



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

SENATOR MARK LENO, CHAIR

## **MAJOR ACTION REPORT**

May 27, 2016

The purpose of this Major Action Report is to provide a review of the budget proposal recommended by the Senate Budget and Fiscal Review Committee on May 24, 2016. If you have additional questions, please contact the committee at (916) 651-4103.

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# Overview of the Senate 2016-17 Budget

## Introduction

This document provides a high level summary of major actions that are included in the Senate's version of the 2016-17 budget, as adopted in Senate Committee on Budget and Fiscal Review on May 24, 2016. The committee approved various actions on that date that, when combined with the actions taken in the over 60 hearings of the five subcommittees, comprise the Senate version of the 2016-17 budget. The Senate budget plan carefully balances the need for additional public investment in education, health care, human services and other state programs, with the necessity of maintaining the state's fiscal stability through increasing reserves and continued debt reduction. Overall, the Senate's budget plan is structured such that it:

- Continues to fully fund existing programs and commitments.
- Directs new spending to the most beneficial investments.
- Builds up reserves, pays down debt and retains the state's fiscal strength.

This budget plan will continue the Senate's ongoing commitment to California's residents by strengthening the state's investments in public programs and services. In 2016-17, the Senate continues its push to rebuild state programs and services, which have still not caught up with the economic recovery. Earlier this year the Senate advocated for, and was successful in realizing, additional support for developmental disability programs. With this budget package, the Senate proposes additional funding that addresses the homelessness problem, begins to rebuild the CalWORKs program, continues important investments in childcare and higher education, and makes additional investments with cap and trade dollars, while retaining a commitment to fiscal stability for the state.

The Senate plan adopts the Administration's revenues estimates for the General Fund, and the prudent property tax estimates by the Legislative Analyst's Office. It retains the Administration's aggressive reserve and infrastructure funding policy, but adopts a more flexible approach that allows for greater discretion to address fiscal uncertainties.

## Overall Resources, Expenditures and Reserves

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

### Senate 2016-17 Budget General Fund Summary (Dollars in Millions)

	<u>May Revision</u>		<u>Senate Version</u>	
	<u>Revised</u>	<u>Proposed</u>	<u>Revised</u>	<u>Proposed</u>
	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>
<b>Prior Year Balance</b>	<b>\$3,444</b>	<b>\$4,829</b>	<b>\$3,445</b>	<b>\$4,985</b>
Revenues and Transfers	118,815	123,372	118,815	123,611
Transfer to Budget Stabilization Account	-1,815	-3,292	-1,814	-1,288
<b>Total Resources Available</b>	<b>\$120,444</b>	<b>\$124,909</b>	<b>\$120,446</b>	<b>\$127,308</b>
Non-Proposition 98 Expenditures	65,842	71,050	65,849	71,133
Proposition 98 Expenditures	49,773	51,105	49,612	50,891
<b>Total Expenditures</b>	<b>\$115,615</b>	<b>\$122,155</b>	<b>\$115,461</b>	<b>\$122,024</b>
<b>Fund Balance</b>	<b>\$4,829</b>	<b>\$2,754</b>	<b>\$4,985</b>	<b>\$5,286</b>
Reserve for Liquidation of Encumbrances	966	966	966	966
Special Fund for Economic Uncertainties	3,863	1,788	4,019	4,381
<b>Budget Stabilization Account</b>	<b>\$3,421</b>	<b>\$6,713</b>	<b>\$3,420</b>	<b>\$4,708</b>

Note: Total amounts for the May Revision do not account for minor post-May Revision adjustments.

The Senate plan for the budget includes total General Fund expenditures of \$122 billion for 2016-17, an expenditure level which is roughly the same as under the May Revision. This amount includes an increase of approximately \$700 million in program expenditures, with additional shifts of expenditures among programs to address Senate priorities. The additional program expenditures are largely counterbalanced by a reduction in the funds set aside for state and offices buildings (an amount that is instead retained in the state's general reserve) and different property tax revenues.

The Senate plan adopts the Administration's revenue assumptions for 2016-17 of \$123 billion, and the Legislative Analyst's Office somewhat higher property taxes (which partially offset Proposition 98 spending). The Senate plan provides for increased reserves, similar to the Governor's plan, and continues to pay down long-term and budgetary debt. In addition, the Senate plan balances these with targeted prudent investments in human services, education, health care, and other areas that will improve the state's human and social capital.

The Senate plan for the budget provides for \$9.1 billion in general reserves, comprising combined amounts from Special Fund for Economic Uncertainties (SFEU) plus deposits to the Budget Stabilization Account (BSA). This represents \$500 million more than under the Administration's plan,

and also provides additional fiscal flexibility by altering the allocation of reserve resources between the BSA and SFEU.

### **Principal Budget Components**

Detailed information regarding the Senate budget plan is provided in the sections that follow. Some of the key components are outlined below.

- The Senate “No Place Like Home” initiative, which has been largely embraced by the Governor, is a multifaceted initiative to address homelessness and related issues. The plan includes a grant program funded through Proposition 63 revenue bonds for supportive housing.
- As part of this initiative, the Senate plan includes increases in SSI/SSP, more outreach to individuals with disabilities who may qualify for SSI, additional resources for programs to reduce homelessness for CalWORKs families and for families that are part of the child welfare system. The Senate plan also continues to fulfill the Senate’s promise to rebuild the state’s social safety net by reinvesting in CalWORKs through the elimination of the maximum family grant and by increasing the grant levels for maximum aid payment.
- The Senate’s cap and trade plan incorporates some of the Administration’s proposals, but makes substantive improvements by increasing funding for transformational climate communities (focusing on geographical diversity and disadvantaged communities), increasing funding for green infrastructure, financing energy efficiency projects and community outreach to disadvantaged communities, providing funding to increase carbon sequestration, and reducing emissions through recycling

In addition to these initiatives, the Senate budget plan adopts other extensive measures that further the Senate’s goals. These actions entailed incorporating certain of the Governor’s proposals, making various shifts and adjustments that meet Senate priorities, and constructing alternative proposals in various areas.

- In K-12 education, the Senate plan continues to provide ongoing resources for the Local Control Funding Formula and one-time discretionary resources. To address the teacher shortage facing the state, there is additional funding for teacher recruitment, preparation, and retention. The plan funds a college readiness block grant, to ensure all students have the access and support needed to graduate and attend college, and also provides increased rates and access to child care.
- In higher education, the plan provides additional funds to enroll more undergraduate and graduate students at UC, and increase enrollment at CSU. In addition, \$200 million more in Prop 98 funding is provided to community colleges to expand access to career technical education.
- In housing, the Senate adopted a tax credit program that will increase the effectiveness of affordable housing programs, adds enforcement staff to investigate housing discrimination complaints and facilitate compliance, and adds a local government grant program that will facilitate the development of transitional housing for ex-offenders.
- In health, the Senate plan augments programs for healthcare workforce development, provides funding for health programs such as drug overdose and hepatitis prevention, and creates a grant

program for children's crisis services. The plan also improves the closure plans for the state developmental centers and eases the transition for their residents.

- In human services, in addition to the major components discussed previously, the Senate plan provides augmentations for the Immigration Services Program and the Commercially Sexually Exploited Children Program, as well as makes investments in senior nutrition programs and the State Emergency Food Assistance Program, and makes clarifications regarding the legal protections for immigrant youth.
- In resources and the environment, the Senate plan continues oversight of the ongoing drought and statewide efforts to reduce water consumption. In addition, the Senate provided oversight of the energy and utility ratepayer funds, took action to improve accountability and transparency for natural gas life cycle, and provided funding for pest prevention including through the Department of Food and Agriculture.
- In public safety and justice, the plan adheres to the Senate's emphasis on positive programs to help individuals avoid the criminal justice system, rehabilitate incarcerated individuals, and facilitate the transition of ex-offenders to society, by re-purposing funding for local jails to longer term and more effective programs. Among the priorities is to increase the availability of transitional housing, mental health and substance abuse treatment, and services for victims of domestic violence.

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

Subcommittee No. 1  
Education

## K-12 EDUCATION

The Senate approved significant proposals in the K-12 education area. Based on the Legislative Analyst's Office property tax estimate, the plan provides for an increase in Proposition 98 guarantee funding of \$63 million above the Governor's proposal over the three-year period of 2014-15 through 2016-17. In K-12 education, the Senate continues to prioritize implementing the Local Control Funding Formula (LCFF), and provides one-time discretionary funds for local educational agencies (LEAs) that also reduce the amount of K-12 unpaid mandate claims. In addition, the Senate funds programs aimed at reducing the state's critical teacher shortage, ensuring all students have the access and support needed to graduate ready to attend college. Finally, the Senate recognizes the needs of our youngest children and provides for increased rates and access to child care.

### K-12 EDUCATION

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

- **Local Control Funding Formula.** The Senate provides a \$32 million increase in funding above the Governor's proposed level, for a total of \$3.085 billion, to accelerate the full implementation of the LCFF. These unrestricted resources will provide LEAs additional support for various program needs.
- **Unpaid Mandate Claims.** The Senate appropriates \$1.2 billion toward the K-12 mandate backlog (\$673.2 million from 2014-15, \$270.5 billion from 2015-16, \$99.9 million from Proposition 98 reversions and reappropriations and \$194.2 million in Proposition 98 settle-up). The state must reimburse school districts for performing certain state-mandated activities. The state deferred payments for seven consecutive years (2003-04 through 2009-10) on these mandate claims. Since 2012-13, the state has provided ongoing funding for mandates through the Mandates Block Grant, although school districts that choose to not participate in the block grant may still submit mandate claims. With the funding provided in Senate's 2016-17 plan and in prior years, an estimated \$1.8 billion will remain in outstanding unpaid K-12 mandate claims at the end of 2016-17 (actual remaining balance will be determined by the State Controller's Office).
- **College Readiness Block Grant.** The Senate provided \$200 million in one-time Proposition 98 funds for LEAs to help prepare high school students (particularly low-income, English learner, and foster youth students) to be eligible for admission into a postsecondary institution and to increase the four-year college-going rates of these students.
- **Teacher Residency Program.** The Senate provided \$60 million in one-time Proposition 98 funds for a pilot program to help LEAs establish or expand teacher residency programs designed to bring well-trained, fully-credentialed teachers into the classroom in chronic teacher shortage areas such as mathematics, science, special education and bilingual teachers.



- **State Accountability Support.** The Senate provided \$45 million in one-time Proposition 98 funds for the California Collaborative on Educational Excellence to conduct statewide training for all LEAs and education stakeholders on the evaluation rubrics, currently under development by the State Board of Education, and their use to inform development of Local Control Accountability Plans, with a focus on improving student outcomes and closing the achievement gap.

## CHILD CARE AND DEVELOPMENT

The Senate continues to prioritize full-day, high-quality care and improved access. The Senate's \$99 million (\$65 million General Fund, \$35 million Proposition 98 General Fund) plan for early childhood education includes the following components:

- **Regional Market Rate (RMR) and Standard Reimbursement Rate (SRR).** The Senate approved \$33 million to update the RMR to the 75<sup>th</sup> percentile of the 2014 RMR, effective January 1, 2017. In addition, the Senate approved \$53.9 million (\$34.7 million Proposition 98 General Fund, \$19.2 million General Fund) to increase the Standard Reimbursement Rate by four percent, effective July 1, 2016. The Senate also adopted the annualized costs to increase the RMR ceiling by 4.5 percent and the five percent increase for license-exempt providers, pursuant to the Budget Act of 2015.
- **Addition of 2,000 Slots.** The Senate approved, effective October 1, 2016, an additional 2,000 voucher slots, for low-income, working families.
- **Early Education Block Grant and Single Delivery System Proposals.** The Senate rejected the following January budget proposals, without prejudice, and with the understanding of working with the Administration in the future to create a system that is intuitive, recognizes quality, and prioritizes children and families' needs.
  - **Early Education Block Grant.** Would create a \$1.65 billion block grant, which consolidates Proposition 98 funding from California State Preschool Program (CSPP) (\$880 million), transitional kindergarten (TK) (\$725 million Proposition 98 General Fund), and the Preschool Quality Rating and Improvement System Grant (QRIS) (\$50 million Proposition 98 General Fund), and would be targeted to low-income and "at-risk" preschoolers, as locally defined.
  - **Single Delivery System.** Would require the Department of Education to develop a plan to transition, over the next five years, child care delivery from a direct-contract and voucher-subsidy system, into a voucher-only model, with minimum quality standards for providers.

## HIGHER EDUCATION

The Senate expands on the Governor's efforts to reinvest in California's colleges and universities by providing additional funding to increase access to the state's higher education institutions. In addition, the Senate restores previous cuts to critical community college programs that provide essential services to disadvantaged students and increased investments for community college faculty. The Senate plan provided the following:

- **University of California (UC) Funding.** Approved a \$176.4 million General Fund augmentation to UC's base budget to continue the state's reinvestment in the UC. This amount is \$51 million above the Governor's proposed funding level of \$125 million. Of this funding, \$45 million is to increase enrollment by 4,000 resident undergraduate students by the end of the 2017-18, and to establish a program for each campus to significantly increase the number of residents enrolled from high schools with 75 percent or more unduplicated students, and to provide targeted student support services. Additionally, \$6 million will increase the enrollment of 600 more graduate students.
- **A-G courses.** Approved \$4 million one-time General Fund for the development of A-G courses at K-12 districts within an existing UC outreach program.
- **Firearm Violence Research Center.** Approved \$5 million one-time General Fund over five years to establish a firearm violence research center at UC to conduct research on firearm violence prevention policies and programs, and to promote responsible ownership and use of firearms.
- **California State University (CSU) Funding.** Approved a \$148.3 million General Fund augmentation to continue the state's reinvestment in the CSU. Of the total augmentation, \$27.35 million is provided to increase enrollment by 3,565 students by the end of 2016-17.
- **Plans to Improve Graduation Rates.** Approved \$35 million one-time General Fund for CSU, contingent up on adoption of a plan to increase four-year graduation rates for freshman, and two-year graduation rates for transfer students. The plan will include a time frame to increase four-year and two-year graduation rates for first generation college students and underrepresented minority students, and will require CSU to adopt policy recommendations to address system wide and individual campus time frame goals of two-year and four-year graduation rates.
- **Greenhouse Gas Reduction Funds.** Approved one-time \$35 million for CSU and \$25 million for UC from cap-and-trade funds to undertake projects that will reduce greenhouse gas emissions and to lower future utilities charges.
- **Deferred Maintenance.** Approved \$35 million one-time General Fund for UC and CSU each to address deferred maintenance needs.
- **Community College (CCC) Enrollment.** Approved \$115 million Proposition 98 General Fund to reflect a two percent CCC enrollment growth (an additional 23,000 full-time equivalent students or 50,000 students by headcount).

- **Basic Skills.** Approved \$30 million one-time Proposition 98 General Fund for the Basic Skills Transformation grants. Amended trailer bill language to direct the Chancellor's Office to convene a workgroup with relevant stakeholders to determine the allocation of funds for the Student Success for Basic Skills Students categorical program.
- **Strong Workforce Program.** Approved \$200 million ongoing Proposition 98 General Fund to establish the Strong Workforce Program and to expand access to additional career technical education courses and programs. Amended trailer bill language to authorize the Chancellor's Office to distribute 60 percent of funds directly to community colleges. Additionally, the Senate extended the Career Pathways Program for one year with \$48 million one-time Proposition 98 funds, with the intent for the program to be integrated into the Strong Workforce Program in 2017-18.
- **Base Apportionment.** Approved \$85.29 million ongoing Proposition 98 General Fund to increase the base apportionment in recognition of increased operating expenses in the areas of facilities, retirement benefits, professional development, full-time faculty, and other general expenses. This is \$10.29 million above the Governor's proposal.
- **Innovation Awards.** Rejected the Governor's proposal for \$25 million in one-time Proposition 98 General Fund for the Innovation Awards. In lieu of the Governor's proposal, funding was utilized to increase the CCC's base apportionment, and to restore various categorical programs.
- **CCC Deferred Maintenance.** Approved \$218.8 million one-time Proposition 98 General Fund to address deferred maintenance needs at community colleges.
- **CCC Legislative Augmentations.**
  - Approved an increase of \$8.68 million ongoing Proposition 98 General Fund for the Student Services for CalWORKs recipients by \$8.68 million.
  - Approved an increase of \$3.66 million ongoing Proposition 98 General Fund for the part-time faculty office hours categorical program.
  - Approved an increase of \$2.37 million ongoing Proposition 98 General Fund for Student Success, which includes the Puente Project and Mathematics Engineering, Science Achievement Program.
  - Approved \$5 million one-time Proposition 98 General Fund to increase outreach efforts for the Board of Governor's Fee Waiver program, and the Baccalaureate Degree Pilot Program.
- **Hastings College of Law.** Provided \$1 million ongoing General Fund to increase Hastings base budget. Additionally, the Senate approved an increase of \$18.75 million in lease-revenue bond financing for the design-build phase of the academic replacement project, bringing total project costs to \$55.6 million lease-revenue bond financing. The Senate also approved \$2 million one-time General Fund to address Hastings' deferred maintenance needs.

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

## NATURAL RESOURCES

The Senate approved funding from the cap-and-trade program to increase carbon sequestration; directed Proposition 1 funds to statewide obligations; and funded helicopter procurement at CalFIRE. The Senate continued its oversight of the ongoing drought, and provided funding to continue statewide efforts to reduce water consumption.

- **Cap-and-Trade.** The Senate provided \$235 million for carbon sequestration, including \$25 million for healthy forests; \$60 million for wetland and watershed restoration; \$30 million for urban forestry; \$20 million for healthy soils; \$100 million for green infrastructure; \$50 million for water efficiency; and \$15 million for the Conservation Corps energy corps.
- **Environmental License Plate Fund (ELPF).** The Senate approved the Governor's ELPF reform, including \$38.8 million in expenditures and \$42 million in revenues. After required transfers to the Motor Vehicle Account (\$2.4 million), the amount available for expenditure is \$39 million. The Senate approved trailer bill language to require the department to collect a permit application fee for processing permits under the California Endangered Species Act (CESA), exempting voluntary habitat restoration and non-mitigation projects. Funding is provided as follows (dollars in thousands):

Function	2014-15 (Final)	2015-16 (Estimated)	2016-17 (Estimated)
Department of Fish and Wildlife	\$15,511	\$9,762	\$15,652
Conservancies	\$9,556	\$11,492	\$10,720
Secretary for Natural Resources	\$3,419	\$3,788	\$4,299
Natural Resource Agency Departments	\$4,651	\$5,429	\$4,396
Tahoe Regional Planning Agency	\$3,998	\$3,998	\$0
Department of Parks and Recreation	\$2,713	\$0	\$0
Cal-EPA boards and Departments	\$1,242	\$1,479	\$1,471
Department of Education	\$403	\$410	\$410
<b>Total</b>	<b>\$41,493</b>	<b>\$36,358</b>	<b>\$36,948</b>

- **Aliso Canyon and Natural Gas.** The Senate conducted oversight over the Aliso Canyon natural gas leak, as well as the overall natural gas system, and provided the following resources:
  - **Oil and Gas Training Program.** The Senate provided the Division of Oil, Gas, and Geothermal Resources (DOGGR) with two permanent positions and a baseline appropriation increase of \$1.3 million from the Oil, Gas and Geothermal Resources Fund (OGGAF), ongoing. Funding will be used to develop, implement, and conduct a comprehensive training program designed for DOGGR regulatory staff.

- **Orphan Well Remediation.** The Senate provided an increase of \$1 million OGGAF to remediate hazardous orphaned wells and approved provisional language to increase the expenditure limit on orphan well remediation.
- **AB 1420 (Salas) Implementation.** The Senate provided ten permanent positions and a baseline appropriation increase of \$1.4 million (\$1.2 million ongoing), from OGGAF. Positions and funding will be used to prevent possible pipeline releases by requiring that sensitive gas pipelines are tested on a periodic basis; pipelines are mapped accurately to determine potential threats; provide transparency to the public as to the location of gas pipelines relative to urban areas; and, to review and update existing regulations, as required by AB 1420 (Salas), Chapter 601, Statutes of 2015.
- **Underground Gas Storage Regulation.** The Senate provided 20 permanent positions and a baseline appropriation increase of \$4.1 million from OGGAF to DOGGR to develop a new underground gas storage regulation that will focus on the integrity of wells, reservoirs, and facilities, requiring that all aspects of gas storage operations are in compliance and the operations are safe.
- **Oil and Gas Studies.** The Senate provided a two-year, limited-term, appropriation of \$2.95 million in 2016-17, and \$2.5 million in 2017-18, from OGGAF. Funding will be used to contract for services to conduct and complete additional independent scientific studies.
- **Best Management Practices and Accountability.** The Senate approved trailer bill language to provide for state-level accountability, annual reporting on the improved methods of coordination between state agencies, a contract to study the natural gas transmission and storage regulations within the state, and trailer bill language to require that, on or before January 1, 2019, DOGGR develop, through a public process, with input from independent experts, stakeholders and the public, “best practices” for the design, maintenance, monitoring, operation, data reporting and plugging and abandonment of gas storage wells.
- **Proposition 1.** The Senate provided funding for the Proposition 1 statewide obligations and added \$20 million (other, non-statewide obligation pot, Proposition 1 funds) as follows (dollars in millions):

Activity	Amount
Klamath River Hydroelectric Settlement	\$250
Central Valley Project Improvement Act	90
Salton Sea Restoration Act	80
San Joaquin River Restoration Agreement	45
<b>Total</b>	<b>\$465</b>

- **Drought.** The Senate approved a package of actions to accelerate drought funding (mainly Proposition 1), including:
  - **State Water Board.** The Senate provided an increase of \$21.4 million for one year for continued drought-related activities. Of this amount, \$5.4 million General Fund will support water rights activities, \$1.0 million Cleanup and Abatement Account will support water quality efforts, and \$15 million in one-time local assistance Cleanup and Abatement Account grants will support projects that provide water systems with both interim and permanent solutions to drought emergencies.
  - **Tree Removal.** The Senate provided \$11 million General Fund to CalFIRE to assist in the removal and disposal of trees in high hazard areas. This includes: (1) \$6 million for grants to local entities for removal of hazardous trees that pose a threat to public health and safety; and, (2) \$5 million for equipment and personnel for hazardous tree removal and fuels reduction efforts. The Senate did not approve trailer bill language to allow small biomass facilities to defer certain system interconnection costs.
  - **Department of Fish and Wildlife.** The Senate provided \$4.2 million General Fund, on a one-time basis, for the following delta smelt-related proposals: (1) \$2 million for a habitat restoration and food production adaptive management pilot project; (2) \$1.8 million for enhanced aquatic weed control; and, \$400,000 for continued monitoring and targeted studies. The budget also reflects a decrease of \$4.2 million to reflect improved conditions in the north, reducing the necessity for fish recues and water infrastructure and conveyance improvements.
  - **Local Assistance for Small Communities.** The Senate provided \$10 million General Fund to the Department of Water Resources (DWR) to provide emergency drinking water support for small communities.
  - **Public Education.** The Senate approved a reduction of \$3 million General Fund in the DWR budget to reflect the reduced need for statewide water saving public education campaigns.
  - **Drought Preparedness and Resilience for Urban Water Agencies.** To effect long-term water conservation, the Senate provided \$4.5 million General Fund to DWR and the State Water Board to review and update local water shortage contingency plans, develop recommendations for new water use efficacy targets, and to establish a permanent urban water use efficiency data tracking system.
  - **Facilitation Support for Groundwater Sustainability Agencies.** The Senate provided \$1 million General Fund for DWR to support local public agencies with facilitation services as they implement new groundwater laws.
  - **Statewide Agricultural Land Use Data.** The Senate provided \$1 million General Fund, one-time, to DWR to support the use of remote sensing technology to establish statewide agricultural land use data, in order to support new groundwater law requirements. The Senate adopted budget bill language to require DWR to collaborate with other state agencies that have agricultural land-use data.

- **Salinity Barriers Reduction and Reappropriation.** The Senate reduced by \$42 million General Fund originally intended for the installation of emergency salinity barriers in the Delta.
- **California Conservation Corps (CCC).** The Senate provided a five-year plan for major expansion of CCC residential centers. The Senate approved the Administration's proposal to expend a combined total of \$171 million over the next five years from the General Fund and lease-revenue bond funds, to design and construct new CCC residential centers, as included in the Governor's recent five-year state infrastructure plan. The Senate also included \$2.6 million General Fund, 12.5 positions, and 47 corpsmembers, to convert the former CalFIRE Magalia facility into a residential corpsmember facility serving Butte County; and \$2.7 million in 2016-17, and \$2.9 million in 2017-18, in State Responsibility Area (SRA) Fire Prevention funds, and position authority for up to five positions, for program oversight and administration activities, effective January 1, 2017, through June 30, 2018, to continue the Fuel Reduction Program for two years.
- **Department of Forestry and Fire Protection (CalFIRE) Emergency Command.** The Senate provided \$17 million (\$16.9 million General fund and \$28,000 various special funds), and 61.6 permanent positions, along with 34.3 two-year, limited-duration temporary help positions, to increase Emergency Command Center staffing, in order to improve intake of emergency calls and allocate and manage resources for emergencies. The Senate also provided \$7.6 million (\$7 million General Fund and \$600,000 special funds) and 12.8 positions, beginning in the budget year, to improve situational command awareness.
- **CalFIRE Helicopter Procurement.** After lengthy hearings on the procurement and need for new helicopters at CalFIRE, the Senate provided \$12 million to purchase and test one helicopter in 2016-17, with provisional language to allow, upon notification to the Legislature, increased costs associated with the single helicopter purchase, including capital costs and delivery. Funding for the full procurement will be considered in the 2017-18 budget.
- **Professional Standards.** The Senate approved \$4.4 million (\$3.7 million ongoing) primarily from the General Fund, and 14 permanent positions to establish a professional standards program in headquarters, which would include a unit to provide additional oversight for internal investigations and adverse actions, as well as expand manager and supervisor training.
- **State Responsibility Area (SRA) Local Assistance.** In the 2014-15 budget, the Legislature added \$10 million (SRA Fire Prevention Fund) for local grants, pursuant to Public Resources Code 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. In the 2015-16 budget, the Legislature included \$5 million for similar purposes. The Governor's budget did not continue this funding. The Senate provided \$10 million (SRA Fire Prevention Fund) for this purpose.
- **Contract County Capital Outlay (\$250,000 General Fund).** The Senate provided \$250,000 for capital outlay in CalFIRE contract counties. In previous years, contract counties (those counties providing wildland fire services in their respective jurisdictions while not duplicating services), have received minor capital outlay funding as a part of their contracts. According to the Attorney General, the contracts are based on "like" funding, which includes minor capital outlay.



- **Local Coastal Programs.** The Senate provided the California Coastal Commission with: (1) the conversion of the Local Coastal Program (LCP) enhancement pilot to baseline funding with 25 permanent staff positions; and, (2) baseline funding of \$3 million General Fund per year. This is in keeping with multiple years of recommendations by the Legislature to give the commission the ability to complete its statutory mandates.
- **California African American Museum.** The Senate provided bathroom and drinking fountain renovations at the California African American Museum (CAAM). Specifically, the Senate provided \$275,000 Exposition Park Improvement Fund that will provide funding for the complete and comprehensive renovation of four bathrooms and the replacement of the two wall-mounted drinking fountains inside the CAAM building, both for employees and guests. The Senate added \$2 million General Fund to provide deferred maintenance and to improve exhibit and art storage at the museum.
- **Williamson Act Contracts.** The Senate provided an additional \$2.5 million to the Department of Conservation for land and open space protections, soil protections, sustainable agriculture practices and other beneficial practices, including the support of resource conservation districts. Funding is derived from the cancelation of contracts under the Williamson Act, \$2.5 million of which goes to the department, and any additional amount goes to the General Fund.
- **Department of Parks and Recreation Baseline Funding.** The Senate provided a one-time increase of \$16.9 million in spending authority from the State Parks and Recreation Fund to sustain its operations and maintain its base support budget. Additionally, the Senate approved a one-time redirection of \$31 million in fuel tax revenues to the State Parks and Recreation Fund to maintain fund solvency.
- **Delta Habitat Conservation and Conveyance Program (DHCCP).** The Senate reduced 38 permanent positions to three permanent positions and 17 two-year, limited-term positions to carry out the components of the DHCCP. The Senate also approved supplemental reporting language requiring the Administration to report to the Legislature the financial assurances required in order to complete the WaterFix proposal, on or before November 30, 2016.

## ENVIRONMENTAL PROTECTION

The Senate approved proposals to improve environmental justice, increase lead exposure detection, and increase pesticide air monitoring. The Senate added positions to increase oversight of the Department of Toxic Substance Control, improve the ability for regional water board members to fully participate in the board process, and to improve oversight of natural gas storage and transmission facilities.

- **Cap-and-Trade Programs.** The Senate approved the Governor’s proposal to spend \$460 million from cap-and-trade auction revenues at the Air Resources Board to provide incentives for sustainable freight technology, zero-emission cars, and clean trucks and bus programs, and approved associated administrative positions. The Senate allocated \$50 million to waste diversion programs at Cal Recycle, \$40 million for biofuel production subsidies and \$20 million for biosolids capital support.
- **Air Resources Board (ARB)—Neighboring Air Quality Monitoring Near Oil and Gas Operations.** The Senate provided a total of \$2.3 million from the Oil, Gas and Geothermal Administrative Fund (OGGAF) to support neighborhood air quality monitoring near oil and gas facilities. This cost includes \$579,000 for four new permanent full-time air pollution specialists, a one-time equipment request of \$1.4 million and an additional \$340,000 per year for equipment maintenance and consumables to support air monitoring of toxic compounds, methane, particulate matter, and meteorological parameters at and around communities near oil and gas-related facilities. The resources will enable short-term (three to four months per site) community monitoring near oil and gas activities and source testing to identify potential areas of elevated risk.
- **Office of Environmental Health Hazard Assessment—Neighboring Air Quality Monitoring Near Oil and Gas Operations.** The Senate provided \$350,000 and two new permanent full-time positions, to be funded by direct appropriation from the OGGAF to support the ARB in its proposed project to monitor neighborhood air quality near oil and gas facilities. This cost includes \$300,000 for the positions and \$50,000 per year in contracts. The resources will enable the Office of Environmental Health Hazard Assessment to support the ARB in the identification of chemical hazards and the characterization of potential risks in California communities related to ongoing oil and gas production activities and from unanticipated events, such as the natural gas leak at Aliso Canyon.
- **Marijuana Cultivation.** The Senate provided the State Water Resources Control Board (SWRCB) with \$6.7 million (\$6 million General Fund and \$0.7 million Waste Discharge Permit Fund), and the Department of Pesticide Regulation \$0.7 million (Department of Pesticide Regulation Fund) to continue efforts to bring both legal and illegal marijuana cultivation under full enforcement of water quality and pesticide laws. The Senate did not approve trailer bill language to revise and clarify certain aspects of the medical marijuana legislative package passed last year in order to provide more time for substantive review.

- **Beverage Container Recycling Program.** The Senate approved trailer bill language, and \$300,000 (Beverage Container Recycling Fund), to allow up to three jurisdictions (one, each, urban in northern and southern California, and one rural) to create a convenience pilot program that would waive convenience requirements. This would sunset June 30, 2020. A total of \$100,000 per jurisdiction is included in the pilot program.
- **Litigating Civil Penalties (Air Resources Board).** The Senate provided \$3.2 million from the Air Pollution Control Fund, and eight positions; for program and litigation costs associated with litigating civil penalties concerning Volkswagen, and others for using "defeat devices" on diesel engines. Additionally, approved \$1 million for a one-time equipment purchase and \$1 million to contract with the State Attorney General. This proposal is for resources to thoroughly investigate and prepare a civil litigation case concerning Volkswagen, Audi and Porsche vehicles using defeat devices to circumvent emission test procedures.
- **Drinking Water Program—Federally Mandated Inspections Workload.** The Senate provided 10 positions and \$1.4 million (Safe Drinking Water Account (SDWA)) to the State Water Board to increase compliance with United States Environmental Protection Agency (US EPA) federal requirements related to drinking water, for which the Division of Drinking Water (DDW) is responsible. Specifically, the Senate approved 10 positions in the northern and southern California field operations branches. The DDW has a significant backlog in federally-mandated water system inspections (i.e., sanitary surveys), including small water systems in severely disadvantaged communities. These positions will increase the number of federally-required sanitary surveys completed annually.
- **Drought Activities.** The Senate provided \$21.4 million for one year for continued drought-related activities by the State Water Board. Of this amount, \$5.4 million General Fund will support water rights activities, \$1.0 million Cleanup and Abatement Account will support water quality efforts, and \$15 million in one-time local assistance Cleanup and Abatement Account grants will support projects that provide water systems with both interim and permanent solutions to drought emergencies.
- **Water Rights Permitting.** The Senate provided seven positions and \$851,000 (Water Rights Fund) to process applications to appropriate water, petitions to change existing rights, wastewater change petitions, and licensing of water rights. The program is funded through fees charged to water right permit and license holders. The SWRCB estimates that this proposal would increase water right's permits, licenses, and application fees by approximately eight percent.
- **Board Member Per Diem.** The Senate increased Regional Water Board member per diem from \$100 to \$250 (the Governor's budget requested an increase to \$500). The Senate also authorized board members to receive one day's per diem to review materials in preparation for board meetings. Further, it deletes provisions stating that board members receiving unrelated salary are not eligible for per diem, and caps total statewide expenditures for board member per diem in lieu of the current cap for each regional board. This cap is in accordance with the increased per diem payments proposed and assumes each regional board meets once monthly.

- **Hazardous Waste Management Permitting Support.** The Senate provided the Department of Toxic Substances Control (DTSC) an increase of \$1.2 million (Hazardous Waste Control Account) to make permanent eight, limited-term, positions that are set to expire at the end of the current year. These positions were previously provided to address a hazardous waste permit renewal backlog, as well as to update cost estimates associated with closing hazardous waste facilities.
- **Enhanced Permitting Capacity and Support.** The Senate provided DTSC with \$2.4 million from the Hazardous Waste Control Account, and 15 positions within the permitting division, to fully implement process improvements under the permit enhancement work plan. The proposal is intended to sustain timely permitting actions, mitigate the incidence of facilities operating for extended periods of time on expired permits, and improve enforcement.
- **Independent Review Panel (IRP)—DTSC.** In order to continue to facilitate the work of the Independent Review Panel, the Senate added two permanent positions, with limited-term funding, to allow for more continuity of staffing for the IRP, and approved budget bill language requiring the department to provide IRP access to state facilities and workers in order to provide a more robust review of the department.
- **Environmental Justice.** The Senate provided \$904,000 (various special funds) to make permanent a pilot project designed to reduce adverse environmental impacts in the most vulnerable communities in California. The proposal supports increased enforcement and compliance initiatives in more areas identified as disadvantaged in the state. The proposal is a collaboration between the Office of the Secretary and four of its boards and departments (Air Resources Board (ARB), CalRecycle, Department of Pesticide Regulation (DPR), and the State Water Board). Specifically, the Senate provided for six permanent full-time positions for a total of \$904,000 annually, to increase coordinated enforcement and compliance efforts in areas of the state disproportionately burdened by the greatest concentration of environmental hazards.
- **Local Lead Water Testing and Public Education (State Water Board).** The Senate provided \$480,000 Safe Drinking Water Account and two positions for the State Water Board to: (1) address US Environmental Protection Agency-identified deficiencies in the State Water Board reporting of public water system compliance with federal reporting requirements, and (2) develop and implement guidance documents based on the federal Lead and Copper Rule to improve tools for public water systems and their customers, including local educational agencies. The Senate added two positions to allow the State Water Board to come into federal compliance with public water system reporting.
- **Listing Lead Acid Batteries (Department of Toxic Substances Control [DTSC]).** The Senate provided \$255,000 (Toxic Substances Control Account), and two positions, to evaluate listing lead acid batteries as “priority products” subject to safer consumer product regulations. As part of a hazardous waste source reduction initiative, DTSC will conduct research, engage with stakeholders, evaluate options, and implement recommended actions to better protect the people and environment of California from adverse impacts related to the manufacture, use, recycling and disposal of lead acid batteries.

- **Pesticide Air Monitoring Network.** The Senate provided \$2.3 million (Department of Pesticide Regulation Fund and Air Pollution Control Fund civil penalties) and five positions to the Department of Pesticide Regulation (DPR) and Air Resources Board (ARB) to expand the current network of year-round pesticide air monitoring, enhance pesticide laboratory analysis capabilities, and resume previously suspended seasonal ambient pesticide monitoring to better evaluate the impact of pesticides on children's health and in disadvantaged communities. Specifically the Senate provided \$2.3 million in 2016-17, and \$1.6 million 2017-18, to expand and strengthen California's existing pesticide air monitoring network.
- **Drinking Water Program Expenditure Cap.** The Senate approved trailer bill language to increase from \$34 million to \$38 million, the drinking water program cap which properly accounts for the additional fund sources and program expenditures. The amount of the cap was incorrectly calculated and did not take proper account of all the sources of funds used to support the administration of the California Safe Drinking Water Act, nor did it account for additional program costs to satisfy statutory obligations.
- **Education and the Environment Initiative (EEI).** The Senate approved \$1.4 million for the Environmental License Plate Fund to CalRecycle, for an interagency agreement with the Department of Education, to leverage outside funding for the EEI program. This includes the Governor's proposal to increase the program by \$700,000.

## ENERGY AND UTILITIES

The Senate continued its oversight of the energy and utility ratepayer funds and took action to improve accountability and transparency for natural gas storage and well operations, and system-wide tracking and rating. The Senate approved funding to implement SB 350 (de León), and continued oversight of the California Public Utilities Commission (CPUC).

- **Cap-and-Trade Proposal (Greenhouse Gas Reduction Fund).** The Senate provided \$10 million for rebates for efficient clothes washers and \$5 million for water efficient technology. The Senate approved \$15 million for climate abatement studies at the California Energy Commission (CEC).
- **Public Goods Charge Ramp-Down.** The Senate approved the continued reduction of \$1.3 million from the Public Interest Research, Development, and Demonstration Fund (PIER), and the Renewable Resource Trust Fund (RRTF), through the Public Goods Charge (PGC) for the Renewable Energy Program and the Public Interest Energy Research Program (PIER). This proposal is in response to the sunset of the authority to collect the PGC, effective on January 1, 2012. As a result, the PGC program is undergoing a multi-year phased staff reduction.
- **ABA 802 (Williams) and AB 865 (Alejo) Implementation.** The Senate approved eight permanent positions and \$500,000 (ERPA) in baseline technical support, for a total request of \$1.6 million (ERPA), to support the implementation of AB 802 (Williams), Chapter 590, Statutes of 2015, which accelerates energy efficiency through benchmarking and customer data analysis. The Senate approved one permanent position and \$135,000 (ERPA) to implement AB 865 (Alejo), Chapter 583, Statutes of 2015, which charges CEC with developing a diversity outreach program to qualified businesses.
- **SB 350 (De León) Implementation.** The Senate approved 29.5 permanent positions, and ongoing contract funds of \$3.5 million, for a total of \$7.6 million from the Cost of Implementation Account, Air Pollution Control Fund, to implement SB 350 (de León), Chapter 547, Statutes of 2015, the Clean Energy and Pollution Reduction Act of 2015.
- **Implementation of SB 380 (Pavley).** SB 380 (Pavley), Chapter 14, Statutes of 2016, was chaptered on May 10. The Senate provided \$2.1 million from the Public Utilities Commission Utilities Reimbursement Account to the CPUC for additional staffing and procurement of technical services to conduct public hearings, proceedings, analysis, complex modeling, staff training, equipment, and travel to perform analysis of the impacts of a full or partial closure of Aliso Canyon.
- **Adjustments to Electric Program Investment Charge (EPIC).** The Senate approved an increase of \$11.2 million (EPIC) for program and administration activities, as well as \$4.5 million in one-time technical assistance for technical support activities, as directed by the California Public Utilities Commission (CPUC).

- **Safety Division at the CPUC.** The Senate did not approve 11 permanent positions and \$1.7 million (Public Utilities Commission Reimbursement Account), to be used to create the Division of Safety Advocates, an independent division within the CPUC. Similar to when the CPUC established the Public Staff Division in 1984 (statutorily created as Office of Ratepayer Advocates in 1996, in response to unprecedented utility requests for general rate increases, the CPUC requested to establish a Division of Safety Advocates in response to unprecedented failures of utility infrastructure over the past five years. The CPUC has described the proposal as establishing a safety intervenor in proceedings before the commission. The Senate had concerns with the policy implications of the proposal.
- **Continued Oversight of CPUC.** The Senate continued its oversight and accountability efforts regarding the CPUC and adopted placeholder legislation requiring the CPUC to 1) report on its business process inventory efforts in March 2017 and 2) report on options to expand its operations and staff outside of the San Francisco headquarters. The Senate also required the CPUC to report by January 1, 2017, on the number of investigators conducting enforcement of household goods movers; past and current efforts; future efforts; and options to provide adequate funding for its work related to the licensing and regulation of household goods movers.
- **Universal Lifeline Telecommunications Program.** The Senate approved the May Revision decrease from the January Budget of \$142.4 million (Universal Lifeline Telephone Service Trust Administrative Committee fund). This reflected reduced local assistance and state operations costs resulting from a lower than anticipated caseload in the budget year, based on more accurate data. Total estimated state operations and local assistance costs are \$483.1 million.
- **Information Technology Resources.** The Senate approved \$3.4 million (distributed across 12 CPUC funds) and 24 permanent positions for its information technology service branch to better enable it to support mission-critical programs, provide public transparency, and inform decision-makers. The Senate also approved \$7.1 million in funding from various CPUC funds over two years for an IT contract and positions for a one-time software customization and on-going support to automate some CPUC process that are currently manual.
- **Human Resource Workforce Planning and Development.** The Senate approved \$672,000 (Public Utilities Commission Utilities Regulation Account) annually for six positions. The staff will contribute to CPUC building a strong and specialized learning and development unit focused on recruitment, development, and retention of staff.
- **Rail Transit Safety.** The Senate approved \$701,000 (Public Transportation Account, State Transportation Fund) annually for five positions and four Department of General Services' truck leases. These resources will enable the CPUC's safety inspection and accident investigation efforts to keep up with the significant recent expansion in rail transit systems (does not include heavy rail).
- **Funding for Network Engineer Consultants.** The Senate rejected the CPUC's request for \$1 million in reimbursements for a one-time contract to examine AT&T and Verizon's network facilities, and policies and procedures for service outages, and to advise CPUC on network issues. It was determined that the study is not needed at this time because a proposed decision by CPUC is currently under consideration and it has already been established by CPUC that these service providers do not meet the out-of-service metrics that CPUC requires.

## FOOD AND AGRICULTURE

The Senate approved proposals to emphasize best farming practices for greenhouse gas emission reduction funds; improve local fairs; and to increase funding for pest prevention, including for Asian Citrus Psyllid and Pierces disease.

- **Cap-and-Trade Proposal.** The budget committee approved \$50 million for carbon sequestration in soils. The budget committee also provided \$10 million for agriculture water efficiency and rejected the Governor's proposal to spend \$35 million on dairy digesters.
- **Market Match.** The Senate provided \$5 million General Fund for the Nutrition Incentive Matching Grant Program, a new program established in 2016, which doubles the purchasing power of nutrition assistance benefits (eg, CalFresh) when spent on California-grown foods, nuts, vegetables, and specialty crops, at participating farmers markets. The Governor's budget did not provide funding for this program.
- **Pest Prevention and Asian Citrus Psyllid.** The Senate provided \$15 million General Fund as follows: \$5 million for Pierces Disease management; \$5 million for overall pest health and pest prevention; and \$5 million for Asian Citrus Psyllid control, of which \$750,000 is designated for an interagency agreement with the California Department of Pesticide Regulation to provide a consumer product database for a residential level study the impacts of ornamental uses of neonicotinoids. This is in addition to the \$1 million approved in the Governor's proposal to increase funding for Asian Citrus Psyllid prevention.
- **Network of California Fairs Oversight.** The Senate provided two permanent positions (one agricultural program supervisor and one attorney) and \$435,000 (Fair and Exposition Fund) in 2016-17, and \$392,000 ongoing, for the Fairs and Expositions Branch to improve oversight of the activities of the 79 fairs (of which 77 are active) that make up the network of California fairs. The department workload includes supervision of fair meetings, legal counsel, and management of deferred maintenance funds.
- **Alternative Fuels Quality and Oversight Program.** The Senate provided \$1.1 million (Cost of Implementation Account, Air Pollution Control Fund) in 2016-17, and \$1.4 million annually thereafter, to establish the Alternative Fuels Quality and Oversight Program to regulate alternative transportation fuels. The funds will support 5.8 existing, but unfunded, positions in 2016-17, and an additional 2.5 existing, but unfunded, positions annually thereafter.
- **Medical Marijuana Regulation Projects.** The Senate provided \$2 million (Medical Marijuana Regulation and Safety Act Fund), one-time, to be allocated in 2016-17 for project management and support services of the licensing and track and trace solutions.
- **Avian Influenza Prevention and Response.** The Senate provided one permanent position and \$192,000 in 2016-17, and \$167,000 ongoing, General Fund, for the Animal Health and Food Safety Services Division to meet current and continued threats to animal health and the food supply posed by highly pathogenic avian influenza outbreaks.



# TRANSPORTATION

The Senate approved the Administration's key proposals for funding transportation projects and the staff necessary to deliver these projects at the California Department of Transportation (Caltrans). The committee also approved funding at both the California Highway Patrol (CHP) and the Department of Motor Vehicles (DMV) for capital outlay projects that address seismic and other critical issues by replacing field offices. In addition, the Senate approved audit staff to provide greater oversight of the high-speed rail project and reappropriated Proposition 1A High-Speed Rail bond funds to continue the development of the project.

- **Governor's Transportation Funding Plan.** The Senate rejected without prejudice the Governor's transportation funding plan and directed the proposal for consideration in the special legislative session on transportation which has been considering similar proposals. The plan proposes a ten-year, \$36 billion increase in transportation funding intended to help address some of the funding gap in existing transportation needs.
- **Cap-and-Trade Proposal.** The Senate approved the Administration's cap-and-trade proposal for transportation-related programs consistent with the continuous appropriation, as follows: (1) \$500 million for the high-speed rail system; (2) \$400 million for transit-oriented development (sustainable communities); (3) \$200 million for the transit and intercity rail capital program; and (4) \$100 million for low carbon transit operations (State Transit Assistance). The Senate rejected the Administration's two expenditure proposals (an additional \$400 million for the transit and intercity rail capital program and \$100 million for a new low carbon road program) that are also included in the Governor's transportation funding plan. This action is consistent with the Senate not approving the Governor's transportation funding plan and recommending that the plan be considered in the special legislative session on transportation funding.
- **Caltrans Capital Outlay Support (COS).** The Senate approved 9,512 full-time equivalents (includes 8,161 state positions, 404 personnel years (PY) of cash overtime, and 947 PY equivalents for architectural and engineering contracts) and \$1.8 billion in costs to develop and deliver transportation infrastructure projects on the state highway system. This is a reduction of \$32.5 million and 94 full-time equivalents from the 2016-17 Governor's budget.
- **Positive Train Control Project Reappropriation.** The Senate reappropriated \$25 million Proposition 1A (High-Speed Rail Passenger Train Bond) bond funds to extend the liquidation period for the completion of three positive train control projects administered by the Southern California Rail Authority (Metrolink), from June 30, 2016 to June 30, 2017, to allow for the completion of three projects that are currently underway.
- **Construction and Maintenance Zone Enforcement Funding.** The Senate rejected the Governor's proposal to shift approximately \$50 million in reimbursement authority from the State Highway Account to the Motor Vehicle Account (MVA) for services that the CHP provides at Caltrans' work zones to help ensure workers' safety.

- **High-Speed Rail Auditing and Reappropriation.** The Senate approved \$826,000 for six permanent auditor positions to perform audits of contract costs that have been billed and reimbursed and to perform audits requested by the HSRA board. The Senate also reappropriated \$145.2 million Proposition 1A bond funds (for three years) to continue environmental review and preliminary design tasks to further planning for Phase I (San Francisco to Los Angeles/Anaheim) and Phase II (extensions to San Diego, Sacramento, and the Altamont Corridor).
- **Solvency of the Motor Vehicle Account.** The Senate approved the Administration's proposal to increase the vehicle registration fee by \$10 to address a shortfall of about \$310 million in the MVA in 2016-17. If unaddressed, annual ongoing shortfalls would result in the fund becoming insolvent in 2017-18.
- **Capital Outlay for DMV Area Offices.** The Senate approved \$5.6 million MVA for various phases for four DMV field office replacement projects in Inglewood, Santa Maria, Delano, and San Diego.
- **New Motor Voter Program.** The Senate rejected the Administration's request for \$3.9 million General Fund for the implementation of AB 1461 (Gonzales), Chapter 729, Statutes of 2015, to allow for additional time to consider how to improve the implementation of motor voter in DMV field offices.
- **Self-Service Terminals.** The Senate approved the Administration's request for \$8 million MVA on an ongoing basis to fund existing and increased costs related to the expansion of the use of self-service terminal. These terminals serve as an alternative for customers who would otherwise conduct their transactions in DMV field offices with DMV staff. The Senate also required DMV to report on the location and utilization of self-service terminals, as well as any cost savings resulting from the diversion of transactions through these terminals.
- **Capital Outlay for CHP Area Offices.** The Senate approved \$31.1 million from the MVA to fund site acquisition and preliminary plans for new CHP offices in Hayward, Ventura, and El Centro. The Senate substituted the Quincy replacement facility with the San Bernardino office replacement project. The Senate reappropriated \$3.4 million MVA for the Santa Barbara facility replacement project to extend the availability of these funds through June 30, 2019. In addition, \$800,000 is provided for advanced planning and site selection to identify three additional offices to replace as part of the CHP's ongoing office replacement plan.
- **CHP Enhanced Radio System (CHPERS).** The Senate approved \$445,000 MVA to acquire 640 acres at Sawtooth Ridge (outside of Needles, CA) for Phase 1 of CHPERS. About 23 acres of this land would be used for a radio tower site and access road. In addition, the Senate required CHP to report on the feasibility of using the remainder of the land for a conservation easement and to report on how to ensure that future maintenance conducted on the site does not affect the ecological integrity of the area.

- **Green and White High-Occupancy Vehicle (HOV) Decal Programs.** The Senate approved the Governor's trailer bill language that would remove the limit of 85,000 on the number of vehicles available for the green vehicle decal program and allow eligible vehicles to receive decals until January 1, 2019, when the program expires; extend the white sticker program until October 1, 2025, consistent with federal law; and require Caltrans to report on the degradation status of the HOV lanes on the state highway system by December 1, 2017.

Subcommittee No. 3  
Health and Human Services

## HEALTH

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

- **Senate’s Health-Related General Fund Investments.** The Senate took the following actions in its budget plan:
  - Limited estate recovery in the Medi-Cal program to only those health care services required to be collected under federal law; to make it easier for individuals to pass on their assets by using the narrower definition of “estate” in federal Medicaid law; and to allow a hardship exemption from estate recovery for a home of modest value for a budget year cost of \$14.5 million General Fund (half-year costs) and \$28.9 million General Fund in out years.
  - Augmented Medi-Cal by \$15 million General Fund for certified medical interpretation services.
  - Increased rates for the AIDS Medi-Cal Waiver Program equal to other Home and Community-Based Waiver Services programs. Rates were increased for all services except home-delivered meals, for a cost of \$4.9 million General Fund.
  - Augmented the Song Brown Program by \$27.5 million General Fund annually for three years; and primary care workforce development programs at teaching health center sites by \$5.8 million General Fund annually for three years.
  - Restored \$3.2 million General Fund for the Children’s Dental Disease Prevention Program. This program provides school-based oral health prevention services to low-income school children. Participating sites provide fluoride supplementation, dental sealants, plaque control, and oral health education.
  - Established a \$3 million General Fund Naloxone grant program for local health jurisdictions and community-based organizations in order to reduce the rate of fatal drug overdose caused by prescription analgesics and other drugs.
  - Provided \$2.5 million one-time General Fund to the California Alzheimer Disease Centers for early detection and diagnosis of Alzheimer disease. Funds would be used to determine the standard of care in early and accurate diagnosis, provide professional outreach and education, and evaluate the educational effectiveness of these efforts.
  - Augmented the Department of Public Health’s (DPH) budget by \$1.4 million General Fund to purchase and distribute hepatitis B vaccine to local health jurisdictions to vaccinate high-risk adults; to purchase hepatitis C (HCV) rapid test kits to distribute to community-based testing programs; to certify non-medical personnel to perform rapid HCV and HIV testing in community-based settings; and to provide technical assistance to local governments, and

to increase the number of syringe exchange and disposal programs throughout California and the number of jurisdictions in which syringe exchange and disposal programs are authorized.

- Augmented the Biomonitoring Program by \$1 million General Fund (split between DPH, the Department of Toxic Substances Control, and the Office of Health Hazard Assessment) to support the scientific work of this program.
- Provided \$150,000 to DPH to establish a telephone line for answering End of Life Option Act inquiries and require that the individuals answering be bilingual.

In addition, the following augmentations were approved as a result of Subcommittee No. 5's rejection of \$250 million General Fund for jail construction funding:

- Provided \$80 million one-time General Fund to build capacity for the continuum of children's mental health crisis services.
  - Provided \$10 million one-time General Fund for increased efforts related to sexually-transmitted disease prevention.
  - Provided \$10 million one-time General Fund for increased efforts related to teen pregnancy prevention focused on high-risk youth (such as foster youth).
  - Provided \$6 million one-time General Fund for the Adolescent Family Life Program.
  - Provided \$2 million one-time General Fund for prevention and treatment efforts related to hepatitis B and hepatitis C.
- **Medi-Cal Estimate and Caseload.** Approved total Medi-Cal expenditures in 2016-17 to be \$90.2 billion (\$57.7 billion federal funds, \$17.6 billion General Fund, and \$14.8 million other funds) and a corresponding caseload of 14.1 million in 2016-17.
  - **California Children's Services Program.** Rejected the Administration's proposed trailer bill language to implement (budget-neutral) components of the California Children's Services Program (CCS) Whole Child Model, as the Administration is pursuing a policy bill on this issue.
  - **Medi-Cal: Federal Managed Care Regulations Staffing Resources.** Approved the establishment of 38 permanent positions and limited-term funding to implement the new federal Medicaid managed care regulations. The total funding approved is \$10.4 million (\$5 million General Fund).
  - **Medi-Cal: 1115 Waiver Renewal Resources.** Approved \$10.8 million (\$5.4 million General Fund) for limited-term resources to support the implementation of California's new 1115 waiver, Medi-Cal 2020.
  - **Medi-Cal: Covered Outpatient Drugs Final Federal Rule.** Approved savings of \$327.8 million (\$130 million General Fund) as a result of changes to the Medi-Cal fee-for-service pharmacy program's implementation of updated federal maximum reimbursements, federal upper limits. Adopted placeholder trailer bill language to provide the Department of Health Care Services

authority to comply with the final federal rule related to Medicaid reimbursement for covered outpatient drugs. Augmented Governor's budget by \$1 million General Fund to supplement pharmacist's dispensing fee.

- **Medi-Cal: New Qualified Immigrant Affordability and Benefit Program.** Rejected Administration's proposed trailer bill language to adjust the income eligibility requirements for the New Qualified Immigrant Affordability and Benefit program to no more than 150 percent of the federal poverty level, based on the applicant's eligibility for Advanced Premium Tax Credit, a health insurance federal subsidy, as this issue should be considered by a policy committee. Approved May Revision increase of \$31.8 million General Fund to reflect a delay of one year (from January 1, 2017 to January 1, 2018) in shifting newly eligible New Qualified Immigrants (NQI) populations to Covered California pursuant to SB 1 X1 (Hernandez), Chapter 4, Statutes of 2013.
- **Managed Care Fine and Penalty Revenue.** Rejected Administration's proposed trailer bill language to allow the use of managed care administrative fines and penalties revenue over \$1 million for the purpose of funding health care services for children, seniors, persons with disabilities, and dual eligibles in the Medi-Cal program. Currently, any administrative fines and penalties over \$1 million are used to support the Managed Risk Medical Insurance Program (MRMIP). Approved \$2 million General Fund savings by shifting \$2 million in managed care fines and penalties to Medi-Cal.
- **Foster Care Continuum of Care.** Approved one position, \$251,000 in limited-term funding, and \$12 million (\$6.8 million General Fund and \$5.2 million Federal Fund) to fund county mental health costs to improve assessments of foster youth placements, and increase transparency and accountability for child outcomes. These funds cover half year costs. These adjustments reflect increased county mental health costs to participate in child and family teams and training for county mental health staff.
- **Medi-Cal: PACE.** Approved the May Revision proposed trailer bill language to enable modernization of the Program for All-Inclusive Care for the Elderly (PACE). This proposed language would standardize rate-setting, remove the cap on the number of PACE organizations, remove the not-for-profit requirement, and provide PACE flexibilities.
- **Home and Community-Based Services (HCBS) Federal Requirements.** Approved \$1.1 million (\$491,000 General Fund) in limited-term resources to comply with the Centers for Medicare and Medicaid Services (CMS) Federal Regulations (2249-F and 2296-F) on the Home and Community-Based Settings Final Rule for existing Home and Community-Based Services (HCBS) providers and beneficiaries, promulgated on March 17, 2014, and limited-term resources to work on a statewide transition plan for the Assisted Living Waiver program.
- **CA-MMIS.** Approved request for \$3.4 million (\$736,000 General Fund) one-time to fund the equivalent of 24 positions (which expire June 30, 2016) to conduct close out activities for the Xerox State Healthcare's portion of the CA-MMIS system replacement project, procure new fiscal intermediary contracts, and re-evaluate the procurement approach to replace the legacy system under the new system replacement efforts.

- **Denti-Cal.** Approved \$2 million (\$514,000 General Fund) for three years to support positions and contractual services to address workload related to the conversion of the current Medi-Cal Dental Fiscal Intermediary, including \$500,000 for an independent verification and validation consultant to provide oversight of this turnover-takeover and \$500,000 for a project manager contract to assess the project's status, performance trends, milestones, and project completion. Approved four positions and \$503,000 (\$222,000 General Fund) to address current and anticipated increases in Denti-Cal workload due to ongoing efforts in connection with the findings and recommendations of the California State Auditor (CSA) and the federal Office of Inspector General audits regarding questionable billing for pediatric services.
- **Hospital Quality Assurance Fee.** Adopted the Senate's trailer bill language to extend the hospital quality assurance fee until January 1, 2018 (it currently sunsets on January 1, 2017). The Senate also accounted for the approximately \$950 million General Fund savings as a result of the extension of this QAF. According to the Legislative Analyst's Office, depending on the timing of federal approval, \$700 million General Fund savings could be scored in 2017-18 and \$250 million General Fund savings could be scored in 2018-19.
- **Expansion of State Loan and Allied Health Repayment Programs for CMSP Counties.** Approved \$4.85 million in increased reimbursement authority for the Office of Statewide Health Planning and Development to expand the State Loan Repayment Program and the Allied Health Loan Repayment Program in County Medical Services Program (CMSP) counties using CMSP funds.
- **End of Life Option Act (AB 15 X2, 2015).** Approved two-year limited-term expenditure authority of \$244,000 for 2016-17 and 2017-18 to meet the Department of Managed Care's operational needs in order to address the short-term workload resulting from the End of Life Option Act. Approved \$323,000 from the Health Statistics Special Fund in 2016-17, \$245,000 in 2017-18 and annually thereafter, and two permanent positions at the Department of Public Health to create a secure database to implement and administer the program and provide staffing for the required confidential program management and reporting duties.
- **Federal Mental Health Parity Ongoing Compliance Review.** Approved \$529,000 for 2016-17 and 2017-18 for clinical consulting services to design new compliance filing instructions and forms, conduct review of plans' classification of benefits and nonquantitative treatment limits (NQTLs), and for resolving clinical issues arising in compliance filings associated with performing ongoing oversight of compliance with the federal Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act (MHPAEA) and its Final Rules. These resources would be used for the initial front-end compliance reviews for new plans and new products.
- **Large Group Rate Review (SB 546, 2015).** Approved four permanent positions and \$682,000 for 2016-17 and \$644,000 for 2017-18 and ongoing to address the increased workload resulting from the implementation of SB 546 (Leno), Chapter 801, Statutes of 2015.
- **Provider Directories (SB 137, 2015).** Approved eight permanent positions and \$1,436,000 for 2016-17, \$1,366,000 for 2017-18, and \$1,181,000 for 2018-19 and ongoing to address the increased workload resulting from the implementation of SB 137 (Hernandez) Chapter 649, Statutes of 2015.



- **Office of AIDS.** The Senate approved the trailer bill language to:
  - Eliminate cost-sharing for individuals enrolled in the AIDS Drug Assistance Program with annual incomes between 400 percent and 500 percent of the Federal Poverty Level. DPH estimates that 112 ADAP clients paid an ADAP share of cost (SOC). By eliminating the ADAP SOC obligation for these 112 ADAP SOC clients, ADAP would have saved \$67,705 in calendar year 2015.
  - Develop a Pre-Exposure Prophylaxis (PrEP) affordability program to cover PrEP-related copays, coinsurance, and deductibles incurred by all individuals accessing PrEP in California with annual incomes below 500 percent of the federal poverty level. The cost of this program would be capped at \$1 million from the Ryan White Supplemental Drug Rebate Fund.
  - Require that the Office of AIDS' Health Insurance Premium Payment (OA-HIPP) Program cover premiums, copays, coinsurance, and deductibles incurred by all eligible people living with HIV/AIDS in California. DPH estimates that 5,966 private insurance ADAP clients did not receive premium payment assistance from OA-HIPP Program. Consequently, this proposal would result in expenditures of \$8.6 million in 2016-17 (based on calendar year 2015 data).
- **Timely Infectious Disease Outbreak Detection.** The Senate plan approved a request for \$1.6 million General Fund in 2016-17, \$2.1 million General Fund in 2017-18 and 2018-19, and 14.0 permanent positions, to provide ongoing support to protect California from infectious diseases through increased disease surveillance and laboratory capacity. The 14 positions will be phased-in.
- **Licensing and Certification.** The Senate took the following actions:
  - Approved \$2 million from the Internal Departmental Quality Improvement Account to execute two contracts to implement program improvement recommendations. DPH will allocate \$1.5 million to the redesign of the Centralized Applications Unit (CAU) IT systems, and \$500,000 to the Health Facilities Consumer Information System (HFCIS) redesign.
  - Approved \$2.5 million in expenditure authority from the State Department of Public Health Licensing and Certification Program Fund to convert 18.0 existing two-year limited-term positions to permanent positions, and fund two additional positions for the Office of Legal Services, for a total of 20.0 positions to improve the timeliness of investigations of complaints against caregivers.
  - Approved an increase in expenditure authority of \$2.1 million from DPH Licensing and Certification Program Fund to augment the Los Angeles County contract to account for two, three percent salary increases effective October 2015 and October 2016, an increase to the employee benefit rate from 55.1 to 57.8 percent, and a decrease in the indirect cost rate from 33.2 to 31.4 percent.
  - Augmented funding for the Long-Term Care Ombudsman Program by \$1 million in ongoing funds from the State Health Facilities Citation Account.

- **Medical Cannabis.** The Senate's plan includes the following actions:
  - Approved 37 positions and \$12 million in funding from the Medical Marijuana Regulation and Safety Act Fund to be phased-in between fiscal years 2015-16 to 2018-19 to begin the implementation of the mandated provisions specified in AB 266 (Bonta), Chapter 689, Statutes of 2015, AB 243 (Wood), Chapter 688, Statutes of 2015, and SB 643 (McGuire), Chapter 719, Statutes of 2015. DPH requested to phase-in these positions, as follows: six positions and \$457,000 in reimbursement authority for 2015-16; eight additional positions and \$3,438,000 in 2016-17; two additional positions and \$2,520,000 in 2017-18; and the final 21 additional positions and \$5,658,000 in 2018-19.
  - Adopted the Senate's placeholder trailer bill language to establish a public health surveillance system related to medical marijuana and use the Medical Marijuana Regulation and Safety Act Fund to support this system.
  - Approved \$500,000 General Fund for 2016-17 to help support a study analyzing the health risks associated with the use of marijuana. DPH will participate in decision-making regarding the direction and scope of the study organized by the Centers for Disease Control and Prevention (CDC) Foundation on the impacts of medical marijuana to provide information that can guide the state's regulatory process to ensure patient safety.
  - Approved placeholder trailer bill language making changes to the Medical Marijuana Regulation and Safety Act for DPH.
- **Special Session Legislation Related to e-Cigarettes and Tobacco.** Augmented DPH's budget by \$1 million General Fund in 2016-17 and \$1.95 million General Fund in 2017-18 and ongoing for enforcement activities (and 10 permanent positions) and \$1.36 million in Proposition 99 funds in 2016-17 for outreach and media campaigns. These resources would be used to implement various pieces of legislation regarding e-cigarettes and tobacco, including SB 5 X2 (Leno), Chapter 7, Statutes of 2016, SB 7 X2 (Hernandez), Chapter 8, Statutes of 2016, and AB 7 X2 (Stone), Chapter 4, Statutes of 2016.
- **Biomonitoring.** Approved two permanent positions and \$350,000 from the Toxic Substances Control Account for two years. The positions were established as limited-term positions and are set to expire on June 30, 2016.
- **School-Based Health Centers.** Augmented budget by \$600,000 from the Tobacco Settlement Account to support two two-year limited-term resources to provide technical assistance to assist in the development and expansion of school-based health centers.
- **Genetic Disease Screening Program.** Approved May Revision request of \$133.7 million Genetic Disease Testing Fund for the Genetic Disease Screening Program (GDSP), a \$15.1 million increase compared to the January budget. DPH proposes to use this funding increase to purchase equipment to test for adrenoleukodystrophy, as recommended by the federal Recommended Uniform Screening Panel and required by AB 1559 (Pan), Chapter 565, Statutes of 2014. GDSP will also:
  - (1) contract with a third-party to provide medical billing services for the Prenatal Screening

program; (2) transition the Screening Information System from the Department of Health Care Services to DPH; (3) contract for services, including billing support, and secure payment services (lock box); and (4) address increased specimen shipping costs. Approved the prenatal screening fee increase of \$14.60 to \$221.60 and the newborn screening fee increase of \$17.55 to \$130.25.

- **Mental Health Advocacy Contracts.** Approved \$1.2 million (Mental Health Services Fund) ongoing for lesbian, gay, bisexual, transgender, and questioning (LGBTQ) populations; youth; veterans; and racial and ethnic minorities advocacy contracts and augmented this request by \$1.536 million (Mental Health Services Fund) so that all consumer advocacy contracts are supported at the same level.
- **Children’s Crisis Services Capacity Development Grant Program.** Adopted placeholder trailer bill language to establish a one-time grant program for the development of children’s crisis services capacity. Augmented the Mental Health Services Oversight and Accountability Commission’s budget for this purpose by \$18 million from the Mental Health Services Fund (state administrative funding). Reappropriated \$6 million General Fund related to the SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, to the California Health Facilities Financing Authority for this purpose. As discussed above, \$80 million General Fund was approved for this purpose as part of the rejection of jail construction funding.

## HUMAN SERVICES

The Senate approved critical restorations and reinvestments for homelessness, CalWORKs, In-Home Supportive Services, immigration, food assistance, and Child Welfare Services.

- **Homelessness.**
  - **Supplemental Security Income/State Supplementary Payment (SSI/SSP) grant increase.** The Senate approved a \$10 total monthly increase to the SSP portion of the grant.
  - **SSI advocacy.** The Senate approved \$50 million General Fund annually (for two years) for SSI outreach to increase participation among homeless persons with disabilities who may be eligible for disability benefits programs.
  - **Housing assistance.** The Senate approved \$15 million General Fund ongoing for the CalWORKs Housing Support Program which provides housing and supportive services to CalWORKs families in danger of homelessness; and \$10 million General Fund ongoing for the Bringing Families Home program, a county matching grant program to reduce homelessness among families that are part of the child welfare system.
- **In-Home Supportive Services.**
  - **Restoration of the seven percent reduction in service hours.** The Senate approved \$266 million General Fund to restore IHSS recipients' current seven-percent reduction in service hours, until the expiration of the Managed Care Organization tax in 2019.
  - **Fair Labor Standards Act for In-Home Supportive Services.** The Senate approved changes to the implementation of overtime, including an extension of the grace period for not issuing violations to providers who work more than maximum workweeks to September 1, 2016, and requiring the Department of Social Services to mail a notice to providers who may qualify for an exemption to the workweek caps.
- **CalWORKs.**
  - **Maximum Aid Payment Increase.** The Senate approved a 1.43 percent increase to the CalWORKs Maximum Aid Payment, effective October 1, 2016. The total average grant of all CalWORKs cases is estimated to increase by \$7.60.
  - **Repeal of the Maximum Family Grant.** The Senate approved the repeal of the maximum family grant rule using funds from the Child Poverty Subaccount and \$95 million General Fund in 2016-17.

- **Immigration services.** The Senate augmented funding for immigration services by \$10 million General Fund 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. The Senate also approved trailer bill language that clarifies current law so it is clear to California courts that it is in the best interests of an unaccompanied, undocumented minor to receive findings that would allow them to receive Special Immigrant Juvenile Status relief from the federal government.
- **Food assistance.** The Senate approved \$2 million General Fund for the State Emergency Food Assistance Program and \$2 million General Fund to augment existing Senior Nutrition programs.
- **Child-Welfare Services.** The Senate approved the Governor's proposal to increase funding for the implementation of the Continuum of Care Reform, totaling approximately \$127.3 million General Fund. These dollars will be used to fund case worker costs for child and family teams, administrative costs related to foster parent recruitment, retention, and support, and adjustments for the implementation of the new Home-Based Family Care rate structure. \$19.7 million General Fund was also approved for the Commercially Sexually Exploited Children program to aid child welfare agencies in meeting their mandate to serve children who are commercially sexually-exploited, and \$1.65 million General Fund was approved to fund public health nurses to review and monitor psychotropic medication and treatment, assist in scheduling and monitoring appointments, and support court review of treatments for foster youth.
- **Cap-and-Trade Proposal.** The Senate approved the Administration's cap-and-trade proposal for \$75 million for the Low-Income Weatherization Program to provide residential energy efficiency and solar renewable projects on low-income housing located within disadvantaged communities.

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

- **Sonoma Developmental Center – Decertification of ICF/IDD Units.** Adopted the Senate's placeholder trailer bill language requiring the Department of Developmental Services (DDS) to report the monthly General Fund backfill costs as a result of the loss of federal financial participation due to the federal decertification (effective July 1, 2016) of the Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) units at the Sonoma Developmental Center.
- **Developmental Center (DC) Closures.** Approved the Administration's closure plans for the Sonoma Developmental Center, Fairview Developmental Center, and Porterville Developmental Center-General Treatment Area with the following modifications:
  - Require the department to develop a plan to be submitted to the Legislature no later than January 10, 2017 regarding how the department will ensure access to crisis services post developmental closure and how the state will maintain its role in providing residential services to those whom private sector vendors cannot or will not serve.

- Require that reports of injuries, death, restraint usage, and incidents of seclusion, for example, at community facilities be reported to the federally-mandated protection and advocacy agency.
- Limit the use of seclusion and restraints in community facilities licensed by the Department of Social Services.
- Require that crisis services and specialized health care/clinic services are provided at the DCs through the transition process and until closure.
- Require the closure of a DC upon the successful transition of all residents into the community.
- Require regular public posting (on the department's website) of progress being made to develop residential capacity by regional center, including information on monthly targets for movers based on transition activities and community resource development activities) by regional center. This monthly reporting would also include information on why targets are not met.

Approved the Administration's budget and May Revision proposals related to the DC closures. Modified the proposal regarding the independent monitoring contract for Fairview and Porterville DCs to only allow this expenditure if the federal government approves a settlement agreement regarding these facilities. Modified the proposed trailer bill language to extend managed care provisions for Medi-Cal eligible individuals at the developmental centers who transition to the community and need coordinated medical and specialty care, as documented in their individual program plan by specifying a timeframe by which this planning effort will be completed.

Augmented DDS's budget by \$5 million General Fund in 2016-17 and \$10 million General Fund in out years for the Community State Staff Program. Adopted placeholder trailer bill language to implement this augmentation.

- **Deferred Maintenance at Porterville DC.** Approved \$8 million General Fund for deferred maintenance projects at Porterville DC. Rejected \$10 million General Fund proposal to replace the boiler.
- **Special Session Resources.** Approved five headquarter positions to provide state-level oversight to implement the provisions of AB 1 X2 (Thurmond), Chapter 3, Statutes of 2016. Approved funding for a provider rate study and 42 positions at regional centers to oversee the implementation of programs to reduce cultural disparities and provide competitive integrated employment opportunities for individuals with developmental disabilities. Adopted placeholder trailer bill language to clarify that the rate increase provided by AB 1 X2 applies to out-of-home respite services, and clarify the provisions of competitive integrated employment (CIE) to expand participation in the workforce by providing an incentive payment separate from supported employment services for regional center providers that place individuals in CIE.

- **Fiscal and Program Research Unit.** Approved request of \$923,000 (\$630,000 General Fund) for seven new permanent positions and the redirection of one vacant position to establish a Fiscal and Program Research Unit. Augmented proposal to provide \$300,000 General Fund for contracting services related to the establishment of performance dashboard discussed below. Modified the proposal to also adopt placeholder trailer bill language to:
  - a. Require DDS to annually report and post on its website supplemental budget information. This information would be reported by February 1, and includes:
    - i. Budget estimates for each developmental center, including a break out of funding for Porterville Development Center’s general treatment area and secured treatment area.
    - ii. For each regional center: current year estimates for operations funding, purchase-of-services (POS) funding, caseload, per capita for operations, per capita for POS.
    - iii. For each regional center: information on staff (number of various classifications, e.g., number of case managers).
    - iv. For each regional center: past year and current year information, by component, of Community Placement Program expenditures.
  - b. Specify analysis and deliverables for the new research unit. These would include an:
    - i. Assessment of disparities data reported by regional centers.
    - ii. Assessment of caseload ratio requirements by regional center.
    - iii. Assessment of performance dashboard (see below) data as it becomes available.
  - c. Establish a performance dashboard, require DDS to work with stakeholders on the development of this dashboard, and require this dashboard to be published annually. Metrics included in this dashboard would include, but not be limited to:
    - i. Recognized quality and access measures.
    - ii. Measures to indicate compliance with and movement toward compliance with new federal Home and Community Based Services waiver rules.
    - iii. Measures to evaluate the changes in the number of consumers who work in competitive integrated employment.
    - iv. Consumer complaints, timeliness of responses to complaints, number of administrative hearings.

- **Four-bed Alternative Residential Model Homes.** Approved \$46 million (\$26 million General Fund) to help transition and establish smaller alternative residential model (ARM) four-bed homes for regional center consumers living outside their family home. Approved provisional budget bill language requiring regional centers to report annually to the department the number of facilities receiving these rates. Approved placeholder trailer bill language to establish a rate schedule for residential community care facilities vendored to provide services to a maximum of four persons with developmental disabilities. This trailer bill language also prohibits regional centers from authorizing any residential service-level changes, if the change would increase state costs.
- **Consumer Program Coordinators Funding.** Approved \$17 million (\$12 million General Fund) to fund additional regional center (RC) consumer program coordinator positions to reduce caseload ratios and improve case management functions. Modified the proposed provisional budget bill language requiring regional centers to report annually to the department the number of staff hired with these additional funds and the effectiveness of these funds in reducing average caseload ratios to also provide information justifying why a regional center, if it chooses, uses this funding for non-Home and Community-Based Services coordinators.
- **Standards Authorizing Medical Services by Regional Centers.** Adopted the Senate's placeholder trailer bill language to eliminate the requirement to pursue a Medi-Cal appeal prior to a regional center providing medical or dental services.

**Home and Community-Based Services (HCBS) Federal Settings Requirements.** Approved \$483,000 (\$330,000 General Fund) and four DDS headquarter positions to support the immediate workload associated with the state's transition plan and direct regional center and service provider efforts to comply with the Centers for Medicare and Medicaid Services' (CMS) new regulations for Medicaid-eligible home and community-based settings. Approved \$1.6 million (\$0.9 million General Fund) to fund 21 program evaluator positions within the regional centers to ensure HCBS program settings are integrated into the community. Approved \$15 million (\$11 million General Fund) to fund modifications to some service providers' programs that will be necessary for compliance with HCBS regulations. Approved provisional budget bill language requiring regional centers to report annually to the department the number of providers receiving these funds. Rejected proposed placeholder trailer bill language expressing the Legislature's intent to enact Legislation to implement changes necessary to comply with the HCBS regulations, as federal guidance has not yet been provided in order to enact legislation.



Subcommittee No. 4  
State Administration and  
General Government

# STATE ADMINISTRATION AND GENERAL GOVERNMENT

The Senate budget plan includes proposals to increase transparency and governmental efficiency; several capital outlay and infrastructure development projects; and augmentations in key areas.

- **Medical Marijuana Regulations.** The committee approved several components of the proposal, which includes funding for the initial loan, a new information technology (IT) project, and corresponding trailer bill.
  - Approved the initial loan of \$5.4 million to the Medical Marijuana Regulation and Safety Act Fund, which will, in the future, be the repository for all fees collected by the licensing authority.
  - Adopted placeholder trailer bill language for portions of the proposed budget trailer bill related to Senate Budget Subcommittee No. 4's purview, while conforming to actions taken in Senate Budget Subcommittee No. 2 on Natural Resources, Energy, and Senate Budget Subcommittee No. 3 on Health and Human Resources.
  - Approved first-year costs for the IT project. Rejected out-year costs, without prejudice, with interest in maintaining legislative and departmental oversight of the IT system while supporting the collaboration of departments in the implementation of the Bureau and licensing needs.
- **Information Technology.** The Senate approved funding for several projects, including:
  - **Department of Insurance's Menu Modernization Project – Year 3.** The committee approved \$2.7 million (\$1.8 million Insurance Fund, \$962,000 General Fund) to support four positions and 2.5 temporary help positions to replace the legacy Menu and Integrated Database.
  - **Secretary of State's California Business Connect.** The committee approved \$2.6 million for the CalBusiness Connect Project, which will automate paper-based processes, allow fee payments to be processed within one business day, and allow businesses to file records online.
  - **Secretary of State's CAL-ACCESS.** The committee approved the \$757,000 for the project's alternatives analysis phase. The CAL-ACCESS system provides limited summary financial information of state candidates, donors, and lobbyists.

- **Cybersecurity.** The Senate approved \$1.6 million (Technology Services Revolving Fund) in the budget year and ongoing, and 11 permanent positions for the Department of Technology to complete security audits of departments, with 15 audits to be completed by 2017, and to create a three-year auditing cycle for all noncompliant entities. The audit team will review departments' compliance with mandated state and federal IT policies. The committee also proposed to increase from \$774,000 to \$1.4 million reimbursement authority for the California Military Department's Cyber Network Defense Team, to conduct assessments of 35 state entities for network vulnerabilities. In both proposals, the audited or assessed entity must pay for the audit or assessment.
- **Support for Victims of Crime.** The committee approved to distinguish the Office of Emergency Services' federal emergency response and disaster relief funding apart from its federal victim services funding. In addition, the committee approved shifting the government claims responsibility of the Victim Compensation and Government Claims Board (VCGCB) to the Department of General Services, and adopted placeholder trailer bill language to rename the VCGCB as the Victims Compensation Board.
- **Veterans Affairs.** The committee approved a package to improve the delivery of care for veterans who reside in the eight homes; veterans' services and claims; and the state's oversight of the 57 county veteran service offices.
  - **Transition Assistance Program (Cal-TAP).** Approved \$813,000 General Fund for seven positions to implement the development of Cal-TAP for veterans, discharged from the Armed Forces of the United States or the National Guard of any state, into civilian life.
  - **Veterans Homes.**
    - **Capital improvements.** Approved various improvements including: \$5.9 million General Fund to renovate Yountville's main kitchen; \$592,000 in the budget year, and \$585,000 ongoing, for food service delivery changes in the Redding and Fresno homes.
    - **Staffing.** Approved \$2.9 million General Fund in the budget year, and \$2.7 million General Fund ongoing, for 32 positions to address nursing care shortages in Yountville, Barstow, and Chula Vista homes; \$3.3 million General Fund and 32 positions to staff the last skilled nursing facility-memory care (SNF-MC) unit in the West Los Angeles home; \$1.7 million (\$1.6 million General Fund and \$103,000 special fund) for 15 positions to support information services, contracts, and other administrative support services; and \$185,000 General Fund in the budget year, and \$181,000 General Fund ongoing, to fund 2.5 positions to support the Northern California Veterans Cemetery.
    - **Veterans Housing and Homeless Prevention Program.** \$406,000 (Housing for Veterans Fund) in the budget year, and \$384,000 (Housing for Veterans Fund) ongoing.

- **Veteran's Homes in the 21<sup>st</sup> Century.** The committee adopted supplemental reporting language that requires the Legislative Analyst's Office, by March 15, 2017, in coordination with the Department of Veterans Affairs and Department of Finance, to report to the Legislature on recommendations to improve the delivery of care, provide an analysis on needs and gaps, and whether services provided in the Homes align with veterans' needs in the community, such as housing, employment assistance, or behavioral or mental health services.
- **District Offices.** Approved \$1.7 million General Fund ongoing, for 16 positions to repurpose existing responsibilities of the department's strike teams to target full developed claims and improve veteran representation at three district offices (Los Angeles, Oakland, and San Diego).
- **Military Department.** The committee approved \$670,000 General Fund to support the Work for Warriors program. The committee also approved eight capital outlay proposals, totaling \$24.4 million (\$15.6 million General Fund, \$8.8 million federal funds) to support the following projects:
  - **Consolidated Headquarters Complex.** \$6.9 million General Fund to develop the performance criteria and request for proposal to consolidate the current Joint Force Headquarters in Sacramento, Old Placerville facility, the Mather Annex, the B Street Warehouse, and the San Luis Obispo offices into one headquarters complex.
  - **San Diego Readiness Center Renovation.** \$3.4 million (\$1.7 million General Fund and \$1.7 million federal funds) for the first phase of construction to add 4,400 square feet to the existing facility and modernize lighting, electrical, HVAC, and plumbing.
  - **Santa Cruz Armory Renovation.** \$4 million (\$2 million General Fund, \$2 million matching federal funds) for the performance criteria and design-build phase.
  - **Escondido Armory Renovation.** \$4.1 million (\$2 million General fund, \$2 million matching federal funds) for the performance criteria and design-build phase. With the renovation, the existing 133 soldiers, and an additional 25 soldiers, will be accommodated.
  - **Eureka Armory Renovation.** \$5.6 million (\$2.8 General Fund, \$2.8 million matching federal funds) for the performance criteria and design-build phase.
- **Immigrant Integration.** The Senate plan incorporates the funding for the Director of Immigrant Integration within the Governor's office. The director serves as the statewide lead for the planning and coordination of immigrant services and policies in the state.
- **Office of Emergency Services.** The committee approved significant investments in the department's activities related to fire response, disaster coordination, infrastructure, drought and tree mortality response.
  - **Drought Funding.** The Senate approved the Administration's request of \$26.7 million General Fund (\$4.5 million General Fund in state operations, \$22.2 million General Fund in local assistance for the California Disaster Assistance Act [CDAA] program) to support

ongoing drought operations (long-term activation of the State Operations Center and Regional Operations Centers, responses to local assistance centers, the public information office's drought campaigns and public awareness, and the temporary tank program).

- **Tree Mortality.** The committee also included an increase of \$30 million General Fund for the CDAA program to remove hazardous trees from public rights-of-way and away from public infrastructure.
- **Early Earthquake Warning System.** The committee approved \$10 million General Fund and four positions to support the initial implementation of a California Earthquake Early Warning System.
- **Emergency Response.** The committee amended the Governor's budget proposal, and approved \$16.3 million General Fund and 53.5 positions for the department's fire response, disaster coordination, facilities, and other technological requests. The approved package includes, among others: \$10 million General Fund for replacement apparatus (around 25 fire engines); \$1.7 million General Fund for seven positions associated with existing fire and rescue branch staffing needs; \$1.1 million General Fund for four positions in the department's law enforcement and homeland security branch; and, \$1 million General Fund for the departments GIS software and other hardware needs;
- **Department of General Services Infrastructure Projects.** The committee approved funding for several infrastructure projects, including:
  - **Capitol Irrigation Project.** \$1.7 million in existing lease-revenue bonds to provide a reclaimed water system to reuse cooling tower water from the Sacramento Downtown Central Plant as irrigation water for the Capitol Park.
  - **State Buildings and Offices.** The Senate plan significantly altered the Governor's proposals for replacing or renovating state office buildings. The Senate plan sequesters \$1 billion in a capital reserve fund for the purposes of replacing or renovating state offices and buildings, including, but not limited to, those structures designated by the Governor. The funds in the reserve would be subject to annual appropriation by the Legislature. In addition, \$10.1 million is appropriated from the fund for planning and design work.
- **Deferred Maintenance.** The Senate sets aside and gives Department of Finance (DOF) the authority to allocate \$500 million through Control Section 6.10 to various state departments and entities for deferred maintenance, including: water resources, state hospitals, judicial branch, parks and recreation, corrections and rehabilitation, and higher education. The action includes budget bill language requiring notification of changes to the Joint Legislative Budget Committee for projects changes of \$1 million or more.
- **Investment in the Arts.** Investment in the Arts. The committee included \$10.8 million General Fund (an augmentation of \$6.8 million General Fund above the \$4 million General Fund proposed in May Revision) and four positions (an augmentation of two positions above the two positions proposed in the May Revision), and \$12.8 million General Fund in 2017-18, and ongoing, to expand the Arts in Corrections program to all state prisons and increase arts programs in underserved communities. Specifically, the Senate's investment of \$10.8 million includes:

- \$4 million General Fund in 2016-17 and \$6 million General Fund in 2017-18 and ongoing and two permanent positions to expand the Arts in Corrections program to all 35 state prisons. The funding is provided to the California Arts Council (CAC) through an interagency agreement with the California Department of Corrections and Rehabilitation (CDCR).
- An ongoing \$6 million General Fund and two permanent positions for programs designed to serve populations and communities, who are underrepresented in the arts and, generally, have reduced access to arts programs. The adopted placeholder budget bill language defines underrepresentation populations to include: rural; low income; inner city communities; historically underserved ethnic and cultural communities; people with disabilities; veterans; youth in the juvenile justice system; people who are homeless; and/or people with mental illnesses.
- An ongoing \$800,000 General Fund to create a reentry/bridging pilot project to facilitate and expand arts programs to assist an inmate's transition from incarceration into the community, and prevent an individual on probation, parole, or post-release community supervision, from being incarcerated.
- **No Place Like Home (NPLH).** The Senate approved its NPLH initiative to help address homelessness. The initiative provides \$2 billion (repaid by Proposition 63 funds) for a grant program to develop supportive housing for individuals with mental illness who are chronically homeless. In addition, the Senate provided \$43 million General Fund to provide a \$10 total monthly increase in Supplemental Security Income/State Supplementary Payment (SSI/SSP) program grants to low-income persons who are aged, blind, or have a disability; \$50 million General Fund (for two years) for SSI outreach; \$50 million General Fund (for four years) for temporary housing for homeless persons; \$15 million General Fund for the CalWORKs Housing Support Program; and \$10 million General Fund for the Bringing Families Home program.
- **Affordable Housing Legislation.** The Senate held open the Administration's "by right" proposal to allow for further discussion in conference committee. This proposal would create ministerial "by right" land use entitlements for multifamily infill housing developments that include affordable housing. The Senate did not approve a proposal by the Administration to consolidate various down payment assistance programs into one program and to change the eligible recipients of the loans from first-time homebuyers to low- and moderate-income homebuyers and directed the proposal be heard by the policy committee in this legislative session.
- **Fair Employment and Housing Enforcement.** The Senate approved \$2.5 million (General Fund) and 28 positions for 1) enforcement investigation of complaints of civil rights violations and 2) to respond to public records act requests. The Senate required the Department of Fair Employment and Housing to report on its performance regarding enforcement activities in order to help it assess the impact of the additional enforcement staff. In addition, the Senate provided \$3.4 million (\$1.9 million General Fund) and three positions to replace DFEH's case management system.
- **Affordable Housing and Sustainable Communities.** The Senate approved an augmentation of 11 positions (funded with Greenhouse Gas Reduction funds) at the Department of Housing and Community Development for implementation of the Affordable Housing and Sustainable Communities program.

## FINANCIAL MANAGEMENT

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

- **State Treasurer’s Office.** The committee approved a number of items intended to upgrade and improve the functioning of the State Treasurer’s Office (STO), including:
  - **Debt Management System.** The Senate continued funding in 2016-17 of \$6.3 million (bond funds) for the STO’s debt administration and management system.
- **State Treasurer’s Boards, Commissions and Authorities.** The committee addressed several issues related to the functioning of several state board, authorities and commissions, specifically:
  - **California Secure Choice Retirement Savings Investment Board.** The committee approved the appropriation of funding to allow for the continued implementation using federal and non-state funding. In addition, approved a loan from the General Fund of \$1.5 million over two years to cover implementation and administration.
  - **California Tax Credit Allocation Committee (CTCAC).** Approved additional funding from developer fees for the administration of the compliance monitoring for affordable rental housing as well as authorized support for the administration of federal and state mandates for the Low-Income Housing Tax Credit (LIHTC). In addition, trailer bill language was approved that allows for additional efficiency in the use of the LIHTC.
  - **California Memorial Scholarship Program.** The Senate approved \$236,000 (General Fund) to provide scholarships for surviving dependents of residents killed in the September 11, 2001 terrorist attacks.
  - **California Debt Limit Allocation Committee (CDLAC).** The Senate plan approves resources of \$132,000 and a position, to continue the effective administration of its workload associated with allocating tax-exempt private activity bond authority.
  - **California School Finance Authority.** Adopted additional resources to support workload for the state-funded Charter School Facility Grant program and the federal Charter School Facilities Grants program due to an increase in charter schools applying for program funding.
  - **Achieving a Better Life Experience.** In order to carry out the initial implementation and administration of the ABLE program, the Senate plan approves a loan of \$850,000 to be repaid within five years.

- **State Controller’s Office (SCO).** The committee approved base funding for the agency and acted on a number of items intended to upgrade and improve the functioning of the SCO, including:
  - **Accounting Workload.** The Senate approved additional resources for new personnel to enable the SCO to continue to maintain state-wide cash management services.
  - **Personnel and Payroll Workload and Systems.** The Senate plan incorporates additional resources of \$1.3 million (General Fund) for both personnel and systems to address ongoing workload associated with the SCO legacy systems that must be maintained.
  - **21<sup>st</sup> Century Project Activities.** As part of the aftermath of the 21<sup>st</sup> Century Project failure, the SCO has been provided \$4.8 million (special funds and reimbursements) to continue its efforts at cost recovery and expenses needed to maintain existing systems. Included in the SCO budget is \$2.4 million (\$1.3 General Fund) to provide resources to assess the 21<sup>st</sup> Century Project and refine the scope of a future payroll project.
  - **Personnel and Payroll Training.** The SCO will receive resources to allow it to meet the ongoing training needs of departments for personnel and payroll purposes, which will result in reduced state costs.
  - **Legislation Workload.** The Senate approved additional funding of \$1 million to address additional workload associated with the Affordable Care Act and the California Public Employees’ Pension Reform Act.
  - **Financial Information System for California (FI\$Cal)** The SCO received funding of \$1.7 million (General Fund and various other funds) to provide additional activities for the agency related to the FI\$Cal project.
  - **Unclaimed Property.** The SCO will do a substantive reworking of the unclaimed property division requiring \$2.2 million, which will streamline procedures, increase outreach, and prevent and detect fraud in the Unclaimed Property Division.
  - **California Automated Travel Expenses (CalATERS).** The agency will receive under the Senate plan, \$1.1 million (General Fund and various other funds) to fund three positions to continue the study of replacement options for CalATERS and maintain the current system.
  - **Post-Employment Benefits Administration.** The SCO will receive \$883,000 and eight positions under the Senate plan, for the purposes of automating the deduction, remittance, reporting for Other Post-Employment Benefit (OPEB) prefunding.
- **Department of Finance.** The Senate increased funding for the DOF to provide \$400,000 and budget bill language to provide resources for the Office of State Evacuations and Audits to do a comprehensive report regarding tax compliance and enforcement activities at the Board of Equalization to ensure continued effectiveness.



- **Financial Information System for California (FI\$Cal).** The committee approved significant resources totaling \$45.1 million of additional funding for FI\$Cal to support the project and the establishment of a department. In addition, trailer bill language was approved establishing a stand-alone department for the project.
- **Governor’s Office of Business and Economic Development (GO-Biz).** The Senate plan incorporates several proposals related to Go-Biz, including:
  - **California Competes Tax Credits.** The Senate plan approves trailer bill language that clarifies the agency’s ability to negotiate agreements for California Competes tax credits using a variety of assessment tools.
  - **Zero Emissions Vehicle (ZEV) Infrastructure.** This appropriation for personnel will extend staffing authorization and allow for the continuation of the effort to develop ZEV charging stations throughout the state.
  - **California Infrastructure and Economic Development Bank (IBank).** The Senate plan provides funds for additional workload activity for the IBank, with \$1.5 million of additional funds to administer the Small Business Finance Center, bond programs and loan programs. The Senate also provides \$50 million in cap-and-trade funds for energy financing.
  - **Go-Biz.** Included in the Senate plan is funding to allow the GO-Biz to establish administrative capabilities in the areas of human resources, business services, and contracts and procurement units.
  - **California Small Business Development Center (SBDC).** The Senate plan approves a requested \$1.5 million for SBDC that will allow the state to draw down federal matching dollars to provide training and technical assistance to small businesses through the SBDC network.
  - **California Travel and Tourism Commission.** The plan alters the selection of officers on the commission, which seeks to further the development of tourism in the state.
- **Tax Agencies.** Both the Franchise Tax Board (FTB), which administers the personal income tax and the corporation tax, and the Board of Equalization (BOE), which administers the sales and use tax, fuels excise taxes, and other taxes and fees, are engaged in large data and technology improvement projects. FTB received additional substantial funding of \$68 million (General Fund) for its enterprise data to revenue (EDR) project, \$53.3 million of which is a payment to the vendor. The benefits-funded project is estimated to result in \$4 to \$4.7 billion in revenue over the life of the project. BOE received one-year funding of \$17.5 million (various funds) to continue work on the centralized revenue opportunity system (CROS). The Senate also reduced the ability of Department of Finance to augment this amount, and requires a report from the BOE on the project in October, 2016. Other proposals adopted and incorporated include:

- **Franchise Tax Board.** The FTB received additional funding of \$3.4 million (General Fund) to refresh and expand the network infrastructure which is reaching end of life. FTB received funding of \$8.2 million (General Fund) and 101 permanent positions to work down the accumulated inventory of accounts receivable. In addition, FTB received limited-term funding of \$7.7 million (General Fund) and 85 positions related to customer service, taxpayer information and compliance activities. The FTB also received \$2 million (General Fund) to provide resources for non-profit and community groups for doing outreach to potential participants in the state's Earned Income Tax Credit program initiated last year. Trailer bill language was adopted to allow for a one-year delay in the claiming of the strategic aircraft tax credit.
- **Board of Equalization.** The BOE received additional funding for several areas of tax and fee collection that it administers, including \$300,000 (federal funds) for the agency's continued participation in a national fuel tax compliance effort, and \$1.4 million (special funds) to administer the fire prevention fee. The budget also includes \$5.1 million (\$3.3 million General Fund) and 30 permanent and limited-term positions for appeals and settlement programs. BOE will receive \$821,000 (fee revenue) and two positions to administer the fee imposed on hazardous materials transported by railcar. The BOE received \$1.3 million (special funds) under the Senate plan to continue administrative activities associated with the surcharges on prepaid mobile communication devices. The reserves of the Cigarette and Tobacco Products Compliance Fund were reduced by \$5.2 million, allowing these resources to flow to the General Fund, Breast Cancer Fund, California Children and Families First Fund, and various environmental and health programs. The Senate plan also incorporates language requiring BOE to examine its physical office needs in view of improvements in electronic registering, filing and providing customer access.
- **Budgetary and Other Debt Repayment.** The Senate plan incorporated an aggressive pay-down of budgetary debt through the Proposition 2 mechanism, and shifted a payment for retiree health under the Proposition 2 debt payment umbrella. This shift results in a reduction in the amount of special loans paid down in 2016-17 from \$692 million to \$452 million. The \$240 million is then paid off in subsequent years such that the balance of special loans yet to be repaid in 2019-20 is the same as under the Administration's plan. Interest on outstanding borrowing is \$45.1 million.
- **State Reserve Funds.** The Senate plan devotes the same amount of resources to budgetary reserves, but instead of depositing the discretionary \$2 billion into the Budget Stabilization Account (BSA), it would retain the \$2 billion in the state's Special Fund for Economic Uncertainties (SFEU). The Senate's plan would result in total reserves of \$9.0 billion, with \$4.3 billion in the SFEU and \$4.7 billion in the BSA. This approach would permit for the use of additional resources in situations that fall short of a fiscal emergency, but are still unexpected based on cause or magnitude. This would address unexpected legal judgments, department cost overruns, or similar unexpected events.

## LOCAL GOVERNMENT

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

- **Commission on State Mandates.** The Senate approved the Governor's plan to fund mandates related to public safety and property taxes, at a cost of \$45.5 million. The Senate acted to suspend numerous mandates that have been suspended in prior years, for a savings of almost \$531 million, and funded mandates related to elections, at a cost of \$76.5 million (General Fund). The committee approved trailer bill language to improve and tighten up the Reasonable Reimbursement Methodology for local government mandate claims. The plan also funds the Post-Election Manual Tally mandate.
- **Local Government Revenue Losses.** The Senate budget includes \$1.9 million (General Fund) for Calaveras and Lake counties to backfill property tax, sales and use tax, and transient occupancy tax losses due to last year's wildfires.
- **Subventions for Counties for Insufficient ERAF.** The committee approved one-time funding totaling \$393,000 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.
- **Property Tax Assessors Partnership.** The budget includes continued funding of \$4.4 million (General Fund) for the partnership program with local assessors, an effort that is designed to improve property assessments and administration through the state with participating counties.
- **Local Law Enforcement Reimbursement.** The Senate plan includes \$10 million (General Fund) to reimburse local law enforcement agencies for the costs of tracking and recording information of stops by local law enforcement.
- **Transitional Housing Grants.** The Senate incorporated the Governor's proposal to allocate \$25 million in grants to local governments as a means of addressing costs associated with locating transitional housing. The proposal includes provisional language and implementing trailer bill language governing the program.

## TAXES AND REVENUES

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

- **State General Fund Revenues.** The Senate plan adopts the Administration's May Revision revenues that are expected to be about \$1.9 billion lower than the Governor's January expectations for the three year period (2014-15, 2015-16 and 2016-17). The overall reduction is due to several partially offsetting factors: a reduction in personal income tax receipts related largely to capital gains declines; a revenue reduction from realigned insurance tax and corporation taxes for managed care; and, an increase from corporation taxes due to accruals. After accounting for transfers, General Fund revenues are estimated to be down from January by \$537 million in 2015-16 and \$553 million in 2016-17. For the three big taxes, personal income taxes are higher by \$90 million in 2014-15, and down by \$1.4 billion in 2015-16 and \$448 million in 2016-17. Corporation taxes are up by about \$452 million over the three-year period, due largely to technical factors and accrual methodologies. Sales tax revenues are down modestly from the January forecast by \$460 million over the three-year period.
- **Local Property Taxes.** The Senate plan adopts the Legislative Analyst's Office estimates for local property tax revenues. The Governor's May Revision includes property tax revenues that offset Proposition 98 General Fund spending. The Administration forecasts property assessed value will grow 5.9 percent in 2015-16 and 6.2 percent in 2016-17. This reflects the Administration's economic forecast, which indicates that home prices will continue to increase along with housing permits. Local property K-14 tax revenue is forecast to be \$17.1 billion in 2014-15, \$19.4 billion in 2015-16 and \$21.0 billion in 2016-17. The Senate plan assumes assessed value growth rates estimated by the Legislative Analyst's Office which are very similar to those of the Administration. However, the revenues derived from these assumptions that benefit the General Fund by offsetting the state's obligation to satisfy the Proposition 98 vary significantly from the Administration's. LAO's estimated property tax revenues are higher by \$385 million over the three-year period (2014-15, 2015-16, and 2016-17).

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Corrections, Public Safety, and  
the Judiciary

## PUBLIC SAFETY

The Senate took action to augment the Administration's proposals to reduce recidivism by providing additional in-prison programs and treatment and to reduce involvement in the criminal justice system by investing in programs that strengthen communities.

- **\$250 million investment in communities not jails.** The Senate rejected the Governor's proposal to spend \$250 million in General Fund on jail construction for counties that had not received any of the previous \$2 billion in funding or had only received partial grants. Instead the Senate invested the \$250 million in programs designed to reduce people's involvement in the criminal justice system. Specifically, the Senate:
  - Provides \$100 million for grants for infrastructure upgrades and/or expansions to assist communities in providing services to combat homelessness, human trafficking, domestic violence, and provide mental health or substance use disorder treatment.
  - Provides \$80 million to build capacity for the continuum of children's mental health crisis services.
  - Provides \$29 million for local law enforcement to strengthen community relationships, combat crime and reduce the impact of the drug epidemic including funding for diversion, local law enforcement training, and resources to mitigate the impact of drug overdoses.
  - Provides \$28 million to help counties reduce teen pregnancies among at-risk youth and the spread of sexually-transmitted diseases.
  - Provides \$3 million for enhanced substance use disorder treatment and reentry support services for inmates and former inmates.
- **Community Law Enforcement Grants.** The Senate rejected the Governor's proposal to provide \$20 million General Fund to cities for front line law enforcement. Instead, the Senate provided \$29 million General Fund to provide targeted support for local law enforcement. This includes \$21 million for the Board of State and Community Corrections (BSCC) to establish a law enforcement assisted diversion (LEAD) pilot project which allows law enforcement officers to redirect low-level offenders engaged in drug or prostitution activity to community-based services, instead of jail and prosecution; \$3 million for BSCC to establish a grant program for local law enforcement agencies to reduce the rate of fatal drug overdose caused by prescription analgesics and other drugs; and \$5 million to the Department of Justice to provide implicit bias training to local law enforcement agencies.
- **Increased Programming for Inmates.** The Senate approved the Governor's proposals to increase programs for long-term and life-term inmates, and education programs for all inmates; provide more substance use disorder treatment and cognitive behavioral therapy; and expand the arts in corrections and innovative programming. In addition, the Senate augmented the proposals by including \$10 million General Fund for restorative justice and offender responsibility programming

targeted at long-term offenders; \$3.2 million General Fund to reestablish the artist/facilitator positions at all 35 prisons; and expanded the Governor's one-time \$3 million for innovative programming grants to on-going funding for innovative grants. Finally, the Senate adopted trailer bill language expanding extended family visits to include inmates serving a life-term who would otherwise be eligible for such visits based upon their good behavior in prison.

- **Workforce Excellence.** The Senate approved in concept the Governor's May Revision proposal to provide \$4 million General Fund for CDCR to increase its leadership training efforts, evaluate its current workforce, and create a succession management plan. In order to ensure that the funding is used to improve the culture in the state prisons and promote workplace excellence, the Senate added budget bill language requiring that the funding be used to develop and implement a Workforce Excellence Program. In addition, the Senate augmented the Governor's proposed funding by \$2 million General Fund to create a mentor program that will train supervisors to mentor new correctional officer cadets. Finally, the budget committee included \$1 million General Fund for innovative management grants, which will allow CDCR leadership to explore institution-based management initiatives which promote workforce excellence. Areas of innovation may include programs that employ intra-institution collaborations to measure and improve the effectiveness of prison yard programming and security for staff and inmates; programs that assess and promote the occupational, personal and family well-being of the department's workforce; programs that provide resilience training and occupational wellness for correctional staff; and any other promising approaches designed to support the capabilities of the department's workforce.
- **Increased Investment in Assisting Inmates as They Transition from Prison Back to Their Communities.** The Governor's budget and May Revision included a variety of investments in programs designed to assist inmates at the end of their sentences with their transition back into their communities. For example, the budget includes an expansion of alternative custody programs, community reentry programs, and custody to community transitional reentry program. In addition to approving the proposed expansions, the Senate adopted trailer bill language authorizing CDCR to expand their community reentry program placements to inmates who are in the last 12 months of their prison sentence. In addition, the budget committee provided funding to the Arts Council to create a reentry/bridging pilot project to facilitate and expand arts programs designed to help inmates transition from incarceration back into their community, and prevent those on probation, parole, or post-release community supervision from being incarcerated.

## JUDICIAL BRANCH

The Senate largely approved the Governor's budget proposal to provide approximately \$4 billion for the judicial branch. The budget includes \$146.3 million in new funding. The new funding is allocated for language access expansion in civil proceedings, workload associated with Proposition 47 implementation, Trial Court Trust Fund revenue shortfall backfill, and court construction projects.

- **Dependency Counsel.** The Senate increased funding for dependency court attorneys in 2016-17, and on-going, by \$29 million General Fund. In addition, the Senate adopted budget bill language holding those counties harmless who currently have attorney-client caseloads that are lower than the current maximum caseload of one attorney to every 188 clients.
- **Appellate Projects.** The Senate provided a \$2.2 million General Fund augmentation for the state's six appellate projects to allow them to continue providing competent representation in criminal and juvenile cases in the Courts of Appeal and death penalty cases in the Supreme Court (\$1.4 million combined for the five Court of Appeal appellate projects working on non-death penalty cases, \$800,000 for the Supreme Court appellate project working on death penalty cases).
- **Innovation Grants.** The Senate rejected \$30 million in one-time funding from the General Fund for trial and appellate court innovation, modernization, and efficiency projects.
- **Proposition 47 Savings.** The Senate reduced the overall budget for the trial courts by \$1.7 million General Fund to account for the estimated trial court savings resulting from the passage of Proposition 47.



## LABOR

The Senate provided significant resources to address concerns regarding the state's administration of unemployment insurance benefits. In addition, the Senate continued efforts to address backlog of labor cases.

- **Unemployment Insurance Administration.** Approved \$20.9 million (\$19.7 million General Fund, and \$1.2 million in special funds) for the Employment Development Department (EDD) to continue to improve the department's administration of the Unemployment Insurance program. This funding will provide staff and overtime funding to support service level improvements related to the timely processing of claims for unemployment benefits, responding to telephone calls and online inquiries, and scheduling eligibility determinations.
- **Public Employment Relations Board.** Approved a total of \$1 million General Fund and three positions for PERB to address the backlog of cases regarding unfair labor practice charges, as well as the relocation of its Glendale office.
- **Division of Labor Standards Enforcement Resources.** Approved \$4.9 million from the Labor Enforcement Compliance Fund to fund 28.5 positions to address the backlog of cases associated with the Wage Claim Adjudication unit and the Retaliation Complaints Investigation unit.
- **Private Attorney General Act (PAGA).** Approved 10 positions, and \$1.6 million from the Labor and Workforce Development Fund, to address the backlog of PAGA claims. Additionally, the Senate approved trailer bill language to establish a filing fee, the online submission of claims, and extends various timelines for review and notification of claims and claim decisions.
- **Civil Service Improvement.** Approved \$1.92 million (\$606,000 General Fund, \$848,000 Reimbursement, and \$462,000 from the Central Service Cost Recovery Fund) and 16 positions in 2016-17, and 17 positions and \$1.85 million (\$558,000 General Fund, \$874,000 Reimbursement, and \$426,000 Central Service Cost Recovery Fund) in 2017-18, and \$1.84 million (\$558,000 General Fund, \$864,000 Reimbursement, and \$426,000 Central Service Cost Recovery Fund) in 2018-19, to implement civil service improvement reforms and to identify new areas for improvement.
- **Workforce Investment Opportunity Act.** Approved an increase of \$22 million in the Workforce Investment Opportunity Act Discretionary Fund to reflect an increase of discretionary funds from 10 percent to 15 percent of the federal allotment.

## PUBLIC EMPLOYMENT AND RETIREMENT

The Senate's budget plan continues to pay down the California State Teachers' Retirement System (CalSTRS) \$74 billion unfunded liability over 32 years, consistent with the plan enacted in AB 1469 (Bonta), Chapter 47, Statutes of 2014; funds state retirement contributions, and approves some of the Administration's plan that increases the transparency of the costs associated with the administration of the state's health care benefit.

- **California Public Employees' Retirement System (CalPERS).** The Senate approved the newly adopted state employer contribution rates resulting in total state costs of \$452.8 million. This is a decrease of \$89.8 million from the \$542.6 million included in the Governor's budget. Of the \$89.8 million decrease, the General Fund amount is \$43 million, special funds are \$32.8 million, and other nongovernmental cost funds are \$14.1 million. Also, the Senate approved the reduction of the CalPERS fourth quarter deferral by \$7 million General Fund from the Governor's budget to reflect the changes in retirement rates. The reduction reflects the impact of employees entering the system under the reduced benefit formula, pursuant to the Public Employees' Pension Reform Act of 2013 and greater-than-expected contributions to the system.
- **CalPERS Health Benefit Administration.** The Senate approved budget bill and trailer bill language to increase the transparency of the expenditures from the two funds that CalPERS uses to pay for its health care program administrative expenses. The Senate rejected both budget bill and trailer bill language related to risk adjustment and administrative expenses for local governments and directed the Administration to pursue consideration of these items in the policy committees.
- **CalSTRS Unfunded Liability.** The Senate approved \$1.2 billion for the state's share to eliminate the CalSTRS unfunded liability. Rates for teachers and the state will increase through 2016-17, whereas district rates will increase through 2020-21.