



Final Action Report
A Summary of the 2017 Budget Act

July 20, 2017

Chapter 14, Statutes of 2017

Senate Committee on Budget and Fiscal Review
Senator Holly J. Mitchell, Chair

FINAL ACTION REPORT

July 20, 2017

Assembly Bill 97
2017-18 Budget Bill

Senate Committee on Budget and Fiscal Review

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July 20, 2017

The Senate Committee on Budget and Fiscal Review has completed its Final Action Report, which is a detailed summary of the 2017-18 budget actions taken by the Legislature, and signed into law by the Governor. This report is available on the website of the Committee on Budget and Fiscal Review.

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

Sincerely,

A handwritten signature in blue ink that reads "Hj Mitchell".

HOLLY J. MITCHELL

Chair, Senate Budget and Fiscal Review

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INTRODUCTION

2017 Budget Act

Summary

This Final Action Report from the Senate Committee on Budget and Fiscal Review provides a summary of the contents of the 2017 Budget Act, including various related statutory changes, and reflects actions taken by the Senate Committee on Budget and Fiscal Review, the Conference Committee on the Budget, and final negotiations between the leadership of the Legislature and the Administration. The budget authorizes General Fund expenditures of \$125.1 billion and assumes \$127.5 billion in total General Fund resources. Under the budget act, there are combined total reserves in the Budget Stabilization Account (BSA) and the Special Fund for Economic Uncertainties (SFEU) of approximately \$10 billion.

On June 8, 2017, the Budget Conference Committee completed its work to reconcile the Senate and Assembly versions of the 2017-18 budget. The Conference Committee built upon the extensive framework of both the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget in establishing the Legislature's version of the budget. Working from the general framework of the Governor's budget and May Revision, the Legislature incorporated significant and important budgetary and policy changes to the state expenditure plan. On June 15, 2017, the Legislature passed the 2017 Budget Act, thus meeting its constitutional obligation to pass a timely balanced budget. Concurrently, the Legislature also approved numerous budget trailer bills on June 15, 2017 and June 26, 2017. Budget trailer bills are designed to implement certain provisions of the 2017 Budget Act as noted elsewhere in this report. The 2017 Budget Act was signed by the Governor, without veto, on June 27, 2017, representing the state's seventh consecutive on-time budget. Concurrent with the signing of the budget bill, the Governor signed several related budget trailer bills.

The budget carefully balances the need for additional public investment in education, health care, human services and other state programs, with the necessity of maintaining the state's fiscal stability through increasing reserves and continued debt reduction. Overall, this budget is structured such that it:

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

The budget package continues the Legislature’s ongoing commitment to California’s residents by strengthening the state’s investments in public programs and services. Last year, the Senate and Assembly advocated for, and were successful in achieving, important measures to restore essential educational, social service, and health programs – especially in childcare where the state made significant investments. In 2017-18, the Legislature continues its emphasis to rebuild state programs and services, which have still not recovered from the deep economic downturn. Earlier this year, the Legislature advocated for, and was successful in realizing, a vital package of financial support for California’s *physical infrastructure* in the transportation area. With this budget package, the Legislature commits additional funding that addresses the *social infrastructure* of our state – with much needed additional resources for improved access to healthcare services, continued investment in early education, targeted resources for higher education and financial aid, additional funds for the courts, and significant ongoing increases to K-14 education. While making such valuable investments, the budget plan includes increases in the state’s reserve funds and reductions in long-term debts of the state.

Budget Framework and Resources

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

General Fund Budget Summary Prior Year and Adopted Budget (Dollars in Millions)		
	<u>2016-17</u>	<u>2017-18</u>
Prior Year Balance	\$4,504*	\$1,622
Revenues and Transfers	<u>118,539</u>	<u>125,880</u>
Total Resources Available	\$123,043	\$127,502
Non-Proposition 98 Expenditures	70,933	72,465
Proposition 98 Expenditures	<u>50,488</u>	<u>52,631</u>
Total Expenditures	\$121,421	\$125,096
Fund Balance	\$1,622	\$2,406
Reserve for Liquidation of Encumbrances	980	980
Special Fund for Economic Uncertainties	642	1,426
Budget Stabilization Account	\$6,713	\$8,486

*After prior year adjustments.

The budget includes total General Fund expenditures of \$125.1 billion for 2017-18, an expenditure level which is \$1.1 billion higher than under the May Revision. The final budget also includes shifts and repurposing of program expenditures, with additional emphasis on expenditures among programs to address legislative priorities, as well as increasing spending commitments over a multi-year period. The final budget provides for almost \$10 billion in general reserves, comprising \$1.4 billion in the SFEU, plus \$8.5 billion in the BSA.

The adopted budget assumes the Governor's revenue assumptions for 2017-18 of \$127.7 billion (prior to transfers, including to the BSA), representing an increase of about five percent from the prior year. Revenue growth for the state's major taxes continues to be moderately strong, reflecting continued economic growth. In periods of economic growth, the state's elastic tax structure results in revenue growth that exceeds the growth rate of the underlying economy. Revenue assumptions for major General Fund tax sources are shown in the table below:

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

	<u>2016-17</u>	<u>2017-18</u>	<u>Percent Change</u>	<u>Percent Total¹</u>
Personal Income Tax	\$83,161	\$88,821	6.8	70.0
Sales and Use Tax	24,494	24,470	-0.1	19.2
Corporation Tax	10,210	10,894	6.7	8.5
Insurance Tax	2,483	2,538	2.2	2.0
Other Sources ²	1,205	930	-22.8	0.7
Total	\$121,553	\$127,653	5.0	--

¹Based on 2017-18.

²Excludes transfers and loan repayments.

Budget Expenditure Highlights

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

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

	<u>2016-17</u>	<u>2017-18</u>	<u>Percent Change</u>	<u>Percent Total¹</u>
Legislative, Judicial, Executive	\$3,508	\$3,487	-0.6	2.8
Business, Consumer, Housing	494	410	-17.0	0.3
Transportation	225	241	7.1	0.2
Natural Resources	3,078	2,857	-7.2	2.3
Environmental Protection	90	95	5.6	0.1
Health and Human Services	34,685	34,824	0.4	27.8
Corrections and Rehabilitation	10,944	11,228	2.6	9.8
K-12 Education	50,714	53,455	5.4	42.7
Higher Education	14,591	14,892	2.1	11.9
Labor and Workforce	179	129	-27.9	0.1
Government Operations	938	747	-20.4	0.6
General Government	1,975	2,731	38.3	2.2
Total	\$121,421	\$125,096	3.0	--

¹Based on 2017-18.

The budget incorporates priorities of the Legislature and the Administration and includes funding for the following highlighted initiatives and programs:

Health Care. The budget provides a substantial reinvestment in Medi-Cal of \$546 million from Proposition 56 tobacco tax revenue. This includes \$465 million for physician and dental rate increases, \$50 million for women’s health services, \$27 million for rate increases for intermediate care facilities for individuals with developmental disabilities, and \$4 million to help HIV/AIDS patients remain at home or in the community. The budget also includes restoration of full dental services for Medi-Cal beneficiaries beginning January, 2018, and optical services beginning January, 2020. In addition, the budget agreement restores the one-time reductions that the Administration proposed in the current year: \$33 million for Song-Brown medical residencies, \$68 million for mental health treatment facilities, and \$17 million for children’s mental health crisis beds.

Education. The budget plan includes a significant increase in funding for K-12 education, with \$1.4 billion in additional funding for the Local Control Funding Formula, \$877 million in discretionary money for school districts provided in the 2017-18 fiscal year, and \$50 million increase for after-school programs. In higher education there is a substantial increase in community college funding, including \$25 million for completion grants. For California State University, the budget includes \$20 million to increase enrollment, plus \$12.5 million to improve graduation rates. The University of California will receive additional funding for graduate students, as well as for other programs.

Human Services. The budget plan includes \$400 million to counties for In-Home Supportive Services to deal with the elimination of the Coordinated Care Initiative. It also includes \$25 million for child care eligibility to prevent loss of program services resulting from the minimum wage increase, \$31 million for foster care children, and one-time funds for employment and education services under CalWORKs. The budget also funds food banks, removes the cap on respite services for persons with developmental disabilities, and expands the Earned Income Tax Credit to include self-employment income and also increases the wage ceiling to include more households.

Other Issues. The 2017-18 budget also includes the following additional funding or provisions:

- \$45 million for immigrant services annually for the next three years, as well as oversight services by the Attorney General regarding immigration and customs enforcement activities.
- \$22 million for dependency counsel and \$20 million over two years for equal access legal services.
- \$111 million for flood protection and \$2.8 billion in transportation funding pursuant to the transportation measure, SB 1.
- \$7.6 million for the California Arts Council to expand programs related to formerly incarcerated individuals and those in juvenile justice facilities.
- Restructuring of the state's tax agencies, by shifting tax administration responsibilities to a new department and establishing an appeals body.
- Implementation of a state regulatory framework for cannabis, pursuant to the Medical Cannabis Regulation and Safety Act and the Adult Use of Marijuana Act.
- \$6 billion one-time supplemental payment to CalPERS to reduce the state's unfunded pension liability, provided through a loan from the Surplus Money Investment Fund.

Overall, the budget represents a responsible and balanced approach, both in terms of revenues and expenditures, and with respect to savings and wise reinvestment. It focuses on reducing financial, social, and environmental costs in the future, while ensuring access to social services, health care, higher education, and justice systems. Spending is reasonable, with all new expenditures fully paid for from other budgetary savings and additional analytically-based revenue estimates. Based on revenue estimates of the Administration, the adopted budget includes critical and responsible reinvestments and significant reserves. Overall, the 2017-18 budget constitutes a fiscally responsible approach to continue rebuilding the state's public programs while saving for the future.

Subcommittee No. 1 – Education

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

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

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

Subcommittee No. 3 – Health and Human Services

0530	California Health and Human Services Agency	4265	Department of Public Health
0977	California Health Facility Financing Authority	4300	Department of Developmental Services
4120	Emergency Medical Services Authority	4560	Mental Health Services Oversight and Accountability Commission
4140	Office of Statewide Health Planning and Development	4700	Department of Community Services and Development
4150	Department of Managed Health Care	4800	California Health Benefit Exchange
4170	California Department of Aging	5160	Department of Rehabilitation
4185	California Senior Legislature	5175	Department of Child Support Services
4260	Department of Health Care Services	5180	Department of Social Services

Subcommittee No. 4 – State Administration and General Government

0509	Governor’s Office of Business and Economic Development	1701	Department of Business Oversight
0511	Secretary for Government Operations Agency	2100	Alcoholic Beverage Control
0650	Office of Planning and Research	7502	Department of Technology
0690	Office of Emergency Services	7730	Franchise Tax Board
0840	State Controller	7760	Department of General Services
0845	Department of Insurance	8260	California Arts Council
0850	California State Lottery Commission	8620	Fair Political Practices Commission
0860	State Board of Equalization	8860	Department of Finance
0890	Secretary of State	8880	Department of FISCAL
0950	State Treasurer’s Office	8885	Commission on State Mandates
0954-0989	State Treasurer’s Boards, Commissions, and Authorities	8940	Military Department
1111	Department of Consumer Affairs – Boards and Bureaus	8955	Department of Veterans Affairs
		9210	Local Government Financing
		9620	Payment of Interest on General Fund Loans

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

0250	Judicial Branch	7920	State Teachers’ Retirement System
0820	Department of Justice	8120	Commission on Peace Officer Standards and Training
4440	Department of State Hospitals	9650	Health and Dental Benefits for Annuitants
5225	Department of Corrections & Rehabilitation	9800	Augmentation for Employee Compensation
5227	Board of State and Community Corrections		
7100	Employment Development Department		
7120	California Workforce Investment Board		
7300	Agricultural Labor Relations Board		
7320	Public Employment Relations Board		
7350	Department of Industrial Relations		
7501	Department of Human Resources		
7900	Public Employees’ Retirement System		
			Control Sections:
		3.60	Contributions to Public Employee Retirement Benefits
		3.61	Contributions to Public Employee Retirement Benefits

SUBCOMMITTEE 1
ON
EDUCATION

Senate Committee on Budget and Fiscal Review

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SUBCOMMITTEE No. 1

EDUCATION

Pre-K-12

6100	Department of Education.....	1-1
6360	California Commission on Teacher Credentialing.....	1-12

Higher Education

6120	California State Library.....	1-14
6440	University of California.....	1-14
6610	California State University.....	1-16
6600	Hastings College of Law.....	1-17
6870	California Community Colleges.....	1-17
6980	California Student Aid Commission.....	1-20

K-12 EDUCATION

6100 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

K-14 EDUCATION - PROPOSITION 98 OVERALL

The 2017 Budget Act includes adoption of the Governor’s May Revision revenue estimates and the Legislative Analyst’s property taxes, which result in Proposition 98 funding at the funding levels for K-12 schools and community colleges (K-14 education) illustrated below:

Budget Year	Proposition 98 Minimum Guarantee	Change from Estimated Guarantee as of June 2016	Applicable Proposition 98 Test ¹	K-12 Overall Per Pupil Expenditures ²
2015-16	\$69.1 billion	\$53 million increase	Test 2	\$10,216
2016-17	\$71.4 billion	\$484 million decrease	Test 3	\$10,576
2017-18	\$74.5 billion	\$3.1 billion increase	Test 2	\$11,051

The funding level of the Proposition 98 guarantee over-appropriates the minimum guarantee level by \$433 million in 2015-16 and by \$479 million, in 2016-17. The over-appropriations are the result of estimates of the Proposition 98 guarantee in these years changing between the 2016-17 budget act and the 2017-18 budget act, combined with workload changes in appropriation levels. While over-appropriating the guarantee “builds the base” or increases the guarantee calculation in future years, the over-appropriation amounts also count as payments against the maintenance factor balance. Together the over-appropriations and a further payment of \$536 million made as part of the Proposition 98 formula in 2017-18, as well as an increase in the maintenance factor balance as a result of the Test 3 calculation in 2016-17, result in approximately \$900 million remaining in the maintenance factor obligation at the end of 2017-18.

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

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

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

² Figures do not include settle-up payments.

Of the \$74.5 billion appropriated in 2017-18, \$65.2 billion (87.5 percent) funds K-12 education (including \$500 million for adult education); \$8.1 billion (10.8 percent) funds community colleges; \$1.1 billion (two percent) funds preschool and child care programs that are counted within Proposition 98; and \$91 million (less than one percent) funds other programs. The Governor's estimates of statewide average daily attendance were also adopted, including 5,960,101 K-12 pupils in 2017-18.

Proposition 98 Funding by Segment			
(Dollars in Millions)			
	2015-16	2016-17	2017-18
K-12 Education *			
General Fund	\$44,458	\$45,430	\$47,386
Local property tax revenue	\$17,047	\$18,133	\$18,981
K-12 subtotal	\$61,505	\$63,563	\$66,367
California Community Colleges			
General Fund	\$4,884	\$4,973	\$5,154
Local property tax revenue	\$2,631	\$2,768	\$2,911
CCC subtotal	\$7,516	\$7,742	\$8,065
Other Agencies	\$82	\$85	\$91
Total Proposition 98	\$69,103	\$71,390	\$74,523
General Fund	\$49,425	\$50,488	\$52,631
Local property tax revenue	\$19,678	\$20,902	\$21,892
*K-12 education totals include state preschool and adult education.			

Source: Legislative Analyst's Office

K-12 EDUCATION – ALL FUND SOURCES.

In addition to Proposition 98 (General Fund and property taxes), K-12 education is funded through a variety of other fund sources, including federal funds, state lottery funds, local fund sources, and other funds. According to the Department of Finance, total funding for K-12 education from all sources is approximately \$92.5 billion in 2017-18, \$88.8 billion in 2016-17, and \$85 billion in 2015-16.

K-12 Major Expenditures. The following significant investments in K-12 education were adopted in the 2017 budget:

LOCAL CONTROL FUNDING FORMULA (LCFF)

Appropriation of Funds. The budget provides \$1.362 billion in additional resources from the General Fund for allocation through the LCFF to school districts and charter schools in 2017-18. This transition funding brings the formula to approximately 97 percent of full implementation of school district and charter school LCFF targets. LCFF target funding levels were established in 2013-14 and are annually updated as each local education agency's (LEA's) target funding and the total overall LCFF full implementation amount are adjusted to reflect revised caseload estimates, demographics, and

cost-of-living adjustments (COLAs). The transition funding provided in the 2014 Budget Act fully funded the county office of education (COE) LCFF targets.

Base workload adjustments were also provided to school districts, charter schools, and county offices of education to account for average daily attendance changes and COLAs across the three year period of 2015-16 through 2017-18. Adjustments to the LCFF base funding amount for school districts, charter schools, and county offices of education are continuously appropriated through existing statute.

ONE-TIME DISCRETIONARY FUNDING / DEBT REDUCTION

Discretionary Funding. The budget appropriates \$876.6 million to provide discretionary funds that will also pay down the K-14 education mandates backlog. Funds are provided to LEAs on a per-average daily attendance (ADA) basis and may be used for any purpose, although legislative intent language states that funds should be prioritized for deferred maintenance, professional development, beginning teacher induction programs, instructional materials, technology infrastructure, and support of implementation of statewide academic content standards. To the extent that LEAs have unpaid mandate claims, these funds will also be scored in satisfaction of these claims. The mandate backlog accumulated due to the state's earlier deferrals of the required payments, which reimburse local governments for new programs or higher levels of service that the state requires of them, and currently is estimated to be approximately \$1.5 billion at the end of 2016-17.

Settle-up Payments. The budget provides \$603.3 million in Proposition 98 one-time settle up funding that counts toward the 2009-10 Proposition 98 minimum guarantee. Of this, up to \$513.6 million is allocated to K-12 local educational agencies (LEAs) for the purpose of funding 2016-17 expenditures for school districts and community colleges, \$86.3 million is provided to community colleges for the Community Colleges Guided Pathways Program in 2017-18, and \$3.3 million is provided for the Career Technical Education Incentive Grant Program in 2017-18.

MAJOR ONGOING CHANGES

- **After School Education and Safety (ASES) program.** The budget provides \$50 million in ongoing Proposition 98 funding for the ASES program. The additional funding will be used to increase the per student funding rate for providers participating in the program. ASES funds programs that provide before and after school care that includes literacy, academic enrichment, and health and nutrition components, among other activities for students in kindergarten through grade nine. Currently, the ASES program is funded at \$550 million; the amount specified when ASES was established by Proposition 49 in 2002. This new funding is in addition to funding provided under Proposition 49.
- **Growth and Cost-of-Living Adjustments.** The budget includes a net increase of \$100.1 million in Proposition 98 growth adjustments for the special education, preschool, child nutrition programs; and the charter school, school district and county office of education LCFF ADA changes. The budget includes \$80.3 million in COLA adjustments for the special education, preschool, child nutrition, and K-12 mandate block grant programs; and the charter school, school district and county office of education LCFF ADA changes.

TEACHER WORKFORCE SUPPORT

- **California Classified School Employee Teacher Credentialing Program.** The budget provides \$25 million in one-time Proposition 98 funding for the Commission on Teacher Credentialing to fund a second cohort of the California Classified School Employee Teacher Credentialing Program. Specifically, the Commission on Teacher Credentialing shall allocate up to 1,250 grants per year, for five years and up to \$4,000 per participant per year.
- **Bilingual Teacher Professional Development Program.** The budget provides \$5 million in one-time Proposition 98 funds to create the Bilingual Teacher Professional Development Program to provide grants to local educational agencies for professional development services for specified teachers and paraprofessional employees who seek to obtain the authorizations necessary to provide bilingual instruction.

ACCOUNTABILITY-RELATED CHANGES

- **County Office of Education Accountability Workload.** The budget provides \$7 million in ongoing Proposition 98 funding for COE that are funded at their Local Control Funding Formula target amount for workload related to Local Control and Accountability Plans (LCAPs) and support of school districts.

In addition, the budget requires county superintendents of schools to provide a summary of how the superintendent will support school districts and schools within the county in completing and implementing LCAPs and present the summary to the county board of education at a public meeting. The summary is also required to include information on how the superintendent will collaborate with the CCEE, the Department of Education, and other county superintendents of schools to support school districts and schools within the county. The Superintendent of Public Instruction is also required to provide technical assistance to the county superintendent of schools focused on improving the county superintendent of schools' review and approval of LCAPs, if the superintendent determines that a complaint related to this process has merit. These changes would add additional accountability reporting on the role of county office of education in the LCAP process.

- **California Collaborative for Educational Excellence (CCEE).** The budget amends statute to replace the existing authority for the Superintendent of Public Instruction to assign the CCEE to assist a charter school, with authority for the CCEE to assist such a school after consulting with the Superintendent of Public Instruction. This is similar to the process for school districts and county offices of education.

The budget also authorizes the CCEE, with the approval of the Department of Finance, to contract with an LEA to act as its fiscal agent (current statute provides this authority to the Superintendent of Public Instruction, with approval of the State Board of Education).

The budget adds language to clarify that employees working with schools under the CCEE are considered employees of the fiscal agent for purposes of participating in the State Teachers' Retirement System of the Public Employees' Retirement System. Remaining one-time funding

provided in the 2016 Budget Act for the CCEE, is reappropriated from the Riverside County Office of Education to the Marin County Office of Education, due to a change in the fiscal agent for the CCEE.

- **LCAP Template Revisions.** The budget extends the date by which the State Board of Education may revise the local control and accountability plan (LCAP) template under the terms of the state's open meeting law rather than through the formal regulatory process from January 31 to December 31, 2018.
- **Academic Performance Index.** The budget extends the authority of the Superintendent of Public Instruction, with approval of the State Board of Education, to suspend calculation of the Academic Performance Index for the 2016-17 fiscal year.
- **Electronic LCAP.** The budget provides \$400,000 in one-time Proposition 98 funding to the Superintendent of Public Instruction to contract with the San Joaquin County Office of Education for support and development of an electronic template for the LCAP, including a mobile application for the California School Dashboard, an evaluation rubric developed by the state board of education.

K-12 FACILITIES-RELATED CHANGES

- **School Facilities Program.** Proposition 51, passed in November of 2016 provides for \$7 million in state bond funding for the existing School Facilities Program. In relation to the release of these funds, the budget includes language that requires all program recipients to include program expenditures in their annual financial audit. The budget includes language that would add this requirement to the Education Audit Guide and requires local educational agencies that receive state school facilities bond funding to include the use of those funds in their annual financial audits and to repay any disallowed expenditures using any local fund source, with the collection agency to be the Department of Education.
- **Proposition 39 Clean Energy Funds.** The budget extends the date for local educational agencies to encumber funds received under Proposition 39 for clean energy projects by one year, until June 30, 2019, and provides \$377 million for the K-12 grant program in 2017-18. Proposition 39 established a program to provide funding for K-14 education entities to implement energy efficiency projects and provided funding from 2013-14 through 2017-18. The budget reappropriates the remaining funds from Proposition 39 in the Clean Energy Job Creation Fund as of March 1, 2018, and allocates these funds for school bus replacement, revolving loans for energy efficiency projects, and for a grant program for school districts, charter schools, and county offices of education for funding energy efficiency projects. The budget also extends the grant program through future years, subject to the allocation of funds in future budgets.
- **Charter School Facilities Grant Program.** The budget increases the maximum charter school grant under the Charter School Facilities Grant Program from \$750 per unit of average daily attendance (ADA) or up to 75 percent of a school's annual rent and lease costs, to \$1,117 per ADA or up to 75 percent of its annual rent and lease costs. A cost-of-living-adjustment is also applied to

the per ADA rate in future years; however the rate is pro-rated to the extent the rate adjustments would exceed the amount appropriated for the program in the annual budget act.

- **Technical Changes.** The budget repeals language prohibiting the State Allocation Board from approving allocations of school facilities bond funding for career technical education projects on or after January 1, 2015. The budget also repeals obsolete language relative to the emergency repair program, which no longer exists, corrects language authorizing transfers of unspent funds from the State School Deferred Maintenance Fund, which no longer exists, and requires any unspent Emergency Repair Program funds as of July 1, 2018, to revert to the Proposition 98 reversion account.

OTHER ONE-TIME AUGMENTATIONS

- **Refugee Student Support.** The budget provides \$10 million in one-time Proposition 98 funding for the Department of Social Services to allocate grants to school districts impacted by significant numbers of refugee students. The Department of Social Services is required to allocate the grants based on the eligibility criteria and allocation methodology used for the federal Refugee School Impact Program.
- **Curriculum Framework Professional Development.** The budget provides \$10 million in one-time Proposition 98 funding to contract with a county office of education to provide professional development, training, and resources to support the History Social Science and upcoming Health Framework, including a focus on new components of the frameworks such as the Armenian Genocide, labor, LGBT, and civic education for the history framework and sexual harassment and violence prevention for the health frameworks.
- **Curriculum Framework Resources.** The budget provides \$5 million in one-time Proposition 98 funding for the San Francisco Unified School District to contract with the California Historical Society, in partnership with the California History-Social Science Project, to create free online curriculum resources aligned with the new History-Social Science Framework by July 1, 2019.
- **California Regional Environmental Education Community (CREEC) Network.** The budget provides \$4 million in one-time Proposition 98 funding for the CREEC network to provide technical assistance and disseminate resources on the integration of high-quality environmental literacy into curriculum. Of the total, \$1.5 million shall be used to produce and distribute environmental literacy materials.
- **Southern California Regional Occupational Center.** The budget provides \$4 million in one-time Proposition 98 funding to the Southern California Regional Occupational Center, with language stating intent to appropriate \$3 million, \$2 million, and \$1 million in the next three years, respectively. The intent is to transition the center, which provides career technical education to K-12 and adult students, to a fee-based funding model.
- **Online Educational Resources.** The budget provides \$3 million in one-time Proposition 98 funding to Riverside County Office of Education to provide access to online educational resources for K-12 schools and students, consistent with direction from the State Librarian.

- **California Equity Performance and Improvement Program.** The budget provides \$2.5 million in one-time Proposition 98 funding for the Department of Education to establish the California Equity Performance and Improvement Program to promote equity in California's public schools. Specifically, the budget requires the Department of Education to contract with at least two county offices of education to identify resources to support and build capacity within local educational agencies to address disparities in outcomes or opportunities among student groups.
- **California-Grown Fresh School Meals Grant Program.** The budget provides \$1.5 million in one-time Proposition 98 funding for the Department of Education to establish the California-Grown Fresh School Meals Grant Program to incentivize schools to purchase California-grown food and expand the number of freshly-prepared meals. The Department of Education is required to allocate grants to local educational agencies to be used for purchasing equipment and providing professional development to food services employees regarding implementing healthy school meals. In selecting grantees, priority shall be provided for local educational agencies with at least 50 percent unduplicated students and positive consideration shall be provided for other specified activities.

OTHER CHANGES

- **Career Pathways Program.** The budget provides \$15.4 million in ongoing Proposition 98 funding to the Department of Education for the Career Pathways Program. Previously, funding for the program was provided to the California Community Colleges and directed to the Department of Education through an interagency agreement. These funds provide for a variety of CTE-related programs including partnership academies.
- **High Speed Network (HSN).** The budget provides \$8 million in funding for operations of the HSN with \$3.5 million from Proposition 98 funds, and the remainder from funds held at the HSN as a result of state and federal subsidy programs. The budget also requires the Imperial County Office of Education, as the lead agency for the High Speed Network, to develop a methodology for selecting and implementing network upgrade projects, in addition to increasing reporting and transparency for HSN activities and expenditures.
- **District of Choice Program.** The budget extends the District of Choice Program through the 2022-2023 fiscal year and amends the law to address program equity and accessibility, increase transparency and reporting requirements, and make other minor program changes. In addition, the Superintendent of Public Education is required to provide specified information on the program to the Legislature, Legislative Analyst's Office, and the Department of Finance each year. The Legislative Analyst's Office is further required to provide an evaluation of the program by January 31, 2021. The District of Choice Program allows school districts to accept transfer students from other districts consistent with specified requirements.
- **Instructional Minutes.** The budget authorizes early college high schools and middle college high schools to schedule classes so as to meet state instructional minute requirements over a period of five or ten school days, rather than on a day-by-day basis.

- **Tobacco Use Prevention Funds.** The budget requires funds allocated to the Department of Education pursuant to Proposition 56 (approximately \$30 million) shall be allocated to support programs that prevent and reduce the use of tobacco and nicotine products by young people, pursuant to legislation enacted in 2017-18, that is consistent with Proposition 56. If legislation is not chaptered regarding the use of these funds by October 15, 2017, the funds are required to be allocated to the Department of Education pursuant to the existing program to prevent and reduce the use of tobacco and nicotine products by young people. Of the total, \$1.6 million is set-aside for state operations workload by the Department of Education.
- **School Bus Driver Training Program.** The budget reduces the amount provided to the school bus driver training program by \$200 million based on reduced revenue in the special fund for this program (State Driver Penalty Assessment Fund). In addition, the budget reduces the reliance of the program on the special fund, using program reserves, and reimbursements to fund the program. To ensure reimbursements are available, the budget increases the ability of the program to charge fees for the training by amending statute authorizing the Department of Education to charge fees for school bus driver training by adding citations to allow fees to be charged for training on all vehicle types.
- **Computer Science Implementation Advisory Panel.** The budget authorizes the Governor to select the members of the Computer Science Implementation Advisory Panel and makes minor amendments to existing statute, including the extension of statutory deadlines for related workload by six months.
- **Instructional Materials Adoptions.** The budget amends statute to authorize the California Department of Education to charge publisher fees sufficient to cover the costs of reviewing instructional materials submitted for potential state adoption, and prohibits use of General Fund to support these activities.
- **State Assessments.** The budget authorizes the California Department of Education to pay student testing contractors on a per-test-administration basis, rather than a fiscal year basis, as assessment administration costs are spread over multiple fiscal years through the preparation, testing, and scoring components of the administration.
- **K-12 Mandates Block Grant.** The budget adds the California Assessment of Student Performance and Progress mandate and the Training for School Employee Mandated Reporters mandate and \$8.5 million to the K-12 mandates block grant and makes minor and technical changes to related statute. In addition, the budget includes a cost-of-living-adjustment to the block grant commencing with the 2017-18 fiscal year (approximately \$3.5 million in 2017-18).
- **Child Nutrition Advisory Council.** The budget authorizes members of the Child Nutrition Advisory Council to be appointed by the Superintendent of Public Instruction, rather than the State Board of Education.
- **Charter School Property Taxes.** The budget requires the California Department of Education to finalize adjustments to the amounts of funding in lieu of property taxes allocated to charter schools at the third recertification of its annual apportionments to schools. In addition, the budget conforms

the statutory authorization for county charter program schools to seek in-lieu property tax reimbursement from their students' districts of residence, to the department's current practice.

- **Excess Administrative Employees.** The budget waives penalties associated with excess administrative employees for 2016-17 and 2017-18 for a school district with enrollment of more than 400,000 K-12 students.
- **English Language Learners with Special Needs Guidance.** The budget extends the deadline for the Department of Education to develop a manual providing guidance to local educational agencies on identifying, supporting, and reclassifying English language learner students with exceptional needs by six months, to January 1, 2019, and makes other changes to update terminology in this section.
- **Special Education Local Plan Area Reorganization.** The budget requires the California Department of Education to adjust funding rates for Special Education Local Plan Area reorganizations to ensure that overall funding neither increases nor decreases from the pre-reorganization levels.
- **Special Education Property Taxes.** The budget authorizes an unspecified appropriation for special education programs as necessary to hold them harmless if expected 2017-18 local property tax revenue from redevelopment agencies fails to materialize.
- **Out of Home Care Program.** The budget reflects anticipated changes in funding for the Out-of-Home Care Program for foster students with exceptional needs.
- **Career Technical Education Incentive Grant Program.** The budget revises the fund source for 2017-18 Career Technical Education Incentive Grant program to use one-time, rather than ongoing, Proposition 98 funds. Under current law, this program will be funded at \$200 million in 2017-18, and at zero in subsequent years.
- **Full Day Kindergarten Report.** The budget requires the Legislative Analyst's Office to submit a report to the Legislature by March 1, 2018, on recommended options for incentivizing full-day kindergarten programs, including options for providing differentiated funding rates for full-day and part-day kindergarten.

EARLY CHILDHOOD CARE AND EDUCATION PROGRAMS

Overall, the 2017 Budget Act provides \$4 billion (\$1.9 billion Proposition 98 General Fund; \$1.1 billion General Fund; \$1 billion federal funds) for child care, state preschool, and transitional kindergarten programs. The budget reflects the second year of the multi-year investment for child care and early learning agreed to as part of the 2016-17 budget act. In addition, the budget reflects \$25 million to adjust the income eligibility requirements to account for minimum wage increases.

- **Transitional Kindergarten.** Transitional kindergarten is considered the first year of a two-year kindergarten program and children whose fifth birthday falls between September 2nd and December 2nd may be admitted to a transitional kindergarten program (children are admitted to Kindergarten if their fifth birthday falls before September 2nd). Starting in 2015-16, children whose fifth birthday is after December 2nd may be admitted to transitional kindergarten (as developmentally appropriate), however, these students do not generate state funding until they reach their fifth birthday. The budget provides \$755 million for transitional kindergarten in 2017-18, increasing two percent over the 2016-17 fiscal year.
- **California State Preschool Program.** State preschool provides part-day or full-day care and education for low-income three and four-year-old children. The budget provides \$1.3 billion, \$503 million for part-day and \$738 million for full-day state preschool. In addition, the budget provides an increase of 2,959 full-day slots to LEAs, effective March 1, 2018, and annualizes slots provided in the 2016-17.
- **Child Care.** The budget provides approximately \$1.2 billion for CalWORKs child care, specifically: \$361 million for Stage 1, \$519 million for Stage 2, and \$306 million for Stage 3. In addition, the budget includes \$689 million for non-CalWORKs child care programs, such as: general child care (\$360 million), Alternative Payment Program (\$292 million), migrant child care (\$35 million), and care for children with severe disabilities (\$2 million).
- **Reimbursement Rates.** The budget provides the following increases to the standard reimbursement rate (used to reimburse providers that contract with the State Department of Education); regional market rate (used to pay providers that accept vouchers), and license-exempt rate:
 - The budget increases the standard reimbursement rate, which is the reimbursement for providers who contract with the Department of Education. The budget also annualizes the 10 percent increase intended to be provided January 1, 2017, and increases the rate by an additional six percent, beginning July 1, 2017.
 - The budget updates, effective, July 1, 2017, the regional market rate (RMR), which is the reimbursement for providers who accept vouchers, to the 75th percentile of the 2016 RMR survey. This includes a temporary hold harmless provision so no provider receives less in 2017-18 than it receives under current rates.
- **Preschool Quality Rating Improvement System (QRIS).** The budget continues its investment of \$50 million General Fund for the Quality Rating and Improvement System (QRIS) consortia to support quality improvements for child care providers.
- **Income Eligibility.** The budget amends income eligibility rules to use the most recent calculation of state median income, based on census data and adjusted for family size, for determining initial and ongoing eligibility for subsidized child care services. In addition, the budget specifies that families who meet eligibility and need requirements for subsidized child care services shall receive services for not less than 12 months, and makes related changes.

- **Licensing of State Preschool Programs.** The budget requires the Legislative Analyst’s Office to initiate a stakeholder process to provide recommendations on existing health and safety requirements currently required under Title 22, but not included in Title 5, California Field Act; Title 24, the California Plumbing Code; California Education Code and the California Health and Safety Code. A report as the result of the stakeholder process is due to the appropriate legislative fiscal and policy committees, Department of Education, and Department of Finance by March 15, 2018. The Department of Education may begin an emergency regulation process based on the report findings no less than 30 days after the report is released. Local educational agency-run state preschool programs will be exempted from Title 22 requirements upon adoption of emergency regulations or by June 30, 2019, whichever comes first.
- **Transitional Kindergarten Instructional Minutes.** The budget authorizes school districts to run transitional kindergarten classes for varying lengths of time, conforming to the authority they currently have for kindergarten classes.
- **Enrollment of Children with Special Needs.** The budget authorizes state preschool providers to enroll children with exceptional needs who do not meet income qualifications if space is available after all qualifying low-income children are served.
- **Trustline.** The budget authorizes the Department of Education, in addition to the Department of Social Services, to enter into a contract with the California Child Care Resource and Referral Network to administer trustline program duties and specifies that grants or contracts under this section are exempt from certain contracting requirements, including the Public Contract Code, State Contracting manual, and are not subject to approval by the Department of General Services.
- **Homeless Youth Definition.** The budget conforms the state’s definition of “homeless” child or youth with that used by the federal government and authorizes child care providers to use digital forms.
- **Child Care Facility.** The budget includes \$2 million in one-time General Fund to construct a child care facility at the YMCA of West San Gabriel Valley.

CDE STATE OPERATIONS ISSUES

The budget provides total state operations funding of \$358 million, and authority for 2,245.2 positions for CDE headquarters and the state special schools. Major changes to CDE operations in 2017-18 are described below:

- **Child Nutrition Program Procurement Reviews.** The budget provides \$479,000 in ongoing Federal Nutrition State Administration Expense funds to comply with federal procurement regulations and respond to U.S. Department of Agriculture audit findings related to management and oversight of school nutrition programs.

- **Special Education English Learners.** The budget includes \$143,000 in one-time federal Individuals with Disabilities Education Act funds to develop an English learners with disabilities manual and provide technical assistance to local educational agencies in identifying, assessing, supporting, and reclassifying English learners who may qualify for special education services, and pupils with disabilities who may be classified as English learners, pursuant to AB 2785 (O'Donnell), Chapter 579, Statutes of 2016.
- **Homeless Youth Liaisons.** The budget allocates \$49,000 available from the federal McKinney-Vento Homeless Assistance grant to provide professional development and training materials to local educational agency liaisons for homeless children and youth pursuant to SB 1068 (Leyva), Chapter 538, Statutes of 2016. Of the amount provided, \$10,000 is available on a one-time basis for the development of informational and training materials for homeless youth liaisons.
- **Education Commission for the States.** The budget provides \$160,000 in one-time General Fund to the Department of Education to fund annual dues for the Education Commission for the States.
- **English Language Learner Reclassification.** The budget provides \$437,000 in one-time federal Title III carryover funding for the workload related to developing guidance and providing support related to the reclassification of English language learners pursuant to legislation.

6360 CALIFORNIA COMMISSION ON TEACHER CREDENTIALING (CTC)

The 2017 Budget Act included minor workload-related adjustments for the CTC and other substantial adjustments including the following:

- **California Educator Development (CalED) Program.** The budget redirects up to \$11 million in federal Title II local assistance funding to create the CalED program designed to enhance the state's efforts to address teacher recruitment and retention issues. Specifically, the CalED program requires the Commission on Teacher Credentialing (CTC), in conjunction with the California Center on Teaching Careers, to develop a competitive grant program to assist local educational agencies with the recruitment and retention of effective educators and school leaders. In administering the grants, the CTC shall give positive consideration for specified applicant characteristics and activities. Finally the California Center on Teaching Careers and the CTC are required to collect data and report outcomes of grant recipients to the Legislature and Department of Finance by October 1st of each year.
- **Educator Discipline.** The budget includes the reappropriation of \$4.5 million from the Budget Act of 2016, for use in the 2017-18 fiscal year for the cost of representation by the Attorney General in educator discipline cases.

- **Reporting Requirements.** The budget includes amendments to provisional language to clarify reporting requirements on teacher discipline workload of the Attorney General. Specifically the language specifies that data will be reported quarterly from the Attorney General and include status of cases underway and timeliness of work. In addition, the report includes specified details on hours worked, fees charged, litigation costs, and other operations details in order to determine ongoing costs.

CTC STATE OPERATIONS ISSUES.

The 2017 Budget Act includes the following adjustments for CTC state operations:

- **Educator Discipline Investigations.** The budget provides \$509,000 from the Teacher Credentials Fund for two permanent and two temporary special investigator positions and a temporary retired annuitant attorney to assist in investigating and preparing educator discipline cases for administrative hearing.
- **Data-related Workload.** The budget provides ongoing expenditure authority of \$310,000 (\$256,000 Teacher Credentials Fund and \$54,000 Test Development and Administration Account) to provide ongoing support for the data warehouse and dashboard system that enables and tracks teacher preparation program accreditation. This accreditation system was recently rebuilt and will require ongoing funding for new system software, data services, and web hosting beyond what was required to support the previous data system.
- **CTC Facilities.** The budget provides additional expenditure authority of \$277,000 (Teacher Credentials Fund and the Test Development and Administration Account) to address an increase in rent with the signing of a new building lease and to address ongoing increases in costs charged to the CTC from the Department of General Services for contracted fiscal services.

K-12 Education Budget Trailer Bills

1. *K-12 Education Omnibus – AB 99 (Committee on Budget), Chapter 15, Statutes of 2017.*
2. *K-12 Education Trailer Bill: Energy Efficiency – SB 110 (Committee on Budget and Fiscal Review), Chapter 55, Statutes of 2017.*

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY (CSL)

The 2017 Budget Act provides ongoing and one-time funding for various programs and grants to be administered by the State Library.

- **Asset Management System.** The budget provides \$404,000 (\$189,000 ongoing) General Fund for replacement of the asset management system. Of this funding, \$215,000 is one-time to support costs of implementation of the new system to improve organization of the State Library's collections, allow for better linkages with other libraries, and create efficiencies for other state agencies that choose to maintain their materials using the system. Ongoing funding is for a cloud-based software and repository of digital materials and data management.
- **Civil Liberties Public Education.** The budget includes \$3 million one-time General Fund for the California Civil Liberties Public Education Program to provide education regarding the civil liberty violations endured by Japanese-Americans during World War II, and approved budget bill language allowing five percent of this funding for administrative purposes, and an encumbrance and expenditure period that would allow the librarian to distribute one-third of the available funding each year for the next three fiscal years.
- **Career Online High School Program.** The budget provides \$3 million one-time General Fund to support the Career Online High School Program to provide literacy coaches and resources to adults looking to earn an accredited high school diploma online within 18 months. Additionally, the budget requires the State Library to report to the Legislature by May 1, 2018 regarding enrollment and outcomes for participants in the program.

6440 UNIVERSITY OF CALIFORNIA (UC)

The 2017 Budget Act provides a \$131.2 million General Fund base increase for UC over the 2016-17 fiscal year. Budget bill language specifies that \$50 million General Fund be withheld from UC until they meet various transparency and accountability measures. Specifically, funds will not be released until UC has:

1. Completed pilot programs of activity-based costing at the Riverside campus and at two other campuses in three departments each;
2. Taken any actions necessary to attain a ratio at each of its campuses, except for the Merced and San Francisco campuses, of at least one entering transfer student for every two entering freshman students beginning in the 2018-19 academic year;

3. Taken actions directed by the California State Auditor in its audit report “Report 2016-130,” dated April 25, 2017, regarding the University of California Office of the President (UCOP);
4. Adopted a policy in 2017-18 to no longer provide supplemental retirement payments to newly hired senior management employees; and
5. Disclosed all revenue and expenditures, including carryover funds, and a full description of systemwide and presidential initiatives, including revenue sources and how these initiatives further the mission of UC. This information would be forwarded to the appropriate committees of the Legislature.

Additionally, budget bill language creates a separate item appropriation of \$296.4 million General Fund for UCOP, and \$52.4 million for UC Path in 2017-18. This funding is contingent on UC notifying the Department of Finance (DOF) that the campus assessment will not support UCOP for the 2017-18 fiscal year and that overall campus revenues will be greater in 2017-18 than the previous year.

Enrollment. The budget establishes an enrollment target of an additional 1,500 resident undergraduate students in 2018-19 compared to 2017-18, and includes legislative intent that at least one additional transfer student is enrolled for every two additional freshman, and that the state and UC share responsibility for cost of enrollment. Budget bill language requires UC to consult with DOF and the Legislature regarding existing programs and possible changes to support enrollment growth. Additionally, budget bill language requires UC to report to the Legislature and DOF by December 1, 2017, on any proposed changes to programs. Lastly, the budget includes legislative intent language that this information will be used to make decisions, including decision about enrollment in the Budget Act of 2018.

The budget also provides \$5 million General Fund to enroll 500 graduate students, and states that UC prioritize enrollment of resident students.

Graduate Medical Education. The budget notes that of the \$132 million base increase, \$50 million is from Proposition 56 funds for graduate medical education. This funding is in place of \$50 million General Fund revenue that the Administration estimates supported graduate medical education in 2016-17.

Capital Outlay and Deferred Maintenance. Trailer bill language requires all future buildings built using state funds through the existing capital outlay process to be operated by UC employees. Additionally, trailer bill sunsets this authority on June 30, 2024. Trailer bill language also extends UC’s existing capital outlay authority to allow UC to pledge its state support appropriations to issue bonds for deferred maintenance. The Legislature rejected the Administration’s request to allow UC Santa Cruz to use General Fund to pay for debt service of its completed cogeneration plant, which originally did not receive legislative approval.

Equal Employment Opportunity. The budget provides \$2 million one-time General Fund to support best practices in equal employment opportunity, and includes budget bill language stating the funding should be distributed to selected departments on campuses seeking to create or expand equal employment opportunity programs, and requires a report to the Legislature by December 1, 2017, that

describes the proposed uses of these funds and includes the number of ladder-rank faculty, disaggregated by race, ethnicity, and gender.

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

Program Extension. The trailer bill extends the sunset date of the Umbilical Cord Blood Collection Program until January 1, 2023, and requires UC to report to the Legislature one year before the sunset date regarding (1) key data on cord blood units (including the number of units collected, registered, and transplanted—disaggregated by race/ethnicity—compared with nationwide data); (2) data on collection and storage costs as well as associated fee revenue and state, federal, and private funding; and (3) evidence as to why the program should or should not be extended beyond the new sunset date

The trailer bill also extends the sunset date for the California Health Benefits Review Program by three years to June 30, 2020.

Various Programs. The budget provides funding for various additional programs at UC, including \$300,000 ongoing General Fund to the UC Summer Institute for Emerging Managers and Leaders to serve additional California resident students, and to hire a dedicated program lead to coordinate their program; \$2.5 million one-time General Fund for UC to create incentive funding grants for campuses to be designated as a “hunger-free campus;” \$730,000 increase for the Statewide Database at UC Berkeley, for a total of \$1.5 million; and \$2.1 million for grants to be administered by the Wildlife Health Center at UC Davis to local marine mammal stranding networks and whale entanglement response.

Supplemental Reporting Language. The Legislature adopted supplemental reporting language, which requires UC to report by January 1, 2018, on the following issues: (a) the number of outside medical laboratories for which UC currently contracts; (b) the value of each contract; (c) a summary of any efforts UC has made to date to consolidate its contracts with outside laboratories; and (d) a summary of recommendations to UC on consolidating contracts with outside laboratories.

6610 CALIFORNIA STATE UNIVERSITY (CSU)

The 2017 Budget Act provides a \$162.2 million base increase for CSU above the 2016-17 level, and \$20 million General Fund ongoing to increase enrollment by 2,487 resident undergraduate students in 2017-18 compared to the number of students enrolled in 2016-17.

Admissions Policies. The budget directs CSU to develop a policy regarding redirection of eligible students’ applications, who were denied admissions to an impacted program or campus, to non-impacted programs or campuses. Additionally, the budget also requires CSU to adopt a policy that requires campuses to provide first priority in admissions to impacted programs to local students who meet minimum system wide qualifications.

Graduation Initiative. The budget act includes \$12.5 million General Fund one-time for the CSU Graduation Initiative, and requires CSU to report on specific activities and spending to meet the state’s

goals for student success, including activities to close achievement gaps for low-income, and first-generation college students. Additionally, the budget requires CSU to adopt a policy to reform its practices on placement of students into remedial coursework.

Remedial Education. The budget requires CSU to change its policies and practices regarding placement of students in remedial or developmental programs and activities.

Transportation Research. The budget includes \$2 million from the Road Maintenance and Rehabilitation Account, State Transportation Fund to the CSU for transportation research. This is consistent with Senate Bill 1 (Beall), Chapter 5, Statutes of 2017.

Other Post-Employment Benefits. Trailer bill language stipulates that members of California Faculty Association and non-represented employees hired after July 1, 2017, will not receive retiree health and dental benefits until they have worked for the CSU for 10 years.

Equal Employment Opportunity. The budget provides \$2 million one-time General Fund to support best practices in equal employment opportunity, and adopts budget bill language stating the funding should be distributed to selected departments on campuses seeking to create or expand equal employment opportunity programs, and requires a report to the Legislature by December 1, 2017, that describes the proposed uses of these funds and includes the number of ladder-rank faculty, disaggregated by race, ethnicity, and gender.

Hunger-Free Campus. The budget includes \$2.5 million one-time General Fund for CSU to create incentive funding grants for campuses to be designated as a “hunger-free campus.”

Reporting. Trailer bill language extends the deadline for the Legislative Analyst’s Office to report on the CSU Early Start Program from January 1, 2018 to January 1, 2019. The budget also eliminates the academic sustainability plan, and modifies the statutory requirement for the March performance reports to include targets, as well as, past actuals for various performance measures.

6600 HASTINGS COLLEGE OF LAW

The 2017 Budget Act provides Hastings College of Law with an increase of \$1.1 million General Fund ongoing unallocated increase (9.2 percent) to Hastings’ budget, and provides Hasting with the flexibility to decide how to spend this state augmentation.

6870 CALIFORNIA COMMUNITY COLLEGES (CCC)

The budget makes significant investments in CCC including an increase of \$183.6 million Proposition 98 General Fund for an unallocated base increase to address operating expenses such as employee benefits, facilities, professional development, converting part-time faculty to full-time, and other general operating expenses; and \$76.8 million Proposition 98 General Fund one-time for deferred maintenance and instructional equipment.

Student Success. The budget provides \$150 million one-time Proposition 98 General Fund and settle-up grants to implement the Guided Pathways Program, which seeks to integrate existing student

success programs and services, build capacity of colleges for data analysis and planning, and develop clearly structured programs and paths for all entering students to improve student outcomes and reduce time to degree.

Community College Completion Grant Program. The budget establishes the Community College Completion Grant Program to assist community college students in the completion of an associate degree, certificate program or transfer to a four-year university in a timely manner, and provides \$25 million ongoing Proposition 98 General Fund for this purpose. Students must demonstrate financial aid, and enroll in sufficient number of units to be considered on track to obtain an associate's degree, transfer to a four-year university, or obtain a certificate within the published length of time. Eligible students would receive an award of \$2,000 annually, and the award cannot supplant other grant, fee waiver or scholarship aid. The Chancellor's Office is required to report by April 1, 2019, on outcomes related to the awards.

CCC Title IX Training. The budget provides \$2.5 million one-time Proposition 98 General Fund for community college districts to comply with state and federal requirements to prevent and address sexual harassment, including sexual violence, involving a student both on and off campus. Funding must be used to develop policies to address any complaints, by a student, school employee, or third party, including procedures to conduct investigations, provide notification, and establish timelines to resolve complaints.

Apprenticeship Programs. Trailer bill language extends the encumbrance date for the 2015 appropriation of the Apprenticeship Innovation Program until June 30, 2018. The budget also provides the chancellor the authority to audit apprenticeship programs, including verifying if the hours related, and supplemental instruction reported, to each local educational agency by a participating apprenticeship program sponsor are eligible for reimbursement.

Veterans Resource Centers. The budget appropriates \$5 million one-time Proposition 98 General Fund to the CCC Board of Governors to support veterans resource centers, and \$2 million one-time Proposition 98 General Fund to Norco Community College to expand the veterans resource center and establish a program to award course credit for military experience. Additionally, the budget provides \$5 million ongoing Proposition 98 General Fund for veterans resource centers, and requires the chancellor's office to establish minimum standards that are associated with high-functioning centers that take into consideration the different needs, size and capacity of colleges.

Trailer bill language extends the exemption from paying nonresident tuition for students who meet the requirements to qualify for education benefits under either the federal Montgomery GI Bill or Post 9/11 GI Bill Program, to align with federal law.

Compton Community College District. The budget provides \$11.3 million one-time Proposition 98 General Fund to Compton Community College District to support costs associated with regaining accreditation. Additionally, trailer bill language specifies that, for the 2018-19 fiscal year, the district will receive funding equal to the amount it received in the 2017-18 fiscal year, with the amount of funding for the district being reduced by five, 10, and 15 percent in 2019-20, 2020-21, and 2021-22, respectively.

Higher Education Innovation Awards Program. The budget provides \$20 million one-time Proposition 98 General Fund to establish the Chancellor's Higher Education Innovation Awards Program, which awards grants to colleges that seek innovations to improve student success for students that are underrepresented in higher education, targets former or current members of the U.S. Armed Forces, current or formerly incarcerated adults, underemployed adults and programs that incorporate technology to improve instruction and support services.

Part-Time Faculty Office Hours. The budget provides an increase of \$5 million ongoing Proposition 98 General Fund to support part-time faculty office hours.

Online Education Initiative. The budget provides an increase of \$10 million ongoing Proposition 98 General Fund to provide systemwide access to the Initiative's learning management system.

Integrated Library System. The budget provides an increase of \$6 million one-time Proposition 98 General Fund to facilitate the development an integrated library system to allow students access to a cloud-based library system.

CCC Contracts. Trailer bill language exempts the Chancellor's Office from a competitive bidding process for any Proposition 98 General Fund contract with a community college district with a value of \$20 million Proposition 98 General Fund or less for statewide technical assistance, and includes a five-year sunset on this authority.

Legislative Analyst's Office Report. Trailer bill language extends the reporting deadline for the Legislative Analyst's Office (LAO) review of the community college Student Success Act to September 30, 2019.

Mental Health Services. The budget appropriates \$4.5 million-one time Proposition 98 General Fund to support mental health services and training CCCs.

CCC Academic Senate. Trailer bill language authorizes the Board of Governors to enter into a direct contract with the Academic Senate of the CCC to support statewide initiatives, projects and programs. Additionally, the budget provides \$1 million one-time Proposition 98 General Fund to be allocated to the Academic Senate to support a course identification numbering system.

Workforce Development. Trailer bill language appropriates \$8 million one-time Proposition 98 General Fund to the Chancellor's Office to support grants to colleges in high unemployment areas. Grants are intended to create or expand projects that accelerate workforce development. Trailer bill language extends the sunset date for Economic Workforce Development Program from January 1, 2018, to January 1, 2023.

Financial Aid. The budget provides an increase of \$25 million for the Full-Time Student Success Grant, and \$1 million ongoing funding to support financial aid administration.

Other Augmentations. The budget provides a cost-of-living adjustment for the CCC mandate block grant with \$500,000 Proposition 98 General Fund; \$2.5 million one-time Proposition 98 General Fund

to support Hunger-Free Campus projects; and, \$2.5 million ongoing Proposition 98 General Fund to support the Umoja Program.

Capital Outlay Projects. The budget approves 15 capital outlay projects, for a total of \$17 million from the 2016 California Community College Capital Outlay Bond Fund. These projects are:

1. City College of San Francisco, Ocean Campus: Utility Infrastructure Replacement
2. City College of San Francisco, Alemany Center: Seismic and Code Upgrades
3. Pasadena City College: Armen Sarafain Building Seismic Replacement
4. Compton Community College District, Compton Center: Instructional Building 2 Replacement
5. Fullerton College: Business 300 and Humanities 500 Building Modernization
6. Allan Hancock College: Fine Arts Complex
7. Long Beach liberal arts campus: Multi-Disciplinary facility replacement
8. Santa Monica College: math/science addition
9. Orange Coast College: language arts/social science building
10. Solano Community College District, Solano College: Library Building 100 Replacement
11. Sonoma County Community College District, Santa Rosa Junior College: Science & Mathematics Replacement
12. West Hills Community College District, North District Center: Center Expansion
13. West Valley-Mission Community College District, Mission College: MT Portables Replacement Building
14. Rancho Santiago Community College District, Santa Ana College: Russell Hall Replacement
15. Long Beach Community College District, Pacific Coast Campus: Construction Trades

Supplemental Reporting Language. The budget includes supplemental reporting language to require the LAO to report by November 1, 2017, on options to implement a new funding formula that provides a stable year-to-year funding mechanism for public higher education institutions (UC, CSU, and CCC) while providing additional funding to aid those categories of Local Control Funding Formula (LCFF) students currently targeted at the K-12 level—low-income, foster youth, and English language learners (ELL). In addition, the LAO will review data and research regarding student support programs and services, accountability metrics, and the achievement gap for those categories of LCFF students across all three segments. The intent of this report is to determine how additional/supplemental state funding can be targeted to increase the retention and completion rates of underrepresented students (within the LCFF categories) and direct those funds among and within California’s higher education segments.

6980 CALIFORNIA STUDENT AID COMMISSION

The budget provides \$8 million General Fund to delay the scheduled reduction in Cal Grant Awards for students attending private non-profit, and accredited for-profit, institutions by one year. For the 2017-18 fiscal year, Cal Grant awards for new eligible students attending these institutions will be \$9,084. Additionally, the budget states legislative intent these institutions make good faith efforts to increase enrollment of low-income students, transfer students, and expand quality online coursework for resident students, and that the Legislature may consider the institutions efforts on these areas when considering the maximum award amount in the future.

Federal Temporary Assistance for Needy Families (TANF) Reimbursements. The budget provides an increase of \$117.7 million in TANF reimbursements in 2017-18, which reduces the amount of General Fund associated with program costs.

Participation Adjustments. The budget provides an increase of \$33.3 million General Fund in 2016-17, and \$71.6 million in General Fund in 2017-18, to reflect an increase in the number of new recipients.

Tuition Award Adjustments. The budget provides an increase of \$28 million and \$20.9 million General Fund to reflect the increase in maximum award amounts that correspond to the CSU and UC approved tuition increases, respectively.

Cal Grant B Awards. The budget provides an increase of \$447,000 from the College Access Tax Credit Fund to provide a supplement of \$24 for any student who receives a Cal Grant B Access Award.

Cal Grant C Awards. The budget provides \$1.7 million General Fund ongoing to increase the Cal Grant C access award for CCC students books, tools and equipment.

Middle Class Scholarship Program. The Legislature did not approve the Governor's proposal to eliminate the Middle Class Scholarship Program. The budget includes a technical adjustment to decrease the appropriation by \$21 million General Fund, to reflect one-time savings associated with lower number of qualified awardees, bringing the total appropriation to \$96 million in 2017-18.

Scholarshare Investment Board. The budget provides \$3 million one-time General Fund to create the matching grant program within the Scholarshare program. The program will provide up to \$200 in state matching funds for low-income families who open a Scholarshare college savings account and contribute at least \$25.

Supplemental Reporting Language. The Legislature adopted supplemental reporting language which requires CSAC to report by February 1, 2018, on options to consolidate existing programs that serve similar student populations in order to lower students' total cost of college attendance, including: tuition and fees, books and supplies, transportation, and room and board. The program would begin in the 2018-19 academic year. The intent is to identify: (1) similarities between the state's nine grant and scholarship programs and the four loan assumption programs, including similarities in student and family eligibility requirements; (2) options for how programs could be streamlined or consolidated; and (3) any technology or systems barriers, or other challenges to streamlining or consolidating programs. CSAC may convene a group of stakeholders, including high school and college students, to provide input in the development of the recommendations.

Higher Education Budget Trailer Bill

- 1. Higher Education Omnibus – Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017.*
- 2. Public Health – Assembly Bill 114 (Committee on Budget), Chapter 38, Statutes of 2017.*

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

Senate Committee on Budget and Fiscal Review

Members

Bob Wieckowski, Chair
Mike McGuire
Tony Mendoza
Jim Nielsen

Consultants

James Hacker
Joe Stephenshaw

SUBCOMMITTEE No. 2

NATURAL RESOURCES, ENVIRONMENTAL PROTECTION, ENERGY and TRANSPORTATION

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NATURAL RESOURCES

0540 SECRETARY FOR NATURAL RESOURCES AND CROSS-CUTTING ISSUES

- **Natural Resources and Park Preservation Fund.** The budget includes the establishment of the Natural Resources and Parks Preservation Fund that is intended to provide an alternative to bond funding and allow the Administration and the Legislature to make strategic investments where they are needed each fiscal year. However, the Administration's proposal to transfer \$65 million of previously appropriated General Fund into the fund in the first year was not included in the budget.
- **Bonds Unit Positions and Local Assistance.** The budget includes the conversion of three limited-term positions to permanent within the Bonds Unit at the Natural Resources Agency. The funding for these positions is in the agency's baseline budget and comes from Proposition 84 and the Greenhouse Gas Reduction Fund. Additionally, the budget includes the reappropriation of \$4.4 million in Proposition 13 for river parkways.
- **Museum Grant Program Staffing.** The budget includes \$100,000 from the California Cultural and Historical Endowment (CCHE) fund to make an existing position permanent to support the Museum Grant Program. This action includes \$65,000 from the CCHE fund to provide the California Association of Museums with its required portion of proceeds from the Snoopy License Plate Program to assist museums throughout California.
- **Once-Through Cooling Fees to Complete MPA Management Program.** The budget includes the transfer of \$5.4 million dollars, on a one-time basis, from the State Water Resources Control Board Once-Through Cooling (OTC) Interim Mitigation Program mitigation payments to the Ocean Protection Trust Fund. This will enable the state to meet its legislative mandates pursuant to the Marine Life Protection Act. The OTC payments will fund mitigation of OTC related impacts, including, among other things, required increases in enforcement, outreach to improve compliance, and evaluations of the Marine Protected Areas Network.
- **Implementation of AB 2800 (Quirk), Climate Change in Infrastructure Planning and Development.** The budget includes \$150,000 from the Environmental License Plate Fund (ELPF) to implement AB 2800 (Quirk), Chapter 580, Statutes of 2016. AB 2800 requires the Natural Resources Agency to establish and manage a climate-safe infrastructure working group, comprised of registered engineers, scientists, other institutions, and registered architects, and requires the working group to provide recommendations to the Strategic Growth Council and Legislature on how to integrate scientific data concerning projected climate change impacts into state infrastructure engineering.
- **Reappropriations: Ocean Protection, Urban Greening, River Parkways and Museum Grant Programs.** The budget includes the reappropriation of the unencumbered balances of several appropriations to complete projects that are underway and to award new grants with funds from projects that came in under budget and for projects that were unsuccessful. This includes the reappropriation of the remaining funds for ongoing and new projects from the following programs:

1. Proposition 40 River Parkways Program – This request would reappropriate the remaining balance of \$1.1 million from 2014-15.
 2. Proposition 40 California Cultural and Historical Endowment (CCHE) – CCHE has provided over \$122 million in preservation grants. This reappropriation would allow for utilization of residual funds from a 2014 appropriation from projects that fell through or came in under budget.
 3. Proposition 50 River Parkways – Proposition 50 allocated \$100 million for river parkway projects. Awards for 118 projects were made from 2006 through 2016. This reappropriation of funds from 2006-07 and 2007-08 will allow ongoing projects to reach completion and would provide an opportunity to award funds to new projects.
 4. Proposition 84 River Parkways – A total of 67 projects have been awarded from \$72 million in available funds. Funds from three unsuccessful projects and from projects that came in under budget were awarded to three new projects as they became available. This reappropriation would allow the ongoing projects to reach completion and would provide an opportunity to award funds to new projects.
 5. Proposition 84 Urban Greening – Proposition 84 authorized \$90 million for urban greening projects that reduce energy consumption, conserve water, improve air and water quality, and provide other community benefits. This reappropriation would allow ongoing projects to reach completion and would provide an opportunity to award funds to new projects.
 6. Proposition 84 Ocean Protection Council – Proposition 84 authorized \$90 million for projects to conserve marine resources. This reappropriation will allow ongoing projects to reach completion and would provide an opportunity to award funds to new projects.
- **San Joaquin River Restoration Settlement.** The budget includes \$20.5 million of Proposition 84 funding for the implementation of the San Joaquin River Restoration Settlement. The funds will be used to reimburse interagency agreements with the California Department of Water Resources and the California Department of Fish and Wildlife for work related to the implementation of the San Joaquin River Restoration Project.
 - **Climate Change Scoping Plan Implementation: Natural and Working Lands.** The budget includes \$675,000 from the Cost of Implementation Account to develop a baseline analysis of statewide natural and working lands carbon emissions, carbon sequestration potential, as well as management and biomass utilization activities that can be employed to meet California's target of managing these lands as a resilient net carbon sink.
 - **Local Assistance Reappropriation.** The budget includes the reappropriation of the balance of \$4.5 million General Fund in local assistance funding for the Armenian Museum, Pasadena Playhouse, Excelsior Auditorium, and Lark Music Society. This proposal will ensure that the funds are still available to be disbursed as specified in the 2016 budget.

- **Local Assistance Grants.** The budget includes \$18.9 million for local assistance grants as follows: 1) \$1 million for the Armenian Museum, 2) \$2 million for the Sacramento B Street Theater, 3) \$10 million for Los Angeles County River restoration projects, 4) \$750,000 for La Puente Park, 5) \$1.2 million for the City of Baldwin Park, 6) \$15,000 for the Rosa Parks Memorial State Building, 7) \$2 million for the Golden Gate and Fulton Dog Park, 8) \$1 million for Lake Merced, and 9) \$1 million for the Chicano Art Museum.

3100 CALIFORNIA SCIENCE CENTER AND AFRICAN AMERICAN MUSEUM

- **Restore 13 Custodial Positions to Clean and Maintain the California Science Center.** The budget includes \$644,591 from the Exposition Park Improvement Fund to restore 13 custodial positions necessary to support California Science Center facilities.
- **Exposition Park Reimbursement Authority and Expenditure Authority Increases.** The budget includes \$150,000 from the Exposition Park Improvement Fund and an increase of \$225,000 in reimbursement authority, annually, over a three-year period, for the Office of Exposition Park Management to pay for consultant services to develop a new master plan for Exposition Park.
- **Reappropriate Deferred Maintenance Funds for the California African American Museum.** The budget includes the reappropriation of funds for deferred maintenance projects that include restroom and water fountain renovations and for improvements to exhibit and art storage facilities.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

- **Funding for C³ Operation and Maintenance.** The budget includes \$150,000 from the Collins Dugan Account, annually, for three years, to fund enhanced operating and maintenance costs for the C³ project. In 2014, the Department of Technology approved a feasibility study report to develop and deploy an automated system – now known as C³ – to replace CCC’s nearly 30 year old, legacy data collection and reporting system. The C³ project was approved through the budget acts of 2014, 2015, and 2016, which provided a total of \$4.5 million.
- **Information Technology Replacement Plan.** The budget includes \$625,000 from the Collins Dugan Account in each year for 2017-18, 2018-19, and 2019-20, to fund existing positions and computer/laptop purchases to replace the current outdated equipment. The personnel resources will be responsible for the computer and laptop replacement plan for the entire department.
- **Residential Center, Ukiah: Replacement of Existing Residential Center.** The budget includes \$1.8 million General Fund for the acquisition phase of the residential center replacement project, which was initiated in 2016-17.
- **Auburn Campus: Kitchen, Multipurpose Room, and Dorm Replacement.** The budget includes the reappropriation of \$19.7 million General Fund for the construction phase for the Auburn campus project due to unanticipated project delays.

- **Vehicle Replacement Plan.** The budget includes the acceleration of spending authority of \$812,000 from the Collins Dugan Account, from 2018- 19 to 2017-18, to allow the CCC to replace 60 vehicles in 2017-18 and complete its fleet replacement by June 30, 2018. These resources were originally approved as part of the 2016-17 Vehicle Replacement Plan Budget Change Proposal.
- **Tahoe Base Center: Equipment Storage Relocation.** The budget includes \$1.9 million lease-revenue bond funds to complete the design and construction of the Tahoe Equipment Storage Relocation Project.
- **Funding to Operate Delta Residential Center.** The budget includes \$1.4 million, \$825,000 ongoing, to fund the incremental increase in permanent operating costs for one additional position and 20 corpsmembers to fully staff the Delta residential center. This includes a funding split of 55 percent General Fund (\$776,000) and 45 percent from the Collins Dugan Account (\$635,000).
- **Funding for Increased Workers' Compensation Costs.** The budget includes \$1.1 million to fund increased workers' compensation costs. The funding is split by approximately 55 percent General Fund (\$578,000) and 45 percent from the Collins Dugan Account (\$473,000).

3480 DEPARTMENT OF CONSERVATION (DOC)

- **State Mining and Geology Board Legal Costs.** The budget includes \$200,000 from the Mine Reclamation Account for the State Mining and Geology Board within the DOC to fund legal services provided to the board by the California Attorney General's office.
- **Strategic Growth Council Grant Support.** The budget includes \$220,000 from Proposition 84, on a one-time basis, for the Sustainable Communities Planning grants and Incentives Program grants.
- **Sustainable Agricultural Lands Conservation Program Positions.** The budget provides three permanent positions to administer the Sustainable Agricultural Lands Conservation Program on behalf of the Strategic Growth Council. The positions are funded by an existing memorandum of understanding with the Office of Planning Research and the Strategic Growth Council.
- **AB 2756 Implementation.** The budget includes the transfer of the 2016-17 appropriation in the Acute Orphan Well Account into the Oil and Gas Environmental Remediation Account. AB 2756 (Thurmond and Williams) Chapter 274, Statutes of 2016, eliminated the Acute Orphan Well Account and replaced it with the Oil and Gas Environmental Remediation Account. Both accounts were established to plug and abandon orphan wells.
- **CA Agriculture Lands Planning Grant Program.** The budget includes \$150,000, annually, for four years, from the Soil Conservation Fund for program support and \$2.0 million, annually, for two years, from the Soil Conservation Fund for local assistance. The Agricultural Protection Planning Grant Program provides grants to local governments for agricultural land conservation.

- **TBL – CA AG Lands Planning Grant Programs – Grant Limits.** The budget includes trailer bill language to revises the purpose of the Agricultural Protection Planning Grant Program to incorporate climate change goals. The trailer bill also increases the grant limits from \$500,000 to \$750,000.
- **AB 2729 Implementation, Idle Well Testing.** The budget includes \$1.5 million (\$2.5 million ongoing) from the Oil, Gas and Geothermal Administrative Fund and 15 permanent positions to develop the new Idle Well Management Program. AB 2729 (Williams and Thurmond) Chapter 272, Statutes of 2016, enacted substantive changes to the management of idle wells, including ensuring that funding is available to cap idle wells and creating disincentives for operators to maintain large numbers of idle wells.
- **Well Statewide Tracking and Reporting (WellSTAR).** The budget includes \$21.1 million in 2017-18, \$15.0 million in 2018-19, \$5.5 million in 2019-20, \$2.5 million in 2020-21, and \$1.3 million ongoing, from the Oil, Gas, and Geothermal Administrative Fund; and two permanent positions, and 12 three-year limited-term positions to further develop and implement the Well Statewide Tracking and Reporting (WellSTAR), a centralized database system to help run operations and meet the requirements of recent legislation.
- **Technical Adjustment.** The budget provides for the reappropriation of \$10 million from 2016-17 for the continued development and implementation of WellSTAR, the department’s new centralized data management system.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

- **Timber Regulation and Forest Restoration Program.** The budget provides \$9 million Timber Regulation and Forest Restoration Fund (TRFRF) and 15 positions in FY 2017-18, \$1.2 million and seven positions ongoing, for three state entities to implement the Timber Regulation and Forest Restoration Program across three agencies; Cal FIRE, Natural Resources Agency, and the State Water Resources Control Board (outlined in the following table).

Timber Regulation and Forest Restoration Program Proposals	
Natural Resources Agency	<ul style="list-style-type: none"> ➤ \$470,000 one-time for development of the online timber harvest permitting system. ➤ \$90,000 ongoing for system maintenance and operation of the on-line timber harvest permitting system. ➤ \$300,000 for two years to extend current support for pilot projects and forest condition data acquisition. ➤ \$149,000 for one permanent position to support expanding AB 1492 (Blumenfield), Chapter 289, Statutes of 2012, program implementation responsibilities.

<p>Department of Forestry and Fire Protection</p>	<ul style="list-style-type: none"> ➤ \$424,000 for two positions to support the online timber harvesting permit system. ➤ \$1.6 million for a one-year extension of eight limited-term forest restoration grant positions. ➤ \$3.5 million to continue local assistance grant funds for fiscal year 2017-18.
<p>State Water Resources Control Board</p>	<ul style="list-style-type: none"> ➤ \$2 million annually, for two years, to continue existing forest restoration grants. ➤ \$549,000 to convert four current limited-term positions to permanent positions to help implement accountability and forest restoration components of the Timber Regulation and Forest Restoration Program.

- **Implementation of AB 1958, AB 2029, SB 122.** The budget includes \$1.4 million (\$1.3 million TRFRF and \$120,000 reimbursements) and six positions to comply with AB 1958 (Wood), Chapter 583, Statutes of 2016; AB 2029 (Dahle), Chapter 563, Statutes of 2016; and SB 122 (Jackson), Chapter 476, Statutes 2016. The requested resources will be used for:
 1. Monitoring the use of, and compliance with Timber Harvest Plan (THP) exemptions and emergency notice provisions.
 2. Reviewing the effectiveness of THP exemptions and emergency notice provisions.
 3. Preparing records of proceedings concurrently with the preparation of a project's environmental document to improve the California Environmental Quality Act review process.

Trailer bill language was also adopted to delay a report required by AB 1958 by one year and specify that the report shall include an analysis of exemption use, the need to remove or consolidate exemptions, whether the exemptions are having the intended effect, any barriers for small forest owners, and measures that might be taken to make exemptions more accessible to small forest owners.

- **L.A. Moran Reforestation Center – Operational Restoration and Forest Health.** The budget includes \$4.8 million TRFRF, and two permanent and 3.8 temporary help positions, to restore reforestation nursery operations at the L.A. Moran Reforestation Center.
- **Board of Forestry and Fire Protection Fiscal Realign.** The budget includes a net increase of \$293,000 (\$193,000 State Responsibility Area Fire Prevention Fund, \$410,000 Timber Regulation and Forest Restoration Fund and reductions of \$308,000 General Fund and \$2,000 Professional Forester Registration Fund) for specified Governor's appointee and staff salary increases and one position for a full-time, dedicated attorney.

- **Hiring and Training – Permanent Funding and Staffing.** The budget includes \$14.2 million (\$10 million General Fund, \$332,000 in special funds, and \$3.865 million in reimbursements) and 55 positions to address increased hiring and training demands.
- **Public Information and Education.** The budget includes \$1.6 million (\$1.5 million General Fund and \$127,000 other special funds), and five positions, starting in 2016-17, to increase staffing for public information and education. This extends, in part, increased funding for drought-related public information.
- **Real Estate Design and Construction.** The budget includes \$750,000 General Fund to support a portion of the agency-retained major capital outlay personnel costs (15 positions). These costs will be offset by reductions in the individual project costs.
- **California Underground Facilities Safe Excavation Board.** The budget includes \$3.8 million from the Safe Energy Infrastructure and Excavation Fund (\$3.6 million ongoing) and 11 positions (growing to 23 positions ongoing) to implement provisions of SB 661 (Hill), Chapter 809, Statutes of 2016. Trailer bill language was also adopted to adjust implementation dates and make clarifying changes.
- **CAL FIRE Capital Outlay Projects.** The budget includes the following seven capital outlay projects for CAL FIRE:

CAL FIRE Capital Outlay Projects	
1. Shasta Trinity Unit Headquarters and Northern Operations – Relocated Facilities	\$365,000 General Fund for the acquisition phase of this project to construct a new joint facility to co-locate the Shasta-Trinity Unit Headquarters and several Northern Region Operations - Redding facilities. The estimated total project cost is \$65.5 million.
2. Temecula Fire Station – Relocated Facility	\$1.1 million General Fund for the acquisition phase to replace the Temecula Fire Station. The estimated total project cost is \$9.4 million.
3. Macdoel Fire Station – Relocate Facility	\$500,000 General Fund for the acquisition phase to replace the Macdoel Fire Station in Siskiyou County. The estimated total project cost is \$9.9 million.
4. Badger Fire Station – Replace Facility	\$4.2 million lease revenue bond funds to complete the construction phase of the Badger Forest Fire Station in Tulare County. Total estimated project costs are \$9.6 million.
5. Statewide: Replace Communications Facilities, Phase V	\$1.8 million General Fund for the working drawing phase of this project to replace existing telecommunications infrastructure at six communications sites with new

	telecommunications towers, vaults, and other supporting infrastructure as required and add an additional tower at a seventh site. Total estimated project costs are \$22.98 million.
6. Potrero Forest Fire Station – Replace Facility	\$865,000 General Fund for the preliminary plans phase of this project. Total estimated project costs are \$12.8 million.
7. Various Minor Projects	\$2.4 million General Fund to perform three minor capital outlay projects.

- **Helicopter Procurement Reappropriation.** The budget includes the reappropriation of funds allocated last year for the procurement of replacement helicopters in order to extend the encumbrance period. The Budget Act of 2016 appropriated \$12 million for CAL FIRE to purchase one helicopter in 2016-17.
- **Climate Adaptation Extended Fire Season.** The budget includes \$42.4 million (\$42.1 million General Fund, \$309,000 special funds and reimbursements), 18.5 positions, and 276.1 ongoing seasonal firefighters to add 42 year-round fire engines to the existing 10 year-round fire engines and to extend fire engine and helitack base ground crew staffing in the fall and spring. The department estimates that there will be a corresponding reduction in E-Fund.
- **CAD Hardware and Service Refresh.** The budget includes \$7.1 million General Fund in 2017-18, and \$1.3 million annually thereafter through 2021-22, to update the Altaris Computer Aided Dispatching (CAD) system. The CAD system is CAL FIRE’s primary dispatch system used at CAL FIRE’s emergency command centers, the academy and the information technology services headquarters lab facility.
- **Emergency Drought Actions.** The budget includes \$41.7 million (\$38.7 million General Fund and \$2.98 million State Responsibility Area (SRA) Fire Prevention Fund) to continue emergency drought activities including addressing the massive tree mortality and bark beetle infestation, as detailed in the October 30, 2015, Governor’s State of Emergency Proclamation on the tree mortality epidemic.
- **SRA Local Assistance Grants.** The budget includes \$10 million from the SRA Fire Prevention Fund and budget bill language to support local assistance grants for fuel reduction efforts and to improve drought resilience.
- **Mount Bullion Conservation Camp: Emergency Sewer Replacement – Reappropriation.** The budget includes the reappropriation of funding for the preliminary plans, working drawings, and construction phases of the Mount Bullion Conservation Camp Emergency Sewer System Replacement project.
- **Badger Forest Fire Station: Replace Facility.** The budget includes provisional language that aligns the encumbrance expiration date of the project with the project’s other chaptered schedules and adds standard provisions related to the issuance of lease revenue bond funds for state projects.

- **County Road 40 Bridge.** The budget includes \$800,000 for a local assistance grant to Yolo County for the replacement of Yolo County Road 40 Low Water Bridge.

3560 STATE LANDS COMMISSION

- **Abandonment of Becker Onshore Well.** The budget includes \$700,000 General Fund to conduct Phase 2 activities related to the abandonment of the Becker Onshore Well. The well is part of the Summerland Oil Field developed in the late 1890s from shore and from wharfs that extended into the Pacific Ocean.
- **Long Beach Office Relocation.** The budget includes \$1.2 million from various funds (\$382,000 General Fund, \$237,000 Marine Invasive Species Control Fund, \$808,000 Oil Spill Prevention and Administration Fund, and \$37,000 School Land Bank Fund) to be used for one-time moving and set-up expenses for the relocation of the commission's Mineral Resources Management Division and Marine Environmental Protection Division offices in Long Beach, and ongoing funding of \$235,237 (\$62,000 General Fund, \$38,000 Marine Invasive Species Control Fund, \$129,000 Oil Spill Prevention and Administration Fund, and \$6,000 School Land Bank Fund) for increased rent.
- **Bolsa Chica Lowlands Restoration Project Operations Management Funding.** The budget includes \$1.0 million General Fund, on a one-time basis, to fund operations and management costs for the Bolsa Chica Lowlands Restoration Project in Orange County. Operations and management costs average \$1.5-\$2.0 million annually, including required dredging, on-site staff, repairs and other operational costs. The trust fund within the Kapiloff Land Bank Fund currently used to support the Bolsa Chica Lowlands is estimated to have approximately \$1.0 million available for 2017-18.
- **Selby Slag Remediation.** The budget includes \$470,000 General Fund to support the state's obligation to pay a proportionate share of certain ongoing hazardous waste remediation costs at the Selby Slag site pursuant to a 1989 consent judgment.
- **Records Digitization and Indexing.** The budget includes \$200,000 (\$100,000 from the Marine Invasive Species Control Fund, and \$100,000 from the Oil Spill Prevention and Administration Fund), on a one-time basis, for contracted records digitization services.
- **Plug and Abandonment of Platform Holly and Ellwood Beach Piers.** The budget includes \$10 million General Fund to support staffing and operations of offshore oil and gas facilities located in Santa Barbara County. The proposal also includes provisional language to 1) to allow for an additional augmentation, if needed, for these activities until the proceeds of the surety bond on these leases is received by the State Lands Commission and 2) allow for the repayment of these expenditures from the surety bond proceeds.
- **Legal Representation.** The budget includes \$580,000 General Fund to provide for out-of-state legal representation in the bankruptcy case for Ricon Island Limited Partnership (RILP). RILP is a lessee of three state oil and gas leases offshore of Ventura County that filed for Chapter 11

bankruptcy protection in Texas on the eve of a commission public hearing to terminate RILP's oil and gas leases for significant regulatory violations and breach of its leases.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

- **Proposition 84 Reversion.** The budget includes the reversion of \$9.98 million associated with 2013-14 and 2014-15 appropriations of Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006) funding.
- **Proposition 1 San Joaquin River Settlement Reversion and Local Assistance.** The budget includes a reversion of a 2016-17 state operations appropriation of \$16.8 million in Proposition 1 (Water Quality, Supply, Infrastructure Improvement Fund of 2014) funds associated with the San Joaquin River settlement and an increase in local assistance in 2017-18.
- **Water Storage Investment Program.** The budget includes \$1.9 million in reimbursement authority to support the development and implementation of the Water Storage Investment Program (WSIP), pursuant to Proposition 1. This will allow the department to meet statutory requirements for the WSIP under Proposition 1, provide full technical and policy level support for the program, and participate in the implementation of projects over the next five years.
- **Salmon and Steelhead Trout Restoration Grant Program.** The budget includes \$140,000 from the Salmon and Steelhead Trout Restoration Account to fund local assistance grant opportunities.
- **Restructuring the Fish and Game Preservation Fund.** The budget includes the following components to address the Fish and Game Preservation Fund shortfall: 1) \$8.7 million from a Lifetime License Account Transfer, 2) \$900,000 from an increase in commercial landing fees, 3) \$4 million from the Environmental License Plate Fund, and 4) \$5.1 million General Fund. The budget also included budget bill language requiring the department to 1) to reconvene Vision Stakeholders to provide an update on the status of the Vision Advisory Group recommendation implementations, 2) provide a report regarding the same to the Legislature by October 1, 2017, and 3) undergo a zero-based budget evaluation in time for implementation by fiscal year 2018-19. Lastly, trailer bill language eliminated the Lifetime Trust Account and provides for the increased commercial landing fees.
- **Yolo Bypass Wildlife Area – Waterfowl Habitat.** The budget includes \$246,000 from the Fish and Game Preservation Fund-State Duck Stamp Account for a minor capital outlay project at the Yolo Bypass Wildlife Area to provide habitat for resident and migratory waterfowl and other wetland dependent wildlife.
- **Drought.** The budget includes \$2.6 million to support acoustic monitoring in the Delta and maintenance of infrastructure procured during the drought.
- **Voluntary Agreements for Sacramento-San Joaquin River.** The budget includes \$1.1 million General Fund and five positions to provide resources to negotiate, complete, and implement voluntary agreements in tributaries to the Sacramento-San Joaquin Rivers and the Delta. These agreements are intended to create water supply and regulatory certainty for water users, and

improve ecological flow and habitat for species. In addition, the budget includes budget bill language ensure that General Fund-supported staff is targeted for work related to public trust resources.

- **Monitoring and Reporting Water Diversion.** The budget includes \$900,000 to improve efficiency in the conservation of natural resources through compliance with the State Water Resources Control Board's Emergency Regulation for Measuring and Reporting on the Diversion of Water related to management and operations of department lands and facilities.
- **Clear Lake Study.** The budget includes \$2 million for a Clear Lake study.

3640 WILDLIFE CONSERVATION BOARD (WCB)

- **Wildlife Restoration Fund-Minor Capital Outlay (Public Access).** The budget includes a one-time appropriation of \$1 million from the Wildlife Restoration Fund for capital outlay projects within the Wildlife Conservation Board's (WCB) Public Access Program. The requested funds are for six projects, as follows: one project for a fishing access site, two projects involving the construction of hiking trails, and three projects involving the construction and/or renovation of boat launch facilities. The WCB partners with federal and local entities for public access projects. These state funds will serve as a match to leverage federal funds.
- **Proposition 12, New Appropriation - SJRC Reverted Funds.** The budget includes the reversion and reappropriation of \$141,000 Proposition 12 for the San Joaquin River Conservancy's land acquisitions, public access, recreation, and environmental restoration projects.
- **Proposition 1 State Operations Augmentation.** The budget includes \$85,000 from Proposition 1 funds for state operations to support an interagency agreement with the State Water Resources Control Board and to fund temporary help needed to provide intermittent resources that will assist with proposal review and grant agreement execution.
- **Proposition 1 Position Authority.** The budget includes the conversion of two limited-term positions, expiring July 1, 2017, to permanent to meet the ongoing program delivery needs associated with the Wildlife Conservation Board's requirement to enhance stream flows, established by Proposition 1.
- **Proposition 12 State Operations Request for Project Delivery Funding.** The budget includes \$140,000 Proposition 12 for program delivery. The funding is requested to support the cost of a .5 Senior Environmental Scientist position and a .5 Senior Land Agent position. The action also included a reduction in Proposition 40 authority to create a net zero increase to WCB's overall state operations authority.
- **Proposition 12, New State and Capital Outlay Appropriation, Naturally Reverted Funds.** The budget includes a one-time allocation of \$3.7 million from Proposition 12 funds that have reverted, for local assistance and capital outlay projects. This included provisional language allowing these funds to be made available for local assistance.

- **Proposition 50, Reappropriation - Colorado River, Salton Sea.** The budget includes the reappropriation of \$8.7 million, which is the unencumbered balance from Proposition 50 (Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002), and makes these funds available for encumbrance through June 30, 2020.
- **Proposition 84, New Appropriation – Natural Community Conservation Plan.** The budget includes \$11 million from Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006) for Natural Communities Conservation Planning (NCCP); and reversion of the unencumbered balance of a prior Proposition 84 appropriation. The funds will be utilized for grants to implement or assist in the establishment of NCCP's. Additionally, the action included the reversion of previous unencumbered Proposition 84 balances to provide funds for the new appropriation.
- **Proposition 84, New Appropriation – Sacramento-San Joaquin Delta NCCP.** The budget includes \$5.7 million from Proposition 84 and the reversion of the unencumbered balance of a previous Proposition 84 appropriation to allow the WCB to continue its support of administering grants to local agencies to implement or assist in the establishment of Natural Community Conservation plans for the areas in or around the Sacramento-San Joaquin Delta.
- **Lower American River.** The budget includes \$1 million for the Lower American River.

3720 CALIFORNIA COASTAL COMMISSION (CCC)

- **Protect Our Coast & Oceans Program.** The budget includes a one-time appropriation of \$271,000 from the Protect Our Coast and Oceans Fund for local assistance to support the Whale Tail Grant Program (\$206,000) and to promote the Protect Our Coast and Oceans Fund (\$65,000).
- **Essential Accounting and Fiscal Staff.** The budget includes \$244,000 (\$122,000 General Fund and \$122,000 Coastal Act Services Fund) and two positions to be used for activities related to implementing recommendations from the Office of State Audits and Evaluations.
- **Pilot Enforcement Program Expansion.** The budget includes \$260,000 from the State Coastal Conservancy Fund and two positions to support a three-year pilot program to expand the enforcement program to address the backlog of Coastal Act violations that impact public access.
- **Stabilize Baseline Funding.** The budget includes \$637,000 Coastal Act Services Fund to address increased fixed costs, including costs for facilities and long-term records storage, which have increased almost 33 percent since fiscal year 2011-12.
- **Explore the Coast Grant Program.** The budget includes \$226,000 from the Environmental License Plate Fund for the Explore the Coast Grant Program, which provides grants for programs that bring people to the coast, increase stewardship of coastal resources, and provide educational opportunities to K-12 students.

3760 STATE COASTAL CONSERVANCY

- **Proposition 12 Technical Adjustment.** The budget includes a decrease of \$3.1 million in Proposition 12 (Safe Neighborhood Parks, Clean Water and Coastal Protection Bond Act of 2000) authority to prevent a negative bond allocation balance.
- **State Operations Funding Realignment.** The budget includes adjustments of \$420,000, which includes a shift of \$120,000 from the Environmental License Plate Fund and \$300,000 in adjustments to existing bond allocations and special funds that have historically supported the conservancy. This request does not increase the conservancy's overall baseline support budget because of one-time state operations amounts being reduced as baseline budget adjustments.
- **Federal Trust Fund and Reimbursement Authority.** The budget includes \$233,000 in federal fund authority and \$500,000 in reimbursement authority to increase state operations support for the conservancy.
- **Proposition 12 Reversion and Appropriation.** The budget includes a reversion and a new appropriation of \$14.6 million in Proposition 12 funds and provisional language to allow the funds to be used for local assistance and capital outlay and be available for encumbrance until June 30, 2020.
- **Public Access.** The budget includes \$89,000 from the California Beach and Coastal Enhancement Account (Whale Tail Fund), for purposes of local assistance and capital outlay to continue implementation of the conservancy's public access, education and related programs.
- **Federal Trust Fund and Reimbursements – Local Assistance.** The budget includes \$2 million in federal fund authority and \$10 million in reimbursement authority to accommodate the federal, state, and other grants that the conservancy anticipates over the next several years.
- **West Coyote Hills.** The budget includes \$15 million for the purposes of funding projects pursuant to Senate Bill 714 (Newman) of the 2017–2018 Regular Session.

3780 NATIVE AMERICAN HERITAGE COMMISSION

- **Sacred Lands File Research and Consultation.** The budget includes \$254,000 General Fund and three positions in 2017-18, and \$485,000 ongoing, to address increased workload of Sacred Lands File research and consultation and trailer bill language to authorize the Native America Heritage Commission to establish fee to recover the costs of providing services.

3790 DEPARTMENT OF PARKS AND RECREATION (DPR)

- **Improving State and Local Parks.** The budget includes \$54 million from the State Parks and Recreation Fund and \$26.6 million in reimbursement authority to reflect the expenditure of revenues resulting from the passage of SB 1 (Beall), Chapter 5, Statutes of 2017, as follows:

- Fix Our Parks—\$31.5 million for deferred maintenance projects to repair and maintain the aging infrastructure of the state park system and to address the recent damage sustained from the severe winter storms. This proposal also includes increasing reimbursement authority by \$26.6 million to facilitate funding from the federal Emergency Management Agency to help address storm-damaged areas.
- Establish Partnerships to Improve Access to Parks—\$1.5 million to establish a pilot project to provide transportation to parks from urban areas and schools. In addition, budget bill language requires the department to report back on the use of the access funding, including, where the funding was spent and the number and type of participants in the program.
- Build a Recruitment and Training Program—\$1 million to establish a recruitment and training program. This program will focus on hard-to-fill classifications, including park rangers, lifeguards, maintenance workers, administrators, and managers. The program will also develop strategies to better reach candidates from diverse communities.
- Fund Local Parks—\$18 million to provide a local assistance grant to the Jurupa Area Recreation and Park District.
- Support Off-Highway Vehicle Recreation—\$1 million from the State Parks and Recreation Fund to the Off Highway Vehicle Trust Fund. \$1 million for local assistance grants for additional law enforcement, environmental monitoring, and maintenance grants supporting federal off-highway vehicle recreation.
- Reduce Boating Hazards—\$1 million from the State Parks and Recreation Fund to the Abandoned Watercraft Abatement Fund. \$1 million for local assistance grants to remove abandoned watercraft from California’s waterways.
- **Hazardous Mine Remediation.** The budget includes \$14.5 million General Fund for environmental remediation at Empire Mine State Historic Park, Malakoff Diggins State Historic Park, and Mount Diablo State Park. All three parks are currently under cleanup and abatement orders and these funds allow the department to comply with the orders. Additionally, this action included \$2 million General Fund ongoing for Empire Mine monitoring and maintenance requirements and future clean-up costs.
- **Vessel Operator Card Augmentation.** The budget includes \$497,000 from the Vessel Operator Certification Account to implement certification and card issuance for vessel operators.
- **Oceano Dunes State Vehicle Recreational Area (SVRA) Visitor Center Project.** The budget includes \$1 million in 2017-18, and \$805,000 ongoing, from the Off Highway Vehicle Trust Fund and three positions for facility staffing and maintenance for the Oceano Dunes SVRA/Pismo State Beach Visitor Center and Equipment Storage projects approved by the Legislature in 2014.
- **Proposition 12 Statewide Bond Close-out.** The budget includes \$81,000 ongoing from Proposition 12 and one half-time position to provide statewide bond oversight and cash management during the bond’s final years.

- **Marsh Creek – Shea Settlement and Match Fund Reappropriation.** The budget includes a reappropriation of the unencumbered balance of settlement funds (Shea settlement) deposited into the State Parks Recreation Fund (SPRF) to mitigate damages at Marsh Creek State Park and a reappropriation from SPRF for matching funds related to projects at Point Sur Lightstation (Big Sur). The total estimated balance being reappropriated is \$700,000.
- **Boating Needs Assessment.** The budget includes \$300,000 from the Harbors and Watercraft Revolving Fund to expand the scope of the department’s existing Boating Needs Assessment.
- **Proposition 40 - Recreation and Facilities Programs.** The budget includes \$16 million, on a one-time basis, from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund for grants through a competitive youth soccer and recreation development program. Additionally, the budget includes \$10 million, on a one-time basis, for grants through a competitive outdoor environmental education facilities program.
- **Encumbrance Extension Request – San Diego County – 1988 Bond Act.** The budget includes the reappropriation of the balance of \$2.1 million from a 2014 California Wildlife, Coastal and Park Land Conservation Fund of 1988 appropriation to extend the encumbrance period to allow for project scope changes related to the acquisition of natural lands in the Tijuana River Valley, as well as time to obtain legislative approval.
- **Local Assistance Program – Habitat Conservation Fund.** The budget includes the reappropriation of balances of \$2 million appropriations in 2009 and 2010 from the Habitat Conservation Fund for local assistance program compliance.
- **Extensions of Liquidation.** The budget includes extension of liquidation for one General Fund local assistance grant for the California Museum of History and for various Proposition 84 local assistance grants.
- **Base Funding – Maintain Operations.** The budget includes \$12.6 million from the SPRF, on a one-time basis, to maintain existing service levels throughout the state parks system.
- **Reappropriation for Orange County Beach Restoration Program.** The budget includes a reappropriation of \$4.5 million from a 2016 Public Beach Restoration Fund appropriation for beach re-nourishment of the Orange County Beach Restoration Project because the primary funding partner, the US Army Corps of Engineers, is unable to execute the contract within state encumbrance deadlines.
- **Division of Boating and Waterways Reimbursement Authority.** The budget includes \$156,000 in reimbursement authority for local beach restoration projects. The authority will allow the department to receive funds from local project partners.
- **Americans with Disabilities Act Program Appropriation shift to General Fund.** The budget includes \$4.1 million General Fund, and an equal reduction of Proposition 12 funds for 2017-18, growing to an ongoing shift of \$12.3 million beginning in 2018-19, to support the Americans with Disabilities Act Program. This action reflects the end of the life of the bond.

- **Local Assistance Program – Various Grant Funding.** The budget includes \$32.4 million on a one-time basis, and \$119.2 million ongoing, from special and federal funds for various local assistance programs. Additionally, the budget includes \$300,000, annually, for four years from the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 for local assistance program compliance. Lastly, trailer bill language removes the requirement that the department submit specific projects, for which it recommends any loan or grant be made, for inclusion in the budget.
- **Oceano Dunes Environmental Compliance.** The budget includes \$880,000 in 2017-18, and \$815,000 ongoing, from the Off Highway Vehicle Trust Fund and eight positions for staffing, equipment, and ongoing support of environmental conservation programs and regulatory compliance at Oceano Dunes SVRA.
- **General Plans Program.** The budget includes \$2 million from Proposition 84 and \$120,000 from the Off Highway Vehicle Trust Fund (OHVTF) to fund existing and future planning projects under the general plan program. Funding from the OHVTF will continue in the out-years.
- **Capital Outlay Proposals.** The budget includes \$24.7 million for the department’s capital outlay program, including: \$10 million for continuing major projects currently in progress, \$8.5 million for new acquisitions, \$5.4 million for new major projects, and \$800,000 for minor programs. Additionally, the budget includes a reappropriation and supplemental appropriation of \$1.3 million for one project, and the reappropriation of \$54.6 million related to 24 existing projects. Details are as follows:
 - Border Field State Park (SP): Renovation for Public Use
\$228,000 from the SPRF for the working drawing phase of this project.
 - Calaveras Big Trees SP: Campsite Relocation
\$138,000 in reimbursement authority for preliminary plans to relocate approximately five existing campsites to a new location within the park which will include leach field replacement, as needed.
 - Candlestick Point SRA: Yosemite Slough (North) – Public Use Improvements
\$5.4 million from the State Park Contingent Fund. The California State Parks Foundation has agreed to donate the design specifications for this project, subject to state review and approvals, and will provide funding to the department to pay all state costs for design review, project management and construction.
 - El Capitan State Beach (SB): Entrance Improvements
\$378,000 in Proposition 84 bond funds for the working drawings phase to address safety and operational issues at the park entrance.
 - Fort Ord Dunes SP: New Campground and Beach Access

\$3.2 million Proposition 84 bond funds to develop public facilities, including camping and day use beach access, at the Fort Ord Dunes State Park in Monterey County.

- Hollister Hills SVRA: Martin Ranch Acquisition
\$5 million from the OHVTF to acquire a 1,800 acre in-holding at the Hollister Hills SVRA, as specifically identified in Public Resources Code 5006.4.
- Hungry Valley SVRA: 4x4 Obstacle Course Improvements
\$74,000 from the OHVTF for preliminary plans to upgrade and enhance an existing four-by-four obstacle course at Hungry Valley SVRA.
- Lake Del Valle SRA: Boat Ramp Replacement
\$132,000 from the Harbors and Watercraft Revolving Fund for the preliminary plans phase to replace a boat ramp at Lake Del Valle SRA.
- Lake Oroville SRA: Gold Flat Campground
\$216,000 in Proposition 84 bond funds for preliminary plans to upgrade Gold Flat Campground's old and failing infrastructure.
- McArthur-Burney Falls Memorial SP: Group Camp Development
\$868,000 in reimbursement authority for the construction phase to develop two adjoining group camps at McArthur-Burney Falls Memorial State Park as identified in the June 1997 General Plan.
- McGrath SB: Campground Relocation and Wetland Restoration
\$1.3 million from Proposition 40 bond funds for working drawings to relocate the existing McGrath State Beach campground, relocate the maintenance yard, employee housing, campfire center, and day use parking.
- Mendocino Headlands SP: Big River Boat Launch
\$205,000 from the Harbors and Watercraft Revolving Fund for preliminary plans to improve the existing beach launch at this location by constructing a concrete boat ramp, paving the dirt boat launch parking lot, repaving the park road connecting the highway with the boat launch parking lot, constructing parking spaces for persons with disabilities, and adding required signage and pavement markings.
- Oceano Dunes SVRA: Grand Avenue Lifeguard Tower
\$91,000 from the Off-Highway Vehicle Trust Fund for preliminary plans to develop a lifeguard tower headquarters at Oceano Dunes.
- Ocotillo Wells SVRA: Holly Corporation Acquisition
\$3.5 million from the Off-Highway Vehicle Trust Fund for the acquisition and related costs of acquiring 18 parcels of land adjacent to Ocotillo Wells SVRA near Salton City, totaling 1,900 acres.

- Ocotillo Wells SVRA: Holmes Camp Water System Upgrade
\$107,000 from the Off-Highway Vehicle Trust Fund for preliminary plans to provide for the construction of a new water treatment and distribution system to meet current demand and health department standards, comply with the California DHS-DWFOB Check List of Security Measures for Water Utilities, and provide storage and protection from the desert environment.
- Pismo SB: Entrance Kiosk Replacement
\$124,000 from the OHVTF for the preliminary plans to replace an entrance station kiosk in the North Beach Campground at Pismo State Beach.
- San Luis Reservoir SRA: San Luis Creek Replacement and Parking Improvements
\$142,000 from the Harbors and Watercraft Revolving Fund for preliminary plans to improve visitor throughput at this facility by widening the existing two-lane boat ramp by two lanes, adding a third boarding float, and reconfiguring the parking lot. The project will also upgrade outdated fish cleaning and parking lot lighting systems.
- South Yuba River SP: Historic Covered Bridge
\$2.8 million in Proposition 84 bond funds to supplement construction funds to restore and rehabilitate the world's longest single span historic covered bridge located at South Yuba River State Park.
- Statewide: DBW Minor Capital Outlay Program
\$676,000 from Harbors and Watercraft Revolving Fund for the Division of Boating and Waterways (DBW) minor capital outlay program. This funds the following minor projects for boating and waterway enhancements or improvements to address critical issues that include park operations, public recreation/access, and resource protection/restoration. The projects are intended to enable or enhance program delivery.
 - Picacho SRA: Paddlewheeler and Upper Dock Restrooms - \$332,000 - This project will install a single-unit prefabricated concrete vault restroom at the Paddlewheeler Boat-In Campground and two single-unit prefabricated concrete vault restrooms at the upper dock boat ramp.
 - Salton Sea SRA: Salt Creek Kayak Camp Restroom and Showers - \$344,000 - This project will replace the existing portable chemical toilet and existing wood shower stall building with a prefabricated concrete vault restroom and prefabricated concrete shower building.
- Statewide: Volunteer Enhancement Program (VEP) Minor Capital Outlay Program
\$124,000 in Proposition 84 bond funds for the following projects provide for enhancements or improvements to address critical issues that include park operations, public recreation/access, energy efficiency, and resource protection/restoration.
 - Kenneth Hahn SRA: Baldwin Hills Subunit Greenhouse Renovations - \$50,000 - This project will renovate existing greenhouse by adding photovoltaic panel/system,

porous apron and shade structure. This will increase native plant cultivation capacity by volunteers and students.

- Mt. Diablo SP: Upgrade Camp Host Sites - \$74,000 - This project will make needed improvements to the camp host sites at the Juniper Campground and Mitchell Canyon. These improvements will assist in attracting volunteer camp hosts to maintain and monitor the campgrounds for these locations.
- Topanga SP: Rehabilitate Trippet Ranch Parking Lot
\$219,000 in Proposition 84 bond funds for working drawings to rehabilitate the Trippet Ranch parking lot and surrounding area.
- Torrey Pines State Natural Reserve (SNR): Sewer and Utility Modernization
A reappropriation of existing working drawings and construction appropriations, and a supplemental appropriation of \$1.3 million for working drawings and construction from available Proposition 84 bond funds, to connect the park to the local sewer system and upgrade the aging water and utility infrastructure to address significant public health and safety concerns, to avoid sensitive habitat degradation, and to reduce deferred maintenance and ongoing repair cost.
- Reappropriations: Capital Outlay Program
A reappropriation of \$54.6 million (\$3.6 million General Fund and \$51 million in special funds or bond funds) in existing capital outlay appropriations to allow for the completion of 24 projects currently in progress.
- **Local Assistance Grants.** The budget includes \$7.5 million for local assistance grants for: 1) \$4 million for the Pescadero Marsh SNR, and 2) \$3.5 million for the Geneva Car Barn and Powerhouse Project.
- **Urban Park Tree Planting.** The budget includes \$2 million for urban park tree planting.
- **Micke Grove Zoo Reappropriation.** The budget includes the reappropriation of \$500,000 for the Micke Grove Zoo in Lodi.

STATE CONSERVANCIES (VARIOUS REGIONAL CONSERVANCIES)

- **Special Programs—Tahoe Regional Planning Agency (3110).** The budget includes \$250,000 from the Harbors and Watercraft Revolving Fund to help fund mediation services and an environmental review. An identical budget request has been submitted to the State of Nevada. Funds from both states, and other impacted groups, will be used to develop and implement a mediated consensus-based program to ensure access to the lake and recreational opportunities in consideration of climate change and possible prolonged drought scenarios in the future. In addition to this request, the Tahoe Regional Planning Agency is contributing resources, such as staff time, to the shoreline planning initiative. The total cost of the initiative is estimate to be \$1 million.

- **California Tahoe Conservancy (3125)—Local Assistance Funding, Implementation of the Environmental Improvement Program for the Lake Tahoe Basin.** The budget includes \$4 million local assistance for implementation of the Lake Tahoe Environmental Improvement Program (EIP) from the following sources: 1) bonds - \$77,000 from Proposition 40 and \$1.2 million from Proposition 84, 2) special funds - \$100,000 from the Lake Tahoe Conservancy Account and \$350,000 from the Lake Tahoe Science and Lake Improvement Account, and 3) reimbursements - \$2.3 million to Proposition 84 via federal funds.
- **California Tahoe Conservancy (3125)—Support Baseline Adjustment.** The budget includes \$73,000 federal funds, \$175,000 in reimbursement authorities, and \$50,000 from Proposition 40. The requested increase in federal funds and reimbursement authority will allow the conservancy to pursue additional grant awards from the federal government and partner grantors. The funds from Proposition 40 will go toward program delivery.
- **California Tahoe Conservancy (3125)—Upper Truckee River and Marsh.** The budget includes \$1.3 million for the working drawing phase of the Upper Truckee River and Marsh Restoration project from the following sources: 1) \$168,000 from Proposition 50 (Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002), 2) \$51,000 from Proposition 84., 3) \$481,000 from the Habitat Conservation Fund, and 4) \$600,000 in reimbursement authority from federal trust funds.
- **California Tahoe Conservancy (3125)—South Tahoe Greenway Shared Use Trail Phase 1b & 2 Project.** The budget includes \$250,000 in reimbursement authority for the working drawing phase of the South Tahoe Greenway Shared Use Trail Phase 1b and 2 project, which consists of two segments totaling approximately one mile of the planned 3.9 mile bike trail from the state line to Sierra Boulevard in the City of South Lake Tahoe. The estimated total project cost is \$3.8 million. The conservancy anticipates that reimbursements will be available to cover a substantial amount of the construction costs.
- **California Tahoe Conservancy (3125)—Minor Capital Outlay.** The budget includes \$475,000 (\$204,000 from the Tahoe Conservancy Fund and \$271,000 from Proposition 84) for improvements needed to secure conservancy acquisitions, such as erosion control and American with Disabilities Act (ADA) requirements.
- **California Tahoe Conservancy (3125)—Conceptual Feasibility Planning.** The budget includes \$724,000 for conceptual development of new conservancy capital outlay project proposals and opportunities from the following sources: 1) \$674,000 from Proposition 84 (Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006), and 2) \$50,000 in reimbursement authority from federal trust funds.
- **California Tahoe Conservancy (3125)—Opportunity Acquisitions.** The budget includes \$200,000 from Proposition 84 for funds for pre-acquisition activities and for full fee acquisition, or interests therein, of strategic acquisitions in road less subdivisions, high priority watersheds, lakefront areas, and other environmentally sensitive or significant resource areas in the Tahoe Basin.

- **California Tahoe Conservancy (3125)—Local Assistance Technical Adjustment.** The budget includes a technical adjustment to add provisional language to two local assistance items. The provision, which has routinely been included in prior conservancy appropriations, will allow the use of the funds for capital outlay purposes upon the approval of the Department of Finance.
- **California Tahoe Conservancy (3125)—Tahoe Pines Campground Restoration and Access Project.** The budget includes \$323,000 from the Habitat Conservation Fund (Prop 117) and \$200,000 from the Lake Tahoe Conservancy Account (LTCA) for the construction phase of the Tahoe Pines Campground Restoration Project. This action includes a reversion of the unencumbered Proposition 117 and LTCA balances from which this project was being funded.
- **Santa Monica Mountains Conservancy (3810)—Bond Fund Appropriations.** The budget includes \$750,000, on a one-time basis, from Proposition 1 (Water Quality, Supply, and Infrastructure Improvement Act of 2014), and a corresponding reduction in reimbursement authority, for program delivery, planning, and monitoring. In addition, the budget includes the reappropriation of \$963,000 of Proposition 84 funds, from returned grant funds, to be used for local assistance and capital outlay projects and the reappropriation of Propositions 40 and 50 funds included in the 2012 budget act.
- **Santa Monica Mountains Conservancy (3810)—Outdoor Education Local Assistance Program.** The budget includes \$20,000 from the ELPF for local assistance for the outdoor education program.
- **Santa Monica Mountains Conservancy (3810)—Big Tujunga Wash Acquisition.** The budget includes \$3.5 million General Fund to acquire 111 acres along the Big Tujunga Wash to preserve open space.
- **Los Angeles River Proposition 1 Funding.** The budget includes \$98 million in Proposition 1 funds - \$49 million to the Santa Monica Mountains Conservancy and \$49 million to the Rivers and Mountains Conservancy.
- **Rivers and Mountains Conservancy (3825)—Proposition 40 Reversion.** The budget includes a reversion of \$1.8 million from a Proposition 40 capital outlay appropriation to prevent a negative bond allocation.
- **San Joaquin River Conservancy (3830)—Environmental license Plate Fund Increase for Administration and Management.** The budget includes \$30,000 from the ELPF to allow the San Joaquin River Conservancy to sustain administrative and management services. The conservancy's main support budget funds two positions, office space and supplies, an interagency agreement with the Department of Parks and Recreation to provide administrative services, and legal services provided by the Department of Justice.
- **Baldwin Hills Conservancy (3835)—Proposition 84 Reappropriation.** The budget includes the reappropriation of the balance from a 2014 budget act appropriation from Proposition 84 and authority for the funds to be available for encumbrance or expenditure until June 30, 2020. The funds will be used for local assistance grants or capital outlay for land conservation, preservation,

planning and development, as well as, water quality improvements and habitat restoration in the Baldwin Hills and Ballona Creek Watershed.

- **San Diego River Conservancy (3845)—Proposition 1 Position Authority.** The budget includes the conversion of one limited-term position to permanent to manage the Proposition 1 (Water Quality and Supply, and Infrastructure Improvement Act of 2014) program, and continue other reporting requirements.
- **Coachella Valley Mountains Conservancy (3850)—New Appropriation of Local Assistance Grant Program Propositions 12 and 40.** The budget includes \$73,000 from Proposition 12 (the Neighborhood Parks, Clean Water, Clean, Air, and Coastal Protection Bond), and \$297,000 from Proposition 40 (the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund), and provisional language allowing the funds to be available for encumbrance for three years.
- **Coachella Valley Mountains Conservancy (3850)—Environmental license Plate Fund Shift.** The budget includes \$15,000 from the ELPF, as well as a \$35,000 reduction in reimbursement authority, to maintain base operations and address lower than anticipated reimbursements in the future.
- **Coachella Valley Mountains Conservancy (3850)—Office Equipment Replacement Funding.** The budget includes \$21,000 from the ELPF, on a one-time basis, to replace office equipment. Specifically, the funding will be used to replace a copy machine/printer in service since 2006, a large document laser printer in service since 2008, and three workstation computers. The equipment replacement has been driven by frequent breakdowns or malfunctions and the unavailability of replacement parts.
- **Sierra Nevada Conservancy (3855)—Proposition 84 Support Funding.** The budget includes \$80,400, \$30,000 of which is ongoing until the funds are exhausted, in Proposition 84 (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006) funds.
- **Sierra Nevada Conservancy (3855)—Proposition 84 New Appropriation.** The budget includes \$285,000 in Proposition 84 (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006) funds to provide funding for watershed protection local assistance grants and provisional language to extend the encumbrance period of the funds until June 30, 2020.
- **Sierra Nevada Conservancy (3855)—Proposition 1 Support Funding.** The budget shifts \$550,000 in Proposition 1 funding from local assistance to support planning and monitoring. This funding will be expended over eight fiscal years, 2017-18 through 2026-27, and will reduce the original local assistance appropriation from \$5.3 million to \$4.7 million. This funding shift is needed in order for the conservancy to pay for California Environmental Quality Act reviews for Proposition 1 projects and is consistent with allowable use of up to 10 percent of funding for planning and monitoring.

- **Sierra Nevada Conservancy (3855)—Request for Federal Funds.** The budget includes \$30,000 in federal fund authority for a partnership with the U.S. Forest Service to fund activities consistent with the Sierra Nevada Watershed Improvement Program.

3840 DELTA PROTECTION COMMISSION

- **Delta Plan Implementation.** The budget includes \$91,000 in 2017-18, \$119,000 ongoing, from the Environmental License Plate Fund to coordinate and perform duties related to the implementation of the Delta Plan. The regularly recurring Delta Plan updates require consistency coordination, project review, and development of policies and procedures.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

- **Dam Safety and Emergency Flood Response.** The budget includes \$111 million to accelerate Proposition 1 funds for flood control projects, with budget bill language specifying, among other things, that the funding must be spent in accordance with the framework established in the 2017 Central Valley Flood Protection Plan update and the Central Valley Flood Protection Plan Conservation Strategy, where applicable, and allocating the money as follows:
 - \$55 million for Delta levee maintenance, flood risk reduction, and emergency response. These funds will help reduce flood risk and ensure the Delta can continue to serve its many valuable uses – as fertile farmland, a water conveyance, and a rich estuary ecosystem.”
 - \$7 million for central valley flood risk reduction projects, such as levee repairs and enhancements, creating and enhancing flood bypasses and floodplains, projects to capture flood flows to recharge groundwater basins, and land acquisition and necessary easements for these projects.
 - \$40 million for flood risk reduction projects in the Central Valley that also enhance ecosystems and water quality downstream. The funds will leverage local financing of projects whose benefits accrue to both local and state interests, such as levee setback projects that reduce localized flooding, reduce pressure on ‘project’ levees, and provide floodplain habitat for endangered salmon and steelhead.
 - \$9 million for coastal watershed flood risk reduction projects that also provide non-flood related public benefits, such as restored or enhanced ecosystem, open space, and recreational benefits.

The budget also includes trailer bill language to require dams (except for low-risk dams) to have an emergency action plan that is updated every ten years, updated inundation maps every ten years, or sooner if specific circumstances change, and provide DWR with enforcement tools, including fines and operational restrictions for failure to comply. Finally, the budget includes \$8.3 million General Fund, as follows:

- \$6.5 million as a General Fund loan to the Dam Safety Fund, to be repaid from revenue generated from dam safety fees, and 12 positions, to support the following program enhancements: \$3 million for the Department of Water Resources (DWR) Division of Safety of Dams to conduct more extensive evaluations of appurtenance structures, such as spillways, gates, and outlets; and, \$3.5 million for DWR to review and approve required inundation maps and coordinate the review of emergency plans.
- \$1.9 million General Fund and four positions for the Office of Emergency Services to review and approve dam-related emergency response plans, and coordinate with local emergency management agencies on incorporation into all-hazard emergency plans (there is a distributed administration adjustment in the amount of \$175,000 to conform to this action).
- **Proposition 13 San Joaquin River Fish Population Enhancement.** The budget includes \$21 million from Proposition 13 to construct facilities to improve fish populations in the San Joaquin River Watershed.
- **San Joaquin River Water Quality Improvement Program.** The budget includes a reversion of prior year funds (\$1.26 million) from the remaining balance of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) and a new appropriation of the same amount in Proposition 84 funds to support improving water quality in the Lower San Joaquin River by eliminating discharge of agricultural subsurface drainage water.
- **Sustainable Groundwater Management Act (SGMA).** \$15 million General Fund and 28.9 existing positions in 2017-18 (growing 54.1 positions in 2020-21) to continue and significantly expand services currently paid for with General Fund which will soon expire, for DWR to assist in implementing the SGMA and support local agencies to achieve regional sustainability. Consistent with SGMA, the work is phased and resource needs ramp up and taper off as the regions build capacity over the next 20 years, with the exception of services (such as collection/analysis/sharing of statewide data and Bulletin 118 updates) that DWR will provide in perpetuity.
- **Safety of Dams Baseline Budget Increase.** The budget includes a one-time appropriation of \$364,000 from the Dam Safety Fund for office relocation expenses, and an ongoing baseline increase of \$242,000 from the Dam Safety Fund for increased rental costs.
- **Delta Mine Drainage Impacts Abatement – Combie Reservoir.** The budget provides for a reversion of approximately \$3.08 million and a new appropriation of \$6.13 million over three years (\$5.7 million in 2017-18, \$211,000 in 2018-19, and \$204,000 in 2019-20) from the Bay-Delta Multipurpose Water Management Program (Proposition 13) to develop facilities to remove and treat mercury-laden sediment derived from abandoned gold mines at Combie Reservoir.
- **Delta Smelt Resiliency Strategy.** The budget includes \$2.6 million from General Fund and \$900,000 from the Harbors and Watercraft Revolving Fund, on a one-time basis, to support four critical actions to combat the decline of Delta smelt, a species listed under both state and federal law as endangered.

- **Central Valley Flood Protection Board Permitting and Enforcement.** The budget includes \$2.2 million General Fund and nine new positions and one existing position, for three years, to allow the Central Valley Flood Protection Board (CVFPB) to perform its statutory mandate for permitting and enforcing encroachments and operating and maintaining facilities of the State Plan of Flood Control to limit the state's liability from a flood event.
- **Reappropriations, Extension of Liquidation Periods, and Technical Adjustment.** The budget includes the reappropriation of previous appropriations from the Greenhouse Gas Reduction Fund, Prop 13, Prop 84, and Prop 1, the extension of the liquidation period of previously appropriated General Fund, Environmental License Plate Fund, Prop 13, Prop 50, and Prop 84 dollars, and the reversion of unused balances from previously appropriated Prop 13 and Pro 50 funds.
- **Drought Emergency Response.** The budget includes \$5 million General Fund for local assistance and related support costs for emergency drinking water projects in areas of diminished groundwater supplies in the Central Valley, \$3.5 million General Fund for projects that enhance conditions for Delta smelt, and \$1 million General Fund for the Save Our Water campaign to focus on “Making Water Conservation a California Way of Life.”
- **Open and Transparent Water Data Act (AB 1755).** The budget includes \$150,000 from the ELPF for the Department of Fish and Wildlife, \$450,000 from the ELPF for the Department of Water Resources, and \$200,000 from the ELPF for the State Water Resources Control to begin implementation of AB 1755 (Dodd), Chapter 506, Statutes of 2016.
- **Safe Drinking Water.** The budget includes \$4 million for safe drinking water – domestic well replacement.
- **Friant-Kern Canal.** The budget includes \$4 million for the Friant-Kern Canal Pump-Back Project.

3885 DELTA STEWARDSHIP COUNCIL

- **Chairperson Term.** The budget includes trailer bill language to extend the length of time a member of the Delta Stewardship Council is authorized to serve as chairperson from four to six years. This extension will revert back to four years in 2019.

Natural Resources Budget Trailer Bill

Public Resources – SB 92 (Committee on Budget and Fiscal Review), Chapter 26, Statutes of 2017.

ENVIRONMENTAL PROTECTION

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

- **Water-Energy Nexus Registry (SB 1425).** The budget includes \$500,000, annually, for three years, from the Cost of Implementation Account for the creation of a water-energy nexus registry pursuant to SB 1425 (Pavley), Chapter 596, Statutes of 2016. The registry would record and register voluntary information on greenhouse gas (GHG) emission reductions resulting from water systems.
- **Rural County Certified Unified Program Agency Support.** The budget includes \$1.1 million, one-time, from the Rural Certified Unified Program Agencies (CUPA) Reimbursement Account to expand the rural county Certified Unified Program Agency support program from the existing 13 Certified Unified Program Agencies to 24. This action also shifted \$835,000 in the CUPA Account from state operations to local assistance.
- **Green Small Business Network.** The budget includes \$1 million to expand the Green Small Business Network Program.

3900 AIR RESOURCES BOARD (ARB)

- **Specialized Diesel Enforcement Section.** The budget includes \$1.6 million (\$812,000 Vehicle Inspection and Repair Fund and \$811,000 Motor Vehicle Account) and 10 positions to augment the Air Resources Board's current contract with California Highway Patrol to provide support during roadside inspections. This action includes a one-time appropriation of \$160,000 for four specialized vehicles to be used to conduct field inspections, and \$150,000 in annual contract funds.
- **Mobile Source Audit and Compliance Program Enhancement.** The budget includes \$1.96 million (including \$1.2 million for seven positions and three-year funding of \$450,000 in annual contracts from the Air Pollution Control Fund, and \$304,000 for two positions from various other special funds) to help strengthen the ARB's mobile source emission oversight program.
- **ARB Southern California Consolidation Project.** The budget includes \$413.1 million (\$154 million in civil penalties from the Volkswagen Settlement and \$259.1 million in lease-revenue bond authority) for the construction phase to consolidate and relocate ARB's existing motor vehicle and engine emissions testing and research facilities that are currently located in Southern California.
- **Greenhouse Gas Scoping Plan Updates (AB 197).** The budget includes \$1.5 million (including \$750,000 in contract funding in 2017-18, and \$375,000 annually thereafter; and \$100,000 in one-time construction costs) and four positions to meet the statutory requirements set forth in AB 197 (Eduardo Garcia), Chapter 250, Statutes of 2016. Of the \$1.5 million, \$1.4 million will be funded

from the Cost of Implementation Account, and \$100,000 will be funded from distributed administration.

- **Mobile Source Heavy-Duty In-Use Program Improvements.** The budget includes \$2.2 million (including \$500,000 in ongoing contract funding, and \$1 million in one-time local assistance) from the Motor Vehicle Account and five positions. The \$500,000 contract funding will be used to procure heavy-duty vehicles and remove engines to facilitate testing, and the \$1 million in local assistance funding will be used to fund a pilot heavy-duty diesel engine repair program for low-income truck owners with high emitting trucks operating in disadvantaged communities.
- **Carl Moyer Program Fund Alignment.** The budget includes a shift of \$318,000 within the Air Pollution Control Fund from local assistance to state operations for two positions to continue implementation of the Carl Moyer Memorial Air Quality Standards Attainment Program in light of commitments outlined in California's State Implementation Plan Mobile Source Strategy, Sustainable Freight Action Plan, and Climate Change Scoping Plan.
- **Environmental Justice Unit.** The budget includes \$857,000 (including \$210,000 in contract funds) from various special funds and four positions for environmental justice efforts. These positions will support and expand the board's effort to institutionalize environmental justice considerations into its program planning, development, and implementation decisions.
- **Revised Fund Source for the Near-Zero Clean Truck and Bus Program and the Advanced Clean Car Program.** The budget includes \$1.3 million (including \$488,000 from the Motor Vehicle Account and \$798,000 from the Cost of Implementation Account) for the Near-Zero Clean Truck and Bus and Advanced Clean Car programs.
- **Short-Lived Climate Pollutants (SB 1383).** The budget includes \$826,000 from the Cost of Implementation Account and five positions to investigate, research, develop, enforce, and implement a strategy consisting of several measures that will reduce emissions of short-lived climate pollutants in the state to levels set forth in SB 1383 (Lara), Chapter 395, Statutes of 2016.
- **Continued Implementation and Program Oversight for Proposition 1B.** The budget includes: 1) a reversion of the remaining unencumbered balance of \$20 million of Proposition 1B: Goods Movement Emission Reduction Program funds; 2) a new appropriation of \$826,000 for a total appropriation of \$1.2 million to support program administration costs; and 3) a new \$1.2 million local assistance one-time appropriation to spend funds that have reverted.
- **Implementation of the Volkswagen Consent Decree.** The budget includes \$2.3 million (including contract funding of \$125,000, annually, for five years) and 14 positions to administer and implement the provisions of the Volkswagen Consent Decree entered by the court on October 25, 2016. Of the \$2.3 million, \$1.8 million and 11 positions will be funded from the Air Pollution Control Fund, to be repaid by state penalty fees from Volkswagen, and \$490,000 and three positions will be funded by reimbursements from Volkswagen's Environmental Mitigation Trust Fund pursuant to Appendix D of the consent decree.

- **Implementation of the 3.0 Liter Volkswagen Consent Decree.** The budget includes \$25 million in local assistance from the Air Pollution Control Fund, which the ARB will receive as part of the Second Partial Consent Decree with Volkswagen filed in the United States District Court for the Northern District of California on December 20, 2016. This action includes budget bill language that requires these funds to be used for the Enhanced Fleet Modernization Program Plus-Up Program, as specified.
- **Volkswagen Consent Decree Trailer Bill Language.** The budget includes trailer bill language that establishes requirements in regards to the investment plans proposed by Volkswagen, including, that Volkswagen strive to ensure at least 35 percent of the funds benefit low-income communities disproportionately affected by air pollution and that the Air Resources Board must approve each investment plan at a public hearing.
- **Implementation of Oil and Gas Methane Regulation.** The budget includes \$2.6 million, in 2017-18, and \$1.8 million ongoing thereafter, to support implementation of ARB's Oil and Gas Methane Regulation (Greenhouse Gas Standards for Crude Oil and Natural Gas Facilities). This request includes two positions and \$2.3 million (including \$2 million in contract funds) in 2017-18, and \$1.8 million (including \$1.5 million in contract funds) ongoing, from the Cost of Implementation Account. This action includes onetime equipment costs of \$285,000 from the Oil, Gas, and Geothermal Administrative Fund.
- **Implementation of SB 1.** The budget includes \$165,000 from various special funds and one position to begin implementing SB 1 (Beall, Chapter 5, Statutes of 2017), which requires the ARB to develop and implement new tracking, compliance, and enforcement processes so that reductions in emissions from motor vehicles are achieved, and to work in concert with other state agencies as an expert consultant for air quality and greenhouse gas-related elements in the bill.
- **Air Pollution Research Grants – TBL.** The budget includes trailer bill language that adds the California State University to entities, along with the University of California, that the ARB has to consider in awarding air pollution research grants.

3930 DEPARTMENT OF PESTICIDE REGULATION

- **Federal Trust Fund Authority Increase.** The budget provides \$350,000 in federal fund authority to bring the authority in line with the federal grants the department receives.
- **Pest Management Research Grants.** The budget includes \$600,000, annually, for two years from the Department of Pesticide Regulation Fund to continue funding pest management research grants at \$1.1 million per year. This action extends a three-year legislative augmentation that appropriated an additional \$600,000 to the program.
- **Pesticide Registration Database Management System Funding Realignment.** The budget reverts and reappropriates \$3.4 million, to and from, the Department of Pesticide Regulation Fund and allows for a four-year encumbrance period to use the funds for the Pesticide Registration Data Management System.

3940 STATE WATER RESOURCES CONTROL BOARD

- **Underground Storage Tank Cleanup Fund Site Cleanup Request Processing Workload.** The budget includes \$1 million from the Underground Storage Tank Cleanup Fund and seven permanent positions to increase efficiency in processing claim payments. This will increase the speed of payment processing and reduce excessive payment times to persons who have incurred and paid out-of-pocket costs for regulatory compliance with cleaning up groundwater at petroleum-contaminated sites.
- **Lower Klamath Project Water Quality Certification.** The budget includes \$410,000 from the Water Rights Fund and 2.5 permanent positions to develop and implement water quality certification for the Lower Klamath Project. Certification conditions include restoration activities, environmental resource monitoring, adaptive management, and remediation plans that will occur for 10 to 50 years following dam removal activities.
- **SB 828 Prop 98 for Schools – Drinking Water Grants: Reappropriation of Contract Funds.** The budget includes an extension of the encumbrance and liquidation period of the state contract funds to conform to the period of availability of the local assistance grant funds included in SB 828 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2016.
- **Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Fund Technical Adjustment.** The budget includes the reversion of the unencumbered local assistance authority in the Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Fund (OSCF) from 2014-15 and a new appropriation of \$6.8 million from OSCF, to be available for encumbrance through 2020.
- **Technical Bond Adjustment.** The budget includes the reversion and reappropriation of various bond funds, totaling of \$8.3 million, in order to align budget authority to the actual expenditure plan.
- **Sustainable Groundwater Management Act (SGMA).** The budget includes \$2.3 million (\$750,000 ongoing and \$1.5 million on a one-time basis) from the Water Rights Fund and five additional positions to develop the SGMA reporting unit in order to implement enforcement and intervention requirements. SGMA requires SWRCB to intervene in groundwater basins that do not form local governance structures or develop sustainable plans.
- **Technical Adjustments, Reappropriations and Reversions.** The budget includes (1) reversion of unused state operations and local assistance authority; (2) re-appropriation of local assistance authority to align with encumbrance dates in Proposition 1; and, (3) the appropriation of funds in Proposition 84 to ensure the purpose of the bonds is met with the funding of new projects. The budget also provides a reappropriation to extend the encumbrance and liquidation period of the local assistance funds in the site cleanup subaccount (SCS) and the replacing, removing, or upgrading underground storage tanks (RUST) loans from the fiscal year 2015-16 appropriation.

The reappropriated funds will be available for encumbrance until June 30, 2018 and liquidation until June 30, 2021.

- **Irrigated Lands Management Program.** The budget includes \$1 million from the Waste Discharge Permit Fund and five permanent positions to support ongoing regulatory efforts to protect sources of drinking water and reduce nitrate loading to groundwater from irrigated agriculture in California.
- **Oil and Gas Monitoring Program Supplement for Existing Underground Injection Control Project Review.** The budget includes requests for \$1 million from the Oil, Gas, and Geothermal Administrative Fund for three years to collaborate with the Division of Oil, Gas and Geothermal Resources in its annual review of active Class II underground injection control projects in order to ensure these projects comply with the federal Safe Drinking Water Act and applicable state statutes and regulations, safeguarding groundwater resources.
- **Funding for Fish Consumption Advisories.** The budget includes a funding shift of \$381,000 from the Fish and Game Preservation Fund to the Waste Discharge Permit Fund to pay for fish consumption advisory services provided by the Office of Environmental Health Hazard Assessment.
- **Drought Resources.** The budget includes \$600,000 to support four positions that are necessary for the conclusion of open drought-related compliance and enforcement issues currently underway at the State Water Resources Control Board.
- **Safe Drinking Water.** The budget includes \$8 million for the well replacement, emergency repairs to community water systems, and assistance in connecting homes to public wastewater systems.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

- **Stringfellow Superfund Removal and Remediation Action.** The budget includes \$2.5 million General Fund in 2017-18, \$3 million in 2018-19, and \$2.6 million in 2019-20, for removal and remedial action at the Stringfellow Hazardous Waste Site.
- **Stringfellow Pretreatment Plant Site.** The budget includes a one year extension of the liquidation period for the construction of the Stringfellow Pretreatment Plant site.
- **Augmentation for National Priorities List and State Orphan Sites.** The budget includes \$3.7 million, on a one-time basis, from penalty revenues from various funds (\$500,000 from the Department of Pesticide Regulation Fund, \$2.7 million from the Air Pollution Control Fund, and \$500,000 from the Waste Discharge Permit Fund) to direct site remediation at National Priorities List and state orphan sites.
- **Lead-Acid Battery Recycling Act of 2016 (AB 2153 (C. Garcia), Chapter 666, Statutes of 2016).** The budget includes \$610,000 from the Lead-acid Battery Cleanup Fund and five positions to implement the Lead-acid Battery Recycling Act of 2016, which imposes new fees on

manufacturers and consumers of lead-acid batteries to fund lead contamination cleanup. Among other things, this act requires DTSC to identify, investigate and cleanup areas reasonably suspected to have been contaminated by the operation of lead-acid battery recycling facilities.

- **Excide Cleanup.** The budget includes a loan of \$1.4 million annually for three-years from the Lead-Acid Battery Cleanup Fund to the Hazardous Waste Control Account for a third-party quality assurance contractor to provide oversight of the activities conducted under the closure plan for the Exide Technologies, Inc. facility in Vernon.
- **Site Mitigation Activities.** The budget includes \$2 million General Fund for mitigation activities to convert the Laguna Nueva School site into a park.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

- **Single-Use Carryout Bags.** The budget includes \$298,000 from the Integrated Waste Management Account in 2017-18, \$292,000 in 2018-19, and \$197,000 in 2019-20, to implement Senate Bill 270 (Padilla), Chapter 850, Statutes of 2014.
- **Solid Waste Enforcement Implementation and Evaluation Program.** The budget includes \$130,000 from the Integrated Waste Management Account and one permanent senior environmental scientist position to meet the increased oversight of the waste industry and long-term facility compliance issues.
- **Tire Enforcement Agency Program Evaluation.** The budget includes a shift in expenditure authority of \$168,000 from local assistance to state operations in the Tire Recycling Management Fund and requests two environmental scientist positions.
- **Reimbursement Authority Request – Ibank.** The budget includes \$104,000 in reimbursement authority in the Integrated Waste Management Account to provide information technology support services to the California Infrastructure and Economic Development Bank (IBank).
- **Audio and Video Support.** The budget includes proposes \$227,000 in reimbursement authority from the Integrated Waste Management Account and two permanent positions to deliver audio-visual services for CalEPA’s boards, departments, and offices within the California EPA headquarters.
- **Establishing Permanent Positions for the Waste and Used Tire Manifest System Program.** The budget includes the conversion of seven temporary positions to permanent positions for the Tire Hauler Registration process and the Uniform Waste and Used Tire Manifest System.
- **Used Oil Certified Collection Center Unit - Additional Staff for Claim Processing and Fraud Prevention.** The budget includes \$77,000 from the California Used Oil Recycling Fund and one position to implement new fraud prevention procedures for used oil incentive claims, and identify and include additional entities subject to, but not currently paying, the oil fee.

- **Special Environmental Project - Compostable Plastics Research.** The budget includes \$50,000, one-time, from the Integrated Waste Management Account to expend recently awarded settlement fees between Napa County (and others) against Walmart Stores and Jet.com.
- **Organic Wastes.** The budget includes \$650,000 from the Cost of Implementation Account, Air Pollution Control Fund, and \$508,000 from the Integrated Waste Management Account and six positions to implement SB 1383 (Lara), Chapter 395, Statutes of 2016.
- **State Agencies to Retain Recycling Revenue.** The budget includes trailer bill language to allow state agencies to contract for recycling services and retain revenue received.
- **Administrative Support Workload.** The budget includes \$929,000 in distributed administration and eight positions for increased fiscal activity, information technology services, and departmental operations.
- **Bonzi Sanitary Landfill Closure Funding.** The budget includes \$4.2 million, one-time, from the Integrated Waste Management Account (IWMA) to fund the closure of the inactive Bonzi Sanitary Landfill. The budget also includes the annual transfer from the IWMA to the Solid Waste Disposal Site Cleanup Trust Fund be reduced from \$5 million to \$800,000 for 2017-18 to provide funds for this proposal.
- **Disaster Debris Recovery Closeout and Project Backlog.** The budget includes \$1 million Integrated Waste Management Account (annually for two years) to finalize and complete disaster debris removal-related workload and project backlogs incurred by redirecting staff toward emergency disaster recovery and post-recovery efforts.
- **Enhanced Oversight, Audit, and Enforcement in the Beverage Container Recycling Program.** The budget includes \$2.3 million Beverage Container Recycling Fund and 22 positions to convert limited-term resources into permanent to sustain increased and enhanced oversight, audit, and enforcement functions within the Beverage Container Recycling Program.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)

- **Litigation Costs (Prop 65).** The budget includes \$574,000, annually, for two years, from the Safe Drinking Water and Toxic Enforcement Fund to pay for defense of civil lawsuits brought against OEHHA for actions taken as lead agency for purposes of Proposition 65 (Safe Drinking Water and Toxic Enforcement Act of 1986).
- **Compliance Assistance.** The budget includes \$304,000, annually, for two years from the Safe Drinking Water and Toxic Enforcement Fund to provide advice and consultation on when Proposition 65 warnings are required for specific products or facilities and to conduct the assessments needed to make such determinations.
- **Site Risk Assessment Review.** The budget includes one position to provide technical assistance to the Regional Water Quality Control Boards and to local governments on human health risk

assessments on contaminated sites. The position will be funded by reimbursements from an existing interagency agreement with the State Water Resources Control Board.

- **Indicators of Climate Change in California.** The budget includes one position to prepare periodic reports presenting indicators of climate change and its impacts on California. The position will be funded through an interagency agreement between OEHHA and CalEPA.
- **Well Stimulation Treatment Health and Environmental Risks.** The budget includes \$366,000, annually, for three years (including \$50,000 in contract funding), from the Oil, Gas and Geothermal Administrative Fund, to evaluate chemicals used in oil and gas well stimulation treatments in California.

Environmental Protection Budget Trailer Bill

Public Resources - SB 92 (Committee on Budget and Fiscal Review), Chapter 26, Statutes of 2017.

ENERGY AND UTILITIES

3360 CALIFORNIA ENERGY COMMISSION (CEC)

The CEC continues to focus work on improving the state's energy infrastructure, increase compliance with energy efficiency regulations, and administering programs related to renewable energy resources.

- **Energy Resources Programs Account (ERPA) Expenditure Realignment.** The budget includes a reduction of \$15.4 million from ERPA, offset by increases to a number of other funds, to better balance ERPA expenditures and align funding with program activities. The budget takes important steps towards ensuring its long-term financial stability. However, the proposed budget still results in a structural deficit of roughly \$8 million per year. At the current rate, the ERPA is projected to have a negative fund balance by 2019-20. To address this, the budget includes reporting language asking CEC to produce a plan to bring the ERPA into balance in time for consideration as part of the 2018-19 budget.
- **Implementation of SB 350 (de León), Chapter 547, Statutes of 2015.** The budget includes eight permanent positions and \$9,060,000 (Cost of Implementation Account - COIA) to support the implementation of SB 350, which requires the Commission to administer the state Renewable Energy Standard, implement and enforce building energy retrofit standards, and establish consumer protection guidelines for energy efficient appliances. The funding includes \$305,000 annually for two two-year limited-term positions and \$7.6 million for 29.5 positions and associated contract funding approved as part of the 2016-17 budget.
- **Implementation of SB 1414 (Wolk), Chapter 678, Statutes of 2016.** The budget includes one permanent position and \$386,000 (ERPA) to implement SB 1414, which requires the commission to develop a plan to promote compliance with building energy standards for central air and heating units.
- **Implementation of AB 1110 (Ting), Chapter 656, Statutes of 2016.** The budget includes one permanent position and \$117,000 (ERPA) to comply with AB 1110, which requires the Commission to make certain changes to its Power Source Disclosure program.
- **Expansion of Energy End-Use Survey Program.** The budget includes a one-time increase of \$5.8 million from the Petroleum Violation Escrow Account to expand the Commission's energy end-use surveys, which are a central input to the Commission's energy demand forecasts.
- **Title 20 Appliance Energy Standards Enforcement.** The budget includes three permanent positions and \$411,000 from the Appliance Efficiency Enforcement Subaccount to support the Title 20 Appliance Efficiency Standards Compliance Assistance and Enforcement Program. This program was created by SB 454 (Pavely), Chapter 591, Statutes of 2011, which authorized the Energy Commission to establish an administrative enforcement program for violations of its appliance efficiency standards, with penalties up to \$2,500 per violation.

- **Public Interest Energy Research (PIER) Expenditure Authority.** The budget includes \$5.9 million in one-time expenditure authority from the PIER Natural Gas Subaccount, to be spent on projects identified in the Supplementary Reliability and Climate Focused Natural Gas Budget Plan recently submitted to the PUC, to fund research and development of natural gas based energy technologies that would not be adequately supported by competitive or regulated energy markets. The budget also includes an ongoing \$859,000 technical correction to the PIER Natural Gas Subaccount to correct an inadvertent reduction of \$859,000 related to pro rata assessments.
- **Solar Equipment Listing.** The budget includes three permanent positions and \$196,000 from the Renewable Resource Trust Fund to maintain, update, and expand the official listings of solar energy system equipment receiving ratepayer funded incentives, initially established pursuant to SB 1 (Murray), Chapter 132, Statutes of 2006.
- **Current Year Research Funding.** The Legislature rejected the Governor's proposal to reduce the Energy Commission's budget by \$3 million, restoring the \$15 million provided for research in the 2016 budget.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (PUC)

The budget includes a series of actions designed to implement recent legislation, improve staffing and accountability, and expand the PUC's safety capabilities statewide.

- **Fiscal Office – Permanent Positions.** The budget includes permanent position authority for two currently-existing positions funded through the PUC's overtime blanket. These positions were originally created in 2012-13 to accommodate growing workload in the Accounts Payable and Cashiering Unit. Because these positions are already created and funded through the PUCs existing authority there will be no net fiscal effect.
- **California Advanced Services Fund – 2020 Workload.** The budget includes \$661,000 from the California Advanced Services Fund (CASF) for five existing limited-term positions through December 31, 2020. The CASF promotes the deployment of broadband infrastructure in unserved and underserved areas of the state by providing grants and loans to help fund eligible broadband projects. It is funded by a surcharge rate on the revenues collected by telecommunications carriers from the end-users of intrastate services. The PUC was given limited-term positions to administer the CASF as part of the 2009-10, 2011-12, and 2014-15 budgets. These positions were set to expire on December 31, 2017. Within the CASF, the Public Housing Account supports projects to deploy local area networks and to increase adoption rates in publicly supported housing communities. This program was originally set to end on December 31, 2016. SB 745 (Hueso), Chapter 710, Statutes of 2016 extended this program through December 31, 2020, but did not extend the related positions.
- **California Advanced Services Fund – Alignment of Fund Authority.** The budget includes a reduction of \$21.9 million in budgetary spending authority in the California Advanced Services Fund to align spending authority with the statutory cap on CASF program revenue. Public Utilities Code Section 281 limits the amount of revenue that the PUC may collect to fund CASF to \$315 million. PUC estimated that they collected the statutory limit by November of 2016. Not reducing

the budgetary authority for the CASF would result in a total appropriation for the fund in excess of the statutory limit of \$315 million over the life of the fund.

- **Implementation of SB 350 (de León), Chapter 547, Statutes of 2015.** The budget includes \$300,000 per year for 13 years from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to license software tools, train staff, and develop the complex models required to reach full compliance with SB 350 by the final compliance date of 2030. PUC was given three positions to implement SB 350 in the 2016-17 budget, but was not provided funding for software licensing or consultant contracts.
- **Safe Biomethane Production and Distribution.** The budget included \$795,000 (Public Utilities Commission Utilities Reimbursement Account) per year for two years to fund five two-year limited-term positions to implement the requirements of SB 840 (Committee on Budget and Fiscal Review), Chapter 341, Statutes of 2016; SB 1383 (Lara), Chapter 395, Statutes of 2016; and AB 2313 (Williams), Chapter 571, Statutes of 2016. These three bills require the PUC to start or reopen proceedings to reevaluate biomethane safety standards, increase per-project biomethane incentives, and implement a dairy biomethane pilot program. Implementation of these mandates requires the assignment of administrative law judges, legal staff, engineering staff, and regulatory analysts.
- **Greenhouse Gas Emissions and Biomass.** The budget includes \$588,000 (PUCURA) for three two-year limited-term positions and one permanent position to implement the requirements of SB 859 (Committee on Budget and Fiscal Review), Chapter 368, Statutes of 2016. SB 859 mandates the implementation of a new energy purchasing program and the establishment of a new process to track and distribute contract costs, requiring that 125 megawatts of biomass energy be purchased by California's electric utilities.
- **Expanded 2-1-1 Information and Referral Network.** The budget includes a \$1.5 million in one-time authority from the California Teleconnect Fund Administrative Committee Fund to close gaps in existing 2-1-1 telephone service, and \$120,000 for one two-year limited-term position to implement the requirements of SB 1212 (Hueso), Chapter 841, Statutes of 2016. SB 1212 requires the PUC to facilitate the expansion of the 2-1-1 information and referral service to 20 unserved counties. PUC has indicated that the provided resources will work towards statewide 2-1-1 service, along with a statewide resource database, to connect all callers to information and referral services, specifically to suicide prevention and evacuation assistance resources that provide lifesaving information when needed.
- **CEQA Program Management.** The budget includes \$195,000 (PUCURA) for one permanent supervisory position related to expanded workload in the Infrastructure Planning and CEQA Section.
- **Office of Governmental Affairs.** The budget includes \$227,000 (Public Utilities Commission Utilities Reimbursement Account) and two permanent positions for the Office of Governmental Affairs to respond to an increased volume of legislative proposals that impact the PUC, increase cross-agency secondments pursuant to PUC reform, work with the California Research Bureau to

study the governance of telecommunications service in the state, and participate in federal administrative agency processes that can impact the PUC.

- **Contract Services Oversight, Reporting, and Public Records Act Response.** The budget includes \$214,000 from several special funds to fund two permanent positions within the Contracts Services Section to support increased contracting activities and institutionalize oversight of various audit reform recommendations. The majority of the funding will come from the Public Utilities Commission Utilities Reimbursement Account. The budget also includes \$227,000 (Public Utilities Commission Utilities Reimbursement Account) per year for two two-year limited-term positions to respond to an increased quantity of public records requests submitted to the PUC, as well as \$107,000 per year from a variety of special funds for one permanent position to publish contract information and audit results on the public PUC website as required by AB 1651 (Oberholte), Chapter 815, Statutes of 2016.
- **Deaf and Disabled Telecommunication Program.** The budget includes the conversion of four existing limited-term positions to permanent positions using \$369,000 (Deaf and Disabled Telecommunications Program Administrative Committee Fund) per year. These positions were set to expire in June 2017.
- **Hearing Reporters.** The budget includes \$228,000 (Public Utilities Commission Utilities Reimbursement Account) per year for two permanent Hearing Reporter positions to comply with state law that requires that a complete record of all proceedings and testimony before the PUC or any commissioner on any formal hearing must be recorded by a Hearing Reporter appointed by the PUC (P.U. Code §1706).
- **Electric Utility Wildfire Mitigation Plans.** The budget includes \$966,000 (Public Utilities Commission Utilities Reimbursement Account) for three permanent positions for the Electric Safety and Reliability Branch to review and evaluate utilities annual wildfire mitigation plans. The total includes \$500,000 per year for three years for related consulting contracts.
- **Energy Storage.** The budget includes \$644,000 (Public Utilities Commission Utilities Reimbursement Account) for 2.5 two-year limited-term positions (including one Administrative Law Judge) to implement the requirements of AB 33 (Quirk), Chapter 680, Statutes of 2016 and AB 2868 (Gatto), Chapter 681, Statutes of 2016.
- **Ex Parte Communications.** The budget includes \$391,000 annually from a variety of special funds for three permanent positions to implement new rules related to *ex parte* communications, as required by SB 215 (Leno), Chapter 807, Statutes of 2016.
- **Transportation Network Companies.** The budget includes \$130,000 from the Public Utilities Commission Transportation Rate Account for one permanent position to implement the requirements of AB 2763 (Gatto), Chapter 766, Statutes of 2016, which codifies a new, more expansive definition of “personal vehicles,” for which the PUC will be responsible for verifying that Transportation Network Companies (TNCs), such as Uber and Lyft, comply with existing regulations.

- **LifeLine Program Portability Freeze Rule.** The budget includes \$82,000 per year for one two-year limited-term position to implement the requirements of AB 2570 (Quirk), Chapter 577, Statutes of 2016, which requires the PUC to adopt a rule that LifeLine enrollees cannot switch telephone providers within 60 days after beginning the service, subject to certain exceptions. The LifeLine program subsidizes landline and mobile phone service for low income Californians.
- **Expedited Distribution Grid Interconnection Dispute Resolution.** The budget includes \$796,000 for two permanent positions, one two-year limited-term position, and four limited-term consultant positions to establish and administer an expedited interconnection dispute resolution process, as required by AB 2861 (Ting), Chapter 672, Statutes of 2016. AB 2861 requires the PUC to establish a streamlined dispute resolution process that operates within timelines that are more closely aligned with existing interconnection timelines; provides more technical expertise to the PUC and gives the PUC leverage in reviewing and resolving interconnection disputes; and issues binding resolutions on a dispute after bilateral negotiations between developers and utilities have resulted in an impasse.
- **California High-Cost Fund A.** The budget includes an increase of \$6.1 million in local assistance funding for the California High Cost Fund A to provide ten small Local Exchange Carriers with the financial support necessary to keep rural telephone service rates affordable and comparable to rates paid by customers in urban areas. This increase is due to greater projected support for telephone corporations related to Generate Rate Case increases due to inflation and labor costs, increased broadband investment, and increased funding requirements due to reductions in federal subsidies.
- **California Teleconnect Fund – Compliance Oversight and Administration.** The budget includes an increase of \$3.6 million from the California Teleconnect Fund Administrative Committee Fund to implement recently-adopted program reforms and to better enforce program eligibility requirements. This includes \$240,000 per year for two new permanent positions and \$3.4 million for consulting costs.
- **Internal Audit Positions.** The budget includes \$266,000 (Public Utilities Commission Utilities Reimbursement Account) for two permanent audit positions to augment existing staff in the PUC’s Internal Audit Unit.
- **Safety Assurance of Electric and Communication Infrastructure.** The budget includes \$716,000 (Public Utilities Commission Utilities Reimbursement Account) per year for six permanent engineering positions in the PUC’s Electric Safety and Reliability Branch to increase its efforts to ensure that electric and communication systems are designed, installed, and maintained safely in compliance with statutory requirements and PUC General Orders.
- **Energy Crisis Litigation.** The budget includes language that reappropriates funds in the Public Utilities Commission Utilities Reimbursement Account for two years to continue contracts for legal services from outside counsel to represent the PUC in ongoing Federal Energy Regulatory Commission proceedings related to the 2000 energy crisis.
- **Federal Trust Fund FTA Grant Appropriation.** The budget includes an augmentation of \$2.7 million in Federal Trust Fund authority to allow CPUC to utilize federal formula grant funding

authorized through the Moving Ahead for Prosperity in the 21st Century (MAP-21) Act and the Federal Transit Administration (FTA). The budget also includes an out-year baseline budget increase of \$3.2 million in Federal Trust Fund authority to allow continued use of grant funding.

- **Network Engineering Consultants.** The budget includes a reappropriation of \$500,000 in special fund resources to obtain consulting services to assess local exchange carrier service quality, as directed by PUC Decision 13-02-023 (2013). PUC was given \$500,000 for this purpose in the 2016-17 budget, but delays in the contracting process put PUC's ability to complete the work before budget authority expires in question. The reappropriation will allow the PUC to perform the required work by June 30, 2018.
- **Intervenor Compensation.** The budget includes \$322,000 from the Public Utilities Commission Utilities Reimbursement Account for three permanent positions to implement SB 512 (Hill), Chapter 808, Statutes of 2016, which expands the obligation of a public utility to pay intervenor fees to an eligible local government entity and makes a variety of transparency-focused changes to PUC procedures.
- **Cybersecurity Defense.** The budget includes \$665,000 from the Public Utilities Commission Utilities Reimbursement Account for four new permanent positions to establish a Cybersecurity Utility Regulatory Group at the PUC. SB 17 (Padilla), Chapter 327, Statutes of 2009, requires the PUC to work with stakeholders to determine requirements for utility Smart Grid deployment plans. The deployment plan requirements included cybersecurity strategy. Subsequently, SB 1476 (Padilla), Chapter 497, Statutes of 2010, provided rules to protect the privacy and security of customer data generated by advanced meters. The positions will provide the technical knowledge necessary to establish standards for utility cybersecurity and to review these requests for reasonableness and feasibility.
- **Enterprise Risk and Compliance Office.** The budget includes \$696,000 from the Public Utilities Commission Utilities Reimbursement Account for five permanent positions, including one Career Executive Assignment B (CEA-B), to establish an Enterprise Risk and Compliance Office. The office will assist management in the evaluation of enterprise risk, development of risk mitigation plans, compliance tracking of regulations and laws in regards to reporting and compliance with control agencies and the Legislature, as well as status of safety monitoring of external entities and timely reporting of results, audit follow-up, coordination on all externally performed audits, and addressing areas with control deficiencies.
- **Deputy Director for Safety.** The budget includes \$191,000 (from various special funds) and one permanent CEA-B position for a dedicated Deputy Executive Director for Safety to direct the work of PUC staff in that area.
- **Multiyear Reappropriation of Funding for eFAST.** The budget includes a reappropriation and an extended encumbrance period to June 30, 2021, for \$1,483,000 from various 2016 Budget Act items, and provisional language for an extended encumbrance period to June 30, 2021, for \$1,884,000 in various 2017-18 budget act items to support the eFiling Administration Support (eFAST) Platform and three Business Configuration Projects. These projects were funded in the 2016-17 budget, but project timelines have since shifted. The budget aligns the restructured project

plans with revised funding needs while creating no change to the total funding requested for the IT projects.

- **LifeLine Program.** The budget includes current year expenditures of \$485.8 million and budget year expenditures of \$630 million for the LifeLine program.
- **Transportation Enforcement Branch.** The budget includes \$636,000 from the PUC Transportation Reimbursement Fund to fund the conversion of six limited-term positions to permanent positions to meet critical program and process needs of the PUC's Transportation Enforcement Branch to begin implementing recommendations from the independent audit required by SB 541 (Hill), Chapter 718, Statutes of 2015.
- **Healthy Corner Stores.** The budget includes provisional language directing the PUC to spend \$107,000 in special funds to study the financial incentive programs in San Francisco and Los Angeles Counties, and to report to the Legislature by July 1, 2019.
- **Solar Multifamily Funding Technical Adjustment.** Trailer bill language makes a technical correction to AB 693 (Eggman), Chapter 582, Statutes of 2015, which created the Multifamily Affordable Housing Renewables Program. This program provides financial incentives for qualified renewable energy installations at multifamily affordable housing properties funded from investor-owned utility's greenhouse gas allowances.

8660 CPUC OFFICE OF RATEPAYER ADVOCATE (ORA)

The budget includes a series of actions designed to implement recent legislation and to improve staffing and the office's ability to effectively advocate on behalf of ratepayers for safe and cost-effective service.

- **Climate Change Initiatives.** The budget includes six permanent positions and \$663,000 in special fund resources to perform work associated with climate change efforts driven by a variety of recent legislation. Specifically, AB 327 (Perea), Chapter 611, Statutes of 2013, calls for the building and interconnection of 12,000 megawatts of localized electricity generation (also known as distributed energy resources, or DERs); SB 626 (Kehoe), Chapter 355, Statutes of 2009, requires implementation of infrastructure upgrades necessary for the widespread use of hybrid and plug-in electric vehicles; and SB 350 (de León), Chapter 547, Statutes of 2015, expands the scope of the PUC's involvement in the state's Renewable Portfolio Standard (RPS) by requiring renewable electricity procurement be increased from 33 percent by 2020 to 50 percent by 2030.
- **Communications and Water Policy Branch Utility Audit Workload.** The budget includes one position and \$132,000 (PUCORA) to perform work associated with state water conservation policies, the consolidation of utility rate districts, and new requirements for re-occurring telephone general rate case applications. The position will audit and review new water and telephone utilities' spending proposals, including conservation expenses and revenue subsidies, to help the PUC advance the state's goals for water conservation measures and affordable and reliable communication services, build an evidentiary record in PUC proceedings, and ensure utility ratepayers are receiving safe and reliable service at the lowest cost possible.

- **Safety Analysis Workload.** The budget includes three positions and \$390,000 from the PUCORA to analyze safety-related programs and expenditures at public utilities. These analyses will be used in safety-related proceedings at the PUC, California Energy Commission, and other utility-related entities.
- **Safe Drinking Water.** The budget includes two positions and \$230,000 from the PUCORA to evaluate the treatment of emerging water contaminants, the cost-effectiveness of new water treatment technologies, and the ratepayer impact of water utility acquisitions. State policy requires that all Californians have access to safe, clean, affordable drinking water.

Energy Budget Trailer Bill

Public Resources — SB 92 (Committee on Budget and Fiscal Review), Chapter 26, Statutes of 2017.

FOOD AND AGRICULTURE

8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Among other actions, the budget increases funding for pest prevention, including for Asian Citrus Psyllid and Pierces disease.

- **Pierce’s Disease.** The budget includes \$5 million General Fund for the Pierce’s Disease Control Program to combat and minimize the statewide impact of Pierce’s Disease and its vectors in California.
- **Plant Pest Prevention System.** The budget includes \$1.8 million General Fund, and \$2.6 million in Department of Food and Agriculture Fund (Agriculture Fund) authority in 2017-18 and 190.5 positions (25.5 permanent positions and a conversion of 165 temporary positions to permanent positions), and \$1.9 million General Fund, \$2.9 million in Agriculture Fund and \$570,000 of reimbursements and 194 positions (29 permanent positions and a conversion of 165 temporary positions to permanent positions) in FY 2018-19 and ongoing, for the Department of Food and Agriculture (CDFA) to fortify the infrastructure of the state's pest prevention system.
- **Asian Citrus Psyllid.** The budget includes \$10 million General Fund for the Citrus Pest and Disease Prevention Program.
- **Milk Pooling Trailer Bill Language.** The budget includes trailer bill language to authorize CDFA to establish a stand-alone milk quota program.
- **Turlock North Valley Laboratory Replacement.** The budget includes \$3.1 million General Fund for the North Valley Animal Health Laboratory project, a new full-service animal health laboratory in the northern San Joaquin Valley.
- **Environmental Auditing Unit Program Funding and Produce Safety Rule Implementation.** The budget includes \$1.9 million in federal fund authority and seven positions (growing to \$3.4 million and 14 positions in 2020-21) to implement the new federal Produce Safety Rule requirements.
- **Use of Antimicrobial Drugs on Livestock.** The budget includes \$2 million General Fund and 8.5 positions to implement SB 27 (Hill), Chapter 758, Statutes of 2015, which addressed the overuse of antibiotics in livestock and poultry by enforcing limits on antimicrobial use in livestock and requires CDFA to develop stewardship guidelines, track antimicrobial sales and collect information about on-farm use, sample pathogens for resistance trends and report to the Legislature.

- **Short-lived Climate Pollutants (SB 1383).** The budget includes \$312,000 from the Cost of Implementation Account and two permanent positions to implement SB 1383 (Lara), Chapter 395, Statutes of 2016.
- **Sustaining the Viability of Emergency Exotic Pest Response.** The budget includes \$1.8 million in federal fund authority, annually, for two years and 20 permanent positions to create emergency plant health response teams.
- **Fertilizing Materials: Auxiliary Soil and Plant Substances: Biochar.** The budget includes \$110,000 in Agriculture Fund authority and one position in 2017-18, and \$105,000 and one position in 2018-19 and ongoing to implement AB 2511 (Levine), Chapter 331, Statutes of 2016. AB 2511 requires the Department of Food and Agriculture to regulate biochar as a fertilizing material, specifically as an auxiliary soil and plant substance.
- **Small Dairy Climate Research.** The budget includes \$250,000 for research regarding methane reduction strategies for small dairies.
- **Greenhouse Gas Reduction Fund Clean-up.** Trailer bill language clarifies that provisional language regarding grants funded in the Department of Food and Agriculture's 2016 budget only applies to dairy digesters grants.

Natural Resources and Agriculture Budget Trailer Bill

Public Resources - SB 92 (Committee on Budget and Fiscal Review), Chapter 26, Statutes of 2017.

TRANSPORTATION

0521 TRANSPORTATION AGENCY

The California State Transportation Agency develops and coordinates the policies and programs of the state's transportation entities to achieve the state's mobility, safety and environmental sustainability objectives. The budget includes \$280 million from a variety of special funds, federal funds, and bond funds to support a variety of programs. This includes \$25 million in state transit assistance funding from SB 1 (Beall), Chapter 5, Statutes of 2017, for intercity and commuter rail services. Additionally, the budget includes the following:

- **GoMentum Station Project.** The budget includes \$3.5 million for the GoMentum Station project at the former Concord Naval Station to expand the development of the autonomous vehicle testing facility at that location.

2600 CALIFORNIA TRANSPORTATION COMMISSION (CTC)

The California Transportation Commission is responsible for programming and allocating funds for the construction and improvement of highways, passenger rail systems, and transit systems throughout California. The Commission advises and assists the Transportation Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The Commission also initiates and develops state and federal transportation policies that seek to secure financial stability for the state. The budget includes \$30 million from a variety of special funds and bond funds to support 22 positions. This includes:

- **Program Administration.** The budget includes \$395,000 per year from various special funds for one new permanent position, the conversion of one limited-term position to permanent, and \$20,000 in contracting funds to administer the state's Active Transportation Program and implement new requirements for regional and statewide transportation planning.
- **Road Repair and Accountability Act of 2017 Workload.** The budget includes four permanent positions and \$1.1 million from the State Highway Account and the Public Transportation Account to implement the requirements of SB 1 (Beall), Chapter 5, Statutes of 2017.

2660 DEPARTMENT OF TRANSPORTATION (CALTRANS)

Caltrans constructs, operates, and maintains a comprehensive state system of 50,000 road and highway lane miles, 13,100 state bridges, and 205,000 culverts; funds three intercity passenger rail routes; and provides funding for local transportation projects. The budget provides \$11.9 billion from a variety of special funds, federal funds, and bond funds to support roughly 19,000 positions.

Proposals adopted and incorporated in the budget include:

- **SB 1 Implementation: Capital Outlay and Local Assistance.** The budget includes \$1.5 billion in local and capital funding for projects for transportation programs under SB 1, the Road Repair and Accountability Act of 2017. This includes \$904.6 million consists of local assistance appropriations and \$592.8 million consists of capital outlay appropriations. The budget includes provisional language to allow for budget adjustments based on the progress of project delivery. The budget also provides \$5 million annually for the University of California for transportation research.
- **SB 1 Workload.** The budget includes includes \$477.8 million with 243 permanent positions to support the department's initial tasks for implementation of the Road Repair and Accountability Act of 2017, enacted through SB 1 (Beall), Chapter 5, Statutes of 2017. The budget also includes provisional language allowing Caltrans to augment current Capital Outlay Support staffing for SB 1 projects only after they have filled existing vacancies, and upon approval of the CTC and the Department of Finance and 30-day notification to the Joint Legislative Budget Committee (JLBC).
- **SB 1 Program Implementation.** The budget includes trailer bill language implementing the Advance Mitigation Program, creating several mechanisms to accelerate transportation projects, and creating a new freight corridor program. Additional language makes changes to Caltrans' contracting practices to increase the amount small business contract and reduce demographic disparities in contracting practices.
- **Independent Office of Audits and Investigations.** The budget includes a transfer of 48 existing permanent positions from the Caltrans audit division to the new Independent Office of Audits and Investigations, and 10 new permanent positions within the office. The budget includes \$9.5 million in State Highway Account funds to support the new office.
- **Planning Program Project Initiation Documents ZBB.** The budget includes a biannual Zero-Based Budget (ZBB) for the Planning Program's Project Initiation Documents workload. This ZBB includes 332 permanent positions and \$58 million from a variety of special funds to complete Project Initiation Document workload over the next two years.
- **High-Speed Rail Project Reimbursement Authority.** The budget includes \$2.3 million from the State Highway Account (SHA) per year for 14 two-year limited-term positions to provide ongoing legal services to the High-Speed Rail Authority in real property acquisition and maintenance.
- **Claims Payment Increase.** The budget includes a one-time operating expense increase of \$5,515,000 in SHA Funds for fleet insurance costs. The Department of General Services (DGS) recently notified Caltrans that the motor vehicle insurance premium assessment cost will increase by \$5.5 million during Fiscal Year 2017-18.
- **IT Infrastructure Refresh.** The budget includes one-time funding of \$12 million (SHA) to replace outdated information technology infrastructure equipment that has reached its end of life.

- **IT Enterprise Security.** The budget includes \$4 million (SHA) and six permanent positions to create, implement, and administer the Information Technology Cyber Security Program.
- **Electric Vehicle Charging Infrastructure.** The budget includes provisional language to allow Caltrans to spend up to a total of \$40 million of state and local to construct direct current fast charging stations at seven locations in 2017-18. The language requires Caltrans to report to the JLBC on the proposed funding source for construction of the proposed electric charging stations.
- **Road User Charge Pilot Program.** The budget includes one-time funding of \$737,000 (SHA) and \$750,000 (federal funds) to utilize federal funding made available under Section 6020 of the federal Fixing America's Surface Transportation (FAST) Act to further study the use of a road charge mechanism as an eventual replacement of the currently existing system of fuel taxes.

2665 HIGH-SPEED RAIL AUTHORITY

The High-Speed Rail Authority (HSRA) is responsible for the development and construction of the state's high-speed rail system. The HSRA's budget includes expenditures for support: environmental work, design, planning, right-of-way acquisition, and construction; and local assistance of \$1.1 billion. This includes:

- **High-Speed Rail Property Management.** The budget includes a baseline appropriation of \$750,000 from the High-Speed Rail Property Fund to fund expenses related to Authority ownership of property. As of August 2016, the Authority has acquired 738 of the 1,482 parcels required to complete the project's first four construction packages.

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

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun is the oversight body that licenses and regulates maritime pilots who navigate certain large vessels entering or leaving those bays, Monterey Bay, and on tributaries to Sacramento and Stockton. The budget provides roughly \$2.4 million in special funds to support the Board's operations. This includes:

- **Rent Increase.** The budget includes an augmentation of \$129,000, increasing by \$8,000 per year for eight years, for increases in the cost of office rentals in the Board's San Francisco office. The Department of General Services negotiated the increased rent at the Board's current location after determining that no other available office space existed that was appropriate for the Board's purposes, cost-effective, and located in San Francisco or Alameda Counties (as required by statute). The negotiated lease includes a firm four year commitment from BOPC, after which BOPC may terminate the lease with 60 days' notice. BOPC has indicated that they will submit a negative BCP should they choose to terminate the lease.

2720 CALIFORNIA HIGHWAY PATROL (CHP)

CHP is responsible for ensuring the safe and efficient flow of traffic on state roads and county roads in unincorporated areas. The budget includes total expenditures of \$2.5 billion from the Motor Vehicle Account (MVA) and other special funds. Proposals approved in the budget include:

- **Various Capital Outlay Proposals.** The budget includes about \$170 million from the MVA to fund a variety of capital outlay projects, including site acquisition for new CHP offices in Humboldt and Quincy, and construction of new offices in El Centro, Hayward, Ventura, and San Bernardino.
- **Phone System Replacement.** The budget includes a one-time augmentation of \$2.8 million (MVA) to upgrade the antiquated phone equipment and related infrastructure at the CHP Academy and related facilities. It includes a provisional authority for an additional \$1 million, upon the approval of the Department of Finance and notification to the Joint Legislative Budget Committee, for costs associated with design, asbestos abatement, and general construction.
- **Cloud-Based Disaster Recovery Solution.** The budget includes two positions and \$1.2 million (MVA) in 2017-18, and \$979,000 ongoing costs, to establish a cloud-based disaster recovery solution for the CHP data center and related IT services.
- **California Highway Patrol Enhanced Radio System (CHPERS).** The budget includes \$1.9 million (MVA) to for the construction phase of the CHPERS project. Two CHPERS projects, Crestview Peak and Silver Peak, have experienced project delays and cost increases related to design changes required by the US Forest Service to mitigate the impact of the projects on National Forest land, and to preserve views of the peaks.
- **Privacy and Risk Management Program.** The budget includes 12 permanent positions, two limited-term positions, and \$1.8 million (MVA) to establish a Privacy and Risk Management Program to protect personally-identifiable information stored in CHP systems. The department is required to maintain the integrity of any personally identifiable information (PII) it collects to protect individuals against identity theft.

2740 DEPARTMENT OF MOTOR VEHICLES (DMV)

The DMV promotes driver safety by licensing drivers and protects consumers by issuing vehicle titles and regulating vehicle sales. The budget provides total funding for the DMV of \$1.1 billion in special funds. The budget includes:

- **SB 1 Implementation.** The budget includes \$3.8 million in 2017-18, and \$7.8 million in 2018-19, from the Road Maintenance and Rehabilitation Account for additional costs of credit card transaction fees due to the implementation of SB 1 (Beall), Chapter 5, Statutes of 2017.
- **Driver License / Identification Card Federal Compliance.** The budget includes 218 positions and \$23 million (MVA) in 2017-18 and 550 positions and \$47 million (MVA) in 2018-19, to implement a federal compliant driver license/identification card (DL/ID) card that will be accepted by the Transportation Security Administration to board an airplane.
- **Ignition Interlock Device Program.** The budget includes five limited-term positions and \$730,000 (MVA) in one-time funds for 2017-18, seven positions and \$671,000 (MVA) in 2018-19, and 26 positions and \$1.9 million (MVA) in 2019-20, to implement SB 1046 (Hill), Chapter 783, Statutes of 2016, which extends the previously-authorized Ignition interlock Device (IID) pilot and requires, from January 1, 2019, to January 1, 2026, repeat DUI offenders, and first time offenders under judicial discretion, to install IIDs in their vehicles for six to 48 months.
- **Automobile Dismantling Task Force.** The budget includes \$294,000 (MVA) in 2017-18, \$282,000 (MVA) in 2018-19, and \$147,000 (MVA) in 2019-20, to implement the requirements of AB 1858 (Santiago), Chapter 449, Statutes of 2016, which establishes an interagency task force to investigate the occurrences of unlicensed and unregulated vehicle dismantling activities.
- **Capital Outlay.** The budget includes about \$26 million from the MVA to initiate or continue several DMV field office replacement and renovation projects, as well as the construction of perimeter fencing at nine existing DMV field offices. Specifically, the budget provides funding for office replacements in San Diego, Reedley, and Inglewood; field office renovation in Oxnard; and statewide site selection and planning activities.
- **Data Center Costs.** The budget includes \$7 million ongoing funding from the MVA to cover increased data center costs.
- **AB 516 Implementation.** The budget includes a total of two positions and \$2.4 million in 2017-18, three positions and \$748,000 in 2018-19, and \$225,000 in ongoing funding from the MVA to implement AB 516 (Mullin), Chapter 90, Statutes of 2016, which requires the DMV, on or before January 1, 2019, to develop, or contract with a private industry partner, for the development of a system that allows a dealer or lessor-retailer to electronically report the sale of a vehicle and provide temporary license plates at the time of sale.
- **Front End Sustainability Project.** The budget includes provisional language to allow the Director of Finance to provide \$3.4 million (MVA) for DMV planning activities related to the Front End Applications Sustainability Project, provided that the department meets certain criteria.

- **California New Motor Voter Program.** The budget includes \$1.8 million General Fund and \$5.2 million (MVA) for 10 one-year limited-term positions to implement a single-step opt-out voter registration process pursuant to AB 1461 (Gonzalez), Chapter 729, Statutes of 2015. The budget includes 12 ongoing positions and two-year limited-term funding for two positions and \$3.2 million in 2018-19 for the ongoing workload associated with AB 1461.

Transportation Budget Trailer Bills

1. *Transportation — AB 115 (Committee on Budget), Chapter 20, Statutes of 2017.*
2. *Transportation II — SB 103 (Committee on Budget and Fiscal Review), Enrolled, Statutes of 2017.*

SUBCOMMITTEE 3
ON
HEALTH
AND
HUMAN SERVICES

Senate Committee on Budget and Fiscal Review

Members

Richard Pan, Chair
William W. Monning
Jeff Stone

Consultants

Peggy Collins
Scott Ogus
Theresa Peña

SUBCOMMITTEE No. 3

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HEALTH

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

- **Office of Systems Integration (OSI): MEDS Modernization.** The budget includes \$6.6 million (\$727,000 General Fund and \$5.9 million federal funds) to extend support of 16 positions and other resources approved in the 2016 Budget Act for two additional years. These resources will continue the agency-wide planning effort to replace the Medi-Cal Eligibility Data System (MEDS), the primary eligibility system for Medi-Cal and other state social service programs, and will support completion of activities required by the Department of Technology's Project Approval Lifecycle Stage Gate requirements.

0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

- **Community Mental Health Infrastructure Grants Restoration.** The Legislature restored \$67.5 million General Fund previously approved in the 2016 Budget Act for infrastructure grant funding to assist communities in providing mental health or substance use disorder treatment. The Legislature rejected the Administration's proposal to revert these funds to the General Fund and eliminate the grant program.
- **Children's Mental Health Crisis Services Capacity Development Grants Restoration.** The Legislature restored \$16.7 million previously approved in the 2016 Budget Act to increase the number of facilities providing a continuum of crisis services for children. The Legislature rejected the Administration's proposal to limit the grant program to previously allocated Mental Health Services Act (MHSA) funds, but replaced the \$16.7 million General Fund allocation with additional funds from the MHSA Administrative Subaccount.
- **Investment in Mental Health Wellness Act (SB 82) Grant Extension.** The Legislature extended the liquidation period for grants provided under the Investment in Mental Wellness Act of 2013 (SB 82) until December 31, 2021. SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, allocated \$144.8 million General Fund to increase capacity for mobile crisis support, crisis intervention, crisis stabilization services, crisis residential treatment, and specified personnel resources. Without this extension, the grant funds would have been required to be liquidated by June 30, 2018.
- **Clinic Lifeline Act.** The Legislature approved \$20 million from the fund balance supporting the Healthcare Expansion Loan Program to provide grants for the operation costs of non-profit, small, or rural health centers in critical service areas or at risk of losing federal funding.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY (EMSA)

- **Online Paramedic Licensing eGov Module.** The budget includes expenditure authority from the Emergency Medical Services Personnel Fund of \$211,000 in 2017-18, and \$71,000 annually thereafter, to allow EMSA to purchase proprietary software to implement an online paramedic licensing application system.
- **EMT-P Discipline Workload.** The budget includes two positions and expenditure authority from the Emergency Medical Services Personnel Fund of \$314,000 in 2017-18 and 2018-19 to manage an increase in disciplinary legal caseload related to the authority's oversight of paramedic licensing.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OSHPD)

- **Primary Care Workforce Development.** The Legislature restored \$100 million General Fund over three years for augmentation of health care workforce initiatives at OSHPD previously approved in the 2016 Budget Act. The Legislature rejected the Administration's proposal to revert these funds to the General Fund and eliminate the health care workforce initiative augmentations permanently. The \$33.3 million annual allocation will provide \$18.7 million for existing primary care residency slots, \$3.3 million for new primary care residency slots at existing residency programs, \$5.7 million for Song-Brown Program primary care residency slots at teaching health centers, \$3.3 million for newly accredited primary care residency programs, \$333,000 for the State Loan Repayment Program, and \$2 million for OSHPD state operations costs.
- **Healthcare Workforce Recruitment (AB 2024 and AB 2048).** The budget includes expenditure authority from the California Health Data and Planning Fund of \$400,000 in 2017-18, \$250,000 in 2018-19 and 2019-20, and \$70,000 in 2020-21 through 2023-24, to implement health care workforce requirements pursuant to AB 2024 (Wood), Chapter 496, Statutes of 2016, and AB 2048 (Gray), Chapter 454, Statutes of 2016. Specifically, these funds will: 1) allow OSHPD to report on the impact to physician recruitment of allowing critical access hospitals to directly employ physicians pursuant to AB 2024; and 2) allow professionals at federally qualified health centers to be eligible for the State Loan Repayment Program pursuant to AB 2048.
- **Elective Percutaneous Coronary Intervention (PCI) Reporting.** The budget includes two positions and expenditure authority from the California Health Data and Planning Fund of \$358,000 annually to collect data and analyze clinical outcomes for the Elective Percutaneous Coronary Interventions program authorized by SB 906 (Correa), Chapter 368, Statutes of 2014.
- **Relocation Rent Adjustment.** The budget includes expenditure authority from special funds of \$1.2 million annually to support rent increases associated with OSHPD's planned relocation of its Sacramento headquarters and Los Angeles location due to expiring lease agreements.

4150 DEPARTMENT OF MANAGED HEALTH CARE (DMHC)

- **Help Center Case Backlog and Ongoing Workload.** The budget includes 11 positions and expenditure authority from the Managed Care Fund of \$3.4 million in 2017-18, \$3.3 million in 2018-19 and 2019-20, and \$2.7 million annually thereafter, to allow DMHC’s Help Center to address increased workload and a subsequent backlog attributed to full implementation of the Affordable Care Act and conforming legislation.
- **Information Technology Resource Request.** The budget includes two positions and expenditure authority from the Managed Care Fund of \$746,000 in 2017-18, \$722,000 in 2018-19 and 2019-20, and \$289,000 annually thereafter, to allow DMHC to address information security needs and transition to an efficient information technology systems architecture and forward looking roadmap to meet business intelligence requirements.
- **Prohibition of Surprise Balance Billing (AB 72).** The budget includes 16 positions, limited-term resources equivalent to 3.75 staff, and expenditure authority from the Managed Care Fund of \$3.6 million in 2017-18, \$3.2 million in 2018-19, \$3 million in 2019-20, and \$2.3 million annually thereafter, to allow DMHC to regulate the elimination of “surprise balance billing” pursuant to the requirements of AB 72 (Bonta), Chapter 492, Statutes of 2016.
- **Medi-Cal Interagency Agreement Reduction.** The budget includes a reduction of 18.5 positions and expenditure authority of \$5.3 million (\$3.4 million Managed Care Fund and \$1.9 million reimbursements) in 2017-18 and \$4.3 million (\$2.9 million Managed Care Fund and \$1.4 million reimbursements) annually thereafter. These reductions and related trailer bill language approved by the Legislature reflect the termination of interagency agreements between DMHC and the Department of Health Care Services (DHCS). According to DHCS and DMHC, the increased monitoring of Medi-Cal managed care plans required by new federal regulations is more stringent than the surveys, reviews and other regulatory oversight provided by DMHC under these interagency agreements.
- **Consumer Participation Program Sunset Extension.** The Legislature approved trailer bill language extending, until January 1, 2024, the sunset date for DMHC’s Consumer Participation Program (CPP). The CPP provides up to \$350,000 of funding to organizations to represent consumer interests in DMHC proceedings. The statutory authority for the CPP was previously scheduled to sunset on January 1, 2018.

4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **Medi-Cal: Proposition 56 Reimbursement Rate Allocations.** The Legislature augmented Medi-Cal provider reimbursement rates by \$546 million Proposition 56 tobacco tax revenue. Of these expenditures, up to \$50 million may be allocated for women’s health, up to \$27 million may be allocated for intermediate care facilities for the developmentally disabled, up to \$4 million may be allocated for HIV/AIDS Waiver provider payments, up to \$325 million may be allocated for physician services, and up to \$140 million may be allocated for dental services.

- **Medi-Cal: Skilled Nursing Facilities Minimum Direct Care Service Hours.** The budget includes \$10 million General Fund and the Legislature approved trailer bill language to require free-standing skilled nursing facilities to have a minimum number of direct care services hours of 3.5 per patient day, including a minimum of 2.4 hours per patient day for certified nurse assistants, beginning July 1, 2018.
- **Medi-Cal: Third Party Liability Recoveries in Personal Injury Cases.** The Legislature adopted trailer bill language to clarify the process for recovery of Medi-Cal expenditures from plaintiffs in personal injury cases, including clarifying the formula that defines the state's portion of litigation costs and clarifying the right for Medi-Cal to recover when there are multiple settlements.
- **Medi-Cal: Restoration of Full Adult Dental and Optical Benefits.** The Legislature augmented the Medi-Cal budget by \$34.8 million General Fund in 2017-18, and \$73 million General Fund ongoing, and approved trailer bill language to restore the remaining dental benefits subject to elimination during the recession, beginning on January 1, 2018. The Legislature also approved trailer bill language to restore optical benefits, beginning on January 1, 2020, subject to an action by the Legislature to include funds for this purpose in the state budget process.
- **Medi-Cal: Medically-Tailored Meals Pilot.** The Legislature augmented the Medi-Cal budget by \$2 million General Fund annually for three years and approved trailer bill language to implement a medically-tailored meals pilot program. Once implemented, this program will provide a medically tailored meal intervention to Medi-Cal beneficiaries with complex and high-cost health conditions in Alameda, Los Angeles, Marin, San Diego, San Francisco, San Mateo, Santa Clara, and Sonoma counties.
- **Medi-Cal: Diabetes Prevention Program.** The Legislature approved trailer bill language to provide Medi-Cal coverage for the Diabetes Prevention Program, an evidence-based, lifestyle change program designed to prevent or delay the onset of type 2 diabetes among individuals with pre-diabetes, beginning July 1, 2018.
- **Medi-Cal: County Administration Budgeting Methodology.** The budget includes expenditure authority of \$1.5 million (\$731,000 General Fund and \$730,000 federal funds) in 2017-18 and 2018-19, and \$244,000 (\$122,000 General Fund and \$122,000 federal funds) in 2019-20, to allow DHCS to continue development of a new budgeting methodology for county administrative costs that reflects the impact of the Affordable Care Act (ACA), pursuant to the requirements of SB 28 (Hernandez), Chapter 442, Statutes of 2013.
- **Medi-Cal: Current Year Deficiency.** The Legislature approved the Administration's request to augment the 2016 Budget Act General Fund appropriation for Medi-Cal by \$1.1 billion. These funds address a deficiency in the 2016-17 fiscal year caused by a miscalculation of costs related to the Coordinated Care Initiative (CCI) and a one-time repayment to the federal government of pharmacy rebates collected on claims for ACA beneficiaries.

- **Medi-Cal: New Qualified Immigrant (NQI) Minimum Essential Coverage.** The Legislature approved trailer bill language eliminating the NQI Affordability and Benefit Program (NQI Wrap) and providing statutory authority for DHCS to seek federal approval to designate the existing, state-funded NQI health care coverage program as minimum essential coverage for the purposes of the ACA's individual health coverage mandate.
- **Medi-Cal: Major Risk Medical Insurance Fund Elimination and Transfer.** The Legislature approved trailer bill language to abolish the Major Risk Medical Insurance Fund, transfer its fund balance to a newly established Health Care Services Plans Fines and Penalties Fund, redirect existing health plan administrative fines and penalties transfers to the new fund, and allow the fund to support expenditures in the Major Risk Medical Insurance Program (MRMIP) and, once MRMIP is fully funded, to offset General Fund spending in the Medi-Cal program.
- **Medi-Cal: Mental Health Services Act Fiscal Reversion.** The Legislature approved trailer bill language to implement improvements and additional transparency to the process for reversion of unspent Mental Health Services Act funds from counties after three years, as follows:
 - Holds counties harmless for reversion prior to 2017-18, with funds reallocated to the counties of origin for the originally allocated purposes (e.g. prevention and early intervention, or innovative programs).
 - By July 1, 2018, requires DHCS and counties to report on the amounts owed prior to 2017-18 and requires counties to submit a plan to spend these funds by July 1, 2020.
 - Extends reversion period from three to five years for small counties (population under 200,000).
 - Requires DHCS to annually post by each October 1, the amount of each county's funds subject to reversion and when the funds will revert.
 - After July 1, 2017, requires reverted funds be reallocated to other counties for the purposes originally allocated (e.g. prevention and early intervention, or innovative programs).
 - Upon approval of an innovation plan by the Mental Health Services Oversight and Accountability Commission, allows funds allocated for innovative programs to re-start the three year period, after which the funds would be subject to reversion (five year period for small counties).
- **Medi-Cal: Medi-Cal 2020 Contracting Resources.** The budget includes expenditure authority of \$2 million (\$980,000 federal funds and \$980,000 reimbursements) in 2017-18 through 2020-21, and \$460,000 (\$230,000 federal funds and \$230,000 reimbursements) in 2021-22, to fund contracts to facilitate learning collaboratives, provide technical assistance, and conduct an independent evaluation for components of the state's Section 1115 Medicaid Waiver, known as Medi-Cal 2020.

- **Medi-Cal: Continuation of Cal MediConnect and Managed Long-Term Services and Supports.** The Legislature approved trailer bill language to continue the Cal MediConnect duals demonstration project and the mandatory enrollment of individuals in managed care for long-term services and supports, except In-Home Supportive Services.
- **Medi-Cal: Federal Managed Care Regulations.** The budget includes 15 positions and expenditure authority of \$8.9 million (\$4.5 million General Fund and \$4.5 million federal funds) in 2017-18 through 2020-21, and \$2.6 million (\$1.3 million General Fund and \$1.3 million federal funds) in 2021-22, to support compliance with new federal rules governing Medi-Cal managed care plans, dental managed care plans, county mental health plans, and Drug Medi-Cal organized delivery system waiver providers.
- **Medi-Cal: Office of Managed Care Ombudsman.** The budget includes 15 positions (nine converted from limited-term and six new, permanent positions) and expenditure authority of \$1.8 million (\$895,000 General Fund and \$894,000 federal funds) to continue managing increased call volume and consumer assistance activities in the Office of Ombudsman. The Legislature also approved trailer bill language requiring quarterly reporting on calls received by the Ombudsman, including: the number of contacts received, separated by inquiries and complaints; the average wait time for callers to answer, the number of calls abandoned; the result of contacts, including destination of referred calls; average call time; complaints, by issue type; and the number of calls referred to another area of the department or to the Department of Managed Health Care for resolution.
- **Medi-Cal: Delay of Marriage and Family Therapist Billing in Federally Qualified Health Centers.** The Legislature approved trailer bill language delaying until no later than July 1, 2018, implementation of AB 1863 (Wood), Chapter 610, Statutes of 2016, which allows federally qualified health centers (FQHCs) to bill Medi-Cal for services provided by marriage and family therapists (MFTs) as a separate visit.
- **Medi-Cal: Nursing Facility/Acute Hospital (NF/AH) Waiver Renewal.** The Legislature approved trailer bill language codifying provisions of the state's proposed extension of the NF/AH Waiver, including contracting with case management contractors, demonstrating cost neutrality in the aggregate rather than based on individual cost limits, expanding waiver slots by 5,000, establishing a managed fee-for-service model with actuarially developed rates, and identifying performance outcomes to evaluate quality of services provided by care management contractors.
- **Medi-Cal: Third Party Liability Contracting.** The Legislature approved trailer bill language that makes technical and clarifying changes to contracting requirements for third party liability recoveries in Medi-Cal's personal injury and workers compensation recovery programs.
- **Medi-Cal: CalWORKs Eligibility to Determine Medi-Cal Eligibility.** The Legislature approved trailer bill language to provide statutory authority to seek federal approval to use determination of eligibility for the California Work Opportunity and Responsibility to Kids (CalWORKs) program as a determination of eligibility for the Medi-Cal program, consistent with current practice.

- **Substance Use Disorder Licensing Workload.** The budget includes 20 permanent positions (conversion of six limited-term positions and 14 new positions) and expenditure authority of \$2.5 million (\$290,000 Narcotic Treatment Program Licensing Trust Fund, \$1.7 million Residential and Outpatient Program Licensing Fund, and \$531,000 reimbursements), to support increased licensing, monitoring, and complaint investigation workload as a result of expansion of services under the federal Affordable Care Act and the Drug Medi-Cal Organized Delivery System Waiver.
- **Medi-Cal: Alternative Birthing Centers Reimbursement.** The Legislature approved trailer bill language to allow Medi-Cal reimbursement for deliveries in alternative birthing centers based on the equivalent, lowest acuity diagnosis-related group reimbursement provided to general acute care hospitals.
- **Medi-Cal: Ground Emergency Medical Transportation (GEMT) Supplemental Payments.** The budget includes three positions (conversion of limited-term to permanent) and expenditure authority of \$393,000 (\$197,000 federal funds and \$196,000 reimbursements) annually to allow DHCS to continue auditing workload for its supplemental reimbursement program for GEMT providers.
- **Medi-Cal: AB 959 Public Clinics and State Veterans Homes Reimbursement.** The budget includes a two-year extension of expenditure authority of \$1.4 million (\$697,000 federal funds and \$697,000 reimbursements) to allow DHCS to implement supplemental Medi-Cal payments to state veterans homes and public clinics, pursuant to AB 959 (Frommer), Chapter 162, Statutes of 2006.
- **Every Woman Counts Accrual to Cash Budgeting.** The Legislature approved trailer bill language to change the Every Woman Counts program budget from an accrual to a cash basis beginning in 2017-18, and reduce the frequency of program reporting requirements from quarterly to biannually.
- **Medi-Cal: San Francisco Community Living Services Benefit Waiver Transition to Assisted Living Waiver.** The Legislature approved trailer bill language to transition individuals receiving home and community-based services in the San Francisco Community Living Support Benefit Waiver into the Assisted Living Waiver, which will be expanded to include the city and county of San Francisco.
- **Medi-Cal: CA Medicaid Management Information System Legacy Operations.** The budget includes 21 permanent positions (conversion from limited-term) and expenditure authority of \$9.1 million (\$2.1 million General Fund and \$7 million federal funds) annually to allow DHCS to continue performing ongoing systems and business operations for the legacy California Medicaid Management Information System (CA-MMIS). These resources include \$6 million for contracted services including: 1) agency oversight, 2) procurement and vendor management, 3) transition management, 4) technical and information integration, and 5) testing.
- **Medi-Cal: CA-MMIS Modernization and Advantage Application.** The budget includes seven positions and expenditure authority of \$5.8 million (\$575,000 General Fund and \$5.2 million federal funds) annually to implement a modernization strategy for CA-MMIS and adopt a user-centered, iterative, modular approach to the design, development, and implementation of system

modules to replace the existing legacy system. The Legislature also approved budget bill language to allow for a General Fund augmentation of up to \$2.5 million, upon approval by the Department of Finance and the Department of Technology, for implementation of the Advantage Collections Application, a third party liability collections information technology solution. The budget bill language also requires the Administration to include a description of details of the approach to replacing CA-MMIS in the Governor's January 2018 budget, and provide quarterly status updates to the Legislature.

- **Implementation of Federal Opioid Targeted Response Grant Funding.** The budget includes expenditure authority from federal funds of \$44.7 million to implement the federal Opioid State Targeted Response grant provided under the 21st Century Cures Act. This grant will allow for increased medication assisted treatment for individuals with substance use disorders. The Legislature also approved trailer bill language to expedite the ability to provide these funds to the receiving entities, pursuant to the timing of federal requirements for expenditure of grant funds, by allowing DHCS to enter into exclusive or nonexclusive contracts and be exempt from certain state contracting provisions.
- **Medi-Cal: Disproportionate Share Hospital (DSH) Allocation Adjustment.** The Legislature approved trailer bill language to make clarifying changes to DSH allocations to make full use of available federal funding.
- **Medi-Cal: Graduate Medical Education in Designated Public Hospitals.** The budget includes \$1.2 billion (\$593.8 million federal funds and \$593.8 million reimbursements from local government entities) and the Legislature approved accompanying trailer bill language to implement a graduate medical education (GME) program for Medi-Cal. Recent federal regulations authorize DHCS to make GME payments to designated public hospitals and their affiliated government entities based on the level of service provided to Medi-Cal managed care beneficiaries.
- **Medi-Cal: Covered Outpatient Drug Rule.** The Legislature approved trailer bill language to codify a new drug ingredient reimbursement methodology and dispensing fee based on a study of pharmacy provider costs in the Medi-Cal program. These changes are consistent with recent federal regulations that impose new requirements on Medicaid programs for reimbursement of covered outpatient drugs, including a transition to an acquisition cost-based reimbursement methodology and, when changing the reimbursement methodology for the ingredient cost of drugs, examination or revision of professional dispensing fees to ensure Medicaid pharmacy providers are adequately reimbursed to maintain beneficiary access to care.
- **Robert F. Kennedy Farm Workers' Health Plan Stop-Loss Payments.** The Legislature approved trailer bill language extending reimbursements to the Robert F. Kennedy Farm Workers Health Plan authorized by SB 145 (Pan), Chapter 712, Statutes of 2015, by an additional five years to January 1, 2026. This extension will allow the plan to build sufficient reserves so that it will no longer be dependent on state funding.
- **Suicide Prevention Hotlines.** The Legislature augmented the budget by \$4 million Mental Health Services Fund (state administration) one-time and approved budget bill language to support suicide prevention hotlines throughout the state. This expenditure would occur once the Department of

Finance determines that these funds are available in the state administration cap and notifies the Joint Legislative Budget Committee.

- **Medi-Cal: Erroneous Enrollment of Medicare Part A Beneficiaries in Optional Expansion.** The budget includes \$227.1 million General Fund to account for a one-time repayment to the federal government for individuals eligible for Medicare Part A erroneously enrolled under the optional expansion of Medi-Cal. DHCS intends to recoup inappropriately paid capitation payments for this population from Medi-Cal managed care plans. The Legislature approved budget bill language to require DHCS to provide, no later than July 31, 2017, each managed care plan with the appropriate detail, including beneficiary-specific data, aid codes, and corresponding rates paid, as well as the amounts of reimbursement to be recouped for individuals erroneously enrolled under the optional expansion. Plans are required to repay DHCS by June 30, 2018.

4265 DEPARTMENT OF PUBLIC HEALTH (DPH)

- **Richard Paul Hemann Parkinson's Disease Program.** The Legislature augmented the budget by \$1.7 million General Fund to establish the Richard Paul Hemann Parkinson's Disease Program, a three-year pilot program to collect data from health providers on the incidence of Parkinson's disease in California.
- **Licensing and Certification (L&C): Los Angeles County Contract.** The budget includes expenditure authority from the Licensing and Certification Program Fund of \$1.1 million annually to augment the state's licensing and certification contract with Los Angeles County to account for general salary increases approved by the county's board of supervisors of three percent in October 2016, two percent in October 2017, and two percent in April 2018.
- **L&C: State Health Facilities Citation Account and Long-Term Care Ombudsman.** The budget includes a one-time \$1 million augmentation to the Long-Term Care Ombudsman Program using funds from the State Health Facilities Citation Account. The Legislature also approved budget bill language to require the Department of Finance to augment the allocation from the State Health Facilities Citation Account to the Long-Term Care Ombudsman Program, beginning in the 2018-19 fiscal year, by up to \$1 million of the funds in the account in excess of a \$6 million fund balance.
- **Proposition 56 Tobacco Tax Program Allocations.** The budget includes 57 positions and expenditure authority of \$226.1 million annually from the State Dental Program Account, Tobacco Law Enforcement Account, and Tobacco Prevention and Control Programs Account of the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56) Fund. These resources will fund oral health, tobacco law enforcement, and tobacco prevention programs as required by voter approval of Proposition 56.
- **AIDS Drug Assistance Program.** The budget includes \$365.1 million (\$184.6 million federal funds and \$180.5 million manufacturer rebate funds) in 2016-17, and \$399.7 million (\$111.4 million federal funds and \$288.3 million manufacturer rebate funds) in 2017-18, for the AIDS

Drug Assistance Program (ADAP). The Legislature augmented the ADAP budget by \$4 million manufacturer rebate funds for allocation to ADAP enrollment workers navigating the challenges posed by the failure of the ADAP enrollment portal. The Legislature approved trailer bill language to allow information sharing between ADAP and other entities to streamline enrollment and case management activities to increase enrollment of medication-only ADAP clients in comprehensive health care coverage. The Legislature also approved trailer bill language to clarify that ADAP may provide pre-exposure prophylaxis (PrEP) medication to uninsured ADAP clients.

- **Medical Cannabis Licensing Technology Project.** The budget includes the redirection of three positions and expenditure authority of \$410,000 from the Medical Cannabis Regulation and Safety Act (MCRSA) Fund from DPH to the Bureau of Medical Cannabis Regulation in the Department of Consumer Affairs to reflect the transfer of licensing responsibilities for medical cannabis testing laboratories pursuant to SB 837 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2016. The budget also includes expenditure authority from the MCRSA Fund of \$1.4 million in 2017-18, \$494,000 in 2018-19, and \$238,000 annually thereafter, to design, configure, and maintain a licensing application for medical cannabis manufacturers.
- **Childhood Lead Poisoning Prevention (CLPP) Program IT Resources.** The budget includes one position and expenditure authority from the Childhood Lead Poisoning Prevention Fund of \$480,000 in 2017-18, and \$158,000 annually thereafter, to conduct required Project Approval Lifecycle analyses to upgrade the CLPP program's electronic blood lead testing information system.
- **Youth Tobacco Enforcement.** The budget includes conversion of nine expiring, limited-term positions to permanent and \$1.1 million reimbursement expenditure authority to continue tobacco retailer inspections and other activities to prevent tobacco sales to children, pursuant to a contract with the U.S. Food and Drug Administration.
- **Healthcare Acquired Infections (HAI) Prevention.** The budget includes six positions and expenditure authority from the Licensing and Certification Program Fund of \$991,000 annually to increase public education regarding HAIs, track strategic performance measures, and support the HAI Advisory Committee.
- **L&C: Performance Measurement and Quality Improvement.** The budget includes expenditure authority from the Internal Departmental Quality Improvement Account of \$2 million in 2017-18, 2018-19, and 2019-20, to execute quality improvement projects and contracts to improve health facility, agency and professional regulation and oversight.
- **Improved Access to Vital Statistics Data.** The budget includes expenditure authority from the Health Statistics Special Fund of \$75,000 in 2017-18, and \$325,000 in 2018-19, to replace the California Vital Statistics Query (CA-VSQ), a web-based interactive system that allows access to medical and demographic data collected by the department.
- **Ryan White Program Compliance with Standards, Quality, and Timeliness Mandates.** The budget includes seven positions and annual expenditure authority of \$1.2 million, comprised of \$740,000 from the Federal Trust Fund and \$499,000 from the AIDS Drug Assistance Program

Rebate Fund, to address findings from a federal Health Resources and Services Administration site visit, improve client health outcomes, and reduce health disparities through implementation of standards of care and a clinical quality management program.

- **Demographic Data Collection of Asian, Native Hawaiian, and Pacific Islander Populations.** The budget includes 2.5 positions and expenditure authority from the Health Statistics Special Fund of \$326,000 in 2017-18, \$316,000 in 2018-19, and \$314,000 annually thereafter, to include additional separate data collection categories and other tabulations for specified Asian-American, Native Hawaiian, and other Pacific Islander subgroups pursuant to the requirements of AB 1726 (Bonta), Chapter 607, Statutes of 2016.
- **Certified Copies of Marriage, Birth, and Death Certificates: Electronic Application.** The budget includes two permanent positions and expenditure authority from the Health Statistics Special Fund of \$257,000 in 2017-18, \$253,000 in 2018-19 and 2019-20, and \$127,000 in 2020-21, to implement acceptance of electronic acknowledgments for requests for certified copies of birth, death, or marriage records, pursuant to AB 2636 (Linder), Chapter 527, Statutes of 2016.
- **Public Health Emergency Preparedness.** The budget includes 88.3 positions (76.8 conversion from limited-term and 11.5 new positions) and expenditure authority of \$11.8 million federal funds annually for DPH to continue public health emergency preparedness activities, pursuant to requirements in state and federal law. The Legislature also approved trailer bill language to make technical and clarifying changes to provisions of state law governing the program.
- **Newborn Screening Program.** The budget includes one position and expenditure authority from the Genetic Disease Testing Fund of \$2.69 million (\$769,000 state operations and \$1.92 million local assistance) in 2017-18, and \$137,000 state operations annually thereafter, for the Newborn Screening Program at DPH to implement additional newborn screening requirements for genetic diseases, pursuant to SB 1095 (Pan), Chapter 363, Statutes of 2016.
- **Adult Use of Marijuana Act (Proposition 64) Licensing and Regulation.** The budget includes 50 positions and expenditure authority from the Cannabis Control Fund of \$9.3 million in 2017-18, \$8.3 million in 2018-19, and \$8.7 million in 2019-20, to implement the licensing and regulatory mandates of the Adult Use of Marijuana Act (Proposition 64). The Legislature also approved budget bill language to authorize the Department of Finance to augment the DPH budget by an additional 20 positions and expenditure authority from the Cannabis Control Fund of up to \$2.3 million if there is a demonstrated need for implementation of cannabis manufacturer regulations, licensing or information technology activities. Also see Subcommittee No. 4 – “Cannabis.”

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION (MHSOAC)

- **Prevention and Early Intervention Plan Review.** The budget includes two positions and expenditure authority from the Mental Health Services Fund of \$309,000 annually for MHSOAC to implement regulations for review of plans for Prevention and Early Intervention and Innovation programs, pursuant to AB 82 (Committee on Budget), Chapter 23, Statutes of 2013.

- **Contract Administration Resources.** The budget includes one position and expenditure authority from the Mental Health Services Fund of \$157,000 annually to support MHSOAC's ability to implement new and expanded contracting obligations, including stakeholder advocacy and implementation of children's crisis services, authorized by the 2016 Budget Act.
- **Reappropriation of Mental Health Services Fund.** The budget includes a reappropriation from the Mental Health Services Fund of \$2.5 million from 2015-16 to continue support of the Evaluation Master Plan and \$315,000 from 2013-14 to permit the completion of consensus guidelines and best practices for involuntary commitment care and provide applicable training.
- **Statewide Suicide Prevention Strategic Plan.** The Legislature augmented the budget by \$100,000 from the Mental Health Services Act State Administration Fund to support the development of a statewide suicide prevention strategic plan.

4800 CALIFORNIA HEALTH BENEFIT EXCHANGE

- The budget includes \$320.9 million from the California Health Trust Fund for the California Health Benefit Exchange, which facilitates the enrollment of qualified individuals and small employers in qualified health plans, including through Covered California. There were no budget proposals for the California Health Benefit Exchange.

Health Budget Trailer Bills and Budget Bill Jr.

1. *Health Omnibus – SB 97 (Committee on Budget and Fiscal Review), Chapter 52, Statutes of 2017.*
2. *Public Health Programs – AB 114 (Committee on Budget), Chapter 38, Statutes of 2017.*
3. *Proposition 56 Medi-Cal Allocations – AB 120 (Committee on Budget), Chapter 22, Statutes of 2017.*

HUMAN SERVICES

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

- The 2017 budget includes \$868.1 million for OSI. For additional information about automation projects, please see the Department of Social Services.

4100 STATE COUNCIL ON DEVELOPMENTAL DISABILITIES (SCDD)

- The Legislature approved \$11.35 million (\$6.96 million federal funds; \$4.39 million reimbursements) for 2017-18, as budgeted.

4170 CALIFORNIA DEPARTMENT OF AGING (CDA)

The budget includes \$200.6 million (\$38.6 million General Fund) for CDA, including:

- **Long-Term Care Ombudsman.** The 2017 budget includes budget bill language that allows for up to \$1,000,000 from the State Health Facilities Citation Penalties Account to support the Long-Term Care Ombudsman under certain circumstances, including if the current year fund balance is estimated to exceed \$6 million.

4185 CALIFORNIA SENIOR LEGISLATURE (CSL)

- The budget includes the reappropriation of any unused funds (approximately \$250,000 General Fund) approved by the 2016 budget, and a one-time augmentation of \$375,000 General Fund, for the CSL.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

- **Safety Net Plan.** The Legislature approved \$21.2 million (\$7.5 million one-time General Fund; \$13.7 million other funds) for various components of the department's "*Plan for Crisis and Other Safety Net Services in the California Developmental Services System*," released on May 13, 2017, and adopted trailer bill language to require the department to provide quarterly updates to the Legislature. This plan is intended to ensure safety net services are available to persons in crisis or who are otherwise difficult to serve and is a component of the Administration's overall plan to close the state developmental centers (except for the Secure Treatment Program at Porterville Developmental Center). Specifically, these funds will support the following:
 - Two state-operated mobile acute crises teams.

- Intensive wraparound services for persons with co-occurring developmental disability and mental health needs.
 - Relocation and expansion of the existing state-operated crisis services, currently located on developmental center grounds, known as STAR homes.
 - Four vendor-operated four-bed homes to provide step-down services for individuals transitioning from Institutions for Mental Disease (IMD) or other restrictive settings.
 - Three vendor-operated four-bed homes, and intensive wraparound services for persons transitioning from the Porterville Developmental Center Secure Treatment Program.
- Additionally, the Legislature adopted trailer bill language related to the safety net, including the following:
 - Allows for the development of STAR replacement homes on Mark Lane in the Harbor Village development adjacent to Fairview Developmental Center.
 - Aligns the admission criteria, transition planning, and client rights and protections associated with the developmental centers, to new DDS-operated facilities.
 - Aligns client protections associated with IMDs, to mental health rehabilitation centers.
 - Ensures that the transition planning process for persons moving from a mental health rehabilitation center, IMD, or the secured treatment program at Porterville Developmental Center, be based on individual needs, developed through an individual placement plan process, and ensure needed services and supports are provided, including wraparound services.
 - Establishes seclusion and behavioral restraint utilization and reporting requirements for new community-based residential models that are operated by DDS. Requires DDS to develop guidelines regarding the use of restraints or containment in enhanced behavioral support homes, as specified.
 - Authorizes, under specified conditions, a community crisis home using delayed egress devices to also utilize secured perimeters, and exempts a community crisis home or an enhanced behavioral supports home from the requirement that it be eligible for federal funding participation if the department approves the use of delayed egress devices with secured perimeters.
 - **Disparities.** Building on last year's legislative action to provide \$11 million General Fund annually to address disparities in the regional center service delivery system, the Legislature included the following in the final budget:
 - \$5.6 million General Fund (\$10.3 million total funds) in 2017-18, and \$11.7 million General Fund (\$21.6 million total funds) in 2018-19, to remove the cap on respite services, effective January 1, 2018.

- Trailer bill language to clarify that the individual family service planning team for infants and toddlers eligible under the California Early Intervention Services Act, may determine that a necessary medical service is not available through the family's private health insurance policy or health care services plan, and that the regional center may fund it.
- Trailer bill language to allow the department to allocate grant funding directly to community-based organizations to address disparities.
- Language to require the department to annually post relevant information on their website in any year where disparity grant funding is available.
- **Home and Community-Based Services Policy Directives (HCBS).** The Legislature rejected the Administration's proposal that they be authorized to issue "directives" in lieu of using the regulatory process. This bypassing of the regulatory process was rendered unnecessary when the federal Centers for Medicare and Medicaid Services extended the transition period for states to comply with the new HCBS rules until March 1, 2022.
- **Paid Internships.** The Legislature modified the Administration's proposed trailer bill language to exempt individuals participating in a paid internship or, subsequently, competitive integrated employment, from the prohibition on regional center-funded services being provided to 18 to 22 year old persons who are otherwise eligible for services through the education system.
- **Regional Center Performance Contracts.** The Legislature modified the Administration's proposed trailer bill language to require that regional centers report on employment outcomes as a part of their performance contract obligation and clarifying that the department may include any performance objective in the contract that is necessary to ensure regional centers are compliant with state law and regulations.
- **Rate Adjustments.** The Legislature adopted the Administration's proposed trailer bill language to update the rates paid for vouchered community-based training services and specified supportive living services to reflect the rate increases provided in Assembly Bill X2 1 (Thurmond), Chapter 3, Statutes of 2016 Second Extraordinary Session. Additionally, the Legislature adopted trailer bill language to require the department to convene a working group to consider a simplified process for providers seeking rate adjustments and to report on the workgroup process and product during the 2018 budget process.
- **Community Placement Plan (CPP) Funding.** The Legislature modified the Administration's proposed trailer bill language to expand the use of CPP funding in order to address the needs of persons living in the community, following notification to the Joint Legislative Budget Committee, and requires reporting to the Legislature on the development of community housing options for persons with developmental disabilities.
- **Sequestering Savings from the Closure of Developmental Centers for Community Services.** The Conference Committee on the Budget adopted supplemental report language directing the Legislative Analyst to submit a report to the Legislature and the Department of Finance, by January 1, 2018, examining a proposal to deposit savings achieved from the closure of state developmental

centers into an account to be used solely for the benefit of consumers living in the community and for services provided by regional centers.

- **Best Buddies Program.** The Legislature provided \$1.6 million one-time General Fund to support this program.
- **Regional Centers Adjustments.** The Legislature approved the updated current year budget of \$6.1 billion (\$3.6 billion General Fund); and \$6.4 billion (\$3.8 billion General Fund) in the budget year. This includes the following adjustments:
 - \$31.7 million decrease (\$19.3 million General Fund decrease) in the current year, and \$33.6 million decrease (\$20.6 million General Fund decrease) in the budget year, reflecting actual costs associated with the minimum wage increase on January 1, 2016.
 - \$29.8 million increase (\$14.2 million General Fund increase) in the current year, \$29.8 million increase (\$14.2 million General Fund increase) in the budget year, reflecting a decrease in savings associated with the transition of behavioral health treatment (BHT) services to the Department of Health Care Services (DHCS), including \$1.3 million (\$1 million General Fund) in the budget year to fund 0.5 psychologist positions at each regional center to make required recommendations for BHT services, necessary to enable DHCS reimbursements.
 - \$10.5 million net increase (\$6.2 million General Fund increase) in the current year, and \$1.8 million (\$1.1 million General Fund) in the budget year, reflecting updated expenditure estimates for wage and administrative cost increases for regional centers and community providers related to AB X2 1 (Thurmond), Chapter 3, Statutes of 2016.
 - \$5.2 million decrease (\$3 million General Fund decrease) in the current year due to actual expenditures coming in lower-than-projected for Alternative Residential Model four-bed rate adjustments.
- **Developmental Centers.** The Legislature approved the updated budget for developmental centers of \$540 million (\$376 million General Fund) in the current year; and \$466 million (\$348 million General Fund) in the budget year. This includes the following adjustments:
 - \$10.1 million (\$7.6 million General Fund) increase in the current year, and \$10.5 million (\$7.8 million General Fund) increase in the budget year, for a new memorandum of understanding with various bargaining units.
 - \$5.7 million (\$3.0 million General Fund) increase to reflect a slower-than-anticipated reduction in developmental center population resulting in the need to keep open one additional intermediate care facility unit and 50.5 positions, and associated operating expenses and equipment for an additional nine months.
 - \$7.4 million (\$5.7 million General Fund) increase to correct errors made in the new zero-based, facility-based budgeting approach first implemented for the January budget.

- Transfer of the Community State Staff Program and \$8.3 million in reimbursement authority from the developmental center budget to headquarters.
- \$3.7 million General Fund increase for preliminary plans, working drawings, and construction of a new groundwater nitrate removal system at Porterville Developmental Center.
- **State Employees.** The Legislature adopted the Administration’s proposed trailer bill language to allow state employees under contract with a regional center, under specified conditions, to maintain state employment following vendorization by a regional center until such time that the employee is providing services under that contract.
- **Headquarters.** The Legislature approved an updated budget for department headquarters of \$52.7 million (\$34.8 million General Fund) in the current year; and \$61.4 million (\$35.3 million General Fund) in the budget year. This includes the following adjustments and actions:
 - **Information Security and Privacy Support.** Approved Administration’s proposal for \$398,000 (\$317,000 General Fund) increase and three positions to monitor, train, advise, and support security activities at headquarters, the developmental centers, and the regional centers for compliance with state and federal information security and privacy laws.
 - **Fiscal and Program Research Unit.** Adopted trailer bill language to require the department to report annually during budget hearings on the status of research projects conducted by the Fiscal and Program Research Unit; research priorities in the upcoming fiscal year; and how research is being applied to departmental decision-making and service provision.
 - **Housing Development Oversight.** Approved the Administration’s proposal for \$597,000 (\$554,000 General Fund) for four permanent positions to oversee the development of permanent community housing by regional centers.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT (CSD)

- The budget includes \$252.8 million for CSD. The budget also includes trailer bill language that would ensure that in any future procurement processes for single-energy efficiency and renewable energy services in the Low-Income Weatherization Program, CSD prioritize existing ties to local communities and give preference to organizations with demonstrated performance outcomes.

5160 DEPARTMENT OF REHABILITATION (DOR)

- The budget includes \$449.3 million (\$63.2 million General Fund) for DOR to provide direct services and advocacy resulting in employment, independent living, and equality for individuals with disabilities.
- **Independent Living Centers (ILCs).** The budget restores a proposed cut of \$705,000 General Fund ongoing in supplemental funding to three ILCs that was previously approved in the 2016 budget.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- The budget includes \$1 billion (\$314.3 million General Fund) for child support services to establish parentage and collect child support.

5180 DEPARTMENT OF SOCIAL SERVICES (DSS)

Overall, the budget approves \$29.8 billion (\$7.2 billion federal funds; \$8.0 billion General Fund) for the department. Notable program investments include:

CalWORKs. The budget for the CalWORKs program, including assistance payments, services, administration, and child care, is \$6.4 billion (\$3.3 billion federal funds; \$583.4 million General Fund). Specifically, the CalWORKs budget includes:

- **Single Allocation.** The budget provides \$108.9 million General Fund one-time to the Single Allocation.
- **CalWORKs Outcomes and Accountability Review (CalOAR).** The budget provides \$600,000 General Fund in 2017-18, \$1.7 million General Fund in 2018-19, and \$2.4 million in 2019-20 and ongoing, for activities associated with the establishment of the CalOAR system.
- **Online CalWORKs Assessment Tool (OCAT).** The budget provides \$3.7 million General Fund in 2017-18, \$8.3 million General Fund in 2018-19, and \$3.8 million General Fund in 2019-20 and ongoing, to allow DSS to expedite any necessary steps to obtain any necessary licenses to allow the OCAT to function as a shared service in the Statewide Automated Welfare System (SAWS) automation environment.
- **Mental Health and Substance Abuse (MHSA) Flexibility.** The budget provides additional flexibility to counties regarding the use of mental health and substance abuse funding, including allowing counties to offer services to children of CalWORKs recipients, and requires DSS, the Department of Health Care Services, and others, to evaluate the current process by which adult and child recipients of CalWORKs benefits are referred to and receive mental health and substance abuse services through the county behavioral health system.

- **Identity Verification.** The budget requires DSS to implement and maintain an automated, nonbiometric identity verification method in the CalWORKs program to replace the Statewide Fingerprint Imaging System (SFIS). Once a new method is implemented, the SFIS would be repealed with savings of approximately \$12 million ongoing, minus the cost of the new system.
- **CalWORKs Educational Opportunity and Attainment Program.** The budget provides \$4 million General Fund one-time in 2017-18 for educational incentive awards for completion of a high school diploma or its equivalent, or for enrollment in an education or training program leading to a career technical education program certificate, an associate's degree, or a bachelor's degree.
- **Child care.** For information about the total child care package, please see Subcommittee No. 1 on Education.

Child Welfare Services (CWS). The budget for the realigned CWS and Adoptions programs is \$6.1 billion (\$433.8 million General Fund). Specifically, the budget includes a number of items to improve child welfare services, including:

- **Continuum of Care Reform.** The budget includes \$179.5 million (\$133.9 million General Fund) to fund the implementation of the Continuum of Care reform.
- **Emergency Child Care Bridge Program for Foster Children.** The budget provides \$15.5 million General Fund in 2017-18 and \$31 million General Fund in 2018-19 and ongoing, for the Emergency Child Care Bridge Program for Foster Children, effective January 1, 2018, in order to increase access to child care and enable a larger pool of families to become foster parents.
- **Pregnancy Prevention for Foster Youth.** The budget provides \$2.9 million General Fund in 2017-18, and \$2.6 million General Fund ongoing, for DSS to implement several strategies aimed at pregnancy prevention for foster youth.
- **Psychotropic Medication Review for Foster Youth.** The budget provides \$100,000 General Fund (\$320,100 Total Funds) in 2017-18 and ongoing for DSS, in consultation with the Department of Health Care Services, to contract for child psychiatry services to complete a record review for all authorization requests for psychotropic medications for which a second opinion review is requested by a county.
- **Additional Public Health Nurses (PHN) for Foster Youth.** The budget provides \$3.8 million General Fund (\$15.4 million Total Funds) to hire an additional 96 PHNs to provide for the necessary oversight on foster youth on psychotropic medications.
- **Approved Relative Caregiver Program Parity.** The budget provides approximately \$21.4 million General Fund for 2016-17, and \$25.2 million for 2017-18, to ensure that all rates are equal to the resource family basic rate, regardless of federal eligibility, including for the dual agency rate and the infant supplement rate.

Community Care Licensing. In order to comply with various legislative requirements, the budget includes increased expenditure authority of \$3.3 million in the Technical Assistance Fund to address

various program and service delivery issues related to complaint investigations, the Centralized Application Unit, RCFE reform, and group home oversight, within the Community Care Licensing Division. The budget also raises fees to home care organizations by \$438 to \$5603 and fees to home care aides by \$10 to \$35, and extends the loan repayment period to seven years to support workload associated with implementation and administration of the Home Care Services Program.

Food Assistance. The budget approves \$122.8 million (\$106.3 million General Fund) for food assistance programs such as the Emergency Food for Families Fund, the federal Emergency Food Assistance Program, the California Food Assistance Program, and the Work Incentive Nutritional Supplement. The budget also includes one-time funding of \$2 million General Fund one-time and \$6 million General Fund ongoing, for CalFood, and one-time funding of \$5 million General Fund for the Safe Drinking Water Supplemental Benefit Pilot Program. Additionally, the budget provides \$1.8 billion (\$626.0 million General Fund) for CalFresh administration.

Supplemental Security Income/State Supplemental Payment (SSI/SSP). The budget includes \$10.1 billion (\$2.9 billion General Fund) for SSI/SSP, and a restoration of one-time funding of \$45 million General Fund for a county matching grant program to provide outreach to homeless persons with disabilities who may be eligible to receive SSI/SSP.

In-Home Supportive Services (IHSS). The budget includes \$12.1 billion (\$3.5 billion General Fund) for IHSS services and administration. Specifically, the budget includes:

- **IHSS Maintenance of Effort (MOE) and Collective Bargaining Changes.** The budget appropriates \$400 million General Fund in 2017-18, \$330 million in 2018-19, \$200 million in 2019-20, and \$150 million in 2020-21 and ongoing to offset a portion of IHSS costs incurred by the counties due to the discontinuation of the Coordinated Care Initiative, and also authorizes a portion of those costs to be offset by temporarily redirecting the Vehicle License Fee growth from the Health, County Medical Services Program, and Mental Health subaccounts to provide additional resources for IHSS to offset General Fund costs.
- **Fair Labor Standards Act (FLSA) Implementation.** The budget provides \$349 million General Fund to continue the implementation of SB 855 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2014, to pay overtime to providers who work in excess of 40 hours per week and for compensation for providers traveling between multiple recipients, wait time associated with medical accompaniment, and time spent on mandatory training.
- **FLSA Exemptions Codification and Notice.** As part of FLSA funding, the budget provides \$1.6 million General Fund in 2017-18, increasing to approximately \$4.5 million General Fund in the out years, for codifying existing exemptions to the FLSA overtime provisions and requiring counties to inform recipients whose providers may be eligible for an exemption, and requiring written notification to the provider and recipients of its approval or denial of an exemption.

Immigration Services. The budget includes \$30 million in 2017-18, 2018-19, and 2019-20 to augment existing funding of \$15 million for immigration services, accompanying changes to immigration services including an expanded definition of legal services to include additional immigration remedies; providing grants to qualified organizations to provide legal training and technical assistance; and making services available to persons presently or formerly residing in California.

Automation Projects. The budget includes \$694.7 million (\$324.7 million General Fund) for automation projects for DSS, including Statewide Automated Welfare System, Statewide Fingerprint Imaging System, Electronic Benefit Transfer Project, and the State Hearings Division's Appeals Case Management System.

- **CMIPS II.** The budget includes \$4.8 million (\$2.4 million General Fund) for implementation of paid sick leave for IHSS workers, and \$8.9 million (\$4.5 million General Fund) to support prime vendor contract transition activities for CMIPS II.
- **CWDS.** The budget approves 57 positions and \$51 million (\$25.5 million General Fund) for activities continue to build the CWDS system and also reflects the recent adoption of the agile approach.

Miscellaneous. The budget includes \$1 million General Fund one-time for building improvements to the Poverello House in Fresno and provides \$5.4 million General Fund one-time to aid the homeless and displaced population affected by flooding in Santa Clara County.

Human Services Budget Trailer Bills

1. *Social Services – AB 97 (Committee on Budget), Chapter 14, Statutes of 2017.*
2. *Health and Human Services I – SB 89 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2017.*
3. *Health and Human Services II – SB 90 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2017.*
4. *Developmental Services – AB 107 (Committee on Budget), Chapter 18, Statutes of 2017.*
5. *Health and Human Services III – AB 126 (Committee on Budget), Chapter 65, Statutes of 2017.*

SUBCOMMITTEE 4
ON
STATE ADMINISTRATION
AND
GENERAL GOVERNMENT

Senate Committee on Budget and Fiscal Review

Members

Richard D. Roth, Chair
Steven M. Glazer
Scott Wilk

Consultants

Renita Polk
Mark Ibele
James Hacker

SUBCOMMITTEE No. 4

STATE ADMINISTRATION and GENERAL GOVERNMENT

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STATE ADMINISTRATION

The Budget Act of 2017 includes: proposals to increase transparency and governmental efficiency; capital outlay and infrastructure development projects; and augmentations in key areas.

0511 SECRETARY FOR GOVERNMENT OPERATIONS AGENCY

The Government Operations Agency is responsible for coordinating state operations, including procurement, information technology, and human resources.

- The budget provides the agency with \$160,000 (reimbursements), and one position to develop and implement a data-driven management initiative.

0650 OFFICE OF PLANNING AND RESEARCH (OPR)

OPR assists the Governor and the Administration in planning, research, policy development, and legislative analyses.

- The budget included \$10 million to continue the state's Precision Medicine program, \$1.6 million in one-time General Fund resources to support the Special Olympics, and two positions and \$200,000 in ongoing General Fund resources to implement the requirements of AB 1348 (Irwin), Chapter 444, Statutes of 2016, which established OPR as the primary point of contact for information of federal grants related to community, economic, and local development. It also required that OPR prepare a summary of federal grant funding to the state on or before January 1, 2018, and annually thereafter.

0690 OFFICE OF EMERGENCY SERVICES (OES)

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

- **California Disaster Assistance Act (CDAA).** The budget includes a total of \$73.5 million General Fund for the CDAA. CDAA funding includes funds for tree removal and the winter 2016-17 storms. Budget bill language that allows only \$9.8 million to be used for the Recovery Public Assistance Program, the Director of Finance to reduce the amount of appropriated funds after giving the Legislature notice, and requires OES to provide reports on the program, was also included in the budget.

The budget also includes \$6.5 million General Fund for emergency drinking water assistance outside the CDAA program.

- **Capital Outlay.** The budget includes \$6.9 million for two capital outlay projects. One relocates an OES communications site at Red Mountain; the other allows for construction of a new public safety communications network operations center.
- **Nonprofit Security Grant Program.** The budget includes \$2 million (\$1.5 million General Fund and \$500,000 Antiterrorism fund) to support the Nonprofit Security Grant Program.
- **Support for Victims of Crime.** The budget includes a total of \$5.5 million (\$5 million General Fund; \$268,000 Child Victims of Human Trafficking Fund; and \$250,000 California Domestic Violence Victims Fund) and 23 positions to support programs assisting victims of various crimes.
- **Programs for Homeless Youth.** The budget provides \$10 million General Fund for the OES, along with the Department of Housing and Community Development, to provide grants to up to 10 local jurisdictions to provide services to homeless youth.

0845 DEPARTMENT OF INSURANCE (CDI)

The CDI regulates the California insurance market; conducts examinations and investigations of insurance companies and producers; and, responds to consumer inquiries. The budget includes the following resources for the department, all of which are funded through the Insurance Fund:

- **Menu-Modernization Update.** The budget provides \$2.1 million for four permanent positions and two temporary help positions to complete the fourth year implementation of the CDI menu and integrated database.
- **Increased Staffing.** The budget includes a total of \$3.5 million to provide new positions to handle increased workload in the department, most of which is due to newly enacted legislative mandates.
- **Fraud Investigation.** The budget includes a total of \$5.3 million to fund increased fraud investigation and analyze fraud data.
- **Information Technology.** The budget includes \$1.3 million for hardware, software, and maintenance upgrades to CDI's Voice Over Internet Protocol system.

0850 CALIFORNIA STATE LOTTERY COMMISSION

The California State Lottery Commission oversees the operations of the state lottery. The budget includes trailer bill language removing the commission from the budget act, as it is a non-appropriated item, and codifies reporting requirements for the commission in statute. Trailer bill language also provides authority for the lottery to use its office revolving fund to pay prizes of \$1,000 or less, decreasing the time it takes to award certain prizewinners.

0890 SECRETARY OF STATE (SOS)

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

- **Modernizing the Business Filing Process.** The budget includes \$2.4 million to continue implementation of the CalBusiness Connect Project, which will automate paper-based processes, allow fee payments to be processed within one business day, and allow businesses to file records online.
- **CAL-ACCESS.** The budget includes \$5.5 million General Fund. CAL-ACCESS provides limited summary financial information of state candidates, donors, and lobbyists.
- **Help America Vote Act.** The budget includes \$11.1 million (Federal Trust Fund) expenditure authority to implement the Help America Vote Act and cover year two maintenance and operations of California's statewide voter registration database.
- **Elections.** The budget includes \$463,000 (Special Deposit Fund) to fund a new model for elections set forth in SB 450 (Allen), Chapter 832, Statutes of 2016. The budget also includes trailer bill language that revises the recall election process, and appropriates \$5 million General Fund to be allocated to counties to pay for the costs of state recall elections.

1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)

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

- **BreEZe System and Organizational Change Management.** The budget provides \$19.8 million (special funds) for the continued support of BreEZe maintenance. \$1.3 million for organizational change management services at the department was provided contingent on the department's submission of a plan for the Release 3 boards and bureaus to the Joint Legislative Budget Committee, both budget committees of the Legislature, and relevant policy committees.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

The Department of Alcoholic Beverage Control licenses and regulates persons and businesses engaged in the manufacture, importation, distribution, and sale of alcoholic beverages in California. All items proposed were approved as budgeted. A total of \$1.58 million (Alcoholic Beverage Control Fund) was appropriated to fund various informational technology projects, increased rent costs, and increased licensing staff.

7502 DEPARTMENT OF TECHNOLOGY (CDT)

The CDT retains statewide authority to centralize and unify information technology projects and data center services to enhance the ability to develop, launch, manage, and monitor large information technology projects.

- The budget includes \$10.5 million (Technology Services Revolving Fund) to support the statewide adoption of Microsoft Office 365 to replace the state's current email services.
- The budget includes the redirection of nine staff and \$1.2 million of budget authority (Technology Services Revolving Fund) to establish a security operations center within the Gold Camp Data Center. The security operations center will monitor, respond to, and investigate information security threats to the data center 24 hours a day and 365 days a year.

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

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

- **Infrastructure.** The budget includes a total of \$2.6 million for infrastructure projects. \$909,000 General Fund will fund the preliminary plans phase of the state printing plant demolition project to prepare for new office space development. \$1.7 million (Service Revolving Fund) will be used for the acquisition phase of the Sacramento Region R Street Parking Structure project. Trailer bill language that would authorize the department to enter into an agreement with the Capitol Area Development Authority for the financing of the facility and allow the use of the California Infrastructure and Economic Development Bank Infrastructure Program is also in the budget.
- **Electric Vehicle Charging Infrastructure.** The budget includes \$6.7 million (\$3.4 million from the Service Revolving Fund and \$3.3 million General Fund) and three permanent positions to begin the installation of electric vehicle service equipment in state facilities. Funding will be used to assess, design, and install electric vehicle charging infrastructure. Budget language that requires DGS to certify that it has maximized non-state sources of funding prior to expending state funds was also included in the budget.
- **Mercury Cleaners Site Monitoring.** The budget includes 580,000 General Fund to continue the monitoring/remediation efforts of the former Mercury Cleaners site, a state-owned property.
- **California Commission on Disability Access.** The budget consolidates the commission into DGS, and transfers \$650,000 General Fund expenditure authority and five positions from the commission to DGS. Trailer bill language to implement this transition is also included in the budget.
- **Staffing.** The budget includes an augmentation of \$451,000 Special Funds and two attorney positions to address staffing issues within the Offices of Legal Services within DGS. The budget also includes a total of \$362,000 (\$154,000 Building Standards Administration Special Revolving

Fund and \$208,000 Service Revolving Fund), one permanent position, and one two-year limited term positions due to increased workload within the Building Standards Commission.

8260 CALIFORNIA ARTS COUNCIL

The California Arts Council encourages artistic awareness, participation, and expression among Californians. Budget-year augmentations include \$6 million General Fund to increase arts programs in underserved communities; \$800,000 General Fund to establish a reentry grant program; and, \$750,000 General Fund to expand its JUMP StArts program to youth in all of California's juvenile facilities. The program provides rehabilitative arts services in state correctional facilities, to combat recidivism and improve environments in, and safety of, state prisons. For more information, please see Subcommittee No. 5 – Public Safety. The budget also includes trailer bill language that authorizes the Governor to select the executive director of the council.

8620 FAIR POLITICAL PRACTICES COMMISSION

The FPPC is an independent non-partisan agency that is responsible for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974. The budget includes \$145,000 General Fund and one position to assist with implementation of Senate Bill 1349 (Hertzberg), Chapter 485, Statutes of 2016.

8940 MILITARY DEPARTMENT

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

- **Work for Warriors.** The budget includes \$670,000 General Fund to support the Work for Warriors program, which directly assists service members with the employment process, including resume preparation, interview, and placement.
- **Compensation.** The budget includes a total of \$1.24 million (\$541,000 General Fund; \$651,000 Federal Trust Fund; \$23,000 reimbursement authority; and \$22,000 Mental Health Services Fund) to align the pay of its state active duty employees to the pay of service members of similar grade in the United States Army, United States Air Force, and United States Navy. Trailer bill language establishes a special fund that would receive federal monies for workers' compensation premiums that are charged to federal cooperative agreements. The budget also includes a deposit of \$4.5 million Federal funds into this fund.
- **Capital Outlay Projects.** The budget approved \$186.9 million to support seven infrastructure projects, including:

- **Consolidated Headquarters Complex.** \$141.9 million (lease-revenue bond funds) for the design-build phase of the continuing consolidated headquarters complex project in Sacramento.
- **San Diego Readiness Center Renovation.** \$3.8 million (\$1.9 million General Fund and \$1.9 million federal funds) for the second phase of construction to modernize the main armory building.
- **Eureka Armory Renovation.** A re-appropriation of \$5.6 million (\$2.8 General Fund, \$2.8 million matching federal funds) for the performance criteria and design-build phase.
- **Escondido Armory Renovation.** A re-appropriation of \$4.1 million (\$2 million General Fund, \$2 million matching federal funds) for the performance criteria and design-build phase. With the renovation, the existing 133 soldiers, and an additional 25 soldiers, will be accommodated.
- **Santa Cruz Armory Renovation.** A re-appropriation of \$4 million (\$2 million General Fund, \$2 million matching federal funds) for the performance criteria and design-build phase.
- **Discovery ChalleNGe Academy Dining Facility.** A re-appropriation of \$2.6 million to construct a joint-use, 9,800 square foot dining facility at the Army National Guard Base in Lathrop. The project will serve the 200 cadets enrolled in the new National Guard Youth ChalleNGe program, the Army National Guard units stationed on the based, and soldiers stationed at the nearby Stockton Airfield.
- **National Guard Readiness Center: Los Alamitos.** \$24.7 million (lease-revenue bond funds) for the construction phase of project at the Joint Forces Training Base in Los Alamitos.

8955 DEPARTMENT OF VETERANS AFFAIRS (CALVET)

The California Department of Veterans Affairs (CDVA) is designed to support the efforts of the United States Department of Veterans Affairs (USDVA) in providing healthcare and a wide array of other benefits to eligible veterans, including educational benefits, disability compensation, pensions, and guarantees on home loans for eligible veterans.

- **Veterans Cemeteries.** The budget includes a total of \$6 million General Fund for the construction of a veterans' cemetery in Irvine, California, and expansion of the California Central Coast Veterans Cemetery.
- **Public Assistance and Reporting Information System (PARIS).** PARIS is an information sharing system, operated by the U.S. Department of Health and Human Services' Administration for Children and Families, which allows states and federal agencies to verify public assistance client circumstances. The PARIS Veterans match allows the California Department of Health Care Services to improve the identification of veterans enrolled in the Medi-Cal program. The budget includes \$359,000 (\$215,000 General Fund and \$144,000 reimbursements) to support three positions to focus on PARIS and help move more veterans off Medi-Cal, shifting health care costs from the Medi-Cal program to the USDVA.

- **Veterans Homes.** CalVet provides approximately 2,500 California veterans who are aged or have a disability with rehabilitative, residential, and medical services at the Veterans Homes.
 - **Capital outlay.** The budget approves a total of \$40.1 million (\$10.6 million lease-revenue bonds, \$23.9 million federal funds, and \$5.5 million Veterans Homes Bond Fund) for various improvements to the Yountville Veterans Home.
 - **Staffing.** The budget includes the redirection of 46.5 existing positions; \$4.7 million General Fund; an augmentation of 12.1 positions in 2017-18; and 20.5 positions and \$868,000 (General Fund) annually thereafter, for the Greater Los Angeles and Ventura County Veterans Home. The funding will be used to convert 84 transitional housing program beds to the skilled nursing level of care. The positions will be used to staff the new skilled nursing units.
 - **Admissions and Administration.** The budget includes trailer bill language that would make changes to the admissions priorities and administration of the veterans' homes, most notably prioritizing veterans with a greater than 70 percent service-connected disability for admission. The language also requires the department to develop a master plan for the veterans' homes and develop a transparent admissions and waitlist process. The budget provides an additional five positions to maintain and develop regulations associated with this language.
- **District Offices.** The Legislature rejected a decrease of \$1.7 million (General Fund) that would have eliminated 16 positions that assist in processing claims for federal veteran benefits and increase oversight of county veterans service officers at three district offices (Los Angeles, Oakland, and San Diego).

State Administration Trailer Bills

1. *State Government – SB 88 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2017.*
2. *State Government – SB 96 (Committee on Budget and Fiscal Review), Chapter 28, Statutes of 2017.*
3. *State Administration – AB 111 (Committee on Budget), Chapter 19, Statutes of 2017.*
4. *State Government – AB 119 (Committee on Budget), Chapter 21, Statutes of 2017.*

CANNABIS

MULTIPLE DEPARTMENTS: CANNABIS

The budget includes actions to allow multiple state entities to perform their respective duties in relation to the new state regulatory responsibilities for both medical and adult recreational cannabis use. All of these proposals were approved on a three-year limited-term basis. The budget includes the transfer of up to \$100.7 million from the General Fund as a loan to the Cannabis Control Fund, which shall be repaid by June 30, 2019, to support the majority of the state regulatory responsibilities outlined below:

- **Department of Consumer Affairs (DCA)/Bureau of Cannabis Control (1111).** The budget includes a total of \$22.5 million from the Cannabis Control Fund and 120 positions for DCA, as follows: 1) \$12 million and 82 positions for licensing and enforcement, 2) \$5.4 million and 38 positions to address workload increases in DCA's Division of Investigation and administrative staff to support the Bureau of Cannabis Control, and 3) \$5.1 million for the implementation of an information technology (IT) solution that would provide licensing and enforcement functions, budget bill language for the Bureau of Cannabis Control to augment their resources by up to 10 positions upon notification of the Joint Legislative Budget Committee.
- **Bureau of Cannabis Control (1111).** The budget includes \$664,000 from the Cannabis Control Fund and five positions for environmental impact review activities required under the California Environmental Quality Act.
- **Bureau of Cannabis Control (1111).** The budget provides \$3 million from the Cannabis Control Fund to establish quality assurance and tax verification inspectors.
- **Department of Public Health (4265).** The budget includes \$1.4 million for an IT application for licensing medical cannabis manufacturers. The total resources include the redirection of three positions and \$410,000 for licensing medical cannabis testing laboratories to the Bureau of Marijuana Control.
- **Department of Public Health (4265).** The budget includes \$9.3 million from the Cannabis Control Fund to implement cannabis manufacturer regulations, licensing, enforcement, training, and IT activities by the January 1, 2018, statutory deadline. Provisional language is also included that provides the department the flexibility to increase resources if the licensing workload is higher than estimated.
- **Department of Public Health (4265).** The budget includes \$250,000 from the Cannabis Control Fund for the department to maintain the state medical identification card program.

- **Department of Food and Agriculture (8570).** The budget includes \$22.4 million from the Cannabis Control Fund and 50.8 positions, as follows: 1) \$16.9 million and 13 positions for implementation of the Track and Trace IT project, 2) 3.5 positions to enforce measurement standards, and 3) \$5.5 million and 34.3 positions for licensing and enforcement activities.
- **Department of Food and Agriculture (8570).** The budget includes \$3.9 million from the Cannabis Control Fund and 10 positions for required environmental impact review activities. The resources also will support information technology projects and cooperative agreements with county agricultural commissioners for cannabis cultivation licensing, inspection, and enforcement.
- **Department of Food and Agriculture (8570).** The budget includes \$2.3 million from the Cannabis Control Fund to implement responsibilities associated with the cannabis trailer bill, including establishing an office to meet the needs of residents on the north coast.
- **Board of Equalization (0860).** The budget includes \$2.7 million from the Cannabis Control Fund and 3.9 positions, and the redirection of \$2.5 million and 16.1 vacant positions to perform tax administration and collection responsibilities. These resources will be directed to the successor agency to the Board of Equalization, the California Department of Tax and Fee Administration.
- **Department of Fish and Wildlife (3600).** The budget includes \$17.2 million from multiple fund sources and 63 positions to support the development and implementation of the regulatory programs by the California Department of Food and Agriculture and the State Water Resources Control Board (Water Board).
- **Water Board (3940).** The budget includes \$9.8 million from multiple fund sources and 65 positions (increasing by \$3.7 million and 20 positions in 2018-19) to develop a statewide water quality permit and expanded water rights registration process for cannabis cultivation.
- **Department of Pesticide Regulation (3930).** The budget includes \$1.3 million from the Cannabis Control Fund to develop and update guidelines for pesticide use on cannabis, prepare training programs and outreach materials to inform cultivators and protect workers during the cultivation and harvesting processes, and evaluate requests for Special Local Needs pesticide registrations. In 2018–19 and 2019–20, the allocation increases by \$1 million annually for county agricultural commissioners to provide training, outreach, and education to industry regarding the proper and safe use, handling, and disposal of pesticides at cultivation sites.
- **Cannabis Control Appeals Panel (1045).** The budget includes \$1 million Cannabis Control Fund and eight positions to provide the necessary resources for the operations of the Appeals Panel to effectively review all appeals related to cannabis licensing decisions.
- **Information Technology Updates.** The budget includes provisional language that requires the departments implementing new cannabis-related IT projects - DCA, CDFA, and DPH - to provide legislative staff with quarterly briefings on the status of these projects.

- **Cannabis Trailer Bill Language.** The budget includes trailer bill language that establishes a single system of administration for the cannabis laws in California. It contains changes that are necessary for state licensing entities to implement a regulatory framework pursuant to the Medical Cannabis Regulation and Safety Act (MCRSA), established by AB 266 (Bonta) Chapter 689, Statutes of 2015, AB 243 (Wood), Chapter 688, Statutes of 2015, SB 643 (McGuire), Chapter 719, Statutes of 2015, and SB 837 (Committee on Budget and Fiscal Review), Chapter 32, 2016; and, the Adult Use of Marijuana Act (AUMA) of 2016 (Proposition 64).

Cannabis Budget Trailer Bill

1. *Cannabis: Medical and Adult Use - SB 94 (Committee on Budget and Fiscal Review), Chapter 27, Statutes of 2017.*

STATE FINANCE AND MANAGEMENT

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

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

- **California Competes Tax Credits.** The budget includes \$1.2 million (General Fund) for one year staffing to continue to administer the California Competes tax credits. The program credits are available for award through the budget year.
- **California Small Business Development Center.** The budget approves the requested \$2 million for the Small Business Development Center (SBDC), and added an additional \$1 million, for SBDC that will allow the state to draw down federal matching dollars to provide training and technical assistance to small businesses through the SBDC network.
- **Sustainable Freight.** The budget includes \$0.2 million (special funds) to allow for the hiring of a coordinator to implement the Sustainable Freight Action Plan and establish a steering group to evaluate and pursue alternative strategies.

0840 STATE CONTROLLER'S OFFICE

The budget approves base funding for the State Controller's Office (SCO) and includes a number of items intended to upgrade and improve the functioning of the agency, including:

- **State Government Reporting.** The budget includes \$1.1 million (General Fund and special funds) for eight positions to continue to implement annual financial reporting requirements, including the Comprehensive Annual Financial Report and the Budgetary and Legal Basis Annual Financial Report.
- **Local Government Oversight.** The budget includes \$1.1 million (largely reimbursements) for oversight of local governments' financial transactions, monitoring and analyzing financial data to evaluate stress, and conduct audits and evaluations.
- **Personnel and Payroll Workload and Systems.** The budget incorporates additional resources of \$1.3 million (General Fund) for both personnel and systems to address ongoing workload associated with the SCO legacy systems that must be maintained.
- **Financial Information System for California (FI\$Cal)** The SCO received funding of \$1.5 million (General Fund) for FI\$Cal implementation of control functions, and \$1.2 million (General Fund and other funds) for FI\$Cal implementation of the vendor management program, and \$1.1 million (General Fund and other funds) for FI\$Cal implementation of state government reporting.

- **Unclaimed Property Program.** The SCO received \$2.9 million (special funds) and 23 positions ongoing to manage and maintain the security portfolio, pay securities claims, and sell securities within the allotted time frame. In addition, the Legislature adopted supplemental report language requiring the department to suggest efficiency alternatives for the program.
- **Information Technology Items.** The budget approves several items for the SCO related to technology programs including \$1 million (General Fund and special funds) for information security, \$0.3 million (reimbursements) for electronic claims processing, \$3 million (General Fund and special funds) in limited-term funding to begin the process for implementing a new state payroll system, and \$1.3 million (General Fund and special funds) for replacing the current travel expense reimbursement system.
- **Property Tax Postponement Program.** The budget includes \$0.4 million (special fund) and three limited-term positions to administer the Property Tax Postponement Program for senior citizens and citizens with disabilities.
- **Other SCO Issues.** The budget provides additional funding of \$0.4 million to address workload associated with audits for grant awards from the Safe Neighborhoods and Schools Fund. In addition, \$0.6 (General Fund and special funds) was appropriated for personnel reclassification costs.

0860 BOARD OF EQUALIZATION

The budget includes a significant restructuring of the Board of Equalization (BOE) and its duties and responsibilities. The budget establishes the Office of Tax Appeals (OTA) for purposes of adjudicating tax disputes related to state taxes and fees, shifts the statutorily-assigned administrative activities of the BOE to the newly-established the California Department of Tax and Fee Administration (CDTFA), and maintains the elected BOE as a body rededicated to its core tax administration responsibilities as set forth in the California Constitution.

The BOE received additional funding for several areas of tax and fee collection that it administers, as well as new programs. These resources would be reassigned, as necessary, to the BOE's successor agencies, OTA or CDTFA, to carry-out the required activities.

- **Implementation of Proposition 64.** As part of the implementation of regulation of marijuana, the CDTFA, as successor agency, will receive additional funding, as described in the stand-alone "cannabis" section in this report.
- **Board Member Budgets.** The budget adopts budget bill language establishing separate line item authority for the board, along with trailer bill language related to board activities.
- **Centralized Revenue Opportunity System (CROS).** The budget includes a funding for its continued work on CROS for the budget year. For 2017-18, the appropriation is for \$30 million (General Fund) and special funds and 65.4 positions. Resources are distributed in the following areas: business management, contract management, organizational change management, technical management, and project management.

- **Cigarette and Tobacco Products.** The budget includes \$286,000 (special funds) in 2017-18, to administer recent legislation regarding the Cigarette and Tobacco Products Licensing Program. The additional resources will address ongoing overtime in the areas of: outreach, registration, account renewal, payment processing, refunds and account close-outs, enforcement, and administrative support.
- **Lead Acid Batteries.** The budget includes \$1.2 million (special funds) and 3.1 positions in 2016-17, \$837,000 and 6.3 positions in 2017-18 and ongoing (special funds), to implement and administer the Lead-Acid Battery Recycling Act. The new program and its ongoing administration includes registration, return process, collections, audits, appeals, refunds, allocation and other functions.
- **Implementation of Proposition 56.** The budget calls for \$6.9 million and 40.9 positions in 2017-18, to implement and administer the California Healthcare, Research and Prevention Tobacco Tax Act. The measure increased the tax on cigarettes by \$2 per pack and expanded the definition of tobacco products. The positions include auditors, tax technicians, business tax specialists and representatives, attorneys, and compliance specialists.
- **Vested Property.** The budget includes trailer bill language that excludes from the sales and use tax the transfer of vested property by a pawnbroker to a person who pledged the property to the pawnbroker as security for a loan. The transfer must occur no more than six months after the property is vested and there is proof that sales tax was originally paid.

0950 STATE TREASURER'S OFFICE

Within the State Treasurer's Office (STO), the state engages in numerous financial activities to meet its cash flow needs and conduct various budgetary and long-term borrowing. The budget provides for a number of items intended to upgrade and improve the functioning of the STO, including:

- **Debt Management System.** The budget continues funding in 2016-17 of \$5.8 million (bond funds) for the STO's debt administration and management system, and approved budget bill language (BBL) for a reallocation of funding to align with system implementation.
- **Data and Government Transparency.** The budget provides temporary funding of \$0.8 million (reimbursements) for the STO's initiative to provide additional accessible web-based data regarding state and local debt data, economic incentive programs, debt documents, financial awards, and state bond details.
- **Information Security.** The budget plan includes \$0.3 million (General Fund) for addition security tools for its cyber-risk management program and security defense systems.

0954-0989 STATE TREASURER'S BOARDS, COMMISSIONS AND AUTHORITIES

The budget addresses several issues related to the functioning of several state boards, authorities and commissions. These are noted below, except for health financing programs, which included in the health section.

- **California Secure Choice Retirement Savings Investment Board (CSCRSIB).** The budget includes a General Fund loan for CSCRSIB to provide start-up resources for the board and the California Secure Choice Retirement Savings Program. The proposal includes budget bill language that would allow for the transfer of \$15 million of the loan to the board in the budget year, with additional loan augmentations, for a total amount not to exceed \$35 million. In addition, trailer bill language clarifies the implementation of the program with respect to federal requirements.
- **California Tax Credit Allocation Committee (CTCAC).** The budget provides additional funding from developer fees for the administration of compliance monitoring for affordable rental housing, as well as authorized support for the administration of federal and state mandates for the Low-Income Housing Tax Credit (LIHTC). In addition, trailer bill language allows for additional efficiency in the use of the LIHTC.
- **California Debt and Investment Advisory Commission (CDIAC).** The budget includes funds for CDIAC to track and report on all outstanding state and local debt. In addition, an augmentation of \$0.2 million (special funds) was approved to offset the growth in workload associated with mandated activities.
- **California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA).** The budget includes funding of \$3.7 million (ratepayer funds) for the budget year for the administration of the California Hub for Energy Efficiency Financing pilot programs.

1701 DEPARTMENT OF BUSINESS OVERSIGHT

The budget plan consolidates several programs within the Department of Business Oversight (DBO), combining the supervision of California Business and Industrial Development Corporations (BIDCO), Industrial Banks, and Savings and Loan programs, and putting them all under the licensing and supervision of the Banks and Trust Companies Program. In addition, it provides:

- \$1.7 million (special funds) and 11 permanent positions to enable the department's broker-dealer and investment advisor activities to expand the examination cycle. The resources will allow the department to expand examinations to more licensed entities and enforce regulatory requirements.
- \$1.2 million (special funds) and three permanent positions in 2017-18 to develop and start-up the Student Loan Servicing Office. Long-term costs will be funded by fees and assessments on loan servicer licensees.

7730 FRANCHISE TAX BOARD

The budget incorporates the following changes to the budget for the Franchise Tax Board (FTB), which is responsible for administering the state's personal income taxes, the corporation tax and few additional programs.

- **Earned Income Tax Credit Expansion.** The budget expands California's Earned Income Tax Credit (EITC) to support more working families, including self-employed parents, in line with the federal EITC. Specifically, this action:
 - Expands income ranges to help families working up to full-time at the newly increased minimum wage benefit from the program.
 - Makes more than one million more households eligible to claim the credit. For the 2015 tax year, almost 400,000 households claimed the credit.
 - Increases the estimated awarded annual credits from the expanded program are expected to increase from \$200 million to \$340 million.
- **Earned Income Tax Credit Outreach.** The budget includes \$2 million for education and outreach efforts related to the California EITC that was implemented in the 2015 tax year. The funds are directed to be used for education and outreach, as they were in the current year.
- **Court-Ordered Debt Collection.** The FTB received additional funding of \$1.1 million (special funds) for court-ordered debt payment activities, converting limited-term positions to permanent, limited-term funding for additional positions, and working down a backlog of cases.
- **Partnership Filing Date.** The budget incorporates language that extends the filing date by one month for extended returns by partnerships under the personal income tax law.
- **Tax Check-Offs.** The budget plan includes trailer bill language that suspends the minimum contribution requirement for the 2016 tax year to allow the fund to remain on the personal income tax return.
- **California Competes Reviews.** The budget includes \$1.7 million (General Fund) in 2017-18 for FTB to administer its required activities under the California Competes Tax Credit program. FTB is required to review every business with a contact that has over \$2 million in gross receipts, in order to confirm compliance with the credit agreement.

8860 DEPARTMENT OF FINANCE

- The budget includes budget bill language that allows the Director of Finance to increase the department's appropriation for purposes of conducting outreach and other related activities related to the 2020 Census. The augmentation may be approved no sooner than 30 days after the submittal of a spending plan to the Joint Legislative Budget Committee.

8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

- The budget includes provisional language that would allow for an increase in funding for the Department of Financial Information System for California (FI\$Cal) for unanticipated customer service costs and equipment purchases. The augmentation would occur upon approval of the Department of Finance and notification to the Joint Legislative Budget Committee. The plan also revises the amount cited in Control Section 8.88, corresponding with FI\$Cal's budget, and specifies allowable assessments to special funds and non-governmental cost funds for employee compensation and staff benefits.

9620 CASH MANAGEMENT AND BUDGETARY LOANS

- The budget includes \$20 million for the payment of interest and any other costs associated with short-term cash borrowing, from either external or internal sources. The budget includes \$4.6 million for interest costs associated with internal borrowing for budgetary purposes that are to be repaid in the budget year.

PROPOSITION 2 DEBT REPAYMENTS

- Using \$1.8 billion made available through the Proposition 2 mechanism, the budget incorporates a pay down of budgetary debt and other long-term liabilities. The budget includes a special fund loan repayment of \$133 million, leaving a remainder of special fund loans outstanding of about \$1.2 billion. In addition, the Proposition 2 plan includes a weight fee payment of \$398 million, Proposition 98 settle-up payment of \$603 million, and a \$235 million in transportation loan repayment. The plan also includes additional payments to state and university retirement obligations including \$89 million for state retiree health, \$146 million for state employee pensions, and \$171 million for University of California pension obligations. The supplemental payment plan for state employee pensions is discussed elsewhere in this report. The Proposition 2 repayment plan for the five year budget window is displayed in the Appendix.

STATEWIDE MEASURES

- The budget includes trailer bills that addressed fiscal, administrative and clarification matters including: shift of \$841.2 million from the State Project Infrastructure Fund to the General Fund, elimination of the fiscal recovery fund and transfer of remaining funds distributed to counties and the state, establishment of a revolving expenses account for the State Public Works Board, clarification of reporting obligations under the California Environmental Quality Act, and reduction in lease-revenue bond authority.

STATE BUDGET RESERVES

- The budget devotes significant resources to budgetary reserves. \$1.8 billion is deposited to the Budget Stabilization Account (BSA) as a mandatory payment, bringing the balance to \$8.5 billion. In addition, the state's general reserve, the Special Fund for Economic Uncertainties (SFEU), is budgeted to be \$1.4 billion. The total amount of reserves for the budget year is \$9.9 billion.

State Finance and Management Budget Trailer Bills

1. *State Government – SB 96 (Committee on Budget and Fiscal Review), Chapter 28, Statutes of 2017.*
2. *State Government – SB 88 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2017.*
3. *Tax Agency Reform – AB 102 (Committee on Budget), Chapter 16, Statutes of 2017.*
4. *State Administration – SB 106 (Committee on Budget and Fiscal Review), Enrolled, Statutes of 2017.*
5. *State Administration – AB 111 (Committee on Budget), Chapter 19, Statutes of 2017.*
6. *State Government – AB 119 (Committee on Budget), Chapter 21, Statutes of 2017.*

LOCAL GOVERNMENT AND HOUSING

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

8885 COMMISSION ON STATE MANDATES

- The budget funds mandates related to public safety and property taxes, at a cost of \$34.5 million. The budget suspends numerous mandates that have been suspended in prior years, and deferring other mandates, for a savings of almost \$985.1 million.

9210 LOCAL ASSISTANCE TAX RELIEF

- **Local Government Census Work.** The budget includes \$7 million in grant authority to local governments that are to be used for participation in the Census Bureau's Local Update of Census Addresses program. The program will be administered by the Department of Finance and will provide grants ranging from \$7,500 to \$125,000 for local governments to review and update the master address lists used to conduct the decennial census. In addition, language was approved to allow the hiring of a director for the program.

VARIOUS HOUSING MEASURES

- **Los Angeles County Measure H.** The budget includes trailer bill language that will address technical issues related to the collection of the district sales and use tax imposed by voters in Los Angeles County to address homelessness. The changes will ease the administration of that add-on tax.
- **Transitional Housing Grants.** The budget includes adopted language loosening the statutory guidelines for access to \$25 million in grants to local governments as a means of addressing costs associated with locating transitional housing. The changes will allow for provision of services to residents at the facilities.
- **Veteran's Housing and Homelessness Prevention Program.** The budget includes a baseline increase of \$903,000 (Housing for Veterans Funds) and six permanent positions for the Veterans Housing and Homelessness Prevention Program (VHHP), as well as \$75 million in Local Assistance funding, consistent with previous budget years.
- **Bond Re-appropriation and Project Completion.** The budget includes a re-appropriation of \$50.8 million for the Infill Infrastructure Grant (IIG) Program; a re-appropriation of \$10 million in local assistance funding for the VHHP; and a liquidation period extension for the Housing Related Parks Program. These re-appropriations and liquidation extensions will allow multiple previously-

funded housing projects to reach completion, and provide sufficient funding for a new round of grants for infill development projects.

- **No Place Like Home Program.** The budget includes a General Fund loan of \$1,576,000 to the No Place Like Home Program to meet administrative cost requirements during completion of a legally required bond validation process. This includes \$500,000 for the State Treasurer's Office and \$25,000 for the California Health Facilities Financing Authority to assist in the bond validation and issuance process. This will allow the program to continue program development activities while the bond validation process is completed. The General Fund loan will be repaid from bond proceeds upon issuance of the bonds.
- **California Emergency Solutions Grant (CA ESG) Program.** The budget includes the use of the remaining fund balances in the Emergency Housing and Assistance Fund, along with five positions, to administer the California Emergency Solutions Grant Program through 2018-19. These funds will be combined with the \$35 million General Fund appropriation from the 2016 Budget Act for the CA ESG program.
- **National Housing Trust Fund.** The budget includes three positions and \$10.4 million in federal funds (\$423,000 State Operations and \$10 million Local Assistance) to administer the National Housing Trust Fund Program for this year and ongoing. The budget also includes trailer bill language to clarify that HCD is authorized to expend up to 10 percent of the federal award on administrative costs.
- **Community Development Block Grant.** The budget provides one position and \$157,000 (General Fund) ongoing, to meet the federal match requirement for California's Community Development Block Grant (CDBG) program and streamline the CDBG program in response to reduced federal funding levels.
- **Homelessness Programs.** The budget included \$28.25 million in one-time General Fund spending for a variety of homelessness programs, including \$20 million for youth navigation centers, \$8 million for homeless services in Los Angeles, and \$250,000 for temporary farmworker housing in Napa County.

Local Government and Housing Budget Trailer Bills

1. *State Government, SB 96 (Committee on Budget and Fiscal Review), Chapter 28, Statutes of 2017.*
2. *State Administration, AB 111 (Committee on Budget), Chapter 19, Statutes of 2017.*

SUBCOMMITTEE 5
ON
CORRECTIONS,
PUBLIC SAFETY, AND THE
JUDICIARY

Senate Committee on Budget and Fiscal Review

Members

Nancy Skinner, Chair
Joel Anderson
Jim Beall

Consultants

Julie Salley
Anita Lee

SUBCOMMITTEE No. 5

CORRECTIONS, PUBLIC SAFETY, AND THE JUDICIARY

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CORRECTIONS AND REHABILITATION

5225 DEPARTMENT OF CORRECTIONS AND REHABILITATION (CDCR)

The budget provides \$11.4 billion (\$11.1 billion General Fund) for the CDCR. The budget includes the approval of a number of items intended to safely house and rehabilitate both adults and juveniles in the states correctional system, including:

- **Transfer of Psychiatric Programs.** The budget shifts responsibility for the three inpatient psychiatric programs the Department of State Hospitals (DSH) operates in state prisons to CDCR, beginning in 2017-18. Accordingly, the budget proposes a transfer of \$254 million (General Fund) and 1,978 positions from DSH to CDCR, effective July 1, 2017.
- **Case Management Reentry Program.** The budget provides \$2.7 million General Fund and 21 positions to continue the case management reentry program, which is designed to provide intensive case management services to address homelessness, joblessness, mental illness, and developmental disabilities among parolees in five counties.
- **Innovative Programs for Long-Term Offenders.** The budget provides an additional year of funding (\$5.5 million General Fund) for innovative programming for long-term offenders.
- **Canine Teams.** The budget includes \$6.7 million General Fund and 43 positions to establish two permanent canine teams at each state prison as a statewide drug and contraband interdiction strategy. In addition, the budget states that it is the Legislature's intention that the canine teams be used at all entrances during all shifts and that they be used throughout the prison facilities.
- **Video Surveillance Pilot Project.** The budget provides \$11.7 million General Fund (\$10.5 million one-time) and four one-year limited-term positions beginning in 2017-18 to implement a comprehensive video surveillance pilot program at the Central California Women's Facility and High Desert State Prison. In addition, the budget requires CDCR to review video of any incidents prior to determining the disposition of a major inmate complaint or appeal, especially in the case of staff complaints. Finally, the budget requires CDCR to retain video footage for 90 days.
- **State Juvenile Justice Facilities.** The budget redirects \$500,000 from the existing Division of Juvenile Justice (DJJ) budget for innovative programming grants. In addition, the budget includes \$750,000 General Fund to the Arts Council for JUMP StArts and an expansion of the grant program to the DJJ state facilities.
- **Prison Roof Replacements.** The budget provides \$34.9 million General Fund to replace roofs at the California Correctional Institution, Pleasant Valley State Prison, and Salinas State Prison.
- **Variations on Standardized Staffing.** The budget includes \$5.9 million General Fund and 44.1 positions beginning in 2017-18 to augment custody standardized staffing levels at three adult

institutions designed to provide sufficient security coverage based on institution design and for activation of additional space.

- **Pay Increases for Captains through Wardens.** The budget includes \$2 million General Fund for warden recruitment and retention. In addition, the budget includes provisional language clarifying that it is the intent of the Legislature that this funding will be used to improve retention by providing pay increases for captains through wardens, and their equivalents in the Division of Juvenile Justice and Division of Adult Parole Operations, throughout CDCR. CDCR is also required to report during budget hearings each year on the impact of the funding increase on retention of staff in these classifications.
- **Physician Retention Strategies.** The budget provides \$7 million General Fund and 44 positions 2017-18, growing to \$14 million in 2018-19, to implement physician retention strategies to address high vacancy rates in the state prisons.
- **Mental Health Crisis Beds.** The budget provides \$3.7 million General Fund to construct a licensed 50-bed mental health crisis facility at California Institution for Men, located in Chino. The building will be designed to allow for operation at the intermediate care facility level-of-care if treatment acuity needs fluctuate. The total estimated project cost is \$55,308,000. In addition, the budget provides \$3,597,000 General Fund for Richard J. Donovan Correctional Facility, in order to construct licensed 50-bed mental health crisis facility. The total estimate project cost is \$56,508,000.
- **California Medical Facility – Psychiatric Inpatient Program.** The budget provides \$11.4 million General Fund to convert an enhanced outpatient unit into a 74-bed intermediate care facility (ICF) at the California Medical Facility.
- **Security Housing Unit Conversion.** The budget reduces General Fund support for CDCR by \$42.4 million in 2016-17, and by \$8.3 million in 2017-18, to account for net savings from the conversion of various housing units. For example, at Pelican Bay State Prison in Crescent City, 576 deactivated security housing unit beds will be converted to 720 level II beds. Because security housing units require more custody staff than most other units, these conversions would result in net savings. In addition, the budget provides \$539,000 for preliminary plans and working drawings for Pelican Bay State Prison’s Facility D Yard renovations as part of the conversion of the Pelican Bay Security Housing Unit to a level II prison yard.
- **Proposition 57 Implementation.** The budget includes a net savings of \$38.8 million General Fund in 2017-18, growing to a savings of approximately \$186 million General Fund in 2020-21. As part of this action, the budget includes \$7.7 million General Fund in costs for the workload associated with Proposition 57.
- **Information Security Office.** The budget provides \$2.6 million General Fund (\$635,000 one-time) and eight positions beginning in 2017-18 to establish a new Security Operations Center to address information security threats. This funding includes \$1.1 million for eight information technology positions and \$1.5 million for hardware and software, as well as security professional services, to aid in continuous security monitoring operations.

- **CalPIA Janitorial Contract.** The budget provides \$6 million General Fund in 2016-17, \$13.8 million General Fund in 2017-18, \$22 million General Fund in 2018-19, and \$22 million General Fund in 2019-20, for California Prison Industries Authority (CalPIA) janitorial services for increased space driven by the Health Care Facility Improvement Project and statewide medication distribution improvements.
- **Suicide Watch.** The budget provides \$3 million General Fund and 184.5 positions to address the increased suicide watch workload.
- **Healthcare Appeals Pilot.** The budget includes \$5.4 million General Fund and 36 positions to provide registered nurses to work as health care appeals coordinators to ensure clinical review of all health care appeals is available at each adult institution within the CDCR.
- **Medication Management.** The budget includes \$6.6 million from the General Fund and 105.2 additional positions for medication management based on a new staffing model developed by the receiver that includes licensed vocational nurse (LVN) positions to staff each pill window throughout the day and distribute medication that inmates are allowed to keep and use as needed.
- **Healthcare Property Controllers.** The budget provides \$2.14 million General Fund and 25.3 positions fiscal year 2017-18, and \$2.97 million General Fund and 37 positions beginning in 2018-19, to support development, implementation, and maintenance of the Enterprise Asset Management program and to ensure that health care (including medical, mental health, and dental programs) assets are properly tracked and serviced throughout their lifecycles.
- **Career Technical Education (CTE).** The budget provides \$5 million one-time General Fund to ensure that career technical education (CTE) participants and CDCR have the necessary resources and equipment to effectively implement CTE programs.
- **California State Prison, Los Angeles County – Fencing.** The budget includes \$299,000 General Fund to extend the height of the level I minimum support facility (MSF) perimeter fence at the California State Prison, Los Angeles County (LAC). This project will raise the height of the looped razor wire topping the fence an additional two feet, mitigating the existing safety and security concerns associated with the current fence design.
- **Capital Outlay.** The budget contains funding for the following capital outlay projects:
 - Healthcare Facility Improvements – Calipatria State Prison – \$16 million General Fund.
 - Potable Water Reservoir – Calipatria State Prison – \$7 million General Fund.
 - Brine Concentration System Replacement – Deuel Vocational Institution – \$2 million General Fund.
 - Medication Distribution Improvements – California Correctional Institution – \$2.6 million General Fund.

- Administrative Segregation Cell Door Retrofit – Correctional Training Facility – \$783,000 General Fund.
- Fire Suppression Upgrade – Pelican Bay State Prison – \$1 million General Fund.
- Minor Capital Outlay – Various Prisons – \$2 million General Fund.

Public Safety Budget Trailer Bill

Public Safety Omnibus – AB 103 (Committee on Budget), Chapter 17, Statutes of 2017.

JUDICIARY AND DEPARTMENT OF JUSTICE

0250 JUDICIAL BRANCH

The budget provides \$3.7 billion (\$1.6 billion General Fund) for the Judicial Branch, a \$71 million increase over the previous year. In addition, the budget makes the following changes.

- **Dependency Counsel.** The budget includes \$22 million in ongoing General Fund for attorneys to represent children and families in dependency court proceedings.
- **Equal Access Fund.** The budget includes a two-year \$10 million augmentation for the Equal Access Fund and directs a minimum of 25 percent of all residuals from class action lawsuits to the Equal Access Fund to support legal services.
- **Driver's License Suspension for Failure to Pay.** The budget prohibits courts from suspending a person's driver's license if the person fails to pay their criminal fines and fees related to infractions and misdemeanors.
- **Language Access Plan Implementation and Support for Court Interpreters.** The budget provides \$352,000 to continue video remote interpreting pilot. In addition, the budget provides \$490,000 to expand the availability of court interpreters.
- **Case Management System Replacement.** The budget includes \$5 million over two years to replace the Sustain Justice case management systems in Humboldt, Lake, Madera, Modoc, Plumas, Sierra, San Benito, Trinity and Tuolumne counties.
- **Transition to FI\$Cal.** The budget includes an augmentation of \$5.3 million General Fund (\$2 million in 2017-18, \$1.8 million in 2018-19, and \$1.5 million in 2019-20 and ongoing) and six positions to support the transition from the Judicial Council's current financial system to the FI\$Cal system.
- **Statewide Electronic Filing Implementation.** The budget includes a General Fund loan of \$671,000 in 2017-18, and \$491,000 in 2018-19, to the Trial Court Trust Fund to support three positions to develop and maintain an electronic filing system. In addition, the budget includes trailer bill language requiring that all systems meet federal and state laws related to access for people with disabilities.
- **Appellate Court Document Management System.** The budget provides \$1.3 million General Fund for a document management system for the Supreme Court and Courts of Appeal.
- **Reallocation of Judgeships.** The budget reallocates four vacant judgeships from Santa Clara and Alameda counties to Riverside and San Bernardino counties. In addition, the budget includes \$280,000 General Fund for 2017-18, growing to \$560,000 General Fund ongoing, for trial court security costs resulting from the reallocation of the judgeships.

- **State Controller’s Office Audit.** The budget includes provisional language that specifies that \$540,000 in Item 0250-101-0932 is available for the audit work that is being conducted by the State Controller’s Office (SCO). The language puts a cap on the amount of resources provided to the SCO.
- **San Diego County Courthouse.** The budget includes the transfer of the title of the old San Diego courthouse and adjacent old county jail to San Diego County from the state. In exchange, the county will release the state from the obligation to demolish and remove those buildings. However, the budget also restricts the future use of the land by prohibiting that it be used to either build new, or expand existing, detention facilities.
- **Veterans Collaborative Courts Evaluation.** The budget includes \$100,000 General Fund one-time as matching funds to \$100,000 in private funding for an independent evaluation of the effectiveness of veterans’ treatment courts.
- **Trial Court Capital Outlay.** The budget includes a reappropriation of \$23.9 million for five construction projects and \$2.3 million for new projects:
 - Sacramento County – \$16 million reappropriation – working drawings.
 - Riverside County – \$7 million reappropriation – construction.
 - Alameda County – \$1.6 million – preliminary plans, working drawings and construction.
 - Siskiyou County – \$664,000 – demolition.
 - San Bernardino County – \$517,000 reappropriation – construction.
 - Calaveras County – \$269,000 reappropriation – construction.
 - Tulare County – \$97,000 reappropriation – construction.

0820 DEPARTMENT OF JUSTICE

The budget provides \$894 million (\$226 million General Fund) for support of the Department of Justice (DOJ). In addition, the budget makes the following changes:

- **Immigration Detention.** The budget provides \$1 million General Fund per year for DOJ to monitor the treatment of people being detained in California because of their immigration status. In addition, the budget includes the necessary statutory language requiring DOJ to monitor the treatment of immigrants being detained in California.
- **CalGang Database.** The budget provides \$3.3 million General Fund for system enhancements and automation of the CalGang Database.

- **Law Enforcement Contact Process.** The budget provides \$116,000 General Fund and one position to the eCrime Unit to fund the workload increase to the unit associated with Section 1524.4 of the Penal Code, which requires electronic communication service providers to maintain a specific process that would allow law enforcement to contact them. The statute also requires that providers report their specific process to DOJ by July 2017.
- **Firearms.** The budget allows for the expenditure of the appropriation for SB 880 over a two-year period. In addition, the budget re-establishes a state prohibition against owning, purchasing, receiving, possessing, or having under his or her custody or control a firearm or ammunition if that person has a current felony warrant or a prohibiting misdemeanor warrant, consistent with current law; and extends the deadline for the registration of a semiautomatic firearm that does not have a fixed magazine by six months.
- **Legal Resources for Federal Actions.** The budget includes \$6.5 million General Fund and 31 positions to address new legal workload related to various actions taken at the federal level that impact public safety, healthcare, the environment, consumer affairs, and other constitutional issues. In addition, the budget requires that for potential litigation involving California's Secure Choice, the Attorney General's Office use attorneys that possess a comprehensive knowledge of the Employee Retirement Income Security Act of 1974 (ERISA) and have at least 10 years' experience litigating ERISA claims in the federal trial and appellate courts.
- **DNA Testing.** The budget includes a \$15 million augmentation to continue to fund DOJ's DNA testing labs. The DOJ labs provide forensic laboratory support and analysis for all out of 58 of California's counties, including the testing of rape kits.
- **Agency Counsel Trailer Bill Language.** The budget clarifies existing law that the Attorney General has clear authority to act as legal counsel in judicial and administrative proceedings involving state agencies, as well as deliver approving legal opinions on bonds. The budget also authorizes state agencies to employ in-house legal counsel for any other purpose, without seeking authorization from the Attorney General. Finally, the budget maintains the existing requirement that authorization from the Attorney General be obtained prior to employment of private, outside counsel.

Public Safety Budget Trailer Bill

Public Safety Omnibus – AB 103 (Committee on Budget), Chapter 17, Statutes of 2017.

OTHER PUBLIC SAFETY

4440 DEPARTMENT OF STATE HOSPITALS (DSH)

The budget provides \$1.6 billion (\$1.5 billion General Fund) for operating the state hospitals. In addition, the budget makes the following changes.

- **Admission, Evaluation, and Stabilization Center.** The budget authorizes the Department of State Hospitals to establish an Admission, Evaluation and Stabilization Center in the Kern County Jail to provide mental health competency services and treatment to people who have been deemed incompetent to stand trial (IST). The budget includes \$7.2 million General Fund augmentation and two positions for DSH to activate 60 beds in the Kern County Jail in Bakersfield to provide restoration services for people who have been deemed IST due to a mental illness.
- **Enhanced Treatment Program (ETP) Staffing.** The budget includes \$2.3 million in one-time funding and \$5.6 million ongoing to support the activation of the first two ETP units at DSH-Atascadero, as well as 44.7 positions in FY 2017-18 and 115.1 positions in FY 2018-19. Resources for DSH-Atascadero's third unit and DSH-Patton's unit are expected to be requested in the 2018-19 Governor's budget estimate.
- **Terms of Commitment for Persons Deemed Not Guilty by Reason of Insanity.** The budget adjusts the terms of commitment for people found not guilty by reason of insanity consistent with the changes included in Propositions 36 and 47.
- **Conditional Release Program (CONREP).** The budget includes \$976,000 in one-time General Fund to provide temporary housing to CONREP patients unable to live in the community without direct supervision. DSH activated 16 beds in FY 2016-17 and this action provides funding for 2017-18. In addition, the budget requires DSH to submit and updated report on January 1, 2018, with the expectation that the county mental health departments and private contractors seek Medical reimbursement for all reimbursable medical and mental health treatment by July 1, 2018, absent clear direction from the federal government that the medical and mental health costs for CONREP patients are not eligible.
- **Metropolitan State Hospital – Movement of Patients.** The budget provides \$7.9 million General Fund and 22 positions in 2017-18, and \$12.4 million General Fund and 35.5 positions in 2018-19, to support the transfer of 150 Lanterman-Petris-Short (LPS) patients at Metropolitan State Hospital. The patients will be moved to another building to allow additional IST waitlist commitments to be placed in secured treatment beds beginning in 2018-19.
- **Metropolitan State Hospital – Central Utility Plant.** The budget includes provisional language that provides up to \$1.5 million in General Fund authority to continue operations of the Central Utility Plant at Metropolitan State Hospital.
- **Napa State Hospital Earthquake Repairs.** The budget includes a \$6.2 million General Fund loan that will be repaid with federal reimbursements as phases of the project are constructed.

Accordingly, the budget also includes \$6.2 million in federal reimbursement authority.

- **Capital Outlay.** The budget contains funding for the following capital outlay projects:
 - Fire Alarm System Upgrade – Metropolitan State Hospital – \$3.9 million General Fund.
 - Fire Alarm System Upgrade – Patton State Hospital – \$6.1 million General Fund.
 - Courtyard Gates and Security Fencing – Napa State Hospital – \$2 million General Fund.
 - New Activity Yard – Coalinga State Hospital – \$5.7 million General Fund.
 - Consolidation of Police Operations – Metropolitan State Hospital – \$1.3 million General Fund.

5227 BOARD OF STATE AND COMMUNITY CORRECTIONS (BSCC)

The budget provides \$157.9 million (\$63.5 million General Fund) for BSCC. In addition, the budget makes the following changes.

- **Immigration Detention Moratorium.** The budget places a moratorium on contracting with the federal government to hold people during civil immigration proceedings by prohibiting local governments from either expanding existing contracts or entering into new contracts with the federal government to detain immigrants in civil immigration proceedings.
- **Jail Visitation.** The budget restricts video-only visitation in jails to those jails that were not providing in-person visitation and were only providing video-only visitation as of January 1, 2017. In addition, the budget prohibits those jails that are providing video-only visitation from charging for the first hour of remote visitation each week.
- **Funding for Local Law Enforcement.** The budget includes \$20 million one-time General Fund and budget bill language for a four-year Orange County Violence Reduction pilot project and \$100,000 one-time General Fund for the City of Ione police department.
- **California Violence Intervention Program (CalVIP).** The budget provides \$9.5 million for the CalVIP (formerly known as the California Gang Reduction, Intervention and Prevention (CalGRIP) program). In addition, the budget modifies the program to increase grants for community-based organizations and to increase community involvement in the development of grant proposals. Finally, the budget requires BSCC to report annually on the impact of the CalVIP grants.
- **BSCC Review Functions.** The budget requires BSCC to post the biennial audit reports of county jails and juvenile detention facilities on their internet web site. In addition, it requires that BSCC ensure that all counties that have received jail construction funding from the state are complying with the restrictions and requirements of that funding. Finally, it requires the inspection reports to include information on the type and availability of visitation, hours of visitation, time inmates are allowed for visitation, and any restrictions on visitation.

- **Probation Chief Trailer Bill Language.** The budget specifies the duties of county chief probation officers. The budget also requires that the chief probation officer not be placed under the authority of a separate county agency to perform these duties.
- **Post-Release Community Supervision.** The budget provides an additional \$15.4 million General Fund for post-release community supervision as a result of an increase in the number of offenders eligible due to Proposition 57 and various court-ordered measures.

8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING (POST)

- **Funding Adjustment and Provisional Language.** The budget realigns \$4 million State Penalty Fund beginning 2017-18 from training contracts to local agency reimbursements. In addition, the budget includes provisional language related to “Tools of Tolerance” training conducted by the Simon Wiesenthal Center-Museum of Tolerance.

Public Safety Budget Trailer Bill

Public Safety Omnibus – AB 103 (Committee on Budget), Chapter 17, Statutes of 2017.

LABOR

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

The EDD connects employers with job seekers, administers the Unemployment Insurance (UI), Disability Insurance, and Paid Family Leave programs and provides employment and training under the federal Workforce Innovation Opportunity Act. The 2017 Budget Act includes various items intended to improve the functions of EDD.

- **Unemployment Insurance Appeals Board.** The budget provides an augmentation of \$791,000 General Fund, \$791,000 special funds and 12.5 positions in 2017-18 and 2018-19; and \$407,000 General Fund, \$407,000 special funds, and 7.1 permanent position equivalents in 2019-20 and ongoing, to conduct mandated Tax Appeal Program functions in order to keep up with the incoming workload, reduce the high level of pending appeal caseload, and provide timely due process for California's employers who appeal their payroll tax liabilities and reserve account charges as assessed by EDD.
- **Benefit Systems Modernization Project.** The budget provides \$4 million one-time in special funds, and 15 positions, and a redirection of \$3.16 million in special funds and 15 positions in 2017-18 to complete stage two of the project approval lifecycle for its Benefit Systems Modernization Project.
- **Insurance Programs.** For 2017-18, the budget decrease; disability insurance benefit payments by \$132 million from the level estimated in the October 2016 budget revision. Additionally, the budget includes an increase in unemployment benefit payments of \$245 million from the level previously estimated in the October 2016 budget revision. The 2017-18 projected benefit amounts include a buffer of three percent for economic uncertainties.

7120 CALIFORNIA WORKFORCE INVESTMENT BOARD

- The budget includes \$59 million in state-level discretionary federal Workforce Innovation Opportunity Act (WIOA) funding in 2017-18, a \$6.8 million decrease from to 2016-17. This decrease reflects a reduction in available federal funding. This funding is spent on program administration and services to targeted population. Specifically, for targeted services, the budget provides:
 - \$4.8 million for the regional workforce accelerator program with a focus on ex-offender and immigrant populations.
 - \$1.6 million for CalJOBS.
 - \$7.7 million for the SlingShot 2.0: Regional Plan support.
 - \$3 million for the Model Multiple-Employer Industry Sector Programs.
 - \$600,000 for services for in-school at risk youth.
 - \$5 million for the Governor's Award for Veterans' Grants.
 - \$2 million for Disability Employment Accelerator.

- **Pre-Apprenticeship Programs.** The budget includes \$5 million and one position from the Road Maintenance and Rehabilitation Account, State Transportation Fund for 2017-18 through 2021-22, to implement pre-apprenticeship training programs, focused on formerly incarcerated, women, and minorities, in support of Senate Bill 1 (Beall), Chapter 5, Statutes 2017 projects. Additionally, the budget includes language for State Board to encourage partnerships and collaboration with other pre-apprenticeship programs beyond this proposal, with California Department of Corrections and Rehabilitation and CalTrans.
- **Supervised Population Workforce Training Grant.** The budget provides \$3 million one-time General Fund for this workforce training grant. Additionally, trailer bill language expands the program to include those who are on parole and under the jurisdiction of CDCR, and provides additional guidelines for administering grants.

7300 AGRICULTURAL LABOR RELATIONS BOARD

- The budget provides \$573,000 General Fund to extend limited-term positions: 1.5 hearing officer II positions and one attorney IV position approved in the 2015 budget, by two years. Additionally, the budget includes supplemental reporting language to require the department to report by January 10, 2019, on the status of new regional offices, as well as the workload of all regional offices and the board. The report will include, but not be limited to, analysis of the number of authorized and filled positions by classifications, number of unfair labor practice charges filed, complaints issued, settlements reached, administrative hearing held, among others, and how they have changed over time for each of the General Counsel's regional offices.

7320 PUBLIC EMPLOYMENT RELATIONS BOARD (PERB)

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

7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

The 2017 Budget Act includes a number of items intended to improve the functioning of the Department of Industrial Relations (DIR).

- **Implementation of Statutory Requirements.** The budget provides 84 positions and \$16.4 million special funds in 2017-18, 25 positions and \$3.4 million special funds in 2018-19, with 19 positions and \$2.6 million special funds ongoing, to fulfill the provisions of recently chaptered legislation:
 - Assembly Bill 1066 (Gonzalez), Chapter 313, Statutes of 2016: Phase-In Overtime for Agriculture Workers
 - Assembly Bill 1978 (Gonzalez), Chapter 373, Statutes of 2016: Property Service Workers
 - Senate Bill 693 (Hueso), Chapter 774, Statutes of 2016: Workforce Expansion

- Senate Bill 1001 (Mitchell), Chapter 782, Statutes of 2016: Immigrant Workers Document Protections
- Senate Bill 1063 (Hall), Chapter 866, Statutes of 2016: Equal Pay – Race and Ethnicity
- Senate Bill 1167 (Mendoza), Chapter 839, Statutes of 2016: Indoor Heat Regulations
- Senate Bill 1160 (Mendoza), Chapter 868, Statutes of 2016: Worker’s Compensation
- Assembly Bill 1244 (Gray), Chapter 852, Statutes of 2016: Workers Compensation
- **Public Works Enforcement.** The budget provides six positions and \$805,000 in 2017-18, and \$759,000 in 2018-19, from the Labor and Workforce Development Fund to educate awarding bodies of their requirements to comply with registration requirements, and one attorney position with \$212,000 in 2017-18 and \$204,000 ongoing from the State Public Works Enforcement Fund. Additionally, trailer bill language increases the registration fee and specifies various sanctions and penalties for unregistered contractors.

The budget also includes supplemental reporting language for the Division of Labor Standards Enforcement to report by March 2019 on (1) changes in the amount of contractor registration fees collected; (2) the estimated effect of any efforts to increase compliance with the contractor registration fee, including outreach to awarding bodies and other steps to increase awarding body accountability for ensuring contractor registration; (3) what adjustments are necessary to the level of the contractor registration fee in order to support ongoing public works enforcement costs and repay the SPWEF’s outstanding loans to other funds; and (4) the feasibility of shifting support for the prevailing wage determination function back to the SPWEF.

- **Strategic Enforcement of Labor Standards.** The budget includes an increase of 31 positions and \$4.6 million in 2017-18, 58.5 positions and \$8.6 million in 2018-19, 82.5 positions and \$11.6 million in 2019-20, and \$11.4 million ongoing, from special funds to combat wage theft and labor law violations. Additionally, trailer bill language modifies the statute of limitations on workers recovering unpaid wages and other penalties, allows certain workers to recover unpaid wages and other damages from special funds, and requires an employer to pay the division’s legal costs when the division prevails in an action to enforce its determination on a retaliation complaint, among others.
- **Division of Apprenticeship Standards Federal Apprenticeship Grant.** The budget includes six positions and \$923,000 one-time for 2017-18 from the Federal Trust Fund for the Division of Apprenticeship Standards for focused outreach and education to California employers and their associations, informing them of their benefits of registered apprenticeship.
- **Process Safety Management Unit – Non-Refinery Inspections.** The budget provides 13 positions, 10 of which will be safety engineers, and an augmentation of \$2.5 million in 2017-18 and \$2.4 million ongoing, to the Occupational Safety and Health Fund for the Division of Occupational Safety and Health to expand the existing Process Safety Management (PSM) non-

refinery inspection program from 45 annual Program Quality Verification inspections, to a total of 113 inspections annually.

The budget also includes supplemental reporting language requiring DIR to report by March 1, 2018, on workload and staffing in the PSM unit. The report shall include, but not be limited to, a discussion of (a) the number of refinery and non-refinery inspections conducted during 2017; (b) the number and classification of filled and vacant positions in the PSM unit; and (c) any challenges faced by the department in recruiting, training, and retaining inspectors in the PSM unit.

Labor Budget Trailer Bills

1. *State Government - Senate Bill 96 (Committee on Budget and Fiscal Review), Chapter 28, Statutes of 2017.*
2. *State Government – Senate Bill 106 (Committee on Budget and Fiscal Review), Enrolled.*

PUBLIC EMPLOYMENT AND RETIREMENT

6645/9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- The 2017 Budget Act includes \$2.1 billion, primarily General Fund for costs associated with providing health and dental benefits for retirees. Of this total, \$293.7 million is attributable to health benefits for California State University annuitants.

7501 DEPARTMENT OF HUMAN RESOURCES (CalHR)

- **Dependent Re-Verification.** The budget provides one position and \$175,000 in reimbursement authority for 2017-18, \$118,000 and in 2018-19 and ongoing, to perform the new workload to develop, implement and administer the dependent re-verification process. The budget also includes supplemental reporting language requiring CalHR to report by April 1, 2019, regarding information about CalHR's role in establishing standards to determine health dependent eligibility, and a summary, by state department, of the results of the re-verification process, and the costs incurred by each department to conduct the re-verification process.
- **Civil Service Improvement.** The Legislature did not adopt the Governor's trailer bill proposal to significantly reform the state's civil service process. Specifically, the proposed trailer bill language would extend probationary periods from six months to up to one year for rank-and-file employees, and establish probationary periods up to two years for excluded employees, expand the definition of class, remove rules regarding eligibility lists, and remove most rules for job examination announcements, among other provisions.
- **Judges Salaries Trailer Bill Language.** Trailer bill language clarifies the statutory methodology used to calculate annual salary adjustment for state judges and justices, which is based on the average salary growth of civil service state employees. Specifically, the trailer bill requires that salary increases made after July 1 that have been provided retroactively to state workers on July 1, will be included in the judges' calculation during that same fiscal period to ensure they receive the same level of salary increase.
- **New Employee Orientation.** Trailer bill language requires public employers to provide exclusive representatives access to its new employee orientations. Trailer bill language notes that the structure, time, and manner of the access is determined through mutual agreement between the parties. If parties do not reach an agreement within a specified time, either party may demand compulsory interest arbitration.

7900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

- The budget includes a one-time \$6 billion supplemental payment through a loan from the Surplus Money Investment Fund to CalPERS in 2017-18, on top of the \$5.2 billion (\$2.7 billion General Fund) for state's annual pension contributions to CalPERS. The budget also includes \$660.8 million General Fund for CSU retirement costs.

The supplemental payment seeks to reduce the unfunded liability and help lower and stabilize the state's annual contributions for the next two decades. According to the Department of Finance (DOF), contribution rates, as a percentage of payroll, will be about 2.1 percentage points lower, on average, than the currently scheduled rates. It is estimated that the loan will incur \$1 billion in interest costs, and actuarial calculations estimates that the supplemental payment will yield a net savings of \$11 billion over the next 20 years. Trailer bill language specifies that the loan principal and interest be fully repaid by June 30, 2030, and requires DOF to submit a tracking list of payments and public fund condition statements of all funds impacted by this loan. Additionally, the trailer bill requires DOF to submit to Joint Legislative Budget Committee a description of the economic risks and benefits associated with making a cash loan, notification regarding shortfall of any funds designated as a repayment source, and incorporates mechanisms to adjust the repayment schedule.

While the trailer bill language requires repayment by 2030, DOF has indicated an internal timeline of 10 years. Moreover, DOF has indicated that the \$6 billion supplemental payment will be made in several installments over the fiscal year, with the first payment on October 1, 2017.

- The budget also incorporates the CalPERS board-approved budget of \$1.7 billion, which is a decrease of \$123.55 million over 2016-17 primarily driven by a continued reduction in external investment management fees, which was approved during the May CalPERS board meeting.
- The Legislature did not approve the Governor's proposal to consolidate administrative expenses from the Public Employees' Health Care Fund and the Public Employees' Contingency Reserve Fund. Instead, the budget requires CalPERS to submit a report by January 10, 2018 regarding the fiscal impact on the state and different local government employers and employees if such a consolidation were to occur.

7920 STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)

Two years ago, the Legislature adopted a funding plan to eliminate the CalSTRS \$74 billion unfunded liability over 30 years. This year, the budget includes \$2.8 billion General Fund for state contributions to CalSTRS. This amount reflects the CalSTRS Board action to adopt new mortality assumption rates, implement a discount rate reduction, and exercise its authority to increase state contributions by 0.5 percent of teacher payroll. In addition, the budget includes various other proposals that were included the budget.

- **Enterprise Risk, Compliance and Cyber Security.** The budget includes \$1.39 million special funds to establish 11 positions to address an increasing need in enterprise-wide risk management, security, and compliance. A major data breach at CalSTRS could cost an estimated \$190 million and could impact the delivery of member benefits.
- **Member Service Center Resources.** The budget includes 13 positions and \$1.3 million to support member benefit education efforts, communication regarding supplemental retirement savings, and other member and employer outreach activities requested by the Teachers' Retirement Board. The positions will address staffing needs in the Glendale, Riverside, and San Diego member service centers. These centers have been operating for about four years.
- **Investment Portfolio Budget Change Proposal.** The budget includes \$3.23 million for 16 positions to reduce risk and increase efficiencies in the management of the investment portfolio. Thirteen of these positions will address critical investments branch resource needs, as a result of increased size and complexity of the portfolio. The CalSTRS Investment Branch 10-Year Comprehensive Financial Plan forecasts that the portfolio's total assets will grow by \$49 billion from fiscal year 2016-17 to 2017-18, with external management costs increasing by \$25.4 million. CalSTRS states that for each staff added to support the internal management of portfolios, CalSTRS saves about \$1.2 million in external management fees per year.
- **Revised Creditable Compensation.** The budget includes a technical correction regarding the amount of General Fund contribution to CalSTRS based on the revision of the credible compensation. The revision in the credible compensation results is an increase in funding \$3.7 million reported by CalSTRS for fiscal year 2015-16. This increase consists of \$801,000 in defined benefit payment, \$1.9 million in the pre-1990 defined benefit level, and \$993,000 for supplemental benefit maintenance account.
- **Supplemental Reporting Language.** The budget includes supplemental reporting language regarding CalSTRS planned construction of a second tower. The CalSTRS board recently approved appropriations to begin the design phase of a second tower adjacent to their existing tower in West Sacramento. CalSTRS estimates construction costs to be \$181 million. To ensure that these costs do not diminish progress that would otherwise be made toward achieving the full funding goal established in Chapter 47 (AB 1469, Bonta), CalSTRS shall report to the Legislature by January 1, 2018, on cost-saving alternatives to CalSTRS' current plan for a second tower.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- The budget includes a total of \$1.2 billion (\$623.1 million General Fund) for employee compensation and retiree health care prefunding for active employees (through Control Section 3.61). These costs reflect increases in salaries, increased enrollment in health and dental plans, revised pay increases for Judges, and updated costs related to the salary survey estimate for the California Highway patrol.

CONTROL SECTIONS

CS 3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- The budget amends CS 3.60 to reflect changes in state retirement contribution rates adopted by the CalPERS Board on April 18, 2017. The reduction in employer contribution rates is a result of new hires entering the system under lower benefit formulas pursuant to the Public Employees' Pension Reform Act of 2013, greater than expected contributions to the system, and lower cost of living increases than estimated.

The newly adopted state employer contribution rates result in total state costs of \$473.85 million, a decrease of \$100.56 million from the \$574.41 million included in the Governor's Budget. Of the \$100.56 million decrease, the General Fund is \$67.23 million, special funds are \$19.31 million, and other nongovernmental cost funds are \$14.02 million. Additionally, it is requested that CalPERS' fourth quarter deferral be reduced by \$14.12 million General Fund from the Governor's budget to reflect the changes in retirement rates. The net effect of these changes on the General Fund is a decrease of \$53.11 million in fiscal year 2017-18 compared to Governor's budget.

CS 3.61 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- Control Section 3.61 is used to prefund retiree health benefits through departmental budgets. The budget reflects an additional employer contribution for prefunding other postemployment benefits based on a recent agreement that has been collectively bargained with physicians and dentists (Bargaining Unit 16). Additionally, the budget notes that state employees of the Judicial Branch are required to contribute 2.3 percent effective July 1, 2017. As a result, the state will match Judicial Branch state employees' contributions of 2.3 percent effective July 1, 2017.

The budget also reflects salary and benefit increases for recently negotiated memorandum of understanding with bargaining units represented by the Service Employees International Union (SEIU), firefighters (BU8), craft and maintenance workers (BU12), stationary engineers (BU13), psychiatric technicians (BU18), health and social service professionals (BU19), and excluded employees. This includes various General Fund increases of \$152.68 million, various special fund items be increased by \$39.88 million, various non-governmental cost funds be increased by \$26.68 million, and reimbursements for various items be increased by \$20.31 million.

Public Employment and Retirement Trailer Bills

1. *State Government – Senate Bill 96 (Committee on Budget and Fiscal Review), Chapter 28, Statutes of 2017.*
2. *Public Employees' Retirement Fund: State Contribution and Supplemental Payment – Senate Bill 84 (Committee on Budget and Fiscal Review), Enrolled.*

APPENDIX

Budget and Trailer Bill List	i
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BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Date Chaptered
AB 97	14	Budget Act of 2017 (Ting)	June 27, 2017
AB 120	22	Budget Act of 2017 (Ting)	June 27, 2017
SB 108	54	Budget Act of 2017 (Committee on Budget and Fiscal Review)	July 10, 2017
AB 98	12	Budget Act of 2016	June 21, 2017
SB 107	53	Budget Act of 2016	July 10, 2017
AB 99	15	Education	June 27, 2017
AB 102	16	Tax Agency Reform	June 27, 2017
AB 103	17	Public Safety	June 27, 2017
AB 107	18	Developmental Services	June 27, 2017
AB 111	19	State Government	June 27, 2017
AB 114	38	Public Health	July 10, 2017
AB 115	20	Transportation	June 27, 2017
AB 119	21	State Government	June 27, 2017
AB 126	65	Health and Human Services	July 10, 2017
SB 84	50	Public Employees' Retirement Fund	July 10, 2017
SB 85	23	Education	June 27, 2017
SB 88	51	State Government	July 10, 2017
SB 89	24	Human Services	June 27, 2017
SB 90	25	Public Social Services: 1991 Realignment	June 27, 2017
SB 92	26	Resources	June 27, 2017
SB 94	27	Cannabis Regulation	June 27, 2017
SB 96	28	State Government	June 27, 2017
SB 97	52	Health	July 10, 2017
SB 103	Pending	Transportation	Enrolled
SB 106	Pending	State Government	Enrolled
SB 110	55	Clean Energy Program	July 10, 2017

General Fund Multi-Year Forecast
2017 Budget Act
(Dollars in Millions)

	2016-17	2017-18	2018-19	2019-20	2020-21
RESOURCES:					
Prior Year Balance	\$4,504	\$1,622	\$2,406	\$2,347	\$1,148
Revenues/Transfers	121,553	127,653	131,560	135,988	141,067
Transfer to the Budget Stabilization Account ^{1/}	-3,014	-1,773	-1,403	-1,281	-1,214
Total Resources	\$123,043	\$127,502	\$132,563	\$137,054	\$141,001
EXPENDITURES:					
Proposition 98	\$50,488	\$52,631	\$53,300	\$54,318	\$55,636
Non-Proposition 98	70,933	72,465	76,916	81,588	85,834
Unallocated Proposition 2 Debt Payments					0
Total Expenditures	\$121,421	\$125,096	\$130,216	\$135,906	\$141,470
FUND BALANCES:					
	\$1,622	\$2,406	\$2,347	\$1,148	-\$469
Reserve for Encumbrances	\$980	\$980	\$980	\$980	\$980
Special Fund for Economic Uncertainties	\$642	\$1,426	\$1,367	\$168	-\$1,449
Budget Stabilization Account/Rainy Day Fund	\$6,713	\$8,486	\$9,889	\$11,170	\$12,384
BSA balance as a percentage of General Fund tax proceeds	5.5%	6.6%	7.5%	8.2%	8.8%
Operating Surplus/Deficit with BSA Transfer	-\$2,882	\$784	-\$59	-\$1,199	-\$1,617

^{1/}Includes additional \$1.483 billion BSA transfer in 2016-17.

General Fund Revenues

2017 Budget Act

(Dollars in Millions)

<u>FINANCE ONLY</u>	2016-17	2017-18	2018-19	2019-20	2020-21
1 Major Revenues					
2 Alcoholic Beverage Taxes and Fees	375	377	379	381	383
3 Corporation Tax	10,210	10,894	11,249	11,752	12,241
4 Cigarette Tax	79	65	63	61	59
5 Insurance Gross Premiums Tax	2,483	2,538	2,597	2,799	2,863
6 Mobile Home in-lieu Tax	1	0	0	0	0
7 Personal Income Tax	83,161	88,821	91,007	93,608	96,733
8 Retail Sales and Use Taxes	24,494	24,470	25,725	26,632	27,589
9 Total Major Revenues	\$120,803	\$127,165	\$131,020	\$135,233	\$139,868
10 Minor Revenues/Transfers					
11 Misc Revenue from Local Agencies	172	170	170	170	170
12 Income from Pooled Money Investments	67	106	167	245	291
13 State Lands Royalties	82	34	32	76	76
14 Abandoned Property	364	381	389	390	402
15 Miscellaneous Revenues	60	53	50	50	50
16 Tribal Gaming Revenues	192	8	8	8	8
17 Penalty Assessments - Other	75	32	32	32	32
18 Loan Repayments to Other Funds	-413	-128	-185	-37	-269
19 Weight Fee Transfers	-103	-398	-469	-445	-83
20 All Other Transfers and Loans	15	4	121	41	299
21 Transfer to BSA for Rainy Day Funds	-3,014	-1,773	-1,403	-1,281	-1,214
22 Remaining Others	239	226	225	225	223
23 Total Minor Revenues/Transfers	-\$2,264	-\$1,285	-\$863	-\$526	-\$15
24 Total Revenues and Transfers	\$118,539	\$125,880	\$130,157	\$134,707	\$139,853

General Fund Prop 98 Expenditures
2017 Budget Act
(Dollars in Millions)

	2016-17	2017-18	2018-19	2019-20	2020-21
Proposition 98 guarantee (GF) (before health care share of EPA)	42,950	45,399	45,830	46,765	47,824
Education Protection Account (before health care share of EPA)	7,538	7,232	7,370	7,453	7,622
Local Property Tax	20,902	21,892	23,009	24,201	25,389
Total Prop 98 guarantee	71,390	74,523	76,209	78,419	80,835
Percent Change to Prior-year	3.31%	4.39%	2.26%	2.90%	3.08%
Prop 98 Test	3	2	3	3	3
General Fund Base	42,950	45,399	45,830	46,765	47,824
Education Protection Account	7,538	7,232	7,370	7,453	7,622
QEIA Payment	0	0	0	0	0
Williams Settlement	0	0	0	0	0
Settle-Up for Old Years	(218)	(603)	100	100	190
Mandate Payments	(335)	(877)	(100)	(100)	(190)
Total General Fund	50,488	52,631	53,300	54,318	55,636
Prop 98 Obligations					
Maintenance Factor Changes (+/-)	1,319	-486	569	517	173
Maintenance Factor Balance Prior to Proposition 2	71	0	0	0	0
Maintenance Factor Balance After Proposition 2	1,315	900	1,469	1,986	2,159
Settle-Up Balance	1,043	440	340	240	50
Budgetary Deferrals Balance	0	0	0	0	
QEIA Balance	0	0	0	0	
Mandate Balance	2,025	1,570	1,529	1,491	1,434
Williams Settlement Balance	0	0	0	0	0

**General Fund Multi-Year N98 Expenditures by
Agency 2017 Budget Act
(Dollars in Millions)**

	2016-17	2017-18	2018-19	2019-20	2020-21
N98 excludes Capital Outlay, Debt Service					
Legislative, Executive	\$1,335	\$1,400	\$1,205	\$1,194	\$1,196
Courts	2,033	1,951	1,958	1,943	1,943
Business, Consumer Services, and Housing	78	59	31	31	31
Transportation	4	2	3	3	3
Natural Resources	2,008	1,774	1,650	1,654	1,627
Environmental Protection	82	87	75	74	71
Health and Human Services	34,431	34,657	37,746	40,959	43,264
Interim Affordable Care Act County Offset	(-586)	(-665)	(-655)	(-650)	(-689)
Final Reconciliation for Affordable Care Act County Offset ^{1/}	(164)	(-256)	(0)	(0)	(0)
Corrections and Rehabilitation	10,381	10,640	10,560	10,583	10,644
AB 109 Savings	(-1,544)	(-1,544)	(-1,544)	(-1,544)	(-1,544)
Receiver's Costs	(2,001)	(2,047)	(2,076)	(2,095)	(2,120)
Education	11,882	12,399	13,113	13,889	14,628
STRS Contribution	(2,473)	(2,790)	(3,034)	(3,290)	(3,559)
PERS Contribution (GF) (CSU Only)	(621)	(661)	(693)	(694)	(783)
Labor and Workforce Development	179	129	91	73	73
Government Operations	789	746	721	716	715
General Government	2,019	2,966	3,996	4,813	5,684
Non-Agency Departments	(743)	(665)	(603)	(591)	(591)
Tax Relief/Local Government	(459)	(435)	(428)	(428)	(428)
Statewide Expenditures	(817)	(1,866)	(2,965)	(3,794)	(4,665)
PERS Contribution (GF) (State Only)	(2,506)	(2,727)	(2,942)	(3,195)	(3,524)
Item 9800 Employee Compensation	(0)	(623)	(1,274)	(1,658)	(1,792)
Capital Outlay	347	194	122	145	50
Debt Service	5,365	5,462	5,645	5,510	5,905
Total N98 Expenditures	\$70,933	\$72,465	\$76,916	\$81,588	\$85,834

^{1/}The 2016-17 amount is the repayment to counties for the 2013-14 reconciliation. The 2017-18 amount is payment from counties for the 2014-15 reconciliation.

Debts and Liabilities Eligible for Accelerated Payments Under Proposition 2
2017 Budget Act
(Dollars in Millions)

	Outstanding Amount at Start of 2017-18	Use of 2017-18 Pay Down	Proposed Use of 2018-19 Pay Down	Proposed Use of 2019-20 Pay Down	Proposed Use of 2020-21 Pay Down
Budgetary Borrowing					
Loans from Special Funds	\$1,381	\$133	\$204	\$39	\$290
Weight Fee Payments	1,395	398	469	445	83
Underfunding of Proposition 98—Settle-Up	1,043	603	100	100	190
Repayment of pre-Proposition 42 Transportation Loans	706	235	235	236	0
State Retirement Liabilities					
State Retiree Health	76,533	89	200	250	300
State Employee Pensions	59,578	146	195	211	351
Teachers' Pensions ^{1/}	101,586	0	0	0	0
Judges' Pensions	3,489	0	0	0	0
Deferred payments to CalPERS	627	0	0	0	0
University of California Retirement Liabilities					
University of California Employee Pensions	15,141	169	0	0	0
University of California Retiree Health	21,860	0	0	0	0
Total	\$283,339	\$1,773	\$1,403	\$1,281	\$1,214

^{1/} The state portion of the unfunded liability for teachers' pensions is \$29.332 billion.

**Prop 2 Rainy Day Fund - 2017-18 and Out Years
2017 Budget Act
(Dollars in Millions)**

	2017-18	2018-19	2019-20	2020-21
<u>1.5% of General Fund Revenues & Transfers</u>				
1 General Fund Revenues and Transfers (before BSA transfer)	\$127,653	\$131,560	\$135,988	\$141,067
2 1.5% of General Fund Revenues & Transfers	\$1,915	\$1,973	\$2,040	\$2,116
<u>Capital Gain Revenues (Sec 20(b))</u>				
3 General Fund Tax Proceeds	\$127,688	\$131,448	\$135,761	\$140,447
4 Personal Income Taxes from Capital Gains	\$13,123	\$12,486	\$12,076	\$11,956
5 % of General Fund Tax Proceeds	10.3%	9.5%	8.9%	8.5%
6 8% of General Funds Tax Proceeds	\$10,215	\$10,516	\$10,861	\$11,236
7 Personal Income Taxes from Capital Gains in Excess of 8% General Fund Tax Proceeds	\$2,908	\$1,970	\$1,215	\$720
8 Prop 98 Share of Capital Gains Tax Revenue above 8%	\$1,278	\$1,137	\$694	\$408
9 Non 98 Share of Capital Gain Tax Revenue above 8%	\$1,630	\$833	\$521	\$312
10 Total Available (Lines 2 and 9)	\$3,545	\$2,806	\$2,561	\$2,428
11 Debt Repayment (50%)	\$1,773	\$1,403	\$1,281	\$1,214
12 Deposit to Rainy Day Fund (50%)	\$1,773	\$1,403	\$1,281	\$1,214
13 Additional Transfer to the BSA	\$0	\$0	\$0	\$0
14 Cumulative Balance in Rainy Day Fund ^{1/}	\$8,486	\$9,889	\$11,170	\$12,384
15 BSA Balance as a Percentage of General Fund Tax Proceeds	6.6%	7.5%	8.2%	8.8%

^{1/} Includes balance of \$1.606b from 2014-15, \$2.093b from 2015-16, and \$3.014b (includes \$1.483b additional transfer) from 2016-17.

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