



Final Action Report

A Summary of the 2015 Budget Act

August 17, 2015

Chapter 10 and 11, Statutes of 2015

Senate Committee on Budget and Fiscal Review
Senator Mark Leno, Chair

FINAL ACTION REPORT

August 17, 2015

Assembly Bill 93 and Senate Bill 97
2015-16 Budget Bill

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August 17, 2015

The Senate Committee on Budget and Fiscal Review has completed its Final Action Report, which is a detailed summary of the 2015-16 budget actions taken by the Legislature, along with the Governor's vetoes. This report is available on the website of the Committee on Budget and Fiscal Review:

Please follow the links:

- 1 – www.sen.ca.gov
- 2 – Committees
- 3 – Budget and Fiscal Review
- 4 – Committee Home
- 5 – Latest Information
- 6 – Final Action Report 2015

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 black ink, appearing to read "Mark Leno".

MARK LENO
Chair, Senate Budget and Fiscal Review

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INTRODUCTION

2015 Budget Act

Summary

The Senate Committee on Budget and Fiscal Review's Final Action Report provides a summary of the contents of the 2015 Budget Act, including various 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, along with gubernatorial vetoes.

On June 9, 2015, the Conference Committee completed its work to reconcile the Senate and the Assembly versions of the 2015-16 budget, and issued the Conference Report (AB 93). The Conference Committee built upon the extensive work of both the Senate Committee on Budget and Fiscal Review and the Assembly Committee on 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's expenditure plan. On June 15, 2015, the Legislature passed the 2015 Budget Act, AB 93 (Chapter 10, Statutes of 2015), thus meeting its constitutional obligation to pass a timely balanced budget. After subsequent negotiations with the Governor, on June 19, 2015, the Legislature passed a supplemental Budget Bill "Jr.", SB 97 (Chapter 11, Statutes of 2015). Concurrently, the Legislature also approved numerous budget trailer bills on June 15, 2015 and June 19, 2015. These measures are designed to implement certain provisions of the 2015 Budget Act as noted elsewhere in this report. (The two budget bills and various related trailer bills were signed by the Governor on June 24, 2015).

In total, the 2015 Budget Act authorizes General Fund expenditures of \$115.4 billion. The budget assumes nearly \$117.5 billion in total General Fund resources, and combined total reserves in the Budget Stabilization Account (BSA) and the Special Fund for Economic Uncertainties (SFEU) of \$4.6 billion. The adopted budget results in measured spending increases in non-Proposition 98 spending for high-priority investments identified by the Legislature. The budget also includes significant changes to spending priorities within Proposition 98 resources. The adopted budget incorporates moderate new spending in the budget and out-years. The General Fund budget summary of the adopted budget is displayed on the following page.

General Fund Budget Summary		
Current and Budget Year		
(Dollars in Millions)		
	<u>2014-15</u>	<u>2015-16</u>
Prior Year Balance	\$5,589	\$2,423
Revenues and Transfers	111,307	115,033
Total Resources Available	\$116,896	\$117,456
Non-Proposition 98 Expenditures	64,865	65,953
Proposition 98 Expenditures	49,608	49,416
Total Expenditures	\$114,473	\$115,369
Fund Balance	\$2,423	\$2,087
Reserve for Liquidation of Encumbrances	971	\$971
Special Fund for Economic Uncertainties	\$1,452	\$1,116
Budget Stabilization Account	\$1,606	\$3,460

Budget Process and Development

January Budget. The Governor's budget included \$114.8 billion in General Fund revenues and other resources and \$113.3 billion in total General Fund expenditures (\$66.3 billion in non-Proposition 98 and \$47.0 billion in Proposition 98), provided for a \$534 million SFEU and set aside an additional \$1.2 billion for the BSA. Expenditures in 2015-16 were proposed to be about \$1.6 billion higher than revised 2014-15 expenditures. The Governor's Budget also included the continuation of established efforts to pay down budgetary debt from past years, and as set forth through the passage of Proposition 2. Significant additional funding was proposed for K-14 education and higher education, with some increases for health and human services, and corrections and rehabilitation. Additional resources that allowed for measured expansions and workload growth were the result of positive revenue growth based on the general economic upturn.

May Revision. On May 14, the Governor released his May Revision for 2015-16. The Governor projected General Fund expenditures of \$115.3 billion, revenues of \$115.0 billion, and an SFEU of \$1.1 billion. Compared to January, the revenues represented an increase of \$1.7 billion and the reserve level an increase of \$579 million. In addition, the Governor adjusted some assumptions in the current year and budget year regarding expenditures for certain programs. The May Revision reflected a significant increase in the Proposition 98 guarantee, based on robust revenues and a significantly greater General Fund cost. The Governor's overall budgetary framework continued to be balanced over most of the forecast period and the budget plan would continue to reduce the budgetary debt and other obligations. The proposal included the required deposit to the BSA of about three percent of revenues, with half that amount diverted to retire certain long-term budgetary debt.

Conference Version. The Conference Report on the 2015-16 budget was adopted on June 9, 2015. The Conference Committee approved various conference actions between June 1 and June 9, 2015 that, when combined with previous actions taken in both the Senate and Assembly, constituted the Conference version of the 2015-16 Budget Act. The Conference version balanced the need for additional public investment in child care, K-12 education, higher education, health care, and other programs, with the necessity of maintaining the state's fiscal stability through increased reserves and debt reduction. The Conference version was based on the somewhat higher revenue assumptions provided by the Legislative Analysts' Office (LAO), which also formed the revenue basis for the Senate and Assembly budget proposals.

Adopted Budget. On June 15, 2015, the Legislature completed its work on the budget with the approval of AB 93. Subsequently, after negotiations with the Governor, the Legislature passed SB 97. Together, these measures constitute the 2015-16 budget. The 2015 Budget Act extends the efforts of the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, and the Conference Committee on the Budget, and reflects extensive negotiations with the Administration. Working from the general basis of the Governor's Budget and May Revision, the Legislature incorporated significant and important budgetary and policy changes to the state's expenditure plan. In general, the budget reflects the framework of the Governor's budget, but incorporates Legislative priorities as established through the spring budgetary process. The 2015 Budget Act, including trailer bill legislation, was signed by the Governor on June 24, 2015, thus fulfilling the requirements of the California Constitution.

Major Highlights of the Adopted Budget

Resources and Fiscal Structure

The adopted budget assumes the Governor's revenue assumptions for 2015-16 of \$115.0 billion (net of loan repayments and transfer to the BSA), representing an increase of 3.3 percent from the current year. The Conference Report had adopted the slightly more optimistic revenue forecast of the LAO, which had allowed for a modest increase in additional spending, but also provided for increased reserves, similar to the Governor's plan, and more pay-down of long-term and budgetary debt. Revenue differences between the Conference Report and the adopted budget were largely due to assumptions of capital gains realizations. Revenue assumptions for major General Fund revenue sources are shown in the table below:

General Fund Revenue Sources				
Current and Budget Years				
(Dollars in Millions)				
	<u>2014-15</u>	<u>2015-16</u>	<u>Percent</u>	<u>Percent</u>
			<u>Change</u>	<u>Total</u>
Personal Income Tax	\$75,384	\$77,700	3.1	66.5
Sales and Use Tax	23,684	25,240	6.6	21.6
Corporation Tax	9,809	10,342	5.4	8.8
Insurance Tax	2,486	2,556	2.8	2.9
Other Taxes	1,550	1,049	-32.3	0.9
Total	\$112,913	\$116,887	3.5	--

* Budget Year 2015-16

The adopted budget includes total General Fund expenditures of \$115.4 billion for 2015-16, up from \$114.5 billion in the current year. This amount includes \$49.4 billion for Proposition 98 and \$65.9 billion on Non-Proposition 98 programs. The total represents an increased level of spending (not including the additional expenditures on debt retirement) over that of the May Revision of about one percent.

In addition, as shown in the table on Page 2, the budget sets aside billions of additional resources to pay-down debt and make deposits to the BSA. The adopted budget provides for \$4.6 billion in general reserves, comprising combined amounts of \$1.1 billion in the SFEU, and \$1.9 billion deposited to the BSA (for a total balance in that fund of \$3.5 billion). In addition, the budget pays off \$1.9 billion of long-term and budgetary debt.

Based on current funding plan, the General Fund shows slight operating deficits 2015-16 through 2017-18, with a somewhat larger operating deficit of \$2.7 billion in 2018-19. It should be noted, however, that this assumes continued pay-down of debt over the four years of \$5.5 billion in aggregate. In addition, by 2018-19, the BSA balance is forecasted to be \$7.1 billion.

Expenditure Highlights

The budget package represents a comprehensive approach to continue the restoring 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 higher education—within the established framework. The architecture for the plan began with much of the Governor's base level funding, but incorporated distinctive and important changes in program spending reflecting the Legislature's priorities. Major spending categories are shown below:

General Fund Expenditure Current and Budget Years (Dollars in Millions)				
	<u>2014-15</u>	<u>2015-16</u>	<u>Percent Change</u>	<u>Percent Total</u>
Legislative, Judicial, Executive	\$2,986	\$3,158	5.8	2.7
Business, Consumer, Housing	843	627	-25.6	0.5
Transportation	200	261	30.5	0.2
Natural Resources	2,558	2,479	-3.1	2.1
Environmental Protection	87	69	-20.7	0.0
Health and Human Services	30,015	31,867	6.2	27.6
Corrections and Rehabilitation	10,030	10,078	0.5	8.7
K-12 Education	49,659	49,373	-0.6	42.8
Higher Education	13,267	14,200	7.0	12.3
Labor and Workforce	282	214	-24.1	0.2
Government Operations	754	738	-2.1	0.6
General Government	2,186	2,305	5.4	2.0
Economic Recovery Bonds	1,606	--	--	--
Total	\$114,473	\$115,369	0.8	--

* Budget Year 2015-16

K-14 Education. The budget continues the state's rapid reinvestment in education. The Proposition 98 funding guarantee (comprising General Fund and local property tax revenues) for K-14 schools was \$56.6 billion in 2007-08, but dropped to \$47.3 billion in 2011-12 as a result of revenue declines largely attributable to the recession. Since then, funding has increased regularly, and will be \$68.4 billion in 2015-16. The Proposition 98 maintenance factor (an indicator of the past cuts made to schools and community colleges) totaled nearly \$11.0 billion as recently as 2011-12, but is reduced to just \$772 million in the 2015-16 budget. This reinvestment provides for continued implementation of the Local Control Funding Formula (LCFF) well ahead of schedule. When the formula was adopted in 2013-14, funding was expected to be \$47.0 billion in 2015-16. The budget provides \$6.0 billion more, with an allocation of \$53.0 billion this coming year. One-time Proposition 98 funding of \$3.8 million is provided to pay K-14 mandate claims. Additional funds are available for career technical education, adult education, educator support, special education and K-12 internet access.

Child Care and Early Education. A centerpiece of the Legislature's priorities is early childhood education, where the budget invests an increase of \$423 million (\$220 million Proposition 98 General Fund and \$203 million General Fund) to improve access and strengthen quality. The budget provides 13,380 new slots (\$133 million) for full-day state preschool and voucher-based programs, and increases to several reimbursement rates (\$163 million [\$44 million Proposition 98 and \$119 million other funds]), including: rates for State Preschool and other providers that directly contract with the Department of Education, rates for voucher-based child care providers, and rates for license-exempt providers.

Higher Education. The budget maximizes the state's dollars in opening up opportunities for Californians by investing in quality, affordability, and increased access at the state's higher education systems. To maintain affordability, the budget holds tuition for California undergraduate students flat through 2016-17. It includes \$217 million in new ongoing funding for the California State University (CSU) and provides \$120 million in new ongoing funding for the University of California (UC). For UC, it also provides temporary funding from Proposition 2 to assist in paying down UC's unfunded pension liability. For California Community Colleges (CCC), the budget provides \$100 million for investing in student success, as well as more resources for full-time faculty and basic skills efforts.

Water Policy and Drought Response. California has experienced four consecutive years of below-average rain and snow, and is currently facing severe drought conditions in all 58 counties. Since a state of emergency was declared on January 2014, the Legislature and the Administration have worked to assist drought-impacted communities and fund critical water infrastructure projects that will make the state more resilient if the drought continues. The 2015 Budget Act includes an additional \$1.8 billion of one-time resources to continue the state's response to drought impacts. The funds will protect and expand local water supplies, conserve waters and respond to emergency conditions.

Cap-and-Trade Expenditures. The adopted budget for 2015-16 includes staff resources necessary to continue existing workload related to cap-and-trade expenditures, but rejects all of the discretionary expenditure proposals, so that discussions between the Legislature and the Administration can continue in order to further refine the state's expenditure plan for the 40 percent of the cap-and-trade revenues that are not continuously appropriated pursuant to statutes enacted last year.

Earned Income Tax Credit. The budget includes an Earned Income Tax Credit (EITC) for the benefit of low-income wage earners. The targeted credit provides a refundable tax credit totaling \$380 million, and focuses on households with incomes less than \$6,580, if there are no dependents and up to \$13,870, if there are three or more dependents. The credit matches 85 percent of the federal credit, at the lowest income levels, with a maximum benefit of \$2,653. Unlike the federal program, the state EITC is subject to annual appropriation, depending on budgetary conditions.

Other Significant Investments and Initiatives. In other important legislative initiatives, the plan funds additional significant activities and programs, and targeted support for various programs. The budget:

- Expands Medi-Cal to children regardless of immigration status beginning in May 2016 by providing \$40.0 million General Fund. The annual expansion is expected to cost \$132.0 million General Fund. An additional \$20.9 million (\$16.8 million General Fund) is set aside for Medi-Cal coverage of newly qualified immigrants as a result of the President's Executive Order on immigration.
- Increases managed care rates by \$125 million General Fund, restores the rate reduction for dental care providers at a cost of \$60 million (special and federal funds), includes behavioral health treatment services as a Medi-Cal benefit, and includes other health services investments.
- Restores the seven percent reduction in hours for In-Home Supportive Services (IHSS) with an augmentation of \$226 million General Fund for the budget year. Also includes \$270 million for overtime pay for IHSS with an assumed implementation in October 2015.
- Supplies approximately \$25 million in immigration assistance, including more funding for non-profits to help undocumented immigrants with documentation required under the President's deferred action. Creates a fund to support the newly-created Office of New Americans, charged with developing a statewide strategic plan for immigration integration.
- Contains \$35 million for CalWORKs housing support program services and \$17.7 million for foster parent recruitment, retention, and support.
- Approves the Governor's proposal to have the Department of Developmental Services submit a plan to the Legislature to close one or more state developmental centers and expands the plan requirement to include greater detail and input from system stakeholders and local communities.

- Reduces the waitlist for competency determinations by expanding the Restoration of Competency Program with \$10.8 million and provides for treatment of certain patients in county facilities rather than state hospitals.
- Includes funding of: \$3.0 million for the state syringe exchange program to reduce pathogens such as HIV and Hepatitis C; \$2.2 million annually for three years for Hepatitis C prevention demonstration projects; and \$2.0 million for pre-exposure prophylaxis program to reduce HIV incidence.
- Incorporates a savings of \$73.3 million for the Department of Corrections and Rehabilitation tied to a reduction of 4,000 out-of-state contract beds; provides \$37.2 million for new infill facilities, including enhanced outpatient program beds; and provides \$125.0 million for community corrections performance incentive grants.
- Approves additional resources for toxic substances control, including \$3.7 million for enhanced enforcement and permitting coordination, and additional funding for hazardous waste enforcement program and hazardous waste reduction.
- Increases resources by \$9.5 million for evaluations by the Department of Conservation regarding the impacts of underground injection and exemptions from the Safe Drinking Water Act and \$4.0 million to perform inventory and enforcement related to oil and gas produced water ponds.
- Augments the budget for trial courts by \$90.1 million, to support operations, representing the second year of a two-year funding plan to stabilize its budget, and \$66.2 million to compensate for reduced fines and penalty revenues.
- Provides a General Fund loan of \$1.1 million and \$500,000 million in other funds to increase resources for the Statewide Project Management Office of the Department of Technology, to develop a framework for managing state information technology projects.
- Includes \$123.0 million for deferred maintenance projects throughout the state based on approval from the Department of Finance and review by the Joint Legislative Budget Committee, including amounts for higher education, parks and recreation, corrections, and other areas.
- Includes almost \$8.0 million in additional General Fund support for the state library, including support for the literacy program, broadband project, online high school, and library preservation activities.
- Provides ongoing support for the California Arts Council of \$7.1 million annually, which will allow support for personnel and efforts in the areas of economic and community development, arts education, cultural and community engagement, and the creative economy.

Subcommittee No. 1 – Education

6100	Department of Education	6600	Hastings College of the Law
6120	California State Library	6610	California State University
6360	Commission on Teacher Credentialing	6870	California Community Colleges
6440	University of California	7980	California Student Aid Commission

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		
0555	Secretary for Environmental Protection	3825	San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy
2600	California Transportation Commission		
2660	Department of Transportation	3830	San Joaquin River Conservancy
2665	High-Speed Rail Authority	3835	Baldwin Hills Conservancy
2670	Board of Pilot Commissioners	3840	Delta Protection Commission
2720	California Highway Patrol	3845	San Diego River Conservancy
2740	Department of Motor Vehicles	3850	Coachella Valley Mountains Conservancy
3110	Special Resources Programs	3855	Sierra Nevada Conservancy
3125	California Tahoe Conservancy	3860	Department of Water Resources
3340	California Conservation Corps	3875	Sacramento-San Joaquin Delta Conservancy
3360	California Energy Commission	3885	Delta Stewardship Council
3460	Colorado River Board of California	3900	Air Resources Board
3480	Department of Conservation	3930	Department of Pesticide Regulation
3540	Department of Forestry and Fire Protection	3940	State Water Resources Control Board
3560	State Lands Commission	3960	Department of Toxic Substances Control
3600	Department of Fish and Wildlife	3970	Department of Resources Recycling and Recovery
3640	Wildlife Conservation Board		
3720	California Coastal Commission	3980	Office of Environmental Health Hazard Assessment
3760	State Coastal Conservancy		
3780	Native American Heritage Commission	7300	Agricultural Labor Relations Board
3790	Department of Parks and Recreation	8570	Department of Food and Agriculture
3810	Santa Monica Mountains Conservancy	8660	California Public Utilities Commission

Subcommittee No. 3 – Health and Human Services

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

Subcommittee No. 4 – State Administration and General Government

0509	Governor’s Office of Business and Economic Development	8820	Commission on the Status of Women and Girls
0650	Office of Planning and Research	8885	Commission on State Mandates
0690	Office of Emergency Services	8940	Military Department
0840	State Controller	8955	Department of Veterans Affairs
0845	Department of Insurance	9210	Local Government Financing
0860	State Board of Equalization	9600	Debt Service for General Obligation Bonds
0890	Secretary of State	9620	Payment of Interest on General Fund Loans
0950	State Treasurer’s Office		
1110/1111	Department of Consumer Affairs – Board and Bureaus	Control Sections:	
1701	Department of Business Oversight	6.10	Funding for Deferred Maintenance Projects
2100	Alcoholic Beverage Control		
2240	Department of Housing and Community Development		
7502	Department of Technology		
7730	Franchise Tax Board		
7760	Department of General Services		
7870	Victims Compensation and Government Claims Board		
8260	California Arts Council		
8620	Fair Political Practices Commission		

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

0250	Judicial Branch	7503	State Personnel Board
0280	Commission on Judicial Performance	7900	Public Employees' Retirement System
0530	California Health and Human Services Agency	7920	State Teachers' Retirement System
0552	Office of the Inspector General	8120	Commission on Peace Officer Standards and Training
0820	Department of Justice	8550	California Horse Racing Board
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		
6645	CSU Health Benefits for Retired Annuitants		
7100	Employment Development Department		Control Sections:
7120	California Workforce Investment Board	3.60	Contributions to Public Employee Retirement Benefits
7320	Public Employment Relations Board	3.61	Contributions to Public Employee Retirement Benefits
7350	Department of Industrial Relations	4.11	Civil Service
7501	Department of Human Resources		

SUBCOMMITTEE 1
ON EDUCATION
FINAL ACTION REPORT

Senate Committee on Budget and Fiscal Review

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SUBCOMMITTEE No. 1

EDUCATION

K-12

6100	Department of Education.....	1-1
6360	Commission on Teacher Credentialing	1-13

Higher Education

6120	California State Library	1-15
6440	University of California.....	1-16
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K-12 EDUCATION

6100 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

K-14 EDUCATION - PROPOSITION 98 OVERALL

The 2015 Budget Act includes adoption of the Governor's May Revision revenue estimates, which result in Proposition 98 funding at the Governor's May Revision funding levels for K-12 schools and community colleges (K-14 education), as illustrated below:

Budget Year	Proposition 98 Minimum Guarantee	Change from Estimated Guarantee as of June 2014	Applicable Proposition 98 Test ¹	K-12 Overall Per Pupil Expenditures ²
2013-14	\$58.9 billion	\$612 million increase	Test 2	\$8,744
2014-15	\$66.3 billion	\$5.4 billion increase	Test 1	\$9,840
2015-16	\$68.4 billion	\$7.6 billion decrease	Test 3	\$10,076

Of the \$68.4 billion appropriated in 2015-16, \$59.5 billion (87 percent) funds K-12 education; \$7.4 billion (11.6 percent) funds community colleges; \$885 million (one percent) funds preschool and child care programs that are counted within Proposition 98; and \$80.3 million (less than one percent) funds other programs. The Governor's estimates of statewide average daily attendance were also adopted, including 5,995,889 K-12 pupils in 2015-16.

Proposition 98 Major Changes. The following significant investments in K-12 education were adopted:

DEBT REDUCTION

- **Mandates Backlog.** The budget appropriates \$3.8 billion to pay down the K-14 education mandates backlog, which totaled over \$5 billion in mandate costs from prior years. The

¹ In general, Test 1 is calculated based on a specified percent of General Fund revenues (currently around 39.5 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.

“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. The budget includes the Legislature’s intent for the portion of these payments being provided to K-12 schools (\$3.2 billion) to be dedicated to supporting professional development and beginning teacher induction, and continuing implementation of the Common Core State Standards, the English Language Development Standards, and the Next Generation Science Standards. This builds on the approach of the Budget Act of 2014, which included \$450 million in K-14 mandates backlog payments in 2014-15. (Of the total, \$3.7 billion is Proposition 98 one-time funds and reappropriations, and \$110 million is from Proposition 98 settle-up payments.) The budget includes language that ensures that school districts and community colleges do not have to remit funding to pay for disallowed costs identified by audits.

- **Emergency Repair Program.** The budget provides \$273.4 million total funding for the Emergency Repair Program, which was created in response to the *Williams v. California* litigation settlement in 2004. This funding pays off the state’s remaining obligation for critical repairs of low-performing schools. Of the total, \$145.6 million is provided in Proposition 98 settle-up and \$127.9 million is provided in reappropriated Proposition 98 funds.
- **Deferral Elimination.** Trigger language adopted in the 2014 Budget Act specified that if the combined 2013-14 and 2014-15 minimum guarantees rise above the levels assumed in the 2014 Budget Act, as determined by the Director of Finance (DOF) on May 13, 2015, the higher funding would be used to retire some or all of the remaining \$992 million in deferrals for local educational agencies (LEAs) and community colleges. The budget reflects the DOF’s estimates for Proposition 98 funding and includes sufficient funding to eliminate the full \$992 million in remaining deferrals. The deferrals, which were utilized to mitigate programmatic reductions for K-12 schools and community colleges, reached an all-time high of \$10.4 billion in 2011-12.

LOCAL CONTROL FUNDING FORMULA (LCFF)

- **Appropriation of Funds.** The budget provides \$6.0 billion in additional resources from the General Fund for allocation through the LCFF to school districts and charter schools in 2015-16. The Governor had proposed providing \$6.2 billion at the May Revision. This transition funding fills 51.52 percent of the remaining “gap” to full funding of school district and charter school LCFF targets. LCFF target funding levels were established in 2013-14 and are annually updated as each 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 2013-14 through 2015-16. Adjustments to the LCFF base funding amount

for school districts, charter schools, and county offices of education are continuously appropriated through existing statute.

Additionally, the Legislature rejected the Governor's proposed trailer bill language that would have required the state to appropriate a percentage of Proposition 98 funding (determined annually during the budget process) for LCFF implementation each year, rather than appropriating a total amount.

Other LCFF-related changes. The Legislature approved the Governor's trailer bill language proposals for technical changes related to the LCFF, including the elimination of obsolete code, alignment of code references, and minor clarifying changes. Significant changes are as follows:

- **LCFF Evaluation Rubric Adoption Process.** The Legislature approved an extension of the deadline for the State Board of Education to adopt the LCFF Evaluation Rubric from October 1, 2015 to October 1, 2016. The Legislature also provided \$350,000 for the CDE to contract with the San Joaquin County Office of Education for the support and development of evaluation rubrics.
- **Homeless Students Accountability.** The Legislature approved the addition of homeless youth as one of the designated student subgroups for statewide accountability purposes. Homeless youth are now included in the pupil subgroups LEAs must report on in their Local Control and Accountability Plans.
- **LCFF Transparency Language.** The Legislature adopted trailer bill language stating its intent to require, once the LCFF is fully implemented, LEAs to report to the Superintendent of Public Instruction for compilation on the CDE website, the following: 1) the amount of funds received on the basis of the number and concentration of unduplicated pupils, and 2) the amount of LCFF funds expended on unduplicated pupils.
- **Home to School Transportation Add-on Joint Powers Agencies (JPA).** The Legislature approved the proposal to shift \$13.7 million in Home to School Transportation funding provided directly to JPAs to the member school districts comprising those JPAs.
- **Local Control and Accountability Plan (LCAP) and Budget Review Provisions.** The Legislature approved trailer bill language to better align the timelines for LEA budget adoption and LCAP adoption.

EDUCATOR EFFECTIVENESS

The budget act provides \$500 million in one-time Proposition 98 funding for Educator Effectiveness. Trailer bill language specifies that of this total, \$490 million be used for the following:

- Beginning teacher and administrator support and mentoring.
- Professional development, coaching, and support services for teachers who have been identified as needing improvement or additional support.
- Professional development for teachers and administrators aligned to the state academic content standards.
- Promotion educator quality and effectiveness, including, but not limited to, training on mentoring and coaching certificated staff and training certificated staff to support effective teaching and learning

As a condition of receiving funds, local educational agencies must develop and adopt a plan for expenditure of funds. Funds may be expended through the 2017 -18 fiscal year. Of the total, \$10 million is provided to the K-12 High Speed Network to provide professional development and training related to network management and infrastructure.

ADULT EDUCATION

- The budget includes \$500 million Proposition 98 General Fund for the Adult Education Block Grant Program. Trailer bill language caps the funding provided to school districts and county offices of education for adult education on the basis of the maintenance-of-effort certification at \$375 million; specified that joint powers agencies may participate as adult education consortia members; reduced the role of the Executive Director of the State Board of Education; and allowed specific older adult programs pertaining to workforce development or caregiver programs to be funded by consortia. Trailer bill language also clarifies that LEAs may use LCFF funds for adult programs.
- The budget provides \$25 million in one-time Proposition 98 General Fund to develop and collect outcomes data relating to the effectiveness of each adult education consortia in meeting the educational and workforce training needs of adults. The Legislature adopted trailer bill language to authorize the chancellor and superintendent to collaborate on the development of common outcome data collection, and required them to report to the Legislature by (November 1, 2015) on its progress.

EARLY CHILDHOOD CARE AND EDUCATION PROGRAMS

Overall, the budget provides \$2.8 billion (\$885 million Proposition 98 General Fund; \$977 million General Fund; \$958 million federal funds) for child care and preschool programs. The 2015 Budget Act includes an additional \$423 million (\$220 million Proposition 98 General Fund and \$203 million General Fund) to rebuild the state's child care and early learning programs, which includes 13,380 new slots and corresponding budget and trailer bill language. Specifically, the budget does the following:

- **California State Preschool Program (CSPP).** State preschool provides part-day or full-day care and education for low-income three and four-year-old children. The budget provides an increase of 5,830 full-day slots to LEAs, effective January 1, 2016 (\$28.4 million Proposition 98 General Fund); and 1,200 full-day slots for non-LEAs, effective January 1, 2016 (\$2.5 million Proposition 98 General Fund and \$3.5 million General Fund).
- **CalWORKs Child Care.** The budget provides \$411 million (\$374.8 million federal Temporary Assistance to Needy Families [TANF] and \$35.7 million General Fund) for Stage 1 child care, \$414 million (\$10 million TANF and \$404.2 million General Fund) for Stage 2 child care, and \$278 million (\$136.1 million federal Child Care Development Fund and \$142.2 million General Fund) for Stage 3 child care.
- **Alternative Payment Slots.** The budget provides 6,800 new alternative payment slots.
- **Payment Rates.** The budget includes 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:
 - **Standard Reimbursement Rate (SRR).** Effective July 1, 2015, provides a five percent increase to the SRR. Effective July 1, 2015, establishes the full-day State Preschool rate for the SRR.
 - **Regional Market Rate (RMR).** Effective October 1, 2015, provides a 4.5 percent increase, to the RMR for all counties. Effective October 1, 2015, establishes the RMR ceilings, at the greater of either the 85th percentile of the 2009 RMR survey, reduced by 10.11 percent; or, the 85th percentile of the 2005 RMR survey. These ceilings must be calculated to include the additional 4.5 across-the-board increase, as discussed above.
 - **License-Exempt Rate.** Effective October 1, 2015, increases, from 60 percent to 65 percent of the family child care home rate, the reimbursement rate for license-exempt child care providers.
- **Adjustment Factors.** The budget includes trailer bill language that requires that adjustment factors for serving specified infants, toddlers, children with exceptional needs, children with severe disabilities, children at risk of abuse or neglect, or limited-English speaking and non-English speaking children, must apply to a full-day State Preschool program when reimbursement rates are above the full-day State Preschool rate.
- **San Francisco Individualized County Child Care Subsidy Pilot Project.** Since 2006, the pilot project authorizes the city and county to develop and implement an individualized county child care subsidy plan in recognition of the high-cost of living in those counties. Specifically, San Francisco could more flexibly use existing allocations to provide subsidized child care to families whose income levels would have made them ineligible in other parts of the state, to pay

increased reimbursement rates to child care providers, and to temporarily reallocate funds among providers when one provider is unable to fully expend the funding in its contract. The budget eliminates the July 1, 2018 sunset on the pilot project, making this a permanent program.

- **“Wrap”-care into Proposition 98 Guarantee.** Previously, full-day State Preschool was funded with Proposition 98 and non-Proposition 98 General Fund: part-day preschool with Proposition 98, and the wrap portion, or “wrap-care”, with non-Proposition 98 General Fund. The budget shifts local educational agencies’ “wrap care” into the Proposition 98 guarantee.
- **Stakeholder Workgroups.** The budget includes trailer bill language that requires CDE to convene a stakeholder group to provide recommendations to streamline data and other reporting requirements for child care and early learning providers, and a separate stakeholder group to examine CalWORKs Stage 2, CalWORKs Stage 3, and Alternative Payment Program child care contract requirements, program and fiscal audits, and the process by which contractors are informed of, and implement, new contract requirements.
- **Infant and toddler Quality Rating Improvement System (QRIS).** The budget provides \$24.2 million General Fund for the Quality Rating and Improvement System (QRIS) consortia to support quality improvements for infants and toddler child care providers. Each county participating in a QRIS consortia and in good standing with the CDE must receive a minimum grant of \$25,000 for this purpose, with the remaining funds distributed to consortia based on their proportion of contracts for infant and toddler child care programs with the department.
- **Transitional Kindergarten.** The budget includes trailer bill language to authorize students who will turn five years old after the eligibility window for Transitional Kindergarten to be enrolled in Transitional Kindergarten before they turn five years old, and states that this enrollment must not generate funding for average daily attendance or be included in the enrollment or unduplicated pupil count for purposes of the LCFF until those students turn five years old.

K-12 CAREER TECHNICAL EDUCATION (CTE)

- **Career Technical Education Incentive Grant.** The budget includes Proposition 98 General Fund of \$400 million in 2015-16, \$300 million in 2016-17, and \$200 million in 2017-18, for the Career Technical Incentive Grant program. The program provides competitive grants in three size-related average daily attendance spans (based on grades 7 to 12 average daily attendance). The State Superintendent of Public Instruction and the State Board of Education will distribute grants and will provide higher weighting of applicants who do not have a CTE program, serve low-income, English learner, and foster youth students, have a high dropout rate, or are located in areas with high unemployment rates. Program participants will have to provide matching funds, report on outcomes, and submit plans for the use of funds.

- **Career Technical Education Programs.** The budget provides \$310,000 (rather than the Governor's proposed funding level of \$810,000) of additional one-time career technical education carryover funding. Of this total, \$220,000 is for completion of the CTE Online development project, the California Partnership Academies Special Project, and the Leadership Development Institutes project; and \$90,000 is for two county offices of education to provide regional Linked Learning trainings.

SCHOOL FACILITIES

- **Proposition 39 Energy Efficiency.** The budget reflects the Governor's estimated revenue of \$721 million resulting from the California Clean Energy Jobs Act (Proposition 39). The funds for K-12 schools and community colleges total \$352 million (\$313.4 million for K-12 schools and \$38.7 million for community college districts for energy efficiency project grants). Additionally, the budget allocated \$5.3 million to the California Conservation Corps for continued technical assistance to K-12 schools, and \$3 million to the California Workforce Investment Board for continued implementation of a job-training program.
- **Charter School Facilities.** The budget includes the Governor's proposal to expand eligibility for the Charter School Facility Program by reducing the requirement from having enrollment that is 70 percent or more free and reduced price lunch eligibility to 55 percent. The budget also provides \$20 million in additional ongoing Proposition 98 funding, differing from the Governor's proposal of \$50 million.
- **Routine Restricted Maintenance.** The Legislature adopted trailer bill language to allow for the phase-in of the requirement to set-aside three percent of an LEA's funding for routine maintenance. LEAs must be at two percent by 2017-18, and three percent by 2020-21. Funds set aside for routine maintenance may also now be used for drought mitigation purposes. The set-aside requirement was suspended through the 2014-15 fiscal year under a categorical flexibility policy adopted in 2008-09.
- **State Special Schools Deferred Maintenance.** The budget includes \$3 million in one-time, non-Proposition 98 General Fund resources for deferred maintenance projects at the State Special Schools. The State Special Schools receive both Proposition 98 and non-Proposition 98 funding.

SPECIAL EDUCATION

- **Special Education Funding.** The budget includes proposed state and federal funding for special education of \$4.4 billion. Additionally, the budget specifies the amounts of funding allocated in the budget acts of 2012 that count toward the 2010-11 and 2011-12 fiscal year MOE requirements for the special education program, and adjusted special education General Fund apportionments in 2015-16, based on an updated determination of revenues related to the dissolution of redevelopment agencies. The budget also includes language to allow future

adjustments of the 2015-16 Special Education apportionment if estimated revenues related to dissolution of redevelopment agencies do not materialize.

- **Special Education Investments.** (The California Statewide Special Education Taskforce was convened by special education stakeholders) in 2013 to review the practice and funding of special education in the state and make recommendations for improvement. The Budget Act adopts the following changes based on task force recommendations:
 - \$30 million in ongoing Proposition 98 funds to increase services for infants and toddlers with disabilities.
 - \$12 million Proposition 98 funds to serve 2,500 additional children in part-day State Preschool, with priority for children with exceptional needs.
 - \$6 million in ongoing Proposition 98 funds to increase the rate for part-day State Preschool by one percent. Providers must increase their professional development activities around training teachers on behavioral strategies and targeted interventions to improve kindergarten readiness and provide parents with information about accessing local resources for the screening and treatment of developmental disabilities.
 - \$1.9 million in one-time federal funds to cover increased workload for the Office of Administrative Hearings (OAH), with which CDE contracts to conduct hearings, mediation, and settlement services between districts and families who disagree about special education services.
 - \$1.65 million in ongoing federal funds to expand grants for Special Education Local Plan Areas to hire mediators or conduct other strategies to try to resolve disputes regarding special education services without going to trial. This includes technical adjustments related to this action, including federal grant alignment and federal carryover adjustments.
 - \$500,000 in ongoing federal funds for CDE to contract with another entity to develop resources and provide technical assistance to districts around implementing the federally-required State Systemic Improvement Plan for students with disabilities.
 - \$10 million in one-time Proposition 98 funding for one or two county offices of education to develop and disseminate statewide resources that assist LEAs in establishing and aligning schoolwide, data-driven systems of learning and behavioral supports.

STATEWIDE STUDENT ASSESSMENTS

The Budget Act includes a total of \$146.9 million (\$126.5 million in Proposition 98 funding and \$20.4 million in federal funding) for student assessments in 2015-16. This includes \$123.2 million for state-level contract costs (for the development and support of new assessments, as well as ongoing assessments) and \$23.7 million to cover test administration costs. This includes the following proposals:

- **English Language Proficiency Assessment.** The budget provides for the carryover of \$2.4 million in federal Title VI contract savings from 2014-15 to 2015-16, to support development of the new English Language Proficiency Assessments for California.
- **Smarter Balanced Assessment Consortia Savings.** The Legislature adopted provisional language that allows for \$1.5 million of savings from the Smarter Balanced Assessment Consortia Contract to first be used to fund assessment fellows, a professional team of assessment consultants under CDE who assist local entities with assessment implementation. If private funding is available to support the assessment fellows, these savings may then be used for training related to the California Assessment of Student Performance and Progress (CAASPP) resources, tools, and training modules, and for digital library resources specific to the use of Smarter Balanced assessments.
- **California High School Exit Exam (CAHSEE).** The Legislature adopted provisional language to allow CDE flexibility to respond to pending legislation that may suspend the CAHSEE requirement. The language allows CDE to extend the current contract for the CAHSEE by one year or alternatively allows CDE to use CAHSEE contract savings for the English language development assessment, primary language assessments, and the California Alternative Assessment.

OTHER ISSUES

- **K-12 High-Speed Network.** The budget includes \$50 million in Broadband Infrastructure Improvement Grants (BIIG) and provisional language that requires projects over \$1,000 per test-taking student to be contingent upon approval of the DOF, with notification to the Joint Legislative Budget Committee (JLBC). Any remaining funds available, after all reasonable solutions have been funded for school sites that meet BIIG priorities may be used to fund under-connected school sites upon approval of the DOF, with notification to the JLBC. The (K-12) High Speed Network must submit a report to the budget committee of the Legislature, CDE, State Board of Education, and the DOF by October 2016 on the projects funded, costs, and future needs. The Governor had proposed \$108.5 million for BIIG projects in 2015-16.

- **Cost-of-Living Adjustments.** The budget provides \$96 million to support a 1.02 percent COLA to specified K-12 education programs, including Foster Youth Services, American Indian Centers, American Indian Early Childhood Education, Special Education, Preschool, Child Nutrition, and County Office of Education LCFF programs.
- **Foster Youth Services.** The budget provides \$10 million to augment the foster youth services program pursuant to pending legislation AB 854 (Weber) that aligns program requirements to reflect the establishment of the LCFF.
- **Quality Education Investment Act (QEIA) Transition Funding.** The budget provides \$4.6 million to schools that received QEIA funding in the 2013-14 fiscal year, but are located in school districts that do not qualify for concentration grant funding under the LCFF. This total funding amount is half of the amount these schools received under QEIA, with the intention to allow these schools to transition to their new LCFF funding amounts. A subset of low-performing schools received funding under a settlement agreement from the *California Teachers' Association v. Schwarzenegger* litigation, which established the QEIA.
- **Tolerance Education.** The budget provides \$2 million in ongoing Proposition 98 funds to the Los Angeles County Office of Education for professional development and leadership training in anti-bias education and the creation of inclusive and equitable schools.
- **Student Friendly Services.** The budget provides an additional \$1 million in funding for the Student Friendly Service college planning website. Of this total, \$500,000 is ongoing Proposition 98 funding and \$500,000 is one-time reappropriated Proposition 98 funding. This is funding for the operations and maintenance of the CaliforniaColleges.edu website, which is the state's official inter-segmental college and career planning website. The Governor proposed \$500,000 in ongoing Proposition 98 funds in the May Revision.
- **English Mastery Study.** The budget includes \$300,000 in reappropriated one-time Proposition 98 funds for an evaluation of the Los Angeles Unified Schools District's Academic English Mastery Program.
- **Teacher Dismissal.** The budget includes \$50,000 in 2014-15, and \$40,000 in 2015-16, in one-time Proposition 98 General Fund for district claims for reimbursement of teacher dismissal costs.
- **Mandates Block Grant and Ongoing Claims.** The budget revises the list of programs included in the mandates block grant, rather than reimbursed on a program-specific basis for those who opt into block grant funding, and approves funding of \$1,000 for each of these mandates in the mandates claims item. Specifically, the budget adds the following mandates to the block grant:

- **Immunization Records/Pertussis.** This mandate relates to the requirement for LEAs to verify the pertussis immunization records for all students at the beginning of seventh grade on an annual basis. Costs were based on the activities of verifying immunization records, conditionally admitting students pending proof of immunization, and excluding students who did not produce proof of immunization or exemption. The Commission on State Mandates (CSM) estimated an annual statewide cost for this mandate of \$1.7 million.
- **Race to the Top.** This mandate relates to the activities required under state law to implement reforms related to the federal Race to the Top program. The CSM estimated an annual statewide cost for this mandate of \$95,464.

The budget also reduces the mandates claims item by \$3,000 to reflect the suspension of the absentee ballot and mandates reimbursement process activities and the deletion of the open meetings/Brown Act mandate. Additionally, the budget amends mandates claims references to reflect the consolidation of mandates related to suspensions, expulsions, and expulsion appeals.

- **History/Social Science Instructional Materials.** The budget authorizes CDE to assess fees on publishers of history/social science instructional materials when submitting materials for state adoption review.

K-12 FEDERAL FUNDS ADJUSTMENTS

- **AWARE Grant Program.** Advancing Wellness and Resilience in Education (AWARE) is a five-year grant program that provides funding for CDE and LEAs to increase awareness of mental health issues, provide mental health training to educators, and to ensure students with signs of mental illness are referred to appropriate services. The budget provides \$289,000 federal state operations funds and \$1.7 million in federal local assistance funds to reflect a new federal grant for the grant program.
- **Child Nutrition Program Training and Oversight.** The budget provides \$2 million in one-time federal funds to support new activities included in changes to the federal Healthy, Hunger-Free Kids Act of 2010. Specifically, the funds allow for statewide training, technical assistance, and oversight of school food authorities.

CDE STATE OPERATIONS ISSUES

The budget provides total state operations funding of \$356 million, and authority for 2,450 positions for CDE Headquarters and the State Special Schools, including the effects of the actions described below.

- **Adult Education Workload.** The budget provides \$335,000 in ongoing General Fund to support three existing positions for CDE workload related to implementing the Adult Education Block Grant Program.
- **Career Technical Education Incentive Grant.** The budget provides \$350,000 General Fund for three years, until June 30, 2018, and two positions for CDE workload related to implementing the Career Technical Education Incentive Grant program.
- **Cruz Lawsuit Defense.** The budget provides \$3.7 million in one-time General Fund for the second year of a contract with a legal firm to represent the California Department of Education, State Board of Education, and the Superintendent of Public Instruction in the *Cruz v. California* case.
- **Kindergarten Program Implementation Report.** The budget provides \$550,000 in one-time General Fund for CDE to report on characteristics of kindergarten programs statewide pursuant to the requirements of AB 1719 (Weber), Chapter 723, Statutes of 2014. The Governor had proposed \$250,000 for this study.
- **Instructional Quality Commission.** The budget provides \$274,000 in one-time General Fund to support the curriculum framework activities of the Instructional Quality Commission. In 2015-16, the commission is charged with the development of the history-social science, science, and health curriculum frameworks.
- **Civil Rights Complaints Management.** The budget provides \$207,000, of which \$107,000 is ongoing and will fund one existing unfunded position, and \$100,000 is one-time General Fund for CDE to respond the complaints and address a backlog of complaints.
- **Distinguished After School Health Recognition Program.** The budget provides \$177,000 in one-time General Fund, one one-year limited term IT position, and 0.5 two-year limited term consultant position for CDE to develop guidelines and criteria for how after school programs would qualify for a health recognition program and how these certifications would be posted, pursuant to SB 949 (Jackson), Chapter 369, Statutes of 2014.
- **State Board of Education Charter Workload.** The budget provides \$151,000 in ongoing General Fund for support of State Board of Education workload related to charter school oversight duties.
- **Statewide Model County Programs Project.** The budget provides \$137,000 in one-time General Fund for CDE to develop and report on a statewide model for successful practices for transferring juvenile court school students back to regular public schools, pursuant to AB 2276 (Bocanegra), Chapter 901, Statutes of 2014.

- **Health Framework: Sexual Abuse/Trafficking Prevention Education.** The budget provides \$135,000 in one-time General Fund for CDE to develop a sex trafficking and sexual abuse section for potential inclusion in the next version of the state's health curriculum framework, pursuant to SB 1165 (Mitchell), Chapter 713, Statutes of 2014.
- **Smarter Balanced Technical Hosting Solution Project Oversight.** The budget provides \$28,000 in carryover funds from 2014-15 and \$85,000 in one-time General Fund, for an Independent Project Oversight Consultant (IPOC). The California Department of Technology required an IPOC for two years for oversight of this project. This appropriation covers the second and final year.
- **Early Education and Support Division Workload.** The budget provides \$61,000 in ongoing General Fund to upgrade a position from an associate governmental program analyst to an education program consultant to support increased workload related to preschool expansion enacted in the 2014 budget act.
- **Bullying and Cyberbullying Prevention Online Training Modules.** The budget provides \$43,000 in one-time General Fund to support half of an existing position to develop and post a bullying prevention module online based on existing department resources, pursuant to AB 1993 (Fox), Chapter 418, Statutes of 2014.
- **SACS Replacement.** The budget provides approximately \$12.2 million (\$7.2 million General Fund and \$5 million federal funds) in 2015-16 to fund the Standardized Account Code Structure (SACS) Replacement Project. SACS is CDE's standardized system for collecting, reviewing, and disseminating financial data from LEAs. The replacement project will develop a more flexible, integrated, and web-based system. Provisional language was also added to specify that this funding is only available upon an approved Special Project Report and Section 11 notification letter.

6360 COMMISSION ON TEACHER CREDENTIALING (CTC)

The Legislature approves as budgeted funding for the CTC, including a total of \$25.5 million special fund and \$10 million in General Fund (\$7.467 million for the 2015-16 fiscal year) and the following changes:

- **Performance Assessment Updates.** The budget provides \$5 million in non-Proposition 98 General Fund to the CTC to update the California Teacher Performance Assessment and develop an Administrator Performance Assessment. The funding will be provided over a two-year period, with \$4 million appropriated in 2015-16.

- **Accreditation Data System.** The budget provides \$5 million in non-Proposition 98 General Fund to the CTC to fund a data system for accreditation, with \$3.5 million appropriated in the 2015-16 budget. This is aligned with the CTC's Feasibility Study Report. The Legislature approved supplemental report language requiring the CTC to report on the progress made to streamline the accreditation system.
- **Credential Fee.** The Legislature approved trailer bill language that allows the CTC to increase teacher credential fees to \$100. The budget provides a corresponding increase of expenditure authority of \$4.5 million from the Teacher Credentials Fund.
- **Beginning Teacher Induction.** The budget includes provisional language to require a working group report on options for streamlining and reforming beginning teacher induction.
- **Dual Special Education and General Education Credential Program.** The budget includes an increase of \$80,000 in one-time federal carryover funding, and corresponding budget bill changes, for the second year of development of a dual Special Education/General Education teacher preparation and credential program.

Education Budget Trailer Bills

1. *Education Budget – Omnibus Trailer Bill. AB 104 (Budget and Fiscal Review), Chapter 13, Statutes of 2015.*
2. *Education Budget – Local Control Funding Formula. SB 78 (Budget and Fiscal Review), Chapter 19, Statutes of 2015.*

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY (CSL)

The 2015 Budget Act includes both ongoing and one-time funding for the state's efforts to improve the state's information hub, preserving California's heritage and connecting people, libraries, and government to resources and tools, including:

- **Broadband Equipment Grants.** The budget provides a \$4 million one-time General Fund increase for grants to public libraries that require additional equipment, network upgrades, or modifications to physical sites to support broadband internet access. As a condition of receiving this funding, the State Library or local libraries are required to secure additional non-General Fund resources to ensure that public libraries have access to a high-speed network. The budget also provides an increase of \$225,000 General Fund ongoing for a contract with an entity to provide administrative and fiscal services related to the California Public Library Broadband Project.
- **Literacy Program.** The budget provides an increase of \$2 million General Fund for the Literacy and English Acquisition Services Program, for a total of \$4.8 million. The program allocates funds to public libraries to support instruction in basic literacy for adults.
- **Preservation Activities.** The budget provides \$521,000 General Fund, including \$181,000 for two new positions, and \$340,000 on a one-time basis for digital scanning equipment, to help the Library to make critical improvements to better preserve historical materials.
- **Career Online High School.** The budget approves an increase of \$1 million one-time General Fund to pilot the Career Online High School program. This program provides literacy coaches and resources to adults looking to earn an accredited high school diploma and prepare for workforce entry.
- **Accounting, Budget, and other Services.** The Budget Act redirects \$242,000 General Fund previously used to pay the Department of General Services (DGS) for accounting and budget services to, instead, fund 2.5 positions at the State Library to take over these functions. The Budget Act also provided \$278,000 General Fund for increased debt service and rent costs at the Library and Courts Building and the Library Annex, as well as \$43,000 General Fund for an increase in technology services charges from the California Department of Technology.

6440 UNIVERSITY OF CALIFORNIA (UC)

The 2015 Budget Act includes provides \$119.5 million General Fund in new ongoing funding over the 2014-15 year, for a total of \$3.23 billion to support UC, and budget bill language to provide an additional \$25 million General Fund if UC increases California resident enrollment by 5,000 undergraduate students during academic years 2015-16 and 2016-17. Other proposals adopted and incorporated in the budget include:

- **Tuition.** The Budget Act includes legislative intent that, pursuant to the framework for long-term funding agreed upon by the Regents of the University of California and the Governor, tuition will not increase in the 2015–16 and 2016–17 academic years and the university will implement reforms to reduce the cost structure of the university and improve access, quality, and outcomes.
- **Non-Resident Tuition and Financial Aid.** The budget states legislative intent that the revenues from increases in nonresident enrollment and tuition levels be used to support increased enrollment of California students. Additionally, the budget states that financial aid previously awarded to nonresident students is available to support increased enrollment of California students.
- **UC Retirement System.** The budget approved \$96 million in Proposition 2 funds if UC reforms its pension system to limit pensionable compensation consistent with the limits in the Public Employees' Pension Reform Act of 2013. The budget also required the UC to report on whether its use of this funding is consistent with Proposition 2, and declares that this funding is not an ongoing state obligation to pay for UC's pension fund.
- **Graduation Rates Report.** The budget requires the university to report to the Legislature and the Administration by April 1, 2016, on its use of General Fund to increase systemwide and campus four-year and six-year graduation rates and two-year and three-year transfer graduation rates of low-income and underrepresented student populations.
- **Budget Transparency.** The budget requires the university to improve transparency regarding its budget by posting information on the UC Office of the President website that details subcategories of personnel within the Managers and Senior Professional personnel category and disaggregates all personnel categories by fund source.
- **Report on Fund Sources of Educational Activities.** The budget requires the UC to report to the Legislature and the Administration by December 10, 2015, on all university fund sources legally allowable to support costs for undergraduate, graduate academic, and graduate professional education. The report shall also identify factors UC considers to determine which fund sources to use for educational activities, as well as how much funding to use.

- **Cost Structure.** The budget requires the UC to implement measures to reduce the university's cost structure, including using state executives' salaries as a comparison to university executive salaries when setting compensation levels for UC senior management.
- **Deferred Maintenance, Control Section 6.10.** The budget provides an additional \$25 million one-time General Fund for deferred maintenance projects.
- **UC Labor Centers.** The budget provides \$6 million to support UC Labor Centers. The UC Berkeley and UCLA Labor Centers, and the Institutes for Research and Labor Employment in which they are housed, are the only statewide programs within the UC that specifically address the labor and employment issues affecting the state's diverse and changing workforce.
- **UC Merced Medical School.** The budget directs the UC to continue planning for a medical school at UC Merced, and states that UC shall allocate up to \$1 million General Fund, or other funds available, to the UC for this purpose.
- **UC Merced Reappropriation.** The budget includes trailer bill language to reappropriate \$1.4 million for the construction phase of the Merced Classroom and Academic Office Building.
- **UC Capital Outlay.** The budget includes trailer bill language to expand the UC's capital outlay program by allowing it to use its General Fund appropriation to make availability payments on capital expenditures. The budget also requires the university to use this funding structure for the UC Merced 2020 project, as long as work traditionally performed by UC employees continues to be performed by UC employees.
- **Operational Reforms.** The Legislature adopted Supplemental Reporting Language to require UC to submit a report that summarizes the status of operational changes undertaken as a result of the Select Advisory Committee on the Cost Structure of the University. The report must include information on each initiative identified by the committee, as included in the Governor's 2015-16 May Revision. For each initiative, the report must detail the status of implementation as well as any associated cost savings and improvements in student outcomes. The UC shall submit this report annually by December 1, with the last report due by December 1, 2018.
- **New Campus Study.** The budget also includes trailer bill language to require the Legislative Analyst's Office to work with California State University (CSU) and UC on an initial analysis to assess the potential need for new campuses. The CSU report is due by January 1, 2017, and the UC report is due by January 1, 2018.
- **Dream Loan Program.** The budget states that UC's appropriation includes funding to support the California Dream Loan Program.

6600 HASTINGS COLLEGE OF THE LAW

The Budget Act provides \$1 million in new ongoing funding for Hastings operational costs to support the four-year investment plan in higher education, which began in 2013-14. The budget also provides \$36.8 million in lease-revenue bonds for a new academic building, authorizes the use of design-build procurement, and requires legislative notice before construction begins.

The Legislature adopted supplemental reporting language to require Hastings to report on a proposed marginal cost funding formula that could be used to fund enrollment growth and adjust for enrollment declines.

6610 CALIFORNIA STATE UNIVERSITY (CSU)

The 2015 Budget Act includes \$217 million General Fund in new ongoing funding above the 2014 Budget Act to support the CSU. This funding is \$97 million above the Administration's proposed January funding increase of \$119.5 million, as requested by the CSU. The budget also states legislative intent that CSU increase resident enrollment by at least 10,400 students by the end of the Fall 2016 semester, and spend at least \$11 million to increase the number of tenure and tenured track faculty. Other proposals adopted and incorporated into the budget include:

- **Graduation Rates.** The budget requires CSU to report to the Legislature and the Administration by April 1, 2016, on factors that impact graduation rates of all students and for low-income and underrepresented populations.
- **Deferred Maintenance Control Section 6.10.** The budget provides \$25 million General Fund for CSU deferred maintenance projects.
- **Center for California Studies.** The budget re-establishes the Center for California Studies budget line item, and augments the center by \$500,000 General Fund to provide a three percent cost-of-living adjustment and replace Assembly funding with General Fund.
- **New Campus Study.** The budget also includes trailer bill language to require the Legislative Analyst's Office to work with CSU and UC on an initial analysis to assess the potential need for new campuses. The CSU report is due by January 1, 2017, and the UC report is due by January 1, 2018.
- **Additional Augmentations.** The Budget Act provides \$250,000 to the Mervyn M. Dymally African American Political and Economic Institute; \$200,000 to campus financial aid offices and teacher education programs to increase awareness of federal financial aid programs for teachers; and permits the CSU to allocate up to \$500,000 one-time General Fund for the purpose of planning for a new engineering program at the Channel Island campus.

- **Eligibility Study.** The Legislature approved trailer bill language to provide \$1 million one-time General Fund to conduct a freshman eligibility study for UC and CSU, pursuant to legislation.
- **Dream Loan Program.** The budget states that CSU's appropriation includes funding to support the California Dream Loan Program.
- **Capital Outlay Program.** The Legislature approved trailer bill language to better align CSU's capital outlay program reporting to the Department of Finance (DOF) with the timing of board of trustees decisions. Specifically, trailer bill language requires the CSU to submit to the Legislature and the DOF by December 1, annually, a final report of capital expenditures and capital outlay projects. Additionally, trailer bill language clarifies that starting in the 2014-15 fiscal year, the CSU may use its support appropriation in the annual budget for capital expenditures and capital outlay projects identified in the resolution approved by the board of trustees on January 2015. Similarly, trailer bill language clarifies that for the 2015-16 fiscal year, CSU may use its support appropriation for the capital expenditures and capital outlay projects identified in the resolution approved by the trustees in November 2014. The budget also included various capital reappropriations, including:
 - **CSU Pomona Administration Building.** \$75 million for the CSU Pomona Administration Building Replacement Facility to complete the working drawings and construction phases of this facility and extend the encumbrance period to June 30, 2018.
 - **CSU Los Angeles Administration Building.** \$5.6 million for CSU Los Angeles Administration Building Seismic Upgrade to complete the working drawings and construction of the seismic upgrade and extended of the encumbrance period to June 30, 2018.

6870 CALIFORNIA COMMUNITY COLLEGES (CCC)

- *Please see the K-12 Education section of this report for information on the overall K-14 Proposition 98 budget.*

The California Community Colleges (CCC) is the largest system of community college education in the United States, serving approximately 2.3 million students annually. California's two-year institutions provide programs of study and courses, in both credit and noncredit categories, that address its three primary areas of mission: education for university transfer, career technical education, and basic skills. The budget act includes the following ongoing and one-time funding for the CCC:

- **Student Success.** The budget includes \$185 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented

students. This includes: 1) \$100 million to increase orientation, assessment, placement, counseling, and other education planning services for all matriculated students; and, 2) \$85 million to close gaps in access and achievement in underrepresented student groups, as identified in local Student Equity Plans. The budget provides up to \$15 million of student success and support program funds to be used for the purpose of providing additional support to current and former foster youth, as described in SB 1023 (Liu), Chapter 771, Statutes of 2014. Additionally, the budget allows colleges to spend at least \$5 million to create the Incarcerated Adult Education Project, which will utilize private matching funds to develop community college courses for currently and formerly incarcerated adults in prisons and jails.

- **Enrollment Growth.** The budget provides \$156.6 million Proposition 98 General Fund to support enrollment growth of three percent (funding about 30,000 additional full-time equivalent students).
- **Apportionments.** The budget provides \$266.7 million Proposition 98 General Fund to increase the base allocation to recognize increased operating expenses in areas of facilities, retirement benefits, professional development, converting part-time faculty to full-time, and other general expenses. In addition, the budget plan includes \$61 million Proposition 98 General Fund for a 1.02 percent cost-of-living adjustment.
- **Full-Time Faculty.** The budget includes \$62.3 million Proposition 98 General Fund to increase the number of full-time faculty. Funding is allocated based on the number of full-time equivalent enrollment at community colleges, but community colleges with relatively low proportions of full-time faculty will be required to increase their full-time faculty ratio more than districts with relatively high proportions of full-time faculty. Additionally, budget bill language requires colleges to use all of the funding on full- or part-time faculty, including part-time faculty office hours. In total, it is expected that the minimum number of full-time faculty districts must employ will increase by about 670.
- **Basic Skills and Student Outcomes Transformation Program.** The Legislature approved trailer bill language that provides \$60 million Proposition 98 General Fund to establish a program for community colleges to improve basic skills instruction by adopting or expanding the use of evidence-based models of placement, remediation, and student support.
- **Basic Skills Partnership Pilot Program.** The Legislature approved trailer bill language that provides \$10 million Proposition 98 General Fund to establish a program for five community college districts to develop partnerships among schools districts, community colleges, and CSU campuses to improve remedial education strategies for underprepared college students.
- **Cal Grant B Access Awards.** The budget provides \$39 million Proposition 98 General Fund to augment Cal Grant B Access Awards for community college students who take 12 or more units. These funds will assist community college students with their non-tuition costs such as books, supplies, and living expenses. Based on estimated numbers, this will provide about

65,000 students with an additional \$600. The budget act also provided \$3 million one-time Proposition 98 General Fund to implement this program and to establish administrative procedures for distributing these supplemental awards.

- **Categorical Program Cost-of-Living Adjustment.** The budget provides a 1.02 percent cost-of-living increase of \$2.5 million Proposition 98 General Fund to the Disabled Student Programs and Services program, the Student Services for CalWORKs Recipients program, the Campus Childcare Tax Bailout program, and the Extended Opportunity Programs and Services program.
- **Extended Opportunity Programs and Services.** The budget provides an additional \$33.4 million Proposition 98 General Fund to restore the Extended Opportunity Programs and Services to pre-recession levels to provide support services to disadvantaged students.
- **Baccalaureate Degree Pilot Program.** The Legislature approved trailer bill language to provide \$6 million one-time Proposition 98 General Fund to support the implementation of the Baccalaureate Degree Pilot Program, established pursuant to SB 850 (Block), Chapter 747, Statutes of 2014, to provide bachelor's degrees at 15 community college campuses.
- **Apprenticeship Programs.** The budget increases funding for established apprenticeship programs by \$14 million Proposition 98 General Fund, and provides \$15 million Proposition 98 General Fund to establish new apprenticeship programs in high-demand occupations, such as health care fields. The Legislature approved trailer bill language to establish the new apprenticeship programs and modified language to include local educational agencies, as well as community colleges.
- **Statewide Performance Strategies.** The budget provides \$12 million Proposition 98 General Fund for the dissemination of effective practices to colleges, and a \$3 million Proposition 98 General Fund augmentation for technical assistance related to a program seeking to address low-performing colleges.
- **Energy efficiency projects.** The budget provides \$38.7 million Proposition 39 funding for campus energy efficiency projects.
- **Career Technical Education Pathways Program.** The Legislature approved trailer bill language to provide \$48 million one-time Proposition 98 General Fund for the Career Technical Education Pathways Program and to extend the program by one additional year to July 1, 2016.
- **Mandates Backlog.** The budget provides \$604 million Proposition 98 General Fund to reduce the mandates backlog.
- **Deferral.** The budget provides \$95 million Proposition 98 General Fund to eliminate the deferrals.

- **Deferred Maintenance and Instructional Equipment.** The budget provides \$148 million one-time Proposition 98 General Fund to support deferred maintenance, instructional equipment, and specified drought resistance programs at colleges.
- **Veterans Fees.** The Legislature approved trailer bill language to allow veterans to pay resident fees instead of nonresident fees.
- **Capital Outlay Projects.** The budget includes funding for the seven community college capital outlay projects displayed in the following table, and various reappropriations:

CCC Governor's Budget Capital Outlay Proposals				
College	Project	Phase	Amount	Fund Source
College of the Redwoods	Utility Infrastructure Replacement/Seismic Strengthening	Construction	\$33.1 million	2006 California Community College Capital Outlay Bond Fund
Rio Hondo College	L Tower Seismic and Code Upgrades	Construction	\$20.1 million	2006 California Community College Capital Outlay Bond Fund
Santa Barbara City College	Campus Center Seismic and Code Upgrades	Construction	\$18.8 million	2006 California Community College Capital Outlay Bond Fund
El Camino College, Compton Center	Instructional Building 1 Replacement	Construction	\$13.4 million	2006 California Community College Capital Outlay Bond Fund
Mt. San Jacinto College	Fire Alarm System	Construction	\$4 million	1998 Higher Education Capital Outlay Bond Fund
Los Rios Community College District, Davis Center	Davis Center Phase 2	Construction	\$8.4 million	2006 California Community College Capital Outlay Bond Fund
Citrus College	Hayden Hall #12 Renovation	Construction	\$1.7 million	1998 Higher Education Capital Outlay Bond Fund

- The budget approved a reappropriation of up to \$559,000 for El Camino Compton College Center's working drawings from the current year to the budget year.
- The budget approved a reappropriation of up to \$10.3 million and an extension of the construction liquidation period for the Los Angeles Mission College Media Center for two additional years through June 2017.
- **Educational Practices Workload.** The budget provides \$340,000 General Fund and six positions to address workload in several areas to improve outcomes and promote effective professional, administrative and educational practices at local community colleges.
- **Foster Care Education Program.** The budget codifies budget bill language that specifies funds allocated for the Foster Care Education Program must be used for foster parent and relative/kinship care provider education and training, and colleges that receive these funds must comply with reporting requirements and develop a foster parent and relative/kinship plan.
- **Codification of Reporting Requirements.** The budget codifies budget bill language that require the Chancellor's Office to report annually, by December 31, on Student Success for Basic Skills Program, Student Financial Administration program, technology assistance for Student Success and Support program, and the Telecommunications and Technology Infrastructure program.
- **Full-time Faculty Supplemental Report.** The Legislature adopted supplemental reporting language to require the Chancellor's Office to report on ways to improve the system's methodology for increasing the percentage of units taught by full-time faculty.

6910 INNOVATION AWARDS

Last year, the 2014–15 budget provided \$50 million in one–time funding to promote innovative models of higher education at UC, CSU, and CCC campuses. Campuses with initiatives to increase the number of bachelor's degrees awarded, improve four–year completion rates, or ease transfer across segments could apply for these awards. For the 2015 Budget, the Governor proposed the following innovation awards:

- **CSU Innovation Awards.** The Legislature rejected the Governor's proposal to provide one-time grants of \$25 million General Fund to CSU campuses that improve policies, practices and/or systems to ensure that more students graduate with bachelor's degrees within four years after beginning higher education.

- **CCC Innovation Awards.** The Legislature rejected the Governor's proposal for \$25 million Proposition 98 General Fund for community college awards, but approved trailer bill language to provide \$23 million Proposition 98 General Fund in 2014-15 funding to reflect the amount of awards distributed to community colleges.

7980 CALIFORNIA STUDENT AID COMMISSION (CSAC)

The 2015 Budget Act includes an increase of \$141 million for increased Cal Grant participation, and other funding for financial aid to help students pay educational expenses, including:

- **Private Non-Profit and Accredited For-Profit Institutions.** The budget provides \$9.1 million General Fund and trailer bill language to delay, by two years, the reduction of 11 percent, in the maximum Cal Grant award level, for students attending private non-profit colleges and universities and accredited for-profit institutions. Each award will remain at \$9,084 for the 2015-16 and 2016-17 academic years, and will decrease to \$8,056 beginning in the 2017-18 academic year.
- **Competitive Cal Grants.** The budget provides \$8 million General Fund (growing to \$23.4 million by 2018-19) to provide an additional 3,250 competitive Cal Grant awards, for a total of 25,750 awards.
- **Middle Class Scholarship.** The Legislature approved trailer bill language that excludes students with family assets over \$150,000; sets a four- or five-year participation time-limit for the program similar to limits imposed in the Cal Grant program; and allows income and asset limits to increase with the Consumer Price Index. The language reduces statutory appropriations for the program in the 2015-16, 2016-17, and 2018-19 fiscal years, and states legislative intent that those savings will be redirected to other higher education programs. The budget includes savings of \$70 million associated with these reforms.
- **College Access Tax Credit.** The Legislature provided trailer bill language to make technical changes to the program and extend the sunset on the College Access Tax Credit program by one year to tax year 2017, and makes continuous appropriations from the College Access Tax Credit Fund to the California Student Aid Commission to award supplemental Cal Grants. The budget provides \$1.9 million from the fund to provide an \$8 increase to the Cal Grant B Access Award.
- **State Authorization of Private Colleges and Universities.** The Legislature approved trailer bill language to comply with federal regulations that require independent institutions of higher education to receive state authorization to operate in California, including requirements to develop a student complaint process through the Bureau of Private of Postsecondary Education, in order to receive federal student aid.

- **Grant Delivery System Modernization.** The budget provides \$840,000 General Fund to CSAC for four new information technology positions and three limited-term consultants to begin the process of creating a new financial aid delivery system.
- **Financial Aid Outreach and Loan Assumption Programs.** The budget provides \$15 million General Fund to replace expiring federal funding to support the Cal-SOAP, Cash for College, and APLE programs.
- **Cal Grant C Improvements.** The budget includes \$95,000 General Fund and one position to implement Cal Grant C improvements pursuant to SB 1028 (Jackson), Chapter 692, Statutes of 2014.

Higher Education Budget Trailer Bills

1. *Higher Education Budget – Omnibus Trailer Bill. SB 81 (Budget and Fiscal Review), Chapter 22, Statutes of 2015.*

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

FINAL ACTION REPORT

Senate Committee on Budget and Fiscal Review

Members

Lois Wolk, Chair
Jim Nielsen
Fran Pavley

Consultants

Farra Bracht
Catherine Freeman

SUBCOMMITTEE No. 2

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NATURAL RESOURCES

UNDERGROUND INJECTION PROGRAM (MULTIPLE AGENCIES)

The Legislature conducted a series of oversight hearings on the Administration's management of underground injection activities. The budget includes changes to the way in which the state manages underground injection well inspections and evaluation. The federal Safe Drinking Water Act only allows for injection of fluids from oil and gas operations into exempt aquifers that meet specific requirements and conditions. Within the state, there are approximately 2,500 oil and gas injection wells that have been operating in aquifers that may not have been properly exempted from the act. The state is reviewing and evaluating these wells to determine which cases it would be justified to propose an aquifer exemption application to the U.S. Environmental Protection Agency (US EPA), or whether the wells should be plugged. The Department of Conservation (DOC) and the State Water Resources Control Board (SWRCB) have developed a workplan to bring the remaining injection wells into compliance with the act within two years. The budget includes various actions, across multiple departments, related to the achievement of this goal.

- **Underground Injection Control Program.** The budget provides 23 permanent positions and a baseline appropriation of \$3.5 million (\$3.3 million ongoing) from the oil, gas, and geothermal administrative fund to enhance the department's Underground Injection Control (UIC) program. The resources are necessary to conduct extensive evaluations of the engineering and geologic conditions of aquifers into which injection has been occurring to inform the determination as to whether specific aquifers should be proposed for exemption from the act.
- **State Water Resources Control Board.** The budget provides \$2.9 million and 19 positions for the SWRCB to perform inventory and enforcement activities for oil and gas-produced water ponds in the Central Valley. This request also includes technical reviews of aquifer exemption submittals, hydrological reviews of injection well proposals submitted by well operators, and related activities. The water board will also receive information on injection wells that the DOC has identified as out of compliance with the act, and will identify known water supply wells to assess potential health threats or impacts to water supplies.
- **Department of Water Resources.** The budget provides \$625,000 General Fund for the Department of Water Resources (DWR) to provide better accessibility to well completion reports. Trailer bill language requires that well completion reports are made available to the public.

- **Cross-Department Accountability and Collaboration.** The budget codifies the relationship between the SWRCB and the DOC Division of Oil, Gas, and Geothermal Resources (DOGGR), to ensure concurrence on aquifer exemptions. In Addition, the budget adds milestones to ensure deficiencies are identified and institutes a compliance schedule for corrections, and provides for a temporary independent review of the division to ensure improvement in accountability.

TIMBER REGULATION AND FOREST RESTORATION PROGRAM

The budget approves nine permanent positions, 12 two-year limited-term positions, and \$9.5 million in funding from the timber regulation and forest restoration fund (TTRF) to implement accountability and forest restoration components of the timber regulation and forest restoration program, as called for in AB 1492 (Blumenfeld), Chapter 289, Statutes of 2012. Specifically, the budget provides:

- **Performance Measures and Transparency.** \$750,000 for the Natural Resources Agency to support pilot projects and initial data collection needed for monitoring, ecological performance measures, and administrative efficiency and transparency; a \$715,000 baseline augmentation and four positions for the Department of Conservation's, California Geological Survey (CGS) to create new capacity for data and monitoring, ecological performance measures, and administrative efficiency and transparency; and, \$285,000 and two positions to the Department of Fish and Wildlife for data and monitoring, ecological performance measures, and administrative efficiency and transparency;
- **Forest Health.** \$5.2 million and three positions and eight, two-year limited-term positions for Department of Forestry and Fire Protection (CalFIRE) and the Board of Forestry and Fire Protection for forest restoration grants to fulfill aspects of AB 1492 regarding the California Forest Improvement Program, forest restoration/resource improvement grants, and to promote strategies consistent with AB 32, the California Global Warming Solutions Act of 2006; and,
- **Timber Harvest Plan Review.** Four two-year limited-term positions (\$551,000) and forest restoration grant authority (\$2.0 million) for the state and regional water boards to implement the requirements of AB 1492, including timber harvest review, data and monitoring, ecological performance measures, administrative efficiency and transparency, and forest restoration grants.

0540 SECRETARY FOR NATURAL RESOURCES

The Secretary for Natural Resources oversees departments within the Natural Resources Agency. Proposals this year focused on administration of the Environmental License Plate Fund, management of marine protected areas, and continued improvement of the state's climate adaptation management.

- **Environmental License Plate Fund.** To address the shortfall in the Environmental License Plate Fund (ELPF), the budget moved the remaining 4th Climate Assessment funding out one year (\$2.5 million); shifted \$3.3 million within the Department of Parks and Recreation from ELPF to the State Parks and Recreation Fund; shifted \$7.2 million within the Department of Fish and Wildlife from ELPF to the Fish and Game Preservation Fund; and provided targeted reductions to other departments. The Legislature adopted provisional language requiring the Administration to convene a working group to determine long-term options for the ELPF. The budget did not include \$800,000 for the Education and the Environment Initiative as adopted by the budget conference committee.
- **Timber Harvest Plan Review Information Management Systems.** The budget provides \$1.3 million in one-time funding and \$176,000 in ongoing funding (Timber Regulation and Forest Restoration Fund) for the development and implementation of interagency information systems to support program efficiencies and accountability; as well as \$750,000 in one-time funding and \$300,000 in 2016-17, for pilot projects and priority data collection related to data and monitoring, ecological performance measures, administrative efficiency and transparency, and forest restoration. Provisional language requires Joint Legislative Budget Committee (JLBC) review of \$1.3 million upon final approval or feasibility study report (FSR) exemption by the Department of Technology.
- **River Parkways.** The budget appropriates all remaining Proposition 13 funding for the River Parkway Program. These funds will be in the acquisition and development of river parkways and the protection of urban streams.
- **Sea Level Rise Planning.** The budget provides \$155,000 General Fund and one position to gather and publicly distribute information about state and local activities related to sea level rise planning, to implement AB 2516 (Gordon), Chapter 522, Statutes of 2014.
- **Marine Protected Areas.** The budget provides \$2.5 million General Fund ongoing to support monitoring to inform the ongoing adaptive management of the network of Marine Protected Areas designated under the Marine Life Protection Act.

3110 SPECIAL RESOURCES PROGRAM

Special Resources Program funding primarily is directed to the bi-state Tahoe Regional Planning Agency. The budget provides \$325,000 (Lake Tahoe Conservancy Account [License Plate Funds]), to be matched by the State of Nevada (included in Nevada Governor Sandoval's budget), to fund threshold monitoring, analysis, and preparation of the mandatory Four-Year 2016 Threshold Evaluation Report. The budget provides \$375,000 (Harbor and Watercraft Funds) to continue a boat inspection program. The State of Nevada is also contributing \$375,000 in funding for this effort.

3125 CALIFORNIA TAHOE CONSERVANCY

The California Tahoe Conservancy focuses on project-level work within the Lake Tahoe Basin to improve water and ecosystem quality, as well as quality of life. The budget provides \$8.8 million in various funding sources (\$481,000 Habitat Conservation Fund; \$100,000 Lake Tahoe Conservancy Account; \$440,000 Tahoe Conservancy Fund; \$3.6 million reverted bond funds; \$600,000 Lake Tahoe Science and Lake Improvement Account; and \$3.5 million Federal Trust Fund reimbursement authority) for local assistance and capital outlay for the implementation of the Environmental Improvement Program in the Tahoe Basin. The Governor used his veto authority to reduce his own January budget proposal for the conservancy's baseline budget allocation from the Environmental License Plate Fund by \$100,000.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

The budget provides \$200,000 one-time General Fund for an evaluation of the appropriate number of permanent residential facilities for corps members including an analysis of other methods of program delivery, such as non-permanent camps and co-located residential facilities with community colleges. The budget includes supplemental reporting language requiring the CCC to include information from this evaluation in its January 10, 2016.

- **Tahoe Base Center.** The budget provides \$2.5 million in lease-revenue bonds to fund a consolidated storage facility to serve the Tahoe Base Center, a CCC residential and operational facility for corps members.
- **C3 Project.** The budget provides \$392,000 (Collins Dugan Reimbursement Account) to support faster implementation of the "C3" information technology project which will track human resource data for members of the CCC.
- **Emergency Fire-Related Overtime.** The budget provides a \$2 million increase (Collins Dugan Reimbursement Account) to reflect an anticipated increase in requests for emergency fire-related overtime.
- **Auburn Campus Capital Outlay.** The budget provides \$2.7 million (Public Buildings Construction Fund) for preliminary plans and working drawings for a new kitchen, multi-purpose room, and dormitory to replace the current facilities at the Auburn Campus.

3460 COLORADO RIVER BOARD OF CALIFORNIA

- The Colorado River Board protects California's rights and interests in the water and power resources of the Colorado River System. The board's total budget of \$1.7 million was approved as proposed.

3480 DEPARTMENT OF CONSERVATION (DOC)

In addition to major changes to the Underground Injection Program (see first page of this section) and improvements to the Division of Oil, Gas, and Geothermal Resources (DOGGR), the budget focuses on improving information technology programs, watershed improvements, and the provision of baseline funding for surface mining programs.

- **DOGGR Information Technology.** The budget provides \$6.0 million (Oil, Gas, and Geothermal Administration Fund); six, two-year limited-term positions; and 15 one-year limited-term positions, for the first year of a two-year project to develop and implement a comprehensive database system. The budget authorizes an additional \$40 million for the system after JLBC reporting.
- **Surface Mining and Reclamation.** To address the Surface Mining and Reclamation Account (SMARA) structural deficit, the budget provides a baseline appropriation increase of \$1.5 million to SMARA and accompanying baseline reductions of \$500,000 from the Bosco-Keene Renewable Resources Investment Fund (RRIF) and a \$1,000,000 from the Mine Reclamation Account (MRA). The RRIF and MRA funds are structurally imbalanced with baseline appropriations greater than their revenues. This proposal will bring the RRIF and MRA appropriations in line with their levels of revenue and increase SMARA revenue to address the structural deficit.
- **Watershed Programs.** The budget provides \$200,000 in 2015-16, and \$358,000 in 2016-17, from Proposition 50 bond funds for a comprehensive evaluation to address the effects, benefits, and outcomes resulting from the Proposition 50 watershed program implementation.
- **Abandoned Mine Disclosure.** The budget provides \$300,000 (Abandoned Mine Reclamation and Minerals Fund) to be used for activities related to remediation and the closure of hazardous abandoned mines on California Public lands. The budget includes provisional language requiring that, of the amount appropriated in this item, \$300,000 must be approved as a baseline increase and \$100,000 must be approved, annually, through 2017-18, for the purchase of software and immediate management of data that can be made available to public and private agencies, for the purpose of mapping mine data. The provisional language providing for immediate disclosure of abandoned mines was vetoed by the Governor, citing the long-term, five-year development of an abandoned mine data management system with potential funding from the federal government.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

The Department of Forestry and Fire Protection has focused its activities on management of an increasing number and breadth of wildfires due to the prolonged drought. To that end, several proposals focus on management fire prevention activities, increased firefighting capabilities, replacement of firefighting equipment, and ongoing management of the collection of illegal and dangerous fireworks.

- **Drought-Related Increased Staffing and Management.** The budget provides \$59.0 million General Fund and \$2.4 million State Responsibility Area (SRA) Fire Prevention Fund, and 373 temporary-help positions through December 31, 2015, to address heightened fire conditions brought on by drought conditions. The budget also provides \$9.2 million (\$7.3 million General Fund, \$332,720 Special Fund, and \$1.6 million Reimbursements), and position authority for 28 limited-term positions and 21 limited-term temporary help positions through June 30, 2017, to address the hiring and training needs resulting from the increased length of the fire season. The budget provides \$1.2 million (SRA), ongoing, to provide for a public information campaign on fire prevention and preparation for wildland fires for residents and visitors to the SRA. The program is intended to decrease fire risk for the state and coordinates with existing drought activities.
- **Air Tanker and Helicopter Replacement.** The budget provides \$6 million General Fund to provide for the replacement of the air tanker lost in 2014. The request also includes funding for a contracted large air tanker to temporarily fill the service gap created by the lost tanker until the replacement is ready. The budget rejects budget bill language related to the procurement of 12 new helicopters to replace the existing fleet.
- **CEQA Archaeological Consultation.** The budget provides \$130,423 (Timber Regulation and Forest Restoration Fund) for archaeological assistance from multiple institutions of higher learning to implement the requirements of AB 52 (Gatto), Chapter 532, Statutes of 2014, related to California Environmental Quality Act (CEQA) lead agency consultative requirements with Native American tribes.
- **Fire Sprinkler Certification.** The budget provides \$888,000 (State Fire Marshal Licensing and Certification Fund) and five positions to create regulations and establish a certification program for fire sprinkler fitters.
- **Illegal and Dangerous Fireworks Management.** The budget provides \$5.0 million (Toxic Substances Control Account) to dispose of stockpiles of dangerous and illegal fireworks seized in 2014 and anticipated to be seized in 2015. Provisional language is included that both allows for the use of TSCA by CalFIRE for this purpose and for the state to ship illegal fireworks out of state for disposal. Trailer bill language provides the necessary authority to the State Fire Marshall to manage seized illegal and dangerous fireworks, by contracting with a federally

permitted hauler for disposal, and for seized fireworks deemed to not be hazardous waste, to store in a warehouse used for fireworks storage, rather than dispose of them, until January 1, 2016.

- **SRA Local Assistance.** The budget provides \$5.0 million (one-time, SRA Fire Prevention Fund) for local assistance pursuant to Public Resources Code Section 4214 (d), which specifies that the allowable fire prevention activities from the SRA Fund includes grants to fire safe councils, local conservation corps, grants to nonprofit organizations that can complete a fire prevention project applicable to the SRA, public education to reduce the fire risk in the SRA, and other fire prevention activities.
- **Capital Outlay and Minor Capital Improvements.** The budget provides funding for a variety of CalFIRE capital projects:
 - \$4.8 million for working drawings and construction for the dormitory project at the CalFIRE Academy in Ione.
 - \$4.8 million for the replacement of the Los Posadas Forest Fire Station. This project had previously received funding authority but was unable to move forward because of a deed issue that the department anticipates resolving in the budget year.
 - \$2.2 million for working drawings and construction to replace the Vina Helitack Base in Vina, which is in Tehama County.
 - \$1.5 million for construction phase of the auto shop replacement at Angels Camp in Calaveras County.
 - \$963,000 for the construction phase of the automotive shop at the Santa Cruz/Santa Clara Headquarters in Ben Lomond, located in Santa Cruz County.
 - \$461,000 to address drainage issues at the Cuyamaca Fire Station in San Diego County.
 - The budget provides \$280,000 to demolish and replace two concrete loading pads and upgrade security lighting and fencing to Federal Aviation and Administration, and Homeland Security requirements at the Columbia Air Attack Base.
 - \$775,000 to upgrade or repair water systems at various CalFIRE facilities.
 - \$768,000 to make various improvements related to the support apparatus for the storage of helicopter fuel tender.
 - \$37.0 million to replace the existing Unit Headquarters located in San Luis Obispo.
 - The budget does not include \$975,000 General Fund ongoing to restore a 2013 baseline cut which eliminated minor capital outlay for contract counties that provide wildland fire services in their respective jurisdictions.

3560 STATE LANDS COMMISSION

The State Lands Commission's budget continues to focus on the improvement of its revenue collection efforts and implementation of audit recommendations for financial management. The budget provides \$472,000 General Fund ongoing for the conversion of four limited-term auditor positions to permanent. These positions were provided to address workload needs as identified by a 2010 State Auditor report that reviewed the commission's revenue operations. The budget provides \$535,000 General Fund ongoing for the conversion of five limited-term positions to permanent to continue the implementation of the Lease Compliance, Enforcement and Revenue Recovery program which ensures compliance with lease terms and conditions, resulting in increased revenues to the General Fund.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

The Department of Fish and Wildlife budget focuses efforts on maintaining fisheries stocks during the ongoing drought, improving hatcheries and inland fisheries, Bay-Delta regulatory review, and payment of in-lieu taxes to local governments.

- **Payment In-Lieu of Taxes.** The budget provides \$644,000 General Fund to resume Payment In-Lieu of Taxes (PILT) payments in 2015–16. Under the Governor's proposal, the funding will be allocated to 36 counties containing wildlife management areas. The budget does not include \$8 million General Fund for back payments, and provides statutory changes to make future payments permissible.
- **Groundwater Management.** The budget provides two positions and \$274,000 General Fund to be phased in over two years, to implement the Sustainable Groundwater Management Act, which requires that fish and wildlife impacts be addressed in high and medium-priority basins where groundwater pumping is causing significant impacts on interconnected surface waters.
- **Recreational Fisheries.** The budget provides eight positions and \$800,000 to support the following federally-funded activities: establish a Human Dimensions in Wildlife Program; to conduct the California Recreational Fisheries Survey; and support the data collection, analysis, and science-based decision support tools being developed by the South Coast Region's Resource Assessment Program.
- **Bay-Delta Management.** The budget provides \$4.8 million in reimbursement authority, and \$300,000 in federal authority, to support 32 limited-term positions for three years to address Regulatory Review and Permitting, Scientific Laboratory Program Services, and the Bay Delta Conservation Plan Interagency Ecological Program.

- **Clear Lake Restoration.** The budget provides \$1.0 million (Fish and Game Preservation Fund) for restoring Clear Lake wetlands and preventing the spread of invasive species. This item was vetoed by the Governor.
- **Chollas Creek Restoration.** The budget provides \$6.0 million (Proposition 1E) to restore the Chollas Creek.
- **Hatcheries and Inland Fisheries.** The budget continues to support improvements, through programs and capital outlay, to the state's hatcheries and inland fisheries, utilizing the Hatcheries and Inland Fisheries Fund (HIFF). These include:
 - \$1.1 million (HIFF) for three minor capital outlay projects: the purchase and installation of a pre-manufactured home at the Silverado Fisheries Base; the Mojave River Hatchery; and, the Black Rock Hatchery.
 - \$220,000 (HIFF) for the design, construction and installation of a new 12 foot high bird enclosure for the trout nursery ponds at the Mount Shasta Hatchery in Siskiyou County.
 - \$240,000 (HIFF) for design and construction to add walls, with windows and doors, to the existing roofed structure that surrounds the Heritage Trout fish ponds at the San Joaquin Hatchery in Friant, located in Fresno County.
 - The budget provides \$740,000 (HIFF) to make necessary deferred maintenance repairs to the concrete raceways so that they can be used for native trout production at the Kern River Hatchery for distribution to the Kern River drainage.
 - The budget provides \$1.27 million (HIFF), annually for three years, for the purpose of meeting fish production and Heritage and Wild Trout Program monitoring and management requirements.

3640 WILDLIFE CONSERVATION BOARD (WCB)

The Wildlife Conservation Board administers bond funds for various programs, mainly for wildlife restoration and management projects. The budget provides \$30 million (Proposition 1E) for flood-related opportunity acquisition on Los Angeles River and \$1 million from the Wildlife Restoration Fund for the WCB's Public Access Program.

3720 CALIFORNIA COASTAL COMMISSION (CCC)

The Coastal Commission provides varying degrees of land-use planning within the state's coastal zone, and manages a number of grant and education programs funded by the sale of the Whale Tail license plate. The budget provides a one-time appropriation of \$315,000 (Protect our Coast and Oceans Fund) from voluntary contributions on the state tax return to augment the Whale Tail grant program and to support outreach and promotion of the voluntary contribution program. The budget provides an increase to the local assistance baseline budget of \$44,000 (Coastal Beach and Coastal Enhancement Account) for coastal and marine education grants to nonprofits, schools, and government agencies.

3760 STATE COASTAL CONSERVANCY (SCC)

The State Coastal Conservancy focuses on the provision of local assistance and capital outlay to projects that benefit the coast. The budget provides \$12.4 million from the Safe Drinking Water, Water Quality & Supply, Flood Control, River & Coastal Protection Fund of 2006 (Proposition 84) for purposes of local assistance and capital outlay. The appropriations will be used for protecting, restoring, and enhancing beaches, bays, and coastal waters; promoting access to coastal resources; and carrying out the goals of the San Francisco Bay Area Conservancy Program (including acquiring and restoring sensitive lands, such as the San Francisco Bay Trail and the Bay Area Ridge Trail). The budget provides \$12.4 million in local assistance funds and \$8 million in reimbursement authority from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) for purposes of the Coastal Conservancy program and the San Francisco Bay Area Conservancy program. The funds appropriated will support the following efforts: restoration of Coho salmon habitat in San Mateo County streams; planning and construction of the California Coastal Trail in Santa Barbara, San Luis Obispo, and Santa Cruz Counties; and restoration of tidal wetlands and native oyster beds in San Diego Bay.

3780 NATIVE AMERICAN HERITAGE COMMISSION

The Native American Heritage Commission is focused on the implementation of AB 52 (Gatto), Chapter 532, Statutes of 2014, which requires the commission to create a geographic database of cultural and historical Native American tribal territories, and all potential lead California Environmental Quality Act agencies within each territory. The budget provides \$1.6 million and eight positions in 2015-16, decreasing to \$602,000 and five positions ongoing to fund this project. The project requires legislative review upon final approval or a feasibility study report exemption by Department of Technology. The budget also provides trailer bill language to place the responsibility of the Repatriation Oversight Commission (ROC) within the Native American Heritage Commission and repeals language establishing the ROC.

3790 DEPARTMENT OF PARKS AND RECREATION (DPR)

The Department of Parks and Recreation manages the state's parks system, which includes the divisions of boating and waterways and off-highway vehicles. The department is focused on a multi-year reformation that is intended to revamp management of the department and improve visitor experiences at state-managed parks, while at the same time improving relations with local partners. To that end, the budget includes a one-time increase of \$19.7 million in spending authority in 2015-16 from the State Parks and Recreation Fund to sustain its operations and maintain its base support budget.

- **Empire Mine State Historic Park.** The budget provides a two-year appropriation totaling \$1.8 million (Abandoned Mine Reclamation Fund) for the continued evaluation, analysis, and implementation of removal actions required at Empire Mine State Historic Park. The budget provides an ongoing budget augmentation of \$220,000 in General Fund support for the anticipated long-term operation and maintenance costs of the Magenta Drain and Treatment System at Empire Mine State Historic Park (SHP) critical to the protection of both public health and safety, along with the protection of natural and cultural resources at the park. This action is necessary to implement a settlement agreement that has recently been reached with the Newmont Entities.
- **Proposition 40 Grant Program.** The budget provides trailer bill language that stipulates that of the \$26 million (Proposition 40) appropriated for youth soccer, \$10 million shall be set aside for outdoor environmental education and activities.
- **Border Field State Park.** The budget provides \$5.9 million (federal settlement deposited in the State Parks and Recreation Fund [SPRF]) to improve Border Field State Park, located in the Tijuana River Valley.
- **Capitol Tour Guides.** The budget provides \$1.4 million (State Parks and Recreation Fund) to transfer funding of Capitol Tour Guides from the Assembly Operating Fund to SPRF.
- **Vessel Operator Certification Account.** The budget provides a transfer of \$1 million dollars from the Harbors and Watercraft Revolving Fund as a loan to the Vessel Operator Certification Account to implement the requirements of SB 941 (Monning), Chapter 433, Statutes of 2014, for two years.
- **Public Beach Restoration.** The budget provides \$41.5 million in one-time funds for the Division of Boating and Waterways (DBW) Local Assistance Program from the Harbors and Watercraft Revolving Fund, the Abandoned Watercraft Abatement Fund, and the Public Beach Restoration Fund for grants to various agencies.
- **Capital Outlay and Visitor Improvements.** The budget provides various capital outlay proposals and improves visitor services through the following augmentations:

- \$1.2 million in support of the newly constructed Los Angeles State Historic Park.
- \$1 million for the increased cost of the ground transportation contract at Hearst Castle within Hearst San Simeon State Historical Monument.
- \$424,000 to support the new Donner Memorial State Park Interpretive Visitor Center.
- **Local Park Projects.** The budget provides the reappropriation of the following Prop 40 and Prop 12 projects:
 - City of Pasadena Youth Soccer and Recreation Developments Program, Sycamore Grove Field/Muir Field, Prop 40.
 - City of Los Angeles, Urban Parks, East Wilmington Greenbelt Park, Prop 40.
 - City of San Jose Robert-Z’Berg-Harris Block Grant Program, Three Creeks Trail Bridge, Prop 40.
 - City of San Jose Per Capita Grant Program, Three Creeks Trail Bridge, Prop 40.
 - City of Los Angeles People Coordinated Services of Southern California, Youth and Family Center, Prop 12.
- **Concession and Operating Agreements.** The budget provides approval to solicit proposals for new concessions or extend existing contracts for the following:
 - Concessions: Angeles District (Multi-Unit Fee Collections); Lake Perris Marina (Concessions); Hearst San Simeon State Historical Monument (Theatre Concession Contract); and Old Town San Diego State Historic Park (Retail Food Service Concessions)
 - Operating: Bothe-Napa Valley State Park and Bale Grist Mill State Historic Park (Operating Agreement); Robert Louis Stevenson State Park (Operating Agreement with Napa County); and San Bruno Mountain State Park (Operating Agreement with San Mateo County)
- **Local Assistance.** The budget provides \$56.0 million from special and federal funds for the Local Assistance Program to provide grants to various agencies. Funds are to be available for encumbrance or expenditure through June 30, 2018.

3810 SANTA MONICA MOUNTAINS CONSERVANCY

The budget provides \$2.6 million in various funding sources (\$200,000 Conservancy Fund; and \$2.4 million Prop. 12, 40, 50, & 84) for local assistance grants and capital outlay in the Santa Monica Mountains Zone and Rim of the Valley Trail Corridor Project.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

The budget provides \$1.0 million additional baseline General Fund to fully fund the core functions of the BCDC's existing staff, to fill its vacancies, and to enable it to begin a rulemaking process to increase its permit fees to supplement General Fund. Establishes a special fund into which the additional annual permit fee collections that exceed the past eleven-year average of annual permit fee collections will be placed.

3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS & MOUNTAINS CONSERVANCY

- Funded the department as budgeted.

3830 SAN JOAQUIN RIVER CONSERVANCY

- Funded the department as budgeted.

3835 BALDWIN HILLS CONSERVANCY

- Funded the department as budgeted.

3840 DELTA PROTECTION COMMISSION

- Funded the department as budgeted.

3845 SAN DIEGO RIVER CONSERVANCY

- Funded the department as budgeted.

3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY

The budget provides a reappropriation of the balance of funding from Proposition 84 bond funds to maintain adequate funding levels for acquisitions and local assistance grants.

3855 SIERRA NEVADA CONSERVANCY

The budget provides a decrease in the Environmental License Plate Fund by \$282,000, due to an erroneous baseline increase in the January budget.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

The DWR has focused its efforts on management of the state's water resources during this historic drought, implementation of groundwater management legislation, and allocation of the final Proposition 1E flood funding.

- **Proposition 1E Flood Funding.** The budget provides \$440.0 million for the DWR to support flood protection activities, which will fully appropriate the Disaster Preparedness and Flood Prevention Bond Act (Proposition 1E), enacted by the voters in 2006. Expenditures of these remaining bond funds will be allocated to program categories that are consistent with the resource allocation recommendations of the Central Valley Flood Protection Plan for prioritizing flood management projects. The budget provides \$20.0 million (Proposition 1E) to continue support of statewide bond management costs, the Central Valley Flood Protection Board, and the Integrated Regional Water Management Stormwater Flood Management Grant Program. Proposition 1E funds have been appropriated to the three programs in prior budgetary processes. The budget provides “special consideration” provisional language that specifies that of the funds appropriated for FloodSAFE, the department shall give special consideration to flood management projects that provide multiple benefits commonly associated with improved flood management, including ecosystem improvements and climate adaptation.
- **Implementation of Groundwater Management Programs.** The budget provides \$6.0 million General Fund in 2015-16, and \$8.0 million for four years from 2016-17 through 2019-20, to complete objectives and actions to 1) implement the sustainable groundwater management Legislation and 2) develop and implement strategic actions to achieve sustainable groundwater management. This proposal will support five new, and 26 existing positions. It will also fund external consulting services and local technical assistance to implement the legislation. This proposal augments and complements other parts of the California Water Action Plan and work described in two approved 2014-15 proposals: California Groundwater Elevation Monitoring and California Statewide sustainable groundwater management program.

- **Delta Water Flow Management.** The budget provides \$22 million (\$11 million General Fund and \$11 million State Water Project funds) to remove a temporary rock barrier installed across West False River in the Delta. The barrier was installed to slow the tidal push of saltwater from the San Francisco Bay into the central Delta and to prevent contamination of water quality for municipal, industrial, agricultural and environmental needs. The barrier is intended to prevent salt water contamination of water supplies of the State Water Project and Central Valley Project, primarily, and other water intake projects.
- **Central Valley Flood Protection Board.** The budget provides \$800,000 General Fund to support five positions located within the Central Valley Flood Protection Board to adequately fulfill the assurances the State has made to the federal government through a number of assurance agreements, and in compliance with California Water Code.
- **Proposition 204 Local Assistance.** The budget provides the reversion and new appropriation of \$2.2 million or the remaining balance of Proposition 204 local assistance bond funds for advance projects that assist in meeting the Water Action Plan goal to protect and restore important ecosystems.
- **Truckee River Operating Agreement.** The budget provides \$150,000 in 2015-16, and \$300,000 annually thereafter, from the General Fund in order to augment the Central California Water Management program to meet California's mandated responsibilities under the Truckee River Operating Agreement.
- **San Joaquin River.** The budget provides \$4.8 million in additional reimbursements from the Wildlife Conservation Board and \$2.1 million in federal funds from the Bureau of Reclamation for habitat restoration, recreation, and public access improvements along the San Joaquin River.

3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

- Funded the department as budgeted.

3885 DELTA STEWARDSHIP COUNCIL

The budget provides three new positions, and \$9.25 million (\$6.6 million General Fund, \$850,000 reimbursements, and \$1.7 million federal funds) to continue its existing programs and to fulfill the Delta Plan implementation requirements.

Natural Resources Budget Trailer Bills

1. *Resources - SB 88 (Budget and Fiscal Revenue), Chapter 25, Statutes of 2015.*

ENVIRONMENTAL PROTECTION

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

- The Secretary for Environmental Protection has primary program objectives that involve restoring, protecting, and enhancing environmental quality, and protecting public health while fostering economic vitality. The budget was approved as proposed and provides \$19.1 million for the Secretary.

3900 AIR RESOURCES BOARD (ARB)

The Air Resources Board continues to manage greenhouse gas emission reduction programs, including the auction of cap-and-trade revenues. Budget actions include tracking emissions and reducing greenhouse gases by improving mobile source emissions. The ARB also has taken steps to move its mobile sources testing lab from El Monte to another site.

- **Relocation of Mobile Source Lab.** The budget provides \$3.0 million (Motor Vehicle Account, Air Pollution Control Fund and Vehicle Inspection Repair Fund) to begin the process to consolidate and relocate the ARB's existing motor vehicle and engine emission testing and research facility. An additional \$2.9 million will be available after the following metrics have been met: (1) as part of the preliminary site evaluation process, designated representatives from Riverside and Pomona will make on-site presentations to ARB's site evaluation team; and (2) a report notifying the Joint Legislative Budget Committee of the action taken by the ARB with a detailed statement of the approved action to ensure accountability to the site evaluation process.
- **Low Carbon Fuels Standard.** The budget provides \$700,000 annually (Cost of Implementation Account) for four positions to strengthen the monitoring and oversight of the information reported under the Low Carbon Fuel Standard (LCFS) Program.
- **Greenhouse Gas Emission Tracking.** In order to improve the existing ambient monitoring network for tracking greenhouse gas emissions and trends in California, the budget provides a one-time allocation of \$810,000 (Cost of Implementation Account, Air Pollution Control Fund) for equipment purchase, \$172,000 annually for leasing space and equipment maintenance, and \$175,000 annually for one position for operation of the network.

3930 DEPARTMENT OF PESTICIDE REGULATION

- **Integrated Pest Management Training.** The budget provides \$412,000 to the Department of Pesticide Regulation Fund (DPR Fund) and three positions to implement SB 1405 (DeSaulnier), Chapter 848, Statutes of 2014. SB 1405 requires the development and administration of comprehensive training courses that anyone using pesticides at a school site must take, and a template for a written integrated pest management plans for school districts and child care centers that use certain pesticides (excluding antimicrobials).
- **Information Management System.** The budget provides \$1.9 million (DPR Fund) to develop and implement a fully integrated information management system for the pesticide product and device registration process. Once completed, the system will offer online functionality and allow for online submission of registration-related materials and electronic payment.

3940 STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board is primarily responsible for management of the state's water quality and water rights programs. To this end, the board has focused its budget proposals on drought-related programs (see separate section on drought page 2-28), implementation of Proposition 1, and implementation of programs designed to reduce the impacts of legal and illegal activities on water quality (see Underground Injection Program under the Natural Resources section and marijuana cultivation, below).

- **Stormwater Program Mandates.** The budget provides \$381,000 and three limited-term positions from the Waste Discharge Permit Fund (WDPF) to implement the mandates of SB 985 (Pavley), Chapter 555, Statutes of 2014. The intent of the SB 985 is to promote storm water use projects and dry weather non-storm water runoff use projects through storm water resource plans.
- **Recycled Water Coordination.** The budget provides a one-time General Fund increase of \$300,000 to implement the requirements of AB 2071 (Levine), Chapter 92, Statutes of 2014. These funds enable the State Water Board to hire contractors to coordinate, oversee, and administer an expert panel to determine if the use of tertiary recycled water for consumption by animals poses a significant health risk to the public or animals.
- **Marijuana Cultivation.** The budget provides \$1.5 million General Fund and 11 two-year limited-term positions to continue implementation of a task force and priority-driven approach to address the natural resources damages from marijuana cultivation, primarily on private lands in northern California, but also in targeted partnerships with DFW on high conservation value state public lands.

- **Small Disadvantaged Communities.** The budget provides a one-time augmentation of \$4 million for 2015-16 (total of \$12.0 million for fiscal year 2015-16), for the State Water Pollution Control Revolving Fund Small Community Grant Fund to assist small disadvantaged communities with their wastewater needs.
- **Drinking Water Fees.** The budget provides trailer bill language to allow the State Water Boards to adopt fee regulations by emergency actions to ensure an adopted annual fee schedule will generate sufficient revenue to support Safe Drinking Water Program annual budgetary expenditures and ensure the immediate preservation of the public peace, health, safety and general welfare.
- **Underground Storage Tank Cleanup Fund.** The budget implements SB 445 (Hill), Chapter 547, Statutes of 2014, which affects the Underground Storage Tank Cleanup Fund (USTCF) and the California Water Boards Groundwater Cleanup Programs, including:
 - \$39.5 (USTCF) million that will be used to reimburse tank owners and operators for their costs in cleaning up leaking Underground Storage Tanks.
 - \$24.7 million Site Cleanup Subaccount (SCS), of which \$4.9 million is one-time and \$19.8 million is ongoing, for the investigation and remediation of contaminated sites where there is no viable party.
 - \$24.7 million (Petroleum Underground Storage Tank Financing Account [PUSTFA]), of which \$4.9 million is one-time and \$19.8 million is ongoing, for loans and grants for Replacing, Removing, or Upgrading Underground Storage Tanks (RUST).
 - \$100 million (one-time) from the Expedited Claim Account (ECA) with availability for expenditure until June 30, 2018. The proposal would fund 21 new positions.
- **Bay-Delta Water Quality Control Plan.** The budget provides 16 positions and \$7.8 million General Fund to complete the comprehensive update of the Bay-Delta Water Quality Control Plan.
- **Office Space.** The budget provides \$1.2 million in various one-time special funds for two facilities operations projects. Beginning on July 1, 2015, the Water Board's Sacramento-based workforce will increase by approximately 85 positions, resulting in the need to acquire additional office space.
- **Drinking Water Regulation Backlog.** The budget provides \$347,000 (Safe Drinking Water Account) and two limited-term positions to address the existing drinking water regulation backlog and to ensure timely development of key drinking water regulations in the future.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

The Department of Toxic Substances Control is in the middle of a major re-focus of its programs and management. The Legislature conducted a series of oversight hearings related to the backlogs of permitting and enforcement, and focused budget changes on improving performance at the department.

- **Oversight and Accountability.** The budget provides statutory oversight to DTSC, including the establishment of an independent review panel to oversee the department's activities and report to the Legislature and Governor on progress related to permitting, enforcement, and legislative mandates; and to require the department to work through the budget process with recommendations from the independent review panel. The panel sunsets in four years.
- **Exide Order.** The budget provides five positions and \$734,000 (limited-term of three years) from the Hazardous Waste Control Account (HWCA) to implement the 2014 Enforcement Order against Exide Technologies (Exide or Facility). Among other things, the order establishes that Exide is liable for all costs incurred by DTSC in reviewing work plans and overseeing the work required by the order including all California Environmental Quality Act (CEQA) costs. The work required by the order includes: (1) cleanup of 215 off-site residential properties in an environmental justice community; (2) investigation and possible cleanup of additional off-site residential properties impacted by Exide operations; (3) investigation of industrial properties adjacent to the Exide operations; and (4) development of a corrective measure study and remedy selection document. Costs will be recovered from Exide Technologies.
- **Birth Defects Monitoring Program.** The budget provides \$600,000 and two limited-term positions for two years (\$520,000 from the Toxic Substances Control Account [TSCA] and \$80,000 Birth Defects Monitoring Program Fund) to support the Biomonitoring California Program. Under the program's enabling legislation, DTSC is collaborating with the Office of Environmental Health Hazard Assessment (OEHHA) and the California Department of Public Health (CDPH) to implement Biomonitoring California.
- **Enforcement Division Enhancement.** The budget provides \$1.6 million (HWCA) and 16 positions to address the increased workloads for the Enforcement Division, Policy and Program Support Division's Financial Responsibility Unit, Office of Planning and Environmental Analysis, Office of Legal Counsel, and Office of Environmental Information Management in support of the Office of Permitting's initiative to reduce DTSC's inventory of backlogged hazardous waste facility permit applications and streamline and enhance protections in the enforcement and permitting processes.
- **Community Protection and Hazardous Waste Reduction Initiative.** The budget provides \$840,000 and six positions (TSCA) for two years, to develop, implement, and evaluate projects that reduce the generation of hazardous wastes that are treated or disposed in California. This Community Protection and Hazardous Waste Reduction Initiative will select up to three pilot-

scale projects to reduce hazardous wastes that are generated in significant quantities in California, can pose substantial risks or hazards to human health or the environment, and are treated or disposed in California communities that are disproportionately burdened by multiple sources of pollution.

- **Berkeley and Pasadena Environmental Chemistry Laboratories.** The budget provides \$1.5 million in one-time special funds to replace obsolete lab equipment at the Berkeley and Pasadena environmental chemistry laboratories. This expenditure is funded from revenue received from a legal judgment.

The budget also includes the following for various programs within DTSC:

- The budget provides \$2.1 million (\$222,000 [HWCA] and \$1.9 million [TSCA]) and 11 positions, to implement and evaluate approaches to address environmental violations in vulnerable communities. The action will focus inspection and enforcement resources on the metal recycling industry and the hazardous waste transportation industry.
- The budget provides \$1.4 million (TSCA) for two years to conduct a review of its hazardous waste management enforcement program. Specifically, the department will assess its enforcement program including evaluation of workload, inspections, investigations, policies, and statutory mandates.
- The budget provides six positions and \$643,000 (TSCA) to allow the department to expand research capabilities and accelerate the rate in which consumer products containing toxic chemicals can be evaluated and identified for inclusion in the Safer Consumer Products (SCP) Program.
- The budget realigns \$2.4 million and 18 positions from the Federal Trust Fund to the Toxic Substance Control Account to support oversight of state response and Orphan/National Priority List site cleanup.
- The budget provides \$3.4 million and a reversion of the unencumbered balance of the 2014-15 appropriation from the Expedited Site Remediation Trust Fund to reimburse the SR Land Company and the Richard N. Clayton 1981 Trust for the orphan share associated with their cleanup activities at the Golden Technology Site in the City of Santa Rosa in Sonoma County.
- The budget provides an augmentation of \$527,000 (HWCA) and 2.5 positions to implement SB 1249 (Hill), Chapter 756, Statutes of 2014. SB 1249 requires DTSC to evaluate the risks and threats posed by metal shredders and the management of metal shredder waste, and to either develop alternative management standards that govern metal shredding activities, or rescind its 1987 era decisions that have allowed metal shredders to be managed as nonhazardous waste.

**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
(CALRECYCLE)**

CalRecycle continues to address a shortfall in its largest program, the Beverage Container Recycling Program. The budget includes a number of actions that focus on fraud prevention and expenditure reductions in order to streamline the program.

- **Improving the Beverage Container Recycling Fund.** The budget provides \$1.1 million from the Beverage Container Recycling Fund (BCRF) and 10 positions for efforts by CalRecycle to reduce the expenditures out of the BCRF and increase program integrity.
- **Fraud Program Pilot Projects.** The budget provides \$933,000 (BCRF) and 10 limited-term staff services auditor positions for a pilot program with dedicated on-site investigation resources at certified processor facilities. This team would supplement CalRecycle's existing fraud prevention efforts.
- **Tijuana River Waste Tire and Solid Waste.** The budget provides statutory changes to establish the Border Region Solid Waste Working Group to develop and coordinate long-term solutions to address and remediate problems associated with waste tires and solid waste along the border in the Tijuana River estuary. The budget provides an appropriation of \$300,000 from the Waste Tire Reduction Fund to support this working group.
- **Rigid Plastic Packaging Container Compliance.** The budget provides \$296,000 from the Integrated Waste Management Fund and three positions to conduct annual Rigid Plastic Packaging Container compliance certification reviews, pursuant to recently adopted regulations.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)

- Department approved as proposed.

Environmental Protection Budget Trailer Bills

1. *Resources — SB 83 (Budget and Fiscal Revenue), Chapter 24, Statutes of 2015.*

ENERGY AND UTILITIES

3360 CALIFORNIA ENERGY COMMISSION (CEC)

The California Energy Commission continues to focus work on improving the state's energy infrastructure, ramping down programs related to the now-defunct public goods charge, and administering programs related to renewable energy resources.

- **Alternative and Renewable Fuel and Vehicle Technology Programs.** The budget provides baseline authority for 15 permanent positions and \$2.0 million from the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVT), to support the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP) and the Zero Emission Vehicle (ZEV) Action Plan.
- **Vulnerability of Fueling Infrastructure for the Transportation Sector to Climate Change.** The budget provides one two-year limited-term position and \$1.8 million in one-time Petroleum Violation Escrow Account (PVEA) funding, for a total request of \$1.9 million to support an evaluation of the vulnerability of the fuel infrastructure for the transportation sector (e.g., refineries, pipelines, marine terminals, underground storage tanks, and fueling stations) to climate change impacts.
- **Public Goods Charge Ramp-Down.** The budget provides for the reduction of 25 positions and \$2.3 million from the Public Interest Energy Research (PIER), Development, and Demonstration Fund, and the Renewable Resource Trust Fund (RRTF), through the Public Goods Charge (PGC) for the Renewable Energy Program and PIER. This action is in response to the sunset of the authority to collect the Public Goods Charge on January 1, 2012. As a result, the PGC program is undergoing a multi-year phased staff reduction.
- **Siting Fee Authority to Power Plant Certifications.** The budget provides statutory fee authority to reimburse the Energy Commission for costs associated with processing petitions to amend power plant certifications. The fee will not change the existing certification fee. This action will add a fee of \$5,000 for amendments to applications, plus actual cost recovery for the commission's work.
- **Energy Conservation Assistance Account (ECAA).** The budget reduces by \$603,000 ECAA and eliminates five positions that support ECAA – Greenhouse Gas Reduction Fund loan and technical assistance program. This work and funding will be transferred to the Department of General Services (DGS).

- **International Relations Senior Advisor on Greenhouse Gas Emission Reduction.** The budget provides \$133,000 from the Energy Resources Program Account, on a one-time basis, to coordinate work with other jurisdictions, including but not limited to, China, Israel, Japan, and Mexico.
- **American Reinvestment and Recovery Act.** The budget did not include \$11 million from Federal American Recovery and Reinvestment Act (ARRA) funds from third-party financing programs where the CEC believes they were underutilized, and to shift these funds to three existing programs: (1) the Local Government Challenge (a local jurisdiction grant program promoting energy efficiency improvements in existing publicly owned buildings); (2) the Small City Leadership Challenge (a technical assistance and grant program focusing on disadvantaged communities with populations under 15,000); and, (3) the Energy Innovation Challenge (a program focusing on new innovative deployment models).
- **New Solar Homes Partnership.** The budget includes trailer bill language to give the Public Utilities Commission (CPUC) authority to select the CEC as program administrator for the New Solar Homes Partnership (NSHP) Program, and a provision to sunset the program on June 1, 2018.

The budget also approved the following within the CEC:

- Approves \$241,000 (Energy Resources Programs Account) and two positions to provide outreach, education, and training to building industry professionals, governmental agencies, utilities, and local building departments and officials for the energy standards, which will occur on three-year cycles.
- Approves fund transfer authority (TBL) to move unspent and under-utilized ARRA funds to the DGS Energy Efficient State Property Revolving Loan Fund.
- Approves baseline authority for \$1.5 million and six permanent and five limited-term positions (Energy Conservation and Assistance Account [ECAA]) to support the ECAA Program.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)

The budget provides a series of actions designed to provide enhanced oversight and accountability to the CPUC. Specifically, the budget committee approved trailer bill language that: (1) reduces the CPUC's state operations budget by \$5 million; (2) adopts trailer bill language requiring the CPUC to notify the JLBC semi-annually of any redirection of funding and/or positions; (3) provides CPUC funds be made available to the California Research Bureau for the purpose of making recommendations, in consultation with appropriate state entities, related to improving oversight, regulation and efficiency of CPUC's duties with regard to energy, communications, transportation

and utility safety enforcement and water; (4) adopts trailer bill language that prohibits the CPUC from redirecting any of the approved audit positions and any existing base positions in these audit areas; and, (5) adopts trailer bill language to provide that Office of Ratepayer Advocate's legal resources within its existing budget be used for attorneys that administratively report to the Office of Ratepayer Advocates. A trailer bill implementing these policy changes is pending.

- The budget provides for several audit-related positions to enhance oversight including:
 - \$81,482 (various special funds) and one position to audit submitted User Fee Statements against utilities' financial records to ensure utilities are remitting correct fees in relation to their revenue.
 - \$178,000 (various special funds) for one position to provide a detailed work plan based on a charter, initial risk assessment, and other foundational documents to support and justify the role and overall resource needs for a newly-created internal audit function within the Executive Division of the CPUC.
 - Two three-year limited-term positions in the Energy Division, and \$224,944 from the (PURA) to conduct in-depth reviews of entries in utility balancing accounts in light of a March 2014 State Auditor findings.
 - Seven additional audit positions (three-year limited-term) within the small water and energy audit sections and \$754,768 from PURA, to enhance the CPUC's regulatory audit capacity in light of criticism from recent audits and analysis of internal risks.
 - \$612,000 for five positions PURA to staff an Internal Audit Unit in the CPUC. The audit unit will conduct independent audits of internal CPUC programs, processes, and administrative responsibilities.

The budget also provides:

- **Universal Lifeline Telecommunications Program.** The budget provides \$142.8 million for local assistance from the Universal Lifeline Telephone Service Trust Administration Fund to address a new and increased subscribership for wireless service plans by California Lifeline participants. The additional funding would allow eligible households to subscribe to discounted, affordable, and sustainable wireless service plans that include voice, text, and Internet access.
- **Safety Division.** The budget provides \$405,000 (Public Utilities Commission Reimbursement Account [PURA]) and three positions in the Risk Assessment Unit in the Safety and Enforcement Division to ensure that investor-owned energy utilities have adequate risk management protocols and are investing in safety. The budget allocates \$2.8 million (Federal Trust Fund) in federal funding for fixed-rail safety programs.

- **Leak Management of Gas Pipeline Facilities.** \$550,000 from the Public Utilities Commission Reimbursement Account (PURA) and three limited-term positions and one permanent position to implement SB 1371 (Leno), Chapter 525, Statutes of 2014, which relates to procedures governing the leak management of gas pipeline facilities.
- **Security measures at Electric Companies.** \$551,000 from PURA for three limited-term positions and one permanent position to implement SB 699 (Hill), Chapter 550, Statutes of 2014, which relates to developing rules and procedures to assess security measures at electric companies.
- **Modified Limousine Inspections.** \$227,000 from the Public Utilities Transportation Reimbursement Account for three, two-year limited-term positions to implement SB 611 (Hill), Chapter 860, Statutes of 2014, which relates to surveying 12,000 carriers and annually developing a list of modified limousines and transmitting to the California Highway Patrol (CHP).
- **Fee and Tax Collection for Prepaid Wireless.** \$2.1 million (California High-Cost Fund A Administrative Committee Fund; California High-Cost Fund B Administrative Committee Fund; Universal Lifeline Telephone Service Trust Administrative Committee Fund; Deaf and Disabled Telecommunications Program Administrative Committee Fund; California Teleconnect Fund Administrative Committee Fund; California Advanced Services Fund; Public Utilities Commission Utilities Reimbursement Account) and eight positions to implement AB 1717 (Perea), Chapter 885, Statutes of 2014. AB 1717 establishes a new statewide retail point-of-sale mechanism for collecting taxes and fees from prepaid wireless consumers, in conjunction with the Board of Equalization.
- **Consumer Protection Rules for Demand Response Program.** \$486,000 (PURA) and four limited-term positions to implement SB 1414 (Wolk), Chapter 627, Statutes of 2014. SB 1414 requires the commission to develop and implement consumer protection rules for residential customers who participate in demand response programs.
- **Reimbursement for Consulting Services.** \$600,000 (reimbursements) to implement AB 2362 (Dahle), Chapter 610, Statutes of 2014. AB 2362 requires the commission to collect reimbursements for consulting services to develop an integration cost methodology for determining expenses resulting from integrating and operating eligible renewable energy resources in utility electric supply portfolios.
- **Affordable Energy in the San Joaquin Valley.** \$700,000 (PURA) and three limited-term positions to implement AB 2672 (Perea), Chapter 616, Statutes of 2014. AB 2672 requires the commission to initiate a proceeding, identify disadvantaged communities in the San Joaquin Valley, identify potential funding sources to extend natural gas pipelines to these communities, increase electrical rate subsidies, and consider alternatives to increase access to affordable energy in the San Joaquin Valley.

The budget provides trailer bill language that makes the following reforms to the net energy metering (NEM) program to reflect the size and complexity of military facilities:

- Increases the amount of renewable energy that may be generated on a military base under NEM to the lesser of the following: 12 megawatts or one megawatt greater than the base's historical minimum load; and empowers the executive director of the CPUC to ensure adequate, expedited review of requests to interconnect renewable generation on military facilities to the electrical grid.
- Approves a two-year extension of the liquidation period of \$2.5 million (Public Utilities Reimbursement Account) for continued assistance by outside legal counsel and economic consultants, as well as expert witnesses in litigation by the CPUC before the Federal Energy Regulatory Commission (FERC), which seeks refunds of several billion dollars for overcharges during the 2000-2001 energy crisis for California consumers.

3860 DEPARTMENT OF WATER RESOURCES (CALIFORNIA ENERGY RESOURCES SCHEDULING DIVISION)

- The program was approved as budgeted.

Energy and Utilities Budget Trailer Bills

1. *Resources — SB 83 (Budget and Fiscal Revenue) Chapter 24, Statutes of 2015.*

FOOD AND AGRICULTURE

7300 AGRICULTURAL LABOR RELATIONS BOARD

As part of an ongoing focus on improving farmworker conditions, the budget includes an increase of \$1.6 million (General Fund) and 13 positions, to support and expand the Agricultural Labor Relations Board (ALRB) services to farmworkers, to improve the timeliness of hearings, and increase efficiency and accountability.

8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

The Department of Food and Agriculture (CDFA) continues to focus on the management of the state's agricultural resources, including plant health and prevention, distribution of farm products, improved farm water management, and animal health and safety.

- **Certified Farmers Markets.** The budget provides \$1 million (ongoing, reimbursements) and four permanent positions to enhance the existing Certified Farmers Market Program, as required by AB 1871 (Dickinson), Chapter 579, Statutes of 2014. The department will contract with county agricultural commissioners for enforcement work to align with industry growth.
- **Animal Health and Food Safety Laboratory.** The budget provides \$4.3 million (General Fund), to both offset the employee compensation increases, (\$3 million, ongoing), and to add additional resources required to operate the new South Valley Animal Health Laboratory in Tulare (\$1.3 million, ongoing). The budget committee approved provisional language making the annual adjustment for compensation at the laboratory, which is housed under the University of California employment umbrella, part of the budget process.
- **Fairs and Expositions.** The budget provides a restoration of \$3.1 million General Fund and two permanent positions for the Division of Fairs and Expositions to provide operational and training support to the fair network. This allocation is intended to support fairs and reduce the potential high cost closure of fairgrounds. Provisional language requires the CDFA to provide a report with the 2016-17 budget that identifies the fairs at greatest risk of closure due to their financial condition.

DROUGHT

MARCH URGENCY DROUGHT LEGISLATION

In March, the Legislature approved, and the Governor signed, AB 91 (Committee on Budget), Chapter 1, Statutes of 2015, to address the state's urgent drought needs. The bill, along with the companion trailer bill, AB 92 (Committee on Budget), Chapter 2, Statutes of 2015, included expenditures of \$1.1 billion for drought-related activities including:

- **Water Recycling.** \$131.7 million (Proposition 1) for the State Water Resources Control Board's (SWRCB) expansion of the existing water recycling grant program. Potential projects include feasibility studies, demonstration projects, and larger scale water recycling projects.
- **Small Disadvantaged Community Drinking Water.** \$135.5 million Proposition 1 for the SWRCB to improve access to clean drinking water for disadvantaged communities (\$69 million) and help small communities pay for wastewater treatment (\$66 million).
- **Fish and Wildlife Protection.** \$14.6 million (\$11.4 million General Fund and \$3.2 million Fish and Game Preservation Fund) for the Department of Fish and Wildlife (DFW) to continue critical state operations related to drought, such as fish rescues, hatchery operations, fish and wildlife monitoring, and responding to problems of human/wildlife conflict from animals seeking food and water.
- **Save Our Water Campaign, Groundwater and Water Transfers.** \$11.6 million General Fund for the Department of Water Resources (DWR) to continue to assess current surface and groundwater conditions, expedite water transfers, provide technical guidance to local water agencies, and provide additional public outreach through the Save Our Water campaign.
- **Water Rights.** \$6.7 million General Fund and \$15.9 million Cleanup and Abatement Account for the SWRCB to continue enforcement of drought-related water rights and water curtailment actions and provide grants (\$15 million) for emergency drinking water projects, including hauled water, bottled water, design and construction of connections to adjacent public water systems, new wells and well rehabilitation.
- **Emergency Water Supply.** \$4 million Cleanup and Abatement Account for the SWRCB to provide emergency safe drinking water to disadvantaged communities impacted by the drought.
- **Disaster Recovery.** \$4.4 million General Fund to the Office of Emergency Services for the State Operations Center to continue to provide local communities with technical guidance and disaster recovery support related to the drought.

- **Greenhouse Gas Emission Reductions for Water Use Efficiency.** \$20 million Greenhouse Gas Reduction Fund to the DWR for state and local water use efficiency programs, which reduce greenhouse gas (GHG) emissions.
- **Greenhouse Gas Emission Reductions for Farm Operations.** Accelerate the appropriation of \$10 million Greenhouse Gas Reduction Fund to the California Department of Food and Agriculture (CDFA) for agricultural water efficiency projects that reduce GHG emissions.
- **Food Assistance.** \$24 million (\$17 million new and reappropriation of \$7 million General Fund), to the Department of Social Services to expand food assistance to persons affected by the drought to include Imperial, San Luis Obispo, Santa Barbara, Ventura, and Coachella Valley in Riverside county.
- **CalFIRE Station Water Supply.** \$3 million General Fund for the Department of Forestry and Fire Protection (CalFIRE) to address critical infrastructure deficiencies at remote fire stations that have run out of water.
- **Endangered Species Habitat.** \$2 million General Fund to the DFW for maximizing water delivery and efficiency to key endangered species habitat, endangered species, native fish and Delta monitoring, and water delivery system projects.
- **Public Outreach, Modeling, and Emergency Drinking Water.** \$7.4 million General Fund to the DWR for additional public outreach through the Save Our Water campaign, refining the modeling of turbidity flows in the Delta; and Local Assistance (\$5 million) to provide emergency drinking water support for small communities, including addressing private well shortages.
- **Delta Water Flow.** Authorization of funds for the removal of emergency rock barriers and actions to minimize impacts of the barriers on affected aquatic species in the Sacramento-San Joaquin Delta, if necessary.
- **Invasive Aquatic Species.** \$4 million Harbors and Watercraft Fund to the Department of Parks and Recreation, Division of Boating and Waterways, for efforts to manage and control invasive aquatic plants within the Sacramento-San Joaquin River Delta, its tributaries and the Suisun Marsh, which threaten water supply intake structures.
- **Economic Analysis of the Farm Sector.** \$200,000 General Fund to the California Department of Food and Agriculture for economic analysis studies to determine the ongoing impacts of California's drought on the state's agriculture sector and identify potential solutions.
- **Instream Flows.** \$4 million General Fund for the SWRCB and the DFW to enhance instream flows in at least five stream systems that support critical habitat for anadromous fish.

- **Flood Management.** \$660 million Proposition 1E for the DWR to support flood protection activities. Expenditures of these bond funds will be allocated to program categories that are consistent with the resource allocation recommendations of the Central Valley Flood Protection Plan for prioritizing flood management projects. Specifies that funds shall be available for encumbrance and expenditure until June 30, 2020, and June 30, 2023, respectively.

JUNE DROUGHT LEGISLATION AND FUNDING

The final budget package includes an additional \$2.1 billion for drought and other water-related activities, including urban and agricultural water conservation, cleanup of groundwater contamination, water supply projects, and various emergency drought response actions.

- **Water Conservation.** The June drought package includes the following water conservation items:
 - \$56 million Proposition 1 to DWR for urban water conservation.
 - \$42 million Proposition 1 to DWR for agricultural water conservation.
 - \$15 million General Fund and special funds to the Department of General Services for water conservation at state buildings.
 - \$4 million to General Fund to DWR for the Save our Water campaign.
- **Proposition 1 Infrastructure and Planning.** The June drought package includes the following infrastructure and planning programs funded by Proposition 1:
 - \$784 million to the SWRCB for groundwater cleanup programs and projects.
 - \$475 million to the SWRCB for water recycling programs and projects.
 - \$180 million to the SWRCB for drinking water projects in disadvantaged communities.
 - \$160 million to the SWRCB for wastewater treatment projects.
 - \$100 million to the SWRCB for stormwater projects.
 - \$60 million to DWR for groundwater sustainability grants.
 - \$50 million to DWR for desalination grants.

- **Emergency Drought Response.** The June drought package included funding for a variety of drought-related emergency response projects:
 - \$22.2 million General Fund for Office of Emergency Services to support local jurisdictions using the California Disaster Assistance Act program for approved drought-related projects.
 - \$62 million General Fund and special funds for enhanced fire protection.
 - \$11 million General Fund to DWR for removal of emergency rock barriers.
 - \$7.5 million General Fund for the Department of Community Services and Development to provide emergency relief and support services to economically-disadvantaged Migrant and Seasonal Farmworkers (MSFWs) and other low-income populations within California's most drought affected counties.
 - \$6 million in General Fund (\$2,170,000 in State Operations and \$3,830,000 in Local Assistance funding for moving costs and 12 months of rental assistance) for Department of Housing and Community Development.
- **Drought Trailer Bill.** The Legislature passed SB 88 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2015, that provides the following statutory changes:
 - **Drought Water System Consolidation.** Authorizes the State Water Resources Control Board (State Water Board) to require water systems that are serving disadvantaged communities with unreliable and unsafe drinking water, to consolidate with or receive service, from public water systems with safe, reliable, and adequate drinking water.
 - **Recycled Water Projects CEQA Exemption.** Provides a narrowly tailored California Environmental Quality Act (CEQA) exemption, during a drought state of emergency proclaimed by the Governor, for a public agency to mitigate drought conditions by building or expanding a recycled water pipeline and related groundwater replenishment infrastructure if it is within existing rights of way, does not impact wetlands or sensitive habitat, and where the construction impacts are fully mitigated. Authority sunsets on January 1, 2017.
 - **Recycled Water Codes CEQA Exemption.** Exempts the development of new building codes related to dual plumbing from certain CEQA provisions for one code update cycle.
 - **Well Ordinances CEQA Exemption.** Includes legislative findings clarifying that local governments may regulate groundwater pursuant to their police power and provides a limited CEQA exemption for adopting a groundwater protection ordinance. That exemption would expire within two years, or upon the cessation of the current Drought State of Emergency, whichever is later.
 - **Drought Expanded Local Enforcement Authority.** Allows local water agencies to issue penalties for violations of local and state water conservation requirements but limits

penalties to up to \$1,000 for the first violation (increasing for continuing violations) unless the violator has shown intent and the nature of the violation is substantial.

- **Drought Penalties.** Requires the State Water Resources Control Board to separately account for penalties assessed for violations of emergency conservation regulations and deposit such funds into the Water Rights Fund for appropriation by the Legislature to support water conservation activities.
- **Drought Monitoring and Reporting.** Requires that diversions in excess of ten acre feet of water per year, with some exceptions, must have a measuring device or a method of measurement for diversions. Authorizes the State Water Board to adopt emergency regulations to implement the measuring device requirement and increases the frequency of water diversion reporting to be at least annually. Consideration is given for cost feasibility and a one-year exemption is included for parties in voluntary settlement with the State Water Board regarding water curtailments.
- **Proposition 1 Clarifications and Accountability.** Requires the Natural Resources Agency to provide specific information on projects funded by Proposition 1 and requires state agencies to provide outcomes and metrics for projects funded.
- **Water Efficiency Revolving Fund Appropriation.** Appropriates \$10 million of Proposition 1 to the CalConserve Revolving Fund for low-interest loans for water efficiency upgrades.

Drought Trailer Bills

1. *Budget Act of 2014 – AB 91(Budget), Chapter 1, Statutes of 2015.*
2. *Water – AB 92 (Budget), Chapter 2, Statutes of 2015.*
3. *Water – SB 88 (Budget and Fiscal Review), Chapter 27, Statutes of 2015.*

TRANSPORTATION

0521 TRANSPORTATION AGENCY

The 2015 Budget Act includes expenditures of \$300.1 million for the Transportation Agency from a combination of special funds, federal trust funds, and reimbursements. Of this amount, \$97.0 million in federal funds is for the California Traffic Safety Program, and \$200 million from the Greenhouse Gas Reduction Fund is for the Transit and Intercity Rail Capital Program.

2600 CALIFORNIA TRANSPORTATION COMMISSION

The budget provides \$28.4 million for the California Transportation Commission (CTC). This amount includes one additional position to implement SB 486 (DeSaulnier), Chapter 917, Statutes of 2014, which expanded the role of the CTC in developing, adopting, monitoring of the State Highway Operation and Protection Program, the California Transportation Plan, the state's Interregional Transportation Strategic Plan, and the Interregional Improvement Program; and one position for the implementation of a Road Usage Charge (RUC) Pilot Program, as required by SB 1077 (DeSaulnier), Chapter 835, Statutes of 2014. (This proposal is discussed further below).

2660 DEPARTMENT OF TRANSPORTATION

The California Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive state system of 50,000 road and highway lane miles, 12,559 state bridges; funds three intercity passenger rail routes; and provides funding for local transportation projects. The budget includes \$10.5 billion, almost all of which is from special funds, bond funds, federal funds or reimbursements. Of this amount, \$200 million of cap-and-trade proceeds will support capital investments in transit and intercity rail. Projects that may be eligible for funding include rail capital projects including: rail cars and improving connectivity to existing and future rail system, intercity, commuter, and urban rail projects that increase service levels, improve reliability, and decrease travel time, rail and transit integration, and Bus Rapid Transit and other bus transit investments. In addition, \$100 million of cap-and-trade proceeds will fund low-carbon transit operations through the existing State Transit Assistance program in order to reduce greenhouse gas emissions by supporting new, or expanded, bus or rail services, or expanded intermodal transit facilities.

The budget continues the expenditure of the remaining \$734.4 million in Proposition 1B bond appropriations for projects for air quality, local transit, intercity rail, and bridge retrofits, as well as adopting the Administration's zero-based budget for the Legal Program which has a baseline staff level of 270.6 positions and funding of \$119.7 million.

Other proposals adopted and incorporated in the budget include:

- **Capital Outlay Support (COS) and Project Initiation Documents (PIDS).** The COS budget was reduced by \$25.2 million and 178 full-time equivalents (FTE) from the 2015-16 Governor's budget, for a total of 9,697 FTEs and \$1.7 billion in costs. The budget bill also provides 362 positions and \$53.8 million to develop about 600 project initiation documents (PIDS) in 2015-16.
- **Fleet Greening.** Caltrans received a permanent increase of \$12 million in State Highway Account (SHA) funds to replace existing equipment with equipment that has lower and cleaner emissions in order to reduce the impact to the environment and comply with air quality regulations.
- **Road Usage Charge Pilot Program.** The budget includes \$11.9 million for the implementation of a Road Usage Charge (RUC) Pilot Program, as required by SB 1077 (DeSaulnier), Chapter 835, Statutes of 2014. The approved funding provides for six state positions (one position at CTC and five positions at Caltrans) and \$10.1 million for consultants to develop, conduct and evaluate the pilot program and provide the results to the Legislature by June 2017. Approving these funds accelerates the implementation and completion of the pilot program by one year.
- **Transportation Management System (TMS).** The budget includes \$6.6 million from the SHA and 64 permanent positions for Caltrans to support the TMS. This includes \$3.9 million and 44 positions for maintenance, and \$2.7 million and 20 positions to implement two pilot projects—one in northern California (I-80 in Contra Costa and Alameda counties) and one in southern California (I-210/10/605 in Los Angeles County)—to measure changes in traffic mobility and safety outcomes resulting from maintaining a TMS in accordance with federal requirements.
- **Fish Passage Barriers.** The budget includes \$5 million from the SHA for the remediation of fish passage barriers and the extension of a reporting requirement regarding these barriers to 2025. Requires the annual report to provide additional information such as if funding has been committed to the high-priority projects and the estimated completion dates of the projects.
- **Grade Separations for Intercity Rail.** The budget requires Caltrans to report by April 1, 2016, to the Legislature on the potential benefits to safety, greenhouse gas reduction, service levels, and operating costs by improving grade separations at key intersections, as defined by the Federal Railroad Administration, along the state's intercity rail system.
- **Elimination of Various Transportation Funds.** The budget eliminates various unnecessary transportation funds—the Transportation Investment Fund, the Pedestrian Safety Account, and the Clean Renewable Energy Bonds Subaccount in the Special Deposit Fund—because these funds are no longer necessary and the funding in them has been exhausted or nearly exhausted.

- **State Transit Assistance Funding.** The budget provides a one year extension of an exemption to allow transit operators whose cost increases have exceeded the Consumer Price Index to continue using State Transit Assistance funding for both operating and capital expenditures.
- **Legal Services for High-Speed Rail.** The budget includes an additional 16 two-year limited-term positions and reimbursement authority for legal services rendered on behalf of the California High-Speed Rail Authority.
- **Funding for Intercity Rail.** The budget includes an additional \$7.6 million to state-supported Amtrak routes—Capitol Corridor, San Joaquin and Pacific Surfliner—for increased operating and capital equipment costs, as well as additional train service to the San Joaquin Intercity Rail route.

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 \$3.1 billion—all from special funds, federal funds, and bond funds. This includes \$1.4 billion from the Proposition 1A, High-Speed Passenger Train Bond Fund, \$1.2 billion in federal funds, and \$500 million from the Greenhouse Gas Reduction Fund (GGRF). Of the total funding approved, \$1.1 billion is for Caltrain electrification; \$32 million is for the Los Angeles Union Station track upgrade project, \$249 million is for environmental work, planning, design, right-of-way acquisition, and construction; and \$40 million is for support. The GGRF funds have not yet been allocated.

Other proposals included in the budget that are intended to better ensure the successful delivery of the project are:

- **Additional Program Management Staff, Performance Metrics, and Oversight.** The budget includes 45 additional positions for program management and projects delivery. In addition, HSRA committed to providing regular updates on a dashboard of performance metrics that the Legislature can use to provide long-term oversight of the project. The budget also modifies the statutory requirements of the Peer Review Group's qualifications to help better ensure these positions are filled with qualified individuals to provide oversight of the project.
- **Reporting on Staffing Levels.** Supplemental report language was adopted that requires HSRA to report to the appropriate fiscal committees of the Legislature, and the Legislative Analyst's Office, no later than February 1, 2016, with information on state staffing levels for HSRA regarding the rationale for the current level of staffing and the extent to which this staffing level is consistent with best practices for construction oversight for projects of comparable size and scale.

- **Staff for Right-of-Way Acquisition.** The budget includes funding to provide the Department of General Services, Real Estate Division, with five positions to address workload associated with right-of-way acquisition for the high-speed rail project.
- **Reimbursement Authority for Caltrans Legal Services.** The budget includes \$1.8 million in reimbursement authority to Caltrans for 16 two-year limited-term positions for legal services on behalf of HSRA.

2670 BOARD OF PILOT COMMISSIONERS

The budget provides \$2.5 million in special funds for baseline operations of the board, including \$175,000 from the Board of Pilot Commissioners Special Fund for the Pilot Fatigue Study authorized by SB 1408 (Blakeslee), Chapter 794, Statutes of 2012. No budget change proposals were submitted by the Administration.

2720 CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (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 \$2.3 billion from the Motor Vehicle Account (MVA) and other special funds, and 11,059 positions. Proposals approved in the budget include:

- **Various Capital Outlay Proposals.** The CHP received \$135 million from the MVA to replace five previously approved CHP area offices (in Truckee, Santa Barbara, San Diego, Crescent City, and Quincy); and \$1 million and budget bill language to ensure appropriate legislative oversight of planning and site-selection-related activities for up to five additional CHP area offices. In addition, approved \$5.8 million to complete the relocation of the Chico and Stockton Area offices to new build-to-suit facilities approved in past-year budgets.
- **Modified Limousine Inspection Program.** The budget includes \$383,000 from the MVA for equipment and redirects seven positions to implement SB 611 (Hill), Chapter 860, Statutes of 2014, which requires CHP to establish a modified limousine inspection program.
- **Integrated Database Management System Costs.** The budget approves \$894,000 from the MVA to cover cost increases associated with CHP's use of the California Department of Technology's Integrated Database Management System which supports several of CHP's legacy applications.
- **Mountain Pass Commercial Vehicle Enforcement Facility.** The budget includes \$1.9 million from the MVA to fund 24 existing non-uniformed positions and 25 existing uniformed positions

for the new Mountain Pass Commercial Vehicle Enforcement Facility in rural San Bernardino County.

- **Plan for a Body-Worn Camera Pilot Program.** The budget approves requiring CHP, on or before January 1, 2016, to develop a plan for implementing a body-worn camera pilot program that examines, among other things, the minimum specifications for body-worn cameras to be utilized in a body-worn camera program, best practices for officer review of recorded body-worn camera data, and best practices for sharing recorded body-worn camera data internally and externally.
- **Reappropriation for the Replacement of Radio Consoles.** The budget approves the reappropriation of \$4.9 million provided last year to replace 12 dispatch radio consoles at the Public Safety Communications Office and the CHP's Sacramento Communications Center. This project will replace all 177 existing consoles, plus acquire an additional 22 consoles by 2020-21.
- **Reappropriation for Enhanced Radio System.** Budget bill language was adopted to reappropriate funding for CHP for Phase 1 and 2 of the department's enhanced radio system, which has been delayed due to changes in site selection, acquisition, and planning for the project.

2740 DEPARTMENT OF MOTOR VEHICLES

The Budget Act provides total funding for the Department of Motor Vehicles (DMV) of \$1.1 billion in special funds, and 9,023 positions. This includes \$57.1 million to continue the implementation of AB 60 (Alejo), Chapter 524, Statutes of 2013, which expanded eligibility for driver licenses and a mechanism to increase DMV resources, if necessary.

The budget also includes:

- **Repayment of General Fund Loans.** The budget includes the repayment of \$480 million in General Fund costs related to loaning Motor Vehicle Account dollars to the General Fund in the past. This will help to ensure the fund's solvency in the near-term.
- **Security of DMV IT Systems.** The budget includes \$2.5 million from the MVA to strengthen the security of DMV's information technology systems, and includes supplemental report language that requires DMV report back to the Legislature and the Legislative Analyst's Office, after the completion of the assessment in the spring of 2017, with a comprehensive plan for increasing information system security.

- **Reappropriation for Appointment System.** The budget includes the reappropriation of nearly \$10.0 million MVA from 2014-15 to 2015-16 for the Centralized Customer Flow Management and Appointment Systems project. The project is expected to be implemented by September 2017.
- **Replacement of DMV Offices.** The budget includes \$4.7 million from the MVA for pre-construction activities to replace three DMV field offices. This is the initial phase of the Administration’s plan to replace eight DMV offices over the next several years.
- **Increased Green Sticker Program Cap.** The budget includes an increase in the cap on the “green sticker” Clean Air Vehicle program from 70,000 to 85,000.

Transportation Budget Trailer Bills

1. *Transportation — AB 95(Budget), Chapter 12, Statutes of 2015.*
2. *Public Safety — SB 95(Budget and Fiscal Review), Chapter 26, Statutes of 2015.*

SUBCOMMITTEE 3
ON
HEALTH
AND
HUMAN SERVICES
FINAL ACTION REPORT

Senate Committee on Budget and Fiscal Review

Members

Holly J. Mitchell, Chair
William W. Monning
Jeff Stone, Pharm.D.

Consultants

Michelle Baass
Peggy Collins
Samantha Lui

SUBCOMMITTEE No. 3

HEALTH and HUMAN SERVICES

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HEALTH

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

- **Office of the Patient Advocate.** The budget includes \$206,000 in 2015-16 and \$182,000 ongoing to convert one limited-term position, expiring June 30, 2015, to a permanent position; and to fund a data warehouse and other services to implement the Complaint Data Reporting Project. The fund sources are the Managed Care Fund (90 percent) and the Insurance Fund (10 percent).
- **Office of Systems Integration: CalHEERS.** The budget includes \$162.7 million for project management of California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS).
- **Office of Systems Integration.** The Legislature adopted trailer bill language to require the Office of Systems Integration to report to the Legislature by April 1, 2017, on the feasibility, benefits, costs, and risks of installing the Modified Adjusted Gross Income (MAGI) Eligibility Decision Engine in all, two, or just one of the Statewide Automated Welfare Systems (SAWS) consortia systems.
- **High-Cost Drug Proposal.** The Legislature approved the Administration's revised proposal to not hold \$300 million in reserve for the costs of Hepatitis C treatment and, instead, allocate funding to each impacted department. The Legislature rejected budget bill control section 8.75 that would have held these funds in reserve.

0977 CALIFORNIA HEALTH FACILITY FINANCING AUTHORITY

- **Investment in Mental Health Wellness Act of 2013.** The Legislature adopted trailer bill language to allow the California Health Facilities Financing Authority to use up to \$3 million in unencumbered Mental Health Wellness Grant funds for peer respite programs.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- **Disaster Preparedness and Emergency Response Resources for California.** The budget includes \$500,000 General Fund and two positions to reestablish the southern California component of the California Medical Assistance Team, stabilize existing disaster medical preparedness programs, and coordinate joint activities with the Department of Public Health's (DPH) Emergency Preparedness Office including catastrophic event planning, and emergency operations center planning and development.

- **Document Imaging Workload and Efficiencies.** The budget includes one permanent office technician position, three seasonal clerk positions and \$366,000 (Emergency Medical Services Personnel Fund) in 2015-16 to address increased workload associated with the document imaging of paramedic licensure and enforcement files.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT (OSHPD)

- **Elective Percutaneous Coronary Intervention Program Outcomes Reporting.** The budget includes two limited-term positions (instead of permanent, as proposed) and increased expenditure authority of \$372,000 in 2015-16, and \$319,000 ongoing from the California Health Data and Planning Fund for the implementation of SB 906 (Correa), Chapter 368, Statutes 2014, which establishes the Elective Percutaneous Coronary Intervention (PCI) Program and requires OSHPD to produce annual risk-adjusted public performance reports on participating hospital's PCI-related mortality, stroke, and emergency coronary artery bypass graft outcomes.
- **Inter-Item Transfer of Funds.** The budget includes the Administration's budget bill language to allow the Office of Statewide Health Planning and Development to transfer \$850,000 in local assistance to state operations to support programs funded at the state level such as the Rotations in Community Health Program (CalSEARCH) and the California Post-Baccalaureate Program (CalPostBac). These funds are from a healthcare workforce grant from the California Endowment.

4150 DEPARTMENT OF MANAGED HEALTH CARE (DMHC)

- **Federal Mental Health Parity Rules.** The budget includes 11.0 positions (5.5 permanent and 5.5 two-year limited-term) to address workload associated with conducting medical surveys of the 45 health plans affected by the federal Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA). The budget includes two additional positions to start in 2016-17, providing 7.5 permanent positions ongoing.
- **Additional Enrollment in Individual Market.** The budget includes seven permanent positions \$1,134,000 for 2015-16, and \$1,070,000 for 2016-17 and ongoing to address the increased workload resulting from the revised projected increase in enrollment in the individual market pursuant to SB 2 X1 (Hernandez), Chapter 2, Statutes of 2013-14 of the First Extraordinary Session. This includes \$208,000 for 2015-16 and ongoing for expert witness and deposition costs for enforcement trials.
- **Large Group Claims Data Exposure.** The budget includes one permanent position, effective January 1, 2016, and \$85,000 for 2015-16 and \$148,000 for 2016-17 and ongoing to address the increased workload resulting from the implementation of SB 1182 (Leno), Chapter 577, Statutes of 2014, regarding large group claims data exposure. This also includes \$23,000 for 2015-16

and \$45,000 for 2016-17, and ongoing for clinical consulting services to provide methodology and statistical sampling of the claims data provided.

- **Dental Plans Medical Loss Ratio.** The budget includes 1.5 permanent positions and \$189,000 for 2015-16 and \$173,000 for 2016-17 and ongoing to address the increased workload resulting from the implementation of AB 1962 (Skinner), Chapter 567, Statutes of 2014, regarding dental plan medical loss ratios.
- **Annual Health Care Service Plans Timeliness Standards.** The budget includes 25 positions and \$3,802,000 (Managed Care Fund) for 2015-16 and \$3,594,000 (Managed Care Fund) for 2016-17 and ongoing to address the increased workload resulting from the implementation of SB 964 (Hernandez), Chapter 573, Statutes of 2014.
- **Health Premium Rate Review Federal Grant.** The budget includes an increase in federal expenditure authority of \$589,000 to administer the Health Insurance Rate Review (Cycle IV) federal grant. These federal funds will be used for actuarial consulting services and to enhance the information technology (IT) infrastructure of the DMHC premium rate review program. The Legislature modified the Administration's budget bill language to allow DMHC to proceed with procuring a vendor if the Department of Technology does not reject the feasibility study report by July 1, 2015.

4260 DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **Medi-Cal: Coverage for Undocumented Children.** The Legislature augmented the budget by \$40 million General Fund and adopted trailer bill language to extend Medi-Cal coverage to children who are otherwise eligible for Medi-Cal except for their immigration status, effective no sooner than May 1, 2016. (Ongoing annual costs are estimated at \$132 million General Fund.)
- **Medi-Cal: Elimination of Dental Provider Payment Reductions.** The Legislature augmented the budget by \$60 million (\$30 million Childrens Health and Human Services Special Fund and \$30 million federal funds) and adopted trailer bill language to eliminate the ten percent Medi-Cal payment reductions pursuant to AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, for dental providers effective July 1, 2015.
- **Medi-Cal: Impact of President's Executive Order on Immigration.** The Legislature reduced the Administration's May Revision estimate of \$27.8 million General Fund by \$11 million (for a revised cost of \$16.8 million) to reflect a 24-month phase-in related to the costs of providing Medi-Cal to newly qualified individuals as a result of the President's Executive Order on immigration.

- **Medi-Cal: Skilled Nursing Facility Quality Assurance Fee Extension.** The budget includes the Administration's proposed trailer bill language to: (1) extend the sunset date for the skilled nursing facility rate-setting methodology established under AB 1629 (Frommer), Chapter 875, Statutes of 2004, as well as the Quality Assurance Fee (QAF) and Quality/Accountability Supplemental Payment (QASP) programs, from July 31, 2015, to July 31, 2020; (2) specify that beginning 2015-16, the annual increase in the weighted average Medi-Cal reimbursement rate for skilled nursing facilities would be 3.62 percent; and (3) set Quality Accountability Supplemental Payment Program (QASP) payments at the same level as existed for 2014-15 (approximately \$90 million per year). The Legislature added provisions to this trailer bill language to require DHCS to include direct care staff retention in the QASP and to report to the Legislature on the QASP, including if the level of QASP payments are adequate to sustain the program.
- **Medi-Cal: Managed Care Organization Tax.** The Legislature did not approve the Administration's proposal to create a new managed care organization (MCO) tax. (The current MCO tax is effective through June 30, 2016.) At the request of the Governor, a new MCO tax and/or alternative fund sources to offset at least \$1.1 billion General Fund annually, sufficient funding to continue the 7 percent restoration of In-Home Supportive Services hours (beyond 2015-16), and sufficient funding to provide additional rate increase for providers of Medi-Cal and developmental disability services were not included in the final budget, and instead, are to be addressed in the Second Extraordinary Session of the Legislature.
- **Medi-Cal: Cost-of-Living Adjustment for County Eligibility Administration.** The Legislature modified the Administration's proposal to permanently eliminate the county administration cost-of-living adjustment (COLA) by suspending the COLA for the budget year only (and not on a permanent basis, as proposed).
- **Medi-Cal: County Administration Augmentation.** The budget includes the Administration's proposal to augment Medi-Cal county administration funding by \$150 million (\$48.8 million General Fund) in the budget year due to ongoing implementation issues related to the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) information technology system built to implement the federal Affordable Care Act (ACA). Reverted \$31 million General Fund in unused funding associated with lower than expected CalFresh caseload in the current year to the budget year for Medi-Cal county administration. This funding would be used to draw down \$64.3 million in federal funds, for a total augmentation of \$95.3 million. The Legislature adopted budget bill language to implement this reversion.
- **Medi-Cal: Annual Open Enrollment Period.** The Legislature rejected the Administration's trailer bill language to establish an Annual Health Plan Open Enrollment process for specified Medi-Cal managed care health plan (MCP) beneficiaries who are enrolled in counties that have more than one Medi-Cal managed care health plan (MCP) option.

- **Coordinated Care Initiative (CCI) – Multipurpose Senior Services Program (MSSP) Transition Timeline.** The budget includes the Administration’s trailer bill language to extend the CCI MSSP transition to Medi-Cal managed care deadline to December 31, 2017; allow for an earlier transition in a county or region when the MSSP sites and managed care plans mutually agree they are ready to transition and want to transition early; and require that the MSSP sites and managed care plans demonstrate that they have met readiness criteria that is developed by DHCS, California Department of Aging (CDA), MSSP providers, managed care plans and stakeholders. The Legislature added provisions that specified that if CCI is terminated MSSP will revert to a waiver benefit.
- **Medi-Cal Behavioral Health Treatment.** The budget includes \$201.6 million (\$100.8 million General Fund) in 2015-16 for the provision of behavioral health therapy (BHT) series to eligible Medi-Cal children with autism spectrum disorder (ASD). The projected number of Medi-Cal children receiving BHT is 7,000 in 2015-16. This does not include children who may transition from receiving BHT through the regional centers. The Legislature adopted budget bill language that requires the Department of Finance to provide notification to the Legislature on the transfer of expenditure authority from the Department of Developmental Services to DHCS including the number of clients per regional center that would transfer and the average cost per client at regional centers compared to Medi-Cal.
- **Medi-Cal: Enrollment Application Assistance Payments.** The Legislature adopted modified trailer bill language to reallocate any remaining funds for Medi-Cal application assistance payments, for eligible applications submitted through June 30, 2015, to outreach and enrollment grants and to extend the date by which county outreach and enrollment grant funds can be spent from June 30, 2016 to June 30, 2018.
- **Medi-Cal: Hepatitis C (HCV) Treatment.** The budget includes \$126 million General Fund for the costs associated with HCV treatment in Medi-Cal, which accounts for DHCS’ plan to update its HCV policy to include newly FDA-approved drugs and people with less advanced stages of the disease (including State 2). The new policy will include HCV patients, regardless of stage, who also have diabetes, HIV, Hepatitis B, debilitating fatigue, a desire to become pregnant, and other co-morbid conditions. The new HCV policy results in \$13.4 million (\$6.7 million General Fund) for the increased costs to account for this expansion of clinical guidelines.
- **Medi-Cal: Financial Audits Workload.** The budget includes request for 21 positions (nine permanent and 12.0 two-year limited-term) and expenditure authority of \$3.1 million (\$844,000 General Fund, \$1.5 million federal funds, and \$706,000 reimbursements) to address new audit workload associated with Intermediate Care Facilities for the Developmentally Disabled Nursing/Habilitative (ICF-DDN/H) and AB 959 (Frommer), Chapter 162, Statutes of 2006, public clinics.

- **Medi-Cal: Allied Dental Professionals Enrollment.** The budget includes allied dental professions employed by a public health program (registered dental hygienists, registered dental hygienists in extended functions, and registered dental hygienists in alternative practice) in the Medi-Cal dental services program. The Legislature approved annual costs of \$1.6 million (\$761,850 General Fund) for the increase in dental services as a result of these professionals providing services.
- **Medi-Cal: Ground Emergency Medical Transportation.** The budget includes the Administration's trailer bill language to modify the existing ground emergency medical transportation (GEMT) Supplemental Reimbursement Program in order to maximize federal financial participation for public GEMT provider's services, subject to federal approval. This new mechanism would have no impact to the General Fund.
- **Caregiver Resource Centers.** The Legislature augmented the budget by \$2 million General Fund for caregiver resource centers. (Total funding for this program is \$4.9 million General Fund).
- **Children's Health Insurance Program (CHIP) Reauthorization.** The budget includes General Fund savings of \$381 million as a result of the federal reauthorization of CHIP through September 2017 and enhanced federal funding for the CHIP program effective October 1, 2015.
- **Limited Benefit and Special Population Programs Eligibility Requirements.** The budget includes the Administration's trailer bill language to require enrolling providers who participate in Every Woman Counts, Family Planning Access Care and Treatment, and IMProving Access, Counseling, and Treatment for Californians with Prostate Cancer, to provide to the enrolling individual, information on how to apply for insurance affordability programs, in a manner determined by the Department of Health Care Services (DHCS). The Legislature rejected the Administration's trailer bill language to require individuals applying for the Genetically Handicapped Persons Program, to apply for insurance affordability programs through Covered California, in addition to the existing requirement that they apply for Medi-Cal.
- **Health Homes Program.** The budget includes the Administration's trailer bill language to provide DHCS with the authority to establish a Health Home Program (HHP) Account in the Special Deposit Fund within the State Treasury in order to collect and allocate non-General Fund public or private grant funds, to be expended upon appropriation by the Legislature, for the purposes of implementing the HHP pursuant to AB 361 (Mitchell), Chapter 642, Statutes of 2013.

- **Pediatric Palliative Care Waiver Pilot Project Expansion.** The budget expands the Pediatric Palliative Care Waiver Pilot Project to up to seven additional counties potentially increasing caseload to approximately 270 participants. This expansion is expected to result in net savings of \$1.4 million (\$857,500 General Fund) in 2015-16. Currently the pilot program operates in nine counties, serving approximately 150 children.
- **Major Risk Medical Insurance Program (MRMIP).** The Legislature rejected Administration's proposal to modify the MRMIP program. The Legislature adopted trailer bill language to expedite the MRMIP and Guaranteed Issue Pilot (GIP) reconciliation process.
- **Child Health and Disability Prevention (CHDP) Program Dental Referral.** The budget includes the Administration's trailer bill language to refer all Medi-Cal-eligible children participating in CHDP who are one year of age and older to a dentist participating in the Medi-Cal program, rather than at age three. The budget includes annual costs of \$1.6 million (\$761,850 General Fund) for additional dental services for children referred to a dentist at one year of age or later.
- **Health Care Reform – Workload.** The budget includes the extension of six limited-term positions and expenditure authority to support the continued implementation of and ongoing work required under the federal Affordable Care Act (ACA), including but not limited to the implementation of enhanced provider screening under the program integrity requirements and the support of the anticipated enhancements to the existing Medi-Cal Eligibility System (MEDS) and its sub-applications in order to meet the business needs of the health insurance-exchange, and county consortia including Electronic Health Information Transfer integration requirements. The total limited-term expenditure authority for 2015-16 is \$716,000 (\$129,000 General Fund and \$587,000 federal funds) and for 2016-17 is \$547,000 (\$78,000 General Fund and \$469,000 federal funds).
- **CalHEERS Electronic MAGI Determination.** The budget includes the Administration's trailer bill language to remove the sunset provision to allow for continued electronic verification of Medi-Cal eligibility information.
- **Health Care Reform Financial Reporting Workload.** The budget includes 18 three-year limited-term positions and expenditure authority of \$1,959,000 (\$980,000 General Fund and \$979,000 federal funds) for 2015-16 and \$1,797,000 (\$899,000 General Fund and \$898,000 federal funds) ongoing. The resources will address the increases in federal Centers for Medicare and Medicaid Services (CMS) mandated reporting requirements.
- **Hospital Quality Assurance Fee Workload.** The budget extends 9.5 limited-term positions and expenditure authority, set to expire on December 31, 2015, to December 31, 2018 and \$350,000 in additional limited-term expenditure authority for two contracts to calculate and

actuarially-certify increased capitation rates as well as for high level counsel and assistance for federal submissions associated with the Hospital Quality Assurance Fee program.

- **Martin Luther King Jr. Hospital Workload.** The budget includes two full-time permanent positions and \$745,000 (\$373,000 Federal Fund and \$372,000 reimbursement) including annual contract funding of \$500,000. These resources will be used to meet the department's workload requirements related to Welfare and Institutions Code Section 14165.50 to facilitate the financial viability of a new private nonprofit hospital that will serve the population of South Los Angeles. This population was formerly served by the Los Angeles County Martin Luther King, Jr. – Harbor Hospital.
- **MEDS and Securing Medi-Cal Eligibility Information Workload.** The budget converts ten limited-term positions to permanent, two-year extension of one limited-term position, and increased expenditure authority of \$1,497,000 (\$714,000 General Fund and \$783,000 federal funds). The resources will perform: (1) the ongoing workload of managing, protecting, and securing confidential Medi-Cal eligibility information, (2) ensuring compliance with requirements of the federal Social Security Administration (SSA), and (3) monitoring access to the Medi-Cal Eligibility Data System (MEDS).
- **Intergovernmental Transfer Program Workload.** The budget includes two new permanent positions, the conversion of three limited-term positions to permanent, and a \$467,000 increase in expenditure authority (\$120,000 federal funds and \$347,000 reimbursements). The staffing resources will address the additional and ongoing workloads from Medi-Cal managed care expansion and mandated statutory requirements to implement SB 208 (Steinberg), Chapter 714, Statutes of 2010. Starting in 2016-17, and on going, the requested expenditure authority will be \$540,000 (\$164,000 federal funds and \$376,000 reimbursements).
- **Family Health.** The budget includes \$87.1 million for the California Children's Health Services, \$1.4 million for the Child Health and Disability Prevention Program, \$121.5 million for the Genetically Handicapped Person's Program, and \$53.3 million for Every Woman Counts.
- **Drug Medi-Cal Waiver Implementation Workload.** The budget includes six (of the requested 13 positions), additional training contract funds (\$1 million), and limited-term contract funding (\$500,000) for an External Quality Review Organization to implement the Drug Medi-Cal Organized Delivery System. The budget includes the Administration's budget bill language to be expended upon approval by the federal government of the proposed Drug Medi-Cal waiver amendment.
- **Drug Medi-Cal Provider Enrollment Workload.** The budget extends 11 limited-term positions that expire June 30, 2015 for one more year for work associated with certifying and recertifying Drug Medi-Cal providers.

- **Drug Medi-Cal Provider Monitoring Workload.** The budget includes 10 new positions in its Substance Use Disorder Prevention, Treatment, and Recovery Services Division for workload associated with monitoring Drug Medi-Cal (DMC) providers. These positions would review the on-site operations of every DMC provider at least once every five years (approximately 133 sites annually) and be responsible for follow up with DMC providers on all corrective action plans to ensure any deficiencies DHCS identifies are rectified by the DMC providers.
- **Drug Medi-Cal Residential Treatment Services.** The Legislature reduced the Administration's estimate for the costs of providing residential treatment services in Drug Medi-Cal by \$5 million General Fund (for a revised cost of \$9.8 million General Fund) due to unlikely assumptions on the implementation timeline for this benefit.
- **Substance Abuse Recovery and Treatment Services.** The budget includes two new positions at a cost of \$246,000 (General Fund) due to the enactment of AB 2374 (Mansoor), Chapter 815, Statutes of 2014, which requires a counselor certifying organization (CO), prior to registering or certifying a counselor, to contact DHCS-approved COs to determine whether a counselor has previously had a certification or registration revoked.
- **Performance Outcomes System for EPSDT Medi-Cal Specialty Mental Health Services.** The budget includes three full-time permanent positions at a cost of \$377,000 (\$189,000 General Fund and \$188,000 Federal Trust Fund) to support the program management, coordination with counties and other partners, data collection and interpretation and research needs of the Performance Outcomes System project as required by SB 1009 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2012 and AB 82 (Committee on Budget), Chapter 34, Statutes of 2013.
- **Robert F. Kennedy Health Plan.** The Legislature adopted budget bill and trailer bill language requiring DHCS to allocate \$2.5 million Major Risk Medical Insurance Fund on a one-time basis to the Robert F. Kennedy Health Plan for purposes of purchasing stop loss insurance.
- **LifeLong Community Clinic.** The Legislature adopted budget bill and trailer bill language requiring DHCS to allocate \$2 million Major Risk Medical Insurance Fund on a one-time basis to the LifeLong Medical Care clinic in Contra Costa County.
- **Suicide Prevention Hotlines.** The Legislature adopted supplemental report language to assess suicide hotlines in the state. The report must cover the accessibility of suicide hotlines throughout the state, deficiencies in accessibility or quality of the hotlines, an overview of the funding history of the hotlines, and information on potential future funding strategies. In the development of this report, DHCS must confer with the Mental Health Services Oversight & Accountability Commission, the Office of Emergency Services, and counties. This report is due January 10, 2016.

4265 DEPARTMENT OF PUBLIC HEALTH (DPH)

- **Syringe Exchange Program.** The Legislature augmented the budget by \$3 million General Fund and adopted trailer bill language that authorizes DPH to purchase sterile hypodermic needles and syringes, and other materials, for distribution to syringe exchange programs.
- **Hepatitis C Linkage to and Retention in Care Projects.** The Legislature augmented the budget by \$2.2 million General Fund and adopted trailer bill language to establish hepatitis C linkage to care demonstration pilot projects for three years to allow for innovative, evidence-based approaches to provide outreach, hepatitis C screenings, and linkage to, and retention in, quality health care for the most vulnerable and underserved individuals living with or at risk for hepatitis C viral infection.
- **Pre-Exposure Prophylaxis (PrEP) Access and Outreach.** The Legislature augmented the budget by \$2 million General Fund and adopted trailer bill language to establish a PrEP navigator program to develop protocols to conduct outreach to targeted populations, to provide PrEP education to clients and to assess and refer to appropriate clinical care and HIV prevention services.
- **Licensing and Certification (L&C): Workload.** The budget includes an increase of \$19.8 million in 2015-16 for 237 positions (123 positions will become effective July 1, 2015 and 114 positions will begin on April 1, 2016), and an increase in expenditure authority of \$30.4 million in 2016-17 from the L&C Special Fund to address the licensing and certification workload. The Legislature modified this proposal to make all positions permanent.
- **L&C: Quality Improvement Projects.** The budget includes an increase of \$2 million in 2015-16 from the Internal Departmental Quality Improvement Account to implement quality improvement projects recommended by Hubbert Systems Consulting for the Licensing and Certification Program.
- **L&C: Los Angeles County Contract.** The budget includes an increase in expenditure authority of \$14.8 million from the L&C Special Fund to augment the Los Angeles County contract to perform licensing and certification activities in Los Angeles County. This proposal fully funds the current contract positions at current Los Angeles County salary rates, and funds 32 additional Los Angeles County positions to enable the county to address long-term care facility complaints and entity-reported incidents, and investigate aging long-term care complaints and entity-reported incidents (Tier 1 and Tier 2 federal workload). (The total projected contract amount is \$36.5 million.)
- **L&C: Los Angeles County Contract Monitoring.** The budget includes an increase of \$378,000 from the L&C Special Fund and three positions, to provide on-site oversight and perform workload management, training, and quality improvement activities to improve the

efficiency and effectiveness of the Los Angeles County contract licensing and certification activities. In order to begin the on-site oversight immediately, the department plans to administratively establish three positions in 2014-15.

- **L&C: Complaint Investigation Timelines.** The Legislature adopted trailer bill language to establish timeframes to complete complaint investigations at long-term care facilities. This language requires the department to do the following:
 - For complaints that involve a threat of imminent danger or death or serious bodily harm that are received on or after July 1, 2016, the department must complete the investigation within 90 days of receipt. This time period may be extended up to an additional 60 days if the investigation cannot be completed due to extenuating circumstances. If there is an extension, the department must notify the facility and the complainant in writing of this extension and the extenuating circumstances and document the extenuating circumstances in its final determination. Any citation issued as a result of the complaint investigation must be issued and served within thirty days of the completion of the complaint investigation.
 - For all other categories of complaints received on or after July 1, 2017, the department must complete the investigation within 90 days of receipt. This time period may be extended up to an additional 90 days if the investigation cannot be completed due to extenuating circumstances. If there is an extension, the department must notify the facility and the complainant in writing of this extension and the extenuating circumstances and document the extenuating circumstances in its final determination. Any citation issued as a result of the complaint investigation must be issued and served within thirty days of the completion of the complaint investigation.
 - For all complaints received on or after July 1, 2018, the department must complete the investigation within 60 days of receipt. This time period may be extended up to an additional 60 days if the investigation cannot be completed due to extenuating circumstances. If there is an extension, the department must notify the facility and the complainant in writing of this extension and the extenuating circumstances and document the extenuating circumstances in its final determination. Any citation issued as a result of the complaint investigation must be issued and served within thirty days of the completion of the complaint investigation.
 - Report on an annual basis (in the Licensing and Certification Fee report) data on the department's compliance with these new timelines.
 - Beginning with the 2018-19 Licensing and Certification November Program budget estimate, the department must evaluate the feasibility of reducing investigation timelines based on experience implementing the timeframes described above.

- States the intent of the Legislature that the department continues to seek to reduce long-term care complaint investigation timelines to less than 60 days with a goal of meeting a 45-day timeline.
- **L&C: Notification for Hospital Complaints.** The Legislature adopted trailer bill language to require the department to notify hospitals and complainants if there are extenuating circumstances impacting the department's ability to meet complaint investigation timelines. This notification would include the basis for the extenuating circumstances and the anticipated completion date.
- **L&C: Long-Term Care (LTC) Ombudsman Program.** The Legislature directed \$1 million (one-time) from the State Health Facilities Citation Penalties Account to the LTC Ombudsman Program at the Department of Aging in 2015-16 and adopted trailer bill language to increase the L&C fee for skilled nursing facilities to generate \$400,000 to support the LTC Ombudsman Program on an ongoing-basis. This increase in funds would be used to support skilled nursing facility complaint investigations and quarterly visits.
- **AIDS Drug Assistance Program (ADAP): Modernization.** The Legislature adopted trailer bill language to update financial eligibility for ADAP and the Office of AIDS Health Insurance Premium Payment program to consider family size and to increase the income limit of \$50,000 for these programs, which is estimated to be 447 percent federal poverty level (FPL) to 500 percent FPL or \$58,350 for a single individual and \$98,950 for a three-person household.
- **ADAP: Enrollment Workers.** The Legislature augmented the budget by \$2 million for local health jurisdictions for ADAP enrollment efforts. Augmented by \$1 million to support efforts to work with enrollment workers, provide technical assistance on improving the ADAP enrollment process, increase capacity due to the projected changes in the program, and develop quality metrics for the ADAP program. Federal funds would be used for these purposes, if available; otherwise, ADAP rebate funds would be used.
- **ADAP: Linkage to and Retention in Care.** The budget includes \$1.5 million in federal Ryan White base funding to local health jurisdictions and/or community-based organizations to support targeted efforts to re-engage HIV-infected minority clients in medical care and treatment.
- **ADAP: Hepatitis C (HCV) Treatment.** The budget includes \$6.5 million (rebate funds) for HCV treatment costs in ADAP, which accounts for the expansion of clinical guidelines to include, for example, all HCV co-infected ADAP clients regardless of liver disease stage. It is estimated that 199 ADAP clients will receive this treatment.
- **ADAP: Client Eligibility Verification Workload.** The budget includes \$536,000 in expenditure authority from the AIDS Drug Assistance Program Rebate Fund and five positions to manage the increase in client eligibility verification workload within the AIDS Drug

Assistance Program (ADAP). These positions will ensure program integrity and compliance with federal Health Resources and Services Administration client eligibility verification requirements.

- **Genetic Disease Screening Program.** The budget includes \$118.6 million (Genetic Disease Testing Fund) for the Genetic Disease Screening Program (GDSP). Approved one permanent position and \$1.975 million from the Genetic Disease Testing Fund in 2015-16 of which \$1.825 is one-time funding and \$150,000 to be appropriated annually thereafter to implement with AB 1559 (Pan), Chapter 565, Statute of 2014, which expands the statewide Newborn Screening Program to include screening for adrenoleukodystrophy (ALD) as soon as ALD is added to the federal Recommended Uniform Screening Panel.
- **Genetic Disease Screening Program (GDSP) Prenatal Screening Program.** The budget includes the Administration's trailer bill language to clarify that private health insurance plans cannot consider the GDSP Prenatal Screening Program to be an out-of-network provider. The GDSP budget reflects a revenue increase of \$837,215 in revenue as a result of this trailer bill language.
- **Women, Infants, and Children Program.** The budget includes \$1.2 billion (federal funds and special funds) for the WIC program.
- **California Home Visiting Program.** The budget extends 11 positions for three years and \$697,000 in federal funds in 2015-16, \$27.5 million in federal funds in 2016-17 to extend an additional 16.0 positions for three years, and \$24 million (federal funds) in local assistance annually for three years for the California Home Visiting Program.
- **Ebola Emergency Preparedness.** The budget includes an increase of \$15.45 million in federal fund expenditure authority in 2015-16 to support accelerated state and local public health preparedness and operational readiness for responding to the Ebola virus. DPH will also receive \$250,000 in Ebola grant funds each year from 2016-17 to 2019-20.
- **Infant Botulism Treatment Program Production Lot 6.** The budget includes one-time increase in expenditure authority of \$2 million Infant Botulism Treatment and Prevention Fund in 2015-16 for the Infant Botulism Treatment and Prevention Program (IBTPP) to address the manufacturing costs for the current lot production of BabyBIG[®].
- **California Gambling Education and Treatment Services (CalGETS).** The budget includes two permanent positions and \$5 million (Indian Gaming Special Distribution Fund) in 2015-16 to make permanent the regional pilot CalGETS program. Of this, \$4 million will be allocated to local governments, public universities, and/or community organizations for treatment programs serving problem and pathological gamblers and their families. The budget also includes the Administration's trailer bill language to delete outdated verbiage related to the program.

- **Biomonitoring Resources.** The budget includes six, two-year limited-term positions and \$900,000 annually for fiscal years 2015-16 and 2016-17 to support the California Environmental Contaminant Biomonitoring Program including investigating the feasibility of detecting and measuring emerging chemical threats to California. Funding for this request is split between the Toxic Substances Control Account (\$625,000) and the Birth Defects Monitoring Fund (\$300,000).
- **Food Safety Inspection.** The budget includes six permanent positions and \$804,000 (Food Safety Fund) in the Food and Drug Branch (FDB) to carry out statutorily mandated responsibilities to inspect food processors and distributors. DPH will utilize registration fee revenues collected specifically for this purpose to fund the activities.
- **Food Safety Stipulated Judgment Appropriation.** The budget includes four five-year limited-term positions and \$716,000 (Food Safety Fund) to implement the food safety transportation enforcement activities as a result of the Sysco Corporation stipulated judgment. The budget also includes the Administration's trailer bill language to authorize the deposit into the Food Safety Fund of awards to the department pursuant to court orders or settlements for food safety-related activities.
- **USFDA Tobacco Retail Inspection Contract Workload.** The budget includes approved nine limited-term positions and \$1.1 million additional reimbursement authority coinciding with the remainder of DPH's contract with the federal Food and Drug Administration (FDA) for its Stop Tobacco Access to Kids Enforcement (STAKE) Unit to inspect 20 percent of tobacco retailers annually in California.
- **Inspection of Public Beaches Resources.** The budget includes one three-year limited-term position and \$384,000 (General Fund) in 2015-16 and \$182,000 (General Fund) in 2016-17 and ongoing to implement the mandated provisions of SB 1395 (Block), Chapter 928, Statutes of 2014, which authorizes the department to develop regulations for alternative beach water quality tests that would shorten the amount of time required to produce results.
- **Medical Waste Resources.** The budget includes \$333,000 (Medical Waste Management Fund) in 2015-16 and 2016-17, and three two-year limited-term positions to implement the mandated activities specified in AB 333 (Wieckowski), Chapter 564, Statutes of 2014, which provides updates to the Medical Waste Management Act, and ensures public health protection for the proper transportation, temporary storage, and disposal of medical waste.
- **Notification of Increases in Federal Grants.** The Legislature adopted budget bill language to require the Department of Public Health to report to the Legislature increases in federal grants (over \$400,000) on a quarterly basis. The report to the Legislature would include the project title, budget act appropriation amount, quarter, adjustment, date department received notice of grant award, and comments.

- **Clinical Laboratory Testing.** The Legislature adopted trailer bill language to authorize laboratories to use the federally approved quality control testing approach (Equivalent Quality Control) until December 31, 2015. After this date, federal law prohibits this approach.

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

- **Mental Health Advocacy.** The Legislature augmented the Mental Health Services Oversight and Accountability Commission's budget by \$1 million in Proposition 63 state administrative funds for competitive bid contracts to support mental health advocacy on behalf of youth, veterans, and racial and ethnic minorities and adopted budget bill language to allow these funds to be made available provided that there is availability in the state administration cap.

4800 CALIFORNIA HEALTH BENEFIT EXCHANGE

- **Covered California Emergency Regulation Authority.** The budget includes the Administration's trailer bill language to extend Covered California's current emergency regulations and the exchange board's rulemaking authority for an additional year until January 1, 2017, extend its ability to readopt emergency regulations until January 1, 2020, for emergency regulations adopted prior to the effective date of the Budget Act of 2015, and provide limited statutory exemptions from the Administrative Procedure Act's (APA) rulemaking requirements for (i) standard plan designs, and (ii) separate regulations for each procurement.

Health Budget Trailer Bills

1. *Health Omnibus – SB 75 (Budget and Fiscal Review), Chapter 18, Statutes of 2015.*
2. *Skilled Nursing Facility Quality Assurance Fee – AB 119 (Budget), Chapter 17, Statutes of 2015.*

HUMAN SERVICES

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

The 2015 Budget Act approved \$331.4 million for the Office of Systems Integration (OSI), including a \$1.6 million General Fund increase in OSI's expenditure authority, beginning January 1, 2016, for one-time costs associated with the transition to a new Electronic Benefit Transfer (EBT) Service Provider. For additional information about automation projects, please see the Department of Social Services.

4170 CALIFORNIA DEPARTMENT OF AGING (CDA)

The budget approved \$189.5 million (\$31.5 million General Fund) for the Department of Aging, including:

- **Supplemental Nutrition Assistance Program Education (SNAP-Ed).** \$3.75 million in federal reimbursement funds (\$950,000 in 2015-16; \$1.25 million in 2016-17; \$1.25 million in 2017-18; and \$300,000 in 2018-19) to continue the SNAP-Ed Program grant. CDA, through an interagency agreement with the Department of Social Services (DSS), will distribute funding to 19 local Area Agencies on Aging (AAAs) to provide SNAP-Ed interventions to low-income older adults.
- **Medicare Improvements for Patients and Providers Act.** \$2.3 million in federal budget authority (\$975,000 for the budget year; \$1 million in 2016-17; and, \$300,000 in 2017-18) to distribute MIPPA grant funds to the 33 AAAs, which will subcontract a portion of, or all of, their funds to Health Insurance Counseling & Advocacy Program and Aging and Disability Resource Centers to provide outreach and assistance to specified individuals.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

The 2015 Budget Act includes ongoing funding to support both the state developmental center system, currently serving less than 1,100 residents; and community-based service system, serving over 290,000 persons with developmental disabilities. The budget provides increased funding to develop new community-based resources for persons moving from developmental centers, in anticipation of the closure of Sonoma Developmental Center by the end of 2018 and the closure of Fairview Developmental Center and the general treatment programs at Porterville Developmental Center by the end of 2021. At the request of the Governor, nearly \$100 million total funds for rate increases for community-based service providers and regional centers was not included in the final budget and, instead, is to be addressed in the Second Extraordinary Session of the Legislature.

- **Community Service System.** The budget includes appropriations for rate increases for impacted providers related to an increase in the minimum wage; new sick leave requirements; and federal overtime requirements, should they go into effect. Additionally, the budget includes trailer bill language to require that, in the event that new federal overtime requirements are implemented, the Department of Developmental Services (DDS) monitors the impact of the regulation on consumers and providers and presents findings during the 2016 budget subcommittee process. Finally, the Legislature adopted budget bill language to require DDS to report on their evaluation of existing rate-setting methodologies and adopted trailer bill language to express legislative intent that savings from the closure or downsizing of a developmental center be used to benefit the community-based system and requires related information to be displayed annually in the Governor's budget documents.
- **Disparities in Service Delivery.** The budget includes trailer bill language to improve the delivery of services and supports to persons in their native language and reduce disparities in service delivery.
- **Institutions for Mental Disease (IMD).** The budget includes trailer bill language to clarify the responsibility of a regional center when a consumer is placed in an IMD, regardless of who makes the placement.
- **Governor's Planned Closure of State Developmental Centers.** The budget includes the following actions related to the Governor's proposed closure of state developmental centers:
 - Modification of the Administration's proposed trailer bill relative to the submission of the closure plan to provide greater assurances for a thoughtful and collaborative process.
 - A \$46.7 million appropriation for the development of new community-based services and supports for persons moving from Sonoma Developmental Center.
 - Approval of new staff at DDS headquarters and at the regional centers to ensure proper planning, implementation, and oversight.
 - Trailer bill language to expand the number of enhanced behavioral homes.
 - Trailer bill language to clarify that the Self-Determination Program may serve persons moving from developmental centers, if that is their preference, and authorizing an increase in the number of participants with the approval of the Department of Finance and following notification to the Joint Legislative Budget Committee.
 - Trailer bill language to increase DDS's reporting requirements to ensure the Legislature is informed as this process moves forward.
- **Expansion of Secured Treatment Program (STP) at Porterville Developmental Center.** The budget includes funding and trailer bill language to expand the STP at Porterville Developmental Center; clarify who can be served in the STP and transitional treatment

program; activities that will take place related to transition planning; and require DDS to report to the Legislature on March 1, 2016, on these residents.

- **Use of Delayed Egress/Secured Perimeter Community Homes.** The budget includes trailer bill language that removes the requirement that these facilities be eligible for federal funding participation; caps the number of total beds in these facilities statewide at 150 and limits the number of beds per facility to six (or in specified facilities to 15); and provides additional health and safety criteria.
- **General Fund Backfill for Lost Federal Funding.** The budget includes an increase of \$13.2 million General Fund in the budget year to backfill for the continued loss of federal funding associated with four decertified units at Sonoma Developmental Center. Approved staffing enhancements for the acute crisis units and Sonoma and Fairview developmental centers. Approved increased funding and positions for the implementation of program improvement plans at all the developmental centers. Adopted budget bill language to require the department to notify the Joint Legislative Budget Committee of future communication from the federal Centers for Medicare and Medicaid Services (CMS) regarding the status of federal funding for developmental center residents or certification status of any developmental center housing unit. Approved supplemental report language to require DDS to provide, within 90 days of a determination that federal funding will not be continued for ICF units at the developmental centers, information on how the Administration may reduce the General Fund impact of such action.
- **Capital Outlay and Deferred Maintenance Projects.** The Legislature rejected the Governor's proposed expenditure of \$1.6 million to repair the Sonoma Creek Pump Station; and approved the Governor's proposal to upgrade the fire alarm system at Porterville Developmental Center, but limited it to the Secure Treatment Program, transitional treatment units and the administration building.
- **Use of Developmental Center Lands.** The budget includes trailer bill language to allow for an integrated housing development on the grounds of Fairview Developmental Center, with at least 20 percent of the housing set aside persons with developmental disabilities.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT (CSD)

The budget approves \$264 million (\$7.5 million General Fund) for the Department of Community Services and Development. The department, which seeks to coordinate programs to serve low-income families, was approved for \$7.5 million General Fund in the budget year to provide emergency relief and support services to specified populations, including those who are low-income and migrant and seasonal farmworkers, within the state's most drought impacted counties. Services could include rental and utility assistance, transportation, and basic necessities, including access to food resources. The \$7.5 million General Fund will augment existing federal Community Services

Block Grant funding to support core funding for four local non-profit organizations.¹ It is estimated that approximately 3,200 MSFWs and low-income individuals will be served, with an average benefit of \$2,000 per person.

5160 DEPARTMENT OF REHABILITATION (DOR)

The 2015 Budget Act approves \$427.9 million (\$58.6 million General Fund) for the Department of Rehabilitation, including \$3.1 million in federal funding authority and budget bill language to authorize up to 31 work incentives planners who will provide financial literacy and benefits planning services to eligible consumers who receive Supplemental Security Income/Social Security Disability Insurance (SSI/SSDI) benefits.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

The budget includes \$1 billion (\$313.6 million General Fund) and trailer bill language that suspends the health insurance incentive and the top ten improved performance incentive for two years. The department is currently evaluating these practice indicators and metrics with the intent to redesign the incentive payments, so incentives reward innovation.

5180 DEPARTMENT OF SOCIAL SERVICES (DSS)

Overall, the budget approves \$20.4 billion (\$7.4 billion federal funds; \$7.7 billion General Fund; \$5.4 billion county funds) for the department. Notable program investments include:

- **CalWORKs.** The approved budget for the CalWORKs program, including assistance payments, services, administration, and child care, is \$6.3 billion (\$3.3 billion federal funds; \$808 million General Fund; \$2.2 billion county funds). Specifically, the CalWORKs budget includes:
- **Housing Support Program augmentation.** \$15 million General Fund augmentation to the existing \$20 million General Fund provided in Governor's January budget, for a total of \$35 million for the program.
- **Child care.** \$21.7 million (\$1.3 million General Fund) for CalWORKs Stage 1 child care. For information about the total child care package, please see page 1-4 in Subcommittee No. 1 on Education.

Child Welfare Services (CWS). The approved budget for the realigned CWS and Adoptions programs is \$5.7 billion (\$2.6 billion federal funds, \$156,000 General Fund, and \$1.1 billion county funds). Specifically, the budget approves a number of items to improve child welfare services, including:

¹ The four MSFW agencies are: California Human Development Corporation (Santa Rosa); Proteus, Inc.(Visalia); Central Valley Opportunity Center, Inc. (Winton); and the Center for Employment Training (San Jose).

- **Continuum of Care Reform.** \$28.1 million (\$22 million General Fund) to fund two of the 19 recommendations outlined in the Continuum of Care Reform Report:
 - \$20.3 million (\$17.2 million General Fund) to increase foster parent and relative caregiver recruitment, retention, and training effort;
 - Budget bill language that specifies how the above recruitment, retention, and support funds can be used to support foster family homes, approved resource families, and relative caregivers. Allowable expenditures include: staffing to improve direct services; child care needs; intensive relative finding; and other outreach approaches; and,
 - (\$7.3 million [\$4.3 million General Fund] for a fifteen percent increase in foster family agency social worker rates.
- **Interagency child abuse and neglect cross-reporting.** \$4 million General Fund to fund a grant program for county welfare departments and law enforcement agencies to cross-report any suspected child abuse or neglect.
- **Data collection for psychotropic medication.** \$150,000 General Fund for the Department of Health Care Services and Department of Social Services to contract with University of California, Berkeley, to match Medi-Cal pharmacy claims data and improve the monitoring of psychotropic drug use in foster care.

Community Care Licensing (CCL). For the next phase of the quality enhancement and program improvement project, the budget includes: \$2.8 million for infrastructure costs (hardware/software, network, and telecommunication costs) for the budget year and \$588,701 in ongoing costs, as well as: 136 permanent positions (eight position authority) to strengthen enforcement; 13 two-year limited-term positions to improve the timeliness of complaint investigations; and nine positions to expand technical assistance and establish a Southern California training unit.

In addition, the budget approves trailer bill language to increase the inspection frequency from the current level of at least once every five years, to once every three years for child care facilities; once every two years for children's residential facilities; and annual inspections for adult and senior care facilities.

Food Assistance. The budget approves \$122.9 million (\$112.7 million General Fund) for food assistance programs, as well as \$2 billion (\$692.5 million General Fund) for CalFresh administration, for Emergency Food for Families Fund, the federal Emergency Food Assistance Program, California Food Assistance Program, and the work incentive nutritional supplement.

For information about the drought package, including budget bill language for expanded food assistance for drought-affected counties, please see page 2-29 in Subcommittee No. 2 on Resources, Environmental Protection, Energy, and Transportation.

In-Home Supportive Services (IHSS). The budget includes \$9.7 billion (\$2.8 billion General Fund) for IHSS services and administration. The average annual cost of services per IHSS client is estimated to be around \$14,993 (\$1,249 per client per month) for 2015-16. Specifically, the budget:

- **Restoration of the seven percent reduction in service hours.** Approves \$225.9 million General Fund and budget bill language to specify the use of the funds to fully offset the seven percent across-the-board reduction to service hours.
- **Fair Labor Standards Act for In-Home Supportive Services and Regional Center Services.** Approves the Governor's proposal of \$269.6 million General Fund to allow for overtime payments and implementation of SB 855 (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. Implementation of this policy is contingent upon resolution of court challenges, and the budget assumes implementation no sooner than October 1, 2015.

Immigration services. The budget includes \$15 million General Fund for qualified non-profit organizations to provide application assistance, education, and outreach to persons residing in California who are eligible for, or to renew, Deferred Action for Childhood Arrivals (DACA) or Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA) status, or to provide naturalization services.

Automation projects. The budget includes \$399.6 million (\$125.2 million General Fund) for automation projects, including Statewide Automated Welfare System, Statewide Fingerprint Imaging System, Electronic Benefit Transfer Project, and the State Hearings Division's Appeals Case Management System.

Human Services Budget Trailer Bills

1. *Social Services – SB 79 (Budget and Fiscal Review), Chapter 20, Statutes of 2015.*
2. *Developmental Services – SB 82 (Budget and Fiscal Review), Chapter 23, Statutes of 2015.*

SUBCOMMITTEE 4
ON
STATE ADMINISTRATION
AND
GENERAL GOVERNMENT
FINAL ACTION REPORT

Senate Committee on Budget and Fiscal Review

Members

Richard D. Roth, Chair
Janet Nguyen
Richard Pan

Consultants

Farra Bracht
Mark Ibele
Brady Van Engelen

SUBCOMMITTEE No. 4

STATE ADMINISTRATION and GENERAL GOVERNMENT

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STATE ADMINISTRATION

0650 OFFICE OF PLANNING AND RESEARCH (OPR)

The Office of Planning and Research is responsible for formulating long-range goals and policies to address land use, climate change, population growth, urban expansion, and drought response. The budget includes several items that will provide the Office of Planning and Research with resources designed to assist in its planning and policy development efforts, including the following:

- **Affordable Housing and Sustainable Communities.** The budget includes \$400 million Greenhouse Gas Reduction Funds (GGRF) for the Affordable Housing and Sustainable Communities (AHSC) program. In addition, the budget includes \$255,000 from the GGRF for two positions to manage existing programs at the Strategic Growth Council and to implement the AHSC program.
- **Precision Medicine.** The Legislature adopted trailer bill language that would make certain contracting exclusions specifically for the purpose of developing and/or researching precision medicine.
- **Immigrant Integration.** The budget includes trailer bill language that would create the Director of Immigrant Integration within the Governor's Office. The position is designed to assess, coordinate, streamline, and develop a statewide strategy and plan the state's immigrant integration efforts moving forward.

0690 OFFICE OF EMERGENCY SERVICES (OES)

The Budget Act of 2015 includes a number of investments that are designed to increase the capacity of OES prepare for statewide response and recovery efforts.

- **Increased Communication Capacity.** The budget includes \$1.5 million General Fund to support the preliminary plans phase of the Public Safety Communications Network Operations Center at the Office of Emergency Services headquarters.
- **Southern Region Operations Center.** The budget includes \$613,000 General Fund to support the acquisition and preliminary plans phase of constructing a new Southern Region Emergency Operations Center at the Joint Forces Training Base in Los Alamitos for the Office of Emergency Services.

- **Coordinated Drought Response.** The budget includes \$22.2 million General Fund to support local jurisdictions utilizing the California Disaster Assistance Act (CDAA) program to respond and recover from the ongoing drought.
- **Enhanced Security for Non-Profits.** The budget includes \$2.0 million General Fund to support the Nonprofit Security Grant Program. The program is designed to support nonprofit organizations that are at a high risk of a terrorist attack.
- **Hazardous Material by Rail.** The Legislature adopted trailer bill language to create a rapid reaction force within the Office of Emergency Services dedicated to the response of hazardous materials transported by rail.

0840 STATE CONTROLLER (SCO)

SCO is the Chief Fiscal Officer of California. The SCO provides fiscal control for, and independent oversight of, more than \$100 billion in receipts and disbursements of public funds. The budget includes the approval of a number of items that are intended to enhance the SCO's fiscal controls, including:

- **Increased Financial Reporting Requirements.** The budget includes 5.3 permanent positions and \$592,000 (\$390,000 non-governmental cost fund, \$101,000 special fund, and \$101,000 bond fund) beginning in 2015-16, and \$581,000 ongoing, to address the increased reporting workload associated with the preparation of annual budgetary and financial reporting requirements.
- **21st Century Project Legal Effort.** The budget includes \$12.5 million (\$4 General Fund, \$1.7 reimbursement, and \$6.5 special fund) and eight one-year limited-term positions to support ongoing legal activities related to the SCO payroll disbursement system – the 21st Century Project. Additionally, the Legislature adopted trailer bill language to extend the controller's authority to procure, modify, and implement the 21st Century Project, until June 30, 2016.
- **Property Tax Postponement Program.** The budget includes 10.2 permanent positions and 6.7 two-year limited-term positions, and \$1.7 million (Senior Citizens and Disabled Citizens Property Tax Postponement Fund), in order to reinstate the property tax postponement program in accordance with AB 2231 (Gordon), Chapter 703, Statutes of 2013.
- **Increased Payroll Control and Auditing.** The budget includes five permanent positions and \$701,000 (\$400,000 General Fund and \$301,000 Central Service Cost Recovery Fund) in 2015-16, and ongoing, to perform audits of payroll controls and payroll records.

- **Expedited Online Unclaimed Property Claims Process.** The budget includes four permanent positions, and \$581,000 (Unclaimed Property Fund) in fiscal year 2015-16, and \$857,000 in 2016-17 and ongoing, to support the State Controller's online unclaimed property claims process.

0845 DEPARTMENT OF INSURANCE (CDI)

The CDI regulates the California insurance market and enforces the California Insurance Code, including conducting examinations and investigations of insurance companies and producers, and responding to consumer inquiries. The budget includes the approval of a number of items that are intended to improve the functioning of the CDI, including:

- **Transparency in the Pricing of Medical Services.** The budget includes \$452,000 (Federal Trust Fund) for fiscal year 2015-16, and \$137,500 (Federal Trust Fund) for fiscal year 2016-17, in order to utilize federal grant funds that were awarded to CDI to support federal efforts aimed to increase transparency in the pricing of medical services.
- **Menu-Modernization Update.** The budget includes a \$2.8 million (\$1.5 million General Fund and \$1.3 million Insurance Fund) one-time increase of expenditure authority for the second year of implementation of the replacement of the CDI menu and integrated database.
- **Health Insurance Reform.** The budget includes a \$1.0 million (Insurance Fund) increase in expenditure authority in fiscal year 2015-16, and ongoing, to address the continuing workload associated with health insurance reform.
- **Implementation of the Affordable Care Act.** The budget includes an increase of \$280,000 (Insurance Fund) in expenditure authority for fiscal year 2015-16, and \$264,000 (Insurance Fund) for fiscal year 2016-17 and ongoing, for two permanent attorney positions that are responsible for policy review related to the Patient Protection and Affordable Care Act (ACA) and related state legislation.
- **Increased Oversight of Workers Compensation.** The budget includes an increase in expenditure authority from the Insurance Fund of \$5.4 million to fund workers compensation fraud investigation and prosecution workload increases. The budget includes 15 permanent positions in fiscal year 2015-16, and 18 permanent positions ongoing to support workload increases stemming from increased fraud investigations.

0890 SECRETARY OF STATE (SOS)

The Secretary of State (SOS), a statewide elected official, is the chief election officer of the state and is responsible for the administration and enforcement of election laws. The budget provided the Secretary of State with \$2.35 million General Fund to enhance the Online Motor Voter Registration System, which will increase the state's voter turnout in future years. The budget also provided the following additional resources for the Secretary of State:

- **Modernizing the Business Filing Process.** The budget includes an augmentation of \$7.8 million (\$6.8 million Business Fees Fund and \$1 million Business Programs Modernization Fund) for the continuation of the Business Connect Project, which will modernize the business filing process.
- **Help America Vote Act.** The budget includes an increase of \$34.4 million (Federal Trust Fund) expenditure authority to continue the development of a statewide voter registration database.

1110/1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)

The Department of Consumer Affairs (DCA) boards and bureaus provide exams and licensing, enforcement, complaint mediation, education for consumers, and information on privacy concerns. DCA boards and bureaus establish minimal competency standards for more than 250 professions involving three million professionals. The Budget Act of 2015 provided DCA with a number of resources to better serve the state's consumers, including the following:

- **Reducing Licensing Backlog within the Board of Behavioral Sciences.** The budget includes increase in expenditure authority for the Board of Behavioral Sciences by \$148,000 (Behavioral Science Examiners Fund) in fiscal year 2015-16, and \$132,000 (Behavioral Science Examiners Fund) in fiscal year 2016-17, for two full time positions to address the backlog within the licensing unit.
- **Pet Lover's License Plate Program.** The budget includes an ongoing appropriation of \$150,000 (Veterinary Medical Board Pet Lover's License Plate Program) in the specialized license plate fund within the Department of Motor Vehicles (DMV) for the purpose of funding grants to providers of no-cost or low-cost animal sterilization services.
- **Increased Oversight Capacity within the Bureau of Private Postsecondary Education.** The budget includes an augmentation for the Bureau of Private Postsecondary \$1.0 million (Private Postsecondary Administration Fund) in fiscal year 2015-16, and \$903,000 (Private Postsecondary Administration Fund) in fiscal year 2016-17 and ongoing to fund ten permanent positions bureau. The budget converts 17 existing three-year limited-term to permanent status, which requires \$628,000 in fiscal year 2016-17, and \$1.8 million in 2017-18, and ongoing.

- **Additional Resources to Support the Implementation of BreEZe.** The budget includes \$23.2 million (Special Funds) in fiscal year 2015-16, and \$24.4 million (Special Funds) in fiscal year 2016-17, to support the continued implementation of the BreEZe information technology project. And, an increase of 29.8 personnel year's (PY's) for fiscal year 2015-16, and 34 PY's for fiscal year 2016-17 and ongoing.

1701 DEPARTMENT OF BUSINESS OVERSIGHT

The Department of Business Oversight regulates state-licensed financial institutions, products and professionals to provide accessibility to a fair and secure financial services marketplace. The budget provides the department with an augmentation of \$401,000 (\$281,000 Financial Institutions Fund and \$120,000 Credit Union Fund) in order to convert three limited-term positions to permanent within the Department of Business Oversight's Consumer Services Office (CSO).

2100 ALCOHOLIC BEVERAGE CONTROL

The Department of Alcoholic Beverage Control is vested with the exclusive power to license and regulate persons and businesses engaged in the manufacture, importation, distribution, and sale of alcoholic beverages in the State of California. The budget provides the department with nine additional positions to support their mission of administering the provisions of the Alcoholic Beverage Control Act.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD)

The 2015 Budget Act includes expenditures of \$309.9 million for the Department of Housing and Community Development, including:

- **Office of Migrant Services.** The budget provides an increase of \$3.5 million General Fund for the Office of Migrant Services for farmworker housing.
- **Elimination of the Enterprise Zone (EZ) Program.** The budget provides for the reduction of six positions and \$987,000 from the Enterprise Fund for 2015-16 and a reduction of seven positions and \$1.2 million for 2016-17 through 2019-20, to phase out the EZ Program which has been eliminated. Two positions would remain at HCD in 2015-16 and one position through 2019-20.
- **Funding for Housing Element Reviews.** The budget changes the funding source for seven existing positions responsible for conducting housing element reviews from Proposition 1C bond funds to General Fund.

- **Recycled Water Systems.** The budget funds one position (\$95,000 from the Building Standards Administration Special Revolving Fund) and \$275,000 for a contract for a California Environmental Quality Act study to implement AB 2282 (Gatto), Chapter 606, Statutes of 2014, to develop and propose building standards for recycled water systems.
- **Utility Upgrades at Mobilehome Parks.** The budget provides \$952,000 to fund eight two-year limited-term positions for a voluntary pilot program to upgrade the utilities at mobilehome parks and address the health and safety risks associated with aging gas and electric infrastructure in mobilehome parks.
- **Extension of Grant Liquidation Periods.** The budget extends the liquidation period for three grant programs, specifically: the new Infill Infrastructure Grant awards are extended until June 30, 2020; the new Transit Oriented Development Program awards are extended until June 30, 2019; and certain Building Equity and Growth in Neighborhoods (BEGIN) Fund grants are extended until June 30, 2017 and June 30, 2018, to provide sufficient time for the completion of these projects.
- **Drought Housing Relocation.** The budget includes \$6 million General Fund (\$2.1 million for state staff or contractors and \$3.8 million in local assistance funding) to help individuals whose housing situation is affected by the drought. As part of this program, approved trailer bill language that authorizes HCD to provide temporary assistance, under certain circumstances, for persons moving out of a housing unit due to a lack of potable water resulting from the state of emergency proclaimed by the Governor relating to drought conditions. This program sunsets on June 30, 2017. Also, the budget makes Office of Migrant Services housing centers available for rent by persons or families rendered homeless, or at risk of becoming homeless, as a result of the drought.

7502 DEPARTMENT OF TECHNOLOGY (CalTech)

The Department of Technology (CalTech) 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. In an effort to further centralize the state's information technology project management process, the budget includes \$1.5 million (Technology Services Revolving Fund) in fiscal year 2015-16 and 11 permanent positions to develop a new project management framework.

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

The Department of General Services (DGS) provides a variety of functions for the state, including acquisition, development, leasing, disposal, and management of state properties. The Budget Act of 2015 includes \$10 million General Fund to provide grants for water conservation projects at state-owned facilities and \$5.4 million (Service Revolving Fund) to implement water conservation measures in state-owned facilities.

7870 VICTIMS COMPENSATION AND GOVERNMENT CLAIMS BOARD

The Victims Compensation and Government Claims Board is responsible for the administration of the state's government claims program, and the victim compensation program. The budget includes a reduction of reimbursement authority of the Victims Compensation and Government Claims Board by \$168,000 and three positions for fiscal year 2015-16 to begin the transition of the Government Claims Program to the Department of General Services.

8260 CALIFORNIA ARTS COUNCIL

The California Arts Council was created to encourage artistic awareness, participation, and expression among the citizens of California. To ensure that the California Arts Council is capable of assisting local groups develop their own art programs, the budget includes \$7.5 million General Fund ongoing to support the California Arts Council.

8620 FAIR POLITICAL PRACTICES COMMISSION (FPPC)

The Fair Political Practices Commission has primary responsibility for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974, as amended by the voters and Legislature. The purpose of the act is to restore confidence in governmental processes. The budget includes funding to support the FPPC's efforts to achieve a greater level of automation. The budget includes \$651,000 (General Fund) in fiscal year 2015-16, and \$1.2 million (General Fund) in fiscal year 2016-17, to implement the Statement of Interest (SEI) enhanced filing system project.

8820 COMMISSION ON THE STATUS OF WOMEN AND GIRLS

The California Commission on the Status of Women and Girls, a non-partisan state agency, works inclusively to promote equality for women and girls in the state by providing leadership through research, policy and program development, education, outreach and collaboration, advocacy and strategic partnerships. The budget includes an additional \$500,000 General Fund to ensure the continued operation of the commission.

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 Act of 2015 includes several adjustments that are designed to better equip the California Military Department with resources to address their mission, including the following:

- **San Diego Readiness Center.** The budget includes \$856,000 General Fund, and \$856,000 in matching federal trust funds, totaling \$1.7 million in order to renovate the California Military Department's San Diego Readiness Center.
- **Statewide Armory Improvements.** The budget includes \$3.6 million General Fund in order to complete preliminary plans, working drawings, and construction for three armory renovation projects.
- **Work for Warriors Program.** The budget includes an increase California Military Department reimbursement authority by \$670,000 to ensure it has the budgetary authority to utilize discretionary WIA funds.
- **Youth Challenge Program.** The budget includes \$4.5 million (Federal Trust Fund) to support the National Guard's Youth Challenge Program in San Joaquin County.
- **Consolidated Headquarters Complex.** The budget includes \$8.8 million General Fund in order to acquire property for a 238,000 square foot consolidated headquarters complex, 20,000 square foot armory, and a 22,600 square foot storage complex.

8955 DEPARTMENT OF VETERANS AFFAIRS

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. To support these efforts, the budget includes the following augmentations to the CDVA budget:

- **County Subvention.** The budget includes \$3.0 million General Fund in order to augment the County Veterans Service Officers budget.
- **Igo Cemetery.** The budget includes \$525,000 General Fund to construct a water pressure system at the Veterans Memorial Building – Igo, which is managed by CDVA.

- **Training and Additional Staff at Veterans Homes.** The budget includes \$3.6 million General Fund and 45 permanent positions to further support the care of veterans residing in the veterans homes operated by CDVA. Additionally, the budget includes a one-time request for \$796,000 General Fund to train clinical staff.
- **West Los Angeles Veterans Home.** The budget includes \$1.6 million General Fund and 65.5 positions in fiscal year 2015-16, and \$3.2 million General Fund and 106 positions, ongoing, to convert contracted food service operations at the Veterans Home – West Los Angeles (VHC-WLA) to civil service.

CONTROL SECTIONS

CS 6.10 FUNDING FOR DEFERRED MAINTENANCE PROJECTS

The budget includes \$120 million General Fund for deferred maintenance projects in various state departments. Through budget bill language, the Department of Finance (DOF) is directed to provide a listing of specific deferred maintenance projects for each listed department to the Joint Legislative Budget Committee (JLBC) 30 days prior to the allocation of any funds. The JLBC received this notification from DOF in a letter dated July 2, 2015, specifying the following amounts with particular projects outlined in the correspondence:

University of California	\$25,000,000
California State University	\$25,000,000
Department of Parks and Recreation	\$20,000,000
Department of Corrections and Rehabilitation	\$15,000,000
Department of Food and Agriculture	\$9,000,000
Department of State Hospitals	\$7,000,000
Department of Developmental Services	\$7,000,000
Department of General Services	\$5,000,000
Office of Emergency Services	\$3,000,000
California Military Department	\$2,000,000
Department of Veterans' Affairs	\$2,000,000

State Administration Trailer Bills

1. *State Government and Administration - SB 84 (Budget and Fiscal Review), Chapter 26, Statutes of 2015.*
2. *Public Resources - AB 117 (Budget and Fiscal Review), Chapter 16, Statutes of 2015.*

STATE FINANCE

0950 STATE TREASURER'S OFFICE

The budget includes the approval of a number of items intended to upgrade and improve the functioning of the State Treasurer's Office (STO).

- **Debt Management System.** The budget includes continued funding in 2015-16 of \$1.1 million (reimbursements) for the STO's debt administration and management system.
- **Personal Services Compensation.** The budget includes a modest increase in personal services funding for STO financial professionals to ensure retention and attraction of qualified staff.
- **Information Technology Initiative.** There are additional resources for strategic information technology services, including funding and positions for open data and governmental transparency, project management activities, and technical support services.
- **Banking Practices.** The budget includes an update to statutory requirements regarding letters of credit associated with cash-flow and debt management, in compliance with federal requirements.
- **Financial Controls and Funding.** The budget includes trailer bill language allowing for continuous appropriation for debt service activities associated with health facilities financing, updated statutory language regarding internal accounting and administrative controls, and technical changes and clarification for Public Works Board responsibilities.

0950 STATE TREASURER'S BOARDS, COMMISSIONS, AND AUTHORITIES

The State Treasurer is a member of numerous boards, authorities, and commissions that relate to financing state programs. The adopted budget includes various measures that address issues related to the functioning of several state boards, authorities, and commissions.

- **California Secure Choice Retirement Savings Investment Board.** The budget approves appropriation of funds from non-state sources for legal services and a financial and market feasibility study for the retirement program.
- **California Educational Facilities Authority.** The budget includes additional funding and related budget bill language for the administration of the College Access Tax Credit Fund.

- **California School Finance Authority.** The budget provides additional resources to complete federally-required audit activities
- **California Alternative Energy and Advanced Transportation Financing Authority.** In the budget is funding and positions relating to the California Hub for Energy Efficiency Financing (CHEEF). Also included is budget bill language allowing for the restructuring and delay of the loan from the Renewable Resource Trust Fund due to a shortfall in the origination volume of applications for the authority's sale and use tax exclusion program.

9600 DEBT SERVICE FOR GENERAL OBLIGATION BONDS

The adopted budget assumes debt service costs in the current year will increase by \$35.3 million from the Governor's budget, for a total \$5.2 billion. The General Fund costs for general obligation bond debt service will be \$4.7 billion, and for lease-revenue bonds it will be \$505.3 million. In the budget year, total debt service will decrease by \$161.7 million since January, for a total of \$5.4 billion (\$4.8 billion for general obligation bonds and \$535.8 million for lease-revenue bonds). The budget approves the Administration's plan to pay-off the Economic Recovery Bonds in the 2015-16 budget year.

9620 CASH MANAGEMENT AND BUDGETARY LOANS

Cash Management. The budget includes the Administration's proposed reductions for both external and internal borrowing costs totaling \$25.0 million General Fund. Since no external Revenue Anticipation Notes (RANs) are to be issued, which are usually needed for cash flow purposes, anticipated interest costs of \$20.0 million will be avoided. Also, based on the assumption that the state's internal cash-flow borrowing needs would be less, the committee incorporated associated interest costs savings of \$15.0 million (reduced from \$20.0 million).

Budgetary and Other Debt Repayment. The budget incorporates an aggressive pay-down of budgetary debt through the Proposition 2 mechanism (also see *Introduction*). The budget includes \$46.9 million for interest costs on budgetary borrowing. Based on additional resources, the budget provides \$1.9 billion in additional debt pay-off from revenues directed through Proposition 2, to be used for this purpose. The amount in the Governor's budget was \$1.2 billion. The pay-off plan for Proposition 2 eligible debts and liabilities is shown in the following table:

**Proposition 2 Eligible Debts and Liabilities
2015 Budget Act
(Dollars in Millions)**

<u>Category of Borrowing</u>	<u>Total Amount</u>	<u>Pay 2015-16</u>	<u>Pay 2016-17</u>	<u>Pay 2017-18</u>	<u>Pay 2018-19</u>
Budgetary Borrowing					
Special Fund Loans	\$3,112	\$1,502	\$974	\$560	\$277
Proposition 98 Settle-Up	1,512	256	390	\$368	\$498
Local Government Unpaid Mandates	0	0	0	0	0
State Retirement Liabilities					
State Retiree Health	71,773	0	0	0	0
State Employee Pensions	43,303	0	0	0	0
Teacher Pensions	72,718	0	0	0	0
Judges Pensions	3,358	0	0	0	0
CalPERS Deferred payments	530	0	0	0	0
University Of California Liabilities					
Employee Pension	7,633	96	171	169	0
Retiree Health	14,519	0	0	0	0
Unallocated	--	0	0	0	263
Total	<u>\$218,458</u>	<u>\$1,854</u>	<u>\$1,535</u>	<u>\$1,097</u>	<u>\$1,038</u>

State Finance Trailer Bills

1. *State Government and Administration - SB 84 (Budget and Fiscal Review), Chapter 25, Statutes of 2015.*
2. *Public Works - AB 114 (Budget), Chapter 14, Statutes of 2015.*

TAX ADMINISTRATION, LOCAL GOVERNMENT, AND ECONOMIC DEVELOPMENT

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

The 2015 Budget Act includes ongoing funding for the state's efforts to improve economic performance. The budget provides for additional staffing to administer the expanded (in terms of eligibility and funding) film tax credit adopted in AB 1839 (Gatto), Chapter 413, Statutes of 2014. In addition, the budget includes a one-time \$2.0 million General Fund appropriation to provide a state match for federal funds to support the Small Business Development Center network. Budget bill language for the department is included to allow a loan from the General Fund to provide adequate reserves for the Small Business Expansion Fund.

0860 BOARD OF EQUALIZATION 7730 FRANCHISE TAX BOARD

Both the Franchise Tax Board (FTB), which administers the personal income tax and the corporation tax, and the Board of Equalization (BOE), which administers the sales and use tax, fuels excise taxes, and other taxes and fees, are engaged in large data and technology improvement projects. FTB received additional substantial funding of \$53.3 million General Fund for its enterprise data to revenue (EDR) project, consisting of: \$44.7 million for the information technology portion; \$2.5 million for program positions for the fraud unit and Authenticated Live Chat; and, \$6.1 million for risk mitigation measures. BOE did not receive additional funding this year but its information technology and data project is on-going. Other proposals adopted and incorporated in the budget include:

- **Board of Equalization.** The BOE received additional funding of \$5.7 million special funds to administer the Mobile Telephony Service surcharge and local charge, consisting of registering vendors, return processing, collections and audits, and appeals and refunds. This proposal includes accompanying budget bill language and trailer bill language addressing implementation issues. The budget bill also includes language requiring the issuance of a report on the administration of the cigarette licensing program, to address the appropriate cost allocation for the program.
- **Franchise Tax Board.** The FTB received additional funding of \$8.6 million General Fund for mainframe workload growth, replacing the central processing unit, and for additional memory, storage and software. FTB received funding of \$22.0 million General Fund to administer the state's new Earned Income Tax Credit (EITC) program, which will entail building the necessary infrastructure, responding to taxpayer and tax preparer questions, reviewing returns, and

preventing fraudulent refunds. Additional minor funding was also provided for the Top 500 Tax Delinquencies program and trailer bill language was adopted to allow the FTB to collect vehicle-related penalty assessments. The budget includes language to allow for an additional \$3.5 million for EDR upon approval of Department of Finance and notification to the Legislature, as well as additional costs related to the newly created EITC.

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

8885 COMMISSION ON STATE MANDATES

The adopted budget includes the Governor's plan to fund mandates related to public safety and property taxes, for a cost of \$44.2 million. The budget suspends numerous mandates that have been suspended in prior years, for a savings of over \$600 million. The budget includes funding for two new mandates related to Medi-Cal eligibility of juvenile offenders and the state authorized risk assessment tool for sex offenders. In addition, trailer bill language was adopted requiring a report from the Department of Finance, Secretary of State and Legislative Analyst's Office related to evaluating funding for election mandates and directing the Department of Finance to conduct a semi-annual survey of county election practices.

9210 LOCAL GOVERNMENT FINANCING

This budget item includes a number of actions that are related to local government financing or state-local fiscal issues.

- **Subventions for Counties for Insufficient ERAF.** The budget approves one-time funding totaling \$5.8 million for the counties of Alpine, Amador, and San Mateo because the funds available in the Educational Revenue Augmentation Fund (ERAF) are insufficient to make these counties whole as a result of the Triple Flip and the Vehicle License Fees swap.

- **Nevada County Trial Costs.** The budget provides \$393,000 to the Nevada County Public Defender's Office for extraordinary defense costs associated with *State of California v. Lester et al* proceedings, and associated budget bill language. In this case, there are exceptional expenses associated with the Public Defender's Office assigned to the case, which the county is obligated to provide.
- **Property Tax Assessors.** Included in the budget is \$4.3 million for the second year of funding for the local property tax assessor's partnership agreement program, which is designed to improve property tax assessment processes that may benefit both local and state governments.
- **Redevelopment Agency Dissolution/Local Fiscal Issues.** The Governor proposed trailer bill language related to the dissolution of redevelopment agencies (RDAs) and various local government fiscal issues. As of the date of the publication of this report, no action had been taken on the proposal.

Tax Administration, Local Government, and Economic Development Trailer Bills

1. *State Government and Administration - SB 84 (Budget and Fiscal Review), Chapter 25, Statutes of 2015.*
2. *Earned Income Tax Credit - SB 80 (Budget and Fiscal Review), Chapter 21, Statutes of 2015.*

SUBCOMMITTEE 5
ON
CORRECTIONS,
PUBLIC SAFETY, AND THE
JUDICIARY

FINAL ACTION REPORT

Senate Committee on Budget and Fiscal Review

Members

Loni Hancock, Chair
Joel Anderson
Jim Beall

Consultants

Julie Salley-Gray
Anita Lee
Brady Van Engelen

SUBCOMMITTEE No. 5

CORRECTIONS, PUBLIC SAFETY, AND THE JUDICIARY

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CORRECTIONS AND REHABILITATION

0552 OFFICE OF THE INSPECTOR GENERAL (OIG)

- **Medical Inspections.** The budget provides \$3.9 million and 19 positions to allow the Office of the Inspector General (OIG) to evaluate annually medical care provided to inmates in all of the California Department of Corrections and Rehabilitation (CDCR) adult institutions.

5225 DEPARTMENT OF CORRECTIONS AND REHABILITATION (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:

- **Recidivism Reduction.** A \$19 million plan intended to reduce recidivism. The plan consists of the following:
 - \$6.9 million for drug treatment inside CDCR facilities.
 - \$1.3 million to award additional Collaborative Courts grants.
 - \$500,000 for an independent evaluation of appropriateness and effectiveness of CDCR's career technical education programs.
 - \$1.7 million for the Mentally Ill Offender Crime Reduction Grant (MIOCR) program.
 - \$3 million for grants to community-based organizations currently providing innovative programming in prisons.
 - \$4 million for grants to community-based organizations currently providing innovative programming in California's communities.
 - \$1.5 million in support of Workforce Investment Boards.
- **Adult Population Adjustments.** The budget incorporates a decrease of \$13.6 million General Fund in 2014-15 and \$25.9 million General Fund in 2015-16, for costs related to adult inmate and parole population changes. The revised average daily population projections for adult inmates are 133,451 in 2014-15 (a decrease of 1,535 inmates below the Governor's January budget) and 127,990 in 2015-16 (a decrease of 5,119 inmates below the Governor's January budget). The revised average daily parolee population projection is 44,073 in 2014-15 (an increase of 847 parolees above the Governor's January budget) and 44,570 in the budget year (an increase of 4,103 parolees above the Governor's January budget).

- **Decrease in Contract Beds.** The budget reflects a decrease of \$73.3 million to reflect a 4,000 bed reduction in the out-of-state contract facilities by June 2016. The reduction assumes vacating two out-of-state facilities and reducing the use of the remaining out-of-state facilities.
- **Juvenile Population Adjustment.** The budget includes a decrease of \$430,000 General Fund in 2015-16, for costs related to juvenile ward population changes. The revised average daily population projections for juvenile wards are 683 in 2014-15 (a decrease of two wards below the Governor's January budget) and 677 in 2015-16 (a decrease of 32 wards below the Governor's January budget).
- **Activation of Prison Infill Beds.** The budget incorporates an additional \$1.8 million General Fund and 14.7 positions in 2015-16, and \$5.9 million General Fund and 49.6 positions in 2016-17, for the activation of the Enhanced Outpatient Program facilities at Mule Creek State Prison (MCSP) and Richard J. Donovan State Prison (RJD). This brings the total amount to \$37.4 million General Fund and 267 positions in 2015-16, growing to \$73.5 million General Fund and 567.8 positions in 2016-17 and on-going.
- **California Health Care Facility (CHCF) Staffing.** The budget includes a General Fund augmentation of \$76.4 million, and 714.7 additional clinical positions in 2015-16, to ensure adequate staffing upon full activation of the California Health Care Facility (CHCF) in Stockton, including primary care, nursing, and support staff. (The receiver also received a supplemental appropriation to cover the partial-year cost of the proposed staffing increase in 2014-15), increasing the total clinical staffing costs from about \$82 million annually to about \$158 million annually, and a staffing levels increase from 810 positions to 1,525 positions.
- **California Rehabilitation Center (CRC) in Norco.** Statutory language is included in the budget requiring the Administration to provide an updated comprehensive plan for the state prison system, including a permanent solution for the decaying infrastructure of the California Rehabilitation Center. In addition, the public safety trailer bill states legislative findings and declarations that given the reduction in the prison population, the Legislature believes that further investment in building additional prisons is unnecessary at this time and that the California Rehabilitation Center can be closed without jeopardizing the court-ordered population cap.
- **Coleman v. Brown Improvements.** The budget provides 260.3 positions and \$38.5 million General Fund for the federal court ordered changes concerning their treatment of certain inmates who are mentally ill. The revised policies in the budget include the following:
 - An increase in clinical involvement for controlled use of force incidents.
 - Positive intervention strategies to address inmates with certain behavioral restrictions.
 - Additional monitoring and reporting activities.

- **San Quentin Condemned Inmate Housing.** The budget provides \$3.2 million General Fund, of which \$325,000 is one-time, and 24.3 positions to convert two tiers of an existing housing unit at San Quentin to accommodate inmates who have been sentenced to death. This conversion will provide 97 extra cells to accommodate the current population.
- **San Quentin Psychiatric Inpatient Program (PIP).** The budget provides 99.8 positions and \$11 million General Fund for both CDCR and California Correctional Health Care Services (CCHCS) to provide clinical support, custody staff, equipment, and training to operate a 40-bed acute level of care psychiatric facility to provide treatment for condemned inmates with mental illnesses severe enough to require inpatient care. \$4.3 million General Fund is for CDCR and \$6.7 million is for CCHCS. CDCR intends to convert 17 existing mental health crisis beds and 23 medical beds to psychiatric inpatient beds.
- **CCWF Enhanced Outpatient Program.** The budget provides 2.5 correctional officers and \$300,000 for the operation of a new Mental Health Services Delivery System (MHSDS) Enhanced Outpatient Program (EOP) at the Central California Women's Facility (CCWF) in Chowchilla.
- **CIW Walker Unit Activation.** The budget includes \$1.1 million General Fund and 9.1 positions in 2015-16, and \$1.6 million General Fund and 13.6 positions beginning in 2016-17, to reopen a 20-bed unit at the California Institution for Women (CIW).
- **Hepatitis C Treatment.** The budget includes a General Fund increase of \$51.8 million in 2014-15, and \$60.6 million in 2015-16, for the cost of providing inmates with new Hepatitis C treatments. The Governor's January budget proposal included this funding in the statewide set-aside for high cost medications. The funding is now proposed to be shifted to the CDCR budget.
- **Correctional Officer Training.** The budget reduces the length of the correctional officer training academy from 16 to 12 weeks and re-establishes the commission on Correctional Peace Officer Standards and Training (CPOST). CPOST is responsible for developing and monitoring standards for the selection and training of correctional officers and will be governed by six members (three from CDCR management and three from the correctional officers' union) appointed by the Governor. In addition, the budget requires CPOST to regularly consult with experts in the area of correctional officer training.
- **Quality Management for Healthcare.** The budget provides \$4.9 million from the General Fund, and 30 positions, to expand the receiver's quality management efforts in 2015-16. Of the additional staff, 20 positions are to develop quality management programs in the receiver's new regional offices. Regional staff will be responsible for overseeing prisons located within their geographic area of responsibility. Similar to existing quality management staff, these staff would be responsible for tracking prison performance, identifying areas where medical care is deficient, developing performance improvement plans, and sharing best practices across prisons.

- **Health Care Transition Plan.** The budget includes \$1.9 million General Fund and 16 positions to address the workload associated with the March 10, 2015, federal court order modifying the federal health care receivership transition plan.
- **Pharmaceutical Funding.** The budget provides a one-time General Fund augmentation of \$18.4 million in 2014-15 for unanticipated increases in the pharmaceutical budget.
- **Registered Nursing Coverage for Contract Facilities.** The budget provides \$3.2 million General Fund for 2015-16 for 24-hour registered nurse (RN) coverage for inmates housed in the six modified community correctional facilities (MCCFs) and one female community re-entry facility. The 24-hour coverage has been required by the health care receiver, in order to provide 24 hour/7 day per week nursing coverage to inmates housed in contract facilities. This is the same level of coverage currently provided to inmates in the 35 state-run facilities.
- **Arts in Corrections.** The budget provides \$2 million on-going General Fund for funding the Arts in Corrections program.
- **Drug Interdiction.** The budget requires an independent evaluation of the effectiveness of the California Department of Corrections and Rehabilitation's (CDCR) enhanced drug interdiction effort. In addition, the budget removes the requirement that visitors be offered a strip search as an option if they test positive using an Ion scanner or canines.
- **California Prison Industries Authority (CalPIA) Janitorial Services.** The budget provides an increase of \$600,000 General Fund and 13.9 positions to complete the roll-out of the CalPIA janitorial services programs to all institutions, with the exception of the California Health Care Facility in Stockton.
- **CalPIA Career Technical Education.** The budget provides \$2.6 million General Fund to fund a contract between CDCR's Division of Rehabilitative Programs and the California Prison Industry Authority (CalPIA) to provide Career Technical Education (CTE) programming for 342 inmates (228 women and 114 men).
- **Parole Calculation Correction.** The budget provides \$14.6 million General Fund and 92.6 positions in 2015-16 and on-going to correct a caseload calculation error that led to the elimination of previously approved positions related to the conversion of certain specialists to supervisory positions and a corresponding caseload reduction.
- **Ventura Fire Camp.** The budget provides \$1.1 million General Fund and nine positions beginning in 2015-16 to create capacity for inmates at the Ventura Conservation Camp. This expansion would provide 100 additional fire camp beds.

- **Psychiatric Technician Staffing Model Adjustment.** The budget includes a decrease of \$975,000 General Fund and 10.6 positions to implement the revised staffing model for Psychiatric Technicians.
- **Clinician Recruitment and Retention.** The budget provides \$872,000 General Fund and eight positions to build an internal recruitment and retention program designed to recruit and retain clinicians and other medical personnel.
- **Youth Offender Security Placement.** The budget provides \$1.2 million General Fund, of which \$93,000 is onetime, and eight positions to implement the requirements of AB 1276 (Bloom), Chapter 590, Statutes of 2014.
- **Religious Diets.** The budget provides \$1.9 million General Fund to address the increase in the number of religious diet requests since 2012-13.
- **Lease Revenue Debt Service Adjustment.** The budget includes an increase of \$24.4 million for lease revenue bonds. This includes a decrease of \$11 million General Fund from the Governor's January budget estimate, to make technical corrections related to three bond refundings this spring, which resulted in lower debt service costs and the issuing of fewer bonds than anticipated.
- **Housing Unit Conversion/Standardized Staffing.** The budget includes a reduction of \$9.7 million General Fund and 76.5 positions to reflect staffing changes, consistent with standardized staffing models, resulting from housing or mission changes to institutions.
- **Female Offender Programs.** The budget includes \$504,000 General Fund on a one-time basis and 7.9 positions to support the Custody to Community Transitional Re-Entry Programs. This reflects a realignment of positions and funding consistent with the current Female Offender Programs and Special Housing plan, which is estimated to result in minor cost savings beginning in 2016-17.
- **Statewide Advanced Planning.** The budget provides \$500,000 in General Obligation Bond Funds to support workload associated with planning capital outlay projects at youth and adult correctional facilities.
- **Armstrong Accessibility.** The budget provides \$12.7 million in 2015-16 and \$12.5 million in 2016-17 for the construction costs associated with making ADA improvements at a total of 13 prisons.
- **Capital Outlay.** The budget provides funding for the following capital outlay projects:
 - \$18.1 million General Fund to replace the boiler facilities at San Quentin.

- \$792,000 General Fund to replace the cell fronts at Deuel Vocational Institution.
- \$997,000 General Fund to replace the kitchen and dining facilities at the California Correctional Center.
- **California Men’s Facility – Kitchen Activation.** The budget provides \$580,000 General Fund (\$150,000 of which is one-time) and 3.5 positions to upgrade and activate an existing kitchen currently not in use, in order to feed Disability Placement Wheelchair inmates from ADA converted dormitory housing units at the California Medical Facility in Vacaville.

Corrections Budget Trailer Bills

1. *Public Safety Omnibus – SB 85 (Budget and Fiscal Review), Chapter 26, Statutes of 2015.*

JUDICIARY

0250 JUDICIAL BRANCH

The state's overall trial court budget provides an increase of \$168 million, or 9.7 percent, from the 2014-15 amount. This augmentation includes \$90.6 million General Fund in on-going additional funding to support trial court operations; \$42.7 million General Fund for increases in trial court employee benefit costs; and \$35.3 million General Fund to backfill reductions in fine and penalty revenue in 2015-16. In addition, the budget:

- **Trial Court Trust Fund Revenue Shortfall.** Provides additional \$15.5 million General Fund to cover the revenue shortfall in the trial court budget. This brings the total General Fund transfer for the shortfall to \$66.2 million.
- **Dependency Counsel.** Increases funding for dependency court attorneys in 2015-16 and on-going by \$11 million in General Fund. In addition, the budget shifted all dependency counsel funding to a separate item within the trial courts budget to insure that it remains dedicated to funding attorneys who represent children and their parents in the dependency court system.
- **Proposition 47.** Approves \$26.9 million General Fund in 2015-16 to support workload increases associated with the passage of Proposition 47 (The Safe Neighborhoods and Schools Act) by voters in 2014.
- **Collaborative Court Grants.** A one-time increase of \$1.3 million Recidivism Reduction Fund for additional collaborative court grants.
- **Trial Court Security.** Provides \$2 million General Fund to address potential increased trial court security costs if a new court facility, built by the state and opened after October 9, 2011, necessitates a different level of court security than the facility it replaced or was otherwise closed.
- **Traffic Amnesty Program.** Authorizes a delinquent court ordered debt amnesty program intended to bring in additional revenues for courts and counties while providing a pathway for many low-income Californians to regain their driving privileges. Specifically, participating individuals can reduce their debts by 50 percent, reduce administrative fees from \$300 to \$50, and have their drivers' licenses reinstated. This proposal is projected to generate \$150 million which will help to avoid future revenue shortfalls.
- **Capital Outlay.** Provides \$130.9 million for Public Buildings Construction Immediate and Critical Needs Account, and \$86.6 million from the Public Buildings Construction Fund

Immediate and Critical Needs Account, which \$68 million in are reappropriations for local trial court capital outlay projects.

- **Telecommunications Network.** Includes \$5.5 million to fund telecommunication improvements for all 58 superior courts. The funding will be used to support hardware refresh, training, and the maintenance and security of the judicial branch network.
- **State Judiciary Rent Increase.** Authorizes \$934,000 General Fund to support rent increases at the Supreme Court (\$115,000), the Court of Appeal (\$377,000), the Judicial Council (\$319,000), and other judicial branch facilities (\$123,000).

0280 COMMISSION ON JUDICIAL PERFORMANCE

- **Trial Court Counsel.** The budget provides one trial counsel position for the commission to be funded within their existing budget.

Judiciary Budget Trailer Bills

1. *Public Safety Omnibus – SB 85 (Budget and Fiscal Review), Chapter 26, Statutes of 2015.*

OTHER PUBLIC SAFETY

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

- **Office of Law Enforcement Support.** The budget provides \$2.0 million General Fund, \$600,000 one-time reimbursement authority, and 15 permanent positions to establish a Professional Standards Section and a Vertical Advocate Unit within the Office of Law Enforcement Support (OLES), and fund reimbursable services contracts for subject matter expertise. In addition, the budget requires OLES to report semi-annually to the Legislature on the following:
 - The number, type, and disposition of complaints made against employees.
 - A synopsis of each investigation reviewed by the Office of Law Enforcement Support.
 - An assessment of the quality of each investigation.
 - The report of any settlement and whether the Office of Law Enforcement Support concurred with the settlement.
 - The extent to which any disciplinary action was modified after imposition.
 - Timeliness of investigations and completion of investigation reports.
 - The number of reports made to an individual's licensing board, in cases involving serious or criminal misconduct by the individual.
 - The number of investigations referred for criminal prosecution and employee disciplinary action and the outcomes of those cases.
 - The adequacy of the State Department of State Hospitals' and the Developmental Centers Division of the State Department of Developmental Services' systems for tracking patterns and monitoring investigation outcomes and employee compliance with training requirements.

0820 DEPARTMENT OF JUSTICE

- **Total Funding** The budget provides \$794.1 million (\$201.0 million General Fund) for support of the Department of Justice. In addition, the budget makes the following changes to the Department of Justice budget:

- Provides the legal division with an increase of 29 permanent positions and \$5.8 million (Legal Services Revolving Fund) in order to meet the increasing legal demands of various client departments.
- Provides the department's Bureau of Gambling Control with 12 permanent positions and three-year limited-term positions, and funding of \$1.6 million, to support the increased backlog of background investigations for the California Cardroom and Third-Party Providers of Proposition Player Services license applications.
- Provides an additional \$720,000 (General Fund) and four permanent positions to support the implementation of the provisions of SB 1253 (Steinberg), Chapter 697, Statutes of 2014.
- Provides 13 positions and an increased expenditure authority of \$2.1 million (Registry of Charitable Trust Fund) to support the provisions of AB 2077 (Allen), Chapter 465, Statutes of 2014.
- Provides the department's Bureau of Firearms with 22 permanent positions by utilizing existing resources.
- Adopted trailer bill language to redesignate the Electronic Recording Authorization Account from special deposit fund to a fund within the state treasury.

1750 CALIFORNIA HORSE RACING BOARD

- **Equine Drug Testing.** The budget provides a \$1.2 million augmentation from the Horse Racing Fund to fund the increased costs associated with the equine drug testing program. The cost increase is primarily due to an increase in services provided by the Equine Analytical Chemistry Laboratory located at the University of California, Davis.

4440 DEPARTMENT OF STATE HOSPITALS

The budget provides \$1.7 billion (\$1.6 billion General Fund) for operating the State Hospitals.

- **Enhanced Treatment Program.** The budget provides \$11.5 million General Fund for renovations to provide 44 Statewide Enhanced Treatment Units (ETUs) at various State Hospitals and includes trailer bill language that requires DSH to provide to the Legislature all policies and procedures related to the operation of ETUs 60 days prior to activation of the ETUs.
- **Incompetent to Stand Trial Caseload.** The budget provides \$17 million General Fund to activate 105 new IST beds at Coalinga and Atascadero State Hospitals.

- **Metropolitan State Hospital Security Fence Capital Outlay.** The budget provides \$3.6 million General Fund for the planning and drawing phases of secured fencing to enclose two buildings and add secured fencing around the adjacent park, in order to increase secure bed capacity by 505 beds.
- **State Hospitals Capital Outlay.** The budget provides \$11 million General Fund across all state hospitals for a variety of capital construction upgrades, such as fire alarm systems, security fencing, and seismic upgrades.
- **Involuntary Medication.** The budget provides nine permanent positions and \$2 million General Fund to implement an Involuntary Medication authorization process for the Not Guilty by Reason of Insanity (NGI) population. The budget includes trailer bill language to implement this process, and supplemental reporting language that requires DSH to report to the Legislature, on or before April 1, 2016, an assessment of the department's current and ongoing funding needs for the workload associated with involuntarily medicating NGI patients.
- **Restoration of Competency (ROC).** The budget provides \$10.1 million General Fund to expand the ROC program, includes trailer bill language to streamline the process for DSH to sign contracts to implement ROC in additional counties.
- **Coleman Unit Activation.** The budget includes 38.2 positions and \$4.6 million General Fund in 2015-16, growing to an ongoing \$5 million General Fund from 2016-17 onward, to activate 30 beds at the California Medical Facility in Vacaville to treat inmates with acute mental illnesses. In addition, the budget includes reporting language requiring the Administration to provide a report to the Legislature on January 10, 2016, detailing the steps they have taken to provide Coleman patients with treatment consistent with constitutional mandates. In addition, the report shall include an update on the Administrations discussions regarding shifting responsibility for the care and treatment of Coleman patients back to the California Department of Corrections and Rehabilitation.
- **LPS Expansion.** The budget provides \$8.3 million (reimbursements from counties) to support 67.1 positions and activate a 40-bed Lanterman-Petris-Short (LPS) unit at Metropolitan State Hospital.
- **Napa Earthquake.** The budget provides \$5.7 million General Fund and \$17.2 million Federal Emergency Management Agency (FEMA) funds to repair damages sustained at Napa State Hospital (NSH) during the August 2014 earthquake. The budget also provides \$1 million General Fund and \$3 million FEMA funds for the seismic retrofit of the NSH Plant Operations Building that houses facilities support staff and equipment used to conduct necessary repairs and maintenance work at NSH. The budget requires DSH to submit a report, on or before January 10, 2016, in consultation with the Department of General Services and the Alfred E. Alquist Seismic Safety Commission, describing the seismic safety of all state hospital facilities.

- **Hepatitis C Treatment.** The budget provides \$6.3 million General Fund for Hepatitis C treatment costs in the state hospitals.

5227 BOARD OF STATE AND COMMUNITY CORRECTIONS (BSCC)

- **City Law Enforcement Grants.** The budget provides one-time \$20 million General Fund for City Law Enforcement Grants limited to agencies willing to provide use-of-force data.
- **Community Policing Grants.** The budget provides \$6 million General Fund annually for grants intended to strengthen the relationship between communities and law enforcement.
- **Local Law Enforcement Infrastructure.** The budget provides \$5 million for local public safety infrastructure in Avenal, Corcoran, and Lemoore in Kings County.
- **Post Release Community Supervision.** The budget provides an additional \$12 million General Fund to address the temporary increase in the average daily population of offenders on Post Release Community Supervision (PRCS).
- **Jail Construction Financing.** The budget provides \$298,000 General Fund and 2.0 positions to fund the state's workload related to administering financing programs for local criminal justice facility construction projects. The budget also includes placeholder trailer bill language allowing the BSCC to shift unused funding from the AB 900 phase one projects to AB 900 phase two projects and SB 1022 projects.

8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

- **Peace Officer Standards and Training (POST) Expenditure Plan.** The budget contains the following reductions:
 - Reduces administrative costs by \$800,000.
 - Continues the reduction of contracted, non-mandated training courses \$1.9 million sustained in the current year.
 - Continues the suspension of reimbursements for local law enforcement to backfill behind officers participating in training, for a savings of \$2.5 million.

LOCAL PUBLIC SAFETY

- **Community Corrections Performance Incentives Grant Program.** The budget includes an increase of \$1.1 million in Community Corrections Performance Incentive Grants funding, due to an update in the formula used for measuring county performance, for county probation departments that have reduced the number of adult felony probationers going to state prison. In addition, the budget modifies the performance improvement formula to account for the changes brought by public safety realignment.
- **Enhancing Law Enforcement Activities Growth Special Account.** The budget contains trailer bill language deleting the requirement that funds in the Enhancing Law Enforcement Activities Growth Special Account be distributed on August 25th of each fiscal year. Additionally, the budget amends language to specify that each growth allocation from the Enhancing Law Enforcement Activities Growth Special Account shall utilize the same allocation schedules calculated for the base allocations from the same fiscal year to which the growth is attributed.

Public Safety Budget Trailer Bills

1. *Public Safety Omnibus – SB 85 (Budget and Fiscal Review), Chapter 26, Statutes of 2015.*

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 2015 Budget Act approved various items intended to improve the functions of EDD, including:

- **Unemployment Insurance Program.** The budget provides an increase of \$22.2 million Contingent Fund and \$27.8 million Benefit Audit Fund, and a decrease of \$16 million Federal Funds to support 440.4 temporary help positions for 2015-16 to continue to support Unemployment Insurance Program levels.
- **Paid Family Leave Outreach.** The budget provides an increase of \$2.5 million as a part of the three-year plan that was implemented last year for the EDD to administer a Paid Family Leave outreach campaign. The budget bill also included provisional language to provide \$1 million, if additional need is demonstrated, from the Unemployment Compensation Disability Fund; however, the Governor vetoed this language.
- **Workforce Innovation Opportunity Act.** The budget provides an increase of \$2.4 million above the 2014 budget for state operations, including funding the continuation of workforce initiatives, such as the Slingshot Program, the Regional Workforce Accelerator Grant Program, and the Governor's Award for the Veterans' Grant Program, associated with an increase of discretionary funds from 8.75 percent to 10 percent of the federal allotment. Additionally, the budget provides an increase of \$2.1 million in local assistance funds compared to the 2014 budget.

7120 CALIFORNIA WORKFORCE INVESTMENT BOARD

The California Workforce Investment Board collaborates with both state and local partners to establish and improve the state's workforce system. The budget provides \$2.9 million in federal funding and \$3 million from the Clean Energy Job Creation Fund to support the California Workforce Investment Program to develop policies and frameworks to streamline services, provide universal access, increase accountability, and improve programs and services for the neediest youth.

7320 PUBLIC EMPLOYMENT RELATIONS BOARD

- The Public Employment Relations Board administers and enforces California's public sector collective bargaining laws and promotes improved public sector employee relations. The 2015 Budget Act provides \$8.8 million General Fund to support the board's activities and functions.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

The 2015 Budget Act includes a number of items intended to improve the functioning of the Department of Industrial Relations (DIR), including:

- **Implementation of Statutory Requirements.** The budget provides nine positions and \$1.01 million in 2015-16, and \$940,000 ongoing, to implement four legislative bills: AB 1522 (Gonzalez), Chapter 317, Statutes of 2014; AB 2272 (Gray), Chapter 900, Statutes of 2014; SB 1299 (Padilla), Chapter 842, Statutes of 2014; and SB 1300 (Hancock), Chapter 519, Statutes of 2014.
- **Elevator Safety.** The budget provides an increase of \$4.4 million (Elevator Safety Account) and 27.5 positions in 2014-15, and \$4.1 million ongoing, to reduce inspection backlogs and help the division meet permitting mandates. Additionally, the Legislature approved trailer bill language to suspend the fee for annual inspections in the 2015-16 fiscal year, and to allow for the fee for annual inspections to be suspended in future years, if necessary, to reduce any surplus fund balance.
- **Health and Safety Inspections.** The budget provides 44 positions and \$4.6 million in 2015-16, and \$7.1 million from the Occupational Safety and Health Fund for DIR and Division of Occupational Safety and Health to increase enforcement inspections in high-hazard industries, improve performance in meeting state and federal mandates and inspecting high-risk worksites, and bring California's total rate of enforcement inspections in line with the national average. The Legislature approved trailer bill language to prioritize investigations of serious accidents over complaints received for non-serious hazards.
- **Process Safety Management.** The Legislature approved supplemental reporting language to require DIR to report by March 31, 2016, to the Joint Legislative Budget Committee on: (1) its methodology and criteria for assessing the risk of non-refinery facilities subject to Process Safety Management (PSM) oversight; (2) the number and types of inspections and the number and types of violations at non-refinery facilities during the 2014-15 fiscal year; (3) an estimate of the additional staff and augmentation of resources needed to increase the portion of non-refinery facilities inspected annually to 10 percent, 25 percent, and 50 percent; and (4) the department's assessment of the adequate frequency of inspections at non-refinery facilities subject to PSM oversight.

- **Division of Occupational Safety and Health (DOSHS).** The Legislature approved supplemental reporting language to require DIR to report by March 1, 2018, to the Joint Legislative Budget Committee on the number of re-inspections conducted, average number of days to initiative complaint inspections, average lapse time from inspection open date to issue date, and number of inspections of high-hazard industries, among others, for the 2016-17 state fiscal year, as compared to the 2014-15 state fiscal year. The DIR shall provide updates on these items, to the extent that information is available, at subcommittee hearings on the 2016-17 and 2017-18 budgets.

CONTROL SECTION 4.11

- **Civil Service.** The Legislature approved trailer bill language to abolish Government Code Section 12439, which requires the elimination of positions that, as of the end of the fiscal year, have been vacant for six or consecutive months. Additionally, the budget bill included control language to develop a process for reconciling department budgets to help promote greater transparency in how departments develop their support budgets, which include personal services and operating expenses and equipment.

Labor Budget Trailer Bills.

1. *General Government – SB 84 (Budget and Fiscal Review), Chapter 25, Statutes of 2015.*
2. *State Employment - SB 98 (Budget and Fiscal Review), Chapter 28, Statutes of 2015.*

PUBLIC EMPLOYMENT AND RETIREMENT

6645/9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

The 2015 Budget Act includes \$1.6 billion, primarily General Fund, for costs associated with providing health and dental benefits for retirees. Of this total, \$267.2 million General Fund is attributable to California State University annuitants. These costs reflect an eight percent increase in medical premiums and a 6.8 percent increase in dental premiums.

7501 DEPARTMENT OF HUMAN RESOURCES

The Department of Human Resources is responsible for managing the state's personnel functions, including issues related to recruitment, selection, salaries, benefits, and position classifications. The adopted budget includes various items related to the functioning of the department, including:

- **Additional Appointments.** The budget includes trailer bill language establishing the state's policy regarding the use of additional appointments and provides CalHR the authority to set policies directing the appropriate use of additional appointments.
- **Affordable Care Act Mandates.** The Budget Act approved two permanent positions and \$426,000 in reimbursement authority for 2015-16, and \$408,000 for 2016-17, to comply with the provisions of the federal Affordable Care Act and to address health policy issues, including the state's unfunded liabilities for Other Post-Employment Benefits.
- **Long-Term Delegation Compliance.** The budget act approves five additional permanent positions, and \$504,000 (\$308,000 General Fund and \$232,000 Central Service Cost Recover Fund) in 2015-16 and ongoing, to address workload resulting from Goal 1 of CalHR's 2014-15 Strategic Plan, which will provide more delegated decision-making to line agencies.
- **Other Human Resources Measures.** The budget act includes various increases, including one permanent position and \$122,000 in reimbursement authority to expand existing Healthier U state employee workplace wellness pilot program; and one limited-term position and \$135,000 (\$77,000 General Fund and \$58,000 Central Service Recovery Fund) in 2015-16, and \$133,000 (\$76,000 General Fund and \$57,000 in Central Service Cost Recovery Fund) in 2016-17, and \$20,000 (\$11,000 General Fund and \$9,000 in Central Service Cost Recovery Fund) for ongoing costs to implement Assembly Bill 1397 (Committee on Veterans Affairs), Chapter 645, Statutes of 2014.

7503 STATE PERSONNEL BOARD

The 2015 Budget Act includes funding to support the board, which is charged with overseeing the merit-based, job-related recruitment and selection process for the hiring of state employees who provide critical services to the citizens of California. The budget calls for \$1.2 million General Fund to support the board's activities and approves \$888,000 from the Central Service Cost Recovery Fund to support Merit Oversight program, which prescribes probationary periods and classifications, as well as other merit-related policies.

7900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

The budget includes \$4.9 billion (\$2.9 billion General Fund) for state contributions to CalPERS for state pension costs. The newly adopted state employer contribution rates result in increased state costs of \$338.0 million, a decrease of \$110.0 million below the \$447.9 million included in the Governor's 2015-16 budget. Of the \$110.0 million, the General Fund amount is \$55.6 million, special funds are \$35.5 million, and other nongovernmental cost funds are \$18.8 million. The budget reduces the CalPERS fourth quarter deferral by \$9.2 million General Fund from the Governor's budget to reflect the changes in retirement rates. The decreases are largely driven by key assumption changes made by the CalPERS board, including: longer post-retirement life expectancy of 2.1 years for males and 1.6 years for females; earlier retirement ages; and higher than expected wage growth for State Peace Officers/Firefighters and the California Highway Patrol. The budget also provides for various adjustments to the CalPERS administrative budget based on the 2015-16 CalPERS budget that results in a net reduction of \$55.3 million, primarily driven by transitioning investment portfolio management activities from outside contractors to state employees. CalPERS receives an increase of 38 positions related to this transition.

In addition, trailer bill language was adopted that establishes a framework for addressing the state's \$72 billion long-term liability for future retiree health care costs. The trailer bill language establishes a trust fund to save matching employer-employee contributions until 2046. The law strengthens reporting requirements, and oversight of CalPERS and its administration of the state's health benefits. In addition, the law makes changes to help ensure that only eligible members and their dependents receive benefits and that retirees enroll in Medicare when they turn 65.

The Legislature adopted supplemental reporting language to require the LAO to conduct a study and issue a report regarding the impact on retirement security of public employees who participate in a defined contribution plan in lieu of a defined benefit plan. The study will look at the impact of the recession on the earnings of defined contribution plans offered by California employers.

7920 STATE TEACHERS' RETIREMENT SYSTEM

Last year, the Legislature adopted a funding plan to eliminate the CalSTRS \$74 billion unfunded liability over 32 years. This year, the Legislature approved \$1.9 billion General Fund for the state's share-of-costs in year two of implementation of the funding plan. This reflects an increase in the state rate of 3.5 percent to 4.9 percent. Similarly, under the funding plan, district rates increase from 8.9 percent to 10.7 percent; and teacher rates increase from 8.15 percent to 9.2 percent for teachers hired before January 1, 2013, and increase from 8.15 percent to 9.2 percent for teachers hired after that date. Rates for teachers and the state will increase through 2016-17, whereas district rates will increase through 2020-21. Other proposals adopted and incorporated into the budget include:

- **Budget Reappropriation for a Pension Solution Technology Project.** The budget reappropriated \$179,200 from fiscal year 2013-14, and \$421,800 from 2014-15, to bring the total reappropriation request to \$26.5 million for 2015-16 for the Pension Solution Project, which is a multi-year technology project to replace CalSTRS' current pension administration system with a more modern one.
- **Internal Management of the Investment Portfolio.** The budget provides a permanent augmentation of \$2.7 million and ten permanent positions to address an increase in internal management and growing complexity of the investment portfolio. All ten positions will be assigned to the Investment Branch to help increase the likelihood of earning the 7.5 percent actuarial assumed rate and to reduce the overall risk of the investment portfolio.
- **San Diego Member Service Center.** For the CalSTRS-operated member service center, the budget includes a funding augmentation of \$3.3 million (\$2.7 million one-time funding and \$590,740 permanent funding) and eight full-time positions for 2015-16, and a permanent augmentation of \$1.0 million for 2016-17 and beyond. This proposal is to establish and staff the San Diego Member Service Center and to provide for increasing operational costs of the previously established member service centers.
- **Refresh of CalSTRS Technology Infrastructure.** The budget includes a permanent augmentation of \$3.8 million in operating expenses and equipment for technology infrastructure and licenses. Of this amount, \$1.6 million is for software licenses and support, and \$2.2 million to cover the refresh costs of CalSTRS technology infrastructure. The augmentation will provide ongoing licenses and support for the CA Clarity Project Portfolio Management, JAMA Requirements Management tools, SAP (Systems, Applications, Products in Data Processing) managed services, and software licensing costs to support the CalSTRS Business Direct System implemented in January 2013.
- **Enterprise Information Management (EIM) Program.** The budget includes a permanent funding augmentation of \$435,859 and four permanent full-time positions to establish and sustain an EIM program. The EIM is intended to provide governance over all enterprise-wide data in the long term, although its initial focus is on data for the Pension Solution.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

The budget includes a total of \$594.8 million (\$224.1 million General Fund) for employee compensation and health care costs for active employees. This reflects revised health and dental premium rates, increased enrollment in health and dental plans, updated employment information for salary increases provided in the Governor's budget, revised pay increases for judges, updated information for salary increases for the California Highway Patrol (Bargaining Unit 5), and updated costs related to the California Department of Corrections and Rehabilitation On-Call and Call-Back addendum (Bargaining Unit 19). These changes resulted in an increase in spending of \$21.0 million General Fund and \$13.5 million other funds.

The budget bill also includes language that amends the legislative review process for addenda to bargaining agreements' memorandum of understanding (MOU) to address issues that have arisen when the Legislature is out of session and departments cannot lawfully implement changes until the Legislature reconvenes, sometimes a few months later. The change allows the Administration to implement changes without legislative action, in 30 days or less, if the Joint Legislative Budget Committee agrees that the addendas' net total costs are less than \$1 million and do not make substantive changes to the MOUs. The language also specifies that the agreements in their entirety be posted online.

CONTROL SECTIONS

CS 3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

The budget amends Control Section (CS) 3.60 to capture reductions in state retirement contribution rates adopted by the CalPERS Board on April 14, 2015. The reduction reflects the impact of the employees entering the system under the benefit formulas pursuant to the Public Employees' Pension Reform Act of 2013, stronger than expected investment performance, higher mortality rates, and greater than expected contributions to the system.

The newly adopted state employer contribution rates result in total state costs of \$338.0 million, a decrease of \$110.0 million from the \$447.9 million included in the Governor's 2015-16 budget. Of the \$110.0 million, the General Fund amount is \$55.6 million, special funds are \$35.5 million and other nongovernmental cost funds are \$18.8 million. Additionally, the CalPERS fourth quarter deferral was reduced by \$9.2 million General Fund from the Governor's budget to reflect the changes in retirement rates. The net effect of these changes is a decrease of \$46.4 million General Fund in 2015-16 as compared to the Governor's budget.

CS 3.61 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

Control Section 3.61 replaces CS 9651, which in the past the Administration used to appropriate money to prefund retiree health benefits. At times, this has been a problematic approach because not enough funds were appropriated and mid-year augmentations had to be made to avoid deficiencies. The newly approved CS 3.61 uses a decentralized approach and prefunds retiree benefits through departmental budgets.

Public Employment and Retirement Budget Trailer Bills.

1. *General Government – SB 84 (Budget and Fiscal Review), Chapter 25, Statutes of 2015.*
2. *State Employment – SB 98 (Budget and Fiscal Review), Chapter 28, Statutes of 2015.*

APPENDIX

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BUDGET and TRAILER BILLS

Bill Number	Chapter Number	Topic	Senate Vote	Assembly Vote
AB 93	10	2015 Budget Bill (Weber)	26-13	52-28
SB 97	11	2015 Budget Bill (Budget Bill Junior)	30-9	53-27
SB 75	18	Health	28-12	52-27
SB 78	19	K-12 Local Control Funding Formula	36-0	77-0
SB 79	20	Human Services	32-7	66-12
SB 80	21	Earned Income Tax Credit (EITC)	38-1	75-3
SB 81	22	Higher Education	40-0	79-0
SB 82	23	Developmental Disabilities	35-0	79-0
SB 83	24	Resources	25-14	52-28
SB 84	25	General Government	28-12	52-26
SB 85	26	Public Safety	27-12	52-28
SB 88	27	Drought Relief	24-14	52-28
SB 98	28	State Employment	26-14	72-3
AB 95	12	Transportation	26-12	50-28
AB 104	13	K-12 Education	38-0	71-8
AB 114	14	Public Works	36-3	78-2
AB 116	15	2015-16 Supplemental Appropriations	26-13	61-18
AB 117	16	Economic Development	23-13	62-14
AB 119	17	Skilled Nursing Facilities	35-3	78-1

Governor’s Vetoes – 2015 Budget Act
(Dollars in Thousands)

Department	Issue Title	2015-16 Non General Fund
1 Natural Resources Agency, Secretary	AB 1492 Advisory Council	\$100
2 Department of Transportation	Tower Bridge Relinquishment	Language
3 Tahoe Conservancy	Reduction in Environmental License Plate Fund	100
4 Department of Conservation	Mine Mapping Software	100
5 Department of Fish and Wildlife	Restoration of Clear Lake	1,000
6 Employment Development Department	Paid Family Leave Outreach Program	Language
Total		<hr/> \$1,300

General Fund Multi-Year Forecast at 2015 Budget Act
(Dollars in Millions)

RESOURCES:	2014-15	2015-16	2016-17	2017-18	2018-19
Prior Year Balance	\$5,589	\$2,423	\$2,087	\$1,743	\$989
Revenues/Transfer	\$112,913	\$116,887	\$121,791	\$125,873	\$127,610
Transfer to the Budget Stabilization Account	-\$1,606	-\$1,854	-\$1,535	-\$1,097	-\$1,038
Total Resources	\$116,896	\$117,456	\$122,343	\$126,519	\$127,561
EXPENDITURES:					
Proposition 98	\$49,608	\$49,416	\$50,960	\$52,066	\$51,955
Non-Proposition 98	\$64,865	\$65,953	\$69,639	\$73,464	\$77,017
Unallocated Prop 2 Debt Payments					\$263
Total Expenditures	\$114,473	\$115,369	\$120,599	\$125,530	\$129,235
FUND BALANCES:	\$2,423	\$2,087	\$1,743	\$989	-\$1,673
Reserve for Encumbrances	\$971	\$971	\$971	\$971	\$971
Special Fund for Economic Uncertainties	\$1,452	\$1,116	\$772	\$18	-\$2,644
Budget Stabilization Account/Rainy Day Fund	\$1,606	\$3,460	\$4,995	\$6,092	\$7,130
Operating Surplus/Deficit with BSA Transfer	-\$3,166	-\$336	-\$343	-\$754	-\$2,663

General Fund Revenues at 2015 Budget Act
(Dollars in Millions)

	2014-15	2015-16	2016-17	2017-18	2018-19
1 Major Revenues					
2 Alcoholic Beverage Taxes and Fees	353	359	366	373	380
3 Corporation Tax	9,809	10,342	11,073	11,654	12,184
4 Cigarette Tax	84	82	80	78	76
5 Insurance Gross Premiums Tax	2,486	2,556	2,635	2,717	2,801
6 Mobile Home in-lieu Tax	1	1	1	1	1
7 Personal Income Tax	75,384	77,700	81,652	84,582	84,194
8 Retail Sales and Use Taxes	23,684	25,240	25,761	25,894	27,115
9 Total Major Revenues	\$111,801	\$116,280	\$121,568	\$125,299	\$126,751
10 Minor Revenues/Transfers					
11 Misc Revenue from Local Agencies	170	164	164	164	164
12 Income from Pooled Money Investments	19	37	95	200	232
13 State Lands Royalties	239	53	64	120	183
14 Abandoned Property	429	446	404	392	392
15 Miscellaneous Revenue	137	137	60	60	60
16 Tribal Gaming Revenues	239	247	81	30	22
17 Penalty Assessments – Other	64	339	24	24	24
18 Loan Repayments to Other Funds	-851	-1,371	-913	-515	-229
19 All Other Transfers and Loans	407	326	14	-133	-220
20 Transfer to BSA for Rainy Day Funds	-1,606	-1,854	-1,535	-1,097	-1,038
21 Remaining Others	259	229	230	232	231
22 Total Minor Revenues/Transfers	-494	-\$1,247	-\$1,312	-\$523	-\$179
23 Total Revenues	\$111,307	\$115,033	\$120,256	\$124,776	\$126,572

Debts and Liabilities Eligible for Accelerated Payments Under Proposition 2
2015 Budget Act
(Dollars in Millions)

	Outstanding Amount at Start of 2015-16	Use of 2015-16 Accelerated Payment	Proposed Use of 2016-17 Accelerated Payment	Proposed Use of 2017-18 Accelerated payment	Proposed Use of 2018-19 Accelerated Payment
Budgetary borrowing					
Loans from Special Funds	\$3,112	\$1,502	\$974	\$560	\$277
Underfunding of Proposition 98-Settle-Up	1,512	256	390	368	498
Unpaid Mandate Claims for Local Governments (prior to 2004-05) ⁱ	0	0	0	0	0
State Retirement Liabilities					
State Retiree Health	71,773	0	0	0	0
State Employee Pensions	43,303	0	0	0	0
Teacher Pensions ⁱⁱ	72,718	0	0	0	0
Judges' Pensions	3,358	0	0	0	0
Deferred payments to CalPERS	530	0	0	0	0
University of California Retirement Liabilities					
University of California Employee Pensions	7,633	96	171	169	0
University of California Retiree Health	14,519	0	0	0	0
Unallocated					263
Total	\$218,458	\$1,854	\$1,535	\$1,097	\$1,038

ⁱ Entire liability paid off under the 2014 Budget Act revenue trigger.

ⁱⁱ The state portion of the unfunded liability for teacher pensions is \$14.916 billion.

**Prop 2 Rainy Day Fund
2015 Budget Act**
(Dollars in Millions)

	2015-16	2016-17	2017-18	2018-19
1.5% of General Fund Revenues & Transfers				
1 General Fund Revenue and Transfers (before BSA transfer)	\$116,887	\$121,791	\$125,873	\$127,610
2 1.5% of General Fund Revenues & Transfers	\$1,753	\$1,827	\$1,888	\$1,914
Capital Gain Revenues (Sec 20(b))				
3 General Fund Tax Proceeds	\$116,619	\$121,956	\$125,837	\$127,217
4 Personal Income Taxes from Capital Gains	\$11,659	\$11,009	\$10,674	\$10,501
5 % of General Fund Tax Proceeds	10.0%	9.0%	8.5%	8.3%
6 8% of General Funds Tax Proceeds	\$9,330	\$9,756	\$10,067	\$10,177
7 Personal Income Taxes from Capital Gains in Excess of 8% General Fund Tax Proceeds	\$2,329	\$1,253	\$607	\$324
8 Prop 98 Share of Capital Gains Tax Revenue above 8%	\$374	\$10	\$302	\$161
9 Non 98 share of Capital Gain Tax Revenue above 8%	\$1,955	\$1,243	\$305	\$163
10 Total Available (Lines 2 and 9)	\$3,708	\$3,070	\$2,193	\$2,077
11 Debt Repayment (50%)	\$1,854	\$1,535	\$1,097	\$1,038
12 Deposit to Rainy Day Fund (50%)	\$1,854	\$1,535	\$1,097	\$1,038
Cumulative Balance in Rainy Day Fundⁱ	\$3,460	\$4,995	\$6,092	\$7,130

ⁱ Includes balance of \$1,606 million from 2014-15

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