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CALIFORNIA STATE SENATE

COMMITTEE ON BUDGET AND FISCAL REVIEW

STATE CAPITOL – ROOM 5019
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Agenda

August 27, 2015

9:30 a.m. or Upon Adjournment of Session - Room 112

<u>BILL</u>	<u>AUTHOR</u>	<u>SUBJECT</u>
A.B. 126	Committee on Budget	Budget Act of 2015
A.B. 127	Committee on Budget	State Government
A.B. 128	Committee on Budget	Education Finance
A.B. 129	Committee on Budget	State Civil Service
A.B. 130	Committee on Budget	CSU: Fees: Investment

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair

2015 - 2016 Regular

Bill No:	AB 126	Hearing Date:	August 27, 2015
Author:	Committee on Budget		
Version:	August 24, 2015 Amended	Fiscal:	Yes
Urgency:	No		
Consultant:	Committee Staff		

Subject: Budget Act of 2015.

Summary: The Legislature passed the 2015 Budget Act on June 15, 2015. This bill provides for certain adjustments to various budget items, clarifications of budget bill language, and additional appropriations.

Proposed Law: The bill makes certain technical and clarifying changes. Specifically, this bill:

1. Makes adjustments to the Department of Fish and Wildlife federal fund authority in 2013-14 and 2015-16, in order to appropriately reflect funds received.
2. Adds language inadvertently missing from the budget act to allow Cal FIRE to extend State Recreation Area grants to locals. Also, added language for the Environmental Laboratory Accreditation Program's previously approved fee authority. This program was transferred to the State Water Resources Control Board when the Drinking Water Program was moved from the Department of Public Health.
3. Includes \$18 million for the Santa Monica Mountains Conservancy, originally proposed in the January budget, from the appropriate bond allocation specifically designated for the Conservancy, rather than for the Los Angeles River.
4. Removes funding for desalination in the State Water Resources Control Board that was already appropriated under the Department of Water Resources.
5. Adds provisional language to specify that the allocation methodology for an augmentation of \$1.962 million in special education funding shall be based on the federal IDEA formula.
6. Amends provisional language to specify that the \$25 million provided for adult education data activities be expended pursuant to Education Code section 84920. The language previously referenced an incorrect code section.
7. Increases the funding amount from \$7.07 million General Fund to \$9.0 million General Fund (an increase of \$1.9 million General Fund) for the congregate nutrition program, known also as "Meals on Wheels." Provides a \$670,000 increase in 2015-16 federal funding authority for the Health Insurance Counseling and Advocacy Program to assist beneficiaries eligible for CalMediConnect.

8. Increases the amount available for counties to recruit, retain, and support foster care parents and relative caregivers to appropriately reflect the initial amounts included in the Governor's budget.
9. Provides \$420,000 (State Parks and Recreation Fund) for Leland Stanford Mansion operations.
10. Restores language, inadvertently deleted in SB 97 (Budget and Fiscal Review Committee, Chapter 11, Statutes of 2015), limiting the amount of savings that may be transferred from the regional centers purchase-of-services budget to the Department of Developmental Services budget for the purpose of administering the Self-Determination Program.

Fiscal Effect: Contains numerous appropriations for various state government departments.

Support: None on file.

Opposed: None on file.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair
2015 - 2016 Regular

Bill No:	AB 127	Hearing Date:	August 27, 2015
Author:	Committee on Budget		
Version:	August 24, 2015 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Committee Staff		

Subject: State government.

Summary: This measure makes various statutory changes necessary to implement the state administration related provisions of the Budget Act of 2015.

Proposed Law: This measure includes the following key changes:

1. Authorizes the Department of Personnel Administration to determine the salary levels for members of the Board of Parole Hearings.
2. Clarifies that the funding limits established for counties under the community services recidivism reduction grant program are per year, per budget allocation and are not the total allocation amounts for the duration of the program.
3. Makes a technical change regarding the Health Benefit Exchange Board's exemption from the State Contract Act, authorized by SB 75 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2015. SB 75 exempted the board from the requirements regarding only public works procurements instead of all board contracts (including its goods and services contracts and its information technology contracts), as intended as part of the 2015-16 budget.
4. Clarifies that loans are not included in gross income for income tax purposes (with reference to programs administered by the California Residential Mitigation Program or the California Earthquake Authority), and corrects the existing definition of residential structures for purposes of excluding grant awards for structural seismic risk mitigation from gross income.

Fiscal Effect: The funding related to the changes in this bill is contained in the 2015-16 budget. In addition, the bill would appropriate \$400,000 General Fund from the State Department of Public Health Licensing and Certification Program Fund for the Department of Aging's Long-Term Care Ombudsman Program.

Support: None on file.

Opposed: None on file.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair
2015 - 2016 Regular

Bill No:	AB 128	Hearing Date:	August 27, 2015
Author:	Committee on Budget		
Version:	August 25, 2015 Amended		
Urgency:	Yes	Fiscal:	Yes
Consultant:	Anita Lee		

Subject: Education finance.

Summary: This bill provides statutory changes and clean-up necessary to enact education-related provisions of the Budget Act of 2015.

Background and Proposed Law: AB 128 makes statutory changes necessary to implement the Budget Act of 2015. These changes provide clarification and technical corrections to trailer bills enacted in June 2015.

Higher Education

1. **Middle Class Scholarship.** Existing law specifies the award amounts for eligible students, with family incomes of \$150,000 or less, to be 10 percent to 40 percent of the mandatory system-wide tuition and fees for an academic year for students. The 2015 Budget Act adjusts the income eligibility limits in future years based on inflation. This bill makes similar adjustments to the tuition discount for students of various income eligibility limits, and requires the California Student Aid Commission to conduct an annual calculation to ensure students receive tuition discounts between 40 percent and 10 percent, based on their income.
2. **Eligibility Study.** This bill requires the Director of the Office of Planning and Research (OPR) to conduct an eligibility study to evaluate the admissions policies used by the University of California (UC) and California State University (CSU). Under this bill, the Director must convene a workgroup that includes representatives from UC, CSU, the Department of Education, Department of Finance, and the Legislative Analyst's Office (LAO) to consider the overall approach of the study. In addition, this bill requires OPR to submit a report by December 1, 2016, on various factors, including the number of students eligible for admissions by race, gender, ethnicity, region and income; a description of whether the UC and CSU are admitting students as described in the Master Plan for Higher Education, and any adjustments UC and CSU have made, or plan to make, to their admissions policies. The 2015 Budget Act appropriated \$1 million for this study but did not determine which entity would conduct the study.
3. **CSU Doctor of Nursing Practice Evaluation Report.** Existing law requires the CSU, Department of Finance, and the LAO to jointly conduct a statewide evaluation of the CSU Doctor of Nursing Practice Evaluation, and report to the Legislature and the Governor by January 1, 2017, on various factors, including the number of programs implemented, the extent to which they are addressing state needs for training doctorally-prepared nurses, and information on employment and job placement of students and graduates, among others. This bill will implement changes to the process and the timing of the report.

Specifically, it requires the CSU to conduct the evaluation and report to the Legislature by March 1, 2016, and requires the LAO to submit a report with recommendations to the Legislature by January 1, 2017, for the degree pilot program, including whether or not the program should be continued or modified.

4. California State University Early Start Program Report. Existing law requires the LAO to report, starting on January 1, 2014, and every even-numbered year thereafter by July 1, on the impact the CSU Early Start Program on student mathematics and English proficiency. This report requirement sunsets on July 1, 2018. This bill changes the reporting date for the LAO's next analysis of the program from July 1, 2016, to January 1, 2018, to allow for more time to collect data.

Child Care and Development, Early Childhood Education

5. San Mateo County Individualized Child Care Subsidy Plan. AB 260 (Gordon), Chapter 731, Statutes of 2013, extends, until July 1, 2018, the San Mateo County individualized child care subsidy plan, which allows Title 5 child care providers in the county to supersede state requirements in factors such as eligibility criteria, fees, reimbursement rates, and interagency agreements that allow flexible transfer of funds among agencies. Under existing law, and until January 1, 2018, the county must submit an annual report to the Legislature, Department of Social Services, and Department of Education that summarizes the county's ability to maximize funds and improve child care in the county. This bill eliminates the January 1, 2018 sunset for the county's annual reporting requirement, makes the reporting requirement permanent, and makes the San Mateo County child care subsidy plan permanent.

K-12 Education

6. Educator Effectiveness Funding. Current statute, (AB 104 (Committee on Budget) Section 58, Chapter 13, Statutes of 2015) appropriated \$490 million in one-time Proposition 98 General Fund to school districts, county offices of education, charter schools and state special schools to be distributed in an equal amount per certificated staff in the 2014-15 fiscal year. These funds may be used for beginning teacher support and mentoring, professional development, and improving teacher quality and effectiveness. This bill would clarify the formula for allocation of funds by specifying that they are to be appropriated in an equal amount per full-time equivalent certificated staff and using data counts from the California Longitudinal Pupil Achievement Data System.

Fiscal Effect: The funding related to the changes in this bill is contained in the 2015 budget. In addition, this bill will adjust \$50.8 million federal funds with \$50.8 million General Fund from the Alternative Payment and CalWORKs Stage 3 programs. This adjustment will maintain existing contract funding ratios in the General Child Care program.

Support: None on file.

Opposed: None on file.

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair

2015 - 2016 Regular

Bill No:	AB 129	Hearing Date:	August 27, 2015
Author:	Committee on Budget		
Version:	August 24, 2015 Amended		
Urgency:	Yes	Fiscal:	Yes
Consultant:	Anita Lee		

Subject: State civil service.

Summary: This bill provides for statutory changes to enact state civil service-related provisions of the Budget Act of 2015.

Proposed Law: This bill makes the following statutory changes to laws governing the civil service system for state employees. Specifically, this bill impacts two key areas of law governing 1) the competitive ranking of state civil service employees and applicants, and 2) eligibility and hiring of state employees in "Career Executive Assignments (CEA)."

Ranking of Civil Service Employees and Applicants:

In general, state employment is based on a system of merit achieved through competitive examination. Applicants for promotion or employment are ranked based on exam scores and employers may promote or hire from either the top three names or ranks, as specified. An employee may receive a passing score on an exam, but not score high enough to place in the top three ranks, and therefore, may not be eligible for hire or promotion. As people in the top three ranks are hired, promoted, or otherwise fall off the hiring list, individuals who have passed the exam may move up into the top three ranks and become eligible for hire or promotion. Specifically, this bill:

1. Eliminates the "Rule of Three Names," which requires hiring managers to consider only the top three individuals on promotional hiring eligibility lists whose examination scores result in them being in the top three names.
2. Eliminates the "Rule of Six Ranks," which requires all managerial hiring eligibility lists to be organized into six ranks, depending on the scores applicants receive on the classification's exam, and limits a department's hiring manager to only consider applicants whose examination scores result in them being in the top three ranks.
3. Eliminates the "Rule of One Rank," which requires departmental hiring managers to only consider individuals whose examination scores result in them being in the first rank for supervisory positions.
4. Consolidates various hiring eligibility list requirements into a single process, the "Rule of Three Ranks", which would apply to all promotional or open state jobs. This change will allow hiring managers to consider eligible persons whose examination scores result in them being in the top three ranks for rank and file and managerial lists, as specified.

CEA Assignments

CEAs are state employees in high-level managerial positions that serve at the top levels in a department. Their responsibility includes developing and implementing policy, and may serve in a department director's cabinet or form a department's executive staff.

In general, CEAs in state employment must be hired from among individuals with permanent civil service status. In addition, CEA applicants can include legislative employees, executive branch appointees (i.e., exempt employees), or former military, as specified. CEAs are not subject to the same job protections or hiring and disciplinary standards as apply to non-executive state civil service employees. CEAs may be terminated "at will." CEAs must be hired or promoted via a competitive process that is overseen by the State Personnel Board (SPB). Former civil service employees who become CEAs and are subsequently terminated have certain rights to return to civil service positions following termination, as specified.

This bill expands the pool of CEA candidates by making the following changes:

5. Eliminates the requirement that a former legislative or non-elected exempt employee be separated from employment for no more than 12 months prior to applying for the CEA position.
6. Expands the pool of eligible candidates that can be appointed to a CEA position to include individuals from the private sector who meet the requirements of the applicable position.
7. Provides terminated CEAs hired from outside state civil service the right to appeal to the State Personnel Board for restoration of their assignment.
8. Clarifies that terminated CEAs who were previously employed by the state and had permanent civil service status, have return rights to a (non-CEA) civil service position, with at least the same salary level as the last position they held. If the employee had a minimum of five years of state service, he or she may return to a position that has the same salary level as the last position or at least the same salary level that is at least two steps lower than the CEA position from which the employee is being terminated. These provisions are consistent with existing law.

Additionally, this bill states that terminated CEAs hired from outside civil service would be eligible to compete in any promotional examination for which they meet the minimum qualifications. Employees with passing scores shall have their names placed on promotional hiring lists.

9. Eliminates rules prohibiting a CEA applicant from competing in multiple civil service promotional exams at more than one department in the same class.
10. Provides \$300,000 one-time General Fund for the Department of Finance to post all budget requests included as a part of the Governor's Budget on DOF's website. The funds will be used to purchase of high-speed industrial scanners and additional software programming.

Fiscal Effect: \$300,000 General Fund on a one-time basis.

Support: None on file.

Opposed: None on file.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair
2015 - 2016 Regular

Bill No:	AB 130	Hearing Date:	August 27, 2015
Author:	Committee on Budget		
Version:	August 25, 2015 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Anita Lee		

Subject: California State University: fees: investments.

Summary: This bill provides statutory changes to amend the California State University's existing investment authority.

Background: Existing law limits the California State University (CSU) to only invest student tuition fees; enterprise funds, such as housing revenues, parking revenues, health center fees, and other self-supporting programs; and other revenues only in low-risk, fixed-income securities, such as bonds or interest-bearing notes on obligations that are guaranteed as to principle and interest by a federal agency of the United States; or bonds, notes, and warrants of this state. These same investment restrictions apply to all other state agencies except the University of California.

Proposed Law: This bill makes statutory changes to laws governing the investment authority of the CSU. Specifically, this bill:

1. Allows to CSU to invest up to 30 percent of specified funds, upon approval by the CSU Trustees, the treasurer or by the chief fiscal officer of a campus of the CSU, in a broader array of investment options than current law allows. This bill allows CSU to invest in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission; or, in real estate investment trusts.
2. Requires all monies earned with this expanded investment authority to be used on deferred maintenance or capital outlay projects. However, if there are investment losses, CSU shall not request funding from the Legislature or the Department of Finance to compensate for investment losses or raise student tuition fees as a result.
3. Establishes procedures for the CSU to follow regarding this change, specifically this bill requires the CSU Board of Trustees to establish a committee of advisors, including the state treasurer or a deputy state treasurer, and independent investment experts to help determine the appropriate investment opportunities.
4. Requires CSU to submit an annual investment performance report to the Legislature and Department of Finance describing investment returns, comparisons to benchmarks, holdings, market values, and fees.

5. Requires the trustees to receive an investment performance report quarterly describing investment returns, comparisons to benchmarks, holdings, market values, and fees.
6. Includes a ramp-up period through 2020 in which CSU is limited to specified amounts of funding it can use to invest: \$200 million in the first year, \$400 million in the second year, and \$600 million in the third year. After July 1, 2020, it will be allowed to use up to 30 percent of specified funds for these purposes, which currently could amount to about \$1 billion.

Support: None on file.

Opposed: None on file.

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