339, Statutes of 2016.*
2. *2016 Cap and Trade Plan — AB 1613 (Committee on Budget), Chapter 370, Statutes of 2016.*

SUBCOMMITTEE 3
ON
HEALTH
AND
HUMAN SERVICES

Senate Committee on Budget and Fiscal Review

Members

Holly J. Mitchell, Chair
William W. Monning
Jeff Stone

Consultants

Michelle Baass
Theresa Peña

SUBCOMMITTEE No. 3

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No Place Like Home

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HEALTH

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

- **Restructure the California Office of Health Information Integrity.** The budget includes a reduction of five positions and operating expenses for a net reduction of \$1.4 million (\$1.3 million General Fund) for the Office of Health Information Integrity (CalOHII). Based on a zero-base budget analysis, CalOHII requested to reduce its staffing and amend its statutory obligations. CalOHII will continue to serve as the state's authority on the Health Insurance Portability and Accountability Act (HIPAA) matters, but will reduce the scope of its activities to updating statewide HIPAA policy and monitoring progress of HIPAA-impacted and covered departments.
- **Use, Disclosure, and Protection of Specially Protected Health Information.** The budget includes \$800,000 and budget bill language for subject matter expert consultants on a one-year limited-term basis to develop non-mandatory guidance to non-state organizations, local governments, providers, health information exchange entities, and other stakeholders on compliance with federal and state law, pertaining to the use, disclosure, and protection of specially protected health information including mental health, substance abuse, HIV/AIDS, and behavioral health. The funding is being provided by the California HealthCare Foundation.
- **Office of Systems Integration (OSI): MED Modernization Multi-Departmental Planning Team.** The budget includes 18 positions and \$3.7 million (\$350,000 General Fund and \$3.4 million federal funds) to provide dedicated staffing and resources required for the agency-wide planning effort for Medi-Cal Eligibility Data System (MEDS) modernization.
- **OSI: eWIC Management Information System Project.** The budget includes \$4.1 million (federal funds) in expenditure authority and 19.5 permanent positions for the new Women, Infants and Children (WIC) Management Information Systems (eWIC MIS) project. The California Department of Public Health (DPH), as the single State entity responsible for the federally-funded WIC Program, will contract with OSI to assume management of the eWIC MIS project including completing the system acquisition and managing the project through successful completion of statewide implementation.
- **OSI: CalHEERS.** The budget includes an increase of \$8 million in expenditure authority and two permanent positions in 2016-17 related to the transfer of 58 California Healthcare Eligibility, Enrollment and Retention (CalHEERS) staff to OSI from Covered California.

0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

- **Children's Mental Health Crisis Services Capacity Development.** The Legislature augmented the budget by \$30 million (\$16 million General Fund and \$14 million Mental Health Services Fund) one-time and adopted trailer bill language for children's mental health crisis services

capacity development. Of this amount, \$27 million (\$16 million General Fund and \$11 million Mental Health Services Fund) is appropriated to CHFFA for the following:

- Mobile crisis teams - \$9 million (\$1 million General Fund) to provide grants to purchase vehicles and equipment to enable in-home and community-based support to the children and family members. The goal is to create at least 200 mobile crisis support teams.
- Crisis stabilization services and units – \$9 million General Fund to provide grants to expand crisis stabilization services and units.
- Crisis residential treatment beds - \$6 million General Fund to provide grants to expand capacity of crisis residential treatment beds. The goal is to create at least 120 crisis stabilization services and beds and crisis residential treatment beds with this funding.
- Family respite care - \$3 million Mental Health Services Fund to provide grants to help families and sustain caregiver health and well-being.

CHFFA shall provide a status report on this program no later than January 10, 2018 and annually thereafter. The expenditures from the Mental Health Services Fund will occur once the Department of Finance determines that these funds are available in the state administration cap and notifies the Joint Legislative Budget Committee.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- **Approved As Budgeted.** The budget includes \$36.1 million (\$8.7 General Fund and \$6 million federal funds) for the Emergency Medical Services Authority (EMSA). There were no budget change proposals for EMSA.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OSHPD)

- **Primary Care Workforce Development.** The Legislature augmented the budget by \$33.3 million General Fund annually for three years to support health care workforce initiatives. The augmentation is contingent upon federal approval of the Medi-Cal Hospital Quality Assurance Fee. This funding will pay for new and existing residency slots for primary care physicians. The Legislature adopted budget bill language to implement this proposal. These funds are available for expenditure until June 30, 2022.
- **State Loan and Allied Health Repayment Programs for County Medical Services Program (CMSP) Counties.** The Legislature augmented the budget by \$4.85 million in reimbursements from CMSP, including \$350,000 for state operations, to expand the State Loan Repayment Program and Allied Health Loan Repayment Program in CMSP counties. The Legislature adopted budget bill language to implement this proposal.

- **General Fund Loan Repayment.** The Legislature delayed repayment of a \$75 million loan to the General Fund from the Hospital Building Fund until June 30, 2018, instead of 2017, and adopted corresponding budget bill language.

4150 DEPARTMENT OF MANAGED HEALTH CARE (DMHC)

- **Administrative Support Services.** The budget includes two permanent positions and \$247,000 for 2016-17 and \$234,000 for 2017-18 and ongoing to ensure the DMHC can address the administrative workload resulting from program expansions related to the implementation of the Affordable Care Act (ACA) and conforming state legislation.
- **Coordinated Care Initiative.** The budget extends limited-term expenditure authority set to expire June 30, 2016, in the amount of \$1.5 million for 2016-17 and \$522,000 for 2017-18 to address the continuation of workload associated with transitioning dual eligible enrollees in participating counties into managed health care and providing consumer assistance through the California's CalMediConnect Ombudsman Program through December 31, 2017, and reimbursement authority in the amount of \$1.1 million for 2016-17 and \$432,000 for 2017-18.
- **End of Life Option Act.** The budget includes two-year limited-term expenditure authority of \$244,000 for 2016-17 and 2017-18 to meet the department's operational needs in order to address the short-term workload resulting from the implementation of AB 15 X2 (Eggman), Chapter 1, Statutes of 2015, the End of Life Option Act.
- **Federal Mental Health Parity Ongoing Compliance Review.** The budget includes \$529,000 for 2016-17 and 2017-18 for clinical consulting services to design new compliance filing instructions and forms, conduct review of plans' classification of benefits and nonquantitative treatment limits (NQTLs), and for resolving clinical issues arising in compliance filings associated with performing ongoing oversight of compliance with the federal Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act (MHPAEA) and its final rules.
- **Large Group Rate Review.** The budget includes four permanent positions and \$682,000 for 2016-17 and \$644,000 for 2017-18 and ongoing to address the increased workload resulting from the implementation of SB 546 (Leno), Chapter 801, Statutes of 2015.
- **Limitations on Cost-Sharing: Family Coverage.** The budget includes limited-term expenditure authority of \$196,000 for 2016-17 and \$188,000 for 2017-18 to meet the department's operational needs to implement AB 1305 (Bonta), Chapter 641, Statutes of 2015.
- **Outpatient Prescription Drug Formularies.** The budget includes limited-term resources of \$733,000 for 2016-17; \$700,000 for 2017-18; \$558,000 for 2018-19; and \$558,000 for 2019-20 to meet the department's operational needs to address the short-term workload resulting from the implementation of AB 339 (Gordon) Chapter 619, Statutes of 2015. This includes \$196,000 in contracted consulting costs for 2016-17, 2017-18, 2018-19, and 2019-20 to assist DMHC offices with developing implementation standards and identifying health plan clinical standard deficiencies during the survey process.

- **Provider Directories.** The budget includes eight permanent positions and \$1,436,000 for 2016-17; \$1,366,000 for 2017-18; and, \$1,181,000 for 2018-19, and ongoing, to address the increased workload resulting from the implementation of SB 137 (Hernandez) Chapter 649, Statutes of 2015. This includes \$153,000 for 2016-17; \$153,000 for 2017-18; and \$77,000 for 2018-19 and ongoing for the Office of Enforcement's expert witness and deposition costs for enforcement trials. This also includes limited-term expenditure authority of \$89,000 for 2016-17 and 2017-18, enabling DMHC's Office of Technology and Innovation to address short-term IT-related setup activities.
- **Vision Services.** The budget includes two permanent positions and \$308,000 for 2016-17, and \$292,000 for 2017-18, and ongoing, to address the increased workload resulting from the implementation of AB 684 (Alejo), Chapter 405, Statutes of 2015.
- **Health Insurance Premium Rate Review Grant Reappropriation.** The budget includes a reappropriation of \$100,000 (federal funds) for the Health Insurance Premium Rate Review Cycle II Federal Grant. This reappropriation will enable DMHC to complete the activities started on July 1, 2012. These activities include collecting premium rate data, improving rate filing requirements, enhancing the rate review process, reporting data to the federal government, and expanding consumer participation in the rate review process.

4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **Medi-Cal: Estate Recovery.** The Legislature adopted trailer bill language to limit estate recovery in the Medi-Cal program to only those health care services required to be collected under federal law; to make it easier for individuals to pass on their assets by using the narrower definition of "estate" in federal Medicaid law; and to allow a hardship exemption from estate recovery for a home of modest value. The Legislature augmented the budget by \$11.4 million (\$5.7 million General Fund) to implement this proposal in 2016-17 and \$57.8 million (\$28.9 million General Fund) in out-years.
- **Medi-Cal: Acupuncture.** The Legislature adopted trailer bill language to restore acupuncture services as a covered benefit under the Medi-Cal program. This benefit was eliminated in the 2009 budget in response to the state's fiscal crisis. The Legislature augmented the budget by \$12.2 million (\$3.7 million General Fund) to implement this proposal. Out-year costs are estimated to be \$14.7 million (\$4.4 million General Fund).
- **Medi-Cal: Interpreters.** The Legislature augmented the budget by \$6 million (\$3 million General Fund) one-time and adopted budget bill language to support activities related to a medical interpreters pilot project. This funding is contingent upon the chaptering of future legislation authorizing this pilot project.
- **Hospital Quality Assurance Fee Extension.** The Legislature adopted trailer bill language to extend the sunset date of the hospital quality assurance fee (QAF) from January 1, 2017 to January 1, 2018. CHA requests the sunset date be extended one year to January 1, 2018. Extension of this fee results in \$845 million General Fund savings in 2017-18.

- **Medi-Cal: Federal Managed Care Regulations.** The budget includes 38 permanent positions and two-year limited-term funding for staff resources and contractual services to implement new federal Medicaid regulations. These positions support the implementation of Medicaid and CHIP Managed Care Final Rule CMS-2390-P and Fee-for-Service Final Rule CMS-2328-NC. The total funding approved for these resources is \$10.4 million (\$5 million General Fund).
- **Medi-Cal: Managed Care Enrollment Tax.** The budget includes three-year limited-term expenditure authority of \$240,000 (\$120,000 General Fund) to support the implementation and oversight of the managed care enrollment tax established by SB 2 X2 (Hernandez), Chapter 2, Statutes of 2016.
- **Medi-Cal: 1115 Waiver Renewal.** The budget includes \$2.2 billion in federal funds for the new “Medi-Cal 2020” waiver and a combination of two-year and five-year limited-term resources of \$10.8 million (\$5.4 million General Fund) to support the implementation of California’s new 1115 waiver.
- **Medi-Cal: Managed Care Fine and Penalty Revenue.** The Legislature rejected the Administration’s trailer bill language to allow the use of managed care administrative fines and penalties revenue over \$1 million for the purpose of funding the Medi-Cal program. Instead, the Legislature adopted budget bill language that transfers any fines and penalties revenue over \$1 million to the Medi-Cal program until 2019-20. In the budget year, the amount to be transferred is \$2 million.
- **Medi-Cal: Institutionally Deemed Behavioral Health Treatment Enrollment Assistance.** The budget includes \$2.2 million (\$1.1 million General Fund) for health coverage enrollment assistance for current participants (an estimated 433) of the Home and Community-Based Services (HCBS) for the Developmentally Disabled waiver who will lose their Medi-Cal eligibility in March 2017. These beneficiaries are currently receiving behavioral health services (BHT) services through the waiver and are eligible for Medi-Cal through institutional deeming, which requires beneficiaries needing nursing facility level of care, be under the age of 21, live at home, receive at least one HCBS, and are not otherwise eligible for Medi-Cal without a share-of-cost. With the transition of this benefit from the HCBS waiver to the Medi-Cal program, these individuals no longer qualify for Medi-Cal under institutional deeming. The Legislature also adopted trailer bill language to implement this change.
- **Medi-Cal: New Qualified Immigrant (NQI) Affordability and Benefit Program.** The budget includes \$31.8 million General Fund to reflect a delay of one year (from January 1, 2017 to January 1, 2018) in shifting newly eligible NQI populations to Covered California, pursuant to SB 1 X1 (Hernandez), Chapter 4, Statutes of 2013. The Legislature rejected trailer bill language to adjust the income eligibility requirements for the NQI Affordability and Benefit program to no more than 150 percent of the federal poverty level, based on the applicant’s eligibility for Advanced Premium Tax Credit, a health insurance federal subsidy.

- **Medi-Cal: Emergency Medical Air Transportation Act Cleanup.** The Legislature modified the Administration's trailer bill language to modify, instead of remove, a provision of SB 326 (Beall), Chapter 797, Statutes of 2015 regarding emergency medical air transportation funding from penalty assessments for Vehicle Code violations and DHCS notifying the Legislature of the fiscal impact on the Medi-Cal program resulting from the termination of the penalty assessments.
- **Medi-Cal: PACE Modernization.** The Legislature adopted modified trailer bill language to standardize rate-setting, remove the cap on the number of PACE organizations, remove the not-for-profit requirement, and provide PACE flexibilities.
- **Medi-Cal: Eligibility Systems Workload.** The budget includes \$3.7 million (\$1.8 million General Fund) to support the ongoing policy and system initiatives required by AB 1 X1 (Pérez), Chapter 3, Statutes of 2013, and the federal Affordable Care Act (ACA). This includes three-year limited-term funding of \$3 million and four permanent positions.
- **Medi-Cal: Outreach and Enrollment Extension.** The budget includes two-year limited-term special fund resources of \$435,000 (\$217,000 Special Deposit Fund and \$218,000 federal funds) to address the workload performed by existing limited-term positions that will expire on June 30, 2016. These resources support the implementation, maintenance and oversight of the Medi-Cal outreach, enrollment, and renewal assistance work pursuant to AB 82 (Committee on Budget), Chapter 23, Statutes of 2013, Sections 70 and 71, and SB 18 (Committee on Budget and Fiscal Review), Chapter 551, Statutes of 2014 and as extended by SB 75 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2015.
- **California Children's Services Program.** The Legislature rejected trailer bill language to implement the budget-related components of the California Children's Services Program (CCS) Whole Child Model, as the Administration is pursuing a policy bill on this issue.
- **Budget Control Section 4.13.** The budget includes Control Section 4.13 to facilitate repayments to counties pursuant to AB 85 (Committee on Budget), Chapter 24, Statutes of 2013. AB 85 modified the 1991 Realignment Local Revenue Fund distributions to capture and redirect county savings from the implementation of federal health care reform. These savings are reallocated to counties to pay an increased county contribution towards the costs of California Work Opportunity and Responsibility to Kids grants, also known as CalWORKs, which reduces state General Fund expenditures. The state redirected \$300 million in 2013-14; however, actual county savings in 2013-14 are lower than previously estimated and the budget assumes repayment of \$177.4 million to counties in 2016-17.
- **AB 85 Health Realignment.** The budget includes one permanent position and expenditure authority of \$845,000 (\$423,000 General Fund), of which \$734,000 would be three-year limited-term, to address the ongoing administration of AB 85 (Committee on Budget), Chapter 24, Statutes of 2013, as amended by SB 98 (Committee on Budget and Fiscal Review), Chapter 358, Statutes of 2013.

- **Home and Community-Based Services (HCBS) Federal Requirements.** The budget includes limited-term resources of \$1.1 million (\$491,000 General Fund) to (1) comply with the Centers for Medicare and Medicaid Services (CMS) Federal Regulations (2249-F and 2296-F) on Home and Community-Based Settings final rule for existing Home and Community-Based Services (HCBS) providers and beneficiaries promulgated on March 17, 2014; and (2) to work on the CMS-approved Assisted Living Waiver (ALW) program and ensure ongoing compliance of ALW providers with the HCBS final rule.
- **California Community Transitions Demonstration Project.** The budget includes five-year limited-term resources of \$941,000 (federal funds) to continue work related to the federal Money Follows the Person Rebalancing Demonstration, which was extended by CMS for an additional five years through September 30, 2020.
- **Every Women Counts Program.** The budget includes three-year, limited-term federal funds authority of \$399,000 to perform programming, data analysis, and data management functions for the Every Woman Counts program.
- **Office of Family Planning Contract Conversion.** The budget includes ten permanent positions and \$1.5 million (\$637,000 General Fund) for 2016-17 and \$1.4 million (\$596,000 General Fund) on-going to replace existing contracted staff. These positions will ensure adequate staffing levels to meet state Office of Family Planning requirements and comply with Government Code Section 19130, which prohibits contracting out for services that can be performed by state civil servants.
- **Dental Fiscal Intermediary Turnover-Takeover.** The budget includes three-year expenditure authority of \$2.1 million (\$514,000 General Fund) to support the equivalent of seven three-year limited-term positions and contractual services to address workload related to the conversion of the current Medi-Cal Dental Fiscal Intermediary contract. DHCS is presently securing two contracts, one for the dental Administrative Services Organization (ASO) and one for the California Dental Medicaid Management Information System Fiscal Intermediary (FI) services. These resources are necessary to perform the turnover-takeover efforts of the FI and ASO from the current vendor.
- **Denti-Cal Oversight.** The budget includes four full-time permanent positions and \$503,000 (\$222,000 General Fund) to address current and anticipated increases in Denti-Cal workload due to ongoing efforts in connection with the findings and recommendations of the California State Auditor and the federal Office of Inspector General audits regarding questionable billing for pediatric services.
- **Robert F. Kennedy Farm Workers Medical Plan.** The budget includes five-year limited-term funding of \$220,000 General Fund to implement provisions of SB 145 (Pan), Chapter 712, Statutes of 2015 and \$100,000 General Fund for a one-time system upgrade.
- **Federally Qualified Health Centers Pilot.** The budget includes three-year, limited-term expenditure authority of \$240,000, to support the implementation, administration, and evaluation of an alternative payment methodology pilot for select federally qualified health centers, pursuant to the requirements of SB 147 (Hernandez), Chapter 760, Statutes of 2015. One-time contract authority of \$300,000 is included in 2017-18 to prepare an evaluation of the pilot.

- **Covered Outpatient Drugs Final Federal Rule.** The budget includes \$327.8 million (\$130 million General Fund) in savings as a result of changes to the Medi-Cal fee-for-service pharmacy program's implementation of updated federal maximum reimbursements, federal upper limits, for some generically equivalent drugs dispensed by pharmacies. The Legislature also approved trailer bill language to provide DHCS authority to comply with the final federal rule related to Medicaid reimbursement for covered outpatient drugs. The final rule, issued on February 1, 2016, requires states to align pharmacy reimbursements with the actual acquisition cost of drugs and to pay an appropriate professional dispensing fee. The budget also includes \$645,000 (\$322,000 General Fund) to support two contractors; one for project management services and another to survey drug price information from pharmacies and to develop a new professional dispensing fee.
- **Supplemental Drug Rebates Cleanup.** The Legislature approved trailer bill language to correct non-sequential lettering errors and inconsistent and erroneously omitted language in order to accurately preserve the intent and purpose of SB 870 (Committee on Budget and Fiscal Review), Chapter 40, Statutes of 2014, to collect supplemental drug rebate revenues for certain prescription drugs based on drug utilization from all eligible Medi-Cal programs.
- **Health Insurance Portability and Accountability Act (HIPAA) Compliance and Monitoring.** The budget converts eight limited-term positions to permanent effective July 1, 2016. The positions will continue existing efforts, maintain compliance with current federal and state regulations, address new HIPAA rules, provide support for growth in the Capitation Payment Management System, and continue oversight of privacy and security protections for members served by DHCS programs.
- **Specialty Mental Health Services Oversight and Monitoring.** The budget includes 13 full-time, permanent positions and expenditure authority of \$1.9 million (\$866,000 General Fund) for 2016-17 and \$2.2 million (\$972,000 General Fund) on-going. The permanent resources, including \$400,000 for contracted clinicians, will work to meet the special terms and conditions required by CMS. CMS placed this as a condition of the renewal of DHCS Medi-Cal Specialty Mental Health Services Waiver authorized under Section 1915(b) of the Social Security Act.
- **Performance Outcomes System for Medi-Cal Specialty Mental Health Services.** The budget includes \$13.6 million (\$6.8 million General Fund) for implementation of the performance outcomes system (POS) for Medi-Cal specialty mental health services as required by SB 1009 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2012 and AB 82 (Committee on Budget), Chapter 34, Statutes of 2013. These funds would be used to fund county personnel costs and for training for county clinicians on how to use the tools for data collection. County mental health plans will collect, manage, use, and report additional functional assessment data as part of the POS.
- **Continuum of Care Reform: Short-Term Residential Treatment Center Licensing.** To implement the Continuum of Care Reform, pursuant to AB 403 (Stone), Chapter 773, Statutes of 2015, the budget includes (1) one position, (2) three-year funding (phased-in) of \$251,000 for staffing resources, and (3) \$12 million (\$6.8 million General Fund and \$5.2 million federal funds)

to fund county mental health costs to improve assessments of foster youth placements, and increase transparency and accountability for child outcomes. These funds cover half-year costs.

- **Foster Care Psychotropic Medications.** The budget includes one position and \$134,000 (\$67,000 General Fund) in 2016-17 and \$125,000 (\$63,000 General Fund) ongoing, to implement the requirements of SB 238 (Mitchell) Chapter 534, Statutes of 2015.
- **Mental Health Services Act (MSHA) Oversight and Accountability.** As part of No Place Like Home (see the No Place Like Home section of this report on page 3-25 for more information) the Legislature adopted trailer bill language that requires DHCS to revise MHSA county annual revenue and expenditure reporting requirements, in consultation with county representatives, to ensure timely, accurate, and consistent data; requires DHCS to regularly post on their website the annual revenue and expenditure reports and each county's three-year MHSA expenditure plan; requires counties to certify the accuracy of the data they submit to DHCS; permits DHCS to request that the State Controller's Office withhold MHSA funds from counties that fail to comply with reporting requirements; requires DHCS to regularly conduct county MHSA program reviews (as related to the requirements of the existing performance contracts) and to post on its website findings from these reviews and county plans of corrections when deficiencies are identified; and requires DHCS to summarize county MHSA performance outcomes.
- **Suicide Prevention Hotlines.** The Legislature augmented the budget by \$4 million Mental Health Services Fund (state administration) one-time and adopted budget bill language to support suicide prevention hotlines throughout the state. This expenditure would occur once the Department of Finance determines that these funds are available in the state administration cap and notifies the Joint Legislative Budget Committee.
- **Mental Health Services Act Reappropriation.** The budget includes a reappropriation of \$1.9 million in unexpended Mental Health Services Act (MHSA) funding from 2013-14, 2014-15, and 2015-16 and budget bill language. The reappropriated funds will support costs to procure contracts for 1) MHSA data quality assurance, 2) MHSA data collection, and 3) MHSA Web re-design.
- **Drug Medi-Cal Waiver Program Resources.** The budget includes eight permanent full-time positions to support fiscal oversight and programmatic monitoring requirements 1115 Demonstration Waiver Amendment for the Drug Medi-Cal Organized Delivery System. These resources would be phased in over two years, five positions in 2016-17, for a cost of \$624,000 (\$312,000 General Fund), and three more positions in 2017-18 for a cost of \$322,000 (\$161,000 General Fund).
- **Drug Medi-Cal Rate Setting Process.** The Legislature rejected trailer bill language to permit rate adjustments by way of bulletin authority or similar instructions to improve administrative efficiencies.
- **Substance Use Disorders Health Care Reform Implementation.** The budget includes \$1.5 million (\$729,000 General Fund) to convert ten limited-term positions to permanent full-time positions and add one new permanent legal position. These positions would support the requirements set forth in the ACA and enacted in SB 1 X1 (Hernandez), Chapter 4, Statutes of

2013, which enhanced Medi-Cal substance use disorder services. The additional legal position will address litigation workload associated with both SB 1 X1 and AB 848 (Stone), Chapter 744, Statutes of 2015. The legal position will be phased-in effective January 1, 2017.

- **Residential Treatment Facilities.** The budget includes four permanent positions and expenditure authority of \$478,000, from the Residential and Outpatient Program Licensing Fund, to implement AB 848 (Stone), Chapter 744, Statutes of 2015. Of the four positions, one position will be phased-in effective January 1, 2017, while the rest will be effective July 1, 2016.
- **CA-MMIS System Reprocurement.** The budget includes one-year limited-term expenditure authority of \$3.4 million (\$736,000 General Fund and \$2.7 million federal funds). The resources will fund the equivalent of 24 positions (which expire June 30, 2016) to complete the close out and procurement activities within DHCS' California Medicaid Management Information System (CA-MMIS) Division.
- **Long-Term Care Quality Assurance Fund.** The Legislature approved trailer bill language that would make the Long-Term Care Quality Assurance Fund continuously appropriated without regard to fiscal year. This aligns the expenditure authority of programs supported by the Long-Term Care Quality Assurance Fund with available fee revenues. Expenditures from the fund are used to offset General Fund expenditures for long-term care provider reimbursements.
- **Health Homes Activities.** The budget includes three-year limited-term expenditure authority of \$1 million (\$516,000 federal funds, \$515,000 Special Deposit Fund), in support of the Health Homes Program, beginning July 1, 2016. Included is three-year, limited-term contract funding for a total of \$775,000 (\$275,000 for year 1, \$275,000 for year two, and \$225,000 for year three).
- **Third Party Liability Recovery Workload.** The budget includes \$1.1 million (\$284,000 General Fund) and 10 permanent, full-time positions to address a growing workload related to third party liability recovery and to increase savings. Federal and state laws and regulations mandate that Medi-Cal recover expenditures in personal injury cases involving liable third parties so that Medi-Cal is the payer of last resort. (The state received an enhanced federal participation rate of 75 percent.)
- **Eliminate Workers' Compensation Information Sunset.** The Legislature approved trailer bill language to eliminate the sunset provision and indefinitely extend the Department of Industrial Relations authority to supply work-related injury or claim data from the Workers' Compensation Information System to the DHCS.
- **Electronic Health Records Incentive Program.** The budget includes three-year limited-term resources of \$403,000 (\$41,000 General Fund) for the Medi-Cal Electronic Health Record (EHR) Incentive Program to provide extensive data analysis, policy analysis, enrollment and eligibility support, and pre- and post-payment audits and investigations for program eligible managed care and fee-for-service providers. CMS has approved 90 percent federal funding participation for these requested resources. The Legislature approved trailer bill language to increase the existing General Fund annual limit, from \$200,000 to \$450,000, for state administrative costs associated with the implementation of the Medi-Cal Electronic Health Records Incentive Program.

- **Gross Premium Tax.** The Legislature adopted trailer bill language to provide that for health insurers subject to the zero percent gross premiums tax rate, pursuant to SB 2 X2 (Hernandez), Chapter 2, Statutes of 2016, are not required to make prepayments between July 1, 2016, and on or before June 30, 2019.

4265 DEPARTMENT OF PUBLIC HEALTH (DPH)

- **Sexually Transmitted Disease (STD) Prevention.** The Legislature augmented the budget by \$5 million General Fund one-time for STD prevention. These funds are available for encumbrance or expenditure until June 30, 2019. The Legislature adopted budget bill language to implement this proposal.
- **Drug Overdose Prevention.** The Legislature augmented the budget by \$3 million General Fund one-time to establish a Naloxone grant program for local health departments, local government agencies, or on a competitive basis to community-based organizations. These funds are available for encumbrance or expenditure until June 30, 2019. The Legislature adopted trailer bill language and budget bill language to implement this proposal.
- **Alzheimer Disease Early Detection.** The Legislature augmented the budget by \$2.5 million General Fund one-time to be distributed to the Alzheimer diagnostic and treatment centers to determine the standard of care in early and accurate diagnosis and to provide outreach on these standards. These funds are available for encumbrance or expenditure until June 30, 2019. The Legislature adopted trailer bill language and budget bill language to implement this proposal.
- **Hepatitis Initiatives.** The Legislature augmented the budget by \$1.4 million General fund one-time to purchase and distribute hepatitis B vaccine to local health jurisdictions, to purchase hepatitis C (HCV) rapid test kits for community-based testing programs, to certify non-medical personnel to perform HCV and HIV testing in community-based settings, and to provide technical assistance to local governments regarding syringe exchange and disposal programs. These funds are available for encumbrance or expenditure until June 30, 2019. The Legislature adopted trailer bill language and budget bill language to implement this proposal.
- **Biomonitoring.** The Legislature augmented the budget by \$600,000 General Fund one-time to increase activities related to the biomonitoring program. The budget also includes two permanent positions and \$350,000 from the Toxic Substances Control Account for two years. The positions were previously established as limited-term positions and were set to expire on June 30, 2016.
- **Children's Dental Disease Prevention Program.** The Legislature restored \$3.2 million General Fund for the Children's Dental Disease Prevention Program.
- **Timely Infectious Disease Outbreak Detection and Disease Prevention.** The budget includes \$1.6 million General Fund in 2016-17, \$2.1 million General Fund in 2017-18 and 2018-19, and 14 permanent positions, to provide ongoing support to protect California from infectious diseases

through increased disease surveillance and laboratory capacity. The 14.0 positions will be phased-in.

- **Richmond Laboratory: Viral Rickettsial Laboratory Enhanced Upgrade.** The budget includes a \$3.8 million reappropriation from a capital outlay project approved in 2015-16 to upgrade the DPH's Bio-Safety Level 3 (BSL-3) certified Viral and Rickettsial Disease Laboratory. The upgrades are needed to ensure that DPH retains its BSL-3 certification from the Federal Center for Disease Control and Prevention and National Institutes of Health.
- **Licensing and Certification (L&C): Program Quality Improvement Projects.** The budget includes \$2 million from the Internal Departmental Quality Improvement Account to execute two contracts to implement program improvement recommendations. DPH will allocate \$1.5 million to the redesign of the Centralized Applications Unit information technology systems, and \$500,000 to the Health Facilities Consumer Information System redesign.
- **L&C: Timely Investigations of Caregivers.** The budget includes \$2.5 million in expenditure authority from the State Department of Public Health Licensing and Certification Program Fund to convert 18 existing two-year limited-term positions to permanent positions, and fund two additional positions for the Office of Legal Services, for a total of 20 positions to improve the timeliness of investigations of complaints against caregivers.
- **L&C: State Citation Penalty Account and Long-Term Care Ombudsman.** The budget includes a one-time \$1 million augmentation to the Long-Term Care Ombudsman Program using funds from the State Health Facilities Citation Account.
- **L&C: Los Angeles County Contract.** The budget includes an increase in expenditure authority of \$2.1 million from the State Department of Public Health Licensing and Certification Program Fund to augment the Los Angeles County contract to account for two, three percent salary increases effective October 2015 and October 2016, an increase to the employee benefit rate from 55.1 to 57.8 percent, and a decrease in the indirect cost rate from 33.2 to 31.4 percent.
- **Medical Cannabis.** The budget includes 37 positions and \$12 million in funding from the Medical Marijuana Regulation and Safety Act Fund to be phased-in between fiscal years 2015-16 to 2018-19 to begin the implementation of the mandated provisions in AB 266 (Bonta), Chapter 689, Statutes of 2015, AB 243 (Wood), Chapter 688, Statutes of 2015, and SB 643 (McGuire), Chapter 719, Statutes of 2015. These positions will be phased-in as follows: six positions and \$457,000 in reimbursement authority for 2015-16; eight additional positions and \$3.4 million in 2016-17; two additional positions and \$2.5 million in 2017-18; and the final 21 additional positions and \$5.7 million in 2018-19. The Legislature approved the Administration's trailer bill language that requires DPH to establish minimum security requirements for the storage of medical cannabis products at the manufacturing site, shifts the authority to license laboratories from DPH to the Bureau of Medical Cannabis Regulation, provide DPH with cite and fine authority, gives DPH the authority to conduct mandatory recalls when a medical cannabis product creates or poses an immediate or serious threat to human life, and allows DPH to embargo manufactured medical cannabis product that violates the law to prevent its distribution and sale to protect the public health and safety. See the State Administration section of this report for more information.

- **Federal Marijuana Study.** The budget also includes \$500,000 General Fund for 2016-17 to help support a study analyzing the health risks associated with the use of marijuana. DPH will participate in decision-making regarding the direction and scope of the study organized by the Centers for Disease Control and Prevention Foundation on the impacts of medical marijuana in order to provide information that can guide the state's regulatory process to ensure patient safety.
- **Office of AIDS.** The Legislature adopted trailer bill language to (1) eliminate cost-sharing for individuals enrolled in the AIDS Drug Assistance Program with annual incomes between 400 percent and 500 percent of the federal poverty level, (2) develop a Pre-Exposure Prophylaxis (PrEP) affordability program to cover PrEP-related copays, coinsurance, and deductibles incurred by all individuals accessing PrEP in California with annual incomes below 500 percent of the federal poverty level, and (3) allow the Office of AIDS' Health Insurance Premium Payment Program to cover premiums, copays, coinsurance, and deductibles incurred by all eligible people living with HIV/AIDS in California.
- **HIV PrEP.** The budget includes \$2.6 million in federal funds (\$1.4 million local assistance and \$1.3 million state operations) in 2015-16 and \$3.5 million (\$1.8 million local assistance and \$1.7 million state operations) in 2016-17, and five permanent positions, to implement a three-year Centers for Disease Control and Prevention (CDC) PrEP grant awarded to DPH on September 3, 2015.
- **Special Session Legislation Related to e-Cigarettes and Tobacco.** The Legislature augmented the budget by \$1 million General Fund in 2016-17 and \$1.95 million General Fund in 2017-18 and ongoing for enforcement activities (10 positions) and \$1.36 million in Proposition 99 funds in 2016-17 for outreach and media campaigns related to implementation of various pieces of legislation regarding e-cigarettes and tobacco, including SB 5 X2 (Leno), Chapter 7, Statutes of 2016, SB 7 X2 (Hernandez), Chapter 8, Statutes of 2016, and AB 7 X2 (Stone), Chapter 4, Statutes of 2016.
- **School-Based Health Centers.** The Legislature augmented the budget by \$600,000 (over two years) from the Tobacco Settlement Account and adopted budget bill language to support two two-year limited term resources to provide technical assistance in the development and expansion of school-based health centers.
- **Genetic Disease Screening Program (GDSP).** The budget increases the prenatal screening fee by \$14.60 to \$221.60 and the newborn screening fee by \$17.55 to \$130.25. This fee increase will be used to purchase equipment to test for adrenoleukodystrophy, as recommended by the federal Recommended Uniform Screening Panel and required by AB 1559 (Pan), Chapter 565, Statutes of 2014. The increase in fee revenue will also be used to: (1) contract with a third-party to provide medical billing services for the Prenatal Screening program; (2) transition the Screening Information System from the Department of Health Care Services to DPH; (3) contract for services, including billing support and secure payment services; and (4) address increased specimen shipping costs.

- **Active Transportation Safety Program.** The budget includes \$733,000 in reimbursement expenditure authority and an increase of 4.5 positions to implement the Active Transportation Safety Program with funds provided through an Interagency Agreement with the California Department of Transportation.
- **Protecting Children from the Effects of Lead Exposure.** The budget includes an increase of \$8.2 million annually (\$1.4 million in state operations and \$6.8 million in local assistance) for four years from the Childhood Lead Poisoning Prevention Special Fund and to establish seven positions to extend services to children who have been exposed to lead as now defined by a lower blood lead level by the Centers for Disease Control and Prevention.
- **Women, Infants, and Children Program.** The budget includes four permanent positions and \$513,000 in federal fund expenditure authority to WIC Division's outreach activities and to improve data-sharing with the Department of Social Services' CalFresh Program in order to increase child enrollment in both programs. The budget also redirects three permanent positions to the Office of Systems Integration and increase federal fund expenditure authority by \$5.78 million for fiscal year 2016-17 to replace WIC paper checks with an electronic debit card, and replace the current WIC Management Information System with a United States Department of Agriculture-approved, Electronic Benefits Transfer (EBT)-ready Management Information System (MIS). The total request for the project is \$39 million (\$7.9 million for EBT and \$31.1 million for the MIS) over five years.
- **California Personal Responsibility Education Program.** The budget includes \$6.4 million (\$700,000 in state operations and \$5.7 million in local assistance) in federal fund expenditure authority, and the conversion of five limited-term positions to permanent positions, to continue the California Personal Responsibility Education Program.
- **End of Life Option Act.** The budget includes \$323,000 from the Health Statistics Special Fund in 2016-17, \$245,000 in 2017-18 and annually thereafter, and two permanent positions to meet the new mandate to establish the End of Life Option Act program as specified in AB 15 X2 (Eggman), Chapter 1, Statutes of 2015, Second Extraordinary Session. DPH will create a secure database to implement and administer the program and provide staffing for the required confidential program management and reporting duties.
- **Collection of Data: Multi-Race or Multi-Ethnic Origin.** The budget includes \$236,000 in 2016-17 and \$234,000 in 2017-18 from the Health Statistics Special Fund to meet the new mandate to tabulate the data for both single and multiple race or ethnic designations in reports provided to other state departments pursuant to AB 532 (McCarty), Chapter 433, Statutes of 2015.
- **Lesbian, Gay, Bisexual, & Transgender Disparities Reduction Act.** The budget includes one-time expenditure authority of \$125,000 from the Health Statistics Special Fund to modify existing birth and fetal death registration systems and meet the new mandate to collect voluntary self-identification information pertaining to sexual orientation and gender identity as specified in the Lesbian, Gay, Bisexual, and Transgender Disparities Reduction Act, AB 959 (Chiu), Chapter 565, Statutes of 2015.

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION (MHSOAC)

- **Children’s Mental Health Crisis Services Capacity Development.** The Legislature augmented the budget by \$30 million (\$16 million General Fund and \$14 million Mental Health Services Fund) one-time and adopted trailer bill language for children’s mental health crisis services capacity development. Of this amount, \$3 million Mental Health Services Fund is appropriated to MHSOAC for triage personnel (\$1.5 million) and family supports and training (\$1.5 million). This expenditure would occur once the Department of Finance determines that these funds are available in the state administration cap and notifies the Joint Legislative Budget Committee. MHSOAC shall provide a status report on this program no later than January 10, 2018 and annually thereafter.
- **Triage Personnel Grants.** The budget includes a reappropriation of \$3.8 million Mental Health Services Fund (MHSF) in funds from 2013-14 (\$2.2 million), 2014-15 (\$939,276), and 2015-16 (\$585,214), to support triage personnel grants until 2017-18, allowing counties to spend the triage grant funding until the end of the current grant cycle.
- **Innovation Plan Reviews.** The budget includes three permanent, full-time positions, for \$396,000 MHSF, to support administration of regulatory authority to perform a review of innovation plans under AB 82 (Committee on Budget), Chapter 23, Statutes of 2013.
- **Advocacy Contracts.** The Legislature approved \$1.2 million ongoing MHSF (from the state administration cap) ongoing for lesbian, gay, bisexual, transgender, and questioning (LGBTQ) populations; youth; veterans; and racial and ethnic minorities advocacy contracts and augmented this request by \$1.5 million ongoing MHSF (from the state administration cap) so that all consumer advocacy contracts are supported at the same level.
- **Reappropriation of Mental Health Services Fund.** The budget includes a reappropriation of \$2.5 million MHSF from 2015-16 to continue support of the Evaluation Master Plan and \$315,000 MHSF from 2013-14 to permit the completion of consensus guidelines and best practices for involuntary commitment care and provide applicable training.

4800 CALIFORNIA HEALTH BENEFIT EXCHANGE

- **Emergency Regulation Authority.** The Legislature adopted trailer bill language to extend emergency regulation authority for Covered California until January 1, 2019 to implement changes in federal regulations relating to notices, the special enrollment period verification process, and dental eligibility; changes related to increased enrollment in the small business exchange; and changes that may be necessary to timely implement a Section 1332 waiver.

Health Budget Trailer Bills

1. *Health Omnibus – SB 333 (Committee on Budget and Fiscal Review), Chapter 30, Statutes of 2016.*
2. *Hospital Quality Assurance Fee Extension – AB 1607 (Committee on Budget), Chapter 27, Statutes of 2016.*
3. *Health and Human Services Omnibus – AB 1625 (Committee on Budget), Chapter 320, Statutes of 2016.*

HUMAN SERVICES

0530 HEALTH AND HUMAN SERVICES AGENCY, OFFICE OF SYSTEMS INTEGRATION (OSI)

- The 2016 budget includes \$389.2 million for the Office of Systems Integration (OSI). For additional information about automation projects, please see the Department of Social Services.

4170 CALIFORNIA DEPARTMENT OF AGING (CDA)

The budget includes \$204.6 million (\$35.8 million General Fund) for the Department of Aging, including:

- **Senior Nutrition Programs.** A one-time \$2 million General Fund augmentation for additional home-delivered meals for seniors.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

- **Developmental Center Closures.** The budget includes the following funding related to the closure of Sonoma Developmental Center, Fairview Developmental Center, and Porterville Developmental Center-General Treatment Area (GTA):
 - \$2.1 million (\$1.8 million General Fund), eight new positions, and the redirection of five vacant positions for headquarters staffing and contract resources needed to support the continued efforts for the closure of the Sonoma Developmental Center and the initial closure efforts for the Fairview Developmental Center and the Porterville Developmental Center-GTA.
 - \$146.6 million (\$127.2 million General Fund) to assist in the development of community resources for placement of current developmental center residents. This includes \$24.5 million for Sonoma Developmental Center, \$29.7 million for Fairview Developmental Center, and \$24.6 million for Porterville Developmental Center.
 - \$18 million (\$12 million General Fund) to resolve open workers' compensation claims, inventory and archive clinical and historical records, execute an independent monitoring contract as stipulated by the federal government, and relocate residents and their personal belongs.
 - \$2.2 million General Fund to contract with the Department of General Services for an assessment of the Sonoma Developmental Center property, buildings, and clinical records. These funds would be used to complete the second and third phase of an environmental site assessment and architectural historical evaluation of Sonoma Developmental Center.
 - \$1.9 million to fund an independent monitoring contract as part of the anticipated settlement agreements with the federal Centers for Medicare and Medicaid Services (CMS) for Fairview

Developmental Center and Porterville Developmental Center-GTA. The Legislature adopted modified budget bill language to authorize this expenditure only if these centers maintain eligibility for federal funding.

- Budget bill language to authorize an extended encumbrance period for the payment of retention stipends available to developmental center employees during the closure process. \$18.1 million (\$14.3 million General Fund) for retention incentives for “rank and file” employees and \$2 million (\$1.6 million General Fund) for “excluded classification” employees at Sonoma, Fairview, and Porterville developmental centers is included under Item 9800 in the state budget.
- **Decertification of Units at Sonoma Developmental Center.** The budget includes provisional budget bill language that permits the Department of Finance to authorize the expenditure of up to \$32.4 million General Fund for the operation of the intermediate care facilities units at the Sonoma Developmental Center no sooner than 30 days after notification to the Joint Legislature Budget Committee.
- **Reporting on General Fund Backfill Due to Federal Decertification.** The Legislature adopted trailer bill language that requires DDS to report quarterly on the estimated General Fund backfill costs as a result of the loss of federal funds due to the decertification of intermediate care facility units at the Sonoma Developmental Center and requires similar reporting if these units at the Fairview and Porterville Developmental Centers are decertified by the federal government in the budget year.
- **Exemption from Public Contract Code to Become a Regional Center Vendor.** The Legislature approved trailer bill language that allows developmental center employees working at facilities slated for closure to become service providers prior to termination of their state employment.
- **Special Managed Care Provisions for Developmental Center Closures.** The Legislature approved trailer bill language that extends managed care provisions for Medi-Cal-eligible individuals at the developmental centers that transition to the community and need coordinated medical and specialty care as documented in their individual program plan. These specified managed care provisions include access to specialized medical care, enhanced case management, and expedited enrollment services. The Legislature modified the Administration’s trailer bill language by requiring that the plan outlining these special provisions be shared with stakeholders prior to being finalized and be submitted to the Legislature by December 31, 2016.
- **Plan for Crisis Services Post Developmental Center Closure.** The Legislature adopted trailer bill language that requires the department to provide an update to the Legislature at the time of the 2017-18 May budget revision regarding how the department will ensure access to crisis services post developmental center closure and how the state will maintain its role in providing residential services to those whom private sector vendors cannot or will not serve.
- **Reporting on Progress to Develop Residential Capacity and Transition Planning.** The Legislature adopted trailer bill language that requires regular public posting on the department’s website of progress being made to develop residential capacity by regional centers, including information on monthly targets for movers based on transition activities and community resource

development activities by regional center. This monthly reporting also includes information on why targets are not met.

- **Four-bed Alternative Residential Model Homes.** The Legislature approved trailer bill language that establishes a rate schedule for residential community care facilities vendored to provide services to a maximum of four persons with developmental disabilities and prohibits regional centers from authorizing any residential service-level changes, if the change would increase state costs. The Legislature also approved budget bill language to require regional centers to annually report the number of facilities receiving this rate.
- **Reports of Incidents at Community Facilities to Advocacy Agency.** The Legislature adopted trailer bill language that requires that reports of injuries, death, restraint usage, and incidents of seclusion, for example, at community facilities be reported to the federally-mandated protection and advocacy agency.
- **Use of Restraints in Community Facilities.** The Legislature adopted trailer bill language that limits the use of restraints in enhanced behavioral support homes licensed by the Department of Social Services.
- **Prevention Resources and Referral Services Program.** The Legislature approved trailer bill language that repeals obsolete authority for the Prevention Resources and Referral Services program as eligibility for the Early Start program was restored, effective January 1, 2015.
- **Special Session Clean-up.** The budget includes:
 - \$752,000 and five positions to provide state-level oversight of recent augmentations to community-based services, develop guidelines to implement the Competitive Integrated Employment program, and provide additional support and oversight of the provider rate study required by AB 1 X2 (Thurmond), Chapter 3, Statutes of 2016.
 - \$7.5 million (\$6 million General Fund) for a provider rate study and 42 positions at regional centers to oversee the implementation of programs to reduce cultural disparities and provide competitive integrated employment opportunities for individuals with developmental disabilities.
 - \$14 million to reflect increased funding for regional center operations associated with AB 1 X2.
 - Trailer bill language that clarifies that the rate increase provided by AB 1 X2 applies to out-of-home respite services.
 - The Legislature modified the Administration's trailer bill language to clarify that the provisions of competitive integrated employment (CIE) to expand participation in the workforce by providing an incentive payment separate from supported employment services for regional center providers that place individuals in CIE and that, in order for a provider to receive the first incentive payment, the individual must be employed after 30 consecutive days.

- **Disparities.** The Legislature adopted trailer bill language that requires regional centers to consult with stakeholders regarding activities that may be effective in addressing disparities, requires the department to review requests for funding for activities related to addressing disparities within 30 days from the receipt of the last proposal, and requires each regional center to report to the department how the funding allocations for activities related to addressing disparities were used.
- **Self-Determination Program.** The Legislature adopted trailer bill language that requires regional centers to consult with the local volunteer advisory committee when conducting outreach to provide information about the Self-Determination Program and in the planning for trainings regarding this program.
- **Home and Community-Based Services (HCBS) Federal Requirements.** The budget includes:
 - \$483,000 (\$330,000 General Fund) and four positions to support the immediate workload associated with the state's transition plan and direct regional center and service provider efforts to comply with CMS' new regulations for Medicaid-eligible home and community-based settings.
 - \$1.6 million (\$900,000 General Fund) to fund 21 program evaluator positions within the regional centers to ensure HCBS program settings are integrated into the community.
 - \$15 million (\$11 million General Fund) to fund modifications to some service providers' programs that will be necessary for compliance with HCBS regulations.
 - Budget bill language requiring regional centers to report annually to the department the number of providers receiving these funds.

The Legislature did not approved the proposed trailer bill language expressing the Legislature's intent to enact Legislation to implement changes necessary to comply with the HCBS regulations, as further federal guidance on these new regulations is still pending.

- **Minimum Wage.** The Legislature adopted trailer bill language that implements provider rate adjustments to address the state minimum wage increase. SB 3 (Leno), Chapter 4, Statutes of 2016, provides for a series of scheduled increases to the state's minimum wage such that, depending on economic and budgetary conditions, the minimum wage would reach \$15.00 per hour by January 1, 2022, after which it would be indexed to inflation.
- **Performance Dashboard for Community Services.** The Legislature adopted trailer bill language that establishes a performance dashboard, requires DDS to work with stakeholders on the development of this dashboard, and requires this dashboard to be published annually. Metrics included in this dashboard would include, but not be limited to:
 - Recognized quality and access measures.
 - Measures to indicate compliance with new federal Home and Community-Based Services waiver rules.

- Measures to evaluate the changes in the number of consumers who work in competitive integrated employment.
- Consumer complaints.
- Number of administrative hearings.
- **Supplemental Budget Information.** The Legislature adopted trailer bill language that requires DDS to annually report and post on its website supplemental budget information. This information would be reported by February 1 and includes:
 - Budget estimates for each developmental center, including a break out of staffing costs for Porterville Development Center's general treatment area and secured treatment area.
 - For each regional center: current year estimates for operations funding, purchase of service (POS) funding, caseload, per capita for operations, per capita for POS.
 - By regional center, information on staff.
 - For Community Placement Program (CPP) funding: for each regional center, past year and current year information by component of CPP.
- **Fiscal Reporting Unit.** The budget includes \$923,000 (\$630,000 General Fund) for seven new permanent positions and the redirection of one vacant position to establish a Fiscal and Program Research Unit. The Legislature also adopted trailer bill language that specifies analysis and deliverables for the new fiscal and research unit established in the budget. These would include an:
 - Assessment of disparities data reported by regional centers.
 - Assessment of caseload ratio requirements by regional center.
 - Assessment of performance dashboard data as it becomes available.
- **Porterville Developmental Center – Upgrade Fire Alarm System.** The budget includes \$6.5 million General Fund for the construction phase of a project to purchase and install a new fire alarm system in 10 buildings (nine consumer utilized and one administrative building) at the Porterville Developmental Center secured treatment program in Tulare County.
- **Consumer Program Coordinators.** The budget includes \$17 million (\$12 million General Fund) to fund additional regional center consumer program coordinator positions to reduce caseload ratios and improve case management functions. It is estimated that this funding would support the addition of about 200 coordinator positions. The Legislature adopted modified budget bill language to require regional centers not only report the number of staff hired with the additional funds and the effectiveness of these funds in reducing average caseload ratios, but also information justifying why a regional center, if it chooses, uses this funding for non-home and community-based services coordinators.

- **Increased Vendor Audit Coverage.** The budget includes \$952,000 (\$650,000 General Fund) to permanently establish and retain the funding for seven full-time positions previously established as limited-term for the Vendor Audit Section.
- **Deferred Maintenance Projects.** The Legislature approved \$18 million General Fund for Control Section 6.10 deferred maintenance projects at Porterville Developmental Center.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT (CSD)

- The budget includes \$260 million (\$7.5 million General Fund) for the Department of Community Services and Development. The department, which coordinates programs to serve low-income families, was approved for \$7.5 million General Fund in the budget year to provide emergency relief and support services to specified populations within the state's most drought impacted counties.

5160 DEPARTMENT OF REHABILITATION (DOR)

- The budget includes \$445.1 million (\$62.3 million General Fund) for the Department of Rehabilitation to provide direct services and advocacy resulting in employment, independent living, and equality for individuals with disabilities.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- The budget includes \$1 billion (\$314.1 million General Fund) for child support services to establish parentage and collect child support.

5180 DEPARTMENT OF SOCIAL SERVICES (DSS)

Overall, the budget approves \$29.3 billion (\$7.7 billion federal funds; \$8.5 billion General Fund) for the department. Notable program investments include:

CalWORKs. The budget for the CalWORKs program, including assistance payments, services, administration, and child care, is \$6.4 billion (\$3.5 billion federal funds; \$844 million General Fund). Specifically, the CalWORKs budget includes:

- **Maximum Family Grant Repeal and Grant Increase.** The budget includes \$107 million from the Child Poverty and Family Supplemental Support Subaccount and \$95 million General Fund for the repeal of the Maximum Family Grant in 2016-17, and includes \$35 million from the Child Poverty and Family Supplemental Support Subaccount for a 1.43 percent maximum aid payment (MAP) increase, effective October 1, 2016.
- **Housing Support Program augmentation.** The budget includes a \$12 million ongoing General Fund augmentation to the existing \$35 million General Fund provided in Governor's January

budget, for a total of \$47 million for the program to provide assistance to families at risk of homelessness.

- **Homeless Assistance Program.** The budget includes a \$2.4 million General Fund increase in 2016-17 to reflect the elimination of the once-in-a-lifetime restriction on the receipt of assistance in the form of temporary or permanent housing, effective January 1, 2017.
- **Child care.** For information about the total child care package, please see Subcommittee No. 1 on Education.

Child Welfare Services (CWS). The budget for the realigned CWS and Adoptions programs is \$5.8 billion (\$2.7 billion federal funds, \$360.3 million General Fund, and \$2.8 billion county funds). Specifically, the budget includes a number of items to improve child welfare services, including:

- **Continuum of Care Reform.** The budget includes \$147.6 million (\$127.3 million General Fund) to fund the implementation of the Continuum of Care Reform, including:
 - \$54.7 million (\$43.3 million General Fund) to increase foster parent and relative caregiver recruitment, retention, and training effort.
 - \$27.4 million (\$22.0 million General Fund) for Child and Family Teams.
 - \$3.8 million General Fund for an increase in foster family agency social worker rates.
- **Bringing Families Home.** The budget includes \$10 million General Fund one-time to establish a county matching program to reduce homelessness among families involved in the Child Welfare System.
- **Commercially Sexually Exploited Children.** The budget includes an augmentation of \$5 million General Fund for a total of \$19 million General Fund, to provide services for children who are being commercially sexually exploited.
- **Parent Foster Youth Infant Care Supplement.** The budget includes \$4 million General Fund to increase the monthly infant care supplemental payment for parenting foster youth and their caregivers.
- **Psychotropic medication monitoring.** The budget includes \$1.65 million General Fund to fund public health nurses to improve the monitoring of psychotropic drug use in foster care.
- **Child Fatalities and Near-Fatalities Reporting and Disclosure.** The budget includes reporting and disclosure language for child fatalities and near-fatalities in order to receive federal Child Abuse Prevention and Treatment Act funding and comply with federal law.
- **Community Care Licensing.** In order to comply with various legislative requirements, the budget includes new funding of \$3.7 million General Fund for 36.5 positions.

- **Adult Protective Services (APS).** The budget includes one-time funding of \$3 million General Fund for APS training for social workers.

Food Assistance. The budget approves \$144.6 million (\$129.4 million General Fund) for food assistance programs, as well as \$2 billion (\$693.0 million General Fund) for CalFresh administration, for Emergency Food for Families Fund, the federal Emergency Food Assistance Program, California Food Assistance Program, and the work incentive nutritional supplement. Additionally, one-time funding of \$2 million General Fund was approved for the State Emergency Food Assistance Program.

Supplemental Security Income/State Supplemental Payment (SSI/SSP). The budget includes \$10.1 billion (\$2.8 billion General Fund) for SSI/SSP, including a cost-of-living adjustment of 2.76 percent increase to the SSP portion of the grant effective January 1, 2017, at the cost of \$36.5 million General Fund in 2016-17, and one-time funding of \$45 million General Fund for a county matching grant program to provide outreach to homeless persons with disabilities who may be eligible to receive SSI/SSP.

In-Home Supportive Services (IHSS). The budget includes \$9.8 billion (\$3.5 billion General Fund) for IHSS services and administration. Specifically, the budget:

- **Restoration of the seven percent reduction in service hours.** The budget includes \$266 million General Fund to restore IHSS recipients' current seven-percent reduction in service hours, until the expiration of the Managed Care Organization tax in 2019.
- **Fair Labor Standards Act Implementation.** The budget includes \$437.3 million General Fund to continue the implementation of SB 855 (Budget and Fiscal Review), Chapter 29, Statutes of 2014, to pay overtime to providers who work in excess of 40 hours per week and for compensation for providers traveling between multiple recipients, wait time associated with medical accompaniment, and time spent on mandatory training.

Immigration Services. The budget includes a one-time \$15 million General Fund augmentation for qualified non-profit organizations to provide application assistance, education, and outreach to persons residing in California who are eligible for, or to renew, Deferred Action for Childhood Arrivals (DACA) or Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA) status, or to provide naturalization services.

Automation Projects. The budget includes \$331.2 million (\$118.6 million General Fund) for automation projects, including Statewide Automated Welfare System, Statewide Fingerprint Imaging System, Electronic Benefit Transfer Project, and the State Hearings Division's Appeals Case Management System.

Human Services Budget Trailer Bills

1. *Social Services – AB 1603 (Committee on Budget), Chapter 25, Statutes of 2016.*
2. *Developmental Services Omnibus – AB 1606 (Committee on Budget), Chapter 26, Statutes of 2016.*
3. *Health and Human Services – AB 1625 (Committee on Budget), Chapter 320, Statutes of 2016.*

NO PLACE LIKE HOME

The 2016 Budget Act includes funding for the Senate's No Place Like Home initiative, which provides for several new efforts to address homelessness in California. In addition, Assembly Bill 1618 (Committee on Budget), Chapter 43, Statutes of 2016, establishes the No Place Like Home Program to be administered by the Department of Housing and Community Development (HCD) to further the development of permanent supportive housing for persons who are in need of mental health services and are homeless, chronically homeless or at risk of homelessness. The program is financed through a \$2 billion dollar bond secured by a portion of future Proposition 63, The Mental Health Services Act of 2004, mental health revenues. Assembly Bill 1622 furthers the program by setting aside \$20 million of existing funding for services targeted to homeless youth and homeless veterans. Budget actions across multiple state departments, described below, support the goal of the No Place Like Home initiative to reduce homelessness.

2240 HOUSING AND COMMUNITY DEVELOPMENT

- **Bond for Permanent Supportive Housing.** From the \$2 billion dollar bond mentioned above, HCD will administer a competitive \$1.8 billion program and a non-competitive \$200 million program to finance the construction, rehabilitation, or preservation of permanent supportive housing units for individuals with mental health supportive needs who are homeless, chronically homeless, or at risk of homelessness. The budget includes first-year funding of \$267 million for this type of housing.
- **Federal Emergency Solutions Grant Program.** The budget provides \$45 million to fund activities eligible under the Federal Emergency Solutions Grant Program, including rapidly rehousing individuals and families, preventing families and individuals from becoming homeless, engaging homeless individuals and families living on the street, and operating homeless shelters and providing essential services to shelter residents. Of the total funds made available, \$10 million is directed towards the expansion of the existing Homeless Youth and Exploitation Program at the Office of Emergency Services and specifies that the expansion will occur over five years in four additional counties: Orange, Fresno, San Bernardino, and El Dorado.
- **Mental Health Services Act Technical Assistance.** The budget provides \$6.2 million in Mental Health Services Act funds technical assistance to counties developing applications for the permanent supporting housing bond funds.
- **Proposition 41 Funds.** The budget sets aside \$10 million from the current Proposition 41 program and, instead directs it for loans to counties and/or nonprofit organizations for the construction or rehabilitation of transition housing or shelter facilities that provide services for homeless veterans with a priority given to applicants that demonstrate need and focus on long-term solutions, including mental health and addiction treatment services, as well as having proven long-term effectiveness.

4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **Mental Health Services Act (MSHA) Oversight and Accountability.** The Legislature adopted trailer bill language that requires DHCS to revise MHSA county annual revenue and expenditure reporting requirements, in consultation with county representatives, to ensure timely, accurate, and consistent data; requires DHCS to regularly post the annual revenue and expenditure reports and each county's three-year MHSA expenditure plan; requires counties to certify the accuracy of the data they submit to DHCS, permits DHCS to request that the State Controller's Office withhold MHSA funds from counties that fail to comply with reporting requirements; requires DHCS to regularly conduct county MHSA program reviews (as related to the requirements of the existing performance contracts) and to post on its Web site findings from these reviews and county plans of corrections when deficiencies are identified; and requires DHCS to summarize county MHSA performance outcomes.

5180 DEPARTMENT OF SOCIAL SERVICES

- **Supplemental Security Income Outreach.** The budget provides \$45 million to increase participation in the supplemental security income program among homeless persons with disabilities who may be eligible for a disability benefits program.
- **CalWORKs Housing Support Program.** The budget provides a \$12 million ongoing augmentation, for a total of \$47 million, for the CalWORKs Housing Support Program, to provide assistance to CalWORKs families who are homeless or at risk of homelessness.
- **CalWORKs Homeless Assistance.** The budget includes \$2.4 million in 2016-17 and \$2.7 million annually thereafter to reflect elimination of the once-in-a-lifetime restriction on receipt of temporary and permanent homeless assistance and instead make this assistance available once every 12 months, effective January 1, 2017.
- **Bringing Families Home.** The budget provides \$10 million one-time to establish a county matching grant program to reduce homelessness among families who are part of the child welfare system.

No Place Like Home Budget Trailer Bills

1. *Establishment of the No Place Like Home Program — AB 1618 (Committee on Budget), Chapter 43, Statutes of 2016.*
2. *Budget Bill Jr. — AB 1622 (Committee on Budget), Chapter 44, Statutes of 2016.*
3. *Establishment of programs under the Department of Social Services – AB 1603 (Committee on Budget), Chapter 25, Statutes of 2016.*
4. *No Place Like Home Program-Financing – AB 1628 (Committee on Budget), Chapter 322, Statutes of 2016.*

SUBCOMMITTEE 4
ON
STATE ADMINISTRATION
AND
GENERAL GOVERNMENT

Senate Committee on Budget and Fiscal Review

Members

Richard D. Roth, Chair
Steven M. Glazer
Janet Nguyen
Richard Pan

Consultants

Farra Bracht
Mark Ibele
Samantha Lui

SUBCOMMITTEE No. 4

STATE ADMINISTRATION and GENERAL GOVERNMENT

State Administration

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STATE ADMINISTRATION

The Budget Act of 2016 includes: proposals to increase transparency and governmental efficiency; capital outlay and infrastructure development projects; and augmentations in key areas.

0650 OFFICE OF PLANNING AND RESEARCH (OPR)

The Office of Planning and Research is responsible for formulating long-range goals and policies to address land use, climate change, population growth, urban expansion, and drought response. The budget provides the Office of Planning and Research additional resources, designed to assist in its planning and policy development efforts, including the following:

- **Transformative Climate Communities Program.** The budget provides \$140 million for the Transformative Climate Communities program within the Strategic Growth Council at OPR. The program allows for a community-wide approach for disadvantaged communities specified in statute to implement an integrated transportation, housing, and green space development plan to reduce pollution and improve local quality of life. The budget also provides \$2 million to assist disadvantaged communities and local governments with developing climate action plans.
- **Precision Medicine.** The budget includes \$10 million General Fund for six precision medicine demonstration projects at \$1.2 million each as well as funding for compiling an asset inventory of data sets, funding for previously funded projects, and for administrative costs. The Legislature adopted budget bill and trailer bill language that will provide additional transparency and oversight of the project award process.
- **Integrated Climate Adaptation and Resiliency Program.** The budget includes \$300,000 General Fund for two positions to administer the Integrated Climate Adaptation and Resiliency Program (ICARP) and develop a clearinghouse website for climate adaptation information. The ICARP will coordinate regional and local climate adaptation efforts with state climate strategies, as required by SB 246 (Wieckowski), Chapter 606, Statutes of 2015.
- **CEQANet 2.0 Database Transfer.** The budget includes \$200,000 one-time funding and \$57,600 ongoing, to transfer the CEQANet 2.0 database from the University of California, Davis to the Department of Technology.

0690 OFFICE OF EMERGENCY SERVICES (OES)

The OES coordinates with local, state, and federal agencies in planning and preparing for, and responding to, emergencies. The budget provides investments to support the department's activities related to fire response, disaster coordination, infrastructure, drought, and tree mortality.

- **Emergency Response.** The budget includes \$20.4 million General Fund and 53.5 positions for the department's fire response, disaster coordination, facilities, and other technological requests. The package consists of: \$10 million General Fund, one-time, for 25 replacement wildland fire engines; \$1.7 million General Fund for seven positions associated with existing fire and rescue branch staffing needs; \$1.1 million General Fund for four positions in the department's law enforcement and homeland security branch; \$1 million General Fund for the departments GIS software and other hardware needs; and one-time \$3.7 million for staffing to administer the Statewide Disaster Program and associated budget bill language.
- **Drought Funding.** The budget approves \$26.7 million General Fund (\$4.5 million General Fund in state operations, \$22.2 million General Fund in local assistance for the California Disaster Assistance Act [CDAA] program) to support ongoing drought operations, including: long-term activation of the State Operations Center and Regional Operations Centers, responses to local assistance centers, the public information office's drought campaigns and public awareness, and the temporary tank program.
- **Tree Mortality.** The budget includes an increase of \$30 million General Fund for the CDAA program to remove hazardous trees from public rights-of-way and away from public infrastructure.
- **Early Earthquake Warning System.** The budget includes \$10 million General Fund and four positions to support the initial implementation of a California Earthquake Early Warning System.
- **Support for Victims of Crime.** Budget bill language distinguishes the department's federal emergency response and disaster relief funding apart from its federal victim services funding. In addition, the budget shifts the government claims responsibility of the Victim Compensation and Government Claims Board (VCGCB) to the Department of General Services, and renames the VCGCB as the Victims Compensation Board.
- **Homeless Youth and Exploitation Program.** The budget provides \$10 million (Emergency Housing and Assistance Fund) over five years to expand, from four to eight counties, the Homeless Youth Emergency Service Program. The new counties include: Orange, Fresno, San Bernardino, and El Dorado.

0845 DEPARTMENT OF INSURANCE (CDI)

The CDI regulates the California insurance market; conducts examinations and investigations of insurance companies and producers; and, responds to consumer inquiries.

- **Menu-Modernization Update.** The budget provides \$2.8 million (\$1.8 million Insurance Fund, \$962,000 General Fund) for four permanent positions and 2.5 temporary help positions to implement the third year of the CDI menu and integrated database.
- **Seismic Safety.** The budget includes an augmentation of \$3 million General Fund for the "Brace and Bolt" program, which provides up to a \$3,000 subsidy for single-family homes and specified structures, with four units or less, for seismic retrofits.

0890 SECRETARY OF STATE (SOS)

The SOS is the state's chief election office, and administers and enforces election laws. The budget provides the following additional resources for the Secretary of State:

- **Modernizing the Business Filing Process.** The budget includes \$2.6 million for the CalBusiness Connect Project, which will automate paper-based processes, allow fee payments to be processed within one business day, and allow businesses to file records online.
- **CAL-ACCESS.** The budget includes \$1.8 million (PDATA special funds). CAL-ACCESS provides limited summary financial information of state candidates, donors, and lobbyists.
- **Help America Vote Act.** The budget includes an increase of \$34.4 million (Federal Trust Fund) expenditure authority to continue the development of a statewide voter registration database.

1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)

The Department of Consumer Affairs (DCA) boards and bureaus provide exams and licensing, enforcement, complaint mediation, and consumer education. DCA boards and bureaus establish minimal competency standards for more than three million professionals in over 250 professions. The budget provides the following resources to serve the state's consumers:

- **Medical Cannabis Regulation and Safety Act.** The budget approves approximately \$33.1 million and 134 positions across six state departments: DCA, Department of Food and Agriculture (CDFA), Department of Public Health (DPH), Department of Fish and Wildlife (DFW), State Water Resources Control Board (SWRCB), and the Department of Pesticide Regulation. In addition, the budget includes:
 - **Department of Public Health.** \$500,000 General Fund to participate in a Center for Disease Control and Prevention Foundation and Institute of Medicine study review to understand the long-term health consequences of marijuana use. For more information, please see Subcommittee No. 3 – Health.
 - **Information Technology (IT).** \$6 million for year one costs for the positions and external contract for the development of the licensing and enforcement IT system for the Bureau of Medical Cannabis Regulation.
 - **Other.** Trailer bill language, which: (1) Establishes a filing deadline for individuals to submit an application for licensure. (2) Provides the Department of Public Health (DPH) cite and fine authority and the authority for mandatory recalls. Shifts authority to license laboratories from the DPH to the Bureau of Medical Cannabis Regulation. (3) Excludes a cannabis manufacturer, who infuses butter with cannabis, from having to be licensed as a milk product plant. (4) Requires the State Water Resources Control Board, in consultation with the Department of Fish and Wildlife, to adopt principles and guidelines for diversion and use of water for cannabis cultivation in areas where cannabis cultivation may have the potential to substantially affect instream flows. (5) Authorizes a licensing authority to promulgate regulations, including

emergency regulations. For more information on water and resource protections, please see Subcommittee No. 2 – Natural Resources.

- **State Board of Optometry.** Trailer bill language authorizes the Board of Optometry to issue a citation, not to exceed \$50,000 per investigation, and subject to specified factors, to an optical company, optometrist, or registered dispensing optician for violating existing law.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

The Department of Fair Employment and Housing (DFEH) is responsible for protecting the people of California from unlawful discrimination in employment, housing, public accommodations, and from hate violence. The 2016 budget includes the following.

- **Enforcement Staffing and Resources.** The budget includes \$2.5 million General Fund for 28 positions to provide investigations of discrimination complaints. DFEH must produce a report that provides information on its efforts to investigate and close the employment and housing cases it receives.
- **Replacement of Case Management System.** The budget includes total project funding of \$6.5 million to replace its web-based case management system, known as “Houdini,” which allows complainants and/or their representatives to file online complaints, and provide the ability to submit online Public Records Act and right-to-sue requests. This funding also provides for three positions to help implement and maintain the project.

1701 DEPARTMENT OF BUSINESS OVERSIGHT

The Department of Business Oversight regulates state-licensed financial institutions, products, and professionals to provide accessibility to a fair and secure financial services marketplace. The budget provides the department with an augmentation of \$401,000 (\$281,000 Financial Institutions Fund and \$120,000 Credit Union Fund) in order to convert three limited-term positions to permanent within the Department of Business Oversight’s Consumer Services Office.

2100 ALCOHOLIC BEVERAGE CONTROL

The Department of Alcoholic Beverage Control licenses and regulates persons and businesses engaged in the manufacture, importation, distribution, and sale of alcoholic beverages in California. The 2016 budget provides a total of \$62.5 million (\$61.5 million Alcohol Beverages Control Fund, \$1 million in reimbursements), including nine additional positions, to support the department’s mission.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD)

The Department of Housing and Community Development (HCD) works to preserve and expand safe and affordable housing opportunities by administering various bond programs, developing housing policy, developing building codes, and regulating manufactured homes and mobilehome parks. The budget actions related to other departments for the Senate's No Place Like Home initiative are included in a separate section in this report.

- **Consolidated Automated Program Enterprise System.** The budget includes \$568,000 for four staff to provide application development support to better enable HCD to support its housing program operations using the Consolidated Automated Program Enterprise System, which tracks, monitors, and reports housing loans and grant information.
- **Green Building Standards.** The budget provides \$150,000 to fund one position to enable HCD's State Housing Law program to meet its code development and adoption responsibilities associated with the California Green Building Standards Code.
- **Habitat for Humanity Fund Appropriation.** The budget includes \$250,000 for the Habitat for Humanity Fund from revenue collected from the related voluntary tax check-off program. Trailer bill language ensures that funds given to Habitat for Humanity of California to administer the program are awarded to affiliates on a competitive basis.
- **Proposition 1C Adjustments.** The budget makes the following three adjustments to the Proposition 1C local assistance budget authority. First, it provides an appropriation of \$22.2 million in disencumbered Infill Infrastructure Grant funds to provide awards to new projects and budget bill language to allow for the liquidation of encumbrances until June 30, 2021. Second, the budget provides an increase of \$4.5 million for the Housing-Related Park Program. Finally, it extends the liquidation program for existing IIG awards, including the California Recycle Underutilized Sites awards until June 30, 2020, and the Transit Oriented Development awards until June 30, 2019.
- **Community Development Block Grant-National Disaster Resiliency Competition.** The budget provides \$422,000 in federal funds (some of these funds will be used to hire an external consultant) and one position through 2020-21, to administer the federal Community Development Block Grant Program for National Disaster Resiliency funding. California received over \$70 million from the U.S. Department of Housing and Urban Development for work related to the 2013 Rim Fire.
- **Affordable Housing and Sustainable Communities (AHSC) Program Administration.** The budget provides 11 positions to continue the administration of the AHSC program.
- **Reappropriation of Building Equity and Growth in Neighborhoods (BEGIN) Program Funds.** The budget reappropriates previously appropriated funds for the Building Equity and Growth in Neighborhoods (BEGIN) program.

- **California Housing Loan Insurance Fund.** Trailer bill language allows the California Housing Finance Agency (CalHFA) to replace the Director of Insurance position with of Director of Enterprise Risk Management and Compliance, and to require the annual audit of the California Housing Loan Insurance Fund to be based on agreed upon procedures. These actions should reduce costs by roughly \$205,000 annually, allowing for these “freed up” funds to be used to pay unpaid claims.
- **Down Payment Program Assistance Programs Consolidation.** Trailer bill language combines remaining funding totaling \$176.6 million from multiple down payment assistance programs into the MyHOME program to provide more flexibility and help a greater number of families become first-time homebuyers.
- **No Place Like Home Initiative** (See also, ‘No Place Like Home’ section on page 3-25). The 2016 budget includes funding for the Senate’s No Place Like Home initiative which provides for several new efforts to address homelessness in California. The key budget items include the following.
 - **Bond for Permanent Supportive Housing.** From the \$2 billion dollar bond mentioned above, HCD will administer a competitive \$1.8 billion program and a non-competitive \$200 million program to finance the construction, rehabilitation, or preservation of permanent supportive housing units for individuals with mental health supportive needs who are homeless, chronically homeless, or at risk of homelessness. The budget includes first-year funding of \$267 million for this type of housing.
 - **Federal Emergency Solutions Grant Program.** The budget provides \$45 million to fund activities eligible under the Federal Emergency Solutions Grant Program, including rapidly rehousing individuals and families, preventing families and individuals from becoming homeless, engaging homeless individuals and families living on the street, and operating homeless shelters and providing essential services to shelter residents. Of the total funds made available, \$10 million is directed towards the expansion of the existing Homeless Youth and Exploitation Program at the Office of Emergency Services, and specifies that the expansion will occur over five years in four additional counties: Orange, Fresno, San Bernardino, and El Dorado.
 - **Mental Health Services Act Technical Assistance.** The budget provides \$6.2 million in Mental Health Services Act funds for technical assistance to counties developing applications for the permanent supporting housing bond funds.
 - **Proposition 41 Funds.** The budget sets aside \$10 million from the current Proposition 41 program and, instead, directs it for loans to counties and/or nonprofit organizations for the construction or rehabilitation of transition housing or shelter facilities that provide services for homeless veterans with a priority given to applicants that demonstrate need and focus on long-term solutions, including mental health and addiction treatment services, as well as having proven long-term effectiveness.

7502 DEPARTMENT OF TECHNOLOGY (CDT)

The Department of Technology (CDT) retains statewide authority to centralize and unify information technology projects and data center services to enhance the ability to develop, launch, manage, and monitor large information technology projects. The budget includes \$1.6 million (Technology Services Revolving Fund) in the budget year and ongoing, and 11 permanent positions for the CDT to complete security audits of departments, with 15 audits to be completed by 2017, and to create a three-year auditing cycle for all noncompliant entities. The audit team will review departments' compliance with mandated state and federal IT policies. The budget provides \$1.5 million reimbursement authority for the California Military Department's Cyber Network Defense Team, to conduct assessments of 35 state entities for network vulnerabilities. Entities audited or assessed by the department must pay for the audit or assessment.

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

The Department of General Services (DGS) provides a variety of functions for the state, including acquisition, development, leasing, disposal, and management of state properties.

- **Capitol Irrigation Project.** The budget provides \$1.7 million in existing lease-revenue bonds to provide a reclaimed water system to reuse cooling tower water from the Sacramento Downtown Central Plant as irrigation water for the Capitol Park.
- **State Building Infrastructure.** The budget includes a major initiative for replacing or renovating state office buildings, including the Capitol Annex. The budget sequesters \$1.5 billion in a capital fund, which is subject to continuous appropriation, for the purposes of replacing or renovating state offices and buildings. Trailer bill language requires extensive reporting to the Joint Legislative Budget Committee on progress and status throughout the duration of the projects.

7870 CALIFORNIA VICTIMS COMPENSATION BOARD

The budget renames the California Victims Compensation and Government Claims Board to the California Victims Compensation Board, and transfers the administration of government claims to the Department of General Services. The Board's responsibilities include: compensation for victims of violent crime and eligible family members; eligibility determination of individuals for compensation due to an erroneous conviction and imprisonment; and claims processing for the Missing Children Reward Program and Good Samaritan Program. In total, the budget provides \$126.3 million (\$4.1 million General Fund, \$97.5 Restitution Fund, and \$24.7 federal funds).

8260 CALIFORNIA ARTS COUNCIL

The California Arts Council encourages artistic awareness, participation, and expression among Californians. The budget includes a total of \$24.9 million (\$15.1 million General Fund, \$1.1 million federal funds, and \$8.7 million special funds) to support the Council's mission in assisting local groups

to develop their own art programs, and to provide for the exhibition of art in public buildings. Of the \$24.9 million, \$12.8 million General Fund are budget-year augmentations: (1) \$6 million General Fund to increase arts programs in underserved communities; (2) \$800,000 General Fund to establish a reentry grant program; (3) \$2 million in ongoing reimbursement authority for the Arts in Corrections program; and, (4) \$4 million to expand the Arts in Corrections program partnership with the Department of Corrections and Rehabilitation. The program provides rehabilitative arts services in state correctional facilities, to combat recidivism and improve environments in, and safety of, state prisons. For more information, please see Subcommittee No. 5 – Public Safety.

8620 FAIR POLITICAL PRACTICES COMMISSION

The Fair Political Practices Commission (FPPC) is an independent non-partisan agency that is responsible for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974. The budget includes an increase of \$210,000 General Fund and 1.5 positions to implement Senate Bill 21 (Hill), Chapter 757, Statutes of 2015.

8800 DEPARTMENT OF FISCAL

The budget approved significant resources totaling \$45.1 million of additional funding for FISCAL to support the project and the establishment of a department. FISCAL will provide a single integrated financial management system that encompasses budgeting, accounting, procurement, cash management, and financial management and reporting. In addition, trailer bill language was approved establishing a stand-alone department for the project.

8820 COMMISSION ON THE STATUS OF WOMEN AND GIRLS

The California Commission on the Status of Women and Girls works inclusively to promote equality for women and girls in the state by providing leadership through research, policy and program development, education, outreach and collaboration, advocacy and strategic partnerships. The budget approves \$886,000 (\$512,000 General Fund, \$372,000 special funds, and \$2,000 reimbursements) for the Commission's activities.

8940 MILITARY DEPARTMENT

The California Military Department is responsible for the command, leadership, and management of the California Army and Air National Guard. The budget includes several adjustments that are designed to better equip the California Military Department with resources to address their mission, including the following:

- **Work for Warriors.** The budget includes \$670,000 General Fund to support the Work for Warriors program, which directly assists service members with the employment process, including resume preparation, interview, and placement.

- **Capital Outlay Projects.** The budget approved \$33.7 million to support nine infrastructure projects, including:
 - **Consolidated Headquarters Complex.** \$6.9 million General Fund to develop the performance criteria and a request for proposal to consolidate the current Joint Force Headquarters in Sacramento, Old Placerville facility, the Mather Annex, the B Street Warehouse, and the San Luis Obispo offices into one headquarters complex.
 - **San Diego Readiness Center Renovation.** \$3.4 million (\$1.7 million General Fund and \$1.7 million federal funds) for the first phase of construction to add 4,400 square feet to the existing facility and modernize lighting, electrical, HVAC, and plumbing.
 - **San Bernardino Armory Renovation.** \$4.8 million (\$2.4 million General Fund, \$2.4 million matching federal funds) for lead and asbestos abatement, electrical and HVAC upgrades, roof replacement, plumbing upgrades, and to convert the kitchen into training space.
 - **Eureka Armory Renovation.** \$5.6 million (\$2.8 General Fund, \$2.8 million matching federal funds) for the performance criteria and design-build phase.
 - **Escondido Armory Renovation.** \$4.1 million (\$2 million General fund, \$2 million matching federal funds) for the performance criteria and design-build phase. With the renovation, the existing 133 soldiers, and an additional 25 soldiers, will be accommodated.
 - **Santa Cruz Armory Renovation.** \$4 million (\$2 million General Fund, \$2 million matching federal funds) for the performance criteria and design-build phase.
 - **Stock Discovery Academy Youth Challenge.** \$2.6 million to construct a joint-use, 9,800 square foot dining facility at the Army National Guard Base in Lathrop. The project will serve the 200 cadets enrolled in the new National Guard Youth Challenge program, the Army National Guard units stationed on the based, and Stockton airfield solders.
 - **Los Alamitos Southern Regional Emergency Operations Center Replacement.** \$1.9 million General Fund for the preliminary plans and working drawings phases of the replacement project. The project will construct a 30,000 square foot facility, which will serve as a readiness center for the National Guard, a state warning center for the Office of Emergency Services (OES) and the CMD; and will support OES' daily operations.

8955 DEPARTMENT OF VETERANS AFFAIRS

The California Department of Veterans Affairs (CDVA) is designed to support the efforts of the United States Department of Veterans Affairs (USDVA) in providing healthcare and a wide array of other benefits to eligible veterans, including educational benefits, disability compensation, pensions, and guarantees on home loans for eligible veterans. The budget approves a package to improve the delivery of care for veterans who reside in the eight homes; veterans' services and claims; and the state's oversight of the 57 county veteran service offices.

- **Transition Assistance Program (Cal-TAP).** Approved \$813,000 General Fund for seven positions to implement the development of Cal-TAP, which assists veterans, discharged from the Armed Forces of the United States or the National Guard of any state, transition into civilian life.
- **Veterans Homes.** CalVet provides approximately 2,500 California veterans who are aged or have a disability with rehabilitative, residential, and medical services at the Veterans Homes.
 - **Capital improvements.** Approved various improvements including: \$5.9 million General Fund to renovate Yountville’s main kitchen; \$592,000 in the budget year, and \$585,000 ongoing, for food service delivery changes in the Redding and Fresno homes.
 - **Staffing.** \$2.9 million General Fund in the budget year, and \$2.7 million General Fund ongoing, for 32 positions to address nursing care shortages in Yountville, Barstow, and Chula Vista homes; \$3.3 million General Fund and 32 positions to staff the last skilled nursing facility-memory care (SNF-MC) unit in the West Los Angeles home; \$1.7 million (\$1.6 million General Fund and \$103,000 special fund) for 15 positions to support information services, contracts, and other administrative support services; and \$185,000 General Fund in the budget year, and \$181,000 General Fund ongoing, to fund 2.5 positions to support the Northern California Veterans Cemetery.
 - **Veterans Housing and Homeless Prevention Program.** \$406,000 (Housing for Veterans Fund) in the budget year, and \$384,000 (Housing for Veterans Fund) ongoing.
 - **Veteran’s Homes in the 21st Century.** Supplemental reporting language requires the Legislative Analyst’s Office, by March 15, 2017, in coordination with the Department of Veterans Affairs and Department of Finance, to report to the Legislature on recommendations to improve the delivery of care, provide an analysis on needs and gaps, and whether services provided in the Homes align with veterans’ needs in the community, such as housing, employment assistance, or behavioral or mental health services.
- **District Offices.** \$1.7 million General Fund, ongoing, to repurpose 16 positions, from the department’s strike teams, to target fully developed claims and improve veteran representation at three district offices (Los Angeles, Oakland, and San Diego).

CONTROL SECTIONS

CS 6.10 FUNDING FOR DEFERRED MAINTENANCE PROJECTS

The budget provides Department of Finance (DOF) the authority to allocate \$485 million (General Fund) and \$18 million (Motor Vehicle Account) through Control Section 6.10 to various state departments and entities for deferred maintenance, including: water resources, state hospitals, judicial branch, parks and recreation, corrections and rehabilitation, and higher education. The action includes budget bill language requiring notification of changes to the Joint Legislative Budget Committee, 30 days prior to the allocation of any funds, for projects changes of \$1 million or more, and quarterly notification of all changes. Deferred maintenance amounts are as follows:

Department	General Fund
Department of Water Resources	100,000,000
State Department of State Hospitals	64,000,000
Department of Parks and Recreation	60,000,000
Department of Corrections and Rehabilitation	55,000,000
Judicial Branch	45,000,000
California State University	35,000,000
University of California	35,000,000
Department of Developmental Services – Porterville	18,000,000
Department of Fish and Wildlife	15,000,000
California Military Department	15,000,000
Department of General Services	12,000,000
Department of Veterans Affairs	8,000,000
Department of Forestry and Fire Protection	8,000,000
State Special Schools	4,000,000
Network of California Fairs	4,000,000
California Science Center	3,000,000
Hastings College of the Law	2,000,000
Office of Emergency Services	800,000
California Conservation Corps	700,000
Department of Food and Agriculture	300,000
San Joaquin River Conservancy	200,000
Department	Motor Vehicle Account
California Highway Patrol	10,000,000
Department of Motor Vehicles	8,000,000

State Administration Trailer Bills

- 1. State Government and Administration – SB 836 (Committee on Budget and Fiscal Review), Chapter 31, Statutes of 2016.*
- 2. State Government and Administration – SB 837 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2016.*
- 3. No Place Like Home Program-Establishment – AB 1618 (Committee on Budget), Chapter 43, Statutes of 2016.*
- 4. Housing and Homelessness – AB 1622 (Committee on Budget), Chapter 44, Statutes of 2016.*
- 5. State Government – SB 835 (Committee on Budget and Fiscal Review), Chapter 344, Statutes of 2016.*
- 6. No Place Like Home Program-Financing – AB 1628, (Committee on Budget), Chapter 322, Statutes of 2016.*
- 7. 2016 Cap and Trade Plan – AB 1613 (Committee on Budget), Chapter 370, Statutes of 2016.*

STATE FINANCE

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

The budget incorporates several proposals related to the Governor's Office of Business and Economic Development (GO-Biz).

- **California Competes Tax Credits.** Approves trailer bill language that clarifies the agency's ability to negotiate agreements for California Competes tax credits using a variety of assessment tools.
- **Zero Emissions Vehicle (ZEV) Infrastructure.** Includes appropriation for personnel to extend staffing authorization and allow for the continuation of the effort to develop ZEV charging stations throughout the state.
- **California Infrastructure and Economic Development Bank (IBank).** Provides funds for additional workload activity of the IBank, with \$1.5 million of additional funds to administer the Small Business Finance Center, bond programs and loan programs.
- **Go-Biz.** Includes funding to allow GO-Biz to establish administrative capabilities in the areas of human resources, business services, and contracts and procurement units.
- **California Small Business Development Center (SBDC).** Approves \$1.5 million for SBDC that will allow the state to draw down federal matching dollars to provide training and technical assistance to small businesses through the SBDC network.
- **California Travel and Tourism Commission.** Alters the selection of officers on the commission, which seeks to further the development of tourism in the state.

0840 STATE CONTROLLER'S OFFICE

The budget includes base funding for the State Controller's Office (SCO) and actions intended to upgrade and improve the functioning of the SCO.

- **Accounting Workload.** Approves additional resources for new personnel to enable the SCO to continue to maintain state-wide cash management services.
- **Personnel and Payroll Workload and Systems.** Incorporates additional resources of \$1.3 million (General Fund) for both personnel and systems to address ongoing workload associated with the SCO legacy systems that must be maintained.

- **21st Century Project Activities.** As part of the aftermath of the 21st Century Project failure, the budget provides \$4.8 million (special funds and reimbursements) to continue cost recovery and maintenance of existing systems. Included in the SCO budget is \$2.4 million (\$1.3 General Fund) to provide resources to assess the 21st Century Project and refine the scope of a future payroll project. The agency is to complete a supplemental report to the Legislature assessing the project and discussing alternatives in 2017.
- **Personnel and Payroll Training.** Provides resources to allow it to meet the ongoing training needs of departments for personnel and payroll purposes, which will result in reduced state costs.
- **Legislation Workload.** Approves funding of \$1 million to address additional workload associated with the Affordable Care Act and the California Public Employees' Pension Reform Act.
- **Implementation of Financial Information System for California (FI\$Cal).** Includes funding of \$1.7 million (General Fund and various other funds) to support additional activities of the agency related to the FI\$Cal project.
- **Unclaimed Property.** Provides \$2.2 million (special funds) for a substantive reworking of the unclaimed property division, which will streamline procedures, increase outreach, and prevent and detect fraud.
- **California Automated Travel Expenses (CalATERS).** Includes \$1.1 million (General Fund and various other funds) to fund three positions to continue the study of replacement options for CalATERS and maintain the current system.
- **Post-Employment Benefits Administration.** Provides \$883,000 and eight positions under the Senate plan, for the purposes of automating the deduction, remittance, reporting for Other Post-Employment Benefit (OPEB) prefunding.

0860 BOARD OF EQUALIZATION

- The budget includes one-year funding of \$17.5 million (various funds) the Board of Equalization (BOE) to continue work on the Centralized Revenue Opportunity System (CROS), as well as budget bill language providing the Department of Finance the ability to augment this amount by \$3 million, and requires a supplemental report from the BOE on the status of the CROS project in October 2016.
- The budget provides additional funding of \$300,000 (federal funds) for the agency's continued participation in a national fuel tax compliance effort, \$1.4 million (special funds) to administer the fire prevention fee, and \$821,000 (fee revenue) and two positions to administer the fee imposed on hazardous materials transported by railcar. A supplemental report regarding ongoing workload associated with the fire fee is due to the Legislature no later than February 2018.

- The budget also includes \$5.1 million (\$3.3 million General Fund) and 30 permanent and limited-term positions for appeals and settlement programs, to address the increasing backlog of cases appealed to the BOE, and \$1.3 million (special funds) to continue administrative activities associated with the surcharges on prepaid mobile communication devices.
- The budget reduces the reserves of the Cigarette and Tobacco Products Compliance Fund by \$5.2 million, allowing these resources to flow to the General Fund, Breast Cancer Fund, California Children and Families First Fund, and various environmental and health programs.
- The budget eliminates 11 redundant positions, for a savings of \$800,000, and includes budget bill language requiring a monthly report of position vacancies. In addition, budget bill language requires Department of Finance approval for any additions or changes to the agency's office space and calls for consolidated and standardize office space. The budget also requires a supplemental report requiring BOE to examine its physical office needs in view of improvements in electronic registering, filing and providing customer access.

0950 STATE TREASURER'S OFFICE

Within the State Treasurer's Office (STO), the state engages in has numerous financial activities to meet its cash flow needs and conduct various budgetary and long-term borrowing.

- **Debt Management System.** The budget provides \$6.3 million (bond funds) for its debt administration and management system in order to improve the functioning of STO management activities.

0950-0989 STATE TREASURER'S BOARDS, COMMISSIONS AND AUTHORITIES

The budget includes actions related to the functioning of several state board, authorities and commissions.

- **California Secure Choice Retirement Savings Investment Board.** Provides for the appropriation of funding to allow for the continued administration, implementation and marketing of the California Secure Choice Retirement Savings Plan. Initial funding includes a loan of \$1.9 million (General Fund) to cover implementation and administration, which will be repaid in 2022.
- **California Tax Credit Allocation Committee (CTCAC).** Approves additional CTCAC funding from developer fees for the administration of compliance monitoring for affordable rental housing as well as authorizes support for the administration of federal and state mandates for the Low-Income Housing Tax Credit (LIHTC). In addition, trailer bill language was approved that allows for extending the availability of the credit to 2020 and providing additional efficiency in the use of the LIHTC by allowing for its sale to another party under certain conditions.

- **California Memorial Scholarship Program.** Includes \$236,000 (General Fund) to provide scholarships for surviving dependents of California residents killed in the September 11, 2001 terrorist attacks.
- **California Debt Limit Allocation Committee (CDLAC).** Approves resources of \$132,000 and one position, to continue the effective administration of its workload associated with allocating tax-exempt private activity bond authority.
- **California School Finance Authority.** Adopted additional resources to support workload for the state-funded Charter School Facility Grant program and the federal Charter School Facilities Grants program due to an increase in charter schools applying for program funding.
- **Achieving a Better Life Experience (ABLE).** In order to carry out the initial implementation and administration of the ABLE program, approves a loan of \$850,000 to be repaid in 2022.
- **California Pollution Control Financing Authority.** Provides \$10 million (General Fund) as a loan loss reserve for loans provided by private lenders to residential and small business property owners for the purposes of seismic retrofits.

7730 FRANCHISE TAX BOARD

- For technology projects, the Franchise Tax Board (FTB) received additional substantial funding of \$68 million (General Fund) for its enterprise data to revenue (EDR) project, \$53.3 million of which is a payment to the vendor. The benefits-funded project is estimated to result in \$4 to \$4.7 billion in revenue over the life of the project. The budget includes additional funding of \$3.4 million (General Fund) to refresh and expand the network infrastructure which is reaching end of life.
- The budget includes \$8.2 million (General Fund) and 101 permanent positions to work down the accumulated inventory of accounts receivable. In addition, FTB received limited-term funding of \$7.7 million (General Fund) and 85 positions related to customer service, taxpayer information and compliance activities.
- The FTB received \$2 million (General Fund) to provide resources to non-profit and community groups for doing outreach to potential participants in the state's Earned Income Tax Credit program initiated last year.
- Trailer bill language was adopted to allow for a one-year delay in the claiming of the strategic aircraft tax credit. The budget also provides for an extension of the food bank tax credit to 2023 with an increase in the credit amount to 15 percent (from ten percent) and a more generous basis for the credit.

8880 DEPARTMENT OF FINANCE

- The budget increased funding for the Department of Finance (DOF) by \$750,000 and includes budget bill language to provide resources for the Office of State Evacuations and Audits to do a comprehensive report regarding tax compliance and enforcement activities at the Board of Equalization (BOE) to ensure continued effectiveness. In addition, the audit will examine the agency's outreach activities and the implementation of corrective actions noted in the 2015 State Controller's Office review of internal accounting and administrative controls following the misallocation by the BOE of over \$300 million of sales and use tax revenue.
- The budget provides \$500,000 for activities related to zero-based budgeting efforts by the department, and requires that DOF develop a zero-based budgeting plan that will, over time, encompass all major departments.

8885 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

- The budget includes statutory language that converts the former project of Financial Information System for California (FI\$Cal) to the Department of FI\$Cal. Once the FI\$Cal system is accepted by the Administration, it is anticipated that the Department of FI\$Cal will report to the Government Operations Agency.
- In addition to establishing the department, the budget provides base funding of \$135.1 million (\$96.3 million General Fund) for the department's ongoing activities implementing the fiscal management, budgeting, and procurement system. The budget provides authority for 183 positions.

9620 CASH MANAGEMENT AND BUDGETARY LOANS

- The budget includes \$15 million for the payment of interest and any other costs associated with short term cash borrowing, from either external and internal sources. The budget includes \$41.3 million for interest costs associated with internal borrowing for budgetary purposes that are to be repaid in the budget year.

PROPOSITION 2 RESERVE AND DEBT REPAYMENTS

- **Debt Repayment.** The budget incorporates an aggressive pay-down of budgetary debt through the Proposition 2 mechanism, with a special fund loan repayment of \$454 million and leaving less than \$1.4 billion unpaid. In addition, Proposition 2 debt repayments include \$218 million for Proposition 98 Settle-Up, \$173 million for transportation loans, \$278 for state retiree health and \$171 million for University of California pension obligations. The Proposition 2 repayment plan for the five year budget window is displayed in the Appendix.

- **State Reserves.** The budget devotes significant resources to budgetary reserves. \$1.3 billion is deposited to the Budget Stabilization Account (BSA) as a mandatory payment, with an additional \$2 billion optional deposit to this account, bringing the balance to \$6.7 billion. In addition, the state's general reserve, the Special Fund for Economic Uncertainties (SFEU), is budgeted to be \$1.8 billion. The total amount of reserves for the budget year is \$8.5 billion.

General Government Budget Trailer Bills

1. *State Government – SB 836 (Committee on Budget and Fiscal Review), Chapter 31, Statutes of 2016.*
2. *State Government – SB 837 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2016.*
3. *State Government – SB 835 (Committee on Budget and Fiscal Review), Chapter 344, Statutes of 2016.*

LOCAL GOVERNMENT

The budget takes a number of steps in the local government area, and makes revisions to the proposal for the suspension of mandates and funding of local mandate claims.

8885 COMMISSION ON STATE MANDATES

- The budget funds mandates related to public safety and property taxes, at a cost of \$46.2 million. The budget suspends numerous mandates that have been suspended in prior years, for a savings of over \$600 million (General Fund). The budget includes trailer bill language to improve and tighten up the Reasonable Reimbursement Methodology (RRM) for local government mandate claims.

9210 LOCAL GOVERNMENT FINANCING

- **Local Government Revenue Losses.** The budget includes \$1.9 million (General Fund) for Calaveras and Lake counties to backfill property tax, sales and use tax, and transient occupancy tax losses due to last year's wildfires.
- **Subventions for Counties for Insufficient ERAF.** The budget incorporates one-time funding totaling \$393,000 for the counties of Alpine, Amador, and San Mateo because the funds available in the Educational Revenue Augmentation Fund (ERAF) are insufficient to make these counties whole as a result of the Triple Flip and the Vehicle License Fees swap.
- **Property Tax Assessors Partnership.** The budget includes continued funding of \$4.4 million (General Fund) for the partnership program with local assessors, an effort that is designed to improve property assessments and administration through the state with participating counties.
- **Transitional Housing Grants.** The budget includes \$25 million in grants to local governments as a means of addressing costs associated with locating transitional housing. The budget includes provisional language and implementing trailer bill language governing the program.

1. *State Government – SB 836 (Committee on Budget and Fiscal Review), Chapter 31, Statutes of 2016.*
2. *State Government – SB 837 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2016.*

SUBCOMMITTEE 5
ON
CORRECTIONS,
PUBLIC SAFETY, AND THE
JUDICIARY

Senate Committee on Budget and Fiscal Review

Members

Loni Hancock, Chair
Joel Anderson
Jim Beall

Consultants

Julie Salley
Anita Lee
Farra Bracht

SUBCOMMITTEE No. 5

CORRECTIONS, PUBLIC SAFETY, AND THE JUDICIARY

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CORRECTIONS AND REHABILITATION

5225 DEPARTMENT OF CORRECTIONS AND REHABILITATION (CDCR)

The budget provides \$10.6 billion (\$10.3 billion General Fund) for the Department of Corrections and Rehabilitation. The budget includes the approval of a number of items intended to safely house and rehabilitate both adults and juveniles in the states correctional system, including:

- **Rehabilitation Programs.** The budget contains \$431 million General fund for inmate rehabilitative programs. This represents approximately \$100 million more than the 2015-16 budget. The increased funding includes:
 - \$4 million General Fund to expand Arts in Corrections to all 35 state prisons.
 - \$18.9 million General Fund to expand substance use disorder treatment to the remaining 11 prisons that are currently without a program and to expand the number of slots at prison-based reentry hubs.
 - \$5.5 million General Fund to provide innovative, restorative justice-based programs for long-term and life-term inmates.
 - \$3.1 million General Fund to continue the innovative programming grants designed to expand volunteer-based, restorative justice and offender responsibility-centered programs at underserved prisons.
 - \$2.3 million General Fund to expand 12 career technical education programs.
 - \$4.1 million General Fund (\$10.6 million in 2017-18 and \$4.2 million on-going) to provide secured internet access at all state prisons.
 - \$3 million Proposition 98 funding to provide inmates enrolled in community colleges access to textbooks through eReaders.
 - \$3.4 million General Fund (\$2.1 million of which is one-time) to add 1,700 slots to the Long-Term Offender Program.
 - \$423,000 General Fund for 64 additional slots for the Offender Mentor Certification Program which allows inmates to obtain substance use disorder treatment certification.
 - \$3.1 million General fund to expand the Transitions Program to all prisons to offer employment preparation and job readiness training. The program will serve approximately 23,000 inmates per year.

- **Parolee Service Center Beds.** The budget provides \$3.1 million General Fund for 136 parolee service center beds specifically for long-term and life-term offenders.
- **Extended Family Visits.** The budget includes statutory language allowing life-term inmates to be eligible for extended family visits.
- **Female Community Reentry Expansion.** The budget includes the expansion of the Custody to Community Transitional Reentry Program (CCTRP) to include a new 50-bed facility in Sacramento. The cost of that expansion is \$2.8 million General Fund and five positions in 2016-17, and an estimated \$2.5 million General Fund and five positions for 2017-18. In addition, the budget includes an increase of \$390,000 General Fund on-going to expand both their San Diego CCTRP and Santa Fe Springs CCTRP by an additional 36 beds each. Finally, the CCTRP adjustment includes a decrease of \$2.1 million General Fund and 3.8 positions in 2015-16 to reflect the updated population housed at the current CCTRP facilities.
- **Male Community Reentry Program (MCRP).** The budget includes \$32 million (General Fund) in 2016–17 and \$34 million in 2017–18 to expand the MCRP. The 2016–17 appropriation includes \$20 million to support existing contracts and \$12 million to expand the program. The proposed augmentation would allow CDCR to contract with four additional facilities—three in Los Angeles County and one in San Diego County—to provide an additional 460 beds. In addition, statutory language authorizes CDCR to place an inmate in an MCRP up to one year prior to the inmate’s release.
- **Alternative Custody Program.** The budget includes an increase of \$3.3 million General Fund and 20 positions in 2015-16 and \$6 million General Fund and 40 positions in 2016-17 and on-going for the workload associated with implementing a 12-month Alternative Custody Program for male inmates as is required by the *Sassman v. Brown* judgment.
- **Workplace Excellence.** The budget includes \$4 million General Fund for CDCR to increase its leadership training efforts, evaluate its current workforce, and create a succession management plan. The funding is intended to be used to promote and develop programs focused on workplace excellence, wellbeing, leadership, and the recruitment and retention of mid-level and high-level managers.
- **Investigative Services Unit.** The budget includes \$2.7 million and 22 correctional officer positions for the Investigative Services Unit. The increase will provide increased staffing to investigate potential increases in gang-related activity as a result of the reduction of the number of inmates serving long-term Segregated Housing Unit terms.
- **Automated Reentry Management System.** The budget provides \$4.5 million (General Fund) in 2016-17 and 2017-18 to implement phase two of the Automated Reentry Management System (ARMS).

- **Relief Factor Adjustment.** The budget includes a General Fund increase of \$11,897,000 and 107.5 positions to afford the California Department of Corrections and Rehabilitation (CDCR) sufficient time to standardize statewide relief utilization policies that will provide additional time off for correctional peace officers.
- **Board of Parole Hearings (BPH) – Youthful Offender Parole Hearings Workload.** The budget provides \$3.7 million General Fund and 19 permanent, full-time positions for the Board of Parole Hearings (BPH) and Division of Adult Institutions (DAI) for the workload associated with implementing SB 261 (Hancock), Chapter 471, Statutes of 2015, and SB 519 (Hancock), Chapter 472, Statutes of 2015.
- **Board of Parole Hearings (BPH) – Confidential File Summaries.** The budget provides \$705,000 General Fund and five permanent full-time positions to complete confidential file summaries in order to provide procedural due process to inmates.
- **Board of Parole Hearings (BPH) – Workload Increase.** The budget provides \$1.7 million General Fund and 9.6 additional administrative law judge and clinical psychologist positions due to a projected increase in the number of hearings and comprehensive risk assessments in 2016-17.
- **California Rehabilitation Center – Critical Repair Funding.** The budget includes \$6 million General Fund for critical repairs needed to maintain the health and safety of inmates and staff at the California Rehabilitation Center.
- **Healthcare Supervisory Positions.** The budget provides a \$12 million General Fund augmentation and 68.6 additional positions to increase health care executive and supervisory staffing levels throughout the prison system.
- **California Health Care Facility – Stockton Janitorial Services.** The budget provides five positions and \$6.4 million General Fund in the current year, and \$12 million General Fund in the budget year, to contract with PRIDE Industries to provide janitorial services for the California Healthcare Facility (CHCF) in Stockton.
- **Electronic Health Records System (EHRS).** The budget includes an increase of \$35.9 million General Fund to provide expanded functionality of the new electronic health record system to include dental patient and scheduling information. The budget provides \$80.6 million over the next three years for this purpose, and \$5.8 million on-going.
- **Pharmaceutical Funding.** The budget provides \$20 million General Fund in 2015-16 and \$27 million General Fund in 2016-17 and on-going to address shortfalls in pharmaceutical funding caused by increasing drug costs, the implementation of the Electronic Health Record System (EHRS) and the implementation of the Women’s Health Care Initiative (WHCI).

- **Physician and Licensed Vocational Nurse Coverage at Contract Facilities.** The budget provides \$2 million General Fund beginning in 2016-17 to provide additional medical coverage at the in-state contract facilities, as required by the federal receiver's office.
- **Access to Healthcare.** The budget provides \$8.9 million General Fund and 73.4 positions in 2016-17, \$11.3 million General Fund and 88.7 positions in 2017-18, and \$11.7 million General Fund and 93.7 positions in 2018-19 and ongoing, for increased staffing needs related to the Health Care Facility Improvement Program (HCFIP), and triage and treatment areas/correctional treatment centers.
- **Substance Use Disorder Treatment Pilot Project.** The budget provides \$2.5 million General Fund for a medical-based substance use disorder treatment pilot project to be conducted by CDCR's Health Care Services Division.
- **Art-based Reentry Pilot Project.** The budget provides \$600,000 General Fund for the Break It to Make It Project.
- **Drug Interdiction.** The budget provides \$4.9 million General Fund for a one-year extension of the enhanced drug interdiction pilot.
- **Council on Mentally Ill Offenders (COMIO).** The budget provides \$233,000 Mental Health Services Fund and two positions to support COMIO's activities including data collection and analysis regarding the service utilization by individuals with mental illness in the criminal justice system, and promotion of strategies to reduce criminalization of persons with mental illness.
- **Capital Outlay.** The budget includes three capital outlay proposals and support services totaling approximately \$29.9 million (General Fund). Specifically, the budget provides funding for the following capital outlay projects:
 - \$14.3 million General Fund for the California Correctional Center, Susanville: Arnold Unit and Antelope Camp kitchen/dining replacement.
 - \$4 million General Fund for a new central high-pressure steam boiler facility at Deuel Vocational Institution.
 - \$11.6 million to replace the existing barred cell fronts in the K-Wing Administrative Segregation Unit (ASU) at the Deuel Vocational Institution (DVI) with solid cell fronts.
- **Statewide: Master Plan for Renovation/Replacement of Original Prisons.** The budget includes \$5.4 million General Fund for consultant services to perform a study of the prisons constructed prior to 1980.

Public Safety Budget Trailer Bills

1. *Public Safety Omnibus – SB 843 (Committee on Budget and Fiscal Review), Chapter 33, Statutes of 2016.*

JUDICIARY

0250 JUDICIAL BRANCH

The budget provides \$3.7 billion (\$1.7 billion General Fund) for the Judicial Branch. In addition, the budget makes the following changes.

- **Trial Court Employee Costs.** The budget includes \$16.1 million General Fund to cover increased employee benefit costs.
- **Trial Court Augmentation.** The budget provides a \$20 million (or one percent) General Fund base augmentation for trial court operations.
- **Trial Court Emergency Reserve.** The budget includes \$10 million General Fund on a one-time basis to establish a state level reserve for emergency expenditures for the trial courts. Any funding used in the first year would be replenished through the Trial Court Trust Fund. In addition, trailer bill language modifies the current emergency reserve funding policy for the trial courts. Under the new reserve policy, the Judicial Council will maintain \$10 million in a reserve to be used by individual trial courts in the event of an emergency. In addition, the language requires the Judicial Council to report to the Legislature and the Department of Finance by October 1 of each year all requests for funding and allocations made during the preceding year.
- **Rate Increase for Appellate Attorneys.** The budget includes an on-going augmentation of \$4.3 million General Fund to provide a \$10 per hour rate increase for panel attorneys appointed by the Courts of Appeal.
- **Language Access.** The budget includes an on-going General Fund augmentation of \$7 million to expand language interpreter services to all civil proceedings. The funding is required to be used to provide in-person interpreters whenever feasible.
- **Proposition 47.** The budget includes a one-time General Fund augmentation of \$21.4 million to address the increased workload associated with Proposition 47 (The Safe Neighborhoods and Schools Act) passed by voters in 2014. In addition, the budget anticipates the trial courts will save \$1.7 million General Fund a year as a result of the reduced workload associated with Proposition 47.
- **Equal Access Fund.** The budget includes a \$10 million augmentation for the Equal Access Fund.
- **Innovation Grants.** The budget includes \$25 million one-time for innovative programming (\$10 million General Fund and a transfer of \$15 million from deferred maintenance to Innovation Grants program).
- **Trial Court Security.** The budget includes \$7 million General Fund to address potential increased trial court security costs if a new court facility, built by the state and opened after October 9, 2011, necessitates a different level of court security than the facility it replaced or was otherwise closed.

- **Trial Court Security (non-sheriff).** The budget includes \$343,000 General Fund for cost increases related to court security services provide by marshals in the superior courts of Shasta and Trinity counties. The funds are necessary to address increased costs for court-provided (non-sheriff) security to maintain funding at 2010 security levels.
- **Civil Case Management System Replacement.** The budget includes a one-time General Fund augmentation of \$24.8 million. The request is for \$12.4 million in 2016-17; \$9.2 million in 2017-18; and \$3.2 million in 2018-19 to replace the V3 Court Case Management System in the superior courts of Orange, Sacramento, San Diego, and Ventura counties.
- **Trial Court Capital Outlay.** The budget includes 16 capital outlay projects and support services totaling approximately \$569 million from various court construction accounts. In addition, supplemental reporting language requires the Judicial Council to submit a plan by January 10, 2017 for addressing the long-term solvency of ICNA within existing financial resources.
- **Trial Court Capital Outlay Re-appropriations.** The budget includes the re-appropriation of approximately \$70.4 million from the Immediate and Critical Needs Account (ICNA) due to delays in planning and construction for five courthouses (Santa Barbara, Sonoma, El Dorado, Sacramento, and Glenn).
- **Mendocino—New Ukiah Courthouse.** The budget includes a re-appropriation from the Immediate and Critical Needs Account (Fund 3138) of \$6.1 million for the working drawings phase for the Mendocino— New Ukiah Courthouse. This project will provide a new eight-courtroom courthouse of approximately 90,206 building gross square feet (BGSF) in the City of Ukiah. Re-appropriation was requested due to delays in the acquisition phase related to the clean-up of the site prior to acquisition by the state.
- **Stanislaus-New Modesto Courthouse.** The budget includes a re-appropriation from the Immediate and Critical Needs Account (Fund 3138) of \$15.3 million to complete the working drawings phase for the Stanislaus—New Modesto Courthouse. The project will provide a new 27-courtroom, approximately 308,964 building gross square feet (BGSF) courthouse in the City of Modesto.
- **Phoenix Financial System Funding Shift.** The budget includes an ongoing augmentation of \$8.7 million General Fund to support the Judicial Council state operations costs related to the Phoenix Financial System (Phoenix). The Phoenix program is a statewide system utilized by the trial courts for financial and human resources management assistance. The State Trial Court Improvement and Modernization Fund (IMF) currently funds a portion of the Phoenix Program, but the continued decline in revenue over the past several years has led to potential solvency issues in the IMF.
- **Information Systems Control Enhancements.** The budget includes \$3.2 million (in 2016-17) and \$1.9 million (ongoing) to strengthen information technology security controls and enhance the reliability of Judicial Branch data.

0280 COMMISSION ON JUDICIAL PERFORMANCE

- **Workload Adjustment.** The budget includes \$257,000 General Fund for one investigative attorney and one staff secretary.

8140 OFFICE OF THE STATE PUBLIC DEFENDER

- **Defense Services for Condemned Inmates.** The budget includes \$1.05 million and 7.5 permanent positions (4.5 attorneys, one legal analyst, one associate information systems analyst, and one staff services analyst) to address a delay in the office's ability to accept new appointments in death penalty cases.

Judiciary Budget Trailer Bills

1. *Public Safety Omnibus – SB 843 (Committee on Budget and Fiscal Review), Chapter 33, Statutes of 2016.*

OTHER PUBLIC SAFETY

0820 DEPARTMENT OF JUSTICE

The budget provides \$575 million (\$216 million General Fund) for support of the Department of Justice. In addition, the budget makes the following changes.

- **Racial Identify Profiling Act of 2015.** The budget provides a permanent augmentation of 41 positions and \$7.9 million General Fund for the workload associated with AB 953 (Weber) Chapter 466, Statutes of 2015, which requires local law enforcement agencies to report specified information on traffic stops to the Attorney General's office; and establishes the Racial and Identity Profiling Advisory Board (RIPA).
- **Armed Prohibited Persons System (APPS).** The budget provides an ongoing increase of \$4.7 million in Firearms Safety and Enforcement Special Fund (FS&E) to provide permanent funding for 22 positions for APPS investigations. In addition, the budget removes the continuous appropriation authority from both the FS & E fund and the Firearms Safety Account (FSA) and provides the Attorney General's office with the authority to increase both the FS & E and the FSA fees at a rate not to exceed the Consumer Price Index (CPI). Finally, the budget provides \$5 million one-time FS & E funding to reimburse local law enforcement agencies that retrieve firearms from prohibited persons.
- **Controlled Substance Utilization Review and Evaluation System (CURES).** The budget provides four positions and \$500,000 (CURES Fund) for three years to address CURES user support and staffing deficiencies.
- **Cardroom Background Investigation Backlog.** The budget provides 20 positions and \$3 million (Gambling Control Fund) for three years to address the backlog of background investigations for cardrooms.
- **Major League Sports Betting Event Raffles.** The budget creates the Major League Sporting Event Raffle Fund and provides a General Fund loan of \$335,000 per year, for three years.
- **Criminal Justice Reporting (AB 71).** The budget provides \$374,000 General Fund and four positions to meet the reporting requirements associated with AB 71 (Rodriguez), Chapter 462, Statutes of 2015, which requires law enforcement agencies to report to DOJ data on certain use of force incidences.
- **Bureau of Gambling Control Training.** The budget provides a \$200,000 appropriation (Gambling Control Fines and Penalties Account) to develop an ongoing academy style training program for all levels of employees (both sworn and non-sworn).

- **Fraud and Elder Abuse Enforcement Enhancement.** The budget provides a \$7.8 million augmentation (\$5.9 million in federal funds and \$2 million from the False Claims Act Fund), to support 35 additional positions for the bureau, as well as to lease office space for the establishment of three satellite offices in Fresno, Riverside, and San Francisco. The requested positions include: 18 special agents, six investigative auditors, five deputy attorney generals, three legal secretaries, two staff information systems analysts, and one office technician.

4440 DEPARTMENT OF STATE HOSPITALS (DSH)

The budget provides \$1.8 billion (\$1.7 billion General Fund) for operating the state hospitals. In addition, the budget makes the following changes.

- **Proposition 47 Savings.** The budget reflects an estimated \$8.9 million General Fund savings as a result of a reduced patient caseload in state hospitals due to Proposition 47.
- **Conditional Release Program (CONREP).** The budget includes a one-time \$5.4 million General Fund increase in 2016-17 for increased costs related to CONREP. In addition, the budget requires DSH to transition the funding for the eligible treatment costs associated with CONREP to Medi-Cal by July 1, 2017.
- **Coleman Monitoring Team.** The budget includes \$876,000 and four positions on a two-year limited-term basis to establish a Coleman monitoring team within the Department of State Hospitals to coordinate and monitor implementation of the Special Master's recommendations to improve inpatient care of Coleman patients at each facility.
- **Incompetent to Stand Trial Caseload.** The budget includes three augmentations related to treating people who have been deemed incompetent to stand trial (IST). Total requested funding for all three is approximately \$22.4 million General Fund and 175.5 positions. Specifically, the budget includes:
 - \$12.9 million General Fund and 113.8 positions to activate 60 additional beds at Napa State Hospital.
 - \$5.3 million General Fund and 61.7 positions to activate 25 IST beds at Metropolitan State Hospital and \$2.3 million in reimbursement authority to add 11 Lanterman-Petris-Short (civil commitment) beds at Metropolitan.
 - \$4.2 million General Fund and one position to contract for 35 additional jail based restoration of competency beds.
- **Jail-Based Competency Treatment – IST Evaluator.** The budget includes two two-year limited-term positions and \$336,000 General Fund at the request of Los Angeles County to provide two IST patient evaluators to determine the appropriate care and placement for patients.

- **Metropolitan State Hospital Security Fence Capital Outlay.** The budget provides \$31,182,000 in capital outlay funding to increase the secured bed capacity at Metropolitan State Hospital (MSH). This project will increase capacity to house forensic inmates by securing 505 beds by constructing a secured fence for two buildings at the hospital.
- **State Hospitals Capital Outlay.** The budget provides \$11.8 million General Fund for three state hospitals for a variety of capital construction upgrades, such as fire alarm systems and seismic upgrades.
- **Unified Hospital Communications Public Address System.** The budget includes \$6.5 million General Fund and two full-time permanent positions in 2016-17 (\$1.6 million in out-years) for the first phase in the development of a unified hospital communications (UHC) system to provide continuity and standardization throughout the state hospitals. Specifically, this request addresses the public address (PA) systems and related local area network (LAN) systems at DSH-Coalinga and DSH-Patton.

5227 BOARD OF STATE AND COMMUNITY CORRECTIONS (BSCC)

The budget provides \$223 million (\$137.3 million General Fund) for the Board of State and Community Corrections (BSCC). In addition, the budget makes the following changes.

- **City Law Enforcement Grants.** The budget provides one-time \$20 million General Fund for city law enforcement grants designed to increase positive outcomes between local law enforcement and high-risk populations.
- **City of Salinas Counter-Violence Funding.** The budget provides \$5.5 million General Fund to the City of Salinas to assist with counter-violence and gang activity prevention efforts.
- **Regional Crime Task Force Grants.** The budget provides \$10 million General Fund for regional crime prevention task force grants to the cities of Merced, Richmond and Hercules, and to the University of California, Merced.
- **Community Policing Grants.** The budget eliminates \$6 million General Fund for the grant program that was intended to strengthen the relationship between communities and law enforcement.
- **Law Enforcement Assisted Diversion.** The budget provides \$15 million General Fund for a law enforcement assisted diversion pilot project in three jurisdictions.
- **Local Law Enforcement Infrastructure.** The budget provides \$10.2 million General Fund for local public safety infrastructure in Huron, Selma, Firebaugh and Mendota.
- **Proposition 47 (The Safe Neighborhoods and Schools Act).** The budget augments the funds available in the Second Chance Fund by \$10 million General Fund.

- **Post-Release Community Supervision.** The budget provides an additional \$19.7 million General Fund to address the temporary increase in the average daily population of offenders on post release community supervision.
- **Jail Construction Financing.** The budget provides \$250 million in lease-revenue bond financing to assist counties with jail construction. In order to receive a construction grant, counties must submit their plans for reducing sexual abuse in county jails and must provide in-person visitation for their inmates.
- **Napa County Jail.** The budget includes \$20 million in lease-revenue bond financing to assist Napa County with repairs and upgrades to the Napa County jail that are necessary as a result of damage sustained during the 2014 earthquake.

8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING (POST)

- **Implicit Bias Training.** The budget contains \$5 million General Fund to provide the Department of Justice developed implicit bias training to local law enforcement entities.
- **POST Commission Chair.** The public safety trailer bill provides the Governor with the authority to appoint the chair of the Commission on POST.
- **Homeland Security Training.** The budget provides \$455,000 (Anti-terrorism Fund) one-time to design, deliver and implement timely, relevant and credible anti-terrorism and threat assessment training for peace officers and first responders to prevent, disrupt, mitigate, detect and respond to acts of terrorism and violent extremism.
- **Mental Health Training (SB 11 and SB 29).** The budget provides \$777,000 (Peace Officers' Training Fund) in 2016-17, and \$156,000 (Peace Officers' Training Fund) beginning in 2017-18, to provide reimbursements to local law enforcement agencies for peace officers attending new mental health training courses mandated by Senate Bill 11 (Beall and Mitchell), Chapter 468, Statutes of 2015, and Senate Bill 29 (Beall), Chapter 469, Statutes of 2015.

Public Safety Budget Trailer Bills

1. *Public Safety Omnibus – SB 843 (Committee on Budget and Fiscal Review), Chapter 33, Statutes of 2016.*
2. *Correctional Facilities: Construction Financing – SB 844 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2016*
3. *State Government – SB 835 (Committee on Budget and Fiscal Review), Chapter 344, Statutes of 2016.*

LABOR

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

The EDD connects employers with job seekers, administers the Unemployment Insurance (UI), Disability Insurance, and Paid Family Leave programs and provides employment and training under the federal Workforce Innovation Opportunity Act. The 2016 Budget Act includes various items intended to improve the functions of EDD, including:

- **Paid Family Leave and State Disability Insurance Program.** The budget provides a one-time augmentation of \$5 million from the Unemployment Compensation Disability Insurance Fund in 2016-17, along with a one-time augmentation of \$629,000 in 2017-18, to support the costs incurred as a result of AB 908 (Gomez), Chapter 5, Statutes of 2016. These resources will be used to fund vendor contracts and 16.4 positions to perform modifications to the State Disability Insurance (SDI) program applications and processes.
- **Unemployment Insurance Program.** The budget includes a reduction of \$17.6 million and 195 positions for 2016-17 due to updated workload estimates. In addition, the budget reduces the Benefit Audit Fund by \$23.6 million, and replaces it with an increase of \$19.7 million in General Fund and \$3.9 million in Contingent Fund (CF) due to lower than previously anticipated revenue collections for the Treasury Offset Program.
- **Benefit Overpayment Collection.** The budget provides a one-time augmentation of \$1.6 million in 2016-17, and a one-time augmentation of \$6.1 million in 2017-18, and of \$1.1 million ongoing starting in 2018-19, for the support of the new Benefit Overpayment Collection System (BOCS) application. These funds will be used for contracts, hardware, software, ongoing support, and 12.3 new temporary positions to replace the existing application used to collect unemployment insurance and disability insurance overpayments with an integrated and automated system.

7120 CALIFORNIA WORKFORCE INVESTMENT BOARD

The California Workforce Investment Board collaborates with both state and local partners to establish and improve the state's workforce system. The budget provides an increase of \$22 million discretionary workforce funds from the Workforce Innovation Opportunity Act (QIOA) for a mix of purposes, including \$10 million and 58 positions for staff resources and training, \$8.6 million for grant expansion, and \$1.6 million for technological upgrades. Funding is included for specific programs such as the Governor's Award for Veteran's Services and the Regional Workforce Accelerator Program, which focuses on ex-offender and immigrant populations. Additionally, the budget includes trailer bill language that provides the board and various state agencies the ability to share and access any relevant wage data for performance evaluation purposes under WIOA.

7320 PUBLIC EMPLOYMENT RELATIONS BOARD (PERB)

The budget provides \$885,000 General Fund for three positions to address increased workload and reduce backlogs, and \$227,000 General Fund to relocate staff to a building that complies with federal and state laws regarding accessibility for people with disabilities. Budget bill language also requires PERB to report to the Joint Legislative Budget Committee, other fiscal committees of the Legislature, and the Legislative Analyst's Office on its workload and resources.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

The 2016 Budget Act includes a number of items intended to improve the functioning of the Department of Industrial Relations (DIR), including:

- **Implementation of Statutory Requirements.** The budget includes 33.5 positions and \$6 million in 2016-17, 28.5 positions and \$5 million in 2017-18, and 22.5 positions and \$3.5 million ongoing, to assist DIR and its Division of Workers' Compensation (DWC) and Division of Labor Standards Enforcement (DLSE) in fulfilling the provisions of recently chaptered legislation, including: AB 438 (Chiu), Chapter 515, Statutes of 2015; AB 1124 (Perea), Chapter 525, Statutes of 2015; AB 219 (Daly), Chapter 739, Statutes of 2015; AB 621 (Roger Hernández), Chapter 741, Statutes of 2015; AB 970 (Nazarian), Chapter 783, Statutes of 2015; AB 1513 (Williams), Chapter 754, Statutes of 2015; SB 358 (Jackson), Chapter 546, Statutes of 2015; and AB 1509 (Roger Hernández), Chapter 792, Statutes of 2015; and SB 588 (de León), Chapter 803, Statutes of 2015.
- **Private Attorney General Act (PAGA).** The budget provides the Labor and Workforce Development Agency and DIR with 10 positions and \$1.6 million from the Labor and Workforce Development Fund (LWDF) in 2016-17, and \$1.5 million ongoing, to increase the number of staff to review notices and oversee PAGA. The budget also includes trailer bill language to make various revisions to PAGA, including a \$75 filing fee for new case notices, requiring online filing and transmission of all items submitted to the agency, and extends various time lines, including when the agency reviews a new case, and deadline for when the agency notifies the parties of its intent to investigate a violation.
- **Division of Labor Standards Enforcement (DLSE).** The budget provides an increase 28.5 positions and \$4.988 million from the Labor Enforcement and Compliance Fund (LECF) in 2016-17, 28.5 positions and \$4.756 million from LECF in 2017-18, with an on-going need of 26.5 positions and \$3.7 million from LECF resources to address the backlog in caseload for the Wage Claim Adjudication (WCA) unit and the Retaliation Complaints Investigation (RCI) unit.
- **Additional Augmentations.** The budget provides two positions and \$563,000 for 2016-17, and \$548,000 ongoing, from the Occupational Safety & Health (OSH) fund for the Division of Occupational Safety and Health (DOSHS) to begin to close the gap between current inspections levels and current statutory requirements for inspecting California tunnels and mines. The budget also includes an increase of three positions and \$570,000 for 2016-17, and \$547,000 ongoing, to allow the Amusement Ride and Tramway Unit to exercise its statutory authority to inspect amusement rides and tramways on a routine basis.

LABOR AGREEMENTS

The budget provides legislative ratification of memorandums of understanding agreed to by the state and Bargaining Unit 2 (attorneys and hearing officers), Bargaining Unit 7 (protective services and public safety), and Bargaining Unit 12 (craft and maintenance). The MOUs include prefunding for retiree healthcare benefits; modifies graduated vesting for retiree healthcare benefits from the current 10 to 20 years, to 15 to 25 years for new employees first hired on or after January 1, 2017; and sets a ceiling on the employer contribution for retiree health care at 80 percent for non-Medicare basic plan premiums and Medicare plan premiums for new employees first hired on or after January 1, 2017, and their eligible dependents.

Trailer bill language closely aligns the benefit structure of state-level employees in Judicial Branch with other civil service employees. Specifically, these employees will receive a 7.5 percent general salary increase over two years. Additionally, the language sets a ceiling on the employer contribution for retiree health care at 80 percent for non-Medicare basic plan premiums and Medicare plan premiums for new employees first hired on or after January 1, 2017, and their eligible dependents, and make contributions to prefund retiree healthcare.

Labor Budget Trailer Bills

1. *General Government – SB 836 (Committee on Budget and Fiscal Review), Chapter 31, Statutes of 2016.*
2. *State Employment – SB 848 (Committee on Budget and Fiscal Review), Chapter 35, Statutes of 2016,*
3. *State Employment – AB 1627 (Committee on Budget), Chapter 321, 2016, Statutes of 2016.*
4. *State Employment – AB 1630 (Committee on Budget), Chapter 323, 2016, Statutes of 2016.*

PUBLIC EMPLOYMENT AND RETIREMENT

6645/9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

The 2016 Budget Act includes \$1.9 billion, primarily General Fund, for costs associated with providing health and dental benefits for retirees. Of this total, \$276.1 million General Fund is attributable to health benefits for California State University annuitants.

7501 DEPARTMENT OF HUMAN RESOURCES

The Department of Human Resources is responsible for managing the state's personnel functions, including issues related to recruitment, selection, salaries, benefits, and position classifications. The adopted budget includes various items related to the functioning of the department, including:

- **Civil Service Improvement.** The budget includes the following resources over the next three years to implement civil service improvement reforms: 16 positions and \$1.92 million (\$606,000 General Fund, \$848,000 Reimbursement, \$462,000 Central Service Cost Recovery Fund) in 2016-17; 17 positions and \$1.85 million (\$558,000 General Fund, \$864,000 Reimbursement, \$426,000 Central Service Cost Recovery Fund) in 2017-18, and \$1.84 million (\$558,000 General Fund, \$855,000 Reimbursement, \$426,000 Central Service Cost Recovery Fund) in 2018-19 to implement civil service improvement reforms and identify new areas for improvement. The budget includes trailer bill language to continue to make civil service improvements such as streamlining hiring processes, and recruitment and training of employees and managers.
- **Human Resources Audits.** The budget approves 5.7 positions and \$701,000 (\$400,000 in General Fund, \$301,000 in Central Service Cost Recovery Fund) in 2016-17, and 9.4 positions and \$991,000 (\$565,000 in General Fund, \$426,000 in Central Service Cost Recovery Fund) in 2017-18, and ongoing to fund an audit program for human resource practices delegated to departments by CalHR.

7900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

The budget includes \$4.8 billion (\$2.5 billion General Fund) for state contributions to CalPERS for state pension costs. Included in these costs are \$621.5 million General Fund for California State University retirement costs. The newly adopted state employer contribution rates result in total state costs of \$452.8 million. This is a decrease of \$89.8 million from the \$542.6 million included in the Governor's budget. Of the \$89.8 million decrease, the General Fund amount is \$43 million, special funds are \$32.8 million, and other nongovernmental cost funds are \$14.1 million. Also, the budget includes the reduction of the CalPERS fourth quarter deferral by \$7 million General Fund from the Governor's budget to reflect the changes in retirement rates. The reduction reflects the impact of employees entering the system under the reduced benefit formula, pursuant to the Public Employees' Pension Reform Act of 2013, and greater-than-expected contributions to the system.

The budget incorporates the CalPERS board-approved \$1.788 billion budget, which represents a decrease of \$16.3 million percent from the 2015-16 budget of \$1.807 billion. These changes reflect the 2016-17 budget approved during the April 18, 2016, CalPERS board meeting. The reduction is primarily driven by higher than anticipated position vacancies and lower than anticipated outside counsel and third party investment management fees.

Last year, legislation was enacted that established a framework for addressing the state's \$72 billion long-term liability for future retiree health care costs. The trailer bill language establishes a trust fund to save matching employer-employee contributions until 2046. Consistent with this framework, through the collective bargaining process, agreements have been reached in the past year with the Correctional Peace Officers, Engineers, Scientists, Craft and Maintenance Workers, and Public Safety Officers that reflect these changes. Also, as part of AB 133 (Committee on Budget), Chapter 2, Statutes of 2016, the budget includes \$240 million on a one-time basis to pay down the state's unfunded liability for retiree health care.

Budget bill language requires the CalPERS' Board of Administration to submit a one-time report on or before October 1, 2016, on the administration of the health care premium risk adjustment procedures for premium years 2014 to 2017. Budget bill language requires PERS, in conjunction with the Department of Finance, to conduct a zero-based budgeting exercise of the administrative expenses of the health benefits program as part of the 2017-18 Governor's budget development. The zero-based budget exercise will include, but is not limited to, evaluating program objectives, workload metrics, cost allocation methodologies, reserve levels, personnel services, and operating expenses and equipment.

Trailer bill language conditions the expenditure of administrative expenses in the Public Employees' Health Care Fund (HCF) and in the Public Employees' Contingency Reserve Fund upon approval in the annual budget act. This change discontinues the Board of the Administration of the Public Employees' Retirement System use of monies in the HCF to pay for other costs as determined by the board.

7920 STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)

Last year, the Legislature adopted a funding plan to eliminate the CalSTRS \$74 billion unfunded liability over 32 years. This year, the budget includes \$2.4 billion General Fund for state contributions to CalSTRS. Under the funding plan, rates for teachers and the state will increase through 2016-17, whereas district rates will increase through 2020-21. Other proposals adopted and incorporated into the budget include:

- **Investment Portfolio Complexity.** The budget includes \$2.6 million for 15 positions and travel costs for investment branch staff. Eleven of these positions would allow each unit in the investment branch to 1) increase the number of assets managed internally to reduce the cost of externally managing the portfolios; 2) mitigate risk through research in new investment strategies, sustainability, as well as environmental, social, and governance issues that arise; and 3) manage the increased complexity and size of the investment portfolio. The other four positions will provide

financial services (two positions) and human resources support (two positions) for the increased staff and volume of work associated with the size and complexity of the investment portfolio. CalSTRS estimates that for each staff added to support the internal management of portfolios, it saves about \$1.2 million in external management fees.

- **Revised Creditable Compensation.** The budget includes \$4.6 million General Fund due to an increase in creditable compensation reported by CalSTRS for fiscal year 2014-15. The defined benefit payment will be increased by \$1 million, the pre-1990 defined benefit level payment will be increased by \$2.2 million, and the supplemental benefit maintenance account contribution will be increased by \$1.3 million. These adjustments represent existing statutory funding requirements.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

The budget includes a total of \$582.4 million (\$340.7 million General Fund) for employee compensation and retiree health care prefunding (through Control Section 3.61). Included in these costs are salaries and benefit increases as a result of contract negotiations, pay increases related to minimum wage changes in SB 3 (Leno), Chapter 4, Statutes of 2016, to comply with the expansion of overtime protections pursuant to the Fair Labor Standards Act, and retention incentives for Department of Developmental Services employees working in facilities that will close in upcoming years. Funding is included for increases in health care premiums and enrollment in the upcoming year.

CONTROL SECTIONS

CS 3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

The budget amends CS 3.60 to capture reductions in state retirement contribution rates adopted by the CalPERS Board on April 14, 2016. The reduction reflects the impact of new hires entering the system under lower benefit formulas pursuant to the Public Employees' Pension Reform Act of 2013, stronger than expected investment performance, higher mortality rates, and greater than expected contributions to the system.

The newly adopted state employer contribution rates result in total state costs of \$452.8 million and a decrease of \$89.8 million from the \$542.6 million included in the Governor's 2016-17 budget. Of the \$89.8 million, the General Fund amount is \$42.9 million, special funds are \$32.8 million and other nongovernmental cost funds are \$14.1 million. Additionally, it is requested that CalPERS' fourth quarter deferral is reduced by \$7.0 million General Fund from the Governor's budget to reflect the changes in retirement rates. The net effect of these changes is a decrease of \$35.9 million General Fund in 2016-17 as compared to the Governor's budget.

CS 3.61 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

Control Section 3.61 is used to prefund retiree health benefits through departmental budgets. The budget reflects CS 3.61 being amended to reflect additional employer contributions for prefunding other postemployment benefits based on a recent agreement that has been collectively bargained with Bargaining Unit 6 (Correctional Officers.) Specifically, regarding the change to CS 3.61 in fiscal year 2016-17, the state will match correction officer employees' contributions of 1.3 percent, effective July 1, 2016. Additionally the Judicial Council has agreed to adopt the Administration's retiree health prefunding strategies. Therefore, state employees of the Judicial Branch will also begin making contributions towards prefunding other postemployment benefits. In 2016-17, the state will match Judicial Branch state employees' contributions of 1.5 percent effective July 1, 2016.

CS 3.63 AUGMENTATION FOR CONTRACTS IMPACTED BY MINIMUM WAGE

Control Section 3.63 grants the Director of Finance the authority to fund expenditures for personal service contracts, or other personnel costs outside of standard civil service compensation, that are in accordance with Senate Bill 3 (Leno), Chapter 4, Statutes of 2016. The budget provides \$2.5 million for additional costs related to personal service contracts impacted by the minimum wage.

Public Employment and Retirement Budget Trailer Bills.

1. *General Government – SB 836 (Committee on Budget and Fiscal Review), Chapter 31, Statutes of 2016.*
2. *Labor – SB 848 (Committee on Budget and Fiscal Review), Chapter 35, Statutes of 2016.*

APPENDIX

Budget and Trailer Bill List	i
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BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Date Chaptered
SB 826	23	2016 Budget Bill (Leno)	June 27, 2016
AB 1613	370	Cap and Trade Appropriations	September 14, 2016
AB 1622	44	Budget Act of 2016 – Appropriations	July 1, 2016
AB 1623	318	Budget Act of 2016 – Appropriations	September 13, 2016
SB 827	28	Supplemental Appropriations	June 27, 2016
SB 828	29	K-14 Education	June 27, 2016
SB 831	338	Inter Lake Tunnel Connection	September 13, 2016
SB 833	30	Health	June 27, 2016
SB 835	344	General Government	September 13, 2016
SB 836	31	General Government	June 27, 2016
SB 837	32	State Government	June 27, 2016
SB 838	339	Transportation	September 13, 2016
SB 839	340	Resources and Environment	September 13, 2016
SB 840	341	Energy	September 13, 2016
SB 843	33	Public Safety	June 27, 2016
SB 844	34	Correctional Facilities Financing	June 27, 2016
SB 848	35	State Employment	June 27, 2016
SB 859	368	Cap-and-Trade	September 14, 2016
AB 1602	24	Higher Education	June 27, 2016
AB 1603	25	Human Services	June 27, 2016
AB 1606	26	Developmental Services	June 27, 2016
AB 1607	27	Hospital Quality Assurance Fee	June 27, 2016
AB 1618	43	No Place Like Home: Program	July 1, 2016
AB 1624	319	Education	September 13, 2016
AB 1625	320	Human Services	September 13, 2016
AB 1627	321	State Employment	September 13, 2016
AB 1628	322	No Place Like Home Program: Financing	September 13, 2016
AB 1630	323	State Government	September 13, 2016

General Fund Multi-Year Forecast at 2016 Budget Act

(Dollars in Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20
RESOURCES:					
Prior Year Balance	\$3,444	\$4,874	\$2,716	\$3,180	\$1,101
Revenues/Transfers	\$118,815	\$123,604	\$127,900	\$129,005	\$133,251
Transfer to the Budget Stabilization Account ^{1/}	-\$1,814	-\$3,294	-\$1,138	-\$968	-\$1,000
Total Resources	\$120,445	\$125,184	\$129,478	\$131,217	\$133,352
EXPENDITURES:					
Proposition 98	\$49,722	\$51,050	\$52,706	\$52,133	\$53,244
Non-Proposition 98	\$65,849	\$71,418	\$73,592	\$77,983	\$83,294
Total Expenditures	\$115,571	\$122,468	\$126,298	\$130,116	\$136,538
FUND BALANCES:					
	\$4,874	\$2,716	\$3,180	\$1,101	-\$3,186
Reserve for Encumbrances	\$966	\$966	\$966	\$966	\$966
Special Fund for Economic Uncertainties	\$3,908	\$1,750	\$2,214	\$135	-\$4,152
Budget Stabilization Account/Rainy Day Fund	\$3,420	\$6,714	\$7,852	\$8,820	\$9,820
BSA balance as a percentage of General Fund tax proceeds	2.9%	5.4%	6.2%	6.9%	7.4%
Operating Surplus/Deficit with BSA Transfer	\$1,430	-\$2,158	\$464	-\$2,079	-\$4,287

1/ Includes additional \$2 billion BSA transfer in 2016-17.

General Fund Revenues at 2016 Budget Act

(Dollars in Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20
1 Major Revenues					
2 Alcoholic Beverage Taxes and Fees	370	377	384	390	397
3 Corporation Tax	10,309	10,992	11,543	12,072	12,760
4 Cigarette Tax	87	85	82	80	77
5 Insurance Gross Premiums Tax	2,486	2,345	2,267	2,397	2,669
6 Mobile Home in-lieu Tax	1	1	1	1	1
7 Personal Income Tax	79,962	83,393	86,726	85,911	88,098
8 Retail Sales and Use Taxes	25,028	25,727	26,188	27,389	28,676
9 Total Major Revenues	\$118,243	\$122,920	\$127,191	\$128,240	\$132,678
10 Minor Revenues/Transfers					
11 Misc Revenue from Local Agencies	164	169	169	169	169
12 Income from Pooled Money Investments	38	63	121	179	235
13 State Lands Royalties	82	23	26	31	39
14 Abandoned Property	399	432	423	428	457
15 Miscellaneous Revenues	138	104	104	104	104
16 Tribal Gaming Revenues	247	183	173	173	173
17 Penalty Assessments - Other	407	32	32	32	32
18 Loan Repayments to Other Funds	-1,373	-413	-244	-337	-426
19 All Other Transfers and Loans	213	-143	-325	-245	-441
20 Transfer to BSA for Rainy Day Funds	-1,814	-3,294	-1,138	-968	-1,000
21 Remaining Others	257	234	230	231	231
22 Total Minor Revenues/Transfers	-\$1,242	-\$2,610	-\$429	-\$203	-\$427
23 Total Revenues and Transfers	\$117,001	\$120,310	\$126,762	\$128,037	\$132,251

**General Fund Prop 98 Expenditures
at 2016 Budget Act**

(Dollars in Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20
Proposition 98 guarantee (GF)	41,690	43,428	45,384	47,325	53,243
Education Protection Account	8,032	7,622	6,975	4,652	
Local Property Tax	19,328	20,824	22,105	23,377	24,694
Total Prop 98 guarantee	69,050	71,874	74,464	75,354	77,937
Percent Change to Prior-year	2.84%	4.09%	3.60%	1.20%	3.43%
Prop 98 Test	2	3	3	3	3
General Fund Base	41,690	43,428	45,384	47,325	53,243
Education Protection Account	8,032	7,622	6,975	4,652	0
QEIA Payment	0	0	0	0	0
Williams Settlement	(273)	0	0	0	0
Settle-Up for Old Years	(256)	(218)	347	156	1
Mandate Payments	(669)	(335)	(347)	(156)	(1)
Total General Fund	49,722	51,050	52,706	52,133	53,244
Prop 98 Obligations					
Maintenance Factor Created/Paid (+/-)	-379	746	930	1,865	127
Maintenance Factor Balance Prior to Proposition 2	155	163	171	177	183
Maintenance Factor Balance After Proposition 2	0	745	1,667	3,526	3,647
Settle-Up Balance	1,232	1,014	667	511	510
Budgetary Deferrals Balance	0	0	0	0	0
QEIA Balance	0	0	0	0	0
Mandate Balance	2,642	1,854	1,713	1,656	1,656
Williams Settlement Balance	0	0	0	0	0

**General Fund Multi-Year N98 Expenditures by Agency
at 2016 Budget Act
(Dollars in Millions)**

	2015-16	2016-17	2017-18	2018-19	2019-20
N98 excludes Capital Outlay, Debt Service					
Legislative, Executive	\$1,236	\$1,392	\$1,198	\$1,184	\$1,183
Courts	1,858	1,980	1,933	1,942	1,955
Business, Consumer Services, and Housing	37	477	31	31	31
Transportation	84	4	-	-	-
Natural Resources	1,686	1,702	1,415	1,415	1,400
Environmental Protection	219	80	72	70	69
Health and Human Services	31,359	32,969	36,266	39,760	44,037
Affordable Care Act County Offset	(-750)	(-409)	(-643)	(-643)	(-643)
Federal Funds Offset ^{1/}	(-53)	(49)	(0)	(0)	(0)
Corrections and Rehabilitation	9,731	9,986	10,024	10,120	10,224
AB 109 Savings	(-1,544)	(-1,544)	(-1,544)	(-1,544)	(-1,544)
Receiver's Costs	(1,894)	(1,948)	(1,971)	(1,984)	(2,003)
Education	11,066	11,770	12,533	12,961	13,535
STRS Contribution	(1,935)	(2,473)	(2,549)	(2,628)	(2,709)
PERS Contribution (GF) (CSU Only)	(584)	(621)	(645)	(665)	(689)
Labor and Workforce Development	212	176	123	69	69
Government Operations	761	756	738	722	711
General Government	2,119	3,416	3,376	4,043	4,295
Non-Agency Departments	(648)	(685)	(652)	(612)	(600)
Tax Relief/Local Government	(445)	(474)	(448)	(448)	(448)
Statewide Expenditures	(1,026)	(2,257)	(2,276)	(2,983)	(3,247)
PERS Contribution (GF) (State Only)	(2,281)	(2,506)	(2,662)	(2,821)	(2,993)
Item 9800 Employee Compensation	(0)	(341)	(595)	(824)	(885)
Item 9901 Employee Compensation Placeholder	(0)	(200)	(500)	(800)	(900)
Capital Outlay	87	1,253	506	95	222
Debt Service	5,394	5,457	5,377	5,571	5,563
Total N98 Expenditures	\$65,849	\$71,418	\$73,592	\$77,983	\$83,294

^{1/} Hospital finance waiver (Bridge to Reform) expired in 2015.

Debts and Liabilities Eligible for Accelerated Payments Under Proposition 2
2016 Budget Act
(Dollars in Millions)

	Outstanding Amount at Start of 2016-17	Use of 2016-17 Pay Down	Proposed Use of 2017-18 Pay Down	Proposed Use of 2018-19 Pay Down	Proposed Use of 2019-20 Pay Down
Budgetary Borrowing					
Loans from Special Funds	\$1,822	\$454	\$252	\$392	\$483
Underfunding of Proposition 98—Settle-Up	1,232	218	347	156	1
Repayment of pre-Proposition 42 Transportation Loans	879	173	220	220	266
State Retirement Liabilities					
State Retiree Health	74,103	278	150	200	250
State Employee Pensions	49,592	0	0	0	0
Teacher Pensions ^{1/}	72,626	0	0	0	0
Judges' Pensions	3,279	0	0	0	0
Deferred payments to CalPERS	570	0	0	0	0
University of California Retirement Liabilities					
University of California Employee Pensions	10,786	171	169	0	0
University of California Retiree Health	17,270	0	0	0	0
Total	\$232,159	\$1,294	\$1,138	\$968	\$1,000

1/ The state portion of the unfunded liability for teacher pensions is \$13.939 billion.

**Prop 2 Rainy Day Fund
2016 Budget Act
(Dollars in Millions)**

	2016-17	2017-18	2018-19	2019-20
<u>1.5% of General Fund Revenues & Transfers</u>				
1 General Fund Revenues and Transfers (before BSA transfer)	\$123,604	\$127,900	\$129,005	\$133,251
2 1.5% of General Fund Revenues & Transfers	\$1,854	\$1,919	\$1,935	\$1,999
<u>Capital Gain Revenues (Sec 20(b))</u>				
3 General Fund Tax Proceeds	\$123,221	\$127,583	\$128,674	\$133,175
4 Personal Income Taxes from Capital Gains	\$11,321	\$10,915	\$10,234	\$9,238
5 % of General Fund Tax Proceeds	9.2%	8.6%	8.0%	6.9%
6 8% of General Funds Tax Proceeds	\$9,858	\$10,207	\$10,294	\$10,654
7 Personal Income Taxes from Capital Gains in Excess of 8% General Fund Tax Proceeds	\$1,463	\$708	\$0	\$0
8 Prop 98 Share of Capital Gains Tax Revenue above 8%	\$730	\$352	\$0	\$0
9 Non 98 Share of Capital Gain Tax Revenue above 8%	\$733	\$356	\$0	\$0
10 Total Available (Lines 2 and 9)	\$2,587	\$2,275	\$1,935	\$1,999
11 Debt Repayment (50%)	\$1,294	\$1,138	\$968	\$1,000
12 Deposit to Rainy Day Fund (50%)	\$1,294	\$1,138	\$968	\$1,000
13 Additional Transfer to the BSA	\$2,000	\$0	\$0	\$0
14 Cumulative Balance in Rainy Day Fund ^{1/}	\$6,714	\$7,852	\$8,820	\$9,820
15 BSA Balance as a Percentage of General Fund Tax Proceeds	5.4%	6.2%	6.9%	7.4%

^{1/} Includes balance of \$1,606m from 2014-15, \$1,854m transferred in 2015-16, and -\$40m 2015-16 true up.

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