



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

SENATOR MARK LENO, CHAIR

**MAJOR ACTION REPORT**  
May 26, 2015

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 22, 2015. If you have additional questions, please contact the committee at (916) 651-4103.

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## 2015-16 Senate Budget

### Introduction

This document provides a high level summary of major actions that are included in the Senate Committee on Budget and Fiscal Review's version of the 2015-16 budget, as adopted on May 22, 2015. The committee approved various actions on that date that, when combined with the actions taken in the approximately 60 hearings of the five subcommittees, comprise the Senate committee version of the 2015-16 budget act. The Senate committee budget plan carefully balances the need for additional public investment in child care, education, health care and other programs, with the necessity of maintaining the state's fiscal stability through increased reserves and debt reduction. Overall, the Senate committee's budget is structured such that it:

- Fully funds existing programs and commitments.
- Directs new spending to high-impact investments.
- Builds up reserves and pays down debt.
- Uses the best and most timely fiscal information available.
- Factors in the impact on the out-years.

Some of the highlights of the Senate committee plan are listed below and include action that will:

- Benefit educational programs from pre-school through college, including through:
  - Investments of significant resources in early childhood education that will expand capacity, increase rates for services, and ensure a sound budgetary footing for the childcare program.
  - Increased resources for K-12 education directed to the implementation of the Local Control Funding Formula (LCFF), and more funds for educator training and adult education.
  - Additional resources and improvements for the state's higher education programs and segments by adopting incentive grants, greater support services and course sections, and CalGrant expansions.
- Improve California's health care system by targeting certain components, including increasing some Medi-Cal provider rates, restoring certain optional Medi-Cal benefits, and adding funding for specific specialized programs.

- Provide resources for a new state’s Earned Income Tax Credit (EITC), consistent with the Governor’s plan, which will provide a limited refundable tax credit for very low-income, wage-earning families.
- Commit additional resources to build up and improve the state’s court system by providing for additional court resources for judges and dependency courts, and provide correctional services with additional funding for new and better rehabilitation programs to reduce recidivism, and provide additional targeted reinvestment.
- Continue the existing plan to make substantial inroads on reducing California’s budgetary and other debt that are consistent with the Governor’s overall plan, and will succeed in continuing to maintain the state’s firm fiscal footing. The plan fully funds the new reserve fund established through Proposition 2.

**Overall Resources, Expenditures and Reserves**

The General Fund budget summary for the Senate committee’s version of the budget, compared to the Governor’s May Revision, is as follows:

**Senate Budget Committee Version  
General Fund Summary  
(Dollars in Millions)**

	<u>May Revision</u>		<u>Senate Version</u>	
	<b>Revised</b>	<b>Proposed</b>	<b>Revised</b>	<b>Proposed</b>
	<b><u>2014-15</u></b>	<b><u>2015-16</u></b>	<b><u>2014-15</u></b>	<b><u>2015-16</u></b>
<b>Prior Year Balance</b>	<b>\$5,589</b>	<b>\$2,359</b>	<b>\$5,709</b>	<b>\$2,585</b>
Revenues and Transfers	111,307	115,033	112,954	119,911
<b>Total Resources Available</b>	<b><u>\$116,896</u></b>	<b><u>\$117,392</u></b>	<b><u>\$117,056</u></b>	<b><u>\$119,882</u></b>
Non-Proposition 98 Expenditures	64,929	65,892	64,895	66,510*
Proposition 98 Expenditures	49,608	49,416	49,576	50,994
<b>Total Expenditures</b>	<b><u>\$114,537</u></b>	<b><u>\$115,308</u></b>	<b><u>\$114,471</u></b>	<b><u>\$117,504</u></b>
<b>Fund Balance</b>	<b>\$2,359</b>	<b>\$2,084</b>	<b>\$2,585</b>	<b>\$2,378</b>
Reserve for Liquidation of Encumbrances	971	971	971	971
Special Fund for Economic Uncertainties	1,388	1,113	\$1,616	\$1,407
<b>Budget Stabilization Account</b>	<b><u>\$1,606</u></b>	<b><u>\$3,460</u></b>	<b><u>\$1,606</u></b>	<b><u>\$4,220</u></b>

\*Includes \$760 million of unallocated debt repayment.

The Senate committee’s version of the budget includes total General Fund expenditures of \$117.5 billion for 2015-16, an expenditure level which is roughly \$2.2 above the May Revision levels. This amount includes an additional \$760 million pay-down of Proposition 2 debt, and \$1.4 billion in additional program expenditures. The total

represents an increased level of spending (not including the additional expenditures on debt retirement) over that of the May Revision of approximately 1.2 percent.

The Senate committee's version of the budget adopts the LAO's revenue assumptions for 2015-16 of \$116.3 billion, which is \$3.1 billion higher than the May Revision, and somewhat higher property taxes that offset Proposition 98 spending. The Senate committee 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 committee balances these with targeted prudent investments in education, health care, and other areas that will improve the state's human and social capital.

The Senate committee's version of the budget provides for \$5.6 billion in general reserves, comprising combined amounts from Special Fund for Economic Uncertainties (SFEU) plus deposits to the Budget Stabilization Account (BSA). This represents an amount about \$1.0 billion above the reserve totals presented in the May Revision. In addition, under the Senate committee version of the budget, the state would have higher reserves and bigger operating surpluses in the out-years than projected in the May Revision.

### **Expenditure Highlights**

The budget package represents a comprehensive approach to begin restoring essential educational, social service and health programs, while maintaining the state's solid fiscal outlook. Specifically, the Senate committee funding plan provides funding for many of its priorities, especially in the areas of child care, human services, health, and higher education. The architecture for the plan begins with much of the Governor's base level funding, but makes distinctive and important changes in program spending reflecting the Senate committee's priorities.

**Early Education and Childcare.** A centerpiece of the Senate committee plan is reinvestment in the state's childcare system. For child care, the approved plan is to return child care to Proposition 98 as an important component of education. The plan will provide \$280 million for new slots and higher rates. The plan also supplements this with about \$50 million more, for a total budget investment for child care of \$330 million.

- This initiative couples well with the Governor's proposed EITC which provides a refundable tax credit for low-income wage earners.

**K-14 Education.** In K-14 education, the Senate plan for Proposition 98 provides over \$600 million more for K-14 than the Governor's May Revision. The plan includes \$800 million for educator quality and effectiveness (about \$2,700 per teacher/ administrator); maintains \$500 million for adult education, continues to provide one-time funds for mandates/Common Core and augments the Governor's proposed LCFF payments.

**Higher Education.** The Senate committee's Higher Education plan maximizes the state's dollars in opening up opportunities for Californians. The plan:

- For UC, increases enrollment for California residents, and approves the Governor’s proposal to fund UC pension costs. Increases UC nonresident tuition and redirects non-resident institutional aid; and fully funds UC labor centers.
- For CSU, approves the Governor’s augmentation for increased enrollment, support services, course sections; establishes incentive grants; redirects the Governor’s innovation grant funds to deferred maintenance. For CalGrants, restores the cuts for aid for students in private non-profit colleges and increases competitive Cal Grant awards.

**Other Significant Investments.** In other important Senate initiatives, the plan funds additional significant activities and programs:

- For In-Home Supportive Services (IHSS), restores the seven percent cut in hours and implements overtime payments.
- For CalWORKs eliminates the maximum family grant provision and temporarily suspends the 24-month clock.
- For immigration services, provides more funding for non-profits to help undocumented immigrants with required documentation under the President’s deferred action.
- For Medi-Cal sets aside some money to begin work on establishing a larger health program for undocumented persons and provide funds for dental rate increases, and the restoration of optional benefits.
- For developmental services, approves additional community resources associated with developmental center closures and funds targeted rate increases.

The Senate committee plan also reduces caseloads in dependency court cases and provides some additional funding for previously-authorized judicial positions and provides relatively small—but vital—augmentations for other programs, such as support for libraries, arts council, and natural resources programs.

**Overall and Long Term Outlook**

The Senate committee 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 down the road, while ensuring access to health care, higher education, and justice systems. Spending is kept in-check, with all new spending fully paid for from other budgetary savings and/or additional analytically-based revenue estimates. Based on the Legislative Analyst’s Office (LAO’s) revenue assumptions, the Senate committee’s plan includes more debt pay-down, more reserves, and more critical investments for rebuilding California.

The Senate committee's version of the budget is conservative on new spending, pays off debts, and increases the reserves. Preliminary calculations show that, if the committee budget is adopted and the LAO revenue projections materialize, additional dollars could be available for debt payments, reinvestment in services, and reserves in 2016-17 through 2018-19. Since the Proposition 30 taxes are temporary and start expiring at the end of 2016, this is a responsible way in which to fiscally position the state once the temporary taxes end.

Subcommittee No. 1  
Education



## K-12 EDUCATION

The Committee's plan contains significant proposals in the K-12 education area. Based on Legislative Analyst's Office revenue for both the General Fund and property taxes, the plan provides for additional funding of approximately \$520 million above the Governor's proposal in 2013-14 through 2015-16 for K-12 education and an additional \$330 million for early childhood education and child care. Recognizing the historical precedence and significant academic and economic literature that supports that learning begins in the earliest years of life, the Committee returns child care, except for CalWORKs Stage 1, to the Proposition 98 guarantee. In addition, the Committee invests in educator quality and effectiveness, an increase in resources for the LCFF above the Governor's proposal, an installment towards transportation equalization, and a down payment on K-12 unpaid mandate claims.

### CHILD CARE AND DEVELOPMENT

A centerpiece of the Committee's K-12 education plan includes the restructure and return of child care to the Proposition 98 guarantee. Building upon last year's multi-year re-envisioning and reinvestment, the Committee continues to prioritize full-day, high-quality care and improved access, with an additional focus for infants and toddlers slots and for lower-income children with working parents. For the budget year, the Committee's overall \$1.274 billion plan for early childhood education includes the following components:

- **Restructure child care within Proposition 98.** Prior to moving General Child Care into the Proposition 98 guarantee, the Committee augments, by \$50 million, additional investments for child care and high-quality early learning, for a total over \$330 million. These investments include:
- **Regional Market Rate (RMR) and Standard Reimbursement Rate Updates.** The committee approved \$112 million to remove the deficit factor for the current RMR levels (2009 RMR survey, set at the 85th percentile), effective July 1, 2015. In addition to the Administration's \$6 million proposal to increase, by one-percent, the part-day State Preschool rate, the committee approved \$55 million to increase the Standard Reimbursement Rate by 4.4 percent.
- **Addition of 17,500 slots.** Effective July 1, 2015, an additional 13,200 voucher slots (\$110 million) and 4,300 general child care slots (\$54 million), focused on infants and toddlers, will be available for low-income, working families. These slots are in addition to the Governor's 2,500 part-day state preschool slots, which are prioritized for children with exceptional needs.

Then, the Committee plan rebench Proposition 98 for a total of \$994 million (\$664 million in General Fund child care, except for CalWORKs Stage 1, and the additional \$330 million for child care).

## K-12 EDUCATION

The Committee's budget plan allocates additional resources to existing K-12 programs and makes some targeted investments in priority areas. One-time funding is provided to support educators, in addition to reducing the K-12 mandates backlog. The Committee also provides funding for school transportation, technology needs, and career technical education among other programs. Under the Committee proposal, funding for the implementation of the Local Control Funding Formula (LCFF) would also increase.

- **Educator Effectiveness.** The Committee's plan provides \$800 million in one-time 2014-15 Proposition 98 funds to support the development of a high-quality educator workforce. The funds could be utilized for professional development for implementation of state-adopted content standards, beginning teacher and administrator support, educator quality support, such as mentoring, coaching and training, and support for struggling teachers.
- **Unpaid Mandate Claims.** The Committee's plan appropriates almost \$3 billion toward the K-12 mandate backlog (\$325.5 million from 2013-14, \$2.6 billion from 2014-15, and \$82.5 million in Proposition 98 settle-up). The state must reimburse school districts for performing certain state-mandated activities. The state deferred payments for seven consecutive years (2003-04 through 2009-10) on these mandate claims. Since 2012-13, the state has provided ongoing funding for mandates through the Mandates Block Grant, although school districts that choose to not participate in the block grant may still submit mandate claims. In the 2014-15 budget, \$400 million was provided for K-12 mandates claims and combined with the Committee's 2015-16 plan an estimated \$2.5 billion will remain in outstanding unpaid K-12 mandate claims (actual remaining balance will be determined by the State Controller's Office).
- **Local Control Funding Formula.** The Committee's budget plan increases funding for the implementation of the Local Control Funding Formula (LCFF). The Governor's May Revision augmented the January proposal to increase funding for the implementation of the Local Control Funding Formula (LCFF) for a total investment of 6.2 billion in funding; enough to eliminate 53 percent of the remaining funding gap. The Committee proposes to set aside an additional \$276 million in Proposition 98 resources to accelerate the full implementation of the LCFF. These unrestricted resources will provide local educational agencies additional support for various program needs. In addition, the Committee's plan counts additional property taxes in "basic aid" school districts towards the LCFF calculation, resulting in approximately \$100 million in General Fund savings.
- **Home-to-School Transportation.** The Committee provides \$50 million in ongoing Proposition 98 funding as an installment towards equalizing school transportation funding across K-12 educational entities.
- **Career Technical Education Incentive Grant.** The Committee plan maintains the Governor's proposed three-year career technical education incentive grant program and funding of \$400, \$300, and \$200 million for the 2015-16, 2016-17, and 2017-18 fiscal years, respectively, but allocates the funding on a per high school average daily attendance basis, subject to a recipient

meeting the requirements of providing a high-quality career technical education program. This differs from the Governor's proposal of providing funds through a competitive grant with specific input and outcome requirements.

- **Technology Infrastructure.** The Committee plan provides \$75 million in one-time Proposition 98 funds to invest in the technology needs of schools, including \$25 million for internet infrastructure needs of school sites, \$5 million for statewide training on network management, system evaluation, and subsidy access, and \$45 million in grants to LEAs for technology needs. The Governor had provided \$100 million for internet infrastructure.

## HIGHER EDUCATION

The Senate committee's budget plan for higher education expands on the Governor's efforts to reinvest in California's colleges and universities by providing additional funding to increase access and affordability. In addition, the committee's plan restores previous cuts to critical community college programs that provide essential services to disadvantaged students and increased investments for both part-time and full-time community college faculty.

- **Innovation Awards.** Rejected the Governor's proposal for \$25 million in one-time General Fund to create the Awards for Innovation in Higher Education program for the California State University (CSU). Rejected the Governor's proposal for \$25 million in one-time Proposition 98 funds for California Community Colleges (CCC). In lieu of the Governor's proposal, \$24 million General Fund was provided to the CSU to address deferred maintenance needs, \$1 million to revive the freshman eligibility study, and \$25 million to the CCC to address deferred maintenance needs.
- **Library Internet Access.** Approved \$4.2 million General Fund to provide public libraries access to high-speed Internet. This includes \$4 million on a one-time basis for grants to public libraries that require equipment upgrades to connect to a high-speed network. Approved the Governor's proposal for a \$2 million General Fund increase for the Literacy and English Acquisition Program. Provided an increase of \$4 million General Fund for the Library Services Act Loaning and Lending.
- **UC Funding.** Approved the Governor's proposed \$119 million General Fund augmentation to continue the state's reinvestment in the UC, and \$96 million in Proposition 2 funds to help pay down UC pension liabilities. The UC base augmentation is contingent on UC increasing non-resident tuition by 12 percent, increase California resident enrollment by 2,400, and to repurpose non-resident institutional aid to expand academic quality. Approved \$2.5 million to fund the California Dream Loan Program.
- **Research Program Funding.** Restored program earmarks to the UC's budget and augment the funding level for the UC labor centers by \$4 million General Fund, from \$2 million to \$6 million, to better support the centers' research programs.
- **CSU Funding.** Approved a \$320.5 million General Fund augmentation to continue the state's reinvestment in the CSU. This amount is \$163.5 million above the Governor's proposed funding level of \$157 million. Established the Graduation Incentive Grants to help reduce time-to-degree and increase graduation rates. Of the total augmentation, \$75 million was provided to expanded students support services and course offerings at CSU. Approved \$2.5 million to fund the California Dream Loan Program.

- **CSU Enrollment Growth.** Adopted budget bill language requiring approximately three percent enrollment growth for the CSU, which would allow for nearly 10,000 more students.
- **CCC Mandates.** Provided \$557 million Proposition 98 General Fund, including funds available from 2014-15 and 2015-16, to pay down the mandate backlog owed to CCCs.
- **CCC Enrollment Growth.** Approved \$156.63 million Proposition 98 General Fund for enrollment growth based on growth of three percent.
- **Student Success Initiative.** Approved the Governor's proposal for \$230 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This includes: 1) \$115 million to increase orientation, assessment, placement, counseling, and other education planning services for all matriculated students; and, 2) \$115 million to close gaps in access and achievement in underrepresented student groups, as identified in local Student Equity Plans. Adopted budget bill language to provide up to \$15 million for foster youth services, pursuant to SB 1023 (Liu), Chapter 771, Statutes of 2014.
- **Full-time Faculty.** Approved the Governor's proposal to provide \$75 million to increase full-time faculty in Community College districts.
- **CCC Legislative Augmentations.** Approved \$328.6 million Prop 98 General Fund in 2014-15 as investments in community colleges, above those proposed by the Governor, including:
  - Approved one-time matching funds of \$15 million Proposition 98 funds in order to receive a match of private funds to provide adult inmate education and educational services for currently or formerly incarcerated community college students.
  - Approved \$16.5 million in one-time Proposition 98 funds to implement and provide professional development for a statewide baccalaureate degree pilot program, as established in Chapter 747, Statutes of 2014.
  - Approved \$125 million in Proposition 98 funds (\$25 million above the Governor's proposal) for community colleges to address deferred maintenance needs and allowed for the flexibility to use these funds for either deferred maintenance or instructional equipment.
  - Approved a cost-of-living adjustment (COLA) of 1.02 percent or \$2.23 million Proposition 98 General Fund for various categorical programs.
  - Provided \$9 million Proposition 98 funds to the CalWORKs student success categorical to restore the program back to its pre-recession level.
  - Provided \$33.6 million Proposition 98 funds to the Extended Opportunity Program and Services to restore the program back to its pre-recession levels.

- Provided \$49.5 million Proposition 98 funds for adult education consortia data systems, and adopted trailer bill language to require the development of a common data and accountability system for any courses funded under the Adult Education Block Grant.
- Provided an increase of \$3.5 million Proposition 98 funds for part-time faculty office hours to restore the program back to its pre-recession levels.
- **Cal Grant Maximum Award.** Approved \$8 million General Fund to rescind the budget year reduction of 11 percent in the maximum Cal Grant award level for students attending private non-profit colleges and universities and accredited for-profit institutions.
- **Competitive Cal Grant Award.** Approved \$18 million General Fund to increase the number of competitive Cal Grant awards from 22,500 to 30,000.

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

## NATURAL RESOURCES

The budget committee approved funding to provide immediate drought relief through water supply and bond-funded programs, balanced the Environmental License Plate Fund, shifted certain coastal programs to tidelands oil revenue, provided oversight and review to the Underground Injection Program at the Department of Conservation, and funded the disposal of illegal and dangerous fireworks.

- **Environmental License Plate Fund (ELPF).** The budget committee approved changes to ELPF program, including a shift of \$2.5 million from ELPF to tidelands oil revenue for the fourth climate assessment, restoration of \$3 million to the Department of Parks and Recreation from ELPF and inclusion of deferred maintenance as an eligible use of funds, a shift \$1.3 million for the Ocean Protection Council from ELPF to tidelands oil revenue, rejection of the Administration's proposal to increase license plate fees, and a requirement that the Administration work with legislative staff on a broader reform and update of the ELPF program.
- **Underground Injection Program (Department of Conservation).** The budget committee rejected a proposal to add 23 positions to the Underground Injection Program (UIC) and instead approved a like number to the State Water Resources Control Board for continued water quality monitoring. The budget committee approved trailer bill language to: (1) require the Department of Water Resources to provide well completion reports; (2) codify the Water Board's implicit veto power over the Department of Conservation permits that impact water quality; (3) require independent review of the program; and, (4) allow Department of Fish and Wildlife access to open pits and ponds for regulatory purposes. The budget committee also requested the State Auditor review funding and program requirements of the Underground Injection Program.
- **Sea Level Rise, Climate Adaptation and Marine Protected Areas.** The budget committee allocated \$2.5 million directly from tidelands oil revenue, on a one-time basis, for the Climate-Ready grant program, shifted \$2.5 million from the ELPF to tidelands oil revenue for the fourth climate assessment and required that a portion of the research be focused on coastal climate adaptation, approved budget bill language requiring Administration to consider climate adaptation for all infrastructure, capital outlay, and other state investments, including regulatory actions, required all greenhouse gas emission reduction fund grant programs to consider climate adaptation as a secondary benefit, and required the Strategic Growth Council to report to the appropriate budget and policy committees on, or before, January 10, 2016, and annually thereafter, on actions taken by state agencies to prepare the state for climate change impacts.
- **Drought.** The budget committee approved a package of actions to accelerate drought funding (mainly Proposition 1) including:
  1. \$784 million for competitive grants and loans for projects that prevent or clean up contaminated groundwater that serves as a drinking water source;



2. \$475 million for grants and loans for water recycling and advanced treatment technology projects for treatment, storage, conveyance, and distribution facilities;
  3. \$180 million for public water system infrastructure improvements and related actions to meet safer drinking water standards and promote affordable drinking water;
  4. \$160 million for grants for wastewater treatment projects, with priority given to disadvantaged communities and projects addressing public health hazards;
  5. \$100 million for grants for stormwater management projects, including green infrastructure, rainwater and stormwater capture projects, and stormwater treatment facilities;
  6. \$44 million to fund the development of desalination programs in communities with limited fresh water resources to provide regional and local water supply self-reliance and reliability;
  7. \$38 million to provide grants for the development and improvement of groundwater plans.
  8. \$29.8 million for grants and loans for agricultural water management planning and water use efficiency; and,
  9. \$44.9 million for the urban water conservation programs.
- **Tahoe Regional Planning Agency.** The budget committee approved \$325,000 (General Fund) to fund an independent evaluation of the Tahoe Regional Planning Agency's environmental thresholds. Rejected the Governor's proposal to take funds dedicated to the Tahoe Conservancy for this purpose.
  - **California Conservation Corps (CCC) Planning and Programs.** The budget committee approved \$200,000 (General Fund) in 2015-16 to begin to conduct a residential center site selection and search, in order to increase the CCC residential centers. The budget committee rejected the Governor's proposal to fund forest health projects targeted in high fire risk areas of the state under the Forest Health Improvement Projects program from greenhouse gas emission reduction funds and instead funded these with a more appropriate funding source, the State Responsibility Area Fund.
  - **Fireworks Disposal.** The budget committee rejected a May Revision proposal for \$5 million (Toxic Substances Control Account [TSCA]) to dispose of stockpiles of dangerous and illegal fireworks seized in 2014 and anticipated to be seized in 2015. Provisional language was rejected to both allow for the use of TSCA by CalFIRE for this purpose. Instead, the budget committee approved \$3 million (General Fund) for shipment of fireworks to appropriate certified hazardous waste sites and \$500,000 for the Department of Toxic Substances Control and the State Water Resources Control Board to produce a protocol for disposal of these materials within the State of California, and for local agencies to increase incentives to impose penalties on the sale of illegal and dangerous fireworks.

- **Timber Harvest Regulation and Forest Restoration Program.** The budget committee approved several proposals to increase statutory programs under the Natural Resources Agency for timber harvest and forest restoration. The budget committee required the Natural Resources Agency to include an advisory council to review and oversee granting programs, to include public, state agency, and scientific members who are independent of the departments implementing grant programs.
- **May Revision Proposals.** The budget committee rejected several proposals that were submitted late during May Revision. These included: (1) revision to public health goal peer review; (2) changes to the donation levels requiring Department of Finance review for the Department of Parks and Recreation; (3) development of a new geographic information database at the Native American Heritage Commission; (4) shift of repatriation responsibilities for the Repatriation Oversight Commission; (5) a new fee program for automatic extinguishing systems at the Office of the State Fire Marshall; and (6) a shift of financing programs using the American Reinvestment and Recovery Act funding at the California Energy Commission.

## ENVIRONMENTAL PROTECTION

The budget committee approved proposals to enhance the low carbon transportation system, improve pesticide project management, improve oversight and performance at the Department of Toxic Substances Control, prioritize education and the environment, and increase resources to the Underground Storage Tank Cleanup Fund.

- **Cap-and-Trade Programs.** The budget committee approved the Governor's proposal to spend \$350 million from cap-and-trade auction revenues at the Air Resources Board to provide incentives for sustainable freight technology, zero-emission cars, and clean trucks and bus programs, and approved associated administrative positions. The budget committee allocated \$10 million to waste diversion programs at Cal Recycle.
- **Department of Toxic Substances Control Oversight.** The budget committee approved a series of actions designed to improve oversight and management of the department; including allocation of funding for permitting and backlog reductions, implementation of the Exide Enforcement Order, trailer bill language to establish an independent review panel to oversee the department's performance, and reporting language to continue oversight of the department. The budget committee rejected May Revision proposals that did not have sufficient justification; and rejected a proposal to reduce hazardous waste statewide, recommending this proposal move to policy committee.
- **Air Resources Board (ARB) Southern California Consolidation Project.** The budget committee rejected a proposal to begin the process to consolidate and relocate the ARB's existing motor vehicle and engine emission testing and research facility. The ARB proposed initial planning funding includes \$3.8 million (Motor Vehicle Account), \$1.2 million (Air Pollution Control Fund), and \$0.9 million (Vehicle Inspection Repair Fund). The budget committee requested the ARB reconsider its site selection process to be more public and transparent.
- **Implementation of the New Single-Use Carryout Bag Law.** The budget committee rejected the Governor's proposal for \$268,000 in 2015–16, \$264,000 in 2017–18, and \$180,000 ongoing, from the Integrated Waste Management Account, to support one limited-term and two permanent positions, in order for CalRecycle to implement the provisions of SB 270 (Padilla), Chapter 850, Statutes of 2014. The Secretary of State determined that a referendum on this new law qualified for the November 2016 ballot; therefore, this proposal cannot be implemented in the budget year.

- **Pesticide Product Registration Data Management System.** The budget committee approved \$1.9 million (Department of Pesticide Regulation Fund) to develop and implement a fully-integrated information management system for the pesticide product and device registration process. The system will offer online functionality and allow for online submission of registration-related materials and electronic payment.
- **Drinking Fee Regulation.** The budget committee approved trailer bill language to amend the Health and Safety Code to allow the State Water Board to adopt fee regulations, by emergency actions, to ensure an adopted annual fee schedule will generate sufficient revenue to support Safe Drinking Water Program annual budgetary expenditures. This allows the State Water Board, through emergency regulations, the ability to adopt a fee schedule that would fully support the Safe Drinking Water Program.
- **Underground Storage Tank Cleanup Fund.** The budget committee approved approximately \$100 million (multiple special funds) to implement the changes placed into law by SB 445 (Hill), Chapter 547, Statutes of 2014, which took effect immediately as an urgency measure on September 25, 2014, and affects the Underground Storage Tank Cleanup Fund (USTCF) and the California Water Boards Groundwater Cleanup programs.
- **Underground Injection Wastewater—Water Boards.** The budget committee approved \$2.9 million (Oil Gas and Geothermal Administrative Fund [OGGAF]) and 13 positions to perform inventory and enforcement activities for oil and gas-produced water ponds in the Central Valley area. The budget committee approved \$828,000 and six positions; proposed from Waste Discharge Permit Fund; to instead be funded from OGGAF. The budget committee rejected \$3.5 million OGGAF, and 23 positions; proposed for the Department of Conservation to conduct extensive evaluations of the engineering and geologic conditions of aquifers into which injection has been occurring, and shifted these to the State Water Resources Control Board.
- **Education and the Environment Initiative (EEI).** The budget committee approved \$800,000 from the Environmental License Plate Fund to CalRecycle, for an interagency agreement with the Department of Education, to leverage outside funding for the EEI program.
- **Marijuana Cultivation Enforcement Team.** The budget committee allocated \$1.5 million General Fund and 11 two-year, limited-term, positions to continue implementation of a task force and priority-driven approach to address the natural resources damages from marijuana cultivation, primarily on private lands in Northern California, but also in targeted partnerships with DFW on high conservation value state public lands.

## ENERGY AND UTILITIES

The budget committee continued its oversight of the energy and utility ratepayer funds and took action to improve accountability and transparency at the California Public Utilities Commission (CPUC). The budget committee also approved funding for Universal Lifeline Telecommunications and rail and gas safety programs at the CPUC, and energy conservation and alternative fuels programs at the California Energy Commission (CEC).

- **Cap-and-Trade Proposal (Greenhouse Gas Reduction Fund).** The budget committee rejected the Governor's proposal to shift a program for energy efficiency in public buildings to the Department of General Services and instead approved \$40 million for the California Energy Commission (CEC), and expanded the program to include all public buildings. The budget committee approved the Governor's proposals for water and energy efficiency and increased the funding by \$15 million for a total of \$105 million for this CEC and Department of Water Resources-directed program. The budget committee approved the Governor's proposal for \$30 million to the CEC, to be dedicated to rebates for appliances.
- **Continued Oversight and Auditing of the California Public Utilities Commission (CPUC).** The budget committee approved a series of actions designed to provide enhanced oversight and accountability to the CPUC including: (1) reduced the CPUC's state operations budget by \$5 million; (2) adopted trailer bill language requiring the CPUC to notify the JLBC semi-annually of any redirection of funding and/or positions; (3) provided CPUC funds be made available to the California Research Bureau for the purpose of making recommendations, in consultation with appropriate state entities, to make recommendations related to improving oversight, regulation and efficiency of CPUC's duties with regard to energy, communications, transportation and utility safety enforcement and water; (4) adopted budget bill language that prohibits the CPUC from redirecting any of the approved audit positions and any existing base positions in these audit areas; and, (5) adopted trailer bill language to provide that Office of Ratepayer Advocate's legal resources within its existing budget be used for attorneys that administratively report to the Office of Ratepayer Advocates.
- **Universal Lifeline Telecommunications Program.** The budget committee allocated \$142.8 million for local assistance from the Universal Lifeline Telephone Service Trust Administration Fund to address a new and increased subscribership for wireless service plans by California Lifeline participants. The additional funding would allow eligible households to subscribe to discounted, affordable, and sustainable wireless service plans that include voice, text, and Internet access.
- **Safety Division.** The budget committee allocated \$405,000 (Public Utilities Commission Reimbursement Account [PURA]) and three positions in the Risk Assessment Unit in the Safety and Enforcement Division to ensure that investor-owned energy utilities have adequate risk management protocols and are investing in safety. The budget committee allocated \$2.8 million (Federal Trust Fund) in federal funding for fixed-rail safety programs.

- **Alternative and Renewable Fuel and Vehicle Technology Programs.** The budget committee approved baseline authority for 15 permanent positions and \$2 million from the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVT), to support the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP) and the Zero Emission Vehicle (ZEV) Action Plan.
- **Vulnerability of Fueling Infrastructure for the Transportation Sector to Climate Change.** The budget committee approved one two-year limited-term position and \$1.8 million in one-time Petroleum Violation Escrow Account (PVEA) funding, for a total request of \$1.9 million; to support an evaluation of the vulnerability of the fuel infrastructure for the transportation sector (e.g., refineries, pipelines, marine terminals, underground storage tanks, and fueling stations) to climate change impacts.
- **Public Goods Charge Ramp-Down.** The budget committee approved the reduction of 25 positions and \$2.3 million from the Public Interest Research, Development, and Demonstration Fund (PIER), and the Renewable Resource Trust Fund (RRTF), through the Public Goods Charge (PGC) for the Renewable Energy Program and the Public Interest Energy Research Program (PIER). This proposal is in response to the sunset of the authority to collect the Public Goods Charge on January 1, 2012. As a result, the PGC program is undergoing a multi-year phased staff reduction.
- **Siting Fee Authority to Power Plant Certifications.** The budget committee approved statutory fee authority to reimburse the Energy Commission for costs associated with processing petitions to amend power plant certifications. The fee would not change the existing certification fee. The Governor's proposal would add a fee of \$5,000 for amendments to applications, plus actual cost recovery for the commission's work.
- **Energy Conservation Assistance Account (ECAA).** The budget committee allocated \$1.5 million and six permanent and five limited-term positions (Energy Conservation and Assistance Account [ECAA]) to support the ECAA program. The budget committee also approved the use of greenhouse gas emission reduction funds for administration of the program, as appropriate.
- **International Relations Senior Advisor on Greenhouse Gas Emission Reduction.** The budget committee allocated \$133,000 from the Energy Resources Program Account, on a one-time basis, to coordinate work with other jurisdictions, including but not limited to, China, Israel, Japan, and Mexico.
- **American Reinvestment and Recovery Act.** The budget committee rejected a May Revision \$11 million from Federal American Recovery and Reinvestment Act (ARRA) funds from third-party financing programs where the CEC believes they were underutilized, and to shift these funds to three existing programs: (1) the Local Government Challenge (a local jurisdiction grant program promoting energy efficiency improvements in existing publicly owned buildings; (2) the Small City Leadership Challenge (a technical assistance and grant program focusing on disadvantaged communities with populations under 15,000); and, (3) the Energy Innovation Challenge (a program focusing on new innovative deployment models).

## FOOD AND AGRICULTURE

The budget committee approved baseline allocations to the California Department of Food and Agriculture (CDFA) of \$384 million (mainly special funds), and to the Agriculture Labor Relations Board (ALRB) of \$9.5 million (General Fund and special funds). The budget committee approved proposals to emphasize farmland for greenhouse gas emission reduction funds, improve local fairs, and to meet increased caseload responsibilities at the ALRB.

- **Cap-and-Trade Proposal.** The budget committee approved \$50 million for agricultural energy and operational efficiency, an increase of \$15 million from the Governor's proposal. The budget committee also committed a portion of the \$400 million for sustainable communities to farmland and rejected the Governor's Healthy Soils Initiative (\$20 million).
- **Certified Farmers Markets.** The budget committee approved \$1 million (ongoing, reimbursements) and four permanent positions, to enhance the existing Certified Farmers Market Program, as required by AB 1871 (Dickinson), Chapter 579, Statutes of 2014. The department will contract with county agricultural commissioners for enforcement work along the program to align with industry growth.
- **Market Match.** The budget committee allocated \$2.5 million (General Fund) to establish the Nutrition Incentive Matching Grant Program, a new program, which doubles the purchasing power of nutrition assistance benefits (eg, CalFresh) when spent on California-grown foods, nuts, vegetables, and specialty crops, at participating farmers markets. The program is intended to be sited in the Office of Farm to Fork, an existing office within CDFA.
- **Animal Health and Food Safety Laboratory.** The budget committee \$4.3 million (General Fund), to both offset the employee compensation increases, (\$3 million, ongoing), and to add additional resources required to operate the new South Valley Animal Health Laboratory in Tulare (\$1.3 million, ongoing). The budget committee approved provisional language making the annual adjustment for compensation at the laboratory, which is housed under the University of California employment umbrella, a routine part of the budget process.
- **Agriculture Labor Relations Board and General Counsel Caseload Increase.** The budget committee approved an increase of \$1.6 million (General Fund) and 13 positions, to support and expand the Agricultural Labor Relations Board (ALRB) services to farmworkers, to improve the timeliness of hearings, and increase efficiency and accountability.
- **Fairs and Expositions.** The budget committee approved a restoration of \$3.1 million (General Fund), and two permanent positions, for the Division of Fairs and Expositions to provide operational and training support to the fair network. This allocation is intended to support fairs and reduce the potential high cost closure of fairgrounds. Provisional language requires the CDFA to provide a report with the 2016-17 budget that identifies the fairs at greatest risk of closure due to their financial condition.

## TRANSPORTATION

The budget committee approved the Administration's key proposals to increase funding transportation projects and staff to deliver these projects at the California Department of Transportation (Caltrans). 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. In addition, the committee took various actions to improve the long-term oversight of the high-speed rail project.

- **Cap-and-Trade Proposal.** The budget committee approved the Administration's cap-and-trade proposal for transportation-related programs as follows (1) \$500 million for the high-speed rail system; (2) \$400 transit-oriented development (sustainable communities); (3) \$265 million for the transit and intercity rail capital program; and (4) \$100 million for low carbon transit operations.
- **High-Speed Rail Metrics, Reporting, and the Peer Review Group.** The committee approved permanently establishing an additional 45 positions for program management and projects delivery. In addition, at the committee's request, HSRA committed to providing regular updates on a dashboard of performance metrics that the Legislature can use to provide long-term oversight of the project. The committee also modified requirements of the Peer Review Group's qualifications to help better ensure these positions are filled with qualified individuals to provide oversight of the project. Some changes were also made to HSRA's reporting requirements to eliminate reports that no longer add value.
- **Caltrans Capital Outlay Support (COS) and Project Initiation Document (PID) Program Funding.** An April Finance Letter was approved to reduce the Caltrans budget by \$25.2 million and 178 full-time equivalents (FTE) for the COS program from the 2015-16 Governor's budget, for a total of 9,697 FTEs and \$1.7 billion in costs. The committee also approved the Governor's budget request for 362 positions and \$53.8 million to develop about 600 PIDS in 2015-16.
- **Road Usage Charge (RUC) Pilot Program.** Approved \$11.9 million for the implementation of a RUC pilot program, as required by SB 1077 (DeSaulnier), Chapter 835, Statutes of 2014. The approved funding provides for six state positions and \$10.1 million for consultants to develop, conduct and evaluate the pilot program and provide the results to the Legislature by June 2017.
- **Repayment of Motor Vehicle Account Loans to the General Fund.** The committee approved the Administration's proposal to repay \$480 million in GF costs related to loaning Motor Vehicle Account dollars to the General Fund. This will help to ensure the fund's solvency in the near-term. In addition, the committee rejected a capital outlay project for the Air Resources Board, which also helps to relieve cost pressure on the MVA.



- **Additional Funding for State-Supported AMTRAK Routes.** The committee provided an additional \$7.6 million to fund the operating expenses of the state-supported AMTRAK routes—Capitol Corridor, San Joaquin, and Surfliner. This increase also funds additional train service on the San Joaquin Intercity Rail route.
- **Capital Outlay for CHP Area Offices.** The committee approved various capital outlay requests for CHP, including \$135 million from the MVA to replace five previously approved CHP area offices and \$1 million, and budget bill language for planning and site-selection activities for up to five additional CHP area offices.
- **Information Technology Security Resources at DMV.** The committee approved the request for \$2.5 million from the MVA to strengthen the security of its information technology systems and adopted supplemental report language that has DMV report back after the completion of the assessment in the spring of 2017 with a comprehensive plan for increasing information system security.
- **Expansion of Green Sticker Program.** The committee adopted trailer bill language to increase the number of green decal stickers in the Clean Air Vehicle “Green Sticker” program from 70,000 to 85,000.
- **Capital Outlay for DMV Area Offices.** The committee approved various capital outlay requests for DMV, including \$4.7 million from the MVA for pre-construction activities, to replace three DMV offices. This funds the initial phase of the Administration’s plan to replace eight DMV offices over the next several years.

Subcommittee No. 3  
Health and Human Services

## HEALTH

The Senate budget committee approved a health package that includes critical restorations and reinvestments, and furthered policy decisions for Medi-Cal and public health and mental health programs.

- **Health-Related General Fund Investments.** Augmented budget by:
  - Fully restoring Medi-Cal adult dental benefits effective October 1, 2015 for a cost of \$67.5 million.
  - Expanding Medi-Cal to cover remaining uninsured regardless of immigration status for a cost of \$40 million.
  - Eliminating the AB 97 (Committee on Budget, Chapter 3, Statutes of 2011) Medi-Cal provider payment reductions for dental providers for a cost of \$30 million.
  - Restoring the following Medi-Cal optional benefits: acupuncture, audiology, incontinence cream and washes, optician/optical lab, podiatry, and speech therapy for a cost of \$15.1 million.
  - Providing \$8 million to prevent Hepatitis C (HCV) and HIV, including \$3 million for a state syringe exchange program, \$600,000 for HCV rapid testing kits, \$2.2 million for HCV linkage and retention in care demonstration projects, and \$2.2 million for a pre-exposure prophylaxis access and affordability program.
  - Eliminating one-half of the recoupment of AB 97 retroactive savings for distinct-part nursing facilities in the budget year for a one-time cost of \$7 million.
  - Increasing the Medi-Cal dental anesthesia rate to provide rate parity between general anesthesia and dental anesthesia providers for a cost of \$4.3 million.
  - Providing \$2.5 million in one-time funding to the Robert F. Kennedy Health Plan to purchase stop-loss coverage insurance.
- **Medi-Cal Estimate and Caseload.** Approved total Medi-Cal expenditures in 2015-16 to be \$91.3 billion (\$59.1 billion federal funds, \$18.2 billion General Fund, and \$14 million other funds) and a corresponding caseload of 12.4 million in 2015-16.
- **Medi-Cal: Impact of President's Executive Order on Immigration.** Adopted May Revision estimate of \$33.1 million (\$27.8 million General Fund) to reflect the costs of providing Medi-Cal to newly qualified individuals as a result of the President's Executive Order on immigration.

- **Medi-Cal: Skilled Nursing Facility Quality Assurance Fee Extension.** Adopted Administration's proposed trailer bill language to (1) extend the sunset date for the skilled nursing facility rate-setting methodology established under AB 1629 (Frommer), Chapter 875, Statutes of 2004, as well as the Quality Assurance Fee (QAF) and Quality/Accountability Supplemental Payment (QASP) programs, from July 31, 2015, to July 31, 2020, (2) specify that beginning 2015-16, the annual increase in the weighted average Medi-Cal reimbursement rate for skilled nursing facilities would be 3.62 percent, and (3) set Quality Accountability Supplemental Payment Program (QASP) payments at the same level as existed for 2014-15 (approximately \$90 million per year). Added provisions to this trailer bill language to require DHCS to include direct care staff retention in the QASP and to report to the Legislature on the QASP, including if the level of QASP payments are adequate to sustain the program.
- **Medi-Cal: Cost-of-Living Adjustment for County Eligibility Administration.** Modified the Administration's proposal to permanently eliminate the county administration cost-of-living adjustment (COLA) by suspending the COLA for the budget year only (and not on a permanent basis).
- **Medi-Cal: County Administration Augmentation.** Approved the Administration's proposal to augment Medi-Cal county administration funding by \$150 million (\$48.8 million General Fund) in the budget year due to ongoing implementation issues related to the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) information technology system built to implement the federal Affordable Care Act (ACA). Reverted \$31 million General Fund in unused funding associated with lower than expected CalFresh caseload in the current year to the budget year for Medi-Cal county administration, this funding would be used to draw down \$64.3 million in federal funds, for a total augmentation of \$95.3 million. Adopted budget bill language to implement this reversion.
- **Medi-Cal: Annual Open Enrollment Period.** Rejected the Administration's trailer bill language to establish an Annual Health Plan Open Enrollment process for specified Medi-Cal managed care health plan (MCP) beneficiaries who are enrolled in counties that have more than one Medi-Cal managed care health plan (MCP) option.
- **Coordinated Care Initiative (CCI) – Multipurpose Senior Services Program (MSSP) Transition Timeline.** Adopted the Administration's trailer bill language to extend the CCI MSSP transition to Medi-Cal managed care deadline to December 31, 2017; allow for an earlier transition in a county or region when the MSSP sites and managed care plans mutually agree they are ready to transition and want to transition early; require that the MSSP sites and managed care plans demonstrate that they have met readiness criteria that is developed by DHCS, California Department of Aging (CDA), MSSP providers, managed care plans and stakeholders. Added provisions that specified that if CCI is terminated, MSSP will revert to a waiver benefit.

- **Medi-Cal Behavioral Health Treatment.** Approved \$201.6 million (\$100.8 million General Fund) in 2015-16 for the provision of behavioral health therapy (BHT) services to eligible Medi-Cal children with autism spectrum disorder (ASD). The projected number of Medi-Cal children receiving BHT is 7,000 in 2015-16. This does not include children who may transition from receiving BHT through the regional centers. Adopted budget bill language that requires the Department of Finance to provide notification to the Legislature on the transfer of expenditure authority from the Department of Developmental Services to DHCS, including the number of clients per regional center that would transfer and the average cost per client at regional centers compared to Medi-Cal.
- **Medi-Cal: Enrollment Application Assistance Payments.** Adopted trailer bill language to reallocate any remaining funds for Medi-Cal application assistance payments, for eligible applications submitted through June 30, 2015, to county outreach and enrollment grants and to extend the date by which county outreach and enrollment grant funds can be spent from June 30, 2016 to June 30, 2018.
- **Medi-Cal: Hepatitis C (HCV) Treatment.** Approved \$126 million General Fund for the costs associated with HCV treatment in Medi-Cal, which accounts for DHCS' plan to update its HCV policy to include newly FDA-approved drugs and include people with less advanced stages of the disease (including State 2). The new policy will include HCV patients, regardless of stage, who also have diabetes, HIV, Hepatitis B, debilitating fatigue, a desire to become pregnant, and other co-morbid conditions. The new HCV policy results in \$13.4 million (\$6.7 million General Fund) for the increased costs to account for this expansion of clinical guidelines.
- **Medi-Cal: Allied Dental Professionals Enrollment.** Approved proposal to include allied dental professions employed by a public health program (registered dental hygienists, registered dental hygienists in extended functions, and registered dental hygienists in alternative practice) in the Medi-Cal dental services program. Approved annual costs of \$1.6 million (\$761,850 General Fund) for the increase in dental services as a result of these professionals providing services.
- **Medi-Cal: Ground Emergency Medical Transportation.** Adopted trailer bill language to modify the existing ground emergency medical transportation (GEMT) Supplemental Reimbursement Program in order to maximize federal financial participation for public GEMT provider's services, subject to federal approval. This new mechanism would have no impact to the General Fund.
- **Limited Benefit and Special Population Programs Eligibility Requirements.** Approved the Administration's trailer bill language to require enrolling providers who participate in Every Woman Counts, Family Planning Access Care and Treatment, and IMProving Access, Counseling, and Treatment for Californians with Prostate Cancer, to provide to the enrolling individual, information on how to apply for insurance affordability programs, in a manner determined by the Department of Health Care Services (DHCS). Rejected the Administration's trailer bill language to require individuals applying for the Genetically Handicapped Persons

Program, to apply for insurance affordability programs through Covered California, in addition to the existing requirement that they apply for Medi-Cal.

- **Health Homes Program.** Adopted trailer bill language to provide DHCS with the authority to establish a Health Home Program (HHP) Account in the Special Deposit Fund within the State Treasury in order to collect and allocate non-General Fund public or private grant funds, to be expended upon appropriation by the Legislature, for the purposes of implementing the HHP pursuant to AB 361 (Mitchell), Chapter 642, Statutes of 2013.
- **Major Risk Medical Insurance Program (MRMIP).** Rejected Administration's proposal to modify the MRMIP program. Adopted trailer bill language to expedite the MRMIP and Guaranteed Issue Pilot (GIP) reconciliation process.
- **Child Health and Disability Prevention (CHDP) Program Dental Referral.** Adopted the Administration's trailer bill language to refer all Medi-Cal-eligible children participating in CHDP who are one year of age and older to a dentist participating in the Medi-Cal program, rather than at age three. Approved annual costs of \$1.6 million (\$761,850 General Fund) for additional dental services for children referred to a dentist at one year of age or later.
- **CalHEERS Electronic MAGI Determination.** Adopted the Administration's trailer bill language to remove the sunset provision to allow for continued electronic verification of Medi-Cal eligibility information.
- **Drug Medi-Cal Waiver Implementation Workload.** Approved six of the requested 13 positions, approved additional training contract funds (\$1 million), and approved limited-term contract funding (\$500,000) for an External Quality Review Organization (EQRO) to implement the Drug Medi-Cal Organized Delivery System (DMC-ODS). Adopted budget bill language to be expended upon approval by the federal government of the proposed Drug Medi-Cal waiver amendment.
- **Drug Medi-Cal Provider Enrollment Workload.** Approved the extension of 11 limited term positions that expire June 30, 2015 for one more year for work associated with certifying and recertifying Drug Medi-Cal providers.
- **Drug Medi-Cal Provider Monitoring Workload.** Approved 10 new positions in its Substance Use Disorder Prevention, Treatment, and Recovery Services Division for workload associated with monitoring Drug Medi-Cal (DMC) providers. These positions would review the on-site operations of every DMC provider at least once every five years (approximately 133 sites annually) and be responsible for follow up with DMC providers on all corrective action plans to ensure any deficiencies DHCS identifies are rectified by the DMC providers.
- **Drug Medi-Cal Residential Treatment Services.** Reduced the Administration's estimate for the costs of providing residential treatment services in Drug Medi-Cal by \$5 million General Fund (for a revised cost of \$9.8 million General Fund) due to unlikely assumptions on the implementation timeline for this benefit.

- **Suicide Prevention Hotlines.** Adopted supplemental report language to assess suicide hotlines in the state. The report shall cover the accessibility of suicide hotlines throughout the state, deficiencies in accessibility or quality of the hotlines, an overview of the funding history of the hotlines, and information on potential future funding strategies. In the development of this report, DHCS shall confer with the Mental Health Services Oversight & Accountability Commission, the Office of Emergency Services, and counties. This report would be due January 10, 2016.
  
- **Licensing and Certification (L&C) of Health Facilities.** Adopted the following:
  1. **L&C Workload** – Approved an increase of \$19.8 million in 2015-16 for 237 positions (123 positions will become effective July 1, 2015 and 114 positions will begin on April 1, 2016), and an increase in expenditure authority of \$30.4 million in 2016-17 from the L&C Special Fund to address the licensing and certification workload. Modified this proposal to make all positions permanent.
  2. **L&C Quality Improvement Projects** – Approved an increase of \$2 million in 2015-16 from the Internal Departmental Quality Improvement Account to implement quality improvement projects recommended by Hubbert Systems Consulting for the Licensing and Certification Program.
  3. **Los Angeles County Contract** – An increase in expenditure authority of \$14.8 million from the L&C Special Fund to augment the Los Angeles County contract to perform licensing and certification activities in Los Angeles County. This proposal fully funds the current contract positions at current Los Angeles County salary rates, and funds 32 additional Los Angeles County positions to enable the county to address long-term care facility complaints and entity-reported incidents, and investigate aging long-term care complaints and entity-reported incidents (Tier 1 and Tier 2 federal workload). (The total projected contract amount is \$36,489,046.)
  4. **Los Angeles County Contract Monitoring** – Approved an increase of \$378,000 from the L&C Special Fund and three positions, to provide on-site oversight and perform workload management, training, and quality improvement activities to improve the efficiency and effectiveness of the Los Angeles County contract licensing and certification activities. In order to begin the on-site oversight immediately, the department plans to administratively establish three positions in 2014-15.
  5. **Complaint Investigation Timelines.** Adopted trailer bill language to establish timeframes to complete complaint investigations at long-term care facilities. This language requires the department to:
    - a. For complaints that involve a threat of imminent danger of death or serious bodily received on or after July 1, 2016, the department shall complete the investigation within 90 days of receipt. This time period may be extend up to an addition 60 days if the investigation cannot be completed due to extenuating circumstances. If there is an extension, the department shall notify the facility of this extension and document the extenuating circumstances in its final determination. Any citation issued as a

result of the complaint investigation shall be issued and served within thirty days of the completion of the complaint investigation.

- b.** For all other categories of complaints received on or after July 1, 2017, the department shall complete the investigation within 90 days of receipt. This time period may be extend up to an addition 90 days if the investigation cannot be completed due to extenuating circumstances. If there is an extension, the department shall notify the facility of this extension and document the extenuating circumstances in its final determination. Any citation issued as a result of the complaint investigation shall be issued and served within thirty days of the completion of the complaint investigation.
  - c.** Report on an annual basis (in the Licensing and Certification Fee report) data on the department’s compliance these new timelines.
- 6. Notification for Hospital Complaints.** Adopted trailer bill language to require the department to notify hospitals and complainants if there are extenuating circumstances impacting the department’s ability to meet complaint investigation timelines. This notification would include the basis for the extenuating circumstances and the anticipated completion date.
- 7. Long Term Care (LTC) Ombudsman Program.** Directed \$1 million (one-time) from the State Health Facilities Citation Penalties Account to the LTC Ombudsman Program in 2015-16 and increased the L&C fee for skilled nursing facilities to generate \$400,000 to support the LTC Ombudsman Program on an ongoing-basis. This increase in funds would be used to support skilled nursing facility complaint investigations and quarterly visits.
- **AIDS Drug Assistance Program (ADAP): Modernization.** Adopted trailer bill language to update financial eligibility for ADAP and the Office of AIDS Health Insurance Premium Payment program to consider family size and to increase the income limit of \$50,000 for these programs, which is estimated to be 447 percent federal poverty level (FPL) to 500 percent FPL or \$58,350 for a single individual and \$98,950 for a three-person household.
- **ADAP: Enrollment Workers.** Augmented budget by \$2 million for local health jurisdictions for ADAP enrollment efforts. Augmented by \$1 million to support efforts to work with enrollment workers, provide technical assistance on improving the ADAP enrollment process, increase capacity due to the projected changes in the program, and develop quality metrics for the ADAP program. Federal funds would be used for these purposes, if available; otherwise, ADAP rebate funds would be used.
- **ADAP: Linkage to and Retention in Care.** Approved \$1.5 million in federal Ryan White base funding to local health jurisdictions and/or community-based organizations to support targeted efforts to re-engage HIV-infected minority clients in medical care and treatment.
- **ADAP: Hepatitis C (HCV) Treatment.** Approved \$6.5 million (rebate funds) for HCV treatment costs in ADAP, which accounts for the expansion of clinical guidelines to include, for



example, all HCV co-infected ADAP clients regardless of liver disease stage. It is estimated that 199 ADAP clients will receive this treatment.

- **ADAP: Client Eligibility Verification Workload.** Approved \$536,000 in expenditure authority from the AIDS Drug Assistance Program Rebate Fund and five positions to manage the increase in client eligibility verification workload within the AIDS Drug Assistance Program (ADAP). These positions will ensure program integrity and to comply with federal Health Resources and Services Administration client eligibility verification requirements.
- **Genetic Disease Screening Program (GDSP) Prenatal Screening Program.** Adopted the Administration's trailer bill language to clarify that private health insurance plans cannot consider the GDSP Prenatal Screening Program to be an out-of-network provider. The GDSP budget reflects a revenue increase of \$837,215 in revenue as a result of this trailer bill language.
- **Ebola Emergency Preparedness.** Approved an increase of \$15.45 million in federal fund expenditure authority in 2015-16 to support accelerated state and local public health preparedness and operational readiness for responding to the Ebola virus. DPH will also receive \$250,000 in Ebola grant funds each year from 2016-17 to 2019-20.
- **Clinical Laboratory Testing.** Adopted trailer bill language to authorize laboratories to use the federally-approved quality control testing approach (Equivalent Quality Control) until December 31, 2015. After this date, federal law prohibits this approach.
- **Disaster Preparedness and Emergency Response Resources for California.** Approved \$500,000 General Fund and two positions to reestablish the southern California component of the California Medical Assistance Team, stabilize existing disaster medical preparedness programs, and coordinate joint activities with the Department of Public Health's (DPH) Emergency Preparedness Office including catastrophic event planning, and emergency operations center planning and development.
- **Elective Percutaneous Coronary Intervention Program Outcomes Reporting.** Approved two limited-term positions and increased expenditure authority of \$372,000 in 2015-16 and \$319,000 ongoing from the California Health Data and Planning Fund for the implementation of SB 906 (Correa), Chapter 368, Statutes 2014, which establishes the Elective Percutaneous Coronary Intervention (PCI) Program and requires OSHPD to produce annual risk-adjusted public performance reports on participating hospital's PCI-related mortality, stroke, and emergency coronary artery bypass graft outcomes.
- **Federal Mental Health Parity Rules.** Approved 11.0 positions (5.5 permanent and 5.5 two-year limited-term) to address workload associated with conducting medical surveys of the 45 health plans affected by the federal Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA). Approved two additional positions to start in 2016-17, providing 7.5 permanent positions ongoing.
- **Additional Enrollment in Individual Market.** Approved seven permanent positions and \$1,134,000 for 2015-16 and \$1,070,000 for 2016-17 and ongoing to address the increased

workload resulting from the revised projected increase in enrollment in the individual market pursuant to SB 2 X1 (Hernandez), Chapter 2, Statutes of 2013-14 of the First Extraordinary Session. This includes \$208,000 for 2015-16 and ongoing for expert witness and deposition costs for enforcement trials.

- **Annual Health Care Service Plans Timeliness Standards.** Approved 25 positions and \$3,802,000 (Managed Care Fund) for 2015-16 and \$3,594,000 (Managed Care Fund) for 2016-17 and ongoing to address the increased workload resulting from the implementation of SB 964 (Hernandez), Chapter 573, Statutes of 2014.
- **High-Cost Drug Proposal.** Approved the Administration's revised proposal to not hold \$300 million in reserve for the costs of Hepatitis C treatment and, instead, allocate funding to each impacted department. Rejected Budget Bill Control Section 8.75 that would have held these funds in reserve.
- **Investment in Mental Health Wellness Act of 2013.** Adopted trailer bill language to allow the California Health Facilities Financing Authority to use up to \$3 million in unencumbered Mental Health Wellness Grant funds for peer respite programs.
- **Mental Health Advocacy.** Augmented the Mental Health Services Oversight and Accountability Commission's budget by \$1 million in Proposition 63 state administrative funds for competitive bid contracts to support mental health advocacy on behalf of youth, veterans, and racial and ethnic minorities and adopted placeholder budget bill language to allow these funds to be made available provided that there is availability in the state administration cap.
- **Covered California Emergency Regulation Authority.** Adopted the Administration's proposal to extend Covered California's current emergency regulations and the exchange board's rulemaking authority for an additional year until January 1, 2017, extend its ability to readopt emergency regulations until January 1, 2020 for emergency regulations adopted prior to the effective date of the Budget Act of 2015, and provide limited statutory exemptions from the Administrative Procedure Act's (APA) rulemaking requirements for (i) standard plan designs, and (ii) separate regulations for each procurement.

## HUMAN SERVICES

The committee's human services package includes critical restorations and reinvestments for CalWORKs, In-Home Supportive Services, immigration, and developmental centers.

- **In-Home Supportive Services.**
  - **Restoration of the seven percent reduction in service hours.** The committee approved \$228 million General Fund to restore IHSS recipients' current seven-percent reduction in service hours.
  - **Fair Labor Standards Act for In-Home Supportive Services and Regional Center Services.** Approved the Governor's May Revision estimates to allow for overtime payments and implementation of SB 855 (Budget and Fiscal Review), Chapter 29, Statutes of 2014, regardless of the federal court decision.
- **CalWORKs.**
  - **24-month clock.** Recognizing the delays associated with the implementation of early engagement strategies, the committee approved placeholder trailer bill language that delays the 24-month clock and \$1 million General Fund to ensure that clients, who were not afforded the benefits of all supportive services, do not receive a grant reduction.
  - **Repeal of the Maximum Family Grant.** Approved \$158 million General Fund to repeal the maximum family grant rule.
- **Immigration services.** Amended the Governor's proposal to include a total of \$20 million General Fund, under the purview of the Department of Social Services, for qualified non-profit organizations, labor unions, or technical assistance organizations, to provide application assistance, education, and outreach to persons residing in California who are eligible for, or to renew, Deferred Action for Childhood Arrivals (DACA) or Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA) status, or to provide naturalization services.
- **Food assistance.** Approved \$2.5 million General Fund for the State Emergency Food Assistance Program and \$2.5 million General Fund under the Office of Farm to Fork to establish a Market Match Nutrition Incentive Program, so that participants receive, double the benefit. For more information, please see pg. 2-8 of the agenda.

- **Child-Welfare Services.** Approved Governor's budget proposals to improve child welfare, including: (1) \$9.6 million (\$7 million General Fund) to fund two of the 19 recommendations outlined in the Continuum of Care Reform Report: increase foster parent recruitment, retention, and training efforts (\$3.8 million [\$2.8 million General Fund]); and increase foster family agency social worker rates (\$5.8 million [\$4.2 million General Fund]) by fifteen percent; (2) staff to engage nonprofits, service providers, social service agencies, law enforcement, and health and mental health agencies to provide services to children and youth at risk of, or victimized by, sexual exploitation; (3) \$4 million General Fund to fund a grant program for county welfare departments and law enforcement agencies to cross-report any suspected child abuse or neglect; and (5) \$150,000 for the Department of Health Care Services and Department of Social Services to contract with University of California, Berkeley, to match Medi-Cal pharmacy claims data and improve the monitoring of psychotropic drug use in foster care.
- **Community Care Licensing.** Approved the Governor's proposal for (1) 136 permanent positions to strengthen enforcement; (2) 13 two-year limited-term positions to improve the timeliness of complaint investigations; (3) nine positions to expand technical assistance and establish a Southern California training unit; (3) \$2.8 million for infrastructure costs; and (4) the plan to increase inspection frequency from the current level of at least once every five years, to once every three years for child care facilities; once every two years for children's residential facilities; and annual inspections for adult and senior care facilities. Adopted placeholder trailer bill that codifies the above provisions, and recognizes ongoing legislative discussion surrounding the appropriate inspection frequency for facilities, particularly child care facilities, with new federal Child Care and Development Block Grant requirements.

### Developmental Services Community-Based Services

- **New Investments for Community System.** The Senate approved \$101 million (\$63.6 million General Fund) for a ten percent rate increase for supported living services, supported employment, and respite services and a five percent increase of transportation services. Additionally, the Senate provided each of the 21 regional centers with two new positions: a dental coordinator and a forensic coordinator. Finally, the Senate increased resources for client rights' advocacy services by ten percent. The Senate approved the Governor's proposed rate increases related to an increase in the minimum wage and new sick leave requirements.
- **Disparities in Service Delivery.** The Senate adopted trailer bill language to improve the delivery of services and supports to persons in their native language and reduce disparities in service delivery.
- **Federal Overtime Requirements.** Adopted placeholder trailer bill language to require, in the event that new federal overtime requirements are implemented, that the Department of Developmental Services (DDS) work with legislative staff, providers advocate organizations, and regional centers to implement a strategy for monitoring the impact of the regulation on consumers and providers and present findings of the monitoring during the 2016 budget subcommittee process.

### **Developmental Centers**

- **Governor's Planned Closure of State Developmental Centers.** The Governor's May Revision proposed to initiate the closure of the state's developmental centers. The Senate took several related actions, including:
  - Modification of the Administration's proposed trailer bill relative to the submission of the closure plan to provide greater assurances for a thoughtful and collaborative process.
  - Approval of \$46.7 million for the development of new community-based services and supports for persons moving from Sonoma Developmental Center.
  - Approval of new staff at DDS headquarters and at the regional centers to ensure proper planning, implementation and oversight.
  - Approval of expanding the number of enhanced behavioral homes.
  - Approval of expanding the Self-Determination Program to serve persons moving from developmental centers, if that is their preference.
  - Increased reporting requirement to ensure the Legislature is informed as this process moves forward.
- **Expansion of Secured Treatment Program (STP) at Porterville Developmental Center.** The Senate adopted placeholder funding and trailer bill language, and directed staff to work with the Administration, legislative staff and advocates on a proposal that includes the appropriate number of STP and transitional beds and strategies to reduce the need for future expansions.
- **Use of Delayed Egress/Secured Perimeter Community Homes.** Adopted placeholder trailer bill language and directed staff to work with the Administration, policy committee staff and advocates on language to clarify admittance criteria and program design components for both a forensic and non-forensic population, including criteria and program design for children.
- **General Fund Backfill for Lost Federal Funding.** Approved an increase of \$13.2 million General Fund in the budget year to backfill for the continued loss of federal funding associated with four decertified units at Sonoma Developmental Center. Approved staffing enhancements for the acute crisis units and Sonoma and Fairview developmental centers. Approved increased funding and positions for the implementation of program improvement plans at all the developmental centers. Adopted placeholder budget bill language to require the department to notify the Joint Legislative Budget Committee of future communication from the federal Centers for Medicare and Medicaid Services (CMS) regarding the status of federal funding for developmental center residents or certification status of any developmental center housing unit. Approved supplemental report language to require DDS

to provide, within 90 days of a determination that federal funding will not be continued for ICF units at the developmental centers, a discussion of how the Administration may reduce the General Fund impact of such action.

- **Capital Outlay and Deferred Maintenance Projects.** Rejected the Governor's proposed expenditure of \$1.6 million to repair the Sonoma Creek Pump Station. The Administration informed the Senate Budget Subcommittee No. 3 that they were reconsidering this project. Approved the Governor's proposal to upgrade the fire alarm system at Porterville Developmental Center, but limited it to the Secure Treatment Program and administration building.
- **Use of Developmental Center Lands.** The Senate approved placeholder trailer bill language to allow for an integrated housing development that would provide homes for a minimum number of persons with developmental disabilities on the grounds of Fairview Developmental Center.

Subcommittee No. 4  
State Administration and  
General Government

# STATE ADMINISTRATION AND GENERAL GOVERNMENT

The Senate budget committee plan calls for selected augmentations and changes for its administrative agencies. These include proposals designed to increase efficiencies, restore areas where budget reductions have interfered with the delivery of services, and other selected areas.

- **California Disaster Assistance Act.** The committee approved \$22.2 million (General Fund) to support local jurisdictions utilizing the California Disaster Assistance Act program, which is administered by the Office of Emergency Services, to recover and respond from the drought.
- **Business and Economic Development.** The committee plan calls for additional staffing to administer the expanded (in terms of eligibility and funding) film tax credit adopted in AB 1839 (Gatto), Chapter 413, Statutes of 2014. In addition, the committee has included a onetime \$2.0 million (General Fund) appropriation to provide a state match for federal funds to support the Small Business Development Center network.
- **Motor Voter Registration System.** The committee augmented the Secretary of State's budget by \$2.5 million (General Fund) to provide the Secretary of State, in coordination with the Department of Motor Vehicles, one-time funding to enhance the Online Motor Voter Registration System.
- **Funding for Relocation Assistance Related to the Drought.** The committee approved an augmentation of \$6 million (General Fund) with counties to provide assistance to individuals and families faced with uninhabitable housing caused by the state's persistent drought. The funding will be used to pay for individuals and families moving costs and rental assistance.
- **Cap-and-Trade Proposal.** The budget committee in recognition of the LAO's estimate that revenues will exceed the Governor's May budget, creates a new spillover pot of \$500 million, administered by the Strategic Growth Council with guidance from local advisory panels, for projects in the most disadvantaged communities, to reduce GHGs and to provide one or more benefits such as reduction in localized air or other climate-related pollution.
- **Water Conservation at State Facilities.** The committee provided the Department of General Services with a total of \$15.4 million (\$10 million General Fund and \$5.4 million Service Revolving Fund) to enhance water conservation efforts at state-owned facilities.
- **Funding for the Arts.** The committee provided the California Arts Council with a \$10 million General Fund augmentation, which is \$5 million above the Administration's proposal.



- **Tax Agencies.** Both the Franchise Tax Board (FTB), which administers the personal income tax and the corporation tax, and the Board of Equalization (BOE), which administers the sales and use tax, fuels excise taxes, and other taxes and fees, are engaged in large data and technology improvement projects. FTB received additional substantial funding of \$53.3 million (General Fund) for its enterprise data to revenue (EDR) project, consisting of: \$44.7 million for the information technology portion; \$2.5 million for program positions for the fraud unit and Authenticated Live Chat; and, \$6.1 million for risk mitigation measures. BOE did not receive additional funding this year but its information technology and data project is on-going. Other proposals adopted and incorporated by the committee include:
  - **Franchise Tax Board.** The FTB received additional funding of \$8.6 million (General Fund) for mainframe workload growth, replacing the central processing unit, and for additional memory, storage and software. FTB received funding of \$22.0 million (General Fund) to administer the state's new Earned Income Tax Credit program, which will entail building the necessary infrastructure, responding to taxpayer and tax preparer questions, reviewing returns, and preventing fraudulent refunds. Additional minor funding was also provided for the Top 500 Tax Delinquencies program and trailer bill language was adopted to allow the FTB to collect vehicle-related penalty assessments.
  - **Board of Equalization.** The BOE received additional funding of \$5.7 million (special funds) to administer the Mobile Telephony Service surcharge and local charge, consisting of registering vendors, return processing, collections and audits, and appeals and refunds. This proposal includes accompanying budget bill language and trailer bill language addressing implementation issues. The committee also adopted budget bill language requiring the issuance of a report on the administration of the cigarette licensing program, to address the appropriate cost allocation for the program.
- **Work for Warriors.** The committee approved an increase of \$670,000 (reimbursements) to the California Military Department's budget in order to support the Work for Warriors program. The Work for Warriors program is designed to place returning service members, and their spouses, with high-paying jobs. This successful program has been replicated in a number of other states.
- **Deferred Maintenance.** The committee approved budget bill language to allow for \$120.0 million (General Fund)—reduced from the Governor's \$125.0 million request—to be used for deferred maintenance across a range of programs and departments, including \$25.0 million each for UC and CSU, \$20.0 million for Department of Parks and Recreation and \$15.0 million for Department of Corrections and Rehabilitation. The \$5.0 in reduction consists of a \$2.0 million technical change and \$3.0 million reduction from putting the costs for state special schools deferred maintenance within Proposition 98.

- **Veterans Home of California – West Los Angeles (VHC-WLA).** The budget committee approved the Governor’s proposal to augment the California Department of Veterans Affairs (CDVA) budget by \$1.608 million (General Fund) and 65.5 positions in fiscal year 2015-16, and \$3.165 million (General Fund) and 106 positions, ongoing, in order to convert contracted food service operations at the Veterans Home – West Los Angeles (VHC- WLA) to civil service. The VHC-WLA campus was designed and constructed without a fully functioning kitchen. During the design phase of the VHC-WLA, an agreement between the U.S. Department of Veterans Affairs and CDVA was reached that would allow for the U.S Department of Veterans Affairs facility to provide food services to the residents of the VHC-WLA campus. The close proximity to the U.S. Department of Veterans Affairs facility made the arrangement economical for the operation of the VHC-WLA campus. In 2011, the U.S. Department of Veterans Affairs chose not to continue with the agreement and CDVA had to contract with a private food vendor in order to accommodate the residents of the facility. In accordance with Government Code §19130, the CDVA is now required to convert the personal service contracts to civil service positions.

## 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.

- **Financial Controls and Funding.** The committee approved trailer bill language allowing for continuous appropriation for debt service activities associated with health facilities financing, updated statutory language regarding internal accounting and administrative controls, and provided technical changes and clarification for Public Works Board responsibilities.
- **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:
  - Continued funding in 2015-16 of \$1.1 million (reimbursements) for the STO's debt administration and management system.
  - A modest increase in personal services funding for STO financial professionals to ensure retention and attraction of qualified staff.
  - Additional resources for strategic information technology services including funding and positions for open data and governmental transparency, project management activities and technical support services.
  - An update to statutory requirements regarding letters of credit associated with cash flow and debt management, in compliance with federal requirements.
- **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.** Approved funds from non-state sources for funding legal services and a financial and market feasibility study.
  - **California Educational Facilities Authority.** Approved additional funding for the administration of the College Access Tax Credit Fund and related budget bill language.
  - **California School Finance Authority.** Adopted additional resources to complete federally-required audit activities

- **California Alternative Energy and Advanced Transportation Financing Authority.** Adopted limited-basis funding and positions relating to the California Hub for Energy Efficiency Financing, but rejected the request for permanent positions. Did not approve the request for loan repayment delay from the Renewable Resource Trust Fund. In addition, as part of the Senate Cap-and-Trade plan provided \$25 million in Greenhouse Gas Reduction Funds for a Green Bank to provide initial financing for energy efficiency projects.
- **Interest Costs for Cash Management and Budgetary Loans.** The committee approved the Administration's proposed reductions for both external and internal borrowing costs totaling \$25.0 million GF. Since no external Revenue Anticipation Notes (RANs) are to be issued, which are usually needed for cash flow purposes, anticipated interest costs of \$20.0 million will be avoided. Also, based on the assumption that the state's internal cash-flow borrowing needs would be less, the committee incorporated associated interest costs savings of \$15.0 million (reduced from \$20.0 million).
- **Budgetary and Other Debt Repayment.** The committee incorporated an aggressive pay-down of budgetary debt through the Proposition 2 mechanism. Based on additional resources, the committee approved additional debt pay-off from revenues directed through Proposition 2, to be used for this purpose. This results in an additional reduction of \$760 million debt payoff on top of the Governor's \$1.8 billion payment in the May Revision. The amount in the Governor's budget was \$1.2 billion.
- **Debt Service Costs for Bonds.** The committee assumed debt service costs in the current year would increase by \$35.3 million from the Governor's budget, for a total \$5.2 billion. The General Fund costs for general obligation bond debt service will be \$4.7 billion, and for lease-revenue bonds it will be \$505.3 million. In the budget year, total debt service will decrease by \$161.7 million since January, for a total of \$5.4 billion (\$4.8 billion for general obligation bonds and \$535.8 million for lease-revenue bonds). The committee approved the Administration's assumption that the Economic Recovery Bonds would be paid off in the 2015-16 budget year.
- **Greater General Fund Reserve Adopted.** The committee's version of the budget provides for \$5.6 billion in reserves. This reserve amount comprises \$1.4 billion in the Special Fund for Economic Uncertainties (SFEU) plus \$4.2 billion in the Budget Stabilization Account (BSA). The committee's reserves are approximately \$1.0 billion above the reserve totals presented in the May Revision. In addition, under the committee's proposed budget, the state would have higher reserves and bigger operating surpluses in the out-years than projected in the May Revision.

## LOCAL GOVERNMENT

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

- **Commission on State Mandates.** The committee approved the Governor's plan to fund mandates related to public safety and property taxes, for a cost of \$44.2 million. The committee acted to suspend numerous mandates that have been suspended in prior years, for a savings of almost \$550 million. It acted to fund mandates related to elections, as well as two new mandates related to Medi-Cal eligibility of juvenile offenders and the state authorized risk assessment tool for sex offenders.
- **Subventions for Counties for Insufficient ERAF.** The committee approved one-time funding totaling \$5.8 million for the counties of Alpine, Amador, and San Mateo because the funds available in the Educational Revenue Augmentation Fund (ERAF) are insufficient to make these counties whole as a result of the Triple Flip and the Vehicle License Fees swap.
- **Nevada County Trial Costs.** The committee plan provides \$393,000 to the Nevada County Public Defender's Office for extraordinary defense costs associated with State of California v. Lester et al proceedings, and associated budget bill language. In this case, there are exceptional expenses associated with the Public Defender's Office assigned to the case, which the county is obligated to provide.
- **Redevelopment Agency Dissolution/Local Fiscal Issues.** The committee incorporated trailer bill language related to Redevelopment Agency (RDA) dissolution and local government fiscal issues. The adopted language RDA-related provisions in the language includes numerous provisions that:
  - Transitions all successor agencies from a biannual payment obligation schedule process to an annual payment obligation schedule process.
  - Establishes a "last and final" payment obligation process beginning September 2015 for successor agencies that have a finding of completion and meet other specified conditions.
  - Confirms that tax increment funding will continue to flow until all approved enforceable obligations have been paid.
  - Specifies that re-entered agreements that are not for the purpose of providing administrative support activities are not authorized or enforceable.

- Stipulates that litigation expenses associated with challenging dissolution determinations are not separate enforceable obligations, but part of the administrative costs.
- Establishes that contractual and statutory pass-through payments end upon termination of all of a successor agency's enforceable obligations.
- Indicates that DOF is exempt from the regulatory process and specifies that county auditor-controllers' offices shall serve as staff for countywide oversight boards.
- Allows successor agencies that enter into a written payment agreement with Department of Finance to remit their RDA cash assets to the county in order to receive a finding of completion.
- Provides that successor agencies with a finding of completion may expend a portion of stranded bond proceeds, and unused portions used to defease the outstanding bonds.
- Clarifies that any pension or State Water Project override revenues pledged to RDA debt service must be used for that purpose, with certain limitations.
- Allows agreements between the former RDA and its sponsoring entity that relate to state highway infrastructure improvements as an enforceable obligation.
- Facilitates the issuance of bonds or other debt obligations by specified local governments for the purposes of constructing or otherwise providing affordable housing.
- Clarifies that a sponsoring entity can loan money to a successor agency for litigation expenses and those loaned amounts may be repaid if the litigation is successful.
- Clarifies, as a result of a final court decision, that agreements re-entered after the passage of AB 1484 (Committee on Budget), Chapter 26, Statutes of 2012, are generally unauthorized and unenforceable.

The local fiscal issues included in the trailer bill language addresses several long-running state-local fiscal issues:

- Ends so-called “negative bailout” (related to reduced county property tax revenue), which will provide approximately \$6.9 million in annual relief to four counties.
- Provides fiscal relief for specified cities in Riverside County that incorporated after 2004. The cities—Jurupa Valley, Menife, Eastvale and Wildomar experienced fiscal stress due to lost revenue from the VLF swap and the enhanced VLF rate.

- Allows the County of San Benito to participate in an Educational Revenue Augmentation Fund (ERAF) repayment program, for which they are currently ineligible, in order to pay amounts owed to the ERAF.
- Ends, over a five-year period, the requirement of four cities in Santa Clara County to reimburse the county for the loss of ERAF due to the Tax Equity Allocations, which resulted from shifting property taxes from the county.

## TAXES AND REVENUES

The committee adopted various revenue assumptions in its plan, and approved a significant policy change beginning in the 2015 tax year.

**Taxes and Revenues Assumptions.** The committee adopted revenue estimates made by the Legislative Analyst's Office (LAO), which are \$3.2 billion higher than the Administration's May forecast for the period 2013-14 through 2015-16. Compared to the Governor's May Revision, LAO's forecast is \$126 million higher in the prior year, \$54 million higher in the current year, and \$3.1 billion higher in the budget year. Both DOF and LAO forecast capital gains growth—and increases as a percent of state personal income—through 2015, before declines in the subsequent years. The LAO revenue estimate will result in changes to the required deposit to the BSA and amounts used for debt reduction. In addition, the committee adopted property tax estimates by the LAO, resulting in property tax revenues that offset state spending estimates that are higher by \$242 million over the three-year period (2013-14, 2014-15 and 2015-16). This results from excess taxes, RDA dissolution-related revenue, and differences in base revenue.

**Earned Income Tax Credit.** The committee adopted the proposal for an Earned Income Tax Credit (EITC), which will provide a refundable tax credit for wage income and would focus on households with incomes less than \$6,580 if there are no dependents and up to \$13,870 if there are three or more dependents. The proposed state program would match 85 percent of the federal credits, up to half of the federal phase-in range, and then begin to taper off relative to these maximum wage amounts. The credit would be available beginning with tax returns filed for wages earned in 2015, and is expected to reduce revenues by \$380 million annually, beginning in 2015-16. It will benefit an estimated 825,000 families and two million individuals. The estimated average (mean) household benefit is \$460 per year, with a maximum credit for a household with three or more dependents of over \$2,600. The Franchise Tax Board (FTB) would be responsible for administering the proposed EITC program.



Subcommittee No. 5  
Corrections, State Hospitals,  
Public Safety and the Judiciary

## LABOR

The Senate budget committee provided significant resources to address concerns regarding the state's administration of unemployment insurance benefits. In addition, the committee continued efforts to improve workplace health and safety in chemical facilities.

- **Unemployment Insurance Administration.** Approved \$50 million in special funds (\$22.2 million from the Contingent Fund and \$27.8 million of the Benefit Audit Fund) for the Employment Development Department (EDD) to continue to improve the department's administration of the Unemployment Insurance program. This funding will provide staff and overtime funding to support service level improvements related to the timely processing of claims for unemployment benefits, responding to telephone calls and online inquiries, and scheduling eligibility determinations.
- **Process Safety Management.** Approved reporting language to improve enforcement and inspection of workplace health and safety regulations in the state's 1,800 chemical facilities.
- **Occupational Safety and Health.** Approved \$4.6 million in 2015-16 and \$7.1 million ongoing from the Occupational Safety and Health Fund, and 44 positions to expand the Division of Occupational Safety and Health to increase enforcement inspections in high hazard industries, and improve performance in meeting state and federal mandates.
- **Elevator Safety.** Approved \$4.4 million from the Elevator Safety Fund for the Division of Occupational Safety and Health, and 27.5 positions in 2015-16, and on-going costs of \$4.1 million, to reduce elevator inspection backlogs and help the division meet permitting mandates.
- **Workforce Investment Opportunity Act.** Approved \$123.3 million in the Workforce Investment Opportunity Act Discretionary Fund to reflect an increase of discretionary funds from 8.75 percent to 10 percent of the federal allotment.

## PUBLIC EMPLOYMENT AND RETIREMENT

The Senate's budget plan continues to pay down the California State Teachers' Retirement System (CalSTRS) \$74 billion unfunded liability consistent with the plan enacted in AB 1469 (Bonta), Chapter 47, Statutes of 2014; funds state retirement contributions and rejects the Administration's plan that would make significant changes to state employee and retiree health care.

- **CalSTRS Unfunded Liability.** Approved \$371 million for the state's share to eliminate the CalSTRS unfunded liability over 32 years. In year two of the funding plan, the state rate increases from 3.5 percent to 4.9 percent, district rates increase from 8.9 percent to 10.7 percent, and teacher rates increase from 8.15 percent to 9.2 percent for teachers hired before January 1, 2013, and 8.56 for teachers hired after that date. Rates for teachers and the state will increase through 2016-17, whereas district rates will increase through 2020-21.
- **California Public Employees' Retirement System (CalPERS).** Approved the newly adopted state employer contribution rates which result in total state costs of \$338.0 million and a decrease of \$110.0 million from the \$447.9 million included in the Governor's 2015-16 budget. Of the \$110.0 million, the General Fund amount is \$55.6 million, special funds are \$35.5 million, and other nongovernmental cost funds are \$18.8 million. Also, approved the reduction of the CalPERS fourth quarter deferral by \$9.2 million General Fund from the Governor's budget to reflect the changes in retirement rates. The decreases are largely driven by key assumption changes made by the CalPERS board, including: longer post-retirement life expectancy, earlier retirement ages, and higher than expected wage growth for State Peace Officers/Firefighters and the California Highway Patrol.
- **State Employee and Retiree Health Care.** Rejected the Governor's trailer bills that would have made significant changes to the state's employee and retiree health care benefits.

## PUBLIC SAFETY

The budget committee took action to reduce the state's prison population in order to meet the deadlines set by the federal court and to improve the quality of medical care and mental health treatment provided in state prison.

- **Recidivism Reduction Package.** The budget committee rejected the Governor's proposal to offset the General Fund costs of substance abuse treatment with \$18.9 million from the Recidivism Reduction Fund (RRF). Instead, the budget committee adopted a recidivism package focused on providing enhanced services for people who are at the greatest risk of reoffending and returning to prison, and improving the quality of programs offered in state prisons. Specifically, the committee:
  - Provided an additional \$3 million for the Mentally Ill Offender Crime Reduction program.
  - Provided an additional \$1.3 million for a grant program to increase the use of collaborative courts.
  - Provided an additional \$3 million for the innovative grant program designed to expand programs focusing on restorative justice and offender responsibility provided by not-for-profit providers and volunteers in remote institutions that do not have access to a large volunteer population.
  - Provided \$2 million to the Board of State and Community Corrections to create a Law Enforcement Assisted Diversion (LEAD) pilot program to address low-level drug and prostitution crimes.
  - Provided \$8 million for additional community recidivism reduction grants.
  - Provided an additional \$1.5 million for the Supervised Population Workforce Training Grant Program.
  - Required an independent evaluation of the appropriateness and effectiveness of the career technical educational programs provided to state prisons.
- **Prison Population.** The budget committee approved the Governor's proposal to reduce the number of inmates in out-of-state correctional facilities by 4,000. In addition, the budget committee approved the Governor's request to activate three new housing units at two state prisons. Finally, the committee adopted trailer bill language requiring the closure of the California Rehabilitation Center (CRC) in Norco six months after the activation of the three units. Closing CRC will save the state approximately \$160 million per year.

- **Training for Correctional Officers.** The budget committee adopted the Governor's proposal to shift to a 12-week training academy for correctional officers and re-establish the Commission on Correctional Peace Officer Standards and Training (CPOST). In addition, the budget committee added a seventh member to the Governor's proposed six person CPOST commission. Along with the three labor union members and three California Department of Corrections and Rehabilitation (CDCR) management members, the seventh member will be a nationally recognized expert on correctional officer training, appointed by the Legislature.
- **Community Law Enforcement Grants.** The budget committee rejected the Governor's proposal to provide \$40 million General Fund to cities for front line law enforcement. Instead, the committee provided \$30 million General Fund to the Board of State and Community Corrections to provide grants to local law enforcement for programs and initiatives intended to strengthen the relationship between law enforcement and the communities they serve. In addition, the committee provided \$10 million General Fund to the Commission on Peace Officer Standards and Training (POST) to assist in funding the initial cost of developing behavioral health training courses for peace officers.

## HEALTH AND HUMAN SERVICES AGENCY AND DEPARTMENT OF STATE HOSPITALS

- **Office of Investigations and Law Enforcement Support.** The budget committee modified the Governor's spring finance letter request to add an additional 15 positions to the Office of Investigations and Law Enforcement Support within the Health and Human Services. Instead, the budget committee approved \$712,000 General Fund for four attorney positions to create a vertical advocate unit.

In addition, the committee expanded the oversight and monitoring role of the state's Inspector General to include oversight of the Department of State Hospitals (DSH) and the state's developmental centers. To fund the expanded duties, the committee provided \$1.2 million General Fund and seven positions.

- **Incompetent to Stand Trial (IST).** The budget committee rejected the Governor's proposal to increase the state hospital system by 105 beds (\$17.3 million General Fund). Instead, the budget committee approved the Governor's request for funding to increase the Restoration of Competency (ROC) program that allows individuals to receive treatment to return them to competency while they are awaiting trial in county jails or community treatment settings. In addition, the budget committee augmented that proposal by approximately \$6.1 million to expand the program to include additional ROC beds. Finally, the committee adopted trailer bill language designed to streamline the county/state partnership required for the ROC program, thus facilitating the expansion.
- **Enhanced Treatment Units.** The budget committee approved the Governor's proposal to begin the construction phase for enhanced treatment units in the four state hospitals. Those enhanced treatment units will include individual patient rooms that could be locked from the outside, which are currently not allowed in hospitals. In addition, the committee adopted trailer bill language requiring DSH to submit all draft policies and procedures to the Legislature prior to the activation of the Enhanced Treatment Programs.

## JUDICIAL BRANCH

The budget committee approved the Governor's budget proposal to increase trial court funding by \$168 million General Fund. \$35.3 million General Fund of the augmentation will backfill an expected shortfall in the trial court revenues. The committee augmented the Governor's proposal by \$33 million General Fund to increase funding for dependency counsel.

- **Trial Court Funding.** The budget committee approved the Governor's budget proposal for an increase of \$168 million, or 9.7 percent, from the 2014-15 amount. This augmentation includes \$90 million General Fund in on-going additional funding to support trial court operations; \$42.7 million General Fund for increases in trial court employee benefit costs; and \$35.3 million General Fund to backfill reductions in fine and penalty revenue in 2015-16.
- **Dependency Counsel.** The budget committee increased funding for dependency court attorneys in 2015-16 and on-going by \$33 million in General Fund. In addition, the budget committee shifted all dependency counsel funding to a separate item within the trial courts budget to insure that it remains dedicated to funding attorneys who represent children and their parents in the dependency court system. Finally, the committee adopted trailer bill language establishing maximum attorney client caseloads.