



SENATE COMMITTEE ON BUDGET & FISCAL REVIEW
State Capitol – Room 5019
Sacramento, CA 95814

SENATOR HOLLY J. MITCHELL, CHAIR

**UPDATE TO THE
FINAL ACTION REPORT**

October 4, 2017

The purpose of this report is to provide an update to the Final Action Report, which was published on July 20, 2017. The Final Action Report summarizes the actions taken by the Legislature and Governor in the 2017 Budget Act and related trailer bills. This update summarizes the budget-related actions taken by the Legislature and Governor after June 27, 2017 through September 15, 2017.

If you have additional questions, please contact the committee at (916) 651-4103.

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Summary

By June 15, 2017, the Legislature had completed its work on the budget and approved AB 97 (Chapter 14, Statutes of 2017), and AB 120 (Chapter 22, Statutes of 2017), both signed by the Governor on June 27, 2017, and SB 108 (Chapter 54, Statutes of 2017), signed by the Governor on July 10, 2017. These measures constitute the 2017 Budget Act, thus fulfilling the requirements of the California Constitution. The details of the 2017 Budget Act, and the budget trailer bills necessary for its implementation, are detailed in the Final Action Report of the Senate Committee on Budget and Fiscal Review, released on July 20, 2017.

Since the 2017 Budget Act was adopted and signed in June, there have been various policies adopted related to human services, transportation, resources, public safety, general government, education and cap-and-trade that the Legislature addressed as part of the budget process. In addition, as in any year, the 2017 Budget Act and certain trailer bill legislation have benefited from subsequent legislative action to add clarifications and, in some cases, to make various amendments. This Update to the Final Action Report provides a record of the various pieces of budget-related legislation adopted subsequent to June.

As part of this post-June process, the Legislature approved, and the Governor signed, SB 113 (Chapter 181, Statutes of 2017), AB 109 (Chapter 249, Statutes of 2017), and AB 134 (Chapter 254, Statutes of 2017), to become components of the 2017 Budget Act. These subsequent pieces of legislation provide various clarifications, additions, and technical corrections to the main budget bills for certain departments and programs. In addition, six budget trailer bills were adopted during the post-June process.

Subcommittee No. 1 on Education

Update to K-12 Education

6100 DEPARTMENT OF EDUCATION

Child Care and Early Education

- Budget revisions extend the use of additional state preschool slots provided in 2017-18, that remain unused after first being offered to local educational agencies (LEAs) for full-day programs, to non-LEAs and LEAs for part-day programs.
- The budget revision clarifies provisions related to eligibility requirements for subsidized child care, including updating the family fee schedule, and calculation of the state median income. It also adjusts the date by which the Department of Finance must provide updated data to the Department of Education to March 1, from May 1, of each year.

K-12 Education

- The budget revision adds language that extends the establishment of the California-Grown Fresh School Meals Account in the Special Deposit Fund to allow for the donation of funds for the purposes of the program from one year to three years (through fiscal year 2019-20).
- The budget revision provides \$2.2 million in lease revenue bond funding for ongoing capital projects at the Riverside School for the Deaf to allow for project close-out and payment of delayed claims and extends the authority for the liquidation of funds for ongoing capital outlay projects at the Riverside School for the Deaf through June 30, 2020.
- Budget language repeals a requirement that funds for education-related purposes from Proposition 56 tobacco tax revenue be used for existing tobacco education programs if legislation specifying an alternative use is not chaptered by October 15, 2017, in order to make funds immediately available for existing tobacco education programs.
- The budget revision makes technical amendments to clarify that the updating of guidelines by the Energy Commission related to implementing Proposition 39, the Clean Energy Jobs Act, is exempt from the Administrative Procedures Act.
- Additional legislation adds language to clarify that funding provided for the After School Education and Safety Program is to be used to increase per pupil rates and maximum grant amounts.
- Adjusts funding amounts for a variety of K-12 education-related programs to reflect changes in federal grant award amounts.

Update to Higher Education

6440 UNIVERSITY OF CALIFORNIA

6610 CALIFORNIA STATE UNIVERSITY

6980 CALIFORNIA STUDENT AID COMMISSION

- The revised budget provides an additional \$1 million General Fund and \$2 million General Fund for the University of California and the California State University, respectively, to be used for the California Dream Loan Program.
- The revised budget provides \$7 million one-time Proposition 98 General Fund for community colleges to provide emergency student aid to AB 540 (Firebaugh), Chapter 814, Statutes of 2001, students who apply for financial aid using the Dream Act Application. Funds will be distributed to colleges that request funding, and will be based on the number of AB 540 students. Colleges will be required to report on the number of students served and the amount of financial aid provided.
- Additional legislation clarifies that community college students pursuing a baccalaureate degree under the Baccalaureate Degree Pilot Program are eligible to receive a California Community College Completion Grant, if they are on track to receive a degree.
- Additional legislation updates the 2017-18 statutory appropriation for the Middle Class Scholarship Fund to \$96 million based on estimated caseload for the program.
- Additional legislation amends the Every Kid Counts College Savings Program by removing the requirements for the matching grant program, and instead provides the Scholarshare Investment Board the authority to determine program structure. The board is required to report the Department of Finance and the Joint Legislative Budget Committee on the program before funds are appropriated.

Education Budget and Budget Trailer Bills

1. *Education – AB 129 (Committee on Budget), Chapter 250, Statutes of 2017.*
2. *Budget Bill – AB 109 (Ting), Chapter 249, Statutes of 2017.*
3. *Budget Bill – SB 113 (Budget and Fiscal Review Committee), Chapter 181, Statutes of 2017.*

Higher Education Trailer Bill

1. *Education Finance – AB 129 (Committee on Budget), Chapter 129, Statutes of 2017.*

Subcommittee No. 2 on Resources, Environmental Protection, Energy and Transportation

Update Cross-Cutting Issues

Cap-and-Trade Expenditure Plan: Multiple Departments. Includes various appropriations and actions associated with the 2017 cap-and-trade expenditure plan, as follows:

- Appropriates \$1.5 billion from the Greenhouse Gas Reduction Fund (GGRF), including:
 - \$900 million from the Air Resources Board (ARB), as follows: 1) \$85 million for grants, rebates, and incentives for agricultural equipment, trucks, and tractors to reduce agricultural sector emissions; 2) up to \$140 million for the Freight Equipment Advanced Demonstration and Pilot Commercial Deployment Project, including projects for ships at berth and including provisional language prohibiting purchase of fully automated cargo handling equipment; 3) up to \$180 million for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program, including at least \$35 million for buses and provisional language requiring ARB to consider technology innovations in engines and market demand; 4) up to \$140 million for the Clean Vehicle Rebate Program, including provisional language to require the ARB to work with the secretary of labor and Workforce Development Agency to develop procedures for certifying manufacturers of vehicles included in the program are fair and responsible in the treatment of workers, and language that sets income limits consistent with Health and Safety Code Section 44274.3; 5) up to \$100 million for the Enhanced Fleet Modernization Program and Plus-Up Pilot Project, replacement of school buses, Clean Vehicle Rebate Project rebates for low-income applicants, and light-duty equity projects pursuant to SB 1275 (de León), Chapter 530, Statutes of 2014; 6) up to \$5 million for technical assistance grants for community organizations; and, 7) up to \$250 million to local air districts for the Carl Moyer Program and to incentivize clean trucks in accordance with ARB's Proposition 1B Guidelines.
 - \$26 million to the Natural Resources Agency for urban greening programs.
 - \$11 million to the Strategic Growth Council within the Office of Planning and Research for research grants focused on reducing carbon emissions, including clean energy, adaptation, and resiliency.
 - \$10 million to the Office of Planning and Research for the Transformative Climate Communities Program.
 - \$25 million to the Office of Emergency Services for local assistance grants to fire departments in High Fire Hazard Severity Zones.
 - \$5.2 million to the Conservation Corps to backfill a State Responsibility Area (SRA) appropriation.
 - \$66 million to the state Energy Resources Conservation and Development Commission, otherwise known as the California Energy Commission, including \$60 million for grants, loans,

or incentives to food processors to implement projects that reduce greenhouse gas (GHG) emissions and \$6 million for renewable energy projects in the agricultural sector.

- \$294.8 million to the Department of Forestry and Fire Protection, including, \$200 million for fire prevention and forest health within the SRA (including \$5 million for the Conservation Corps), \$20 million for urban forestry programs, and \$74.8 million to backfill a SRA appropriation.
- \$15 million to the Department of Fish and Wildlife for wetland restoration projects.
- \$20 million to the Wildlife Conservation Board for adaptation and resiliency projects and planning.
- \$6 million to the Coastal Conservancy, of which \$4 million is for the Climate Ready Program at State Coastal Conservancy, \$1.5 million is for the Coastal Commission, and \$500,000 is for the San Francisco Bay Conservation and Development Commission.
- \$11.7 million to the ARB for implementation of AB 617 (Cristina Garcia), Chapter 136, Statutes of 2017.
- \$40 million to the Department of Resources Recycling and Recovery for waste diversion and GHG reduction financial assistance programs.
- \$18 million to the Department of Community Services and Development for the Low-Income Weatherization Program, including multifamily, solar, and farmworker projects.
- \$99 million to the Department of Food and Agriculture for dairy digester research and development and alternative manure management.
- Appropriates \$78.3 million associated with the cap-and-trade expenditure plan from other special funds, including:
 - \$1.3 million to the ARB from the Cost of Implementation Account, Air Pollution Control Fund for implementation of AB 398 (Eduardo Garcia), Chapter 135, Statutes of 2017.
 - \$27 million to the ARB from the Air Pollution Control Fund for local air districts' implementation of AB 617.
 - \$35 million to the ARB from the Alternative and Renewable Fuel Vehicle Technology Fund for grants, rebates, and incentives for agricultural equipment, trucks, and tractors in order to reduce agricultural sector emissions.
 - \$15 million to the ARB from the Air Quality Improvement Fund for grants, rebates, and incentives for agricultural equipment, trucks, and tractors in order to reduce agricultural sector emissions.
- Repeals SRA appropriations to the Board of Equalization, Conservation Corps, and Department of Forestry and Fire Protection that total \$95.7 million.

- Adds Section 15.14 to the budget act to provide the Department of Finance with authority to reduce GGRF appropriations proportionately upon a determination that available auction proceeds are not sufficient; exempts administration and allocation of GGRF funds from Administrative Procedures Act provisions; and specifies that the ARB advance grant awards for certain programs.

3360 CALIFORNIA ENERGY COMMISSION

- The budget revision includes \$750,000 and six three-year limited-term positions to implement the requirements of SB 110 (Committee on Budget and Fiscal Review), Chapter 55, Statutes of 2017, which appropriates remaining funds in the Job Creation Fund, as determined by the California Energy Commission as of March 1, 2018, for efforts to improve energy efficiency at local educational agencies.

0521 TRANSPORTATION AGENCY

- The budget revision includes trailer bill language that makes a number of changes to accelerate the delivery of both state and local projects funded through SB 1, expands reporting requirements in SB 1 to require local governments to report on all expenditures of SB 1 funds, not just those for completed projects, and allows the Secretary of Transportation to assume responsibilities under the National Environmental Protection Act of 1969 for railroad, public transportation, and multimodal projects until January 1, 2021.

2660 DEPARTMENT OF TRANSPORTATION

- The budget revision appropriates \$274.5 million in federal funds for a variety of state and local capital projects through the federal August redistribution process, which distributes unused federal highway funding to states with additional need for funding.

2740 DEPARTMENT OF MOTOR VEHICLES

- The budget revision includes \$1.1 million from the Motor Vehicle Account to complete the long-delayed Grass Valley Field Office Replacement project.

Cap-and-Trade, and Transportation Budget and Trailer Bills

1. *Budget Bill – AB 109 (Ting), Chapter 249, Statutes of 2017.*
2. *Budget Bill – SB 113 (Budget and Fiscal Review Committee), Chapter 181, Statutes of 2017.*
3. *Budget Bill – AB 134 (Committee on Budget), Chapter 254, Statutes of 2017.*

Transportation Budget Trailer Bill

1. *Transportation – AB 135 (Committee on Budget), Chapter 255, Statutes of 2017.*

Subcommittee No. 3 on Health and Human Services

Update to Human Services

5180 DEPARTMENT OF SOCIAL SERVICES (DSS)

- The revised budget makes technical and clarifying changes to realignment and bargaining code sections related to In-Home Supportive Services to clarify that 2016-17 sales tax growth will be used to offset IHSS costs, ensure that caseload growth is calculated correctly, and clarify that a county that is above minimum wage can negotiate a wage supplement and specifies how the wage supplement works.
- The revised budget provides \$20 million General Fund to DSS for immigration services funding, which will be made available to existing providers for work on behalf of DACA clients.
- The revised budget clarifies that DSS shall allocate the \$5.4 million General Fund dollars appropriated in SB 89 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2017, in a single payment by the Controller, to the City of San Jose, for purposes of assisting homeless and low-income individuals displaced by the Coyote Creek flooding that occurred in February 2017.

Human Services Budget Trailer Bills

1. *Human Services - AB 130 (Budget and Fiscal Review Committee), Chapter 251, Statutes of 2017.*

*Subcommittee No. 4 on
State Administration and General Government*

Update to State Administration and General Government

0690 OFFICE OF EMERGENCY SERVICES

- The revised budget included trailer bill language to extend the sunset date for the Emergency Management Assistance Compact, an interstate agreement that provides for mutual assistance when responding to emergencies, from March 1, 2018, to March 1, 2023.
- The revised budget appropriates \$2.6 million in reimbursement authority to the Office of Emergency Services to reimburse local fire departments for activities related to the October 2016, Little Valley Fire.

0855 GAMBLING CONTROL COMMISSION

- The revised budget included trailer bill language that exempts the California Gambling Control Commission from the requirement to deny a license when an applicant has been convicted of a felony for the possession of cannabis, when the facts of which would not constitute a felony or misdemeanor under California law on the date the application for a license is submitted.

0870 OFFICE OF TAX APPEALS

- The revised budget addresses various aspects of operations for the Office of Tax Appeals (OTA), which will begin operations January 1, 2018, including:
 - Clarifying the date of which the OTA will assume responsibility for all decisions regarding appeals under its purview;
 - Restating the ability of taxpayers to have representation of their choosing, as well as establishing an option for a closed hearing;
 - Specifying the restriction of the director's duties to administrative tasks not related to appeals decisions;
 - Reconfirming that OTA is not to be construed as a tax court;
 - Clarifying other administrative processes of OTA.

0890 SECRETARY OF STATE

- The revised budget included trailer bill language to appropriate a total of \$350,000 to the Secretary of State for voter outreach and education, and to study outcomes of all-mailed ballot elections.

7600 DEPARTMENT OF TAX AND FEE ADMINISTRATION

- The revised budget corrects a language issue regarding the backfilling of General Fund costs associated with the sales tax exemption on manufacturing equipment purchases from available moneys in the Greenhouse Gas Reduction Fund. The revised language clarifies that the backfill through 2022 is limited to the costs of the expanded portion of the credit (including for various energy-related equipment), and from 2022 through 2030, includes the cost of the exemption from all industries.

7730 FRANCHISE TAX BOARD

- The revised budget corrects the formula for calculating the credit amount under the state Earned Income Tax Program and clarifies the reversion of the zero minimum contribution amounts for voluntary contributions in tax year 2017, to the previous threshold standard for tax year 2018.

Update to Cannabis Regulation

MULTIPLE DEPARTMENTS: CANNABIS

- The revised budget adopted trailer bill language that makes technical and clarifying changes that are necessary to implement state regulatory requirements consistent with the cannabis trailer bill, SB 94 (Senate Budget and Fiscal Review Committee), Chapter 27, Statutes of 2017. These include:
 - Clarifying that “delivery” also includes the use by a retailer of a technology platform.
 - Clarifying that cannabis businesses can operate both Medical and Adult-use businesses on a single premise.
 - Clarifying that labs may transport samples of cannabis or cannabis products for purposes of testing.
 - Clarifying that the driver of a vehicle “transferring” cannabis or cannabis products must be directly employed by a licensee authorized to “transfer” cannabis or cannabis products.
 - Appropriating \$250,000 from the Cannabis Control Fund to the Cannabis Control Appeals Panel for costs associated with additional members.
 - Specifying that a distributor shall collect the cultivation tax from a cultivator "on all harvested cannabis that enters" the commercial market.

General Government Budget Trailer Bills

1. *Elections: SB 117 (Committee on Budget & Fiscal Review), Chapter 180, Statutes of 2017.*
2. *Taxation: AB 131 (Committee on Budget), Chapter 252, Statutes of 2017.*
3. *General Government: SB 112 (Committee on Budget & Fiscal Review), Chapter 363, Statutes of 2017.*

Cannabis Regulation Budget Trailer Bill

1. *Cannabis: Cannabis Regulation - AB 133 (Committee on Budget), Chapter 253, Statutes of 2017.*

*Subcommittee No. 5 on
Corrections, Public Safety and the Judiciary*

Update to Labor and Public Employment and Retirement

7320 PUBLIC EMPLOYMENT RELATIONS BOARD

- The revised budget clarifies various timelines regarding exclusive representatives' mandatory access to its new employee orientations for public employees. Specifically, the language specifies that the arbitrator selection process must start within 14 days of a party's demand for compulsory interest arbitration, and that the arbitration must be completed within 30 days.

7900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- The revised budget clarifies that elected officials may continue to receive their '37 Act County retirement benefits while they hold public office.

Labor and Public Employment and Retirement Budget Trailer Bill

1. *State Government: SB 112 (Committee on Budget and Fiscal Review), Chapter 363, Statutes of 2017.*

BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Date Chaptered
		Budget Bills	
AB 98	12	Budget Act of 2016	June 21, 2017
AB 97	14	Budget Act of 2017	June 27, 2017
AB 120	22	Budget Act of 2017	June 27, 2017
SB 107	53	Budget Act of 2016	July 10, 2017
SB 108	54	Budget Act of 2017	July 10, 2017
SB 113	181	Budget Act of 2017	August 28, 2017
AB 109	249	Budget Act of 2017	September 16, 2017
AB 134	254	Budget Act of 2017	September 16, 2017
		K-12 and Higher Education	
AB 99	15	Education	June 27, 2017
SB 85	23	Education	June 27, 2017
AB 129	250	Education	September 16, 2017
		Resources, Energy and Transportation	
AB 115	20	Transportation	June 27, 2017
SB 92	26	Resources	June 27, 2017
SB 110	55	Clean Energy Program	July 10, 2017
SB 103	95	Transportation	July 21, 2017
AB 135	255	Transportation	September 16, 2017
		Health and Human Services	
AB 107	18	Developmental Services	June 27, 2017
SB 89	24	Human Services	June 27, 2017
SB 90	25	Public Social Services: 1991 Realignment	June 27, 2017
AB 114	38	Public Health	July 10, 2017
AB 126	65	Health and Human Services	July 10, 2017
SB 97	52	Health	July 10, 2017
AB 130	251	Health and Human Services	September 16, 2017
		State Administration and General Government	
AB 102	16	Tax Agency Reform	June 27, 2017
AB 111	19	State Government	June 27, 2017
AB 119	21	State Government	June 27, 2017
AB 94	27	Cannabis Regulation	June 27, 2017
AB 96	28	State Government	June 27, 2017
SB 88	51	State Government	July 10, 2017
SB 106	96	State Government	July 21, 2017

Bill Number	Chapter Number	Topic	Date Chaptered
SB 117	180	Elections	August 24, 2017
AB 133	253	Cannabis Regulation	September 16, 2017
SB 112	363	State Government	September 28, 2017
		Corrections, Public Safety, Judiciary and Labor	
AB 103	17	Public Safety	June 27, 2017
SB 84	50	Public Employees' Retirement Fund	July 10, 2017