



COMMITTEE ON BUDGET & FISCAL REVIEW

Room 5019, State Capitol

Sacramento, CA 95814

SENATOR HOLLY J. MITCHELL, CHAIR

MAJOR ACTION REPORT

May 26, 2017

The purpose of this Major Action Report is to provide a review of the budget proposal recommended by the Senate Budget and Fiscal Review Committee on May 23, 2017. If you have additional questions, please contact the committee at (916) 651-4103.

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Overview of the Senate 2017-18 Budget

Introduction

This document provides a high level summary of major actions that are included in the Senate's version of the 2017-18 budget, as adopted in Senate Committee on Budget and Fiscal Review on May 23, 2017. The committee approved various actions on that date that, when combined with the actions taken in the over 70 subcommittee hearings, joint hearings and full budget hearings, comprise the Senate version of the 2017-18 budget. The Senate budget plan carefully balances the need for additional public investment in education, health care, human services, justice and other state programs, with the necessity of maintaining the state's fiscal stability through increasing reserves and continued debt reduction. Overall, the Senate's budget plan is structured such that it:

- Continues to fully fund existing programs and commitments.
- Targets new spending to the most beneficial investments.
- Highlights health access, K-12 education and social services.
- Builds up reserves, pays down debt, and retains the state's fiscal strength.

The budget package will continue the Senate's ongoing commitment to California's residents by strengthening the state's investments in public programs and services. Last year the Senate, along with our colleagues in the Assembly, advocated for, and were successful in achieving, important measures to restore essential educational, social service, and health programs – especially in childcare where the state made significant investments.

In 2017-18, the Senate is poised to continue its push to rebuild state programs and services, which have still not recovered from the deep economic downturn. Earlier this year we advocated for, and were successful in realizing, a vital package of financial support for California's physical infrastructure in the transportation area.

With this budget package, we will commit additional funding that addresses the social infrastructure of our state – with continued investment in early education, much needed additional resources for improved access to healthcare services, targeted resources for higher education and financial aid, additional funds for the courts, and significant ongoing increases to K-14 education. While making such valuable investments, the Senate plan includes increases in the state's reserve funds and reductions in long-term debts of the state.

The Senate plan adopts the Legislative Analyst's revenue estimates for the General Fund, and their prudent property tax estimates. It retains the Administration's aggressive reserve debt pay-down, but adopts an approach that maximizes the state's ability to fund needed improvements in services. The budget is structured in order to relieve General Fund pressure, maximize federal revenues, and use cost-effective means of funding public programs.

Overall Resources, Expenditures and Reserves

The General Fund budget summary for the Senate budget plan, compared to the Governor's May Revision, is as follows:

**Senate 2017-18 Budget
General Fund Summary
(Dollars in Millions)**

| | May Revision | | Senate Version | |
|--|---------------------|------------------|-----------------------|------------------|
| | Revised | Proposed | Revised | Proposed |
| | 2016-17 | 2017-18 | 2016-17 | 2017-18 |
| Prior Year Balance | \$4,515 | \$723 | \$4,593 | \$1,723 |
| Revenues and Transfers | 121,553 | 127,687 | 122,565 | 127,527 |
| Transfer to Budget Stabilization Account | -3,013 | -1,775 | -3,013 | -1,783 |
| Total Resources Available | \$123,055 | \$126,635 | \$124,144 | \$127,467 |
| Non-Proposition 98 Expenditures | 71,729 | 71,166 | 71,828 | 71,671 |
| Proposition 98 Expenditures | 50,603 | 52,852 | 50,593 | 52,159 |
| Total Expenditures | \$122,332 | \$124,018 | \$122,421 | \$123,830 |
| Fund Balance | \$723 | \$2,617 | \$1,723 | \$3,637 |
| Reserve for Liquidation of Encumbrances | 980 | 980 | 980 | 980 |
| Special Fund for Economic Uncertainties | -257 | 1,637 | 743 | 2,657 |
| Budget Stabilization Account | \$6,713 | \$8,488 | \$6,713 | \$8,496 |

The Senate plan for the budget includes total General Fund expenditures of \$124 billion for 2017-18, an expenditure level which is actually below that of the May Revision. This Senate amount includes an increase of approximately \$590 million in certain program expenditures, and additional shifts of expenditures among programs to address Senate priorities. The additional program expenditures are largely counterbalanced by shifts across years that result in different educational obligations, somewhat higher General Fund revenue estimates, and different property tax revenues.

The Senate plan adopts the Legislative Analyst's Office's revenue assumptions for 2017-18 of \$127 billion, and the Legislative Analyst's Office's somewhat higher property taxes (which partially offset Proposition 98 spending). The Senate plan provides for increased reserves, similar to the Governor's plan, and continues to pay down long-term and budgetary debt. In addition, the Senate plan balances these with targeted prudent investments in human services, education, health care, justice and other areas that will improve the state's human and social capital.

The Senate plan for the budget provides for \$11.2 billion in general reserves, comprising combined amounts from Special Fund for Economic Uncertainties (SFEU) plus deposits to the Budget Stabilization Account (BSA). This represents \$1 billion more than under the Administration's plan, and also provides additional fiscal flexibility by increasing the amount in the SFEU.

Principal Budget Components

In the Senate's plan, there are significant and substantial investments in various areas of the budget:

K-12 Education

- Increases access to after school programs by providing \$25 million in ongoing funding to support the After School Education and Safety (ASES) Program and providing an ongoing COLA (\$8.6 million in 2017-18). This program supports literacy, academic enrichment and activities for students in kindergarten through ninth grade.
- Provides \$16 million in one-time Proposition 98 funds to support the history social science curriculum framework and the upcoming health curriculum framework. This investment will help increase training and professional development on the Armenian Genocide, labor, LGBT, civic education and sexual harassment and violence prevention.

Higher Education

- Increases college affordability by creating the Community College Completion Grant. This \$50 million investment will provide up to \$4,000 in additional financial aid for California Community College students who are on track to transfer, or complete a degree or certificate in two years. It will help cover the total cost of attendance, such as transportation costs and other living expenses.
- Increases University of California (UC) budget transparency and made UC more accountable by setting aside \$50 million until it adopts all of the State Auditor's recommendations for the Office of the President (UCOP) operations. It eliminates supplemental retirement payments to newly hired senior management employees, freezes the systemwide assessment fee for two years, and requires UCOP to disclose their revenue and expenditures.
- Makes a \$25 million one-time investment in the California State University Graduation Initiative. This funding seeks to increase two-year and four-year graduation rates, and to close the achievement gap for low-income, underrepresented minority, and first generation college students.

Transportation and Energy

- Allocates \$1.5 billion in new revenues created by the passage of the Road Repair and Accountability Act of 2017, to a variety of state and local transportation programs, and created the organizational structures and programs needed to distribute future revenues.
- Provides \$9.5 million for the creation of the new Independent Office of Audits and Investigations within Caltrans, to ensure that transportation revenues are spent in an effective, efficient, and transparent manner.
- Provides \$4.4 million to implement a variety of necessary safety and governance reforms at the California Public Utilities Commission. This includes positions to strengthen the commission's audit, governance, and safety functions.
- Makes significant investments in energy research, providing \$5.9 million for public interest research into cutting edge natural gas technologies, and restoring \$3 million in basic energy research funding eliminated in the current year budget.

- Provides \$10 million to implement a variety of programs focused on climate change abatement and adaptation at the California Energy Commission, the Public Utilities Commission, and in the Office of Ratepayer Advocates.

Natural Resources, Environmental Protection and Agriculture

- Invests over \$54 million in new funding in our state parks, including investments to address the recent damage sustained from the severe winter storms, and create park access and education programs targeted toward disadvantaged communities.
- Provides over \$100 million in funding to projects intended to enhance flood protection in the Central Valley, the Sacramento-San Joaquin Delta, and in other areas of the state with significant flood risk; and provided \$8.3 million to increase the state's dam planning and inspection capabilities.
- Provides \$413.1 million to complete the construction of the Air Resources Board's new motor vehicle and engine emissions testing and research facility in Riverside County near the University of California Riverside.
- Includes \$3.1 million General Fund to begin the construction of the North Valley Animal Health Laboratory, a new full-service animal health laboratory in the northern San Joaquin Valley.

Health

- Rejects the Governor's proposal to use Proposition 56 revenue to supplant funding for Medi-Cal programs, and instead uses these revenues to make targeted investments that expand Medi-Cal and improve access to care for California's poorest and most vulnerable residents.
- Expands training opportunities for the state's primary care workforce, approving a Medi-Cal program to draw down \$600 million of federal funds for graduate medical education in public hospitals, and restoring \$6 million for teaching health centers and loan repayments.

Human Services

- Provides funding to continue important services, such as subsidized employment programs and child care, to recipients in the face of reduced funding in the CalWORKs program.
- Commits to a complex proposal to significantly mitigate the impact on counties of cost shifts in the IHSS program due to the ending of the Coordinated Care Initiative.
- Includes measures to ensure the well-being of foster youth by increasing access to child care and enabling a larger pool of families to become foster parents; funding a centralized review service of psychotropic medications; and funding additional public health nurses.
- Provides additional funds to ensure that affirmative immigration remedies, like naturalization, are readily available throughout the state, and that state-funded legal counsel is properly resourced to continue their work to ensure immigrants have a fair chance in immigration court.
- Reduces the disparities in service delivery for ethnically diverse families by removing the limitation on respite services and other barriers to services important to these families; requiring the

Department of Developmental Services (DDS) to propose a grant structure for funds provided to address disparities; and improving transparency and legislative oversight.

- Adopts language to require DDS to work with stakeholders to improve the process of providing rate adjustments when necessary for the health and safety of consumers; prevent the loss of services; or prevent the movement of an individual into a more restrictive, and costly, setting.
- Took action relative to the creation of a “safety net” of services in the community tied to the upcoming closures of the developmental centers, to move this package to the budget conference committee so further review can occur and safeguards put into place.

Public Safety and Justice

- Includes the funding necessary to implement the provision of Proposition 57 that allows individuals convicted of nonviolent felonies to be considered for parole after completing the sentence for their primary offense; significantly expands sentence reduction credits for rehabilitation, good behavior or educational achievements; and requires a judge’s approval before most juvenile defendants can be tried in an adult court.
- Adopts actions to address the growing costs of the state’s correctional system, including expanding the criteria for medical and elderly parole and compassionate release and including funding for programming to ensure the maximum impact of Proposition 57.
- Adopts language to ensure that all county jails allow in-person visitation, consistent with the goals of realignment, which keeps people who have committed non-serious and non-violent crimes in their county jails and closer to their families.
- Rejects the Governor’s proposed eliminating the CalGRIP grant program, and approved continued funding for the program which has supported successful violence reductions programs, such as Operation Ceasefire, in our counties.
- Adopts language related to the contracting out of county jail space for the purposes of detaining immigrants who are in the country illegally, prohibiting the expansion of existing contracts and the adoption of new contracts, and directed the Attorney General’s office to oversee the treatment of detainees in California facilities.

Additional Statewide Issues

- Provides an addition \$2 million to the Franchise Tax Board for outreach to encourage participation in the state’s Earned Income Tax Credit (EITC), in view of the significant underperformance of this program and its potential positive impact on California’s lower income households.
- Adopts language to help guide the state’s new financial information system (known as FI\$Cal) almost \$1 billion project to success. Includes budgetary changes regarding the Board of Equalization, which is the state’s main tax collection and administration agency for the sales and use tax and excise taxes, and how the budget for this agency is allocated.
- Provides funding through 2020 that authorizes a new model for elections in California. Provides first year funding to begin development of an electric vehicle charging infrastructure for state facilities.

- Includes language to adopt new admissions priorities for the state Veterans Homes system, drawing down more federal dollars and generating about \$115,000 in additional revenue for each newly prioritized veteran.
- Approves an increase of \$6.8 million in funding for the California Arts Council to fund reentry programs for formerly incarcerated individuals and programs for underserved communities.

The Senate budget plan 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 Legislative Analyst's Office, the Senate plan includes critical and responsible reinvestments and significant reserves. Overall, the Senate budget plan is a fiscally responsible approach to continue rebuilding our public programs.

K-12 EDUCATION

The Senate approved an overall architecture for funding education based on the Legislative Analyst's Office revenue and property tax estimates and made significant investments in the K-12 education area. Specifically, the Senate's plan funds K-14 education at the 2017-18 Proposition 98 guarantee level of \$74.1 billion. The Senate overappropriates the Proposition 98 minimum guarantee in 2015-16 by \$433 million and funds at the Proposition 98 guarantee level of \$71.5 billion, plus provides \$427 million in settle-up payments, in 2016-17. In total, the Senate provides the same amount of funding for K-14 education in 2015-16 and 2016-17 as the Governor's proposal.

In addition, similar to the Governor's proposal, the Senate notwithstanding the statutory requirement for Proposition 98 supplementary Test 3B payments through the 2020-21 fiscal year. The 3B supplement is a component of the Proposition 98 calculation that ensures that school funding grows at the same rate as the rest of the budget when the state is experiencing low General Fund growth. Not applying this portion of the calculation reduces the Proposition 98 obligation in future years, but this reduction amount is added to the maintenance factor calculation to be paid back when the state experiences higher General Fund growth.

In K-12 education, the Senate continues to prioritize implementing the Local Control Funding Formula (LCFF), and provides one-time discretionary funds for local educational agencies (LEAs) that also reduce the amount of K-12 unpaid mandate claims. In addition, the Senate funds afterschool programs, professional development and resources for supporting new curriculum, and resources for career technical education. Finally, the Senate recognizes the needs of our youngest children and their families and continues to invest in providing stable and accessible child care.

K-12 EDUCATION

The Senate allocates additional resources to existing K-12 programs and makes some targeted investments in priority areas with one-time funding.

- **Local Control Funding Formula.** The Senate provides \$1.2 billion in additional LCFF funding to accelerate the full implementation of the LCFF. With these additional resources, the LCFF is over 96 percent fully funded. LCFF funding provides the bulk of unrestricted resources for most local educational agencies (LEAs) to support their various program and student needs.
- **One-Time Discretionary Funding.** The Senate appropriates \$770 million in one-time discretionary funding for K-12 education to be allocated in the 2017-18 fiscal year. LEAs may use these funds for any purpose, however legislative intent language suggests that LEAs use funds to continue to invest in implementing state adopted academic content standards, upgrade technology, provide professional development, support beginning teacher induction and address deferred maintenance projects. This funding also reduces the state's mandate debt to LEAs.
- **After School Education and Safety Program (ASES).** The Senate provides an additional \$25 million in ongoing Proposition 98 funding for the ASES program and provides an ongoing COLA (approximately \$8.6 million in 2017-18). This program provides before and after school care that

supports literacy, academic enrichment and activities for students in kindergarten through ninth grade.

- **Curriculum Framework Professional Development and Resources.** The Senate provides \$16 million in one-time Proposition 98 funds for training and resources to support the History Social Science curriculum framework and the upcoming Health curriculum framework. This investment will help increase training and professional development in new content areas such as the Armenian Genocide, labor, LGBT, civic education and sexual harassment and violence prevention.
- **Career Technical Education Pathways Program.** The Senate restores \$15.4 million in ongoing Proposition 98 funding for aligning K-12 career technical education curriculum between K-12 and community college in targeted, industry-aligned areas. These funds support a variety of career technical education programs including California Partnership Academies.

CHILD CARE AND EARLY EDUCATION

The Senate continues to prioritize providing access to high-quality, stable child care for children and their families. The Senate's plan includes the adoption of the Governor's proposal to provide approximately \$208 million (\$112 million General Fund, \$96 million Proposition 98 General Fund) to fund 2017-18 rate and slot increases that were agreed to as part of the 2016-17 budget. In addition the Senate funded updated child care eligibility requirements and adopted some of the Governor's Preschool flexibility proposals. The components of the Senate's child care package are described below:

- \$68 million to annualize the 10 percent Standard Reimbursement Rate (SRR) increase intended to begin January 1, 2017.
- \$93 million to increase the SRR an additional six percent, beginning July 1, 2017.
- \$40.6 million to increase the Regional Market Rate (RMR) to the 75th percentile of the 2016 regional market survey, starting January 1, 2017. This includes a temporary hold harmless provision so no provider receives less in 2017-18 than it receives under current rates.
- \$29 million for cost-of-living adjustments for non-CalWORKs child care and preschool programs.
- \$8 million to add 2,959 full-day State Preschool slots at local education agencies, starting April 1, 2018.
- \$20 million to update to income eligibility for subsidized child care to at or below 70 percent of the most recent state median income and define ongoing eligibility as at or below 85 percent of the most recent state median income.
- Provides an exemption for State Preschool programs run by school districts from California Care Licensing Title 22 licensing requirements, effective in 2018-19.
- Allows part-day State Preschool programs to enroll children with special needs whose families do not meet income eligibility criteria, after all income eligible and interested children are served first.

HIGHER EDUCATION

The Senate expands on the Governor's efforts to reinvest in California's colleges and universities by providing additional funding to increase access to and success at the state's higher education institutions. In addition, the Senate creates a new financial aid program to help community college students pay for the total cost of education, and increased investments for community college faculty. The Senate plan:

University of California (UC)

- Approved \$5 million General Fund ongoing to increase resident graduate student enrollment by 500 students.
- Approved the Governor's January budget to provide an unallocated base increase of \$132 million for UC.
- Created greater transparency and accountability of the UC Office of President's (UCOP) budget. In response to the State Auditor's report, the May Revision proposed to set-aside \$50 million General Fund from UC's budget until UC (1) completes the remaining activity-based costing pilots, (2) takes actions to attain, by the 2018-19 academic year, a ratio of at least one entering transfer student for every two entering freshmen at each campus, except for the Merced and San Francisco campuses, and (3) takes actions identified in the recommendations the Auditor made to the regents and the Office of the President. The UC is required to submit evidence to the director of the Department of Finance by May 1, 2018, that it has met these expectations.

The Senate approved the May Revision proposal, and also added additional transparency and accountability measures. Specifically, the Senate plan required UC to (1) adopt a policy in 2017-18 to no longer provide supplemental retirement payments to newly hired senior management employees, (2) adopt a policy to freeze the systemwide assessment fee for two years, starting in 2018-19, and (3) disclose all revenue and expenditures, including carryover funds, and a full description of system wide and presidential initiatives, including revenue sources, and how these initiatives further the mission of UC as a part of their annual budget process to the regents. This information shall be forwarded to the appropriate committees of the Legislature.

- Approved \$5 million from the Road Maintenance and Rehabilitation Account, State Transportation Fund to UC for transportation research. This is consistent with Senate Bill 1 (Beall), Chapter 5, Statutes of 2017.

California State University (CSU)

- Approved the Governor's January budget to provide an unallocated base increase of \$157.2 million for CSU.

- Approved \$25 million one-time for the CSU Graduation Initiative, and adopted placeholder trailer bill language to require CSU to report to the Legislature regarding (1) its plans to adopt researched-based methods for assessment and placement, (2) opportunities for campuses to make more courses available by reducing the number of excess units earned, and (3) specific activities and spending for each activity CSU engaged in to meet the state's goals for student success, including activities to improve graduation rates and close the achievement gap for low-income students, underrepresented minority students, and first generation college students.
- Approved \$2 million from the Road Maintenance and Rehabilitation Account, State Transportation Fund to the CSU for transportation research. This is consistent with Senate Bill 1 (Beall), Chapter 5, Statutes of 2017.

California Student Aid Commission

- Approved an increase of \$7.96 million to eliminate the proposed budget reduction to private non-profit and for-profit Western Association of Schools and Colleges accredited institutions. The Senate also rejected the Governor's proposal to place conditions on this funding to increased enrollment, transfer process and online education. This additional funding was redirected from UC and CSU.

California Community College

- Approved \$150 million in one-time funding to establish the Guided Pathways program. The Senate also adopted placeholder trailer bill language to 1) define guided pathways; 2) require CCC districts to submit a plan to the Chancellor's Office and 3) require the plan to include information on collaboration with K-12 school districts and other higher education institutions, how guided pathways integrates programmatically and fiscally with existing CCC programs (Student Success, Basic Skills, etc.), as specified.
- Created the Community College Completion grant, and provided \$50 million on-going for this purpose. This grant will provide up to \$4,000 in total cost of attendance grant aid (i.e., living expenses, transportation, etc.) to CCC students, with demonstrated need, who take 15 units per semester or the applicable quarter unit equivalent to be considered on track to obtain an associate degree, or to otherwise transfer to a four-year university, in two academic years and have an educational plan. Adopt placeholder trailer bill language to implement this grant program.
- Provided \$10 million in one-time funding to develop or enhance an on-campus veteran resource center. The Senate plan also adopted placeholder trailer bill language regarding parameters of the funding.
- Provided \$1 million one-time funding over three years to assist with Compton College transition services back from a center of El Camino Community College District to a stand-alone college.
- Augmented the existing CCC Part-time Faculty Office Hours program by \$5 million on-going.

- Allocated \$2.5 million in one-time funding to community college districts to help them comply with state and federal law provisions to prevent and address sexual violence and sexual harassment involving a student, both on and off campus, pursuant to legislation enacted in the 2017-18 Legislative Session.
- Rejected Governor's proposal to fold in funding for the Career Technical Education Pathways Grant to CCC Strong Workforce program, and redirected California Department of Education's (CDE) portion (\$15.4 million) to back to CDE, with the remainder to stay in the Strong Workforce Program.
- Rejected the Governor's proposal for \$20 million one-time funds for innovation awards to community colleges.
- Approved all 29 capital outlay projects submitted by the Chancellor's Office, with total state costs of \$70.6 million in 2017-18, and approved the Spring Finance Letter for the construction of Redwoods Community College District utility infrastructure replacement.

NATURAL RESOURCES AND ENVIRONMENT

Air Resources Board (ARB). The Senate's budget plan includes the following actions:

- **Specialized Diesel Enforcement Section.** Approved \$1.6 million (\$812,000 Vehicle Inspection and Repair Fund and \$811,000 Motor Vehicle Account) and 10 positions to augment the Air Resources Board's current contract with California Highway Patrol to provide support during roadside inspections. Approved a one-time appropriation of \$160,000 for four specialized vehicles to be used to conduct field inspections, and \$150,000 in annual contract funds.
- **Mobile Source Audit and Compliance Program Enhancement.** Approved \$1.96 million (including \$1.2 million for seven positions and three-year funding of \$450,000 in annual contracts from the Air Pollution Control Fund, and \$304,000 for two positions from various other special funds) to help strengthen its mobile source emission oversight program.
- **ARB Southern California Consolidation Project.** Approved \$413.1 million (\$154 million in civil penalties from the Volkswagen Settlement and \$259.1 million in lease-revenue bond authority) for the construction phase to consolidate and relocate ARB's existing motor vehicle and engine emissions testing and research facilities that are currently located in Southern California.
- **Greenhouse Gas Scoping Plan Updates (AB 197).** Approved \$1.5 million (including \$750,000 in contract funding in 2017-18 and \$375,000 annually thereafter; and \$100,000 in one-time construction costs) and four positions to meet the statutory requirements set forth in AB 197 (Eduardo Garcia), Chapter 250, Statutes of 2016. Of the \$1.5 million, \$1.4 million will be funded from the Cost of Implementation Account, and \$100,000 will be funded from distributed administration.
- **Mobile Source Heavy-Duty In-Use Program Improvements.** Approved \$2.2 million (including \$500,000 in ongoing contract funding, and \$1 million in one-time local assistance) and five positions from the Motor Vehicle Account. The \$500,000 contract funding will be used to procure heavy-duty vehicles and remove engines to facilitate testing, and the \$1 million in local assistance funding will be used to fund a pilot heavy-duty diesel engine repair program for low-income truck owners with high emitting trucks operating in disadvantaged communities.

Department of Toxic Substances Control. The Senate's budget plan includes the following actions:

- **Stringfellow Superfund Removal and Remediation Action.** Approved \$2.5 million General Fund in 2017-18, \$3 million in 2018-19, and \$2.6 million in 2019-20, for removal and remedial action at the Stringfellow Hazardous Waste Site.
- **Augmentation for National Priorities List and State Orphan Sites.** Approved \$3.7 million, on a one-time basis, from penalty revenues from various funds (\$0.5 million from the Department of Pesticide Regulation Fund, \$2.7 million from the Air Pollution Control Fund, and \$0.5 million

from the Waste Discharge Permit Fund) to direct site remediation at National Priorities List and state orphan sites. Approve provisional budget bill language to allow this.

Natural Resources Agency. The Senate's budget plan includes the following actions:

- **Natural Resources and Park Preservation Fund.** Approved a proposal to establish the Natural Resources and Parks Preservation Fund that is intended to provide an alternative to bond funding and allow the Administration and the Legislature to make strategic investments where they are needed each fiscal year. However, rejected the proposed transfer of \$65 million in previously appropriated General Fund into the fund the first year.

Department of Water Resources. The Senate's budget plan includes the following actions:

- **Dam Safety and Emergency Flood Response.** Approve \$103.4 million to accelerate Proposition 1 funds for flood control projects with budget bill language to schedule the appropriations in the budget within specific expenditure categories, so that the funding must be spent in accordance with the framework established in the 2017 Central Valley Flood Protection Plan update. Also approved \$8.3 million General Fund, as follows:
 - \$6.5 million as a General Fund loan to the Dam Safety Fund, to be repaid from revenue generated from dam safety fees, and 12 positions, to support the following program enhancements: \$3 million for the Department of Water Resources (DWR) Division of Safety of Dams to conduct more extensive evaluations of appurtenance structures, such as spillways, gates, and outlets; and, \$3.5 million for DWR to review and approve required inundation maps and coordinate the review of emergency plans.
 - \$1.9 million General Fund and four positions for the Office of Emergency Services (OES) to review and approve dam-related emergency response plans, and coordinate with local emergency management agencies on incorporation into all-hazard emergency plans (there is a distributed administration adjustment in the amount of \$175,000 to conform to this action).
- **Proposition 13 San Joaquin River Fish Population Enhancement.** Approved \$21 million from Proposition 13 for the Department of Water Resources to construct facilities to improve fish populations in the San Joaquin River Watershed.

Department of Parks and Recreation. The Senate's budget plan includes the following actions:

- **Improving State and Local Parks.** Approved \$54 million from the State Parks and Recreation Fund and \$26.6 million in reimbursement authority to reflect the expenditure of revenues resulting from the passage of SB 1 (Beall), Chapter 5, Statutes of 2017, as follows:
 - Fix Our Parks—\$31.5 million for deferred maintenance projects to repair and maintain the aging infrastructure of the state park system and to address the recent damage sustained from the severe winter storms. This proposal also includes increasing reimbursement authority by \$26.6 million to facilitate funding from the Federal Emergency Management Agency to help address storm-damaged areas.

- Establish Partnerships to Improve Access to Parks—\$1.5 million to establish a pilot project to provide transportation to parks from urban areas and schools. In addition, added budget bill language requiring the department to report back on the use of the access funding; including, where the funding was spent and the number and type of participants in the program.
 - Build a Recruitment and Training Program—\$1 million to establish a recruitment and training program. This program will focus on hard-to-fill classifications, including park rangers, lifeguards, maintenance workers, administrators, and managers. The program will also develop strategies to better reach candidates from diverse communities.
 - Fund Local Parks—\$18 million to provide a local assistance grant to the Jurupa Area Recreation and Park District.
 - Support Off-Highway Vehicle Recreation—\$1 million from the State Parks and Recreation Fund to the Off Highway Vehicle Trust Fund. \$1 million for local assistance grants for additional law enforcement, environmental monitoring, and maintenance grants supporting federal off-highway vehicle recreation.
 - Reduce Boating Hazards—\$1 million from the State Parks and Recreation Fund to the Abandoned Watercraft Abatement Fund. \$1 million for local assistance grants to remove abandoned watercraft from California’s waterways.
- **Hazardous Mine Remediation.** Approved \$14.5 million General Fund for environmental remediation at Empire Mine State Historic Park, Malakoff Diggins State Historic Park, and Mount Diablo State Park. All three parks are currently under cleanup and abatement orders and these funds allow DPR to comply with the orders. Additionally, this proposal includes \$2 million General Fund ongoing for Empire Mine monitoring and maintenance requirements and future clean-up costs.

Department of Forestry and Fire Protection. The Senate’s budget plan includes the following actions:

- **Hiring and Training – Permanent Funding and Staffing.** Approved \$14.2 million (\$10 million General Fund, \$332,000 in Special Funds, and \$3.9 million in reimbursements) and 55 positions to address increased hiring and training demands.
- **Climate Adaptation Extended Fire Season.** Approved \$42.4 million (\$42.1 million General Fund, \$309,000 Special Funds and reimbursements), 18.5 positions, and 276.1 ongoing seasonal firefighters to add 42 year-round fire engines to the existing 10 year-round fire engines and to extend fire engine and helitack base ground crew staffing in the fall and spring. This proposal is expected to result in a corresponding reduction in E-Fund.
- **Emergency Drought Actions.** Approved \$41.7 million (\$38.7 million General Fund and \$2.98 million SRA Fire Prevention Fund) for continuing activities, including; address the massive tree mortality and bark beetle infestation, as detailed in the October 30, 2015, Governor’s State of Emergency Proclamation on the tree mortality epidemic.

- **State Responsibility Area Fire Prevention Fund Grants.** Approved \$10 million from the State Responsibility Area Fire Prevention Fund and budget bill language to support local assistance grants for fuel reduction efforts and to improve drought resilience within state responsibility areas.

Department of Fish and Wildlife. The Senate's budget plan includes the following actions:

- **Restructuring the Fish and Game Preservation Fund.** Rejected \$12.4 million in additional revenue from an increase in commercial fish landing fees to support the Department of Fish and Wildlife's (DFW) commercial fishing program, and a one-time redirection of \$10.6 million from the Lifetime License Trust Account (LLTA) (\$8.7 million of which would go to the Fish and Game Preservation Fund (FGPF) non-dedicated account). Adopted budget bill language requiring the department to (1) reconvene Vision Stakeholders to provide an update on the status of the Vision recommendation implementations; (2) provide a report regarding the same to the Legislature by October 1, 2017; and (3) undergo a zero-based budget evaluation in time for implementation by fiscal year 2018-19.

Department of Food and Agriculture. The Senate's budget plan includes the following actions:

- **Plant Pest Prevention System.** Approved \$1.8 million General Fund, and \$2.6 million in Department of Food and Agriculture Fund (Agriculture Fund) authority in 2017-18 and 190.5 positions (25.5 permanent positions and a conversion of 165 temporary positions to permanent positions), and \$1.9 million General Fund, \$2.9 million in Agriculture Fund and \$570,000 of reimbursements and 194 positions (29 permanent positions and a conversion of 165 temporary positions to permanent positions) in FY 2018-19 and ongoing, for the Department of Food and Agriculture (CDFA) to fortify the infrastructure of the state's pest prevention system.
- **Pierce Disease Management.** Approved \$5 million General Fund for the Pierce Disease Control Program to combat and minimize the statewide impact of Pierce's Disease and its vectors in California.
- **Turlock North Valley Laboratory Replacement.** Approved \$3.1 million General Fund to construct the North Valley Animal Health Laboratory, a new full-service animal health laboratory in the northern San Joaquin Valley.

Department of Conservation. The Senate's budget plan includes the following actions:

- **Well Statewide Tracking and Reporting (WellSTAR).** Approved \$21.1 million in 2017-18, \$15.0 million in 2018-19, \$5.5 million in 2019-20, \$2.5 million in 2020-21, and \$1.3 million ongoing, from the Oil, Gas, and Geothermal Administrative Fund; and two permanent positions, and 12 three-year limited-term positions to further develop and implement WellSTAR, a centralized database system to help run operations and meet the requirements of recent legislation.

Conservation Corp. The Senate's budget plan includes the following actions:

- **Funding to Operate Delta Residential Center.** Approved \$1.4 million, \$825,000 ongoing, to fund the incremental increase in permanent operating costs for one additional position and 20 corpsmembers to fully staff the Delta residential center. This request proposes a funding split of 55 percent General Fund (\$776,000) and 45 percent from the Collins Dugan Account (\$635,000).

ENERGY

California Energy Commission (CEC). The Senate's budget plan includes the following actions:

- **Implementation of SB 350.** The Senate approved eight permanent positions and \$9,060,000 from the Cost of Implementation Account to support the implementation of SB 350 (de León), Chapter 547, Statutes of 2015, which requires the Commission administer the state Renewable Energy Standard, implement and enforce building energy retrofit standards, and establish consumer protection guidelines for energy efficient appliances.
- **Public Interest Energy Research Funding.** The Senate approved \$5.9 million in one-time expenditure authority from the Public Interest Energy Research (PIER) Natural Gas Subaccount, to be spent in a manner consistent with the Supplementary Reliability and Climate Focused Natural Gas Budget Plan reviewed and approved by the California Public Utilities Commission (PUC). These funds will support research and development of natural gas-based energy technologies that would not be adequately supported by competitive or regulated energy markets.
- **Current Year Research Funding.** The Senate rejected a proposed current year reduction to the Energy Commission's budget of \$3 million in General Fund resources. The 2016 Budget Act included \$15 million General Fund (budgeted in state operations) and language requiring a competitive grant process including a provision for the federal cost share for alternative fuel applied research and demonstration solicitations, and \$3 million General Fund (local assistance) for the federal cost share for alternative fuel applied research and demonstration solicitations (intended to provide matching funds for successful federal awards). This decision will increase funds available for basic energy research and development.
- **Title 20 Appliance Energy Efficiency Standards (AES) Enforcement.** The Senate approved three permanent positions and \$411,000 from the Appliance Efficiency Enforcement Subaccount (AEES) to support the Title 20 Appliance Efficiency Standards Compliance Assistance and Enforcement Program. SB 454 (Pavely), Chapter 591, Statutes of 2011, authorized the Energy Commission to establish an administrative enforcement program for violations of the Energy Commission's appliance efficiency standards, with penalties up to \$2,500 per violation. The approved staff resources will conduct manufacturer test laboratory audits, provide compliance assistance and education to the regulated industries on how to comply with the Energy Commission's regulations, and support the growing program infrastructure. The CEC estimates that these positions will generate an uncertain, but potentially significant, level of additional revenue in the form of additional fines levied on non-compliant appliance manufacturers.

California Public Utilities Commission. The Senate's budget plan includes the following actions:

- **Lifeline Program.** The Senate approved current year expenditures of \$485.8 million and budget year expenditures of \$630 million for the LifeLine program, which subsidizes wireless and landline phone services for low-income residents.

- **California High Cost Fund-A.** The Senate approved an increase of \$6.1 million in local assistance funding for the California High Cost Fund A to provide ten small Local Exchange Carriers (LECs) with the financial support necessary to keep rural telephone service rates affordable and comparable to rates paid by customers who live in urban areas.
- **Enterprise Risk and Compliance Office.** The Senate approved \$696,000 (Public Utilities Commission Utilities Reimbursement Account) for five permanent positions to establish an Enterprise Risk and Compliance Office (ERCO). The office will assist management in the evaluation of enterprise risk, development of risk mitigation plans, compliance tracking of regulations and laws in regards to reporting and compliance with control agencies and the Legislature, as well as status of safety monitoring of external entities and timely reporting of results, audit follow-up, coordination on all externally performed audits, and addressing areas with control deficiencies.
- **Deaf and Disabled Telecommunications Program.** The Senate approved the conversion of four existing limited-term positions to permanent positions and \$369,000 per year for the Deaf and Disabled Telecommunications Program (DDTP), which provides Californians who have a hearing impairment or other disability with equipment and relay services through the California Telephone Access Program and the California Relay Service, respectively.
- **Electric Utility Wildfire Mitigation Plans.** The Senate approved \$966,000 for three permanent positions and a three year consulting contract for the Electric Safety and Reliability Branch to review and evaluate utilities annual wildfire mitigation plans. This will allow the PUC to implement SB 1028 (Hill), Chapter 598, Statutes of 2016, which requires each electrical corporation, local publicly-owned electric utility, and electrical cooperative to construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment.
- **Transfer of Transportation Regulatory Authority.** The Senate rejected trailer bill language that transfers regulatory authority for select transportation programs from the PUC to other state agencies or local jurisdictions. While the Senate believes the proposed transfer of authority has merit, it is more appropriate to proceed through the policy process, which provides a more open venue for discussion of the proposals merits.
- **Transportation Enforcement Branch.** The Senate approved \$636,000 per year for six permanent positions to meet critical program and process needs of the PUC's Transportation Enforcement Branch (TEB) to begin implementing recommendations from the independent audit required by SB 541 (Hill), Chapter 718, Statutes of 2015. The Senate also rejected trailer bill language giving PUC investigators impoundment authority, as such a major policy shift is better suited to discussion and debate through the policy process.
- **Office of Ratepayer Advocate (ORA) Climate Change Initiatives.** The Senate approved six positions and \$663,000 to perform work associated the ORA climate change efforts driven by a variety of recent legislation, including SB 350 (de León), Chapter 547, Statutes of 2015, which expands the scope of the PUC's involvement in the state's Renewable Portfolio Standard (RPS) by requiring renewable electricity procurement be increased from 33 percent by 2020 to 50 percent by 2030.

TRANSPORTATION

The Senate approved the Administration's key proposals for funding transportation projects and the staff necessary to deliver these projects at the California Department of Transportation (Caltrans), including the allocation of funding related to the Road Repair and Accountability Act of 2017. The committee also approved funding at both the California Highway Patrol (CHP) and the Department of Motor Vehicles (DMV) for capital outlay projects that address seismic and other critical issues by replacing field offices.

- **Allocation of Funding from the Road Repair and Accountability Act of 2017.** The Senate approved \$1.5 billion in local and capital funding for projects for transportation programs under SB 1 (Beall), Chapter 5, Statutes of 2017, also called the Road Repair and Accountability Act of 2017. Of the total amount requested in year one, \$904.6 million consists of local assistance appropriations and \$592.8 million consists of capital outlay appropriations.
- **Independent Office of Audits and Investigations.** The Senate approved \$9.5 million in State Highway Account funding to support the transfer 48 existing permanent positions from its audit division to the new Independent Office of Audits and Investigations and the establishment of 10 new permanent positions within the Office. This new office, directed by the Governor-appointed Inspector General, will help ensure that new transportation revenues are spent in an effective, efficient, and transparent manner.
- **Active Transportation and Statewide Transportation Planning.** The Senate approved \$395,000 from various special funds for two new permanent positions and \$20,000 in contracting funds at the California Transportation Commission to implement a variety of legislative mandates. Specifically, the requested positions will administer the state's Active Transportation Program (ATP) and the implement new requirements for regional and statewide transportation planning.
- **Caltrans Capital Outlay Support (COS).** The Senate approved \$477.8 million and 243 permanent positions to support the department's initial tasks for implementation of the Road Repair and Accountability Act of 2017, including \$400 million for pavement maintenance contracts. Additionally, the Senate approved a net decrease from the non-SB 1 COS budget proposed in January of \$29.3 million and 283 full time equivalents (FTE) (includes 243 staff positions, the FTE of 26 positions for Architectural and Engineering contracts, and the FTE of 14 positions for personal services/cash overtime).
- **Caltrans IT Infrastructure and Cybersecurity.** The Senate approved one-time funding of \$12 million from the State Highway Account to replace outdated information technology infrastructure equipment that has reached the end of its end of life. Additionally, the Senate approved an additional \$4 million per year from the State Highway Account and six permanent positions to create, implement, and administer the Information Technology Cyber Security Program.
- **Toll Bridge Maintenance Reimbursements.** The Senate rejected a proposed increase of up to \$24.5 million in reimbursement authority for toll bridge maintenance work on locally-operated toll

bridges to allow Caltrans to transfer responsibility for paying for toll bridge maintenance work in the Bay Area to the Bay Area Toll Authority (BATA). This transfer was not negotiated with BATA prior to budget negotiations, and is therefore premature.

- **Sustainability Program and Zero-Emission Vehicle Charging Stations.** The Senate heard an informational presentation from Caltrans highlighting actions underway to implement the department's Strategic Management Plan's Sustainability, Livability, and Economy goals. Specifically, this informational item highlighted actions underway to implement the Governor's Zero Emission Vehicle (ZEV) Action Plan item to install 30 direct current (DC) fast-charging stations by December 2018. The Senate adopted provisional language requiring Caltrans to report on progress installing these charging stations, and on any funds expended in the development of these charging stations.
- **Road Charge Pilot Program Funding.** The Senate approved one-time funding of \$737,000 (State Highway Account) and \$750,000 (federal funds) to utilize federal funding made available under Section 6020 of the federal Fixing America's Surface Transportation (FAST) Act to further study the use of a road charge mechanism as an eventual replacement of the currently existing system of fuel taxes.
- **California Highway Patrol Privacy and Risk Management.** The Senate approved 12 permanent positions, two limited-term positions, and \$1.8 million (MVA), to establish a Privacy and Risk Management Program to protect personally-identifiable information stored in CHP systems. This new unit will play a central role in securing and protecting a wide variety of personally identifiable information at CHP.
- **California Highway Patrol Capital Outlay.** The Senate approved about \$144 million from the MVA to fund site acquisition for new CHP offices in Humboldt and Quincy, to construct new offices in El Centro, Hayward, Ventura, and San Bernardino, and to repair or construct radio towers across the state.
- **AB 60 Implementation.** The Senate approved \$8.6 million per year from the Motor Vehicle Account and 91 permanent positions to continue to implement the requirements of AB 60 (Alejo), Chapter 524, Statutes of 2013. Assembly Bill 60 requires that DMV accept driver license applications from California residents who are unable to submit satisfactory proof of legal presence in the United States (such as a social security number), provided they meet all other application requirements and provide proof of identify and residency.
- **California Motor Voter Program.** The Senate approved \$1.8 million General Fund and \$5.2 million Motor Vehicle Account for 10 one-year limited-term positions to implement a single-step opt-out voter registration process pursuant to AB 1461 (Gonzalez), Chapter 729, Statutes of 2015. The Senate also approved 12 ongoing positions, two-year limited-term funding for two positions, and \$3.2 million in 2018-19 for the ongoing workload associated with the Motor Voter program.
- **Federal Driver License / Identification Card Compliance.** The Senate approved 218 positions and \$23 million in 2017-18, and 550 positions and \$47 million in 2018-19, to implement a federal compliant driver license/identification card (DL/ID) card that will be accepted by the Transportation Security Administration (TSA) to board an airplane.

HEALTH

The Senate approved a health package that includes high priority restorations and investments in Medi-Cal, public health, mental health and substance use disorder treatment programs.

- **Proposition 56 Targeted Investments in Medi-Cal.** The Senate approved the following targeted investments of Proposition 56 tobacco tax revenue to expand Medi-Cal and improve delivery of health care services to its beneficiaries:
 - \$150 million in 2017-18, growing to \$700 million in 2020-21, for a high-need specialty access pool. The pool is to be distributed for rate increases for services provided by physicians, in consultation with stakeholders and the Legislature, for high need areas and specialty services in a manner that is consistent with the results of the Access Assessment study required by the Medi-Cal 2020 waiver, network adequacy standards established to conform to federal requirements, or to more closely align Medi-Cal rates with those in the Medicare program.
 - \$130 million annually to improve access and utilization of dental services in Medi-Cal by increasing reimbursement rates for dental providers.
 - \$50 million annually to improve reimbursement rates for family planning providers.
 - \$14.5 million annually to re-base reimbursement rates for intermediate care facilities for developmental disabilities that have been frozen for several years.
 - \$4 million annually to align reimbursement rates in the AIDS Waiver with other home- and community-based services waiver programs in Medi-Cal.
 - \$34.5 million in 2018-19 and \$69 million annually thereafter, to restore the remaining dental benefits subject to elimination during the recession, beginning on January 1, 2019.
 - \$18.4 million in 2018-19, and \$36.8 million annually thereafter, to restore the other optional benefits subject to elimination during the recession, beginning on January 1, 2019. These benefits include optical benefits, audiology, incontinence creams, podiatry, and speech therapy.
 - \$63.1 million in 2018-19, and \$85.8 million annually thereafter, to provide full-scope Medi-Cal coverage to all individuals up to age 26 regardless of immigration status, beginning July 1, 2018.
- **Medi-Cal Estimate and Caseload.** Approved total Medi-Cal expenditures in 2017-18 of \$105.6 billion (\$18.6 billion General Fund, \$68.3 billion federal funds, and \$18.8 billion special funds and reimbursements) and a corresponding caseload of 13.7 million in 2017-18.

- **Medi-Cal: Graduate Medical Education.** Approved \$1.2 billion (\$593.8 million federal funds and \$593.8 million reimbursements) and trailer bill language to implement a graduate medical education (GME) program for Medi-Cal. Recent federal regulations authorize DHCS to make GME payments to designated public hospitals and their affiliated government entities. DHCS intends to submit a state plan amendment to allow these entities to provide the non-federal share of GME payments to draw down additional federal matching funds.
- **Medi-Cal: New Qualified Immigrant Affordability and Benefit Program Elimination.** The Senate approved the following actions:
 - Approved the Governor's May Revision proposal to eliminate implementation of the transition of New Qualified Immigrants (NQIs) into the New Qualified Immigrant Affordability and Benefit Program due to operational and programmatic uncertainties.
 - Approved the May Revision elimination of \$120.8 million (\$48 million General Fund and \$72.8 million federal funds) savings consistent with the updated elimination proposal.
 - Adopted placeholder trailer bill language eliminating the statutory authority for the program and authorizing the department to seek federal designation of the existing, state-funded NQI health care coverage program as minimum essential coverage.
- **Medi-Cal: Coordinated Care Initiative.** Approved \$8 million of General Fund savings and trailer bill language to continue provisions of the Coordinated Care Initiative including the duals demonstration project and the mandatory enrollment of individuals in managed care for long-term services and supports, except In-Home Supportive Services (IHSS), as well as to eliminate the maintenance-of-effort (MOE) and Statewide Authority for IHSS. The Senate also approved General Fund and other support to mitigate county impacts of the MOE elimination, discussed in more detail under *Human Services*.
- **Medi-Cal: Federal Cures Act Opioid State Targeted Response Grant.** Approved expenditure authority from federal funds of \$44.7 million and placeholder trailer bill language to implement the federal Opioid State Targeted Response grant provided under the 21st Century Cures Act. This federal grant program funds expansion of medication assisted treatment for individuals with substance use disorders. DHCS intends to establish 15 “hub and spoke” systems, in which a Narcotic Treatment Program serves as a “hub” and the “spokes” are regional physicians approved to prescribe medication assisted treatment. Narcotic Treatment Programs would begin providing expanded substance use services by September 1, 2017.
- **Medi-Cal: Federal Managed Care Regulations.** Approved 15 positions and expenditure authority of \$8.9 million (\$4.5 million General Fund and \$4.5 million federal funds) in 2017-18 through 2020-21, and \$2.6 million (\$1.3 million General Fund and \$1.3 million federal funds) in 2021-22, to support compliance with new federal rules governing Medi-Cal managed care plans, dental managed care plans, county mental health plans, and Drug Medi-Cal organized delivery system waiver providers.
- **Medi-Cal Managed Care Ombudsman.** Approved 15 positions (nine converted from limited-term and six new permanent positions) and expenditure authority of \$1.8 million (\$895,000 General Fund and \$894,000 federal funds) to continue managing increased call volume and

consumer assistance activities in the Office of Ombudsman. The Senate also approved placeholder trailer bill language to require the office to collect and report certain demographic and other data to improve customer service, cultural and linguistic competency, and complaint referral protocols.

- **Medi-Cal: Nursing Facility/Acute Hospital Waiver Renewal.** Approved \$8.9 million (\$4.5 million General Fund and \$4.5 million federal funds) for costs related to implementation of the proposed renewal of the Nursing Facility/Acute Hospital (NF/AH) waiver agreement with the federal government. The Senate also approved placeholder trailer bill language to codify the provisions of the proposed waiver renewal.
- **Medi-Cal Eligibility Data System (MEDS) Modernization.** Approved \$6.6 million (\$727,000 General Fund and \$5.9 million federal funds) to extend support of 16 positions and other resources approved in the 2016 Budget Act for two additional years to continue the agency-wide planning effort to replace the Medi-Cal Eligibility Data System (MEDS). These staffing and other resources will support completion of activities required by the Department of Technology's Project Approval Lifecycle Stage Gate requirements.
- **Medi-Cal: California Medicaid Management Information System (CA-MMIS).** Approved conversion of 21 limited-term positions to permanent and \$9.1 million (\$2.1 million General Fund and \$7 million federal funds) to continue performing ongoing systems and business operations for CA-MMIS' legacy system, which processes approximately 200 million Medi-Cal claims annually. The Senate also approved establishment of seven permanent positions and \$5.8 million (\$575,000 General Fund and \$5.2 million federal funds) to adopt a user-centered, iterative, modular approach for replacing the legacy system.
- **Medi-Cal: Performance Outcomes System.** Approved \$14.9 million (\$6.2 million General Fund and \$8.8 million federal funds) in 2017-18 to reimburse mental health plans for the costs of capturing and reporting functional assessment data as part of the Performance Outcomes System for EPSDT mental health services.
- **Medi-Cal: Substance Use Disorder Licensing Workload.** Approved the establishment of 20 permanent positions and expenditure authority of \$2.5 million (\$290,000 Narcotic Treatment Program Licensing Trust Fund, \$1.7 million Residential and Outpatient Program Licensing Fund, and \$531,000 reimbursements) to support increased substance use disorder program licensing, monitoring, and complaint investigation workload as a result of expansion of services under the federal Affordable Care Act and the Drug Medi-Cal Organized Delivery System Waiver.
- **Medi-Cal: Ground Emergency Medical Transportation.** Approved three positions (conversion of limited-term to permanent) and expenditure authority of \$393,000 (\$197,000 federal funds and \$196,000 reimbursements) annually to continue the supplemental reimbursement program for ground emergency medical transportation providers.
- **Medi-Cal: State Veteran's Homes and Public Clinics Supplemental Reimbursements.** Approved a two-year extension of expenditure authority of \$1.4 million (\$697,000 federal funds and \$697,000 reimbursements) to implement supplemental Medi-Cal payments to state veterans homes and public clinics pursuant to AB 959 (Frommer), Chapter 162, Statutes of 2006.

- **Medi-Cal: County Administration Budgeting Methodology Staffing.** Approved extension of expenditure authority of \$1.5 million (\$731,000 General Fund and \$730,000 federal funds) in 2017-18 and 2018-19, and \$244,000 (\$122,000 General Fund and \$122,000 federal funds) in 2019-20, to continue development of a new budgeting methodology for county administrative costs that reflects the impact of the Affordable Care Act, pursuant to the requirements of SB 28 (Hernandez), Chapter 442, Statutes of 2013.
- **Medi-Cal 2020 Waiver Contract Resources.** Approved expenditure authority of \$2 million (\$980,000 federal funds and \$980,000 reimbursements) in 2017-18 through 2020-21, and \$460,000 (\$230,000 federal funds and \$230,000 reimbursements) in 2021-22, for contracts to facilitate learning collaboratives, provide technical assistance, and conduct an independent evaluation for components of the state's Section 1115 Medicaid Waiver, known as Medi-Cal 2020.
- **Robert F. Kennedy Health Plan Stop-Loss Payments.** Approved trailer bill language to extend until January 1, 2026, the funding requirements contained in SB 145 (Pan), Chapter 712, Statutes of 2015 to annually reimburse the Robert F. Kennedy Health Plan up to \$3,000,000 annually for claim payments that exceed \$70,000 made by the plan on behalf of an eligible employee or dependent for a single episode of care.
- **Medically Tailored Meals Pilot Program.** Approved \$2 million General Fund for a three year pilot program to make a cost-effective, medically tailored, home delivered meal intervention available to approximately 2,500 Medi-Cal beneficiaries with certain complex and traditionally high-cost health conditions and determine how such an intervention could lead to better outcomes and lower health care costs for recipients and the state Medi-Cal program.
- **Health Care Workforce Funding.** Approved \$6 million General Fund annually for three fiscal years to fund primary care residency slots for existing teaching health centers under the Song-Brown Program and to increase funding for the State Loan Repayment Program.
- **Clinic Lifeline Funding Program.** Approved \$20 million from the California Health Facilities Financing Authority Fund for a grant program for operations costs of non-profit small or rural health centers in critical service areas, or at risk of losing federal funding.
- **DMHC Help Center Workload and Case Backlog.** Approved 11 positions and expenditure authority from the Managed Care Fund of \$3.4 million in 2017-18, \$3.3 million in 2018-19 and 2019-20, and \$2.7 million annually thereafter, to address increased call and complaint processing workload and a subsequent backlog in DMHC's Help Center attributed to full implementation of the Affordable Care Act.
- **Prohibition of Surprise Balance Billing (AB 72).** Approved 16 positions, limited-term resources, and expenditure authority from the Managed Care Fund of \$3.6 million in 2017-18, \$3.2 million in 2018-19, \$3 million in 2019-20, and \$2.3 million annually thereafter, to regulate the elimination of "surprise balance billing" pursuant to the requirements of AB 72 (Bonta), Chapter 492, Statutes of 2016. The Senate also approved placeholder supplemental reporting language requesting DMHC to provide information regarding the extent of alignment between contracted providers and contracted facilities in managed care plan networks.

- **Office of AIDS.** The Senate approved the following budget actions and trailer bill language:
 - Approved AIDS Drug Assistance Program (ADAP) local assistance expenditures of \$395.7 million in 2017-18 and a corresponding caseload of 32,003 in 2017-18. Included in these expenditures, the Senate approved a reduction of \$4 million to account for additional savings from transitioning medication-only clients into private insurance, and allocated that \$4 million for additional payments to ADAP enrollment workers.
 - Approved placeholder trailer bill language to allow information sharing between ADAP and other entities to streamline the enrollment and case management activities that require partnership between ADAP and local entities. According to DPH, enhancing case management capabilities will result in program savings due to increased enrollment of medication-only ADAP clients in comprehensive health care coverage.
 - Approved placeholder trailer bill language to clarify the Pre-Exposure Prophylaxis (PrEP) Assistance Program will provide PrEP medication to uninsured clients.
- **Genetic Disease Screening Program.** Approved Genetic Disease Screening Program expenditures of \$131.6 million from the Genetic Disease Testing Fund and a corresponding caseload of 486,207 in the Newborn Screening Program, and 348,437 in the Prenatal Screening Program, in 2017-18. The Senate also approved one position and expenditure authority from the Genetic Disease Testing Fund of \$2.69 million (\$769,000 state operations and \$1.92 million local assistance) in 2017-18, and \$137,000 state operations annually thereafter, to implement additional newborn screening requirements for mucopolysaccharidosis and Pompe disease required pursuant to SB 1095 (Pan), Chapter 363, Statutes of 2016.
- **Health Facility Licensing and Certification.** The Senate took the following actions for the Department of Public Health's (DPH) Licensing and Certification Division:
 - Approved expenditure authority from the Licensing and Certification Program Fund of \$1.1 million annually to augment the state's licensing and certification contract with Los Angeles County to account for general salary increases approved by the county's Board of Supervisors of three percent in October 2016, two percent in October 2017, and two percent in April 2018.
 - Approved expenditure authority from the Internal Departmental Quality Improvement Account of \$2 million in 2017-18, 2018-19, and 2019-20, to execute quality improvement projects and contracts to improve health facility, agency, and professional regulation and oversight.
 - Augmented funding for the Long-Term Care Ombudsman Program by \$1 million in ongoing funds from the State Health Facilities Citation Account.
- **Women, Infants, and Children (WIC) Program.** Approved Women, Infants, and Children (WIC) program expenditures of \$1.2 billion (\$1 billion federal funds, and \$236.7 million WIC manufacturer rebate funds), in 2017-18 and corresponding caseload of 1,130,793 WIC participants in 2017-18.

- **Public Health Emergency Preparedness.** Approved 88.3 positions (76.8 conversion from limited-term and 11.5 new positions), expenditure authority of \$11.8 million federal funds annually, and placeholder trailer bill language to continue public health emergency preparedness activities pursuant to requirements in state and federal law.
- **Childhood Lead Poisoning Prevention Program IT Project Planning.** Approved one position and expenditure authority from the Childhood Lead Poisoning Prevention (CLPP) Fund of \$480,000 in 2017-18, and \$158,000 annually thereafter, to conduct required Project Approval Lifecycle analyses to upgrade the electronic blood lead testing information system serving the Childhood Lead Poisoning Prevention program.
- **Youth Tobacco Enforcement.** Approved conversion of nine expiring limited-term positions to permanent and \$1.1 million reimbursement expenditure authority to continue tobacco retailer inspections and other activities to prevent tobacco sales to children, pursuant to a contract with the U.S. Food and Drug Administration.
- **Preventing Healthcare Associated Infections in Facilities.** Approved six positions and expenditure authority from the Licensing and Certification Program Fund of \$991,000 annually to the Healthcare-Associated Infections (HAI) program to increase public education, track strategic performance measures, and support the HAI Advisory Committee.
- **Demographic Data – Asian-American, Native Hawaiian, Pacific Islander (AB 1726).** Approved 2.5 positions and expenditure authority from the Health Statistics Special Fund of \$326,000 in 2017-18, \$316,000 in 2018-19, and \$314,000 annually thereafter, for DPH to include additional separate data collection categories and other tabulations for specified Asian-American, Native Hawaiian, and other Pacific Islander subgroups pursuant to the requirements of AB 1726 (Bonta), Chapter 607, Statutes of 2016.
- **Certified Copies of Vital Records: Electronic Application (AB 2636).** Approved two permanent positions and expenditure authority from the Health Statistics Special Fund of \$257,000 in 2017-18, \$253,000 in 2018-19 and 2019-20, and \$127,000 in 2020-21, for DPH to implement acceptance of electronic acknowledgments for requests for certified copies of birth, death, or marriage records, pursuant to AB 2636 (Linder), Chapter 527, Statutes of 2016.
- **Mental Health Services Act Fiscal Reversion.** Adopted placeholder trailer bill language to clarify the requirements of counties to revert Mental Health Services Act revenues to the state for reallocation. The Senate's language would enact the following provisions to the extent they are not considered an amendment to the Mental Health Services Act: 1) hold counties harmless for reversion prior to 2017-18; 2) extend the reversion period from three to five years for small counties; 3) require DHCS, with stakeholder input, to develop procedures and guidance for counties to provide clarity regarding the amounts of MHSA funds subject to reversion; 4) allow counties to revise annual revenue and expenditure reports; and 5) establish an MHSA Reversion Fund.

HUMAN SERVICES

Department of Social Services. The Senate's budget plan includes the following actions:

- **In-Home Supportive Services (IHSS).**
 - **IHSS CCI.** The Senate adopted placeholder trailer bill that would significantly mitigate the impact on counties of cost shifts in the IHSS program due to the ending of the Coordinated Care Initiative. The plan would contribute \$400 million General Fund to counties in 2017-18, and then smaller amounts in future years, as realignment revenues grow. The Vehicle License Fee growth from the Health, County Medical Services Program, and Mental Health Subaccounts would provide additional resources for IHSS to offset General Fund costs. The maintenance-of-effort (MOE) structure would remain, rather than a share-of-cost structure, with a new base for county costs and an annual inflation factor to be phased in; and collective bargaining is returned to the counties and maintains the 35 percent county share of negotiated increases and proposes that the state participation cap always be \$1.10 above the hourly minimum wage set in statute, among other provisions. In addition, a report reevaluating the effects of this proposal on 1991 Realignment and the IHSS MOE structure is due two years after these changes go into effect.
 - **IHSS Overtime Exemptions.** The Senate approved \$1.65 million General Fund to codify existing exemptions for live-in family care providers and extraordinary circumstances, and to ensure that IHSS providers and recipients are aware of existing exemptions and have some options for recourse if they are denied.
- **CalWORKs.**
 - **Single Allocation.** The Senate augmented funding for the Single Allocation by \$100 million dollars to mitigate impacts of proposed reductions to counties, and adopted placeholder trailer bill language to direct the Department of Social Services to work with counties and advocates on the revision of the Single Allocation budgeting methodology.
 - **Outcomes and Accountability.** The Senate adopted placeholder trailer bill language to develop a new outcomes and accountability review system to foster continuous quality improvement in the program.
 - **Statewide Fingerprinting Image System (SFIS).** The Senate eliminated SFIS for savings of approximately \$8 million in 2017-18, as it has been proven that it is inefficient, and there are other, extensive identity verification and duplicate aid avoidance measures that now protect applicant information and program integrity.
 - **Online CalWORKs Assessment Tool (OCAT).** The Senate provided \$3.7 million General Fund in 2017-18 to begin integrating OCAT with the State Automated Welfare System (SAWS) in order to get better data on the needs of recipients.

- **CalFresh.**
 - **ABAWD waiver.** The Senate adopted placeholder trailer bill language that would aim to protect Able-Bodied Adult Without Dependents (ABAWDs) from the expiring federal waiver.
 - **Safe Drinking Water Pilot.** The Senate approved \$5 million General Fund one-time for a three-county supplemental nutrition benefit pilot to bring relief to CalFresh families impacted by unsafe drinking water.
- **Immigration Services.** The Senate augmented funding for Immigration Services by \$45 million ongoing over the next three years. The Senate also approved placeholder trailer bill language to ensure that a variety of affirmative immigration remedies, like naturalization, are readily available throughout the state, and that state-funded legal counsel is properly resourced to continue their work to ensure immigrants have a fair chance in immigration court.
- **Food assistance.** The Senate approved \$6 million additional General Fund ongoing for CalFood, which provides additional flexibility to food banks.
- **Child Welfare Services.**
 - **Child Care for Foster Children.** The Senate approved \$31 million General Fund ongoing to increase access to child care for foster parents and enable a larger pool of families to become foster parents.
 - **Psychotropic Medication Review and Public Health Nurses.** The Senate approved \$3.8 million General Fund ongoing to fund public health nurses and \$81,000 General Fund ongoing to provide a centralized medical review service of requests for authorizations of psychotropic medications for foster youth.
 - **Foster Youth Pregnancy Prevention.** The Senate approved \$2.9 million in 2017-18 and \$2.58 million General Fund ongoing to help prevent unintended pregnancies among foster youth.

Department of Aging. The Senate's budget plan includes the following actions:

- The Senate approved \$4 million General Fund ongoing to augment existing Senior Nutrition Programs.

Department of Developmental Services (DDS).

The Senate's budget plan includes the following actions:

- **Proposed Safety Net Plan.** The May Revision included \$21.2 million (\$7.5 million one-time General Fund; \$13.7 million other funds) increase to fund various components of the department's *"Plan for Crisis and Other Safety Net Services in the California Developmental Services System,"* released on May 13, 2017. This plan is intended to ensure safety net services are available to persons in crisis or who are otherwise difficult to serve and is a component of the Administration's

overall plan to close the state developmental centers (except for the Secure Treatment Program at Porterville Developmental Center). The Senate reduced the proposed funding by \$1 million General Fund in order to send the proposal (along with associated proposed trailer bill language) to the Conference Committee on the Budget in order to afford the public additional time to review and comment on the plan and for the Administration to provide additional detail on their proposal.

- **Disparities.** Building on last year's legislative action to provide \$11 million General Fund annually to address disparities in the regional center service delivery system, the Senate took the following additional actions:
 - Augmented by \$5.6 million General Fund (\$10.3 million total funds) to remove the cap on respite services, effective January 1, 2018.
 - Adopted trailer bill language to clarify that regional centers should consider if insurance benefits are available and appropriate as part of the individual family services plan process.
 - Required the department to annually post relevant information on their website in any year where disparity grant funding is available.
- **Home and Community-Based Services Policy Directives (HCBS).** Rejected the Administration's proposal that they be authorized to issue "directives" in lieu of using the regulatory process. This bypassing of the regulatory process, which provides for public review and comment, was rendered unnecessary when the federal Centers for Medicare and Medicaid Services extended the transition period for states to comply with the new HCBS rules until March 1, 2022.
- **Paid Internships.** Modified the Administration's proposed trailer bill language in order to smooth the transition to competitive integrated employment for persons participating in the paid internship program.
- **Regional Center Performance Contracts.** Modified the Administration's proposed trailer bill language to require that regional centers report on employment outcomes as a part of their performance contract obligation, by clarifying that the department may include any performance objective in the contract that is necessary to ensure regional centers are compliant with state law and regulations.
- **Rate Adjustments.** Adopted trailer bill language to require the department to convene a working group to consider a simplified process for providers seeking rate adjustments and to report on the workgroup process and product during the 2018 budget process.
- **Community Placement Plan (CPP) Funding.** Modified the Administration's proposed trailer bill language to expand the use of CPP funding in order to ensure these funds are used to reflect the goals of addressing community system gaps and emerging needs.
- **Regional Centers Adjustments.** The Senate approved the Administration's updated budget for regional centers of \$6.1 billion (\$3.6 billion General Fund) in the current year; and \$6.4 billion (\$3.8 billion General Fund) in the budget year. This includes the following adjustments:

- \$31.7 million decrease (\$19.3 million General Fund decrease) in the current year, and \$33.6 million decrease (\$20.6 million General Fund decrease) in the budget year, reflecting actual costs associated with the minimum wage increase on January 1, 2016.
- \$29.8 million increase (\$14.2 million General Fund increase) in the current year, \$29.8 million increase (\$14.2 million General Fund increase) in the budget year, reflecting a decrease in savings associated with the transition of behavioral health treatment services to the Department of Health Care Services (DHCS).
- \$10.5 million net increase (\$6.2 million General Fund increase) in the current year, and \$1.8 million (\$1.1 million General Fund) in the budget year, reflecting updated expenditure estimates for wage and administrative cost increases for regional centers and community providers related to AB X2 1 (Thurmond), Chapter 3, Statutes of 2016.
- \$5.2 million decrease (\$3 million General Fund decrease) in the current year due to actual expenditures coming in lower-than-projected for Alternative Residential Model four-bed rate adjustments.
- Various additional adjustments related to Behavioral Health Treatment (BHT) services, including:
 - \$14.8 million General Fund increase in the current year, and \$16.5 million General Fund increase in the budget year, to cover the loss of federal funding for BHT services to children without an autism diagnosis.
 - \$7.1 million General Fund increase in the current year to backfill unrealized federal reimbursements for children who transitioned to the Department of Health Care Services but continued to receive BHT services through the regional centers on a fee-for-service basis due to the lack of required recommendation from a physician or psychologist.
 - \$1.3 million (\$1 million General Fund) increase in the budget year to fund 0.5 psychologist positions at each regional center to make required recommendations for BHT services, necessary to enable DHCS reimbursements.
 - \$7.4 million increased reimbursement authority in the budget year from DHCS for BHT services provided on a fee-for-service basis.
 - \$3.3 million General Fund reduction in the budget year based on the BHT transition to the DHCS schedule for consumers without an autism spectrum disorder diagnosis, starting January, 2018.
- **Developmental Centers.** Approved the Administration's updated budget for developmental centers of \$540 million (\$376 million General Fund) in the current year; and \$466 million (\$348 million General Fund) in the budget year. This includes the following adjustments:
 - \$10.1 million (\$7.6 million General Fund) increase in the current year, and \$10.5 million (\$7.8 million General Fund) increase in the budget year, for a new memorandum of understanding with various bargaining units.

- \$5.7 million (\$3.0 million General Fund) increase to reflect a slower-than-anticipated reduction in developmental center population resulting in the need to keep open one additional intermediate care facility unit and 50.5 positions, and associated operating expenses and equipment for an additional nine months.
- \$7.4 million (\$5.7 million General Fund) increase to correct errors made in the new zero-based, facility-based budgeting approach first implemented for the January budget.
- Transfer of the Community State Staff Program and \$8.3 million increase in reimbursement authority from the developmental center budget to headquarters.
- \$3.7 million General Fund increase for preliminary plans, working drawings, and construction of a new groundwater nitrate removal system at Porterville Developmental Center.
- **Headquarters.** Approved the Administration's updated budget for department headquarters of \$52.7 million (\$34.8 million General Fund) in the current year; and \$61.4 million (\$35.3 million General Fund) in the budget year. This includes the following adjustments:
 - **Information Security and Privacy Support.** Approved Administration's proposal for \$398,000 (\$317,000 General Fund) increase and three positions to monitor, train, advise, and support security activities at headquarters, the developmental centers, and the regional centers for compliance with state and federal information security and privacy laws.
 - **Fiscal and Program Research Unit.** Adopted trailer bill language to require the department to report annually during budget hearings on the status of research projects conducted by the Fiscal and Program Research Unit; research priorities in the upcoming fiscal year; and how research is being applied to departmental decision-making and service provision.
 - **Housing Development Oversight.** Approved the Administration's proposal for \$597,000 (\$554,000 General Fund) for four permanent positions to oversee the development of permanent community housing by regional centers and added supplemental report language to require the department to report once on housing development and funding policies and guidelines, how unmet needs and local priorities will be assessed, and how the department will monitor housing development; and report annually on approved housing projects and net impact on the availability of housing for regional center consumers.

State Council on Developmental Disabilities (SCDD). The Senate approved as budgeted.

STATE ADMINISTRATION AND GENERAL GOVERNMENT

The Senate budget plan includes proposals to increase transparency and governmental efficiency, and augmentations in key areas.

- **Information Technology.** The Senate approved funding for several projects, including:
 - **Department of Insurance's Menu Modernization Project – Year 4.** The committee approved a one-time increase of \$2.1 million (Insurance Fund) to support four positions and two temporary help positions to complete year four implementation of its project to replace and upgrade its legacy menu and integrated database.
 - **Department of Insurance Fraud Data Analytics Software.** The committee approved two positions and a General Fund appropriation of \$1.9 million in 2017-18, and \$728,000 in 2018-19 through 2020-21, to develop a data analytics tool to help investigate fraud.
 - **Secretary of State's California Business Connect.** The committee approved \$2.4 million (Business Programs and Modernization Fund) to continue implementing 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.
 - **Secretary of State's CAL-ACCESS.** The committee approved a one-time augmentation of \$5.5 million and two positions to design and develop a campaign finance and lobby activity electronic reporting and disclosure system to replace the current CAL-ACCESS system. The CAL-ACCESS system provides limited summary financial information of state candidates, donors, and lobbyists.
 - **Department of Consumer Affairs BreEZe System.** The committee approved \$19.8 million (Special funds) in 2017-18 for the continued support of BreEZe maintenance and operations and to fund credit card processing fees. The committee also approved \$1.3 million (Special funds), on a three year limited-term basis, to fund ten positions to conduct business process reviews boards and bureaus within the department. According to the department, these ten positions will help prepare BreEZe Relase 3 boards and bureaus for the transition to a new information technology system.
- **Veterans Affairs.** The committee acted on a number of items to improve the maintenance, administration, and functioning of the state's Veterans Homes system; veterans' services and claims; and the state's oversight of the 57 county veteran service offices.
 - **Veterans Homes.**

- **Capital outlay.** Approved various improvements to the Yountville Veterans Home including: \$14.2 million (\$6.2 million lease-revenue bonds and \$7.9 million federal funds) for the renovation of the steam distribution system; \$11 million (\$4.4 million lease-revenue bonds and \$6.6 million federal funds) for the renovation of the chilled water distribution system; and \$14.9 million (\$5.5 million Veterans Homes Bond Fund and \$9.4 million federal funds) for the renovation of the central power plant.
- **Staffing.** Approved the redirection of 46.5 existing positions, \$4.7 million (General Fund), an augmentation of 12.1 positions in 2017-18, and 20.5 positions and \$868,000 (General Fund) annually thereafter, for the Greater Los Angeles and Ventura County Veterans Home. The funding will be used to convert 84 transitional housing program beds to the skilled nursing level of care. The positions will be used to staff the new skilled nursing units.
- **Admissions and Administration.** Approved trailer bill language that would make changes to the admissions priorities and administration of the veterans' homes, most notably prioritizing veterans with a greater than 70 percent service-connected disability for admission. This action will bring more federal dollars into the state, and help serve those veterans who have sacrificed the most.
- **District Offices.** Rejected a decrease of \$1.7 million (General Fund) that would have eliminated 16 positions that assist in processing claims for federal veteran benefits and increase oversight of county veterans service officers at three district offices (Los Angeles, Oakland, and San Diego).
- **Military Department.** The committee approved \$670,000 (General Fund) to support the Work for Warriors program. The committee also approved seven capital outlay proposals, totaling \$186.9 million (\$2.6 million Armory Fund, \$8.9 million General Fund, \$8.9 million federal funds, and \$166.6 million lease-revenue bond funds) to support the following projects:
 - **Consolidated Headquarters Complex.** \$141.9 million (lease-revenue bond funds) for the design-build phase of the continuing consolidated headquarters complex project in Sacramento.
 - **San Diego Readiness Center Renovation.** \$3.8 million (\$1.9 million General Fund and \$1.9 million federal funds) for the second phase of construction to modernize the main armory building.
 - **Santa Cruz Armory Renovation.** A re-appropriation of \$4 million (\$2 million General Fund, \$2 million matching federal funds) for the performance criteria and design-build phase.
 - **Escondido Armory Renovation.** A re-appropriation of \$4 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.
 - **Eureka Armory Renovation.** A re-appropriation of \$5.6 million (\$2.8 General Fund, \$2.8 million matching federal funds) for the performance criteria and design-build phase.

- **Advanced Plans and Studies.** \$300,000 (\$150,000 General Fund and \$150,000 federal matching funds) for architect-engineering services to develop conceptual designs and validated cost estimates for future capital projects.
- **Discovery ChalleNGe Academy Dining Facility.** A re-appropriation of \$2.6 million (Armory Fund) to construct a joint-use dining facility at the Army National Guard Base in Lathrop, California. The project will provide a 9,800 square foot dining facility that will serve 200 cadets enrolled in the new National Guard Youth ChalleNGe Program, the Army National Guard units stationed on the base, and soldiers stationed at the nearby Stockton Airfield.
- **National Guard Readiness Center: Los Alamitos.** \$24.7 million (lease-revenue bond funds) for the construction phase of project at the Joint Forces Training Base in Los Alamitos.
- **Secretary of State (SOS).** The committee approved the Governor's proposal for three positions and a three-year limited-term funding increase of \$463,000 (Special Deposit Fund) to implement a new model for elections in California. In addition to the Governor's proposal the committee provided an additional year of funding to allow the SOS to conduct oversight of this new model through the 2020 election.
- **Department of Business Oversight.** The Senate plan consolidates several programs within the Department of Business Oversight (DBO). The proposal would combine the supervision of California Business and Industrial Development Corporations (BIDCO), Industrial Banks, and Savings and Loan programs, and put them all under the licensing and supervision of Banks and Trust Companies program. In addition, the Senate provides:
 - \$1.7 million (special funds) and 11 permanent positions to enable the department's broker-dealer and investment advisor activities to expand the examination cycle. The resources will allow the department to expand examinations to more licensed entities and enforce regulatory requirements.
 - \$1.2 million (special funds) and three permanent positions in 2017-18 to develop and start-up the Student Loan Servicing Office. Long-term costs will be funded by fees and assessments on loan servicer licensees.
- **Office of Emergency Services.** The committee approved the addition of budget bill language that would require the Office of Emergency Services to report to the Joint Legislative Budget Committee on the open projects and funding for the California Disaster Assistance Act (CDAA). This action will provide more transparency and legislative oversight of funding for the CDAA program.

The committee also approved reductions in CDAA funding to reflect Executive Order B-40-17 which lifted the Governor's previous drought declaration in all but four counties. However, additional funding was provided to assist those four counties still under a drought declaration. Specifically, the proposals included:

- **State Operations Center.** The Senate approved a reduction of \$3.5 million to reflect the removal of funding for the state operations center drought response activities.
- **Tree Mortality.** The committee approved a reduction of \$28 million CDAA funding that was scheduled to be used for tree mortality activities.
- **Drinking Water.** The committee approved the elimination of \$22.2 million requested for drinking water. However, the Senate also approved one-time funding of \$6.5 million for counties still affected by the drought. These funds will continue to provide water tanks, water tank refills, and tank storage and sanitization.
- **Department of General Services Infrastructure.** The committee approved language that eliminated the \$300 million deposit to the State Building Infrastructure Fund (SPIF) that was planned for 2017-18. The funding was to be used to partially fund new state buildings, consisting of the O Street Building, Resources Building and Capitol Annex.

The committee approved funding for several infrastructure projects, including:

- **State Printing Plant.** \$909,000 (General Fund) to fund the preliminary plans phase of the state printing plant demolition project. The project will begin the process to demolish and clear the 17-acre property of any hazardous materials to prepare it for new office space development in a future year.
- **R Street Parking Structure.** \$1,660,000 (Service Revolving Fund) for the acquisition phase of the Sacramento Region R Street Parking Structure project. The Senate also approved language that would authorize the department to enter into an agreement with the Capitol Area Development Authority for the financing of the facility and allow the use of the California Infrastructure and Economic Development Bank Infrastructure Program.
- **Investment in the Arts.** The committee approved an ongoing \$6 million General Fund for programs designed to serve populations and communities, who are underrepresented in the arts and, generally, have reduced access to arts programs. The committee also approved an ongoing \$800,000 for a reentry/bridging pilot project to facilitate and expand arts programs to assist an inmate's transition from incarceration into the community, and prevent an individual on probation, parole, or post-release community supervision, from being incarcerated. This funding was provided in the 2016-17 budget, but was one-time funding.

CANNABIS REGULATION

The Senate's budget plan includes the following actions related to the implementation of a cannabis regulatory framework:

- Rejected Governor's January proposal for the Board of Equalization (BOE) and approved a revised request and funding for BOE on a three-year limited-term basis. Based on a recalibration of vacancies and personnel, the Administration revised its 2017-18 request from \$5.4 million and 22 positions, to \$2.7 million and 3.9 positions, and the redirection of \$2.5 million and 16.1 vacant positions. The revised three year resources for the BOE include \$851,000 in 2018-19, and \$744,000 in 2019-20.
- Approved all other Governor's budget and May Revision cannabis proposals on a three-year limited term basis, including:

- **Governor's Budget Proposals**

- **Department of Consumer Affairs (DCA).** \$22.5 million for DCA in 2017-18. Specifically, the proposal includes 82 positions and \$12 million for licensing and enforcement; 38 positions and \$5.4 million to address workload increases in DCA's Division of Investigation and administrative staff to support the bureau; and \$5.1 million for the implementation of an information technology (IT) solution that would provide licensing and enforcement functions.
 - **Department of Public Health (DPH).** \$1 million for DPH in 2017-18. Specifically, the proposal includes \$1.4 million for an IT application for licensing medical cannabis manufacturers. The proposal also includes the redirection of three positions and \$410,000 for licensing medical cannabis testing laboratories to the Bureau of Marijuana Control.
 - **California Department of Food and Agriculture (CDFA).** \$22.4 million for CDFA in 2017-18. Specifically, the proposals includes \$16.9 million and 13 positions for implementation of the Track and Trace IT project; 3.5 positions to enforce measurement standards; three year limited-term funding of \$5.5 million and 34.3 positions for licensing and enforcement activities.

- **May Revision Proposals**

- **Department of Fish and Wildlife (DFW).** \$17.2 million from multiple fund sources and 63 positions for DFW to support the development and implementation of the regulatory programs by the CDFA and the State Water Resources Control Board (Water Board). The department will consult on fish and wildlife considerations related to the development of regulations and guidelines by CDFA and the Water Board, provide law enforcement to support regulatory compliance efforts, and issue Lake and Streambed Alteration Permits, or notifications that a

permit is not needed, for each proposed cannabis cultivation site. Beginning in 2018–19, the department’s General Fund appropriation level will be adjusted upward consistent with the requirements of Proposition 64.

- **Water Board.** \$9.8 million from multiple fund sources and 65 positions (increasing by \$3.7 million and 20 positions in 2018-19) to develop a statewide water quality permit and expanded water rights registration process for cannabis cultivation. These resources will allow the Water Board to expand its water quality permitting program statewide, develop interim and long-term instream flow policies, process water right registrations, and enforce cannabis-related water rights.
 - **Department of Pesticide Regulation.** \$1.3 million Cannabis Control Fund to develop and update guidelines for pesticide use on cannabis, prepare training programs and outreach materials to inform cultivators and protect workers during the cultivation and harvesting processes, and evaluate requests for Special Local Needs pesticide registrations. In 2018–19 and 2019–20, the allocation increases by \$1 million annually for County Agricultural Commissioners to provide training, outreach, and education to industry regarding the proper and safe use, handling, and disposal of pesticides at cultivation sites.
 - **Cannabis Control Appeals Panel.** \$1 million Cannabis Control Fund and eight positions to provide the necessary resources for the operations of the Appeals Panel to effectively review all appeals related to cannabis licensing decisions.
 - **Bureau of Cannabis Control.** \$664,000 Cannabis Control Fund and five positions for environmental impact review activities as required under the California Environmental Quality Act.
 - **Department of Public Health.** \$9.3 million Cannabis Control Fund to implement cannabis manufacturer regulations, licensing, enforcement, training, and information technology activities by the January 1, 2018, statutory deadline. Provisional language is also proposed to provide DPH flexibility to increase resources if the licensing workload is higher than estimated.
 - **Department of Food and Agriculture -** \$3.9 million Cannabis Control Fund and 10 positions for required environmental impact review activities. The funding also will support information technology projects and cooperative agreements with County Agricultural Commissioners for cannabis cultivation licensing, inspection, and enforcement.
- Added budget bill language for the Bureau of Cannabis Control to allow them to augment their resources by up to 10 positions upon notification of the Joint Legislative Budget Committee.
 - Added budget bill language to require the departments implementing new cannabis-related IT projects - DCA, CDFA, and DPH - to provide legislative staff with quarterly briefings on the status of these projects.
 - Adopted place holder trailer bill language.

FINANCIAL MANAGEMENT

The state has numerous financial activities in which it engages for purposes of program activities, to meet its cash flow needs and conduct various budgetary and long-term borrowing. In addition, the state is now in a position to more robustly fund its reserve. These activities are detailed below.

- **Statewide Measures.** The Senate adopted trailer bills that addressed administrative and clarification matters including elimination of the fiscal recovery fund and transfer of remaining funds distributed to counties and the state, establishing a revolving expenses account for the State Public Works Board, and reducing lease-revenue bond authority.
- **State Treasurer's Office.** The committee approved a number of items intended to upgrade and improve the functioning of the State Treasurer's Office (STO), including:
 - **Debt Management System.** The Senate continued funding in 2016-17 of \$5.8 million (bond funds) for the STO's debt administration and management system, and approved budget bill language (BBL) for a reallocation of funding to align with system implementation.
 - **Data and Government Transparency.** The Senate approved temporary funding of \$0.8 million (reimbursements) for the STO's initiative to provide additional accessible web-based data regarding state and local debt data, economic incentive programs, debt documents, financial awards, and state bond details.
 - **Information Security.** The Senate plan includes \$0.3 million (General Fund) for additional security tools for its cyber-risk management program and security defense systems.
- **State Treasurer's Boards, Commissions and Authorities.** The committee addressed several issues related to the functioning of several state board, authorities and commissions, specifically;
 - **California Secure Choice Retirement Savings Investment Board (CSCRSIB).** The Senate approved a General Fund loan for CSCRSIB to provide start-up resources for the board and the California Secure Choice Retire Savings Investment Program. The proposal includes budget bill language that would allow for the transfer of \$15 million of the loan to the board in the budget year, with additional loan augmentations, for a total amount not to exceed \$35 million. In addition, trailer bill language is proposed clarifying the implementation of the program with respect to federal requirements.
 - **California Tax Credit Allocation Committee (CTCAC).** Approved additional funding from developer fees for the administration of compliance monitoring for affordable rental housing as well as authorized 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 additional efficiency in the use of the LIHTC.
 - **California Debt and Investment Advisory Commission (CDIAC).** The Senate approved funds for CDIAC to track and report on all outstanding state and local debt. In addition, an

augmentation of \$0.2 million (special funds) was approved to offset the growth in workload associated with mandated activities.

- **California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA).** The Senate approved funding of \$3.7 million (rate payer funds) for the budget year for the administration of the California Hub for Energy Efficiency Financing pilot programs.
- **State Controller's Office (SCO).** The committee approved base funding for the agency and acted on a number of items intended to upgrade and improve the functioning of the SCO, including:
 - **State Government Reporting.** The Senate approved \$1.1 million (General Fund and special funds) for eight positions to continue to implement annual financial reporting requirements, including the Comprehensive Annual Financial Report and the Budgetary and Legal Basis Annual Financial Report.
 - **Local Government Oversight.** The Senate plan includes \$1.1 million (largely reimbursements) for oversight of local governments' financial transactions, monitoring and analyzing financial data to evaluate stress, and conduct audits and evaluations.
 - **Personnel and Payroll Workload and Systems.** The Senate plan 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.
 - **Financial Information System for California (FI\$Cal)** The SCO received funding of \$1.5 million (General Fund) for FI\$Cal implementation of control functions, and \$1.2 million (General Fund and other funds) for FI\$Cal implementation of vendor management program, and \$1.1 million (General Fund and other funds) for FI\$Cal implementation of state government reporting.
 - **Unclaimed Property Program.** The SCO received \$2.9 million (special funds) and 23 positions ongoing to manage and maintain the security portfolio, pay securities claims, and sell securities within the allotted time frame. In addition, the Senate adopted supplemental report language requiring the department to suggest efficiency alternatives for the program.
 - **Information Technology Items.** The Senate approved several items for the SCO related to technology programs including \$1 million (General Fund and special funds) for information security, \$0.3 million (reimbursements) for electronic claims processing, \$3 million (General Fund and special funds) in limited-term funding to begin the process for implementing a new state payroll system, and \$1.3 million (General Fund and special funds) for replacing the current travel expense reimbursement system.
 - **Property Tax Postponement Program.** The Senate approved \$0.4 million (special fund) and three limited-term positions to administer the property tax postponement program for senior citizens and citizens with disabilities.
 - **Other SCO Issues.** The Senate approved additional funding of \$0.4 million to address workload associated with audits for grant awards from the safe neighborhoods and schools

fund. In addition, \$0.6 (General Fund and special funds) was appropriated for personnel reclassification costs.

- **Financial Information System for California (FI\$Cal).** The Senate approved budget bill language that would allow for an increase in Department of Financial Information System for California (FI\$Cal) for unanticipated customer service costs and equipment purchases. The augmentation would occur upon approval of the Department of Finance (DOF) and notification of the Joint Legislative Budget Committee. The plan also revises the amount cited in C.S. 8.88, corresponding with FI\$Cal's budget, and specifies allowable assessments to special funds and non-governmental cost funds for employee compensation and staff benefits.
- **Governor's Office of Business and Economic Development (GO-Biz).** The Senate plan incorporates several proposals related to Go-Biz, including:
 - **California Competes Tax Credits.** The Senate plan includes \$1.2 million (General Fund) for one year staffing to continue to administer the for California Competes tax credits. The program credits are available for award through the budget year.
 - **California Small Business Development Center (SBDC).** The Senate plan approves a requested \$2 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.
 - **Sustainable Freight.** The Senate plan includes \$0.2 million (special funds) to allow for the hiring of a coordinator to implement the sustainable freight action plan and establish a steering group to evaluate and pursue alternative strategies.
- **Franchise Tax Board (FTB).** The Senate plan incorporates the following changes to the budget for the FTB, which is responsible for administering the state's personal income taxes, the corporation tax and few additional programs.
 - **Earned Income Tax Credit.** The Senate approved \$2 million for education and outreach efforts related to the California Earned Income Tax Credit (EITC) that was implemented in the 2015 tax year. The funds are directed to be used for education and outreach, as they were in the current year.
 - **Court-Ordered Debt Collection.** The FTB received additional funding of \$1.1 million (special funds) for court-ordered debt payment activities, converting limited-term positions to permanent, limited-term funding for additional positions, and working down a backlog of cases.
 - **Tax Check-Offs.** The Senate plan includes trailer bill language that suspends the minimum contribution requirement for the 2016 tax year to allow the fund to remain on the personal income tax return.
 - **California Competes Reviews.** The Senate plan includes \$1.7 million (General Fund) in 2017-18 for FTB to administer its required activities under the California Competes Tax Credit (CCTC) program. FTB is required to review every business with a contact that has over \$2 million in gross receipts, in order to confirm compliance with the credit agreement.

- **Board of Equalization (BOE).** The BOE received additional funding for several areas of tax and fee collection that it administers, as well as new programs.
 - **Implementation of Proposition 64.** As part of the implementation of regulation of marijuana, the BOE will receive additional funding, as described in the stand-alone section.
 - **Board Member Budgets.** The Senate plan adopts budget bill language establishing separate line item authority for the board, along with trailer bill language related to board activities.
 - **Centralized Revenue Opportunity System (CROS).** The Senate budget includes a funding for its continued work on CROS for the budget year. For 2017-18, the appropriation is for \$30 million (General Fund) and special funds and 65.4 positions. Resources are distributed in the following areas: business management, contract management, organizational change management, technical management, and project management.
 - **Cigarette and Tobacco Products.** The Senate plan includes \$286,000 (special funds) in 2017-18, to administer recent legislation regarding the Cigarette and Tobacco Products Licensing program. The additional resources will address ongoing overtime in the areas of: outreach, registration, account renewal, payment processing, refunds and account close-outs, enforcement, and administrative support.
 - **Lead Acid Batteries.** The Senate includes \$1.2 million (special funds) and 3.1 positions in 2016-17, \$837,000 and 6.3 positions in 2017-18 ongoing (special funds), to implement and administer the Lead-Acid Battery Recycling Act. The new program and its ongoing administration includes registration, return process, collections, audits, appeals, refunds, allocation and other functions
 - **Implementation of Proposition 56.** The budget calls for \$6.9 million and 40.9 positions in 2017-18, to implement and administer the California Healthcare, Research and Prevention Tobacco Tax Act. The measure increased the tax on cigarettes by \$2 per pack and expanded the definition of tobacco products. The positions include auditors, tax technicians, business tax specialists and representatives, attorneys, and compliance specialists.
 - **Invested Property.** The Senate plan includes trailer bill language that excludes from the sales and use tax the transfer of vested property by a pawnbroker to a person who pledged the property to the pawnbroker as security for a loan. The transfer must occur no more than six months after the property is vested and there is proof that sales tax was originally paid.

- **Budgetary and Other Debt Repayment.** The Senate plan incorporates an aggressive pay-down of budgetary debt through the Proposition 2 mechanism, and shifts a payment under the Proposition 2 debt payment umbrella. Compared to the Governor's plan, his shift results in an increase in the amount of special loans paid down in 2017-18 from \$252 million to \$347 million. The \$603 million for Proposition 98 settle-up is reduced to \$516 million under the Senate plan. The additional payment of \$427 for state employee pensions is maintained, but is a direct payment to CalPERS rather than a payment on the loan proposed by the Administration. The Senate did not approve the loan for a CalPERS prepayment.
- **State Reserve Funds.** The Senate plan devotes a substantial amount of resources to budgetary reserves. There is a deposit of \$1.8 billion to the Budget Stabilization Account (BSA), bringing the expected balance on this account to \$8.5 billion for 2017-18. In addition, the Special Fund for Economic Uncertainties (SFEU) will be \$2.7 billion, over \$1 billion higher than the Administration's. Total reserves under the Senate plan would be \$11.2 billion. The Senate approach would permit for the use of additional resources in situations that fall short of a fiscal emergency, but are still unexpected based on cause or magnitude.

LOCAL GOVERNMENT

The Senate plan takes a number of steps in the local government area, largely consistent with the Governor's proposals, and makes revisions to the proposal for the suspension of mandates and funding of local mandate claims.

- **Commission on State Mandates.** The Senate approved the Governor's plan to fund mandates related to public safety and property taxes, at a cost of \$34.5 million. The Senate acted to suspend numerous mandates that have been suspended in prior years, and deferring other mandates, for a savings of almost \$985.1 million. The committee approved trailer bill language to improve and tighten up the Reasonable Reimbursement Methodology for local government mandate claims. The plan also funds the Post-Election Manual Tally mandate.
- **Transitional Housing Grants.** The Senate adopted language loosening the statutory guidelines for access to \$25 million in grants to local governments as a means of addressing costs associated with locating transitional housing. The changes will allow for provision of services to residents at the facilities.
- **Local Government Census Work.** The Senate approved \$7 million in grant authority to local governments that are to be used for participation in the Census Bureau's Local Update of Census Addresses (LUCA) program. The program will be administered by the Department of Finance and will provide grants ranging from \$7,500 to \$125,000 for local governments to review and update the master address lists used to conduct the decennial census. In addition, language was approved to allow the hiring of a director for the program.
- **Los Angeles County Measure H.** The Senate plan includes trailer bill language that will address technical issues related to the collection of the district sales and use tax imposed by voters in Los Angeles County to address homelessness. The changes will ease the administration of that add-on tax.
- **Veteran's Housing and Homelessness Prevention Program.** The Senate approved a baseline increase of \$903,000 (Housing for Veterans Funds) and six permanent positions for the Veterans Housing and Homelessness Prevention Program (VHHP), as well as \$75 million in Local Assistance funding, consistent with previous budget years.
- **Bond Re-appropriation and Project Completion.** The Senate approved a re-appropriation of \$50.8 million for the Infill Infrastructure Grant (IIG) Program; a re-appropriation of \$10 million in local assistance funding for the Veterans Housing and Homeless Prevention (VHHP) Program; and a liquidation period extension for the Housing Related Parks Program (HRPP). These re-appropriations and liquidation extensions will allow multiple previously-funded housing projects to reach completion, and provide sufficient funding for a new round of grants for infill development projects.

- **No Place Like Home Program.** The Senate approved a General Fund loan of \$1,576,000 to the No Place Like Home program to allow the program to meet administrative cost requirements during completion of a legally required bond validation process. This includes \$500,000 for the State Treasurer's Office and \$25,000 for the California Health Facilities Financing Authority to assist in the bond validation and issuance process. This will allow the program to continue program development activities while the bond validation process is completed. The General Fund loan will be repaid from bond proceeds upon issuance of the bonds.

TAXES AND REVENUES

The Senate budget plan incorporates the following assumptions regarding state revenues and local property tax revenues:

State General Fund Revenues. The Senate's plan includes revenues estimated by the Legislative Analyst's Office (LAO) that are expected to be about \$975 million higher than the Administration's May Revision in the current year, and about \$81 million lower in the budget year, for a two-year difference of about \$900 million. The difference between the LAO and the Administration is largely based on assumptions regarding the personal income tax. The LAO forecasts healthy growth in taxable wages over the next few years, largely due to increased wages as a result of tightening labor markets. In addition, the LAO forecast includes a short-term boost in capital gains realizations and associated taxes. LAO's personal income tax forecast is \$1.2 billion higher than the Administration's over the two years, corporation taxes about \$671 million lower, and sales and use taxes \$344 million higher.

Local Property Taxes. The Senate budget plan includes estimates by the LAO of property tax revenues that offset Proposition 98 General Fund spending. The LAO forecasts property tax revenues that will offset General Fund education spending will grow 6.1 percent in 2016-17 and five percent in 2017-18. This reflects the LAO's economic forecast, which indicates that home prices will continue to increase along with housing permits. Local property K-14 tax revenue is forecast to be \$19.7 billion in 2015-16, \$20.9 billion in 2016-17, and \$21.9 billion in 2017-18. The LAO assumes assessed value growth rates of six percent in 2015-16, 5.5 percent in 2016-17 and 5.6 percent in 2017-18. The revenues derived from these assumptions that benefit the General Fund by offsetting the state's obligation to satisfy the Proposition 98 vary somewhat from the Administration's. LAO's estimated offsetting property tax revenues are higher by about \$100 million in 2016-17, \$170 million in 2018-19 and \$244 million in 2019-20.

PUBLIC SAFETY

The Senate took action to reduce the prison population and the cost of the state's prison system by expanding parole opportunities; providing additional support for high-risk parolees; ensuring that the California Department of Corrections and Rehabilitation (CDCR) maintains its current level of programs; and improving the outcomes for youth in the state's juvenile justice facilities.

- **Medical Parole, Elderly Parole, and Compassionate Release.** The Senate budget includes efforts to reduce the prison population and save General Fund by placing into statute federal court orders related to the creation of an elderly parole process and the expansion of both medical parole and compassionate release. Specifically, the budget includes:
 - The statutory creation of an elderly parole process that allows inmates over 60 years old, who have served 20 years of their sentences, to be considered for parole by the Board of Parole Hearings.
 - The expansion of compassionate release to include people who are medically incapacitated, including individuals suffering from dementia.
 - The expansion of medical parole to allow individuals who are medically incapacitated to be cared for at home if they have adequate healthcare and family members who are able to provide the necessary care.
- **Proposition 57.** The Senate approved a net savings of \$38.8 million General Fund in 2017-18, growing to a savings of approximately \$186 million General Fund in 2020-21, related to Proposition 57. In addition, the budget includes \$6.7 million General Fund for the cost related to Proposition 57. The Senate also approved trailer bill language requiring CDCR and the Department of Social Services to work toward pre-enrolling eligible inmates in the CalFresh and Supplemental Security Income (SSI) program prior to their release. Finally, the Senate approved trailer bill clarifying that criminal justice reforms under Proposition 36 (2012) and Proposition 47 (2014) apply to people confined at a state mental hospital if the individual is no longer a danger to public safety.
- **Preserved Rehabilitation Programming for Inmates.** The Senate continued \$5.5 million General Fund, ongoing, for restorative justice and offender responsibility programming targeted at long-term offenders.
- **Inpatient Psychiatric Treatment.** The Senate budget approves the proposal to shift responsibility for inpatient psychiatric programs for inmates from the Department of State Hospitals (DSH) to CDCR, as urged by the federal court. However, the budget requires that DSH and CDCR meet with stakeholders to come to agreement on key provisions prior to making the transfer.

- **Rehabilitation Programs for Youth in the State’s Juvenile Justice Facilities.** The Senate budget includes three measures designed to reduce the high rate of recidivism among youthful offenders who serve time in the state’s juvenile justice facilities. Specifically, the budget includes:
 - The requirement that CDCR provide innovative programming grants using existing resources to increase volunteer programs in the juvenile facilities.
 - The addition of two community resource manager positions, one for the facility in Ventura and one for the two facilities in Stockton. The job of the community resource manager is to design and implement innovative programs and to work with the surrounding community to increase community support for programming inside the facilities.
 - The expansion of funding for the California Arts Council’s JUMP StArts program to increase programs in the community and provide arts programming at the state’s three juvenile facilities. JUMP StArts grants support arts education programs for youth in the local juvenile justice system by funding artists-in-residence who work with juveniles in juvenile justice facilities, schools, and communities to teach them various forms of art from music to performing arts to visual arts. In addition, the artists-in-residence bring in other community artists to work with the juveniles on various art forms.
- **Increased Investment in Assisting Inmates as They Transition from Prison Back to Their Communities.** The Senate doubled the positions and funding of the Governor’s proposal to permanently continue the case management reentry program (CMRP), which is designed to provide intensive case management services to address homelessness, joblessness, mental illness, and developmental disabilities among parolees in five counties. This augmentation should allow the program to expand to an additional five counties and potentially serve over 1,000 high-risk parolees per year.
- **Jail Visitation.** The Senate adopted trailer bill language requiring that those county jails that provide video visitation, must also provide in-person visitation – in keeping with the goals of public safety realignment. In addition, the budget includes a mechanism to provide funding to assist with retrofitting those jails that do not have the physical space to provide in-person visitation.
- **Jail Construction Funding.** The Senate budget reduces the funding available through SB 844 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2016, by \$85 million and provides the Health Care Facilities Financing Authority with \$85 million in lease-revenue bond authority to provide grants to counties to build infrastructure for mental health treatment for both adults and children.
- **Limitations on Local Contracts with the Federal Government for Immigration Detention.** The Senate budget places a moratorium on contracting with the federal government to hold people during civil immigration proceedings by prohibiting local governments from either expanding existing contracts or entering into new contracts with the federal government to detain immigrants in civil immigration proceedings.

JUDICIAL BRANCH AND DEPARTMENT OF JUSTICE

Judicial Branch. The Senate largely approved the Governor's budget proposal to provide approximately \$3.5 billion for the judicial branch. The budget generally maintains the same level of funding as the 2016-17 budget.

- **Dependency Counsel.** The Senate increased funding for dependency court attorneys in 2017-18, and ongoing, by \$22 million General Fund.
- **Legal Services Funding.** The Senate increased funding in the Equal Access Fund for legal services in 2017-18, and ongoing, by \$30 million General Fund.
- **Class Action Residual Funding.** The Senate adopted trailer bill language requiring that 25 percent of residual settlement funding from class action lawsuits be directed toward providing funding for legal services and 25 percent directed toward Judicial Council grants to support collaborative courts.
- **Trial Court Security.** The Senate budget eliminates funding to augment the approximately \$558 million in realignment revenue provided to county sheriffs to fund trial court security.

Department of Justice (DOJ). The Senate approved the Governor's budget proposals to provide \$890 million (\$220 million General Fund) for the Department of Justice. This represents a \$64 million increase over the 2016-17 budget.

- **Legal Resources for Federal Actions.** The Senate approved the Governor's request for \$6.5 million General Fund and 31 positions to address new legal workload related to various actions taken at the federal level that impact public safety, healthcare, the environment, consumer affairs, and other constitutional issues. In addition, the Senate augmented that proposal by expanding the role of the Attorney General to include monitoring the treatment of immigrants being detained in California.
- **DNA Testing.** The Senate budget includes a \$15 million augmentation to continue to fund DOJ's DNA testing labs. The DOJ labs provide forensic laboratory support and analysis for all out of 58 of California's counties, including the testing of rape kits.

LABOR

The Senate provided significant resources to address backlog of labor cases, and to combat wage theft and labor law violations. The Senate's budget plan includes the following actions:

Department of Industrial Relations (DIR)

- Approved 11 positions and \$1.7 million special funds in 2017-18, 25 positions and \$3.4 million special funds in 2018-19, with 19 positions and \$2.6 million special funds ongoing, to fulfill the provisions of recently chaptered legislation including:
 - Assembly Bill 1066 (Gonzalez), Chapter 313, Statutes of 2016: Phase-In Overtime for Agriculture Workers
 - Assembly Bill 1978 (Gonzalez), Chapter 373, Statutes of 2016: Property Service Workers
 - Senate Bill 693 (Hueso), Chapter 774, Statutes of 2016: Workforce Expansion
 - Senate Bill 1001 (Mitchell), Chapter 782, Statutes of 2016: Immigrant Workers Document Protections
 - Senate Bill 1063 (Hall), Chapter 866, Statutes of 2016: Equal Pay – Race and Ethnicity
 - Senate Bill 1167 (Mendoza), Chapter 839, Statutes of 2016: Indoor Heat Regulations
- Approved 73 additional positions and \$14.71 million in 2017-18 (\$13.6 million ongoing) from the Workers' Compensation Administration Revolving Fund to implement and meet the ongoing requirements of Senate Bill 1160 (Mendoza), Chapter 868, Statutes of 2016, and AB 1244 (Gray), Chapter 852, Statutes of 2016.
- Approved six positions and \$923,000 one-time for 2017-18 from the Federal Trust Fund for the Division of Apprenticeship Standards (DAS) to expand the number of opportunities for Californians to gain employable lifetime skills and provide employers with a highly skilled and experienced workforce. DAS aims to register 6,000 new apprentices, including women and underrepresented apprentices; and engage 100 non-traditional industry sponsors from advanced manufacturing, information technology, healthcare and transportation for potential apprenticeship program development.
- Approved a three year phase-in and an increase of 31 positions and \$4.6 million in 2017-18, 58.5 positions and \$8.6 million in 2018-19, 82.5 positions and \$11.6 million in 2019-20, and \$11.4 million ongoing from the Labor Enforcement and Compliance Fund to combat wage theft and labor law violations. Additionally, the Senate adopted placeholder trailer bill language to addresses many investigative and administrative process inefficiencies that encumber the division staff in their investigations, enforcement actions, and payment of final wage judgments to workers.

- Approved seven positions and \$805,000 in 2017-18, and \$759,000 in 2018-19, from the Labor and Workforce Development Fund and placeholder trailer bill language to increase public works enforcement and registration compliance. Additionally, the Senate adopted supplemental reporting language on (1) changes in the amount of contractor registration fees collected; (2) the estimated effect of any efforts to increase compliance with the contractor registration fee, including outreach to awarding bodies and other steps to increase awarding body accountability for ensuring contractor registration; (3) what adjustments are necessary to the level of the contractor registration fee in order to support ongoing public works enforcement costs and repay the State Public Works Enforcement Funds (SPWEF) outstanding loans to other funds; and (4) the feasibility of shifting support for the prevailing wage determination function back to the SPWEF.
- Adopted 13 positions, 10 of which will be safety engineers, and an augmentation of \$2.5 million in 2017-18, and \$2.4 million ongoing, to the Occupational Safety and Health Fund for the Division of Occupational Safety and Health to expand the existing Process Safety Management non-refinery inspection program from 45 annual Program Quality Verification inspections to a total of 113 inspections annually.

California Department of Human Resources

- Adopted trailer bill language to clarify the statutory methodology used to calculate annual salary adjustment for state judges and justices, which is based on the average salary growth of civil service state employees.

Employment Development Department (EDD)

- Approved an augmentation of \$791,000 General Fund, \$791,000 Disability Insurance/Paid Family Leave (DI/PFL) funds and 12.5 positions (5.4 temporary position equivalents and 7.1 permanent position equivalents) in 2017-18 and 2018-19, and \$407,000 General Fund, \$407,000 DI/PFL funds, and 7.1 permanent position equivalents in 2019-20 and ongoing, to conduct mandated Tax Appeal Program functions in order to keep up with the incoming workload, reduce the high level of pending appeal caseload, and provide timely due process for California's employers who appeal their payroll tax liabilities and reserve account charges as assessed by EDD.
- Approved one-time \$4 million in special funds, and 15 positions, and a redirection of \$3.16 million in special funds and 15 positions in 2017-18, to complete stage two of the project approval lifecycle for its Benefit Systems Modernization Project.

California Workforce Investment Board

- Approved \$5 million and one position from the Road Maintenance and Rehabilitation Account, State Transportation Fund for 2017-18 through 2021-22, to implement pre-apprenticeship training programs, focused on formerly incarcerated, women, and minorities, in support of Senate Bill 1 (Beall) Chapter 5, Statutes 2017 projects. The Senate also adopted budget bill language to encourage collaboration regarding pre-apprenticeship programs between the California Department of Corrections and Rehabilitation, CalTrans and the board.
- Approved \$59 million in state-level discretionary federal Workforce Innovation Opportunity Act funding in 2017-18, a \$6.8 million decrease relative to 2016-17. This decrease reflects a reduction

in available federal funding. Additionally, the Senate modified funding for the Regional Workforce Accelerator Program for a total of \$4.8 million, and the Sling Shot Program for a total of \$7.7 million.

Public Employment Relations Board (PERB)

- Approved an increase of \$750,000 General Fund in 2017-18 and 2018-19, \$620,000 in 2019-20, and \$590,000 in 2020-21 and ongoing, to provide the appropriate level of permanent funding to support all existing permanent positions, reduce existing backlogs, and improve PERB's timeliness for issuance of resolutions and case determinations.

California Public Employees' Retirement System (CalPERS)

- Adopted newly adopted state employer contribution rates resulting in total state costs of \$473.85 million, a decrease of \$100.56 million from the \$574.41 million included in the Governor's budget. Of the \$100.56 million decrease, the General Fund is \$67.23 million, special funds are \$19.31 million, and other nongovernmental cost funds are \$14.02 million. Additionally, the Senate approved CalPERS' fourth quarter deferral be reduced by \$14.12 million General Fund from the Governor's budget to reflect the changes in retirement rates. The net effect of these changes on the General Fund is a decrease of \$53.11 million in fiscal year 2017-18 compared to Governor's budget.
- Rejected the Administrations proposed changes to Control Section 4.20, which sought to have all administrative expenses of CalPERS health care program to be paid through the Contingency Reserve Fund (CRF), regardless of health plan. The Senate approved a one-month reserve for the CRF.