



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

SENATOR MARK LENO, CHAIR

MAJOR ACTION REPORT

May 28, 2014

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 23, 2014.

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

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2014-15 Senate Budget

Summary

This document provides a high level summary of major actions that are included in the Senate version of the 2014-15 budget, as adopted by the Senate Budget and Fiscal Review Committee on May 23, 2014. The Senate Budget and Fiscal Review Committee approved various actions on that date that, when combined with the actions taken in the 60 meetings of the five subcommittees, comprise the Senate version of the 2014-15 budget act. The Senate budget plan carefully balances the need for additional public investment in education, health care and other programs, with the necessity of maintaining the state's fiscal stability through increased reserves and debt reduction. Overall, the Senate's budget is structured very much like the Governor's May Revision proposal, in that it:

- Builds up reserves.
- Focuses on paying down debt.
- Fully funds existing programs and commitments.
- Uses the best fiscal information available.
- Factors in the impact on the out-years.
- Limits new spending to targeted investments.

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

- Benefit educational programs from pre-school through college through:
 - Investments of significant resources in early childhood education that will expand capacity, increase rates for services, and ensure that all low-income 4-year olds are served.
 - Increased resources directed to the Local Control Funding Formula implementation, Common Core curriculum, career technical education, full pay-down of the K-14 deferrals, and more resources for UC and CSU.
- Improve California's health care system by targeting certain components, including increasing Medi-Cal provider rates, restoring certain optional Medi-Cal benefits, and adding funding for specific specialized programs.
- Commit additional resources to build up and improve the state's court system, establish new and better rehabilitation programs and initiatives to reduce recidivism, and provide additional targeted reinvestment.

- Incorporate a long-term plan to address the unfunded pension liability of the California State Teacher's Retirement System (CalSTRS) by putting in place a payment system based on shared responsibility of the state, local school employers and employees.
- Continue to make substantial inroads on reducing California's "wall-of-debt" that are consistent with the Governor's overall plan and will succeed in placing the state on firm fiscal footing.

Resources, Expenditures and Reserves

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

	May Revision		Senate Version	
	Revised 2013-14	Proposed 2014-15	Revised 2013-14	Proposed 2014-15
Prior Year Balance	\$2,429	\$3,903	\$2,121	\$4,113
Revenues and Transfers	\$102,185	\$105,346	\$102,728	\$107,702
Total Resources Available	\$104,614	\$109,249	\$104,849	\$111,815
Non-Proposition 98 Expenditures	\$57,980	\$63,304	\$57,911	\$62,979
Proposition 98 Expenditures	\$42,731	\$44,462	\$42,825	\$47,006
Total Expenditures	\$100,711	\$107,766	\$100,736	\$109,985
Fund Balance	\$3,903	\$1,483	\$4,113	\$1,830
Reserve for Liquidation of Encumbrances	\$955	\$955	\$955	\$955
Special Fund for Economic Uncertainties	\$2,948	\$528	\$3,158	\$875
Budget Stabilization Account	-	\$1,604		\$1,640

The Senate's version of the budget includes total General Fund expenditures of \$110.1 billion for 2014-15, an expenditure level which is roughly \$2.3 billion above the May Revision levels. This represents an increased level of spending over that of the May Revision of approximately 2.1 percent.

The Senate's version of the budget adopts the LAO's revenue assumptions of \$107.7 billion which is \$2.4 billion higher than the May Revision, and somewhat higher property taxes that offset Proposition 98 spending. The Senate plan provides for substantial reserves, similar to the Governor's plan, and continues to pay down long-term and budgetary debt. In addition, the Senate balances these with targeted prudent investments

in education, health care, and other areas that will improve the state's human and social capital.

The Senate's version of the budget provides for a \$2.5 billion General Fund reserves, comprising combined amounts from Special Fund for Economic Uncertainties (SFEU) plus deposits to the Budget Stabilization Account (BSA). This represents an amount \$383 million above the reserve totals presented in the May Revision. In addition, under the Senate version of the budget, the state would have higher reserves and bigger operating surpluses in the out-years than projected in the May Revision.

Expenditure Highlights

The Senate budget plan makes selected investments in California's future by devoting resources to education, corrections and rehabilitation, the court system, health care, human services, and other investments.

Non-Proposition 98 Expenditures. The Senate plan allows for additional investments on the Non-Proposition 98 side. Specific augmentations total about \$1.0 billion, including \$500 million for health and human services, \$180 million for higher education, \$160 million for criminal and civil justice programs, and \$120 million for other programs. Principal investments are listed below.

- **Human Services.** The Senate plan provides an increase of \$210 million for In-Home Supportive Services (IHSS) to pay for overtime pursuant to federal regulation, and temporarily rescind the 7 percent reduction in service hours for recipients. It also includes \$29 million for developmental services, including "Early Start" services for infants and toddlers with developmental disabilities, supported employment services for persons with developmental disabilities, and payment of overtime services for in-home respite, personal care and supported living workers, consistent with new federal regulations. The plan also includes \$20 million for additional services to combat child sexual exploitation.
- **Health Care.** The Senate budget proposal allows for \$120 million for rate increases for selective Medi-Cal providers, to ensure that the Medi-Cal recipients have adequate access to care in their communities, including \$50 million to provide additional autism services (known as applied behavioral analysis therapies) to young children. It also adds \$25 million for various health services, including restoring previously-eliminated Medi-Cal services (such as podiatry, optometry, etc.), health prevention services, etc. Finally, \$9 million is allocated for restoration for specific public health programs that have proven to be effective in improving people's health (the Black Infant Health Program and HIV prevention program).
- **Courts and Corrections & Rehabilitation.** The plan adds \$121 million for the trial courts, to ensure access to justice, and provides \$43 million for additional rehabilitation services for inmates and parolees, to reduce the cycle of reincarceration and overcrowding in state prisons. This amount is on top of the \$91

million from the Recidivism Reduction Fund that was included in the Governor's May Revision.

- **Higher Education.** The Senate budget proposal increases higher education resources by \$177 million for University of California, California State University and CalGrants, to ensure access to higher education for students.

Proposition 98 Education Expenditures. The Senate budget plan uses the LAO projections for the Proposition 98 guarantee, which are \$2.5 billion higher than the May Revision because of higher revenue estimates in the current and budget years. These revenues are used to conform to some of the Governor's proposals but also make important new investments.

- **Early Childhood Education.** A centerpiece of the Senate plan is significant improvements in early childhood education (ECE), through a multiyear investment in early learning and care systems, including restoration of lost slots in current ECE programs, modernize rates for service, providing pre-kindergarten opportunities for all low-income 4 year-olds, and increasing program quality programs. The plan would replace existing programs with the California Pre-Kindergarten Program—a targeted and voluntary pre-K program for all low-income 4-year olds whom are ineligible for kindergarten. Local educational agencies would ramp up this program over five years.
- **Local Control Funding Formula.** The Senate proposes to set aside an additional \$330 million in Proposition 98 resources above the Governor's \$4.5 billion to accelerate the full implementation of the Local Control Funding Formula (LCFF). These unrestricted resources will provide for additional support for local educational agencies program needs in a variety of areas. In addition, within this amount are designations for Home-to-School Transportation and Career Technical Education.
- **Common Core.** The Senate proposal includes \$550 million in additional funding to provide adequate support for the successful implementation of the Common Core curriculum, which would include \$26.7 million for the Governor's High Speed Network to enhance comprehensive network connectivity. Given the shift in educational orientation and coverage, the investment will allow local educational agencies to make significant investments in professional development, instructional materials, and technology.
- **Career Pathways.** The Senate plan seeks to build stronger connections between our schools and businesses to better prepare students for the changing job market by placing a greater emphasis on career-based learning. Last year, the Legislature appropriated \$250 million in one-time state assistance to local educational agencies. Given the high demand on the initial year funding, the Senate proposes to appropriate an additional \$300 million in the 2014-15 budget to capitalize the California Career Pathways Trust.

- **Unpaid Mandates.** The state must reimburse school districts and community colleges for performing certain state-mandated activities. The Senate plan provides a down-payment of \$457 million on mandate claims owed to school districts and community colleges, consistent with the Proposition 98 package.
- **Pay-down of Deferrals.** The Senate budget plan incorporates the Governor's January plan, as adjusted by the May Revision, to pay off the \$6.2 billion in remaining K-14 deferrals. This would reduce the so-called "wall-of-debt" and ease cash flow for school districts and community college districts.

Overall and Long Term Outlook

The Senate plan represents a balanced approach, both in terms of revenues and expenditures, and with respect to savings and wise reinvestment. It focuses on reducing financial, social, and environmental costs down the road, while ensuring access to health care, higher education, and justice systems. Spending is kept in-check, with all new spending fully paid for from other budgetary savings and/or additional analytically-based revenue estimates.

The Senate's version of the budget is conservative on new spending, pays off debts, and increases the reserves. Preliminary calculations show that, if the Senate budget is adopted and the LAO revenue projections materialize, additional dollars could be available for debt payments, reinvestment in services, and reserves in 2015-16 through 2017-18. Since the taxes approved last November are temporary and start expiring at the end of 2016, this is a responsible way in which to fiscally position the state once the temporary taxes end.

Subcommittee No. 1
Education

K-14 EDUCATION

The Senate budget plan contains significant proposals in the K-14 education area. Based on Legislative Analyst's Office revenue for both the General Fund and property taxes, the plan provides for additional funding of \$2.5 billion above the Governor's proposal for 2013-14 and 2014-15. The Senate proposals include investments in a newly designed and funded early childhood education program, more funding for career technical education and Common Core curriculum implementation, an increase in resources for the Local Control Funding Formula (LCFF) above the Governor's proposal, and a down payment on K-14 unpaid mandate claims. In addition, the Senate plan maintains the Governor's plan to pay-off the remaining \$6.2 billion in deferrals.

CHILD CARE AND DEVELOPMENT

In a multi-year re-envisioning and reinvestment package, the Senate version of the budget restores all lost early childhood education slots by the 2016-17 budget year; provides additional funds for a full-day, full-year quality care and learning experience for all low-income four-year-olds with working parents; and, will review and modernize the reimbursement rate system. For the budget year, the Senate adopted its own \$700 million proposal for early childhood education, which includes the following components:

- **Restoration of 40,000 Child Care Slots.** The committee approved \$496 million (\$202 million for Alternative Payment; \$204 million for General Child Care; and \$90 million State Preschool) to restore 40,000 slots across all child care programs. Specifically:
 - General Child Care will gain an additional 18,500 slots;
 - Alternative Payment programs will have an additional 10,400 slots; and,
 - State Preschool will have an additional 22,600 slots.
- **Regional Market Rate (RMR) and Standard Reimbursement Rate Updates.** The committee approved \$40 million (\$10 million in CalWORKs Stage 1; \$14 million in CalWORKs Stage 2; \$9 million to CalWORKs Stage 3; and \$7 million to Alternative Payment) to increase the RMR to the 85th percentile of the 2010 survey, effective January 1, 2015. In addition, the committee approved \$74 million (\$36 million for General Child Care and \$38 million for State Preschool) to increase the Standard Reimbursement Rate (SRR) by 7.5 percent. The new SRR, with a maximum rate per day at \$22.81, begins July 1, 2014.
- **Funding for Quality Projects.** The Senate also approved \$100 million for a one-time investment in quality projects.

- **Restructure of Child Care Programs into Proposition 98-Guarantee.** The Senate shifted all child care and development programs into the Proposition 98-Guarantee, except for CalWORKs Stage 1, which has been historically funded through the General Fund.
- **California Pre-Kindergarten Program.** As part of the Proposition 98 package, the Senate added a proposal to finalize the state's transition from the December 2 eligibility date to September 2 for kindergarten entry. For the 2015-16 budget year, the Transitional Kindergarten program will be replaced by the new California Pre-Kindergarten Program (CPKP): a targeted, and voluntary, pre-K program for all low-income four-year-olds whom are ineligible for kindergarten. CPKP will provide quality opportunities in both school and community preschool settings. Also, the committee retained the 102,000 part-day, pre-K slots in the State Preschool program to be continued through community preschool providers. A new local education agency (LEA)-administered CPKP program will also begin in the 2015-16 budget year. LEAs will ramp-up this program over five years.

K-12 EDUCATION

The Senate budget plan allocates additional resources to existing K-12 programs. Implementation of the Common Core curriculum would receive additional one-time funding, as would Career Pathways Trust. Under the Senate proposal, funding for the implementation of the Local Control Funding Formula (LCFF) would also increase.

- **Common Core Support.** The Senate budget proposal includes \$550 million in additional funding to provide adequate support for a successful implementation of the Common Core State Standards, including \$26.7 million for the Governor's High-Speed Network to enhance comprehensive network connectivity. In August 2010, the State Board of Education revised the state's existing academic standards in English language arts and mathematics to align with the Common Core State Standards, as developed by the National Governor's Association and Council of Chief State School Officers. In response, last year, the Legislature appropriated \$1.25 billion (about \$209 per student) in one-time Proposition 98 funding, available over a two-year period, for school districts, charter schools, and county offices of education to implement these State Board adopted "Common Core" academic content standards in 2013-14. With this one-time funding, local educational agencies can make significant investments in professional development, instructional materials, and technology. Given the magnitude of the shift in educational orientation and coverage, the Senate plan will include additional resources for the newly-imposed requirements.
- **Career Pathways Trust.** The Senate proposal continues to build stronger connections between schools and businesses, better preparing students for the changing job market and emphasizing career-based learning as a central mission of public education in California. Last year, the Legislature appropriated \$250 million in one-time state assistance to local educational agencies through competitive grants, with priority given to proposals that attract capital and in-kind contributions from businesses and serve distressed communities with high dropout rates. Given

the high demand on the initial year funding, the Senate proposes to appropriate an additional \$300 million in the 2014-15 budget to capitalize the California Career Pathways Trust. The goal of the program is to leverage the fund by a factor of two or three, which would expand the resources available for career pathways programs. The program is designed to complement linked-learning programs, which are operated through the Regional Occupational Centers and Career Partnership Academies, by attracting business support. In addition, the program is designed to integrate career-based learning into the mainstream high school curriculum. The additional one-time \$300 million appropriation provides resources to allow local educational agencies to enter into multiyear agreements with businesses, in a way that would not be possible if the Legislature were to enact small, incremental changes to the existing categorical programs in the California Department Education budget.

- **Local Control Funding Formula.** The Senate version of the budget increases funding for the implementation of the Local Control Funding Formula (LCFF). The Governor's May Revision retained the January proposal to increase funding for the implementation of the Local Control Funding Formula (LCFF). The proposal provides for an additional \$4.5 billion in funding—enough to eliminate 28 percent of the remaining funding gap.

The Senate proposes to set aside an additional \$330 million in Proposition 98 resources to accelerate the full implementation of the LCFF. These unrestricted resources will provide local educational agencies additional support for various program needs. In addition, within the \$330 million are designations for Home-to-School Transportation and Career Technical Educations, specifically:

- **Home-to-School Transportation.** Equalization funding of \$29 million allocated pursuant to legislation.
- **Career Technical Education.** Funding of \$150 million allocated to accelerate local educational agencies receipt of their total high school add-on target amount pursuant to Education Code Section 42238.02.

K-14 EDUCATION

The Senate plan adheres to the Governor's proposal to pay off all deferrals for school districts and community college districts. It also provides for a down payment on mandate claims.

- **Inter-Year Payment Deferrals—K-14 Education.** The Governor's May Revision continues to appropriate \$6.2 billion to eliminate all outstanding deferrals, but changes the year in which the payments are counted. Because of changes in the minimum guarantee, the May Revision reduces the amount of the deferral payments counted as 2012-13 and 2014-15 appropriations by \$574 million and \$820 million, respectively, and increases the amount counted as 2013-14 payments by \$1.4 billion, as shown on the following page:

**Deferral Pay-down Plan
(Dollars in Millions)**

Year/Entity	Amounts
2013-14	
K-12	\$1,295
CCC	\$139
Subtotal	\$1,433
2014-15	
K-12	\$2,718
CCC	\$296
Subtotal	\$3,077
2014-15	
K-12	\$1,496
CCC	\$158
Subtotal	\$1,653
Total	\$6,164

- Unpaid Mandate Claims.** The Senate's plan appropriates \$448.0 million toward the K-14 mandate backlog (\$291.7 million from 2013-14, \$110.8 million from 2014-15, and \$45.6 million in additional one-time funds). The state must reimburse school districts and community colleges 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. In 2010-11 and 2011-12, the state provided \$300 million and \$90 million, respectively. Approximately \$4.5 billion remains outstanding in unpaid mandate claims. The Governor has not proposed any payment on mandates for the budget year. For school districts and community colleges, any payment on owed mandate claims would represent a one-time infusion of funds.

HIGHER EDUCATION

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

- **Innovation Awards.** Rejected the Governor's proposal for \$50 million in one-time General Fund to create the Awards for Innovation in Higher Education program for the University of California (UC), California State University (CSU), and California Community Colleges (CCC). In lieu of the Governor's proposal, \$30 million General Fund was provided to the UC and CSU (\$15 million each) to address deferred maintenance needs.
- **Library Internet Access.** Approved \$3.3 million General Fund to provide public libraries access to high-speed Internet. This includes \$2.3 million to allow California's public library branches to access a statewide, high-speed Internet network, and \$1 million General Fund, on a one-time basis, for grants to public libraries that require equipment upgrades to connect to a high-speed network. Required the libraries to report to the Legislature on the implementation of this project, including: how many libraries are participating, how the participating libraries' technology costs and internet speeds have changed, and how the equipment funding was used.
- **UC Funding.** Approved a \$202.2 million General Fund augmentation to continue the state's reinvestment in the UC. This amount is \$60 million above the Governor's proposed funding level of \$142.2 million.
- **Research Program Funding.** Restored program earmarks to the UC's budget and augment the funding level for the UC Labor Centers by \$4 million General Fund, from \$2 million to \$6 million, to better support the centers' research programs.
- **Behavioral Health Centers for Excellence of California.** Approved \$5 million in Mental Health Services Act funds (annually, for three years) for Behavioral Health Centers for Excellence of California. The Behavioral Health Centers, located at UCLA and UC Davis, will increase our understanding of how to address mental health disparities, early intervention in psychosis, and address other concerns such as violence, incarceration, and recidivism.
- **Cal-Brain.** Approved \$2 million General Fund to establish the California Blueprint for Research to Advance Innovations in Neuroscience Act of 2014 or Cal-BRAIN. The Cal-BRAIN program will leverage California's research assets and the federal BRAIN Initiative funding opportunities to accelerate the development of brain mapping techniques.

- **CSU Funding.** Approved a \$237.2 million General Fund augmentation to continue the state's reinvestment in the CSU. This amount is \$95 million above the Governor's proposed funding level of \$142.2 million.
- **CSU Enrollment Growth.** Adopted budget bill language requiring five percent enrollment growth for the CSU, which would allow for nearly 20,000 more students.
- **CSU Student Success Fees.** Adopted trailer bill language declaring an 18-month moratorium on new student success fees, requiring the CSU to examine modifying the student success fee development process and describing essential elements of the process, including the consideration of impacts on low-income students. In addition, the CSU is required to report to the Legislature by January 15, 2015, regarding proposed revisions to their student success fee policies.
- **California Legislative Staff Educational Institute.** Approved \$500,000 General Fund and budget bill language to establish the California Legislative Staff Educational Institute within the Center for California Studies.
- **CCC Deferrals.** Provided \$592.4 million Proposition 98 General Fund, including funds available from 2012-13 and 2013-14, to eliminate all remaining outstanding deferral debt owed to the CCCs. Inter-year deferrals for CCCs reached a high of \$961 million in the 2011-12. Paying off the deferrals will eliminate the substantial borrowing costs borne by districts as a result of funding deferrals.
- **CCC Enrollment Growth.** Approved \$140.4 million Proposition 98 General Fund for enrollment growth based on growth of 2.75 percent. In addition, approved trailer bill language to update the apportionment growth formula for 2015-16.
- **Student Success Initiative.** Approved the Governor's proposal for \$200 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This includes: 1) \$100 million to increase orientation, assessment, placement, counseling, and other education planning services for all matriculated students; and, 2) \$100 million to close gaps in access and achievement in underrepresented student groups, as identified in local Student Equity Plans.
- **San Francisco Community College District Stabilization.** Approved trailer bill language to provide the San Francisco Community College District with stabilization funding for the next three years as the college works to restore student enrollment and maintain accreditation.
- **CCC Legislative Augmentations.** Approved \$328.6 million Prop 98 General Fund in 2014-15 as investments in community colleges, above those proposed by the Governor, including:

- \$10 million Proposition 98 General Fund to augment the Economic and Workforce Development categorical program to support regional planning for career technical education (CTE) programs tied to regional workforce needs, and also support equipment costs and professional development for CTE faculty. Along with approving the Administration's proposal, this will provide a total of \$60 million for these purposes in 2014-15.
- \$199.3 million (\$51.3 million above the Governor's proposal) for community colleges to address deferred maintenance needs and allowed for the flexibility to use these funds for either deferred maintenance or instructional equipment.
- A cost-of-living adjustment (COLA) of 1.7 percent or \$94.6 million Proposition 98 General Fund, which is twice as much as the level proposed by the Administration.
- \$5 million Proposition 98 General Fund to augment the Basic Skills categorical program, with \$3 million of this funding directed to professional development.
- \$25 million Proposition 98 General Fund to increase the number of full-time faculty.
- Trailer bill language to establish statutory program and staffing standards for the CCC CalWORKs program. After nearly 30 years, the community college CalWORKs programs still lack statutory guidance related to program standards. As a result, programs lack permanent or full-time staff proficient in the ever changing regulations and requirements of the CalWORKs program. They often rely on adjunct counselors, temporary staff, or student help to manage the day-to-day operations of a college CalWORKs program.
- Trailer bill language that would increase the funding rate in 2015-16 for career development and college preparation noncredit courses to equal the rate of credit courses and require reporting on outcomes in terms of student success gains achieved from this revised policy.
- **Cal Grant Maximum Award.** Approved \$9 million General Fund to rescind the budget year reduction of 11 percent in the maximum Cal Grant award level for students attending private non-profit colleges and universities and accredited for-profit institutions.
- **Cal Grant B Access Award.** Approved \$13.4 million General Fund to increase the Cal Grant B Access Award, which provide funding to low-income students to address costs associated with attending college, by five percent, from \$1,473 to \$1,551.

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

NATURAL RESOURCES

The budget committee approved funding to provide immediate drought relief through water supply, fisheries enforcement, and increased fire protection. The budget committee approved proposals to increase the state's ability to prevent oil spills (both inland and marine), improve Lake Tahoe water quality, regulate well stimulation (fracking), and to provide increased enforcement of marijuana cultivation. The budget committee rejected further climate assessment studies and instead prioritized sea level rise planning and adaptation.

- **Lake Tahoe—Implementation of SB 630.** The budget committee approved three proposals to implement SB 630 (Pavley), Chapter 762, Statutes of 2013, which created the Tahoe Science Account, funded by lease-revenues collected from piers and leases in Lake Tahoe. The allocations include \$150,000 to the Tahoe Conservancy for near-shore environmental improvement programs, \$150,000 to the Lahontan Regional Water Quality Control Board for near-shore water quality monitoring, and \$150,000 to the Tahoe Conservancy to establish the SB 630-mandated bi-state science-based advisory panel.
- **Implementation of SB 4 (Fracking).** The budget committee approved the Governor's January proposal for 60 permanent positions, five limited-term positions, and \$13 million (Oil, Gas, and Geothermal Administrative Fund) in 2014-15 (\$9.2 million ongoing), and trailer bill language, to implement SB 4 (Pavley), Chapter 313, Statutes of 2013. SB 4 requires the Department of Conservation to regulate well stimulation techniques. The bulk of these positions would be used for engineering and geological workload, such as monitoring compliance with state regulations at extraction sites.
- **Sea Level Rise and Climate Adaptation.** The budget committee rejected the Governor's January proposal to direct \$5 million from the Environmental License Plate Fund (including trailer bill language) for a climate assessment, and instead allocated \$10 million from Tidelands Oil revenues to the State Coastal Conservancy for direct climate adaptation grants. The budget committee also approved the Governor's spring finance letter allocating \$3 million (Coastal Act Services Fund) over two years to continue funding the development of Local Coastal Plans, emphasizing sea level rise and approved the continuation of the proposal for five years.
- **Drought.** In addition to a package of legislation in February, allocating nearly \$680 million for drought relief and water projects, the budget committee approved \$18 million (General Fund) to the Department of Water Resources for emergency operations, water management, and public education. Of this amount, the budget committee allocated \$4 million for projects that do not fit neatly into existing drought-allocation programs. The budget committee also approved \$55 million to CalFIRE for increased fire protection and emergency fire suppression. The budget committee approved about half of a \$25 million proposal to enhance Department of Fish and

Wildlife drought response. The budget committee rejected proposals that either had other funding sources available or were deemed to be long-term state infrastructure investments, more appropriately characterized and submitted as capital outlay proposals.

- **Marijuana Cultivation—Regulation and Enforcement.** The budget committee approved \$1.5 million (\$500,000 General Fund, \$500,900 Timber Regulation and Forest Restoration Fund, and \$500,000 Waste Discharge Permit Fund [WDPF]) and seven positions to implement a task force and a priority-driven approach to address the natural resources damage and to enhance state enforcement of marijuana cultivation.
- **Statewide Oil Pollution Program.** The budget committee approved statutory changes to adjust the Oil Spill Prevention Administrative Fund fee annually in the budget to cover both marine and inland oil spill prevention activities. The budget committee approved the Governor's proposals for (1) \$6.2 million and 38 permanent positions to support the proposed expansion of the Department of Fish and Wildlife's oil spill prevention activities, to include inland prevention activities, as well as allow the office to respond to all inland spills; and, (2) \$2.5 million to support the Oiled Wildlife Care Network, an increase of \$500,000 for the program relative to the current-year funding level.
- **Groundwater Monitoring.** The budget committee approved \$13.8 million (General Fund) to implement the Governor's proposed groundwater elevation monitoring program. This is a technical adjustment to continue the funding in the budget year that was provided in SB 103 (Budget and Fiscal Review Committee), Chapter 2, Statutes of 2014. The budget committee also approved \$2.5 million (General Fund) to initiate development and implementation of the California Statewide Sustainable Groundwater Management Program.

ENVIRONMENTAL PROTECTION

The budget committee approved proposals to enhance the state's diesel regulations, improve groundwater monitoring and regulation—including for areas experiencing well stimulation (fracking), and to reorganize the state's drinking water programs to align more closely with the regulations of wastewater. The committee rejected the Governor's proposal to use cap-and-trade auction revenues at the Air Resources Board (ARB) for low-carbon transportation.

- **Low Carbon Transportation.** The budget committee rejected the Governor's proposal to spend \$200 million from cap-and-trade auction at the Air Resources Board to provide incentives for sustainable freight technology, zero-emission cars, and clean trucks and bus programs.
- **Diesel Regulations and Enforcement.** The budget committee approved three proposals at the ARB to strengthen regulation and enforcement of diesel emissions (all transportation-related special funds). These include: \$1.2 million for enforcement of diesel emissions reduction regulations; \$682,000 and four positions for regulatory implementation and outreach related to the phase-in of diesel regulations affecting trucks, trailers and small-fleet owner/operators; and, \$187,000 to implement the requirements for in-uses strategies to control emissions from diesel engines.
- **Implementation of SB 4 (Fracking).** The budget committee approved \$6.2 million (Oil, Gas, and Geothermal Administrative Fund [OGGAF]) and 14 positions for the State Water Resources Control Board to develop groundwater monitoring criteria and plans, including contract funding, in order to implement SB 4 (Pavley), Chapter 313, Statutes of 2013. The budget committee also approved \$300,000 (OGGAF) and six positions for the Air Resources Board to develop regulations to control and mitigate greenhouse gas emissions, criteria pollutants, and toxic air contaminants from well stimulation.
- **Beverage Container Recycling Reform.** The budget committee rejected the Governor's proposal to reform the Beverage Container Recycling Program, including 12 positions and \$1.5 million (Beverage Container Recycling Fund [BCRF]). The budget committee approved language to allow the Local Conservation Corps to continue funding at their current level regardless of changes to the overall program. The budget committee also approved proposals that would strengthen BCRF and Electronic Waste Recycling Funds through fraud investigations.
- **Drinking Water Reorganization.** The budget committee approved the Governor's proposal to transfer the Drinking Water Program (DWP) from the Department of Public Health to the State Water Resources Control Board. This includes the shift of 291 positions and \$202 million (mostly special funds). The budget committee approved the shift of local assistance programs

totaling \$110 million and several related program shifts. The budget committee rejected the proposed drinking water reform trailer bill language (moves to conference committee).

- **Groundwater.** The budget committee approved \$1.9 million (General Fund) and ten positions for the State Water Resources Control Board to protect and ensure the sustainability of groundwater in critical basins.
- **Education and the Environment Initiative (EEI).** The budget committee approved \$800,000 from the Environmental License Plate Fund to CalRecycle, for an interagency agreement with the Department of Education, to leverage outside funding for the EEI program.

ENERGY AND UTILITIES

The budget committee approved the Governor's proposals to increase the inspection of railroads and rail cars, and to provide funding for legislatively mandated programs. The budget committee added funds for energy-efficiency loans to schools from Proposition 39, and rejected proposals for high-speed rail planning and non-legislatively mandated energy-efficiency programs, and reduced funding for the Electric Program Investment Charge, which is under court review.

- **Proposition 39 Energy Conservation Assistance Account (ECAA) and Citizens Oversight Board.** The budget committee allocated \$28 million from the Proposition 39 revenues to the ECAA program to provide zero- and low-interest revolving loans to schools for energy efficiency upgrades. The Governor's budget did not allocate any funding for this purpose. The budget committee approved the Governor's proposal to add \$3 million (Energy Resources Programs Account) and 12 positions to the Citizens Oversight Board to provide technical assistance to schools implementing Proposition 39.
- **Implementation of the Electric Program Investment Charge (EPIC).** The budget committee reduced, by \$1,000, the Governor's January proposal to spend \$13 million (direct ratepayer funds) for state program management of EPIC, bringing the total program baseline allocation to \$172 million. The reduction is to allow the courts more time to review the legality of the EPIC charge.
- **Railroad Safety—Oil Transportation.** The budget committee approved \$1.1 million (Public Utilities Commission Transportation Reimbursement Account), and seven rail inspectors, to address new risks identified by increased oil transportation by rail in the state. The focus of this proposal is inspection of tracks and heavy and high-use tank cars.
- **High-Speed Rail Planning.** The budget committee, as part of a larger action on high-speed rail, rejected the Governor's January proposal to allocate \$1.9 million (reimbursements from utilities), and three positions to perform system planning and permitting to support high-speed rail.
- **Energy-Efficiency Finance Project.** The budget committee, under the California Alternative Energy and Advanced Transportation Financing Authority (CAETFPA) item, rejected the Governor's proposal to spend \$4.4 million (reimbursement authority from the California Public Utilities Commission [CPUC]-directed ratepayers funds), for a program that would enable CAETFPA to serve as the administrator of ratepayer funds for an energy-efficiency pilot program. The program was not authorized by the Legislature but instead through a direct CPUC action.

- **Legislative Mandates.** The budget committee approved several legislative proposals at the CPUC to facilitate community choice aggregation programs, improve broadband infrastructure and access, and to provide staff support for the deaf and disabled communications programs.
- **General Fund Loan Repayment.** The budget committee rejected the Governor's proposed repayment of a \$59 million loan from the California High-Cost Fund-B Administrative Committee Fund and shifted the repayment date to 2015-16.

FOOD AND AGRICULTURE

The budget committee approved baseline allocations to the California Department of Food and Agriculture (CDFA) of \$372 million (mainly special funds), and to the Agriculture Labor Relations Board (ALRB), of \$6.1 million (General Fund and special funds). The budget committee approved proposals to increase pest inspections by CDFA and to meet increased caseload responsibilities at the ALRB.

- **Cap and Trade Proposal.** The budget committee rejected the Governor's January proposal to allocate \$20 million from cap-and-trade auction revenue to CDFA for dairy digester systems, nitrogen management, and alternative fuels research. Instead, the budget committee allocated \$30 million, on a one-time basis, to the Wildlife Conservation Board for a competitive grant program to reduce greenhouse gas emissions in agriculture, including through water efficiency projects.
- **Border Protection System.** The budget committee approved a May Revision proposal for \$3 million (General Fund) for CDFA to restore staffing to all border stations in order to inspect vehicles and commodities crossing into California for pest compliance.
- **AB 32 Scoping Plan Update.** The budget committee rejected a proposal for \$140,000 (Cost of Implementation Account) to CDFA to assist and implement the requirements of the AB 32 Scoping Plan Update.
- **Agriculture Labor Relations Board Caseload Increase.** The budget committee approved an increase of \$1.9 million (General Fund) and five positions (four attorneys and one field examiner) to address additional workload due to increased caseload responsibilities.

TRANSPORTATION

The budget committee approved the Administration's key proposals to increase funding for transportation projects at the California Department of Transportation (Caltrans), including the Proposition 1B program and the early repayment of General Fund loans. The most significant departure from the Governor's proposals was the committee's rejection of the cap-and-trade funding plan for transportation-related projects and proposals to support the on-going development of high-speed rail.

- **Cap-and-Trade Proposal.** The budget committee rejected the Administration's cap-and-trade proposal as follows (1) \$250 million for transportation projects, including high-speed rail planning, land acquisition, and construction; (2) \$200 million for low-emission vehicle rebates and incentives for low-emission vehicles; (3) \$100 million for transit-oriented development (sustainable communities); and (4) \$50 million for intercity and commuter rail projects.
- **High-Speed Rail Project Funding.** The committee rejected the Administration's proposals related to funding state operations and the on-going development of the high-speed rail project. The six rejected proposals are: (1) \$29.3 million loan from the Public Transportation Account to fund high-speed rail's state operations budget which includes administration, program management, outreach and communications, and fiscal and other external contracts; (2) \$3.1 million in reimbursement authority for Caltrans to continue eight positions to provide legal services on behalf of HSRA; (3) budget bill language to allow for a mid-year augmentation of up to \$5.3 million to fund 35 additional positions for project management; (4) \$32 million in federal local assistance funds for infrastructure projects and improvements that will prepare the Southern California Passenger rail corridors for connectivity to high-speed rail; (5) reimbursement authority for four years for the Department of Conservation to establish conservation easements to offset the impact of the development of high-speed rail; and (6) \$1.9 million for three staff at the California Public Utilities Commission to perform the required system planning and permitting to support high-speed rail.
- **Proposition 1B Funds.** The committee approved the Administration's proposal of \$1.6 billion in capital funding for projects in various programs under the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006 (Proposition 1B). This action included approving 42 limited-term positions at Caltrans to carry out work associated with the Proposition 1B funding.
- **Caltrans Capital Outlay Support (COS) Funding.** A May Finance Letter was approved to reduce the Caltrans budget by \$21.8 million and 210 full-time equivalents (FTE) for the COS program from the 2014-15 Governor's budget for a total of 9,894 FTEs and \$1.7 billion in costs. In addition, the committee directed staff to work with Caltrans and the Department of Finance

to determine the types of COS-related data that could be reported on January 10, 2015, to help the Legislature assess next year's budget proposal.

- **Early Repayment of Transportation Loans to the General Fund.** The committee approved the Administration's proposal to repay \$337 million in GF costs related to loaning transportation dollars to the General Fund in 2010. The committee modified the split of dollars so that a greater amount would go to the cities and counties than the Administration had proposed. This resulted in a split of \$202.2 million to the state and \$134.8 million to the cities and counties. Also, the committee approved the repayment of \$12.1 million GF to various other transportation funds that include the Bicycle Transportation Account, the Pedestrian Safety Account, and the Environmental Enhancement Program.
- **Additional Funding for State-supported AMTRAK Routes.** The committee provided an additional \$10.5 million to state-supported AMTRAK routes—Capitol Corridor, San Joaquin, and Surfliner—to meet federal support requirements.
- **Multi-year Funding for California Highway Patrol (CHP) Air Fleet.** The committee approved the request for multi-year funding from the Motor Vehicle Account (MVA) to establish an on-going replacement program for the CHP's air fleet. The proposal requested a one-time augmentation of \$16 million in 2014-15; a one-time augmentation of \$14 million in 2015-16 and 2016-17; and a permanent augmentation of \$8 million in 2017-18 and beyond.
- **Capital Outlay for CHP Area Offices.** The committee approved various capital outlay requests for CHP including \$32.4 million from the MVA to replace five CHP area offices and budget bill language to allow the use of design-build procurement methodology. The committee also provided \$1.7 million in MVA funds to identify suitable parcels for replacing up to five facilities and developing studies for those sites.
- **Distracted Teen Driving Program Funding.** The committee approved \$700,000 from the MVA for CHP to study and plan for the implementation of a program to educate teen drivers on the dangers of distracted driving. In addition, the committee adopted provisional language that would allow the CHP to use outside consultants, as necessary, to carry out these activities.
- **Implementation of AB 60.** The committee adopted the Governor's proposal to provide an increase of 822 positions and \$64.7 million from the MVA to implement AB 60 (Alejo), Chapter 524, Statutes of 2013. AB 60 expanded who the Department of Motor Vehicles can issue a driver's license to and is anticipated to result in an additional 1.4 million people receiving driver's licenses. The committee also approved trailer bill language that would make changes to the Vehicle Code to modify the affidavit-related language adopted in AB 60.

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, and state hospitals.

- **Medi-Cal Mandatory Expansion Costs.** The committee reduced the Governor's May Revision by \$300 million General Fund (over 2013-14 and 2014-15) for the costs associated with individuals previously eligible for Medi-Cal enrolling into the program as a result of increased awareness of health coverage options and eligibility and redetermination streamlining provisions in the Affordable Care Act. This reduction is based on the Legislative Analyst's Office (LAO) methodology and findings regarding the per capita cost for this population.
- **Medi-Cal - Applied Behavioral Analysis Benefits.** The committee augmented the Medi-Cal budget by \$100 million total funds (\$50 million GF) and adopted placeholder trailer bill language to add applied behavioral analysis (ABA) services to Medi-Cal managed care for children ineligible for regional center services and to convene a stakeholder workgroup to advise the department on implementation of this new benefit and development of utilization controls to limit expenditures related to this new benefit.
- **Medi-Cal - Optional Benefits.** The committee augmented the Medi-Cal budget by \$26 million (\$13 million General Fund) to restore the following optional benefits that were eliminated in 2009: acupuncture, audiology, chiropractic, incontinence cream and washes, optician/optical lab, podiatry, and speech therapy.
- **Medi-Cal - Renewal Assistance Grant.** The committee adopted trailer bill language to require Department of Health Care Services (DHCS) to accept a grant (\$6 million) from the California Endowment to provide Medi-Cal renewal assistance payments and obtain \$6 million in matching federal funds for these purposes.
- **Medi-Cal - Statewide Drug Formulary.** The committee rejected the Governor's proposal to implement a statewide outpatient drug formulary for the Medi-Cal program and collect state supplemental rebates for drugs provided through Medi-Cal managed care.
- **Electronic Health Records (EHRs).** The committee augmented DHCS's budget by \$3.75 million General Fund to provide a state match to draw down \$37.5 million in federal funds for activities related to EHR adoption and support.
- **Elimination of Managed Risk Medical Insurance Board (MRMIB).** The committee adopted the Governor's proposal to eliminate MRMIB and transfer the Major Risk Medical Insurance Program, the Access for Infants and Mothers program, the County Children's Health Initiative Matching Fund Program to DHCS.

- **Major Risk Medical Insurance Program (MRMIP).** The committee rejected the Governor's proposal to eliminate MRMIP and require Medicare supplemental products to offer coverage to individuals with End-Stage Renal Disease. The committee adopted trailer bill language to require DHCS to convene a stakeholder workgroup composed of stakeholders, including health care providers, county representatives, labor, consumer advocates, immigrant policy advocates, health plans/insurers, and employers of low-wage workers to develop a plan to utilize available Major Risk Medical Insurance Funds including Managed Care Administrative Fines Penalties Funds transferred pursuant to Health and Safety Code 1341.45(c)(1)(B) to continue to provide health coverage to individuals that are not eligible for other full-scope programs or subsidies.
- **Coordinated Care Initiative.** The committee adopted trailer bill language to allow current Medicare Duals-Special Needs Plan (D-SNP) enrollees to keep their D-SNP unless it is also a Cal MediConnect plan.
- **Federal Mental Health Parity.** The committee approved the May Revision proposal for an augmentation of \$369,000 (Managed Care Fund) for clinical consulting services to conduct initial front-end compliance reviews to ensure oversight of California's implementation of the federal mental health parity rule. The committee adopted the Administration's proposed trailer bill language to provide the Department of Managed Health Care (DMHC) state authority to enforce federal mental health parity and conform to federal rules to impose these requirements on large group products. Additionally, the committee added 10 positions to ensure DMHC has the necessary resources to enforce this rule and adopted trailer bill language to (1) require DMHC to begin the focused surveys of the health plan's compliance with federal mental health parity beginning January 1, 2016, these would be annual surveys for at least five years, and (2) provide the Legislature an annual report on the survey findings including analysis of timely access to services, equity of co-pays and deductibles, and treatment limitations beginning August 1, 2015.
- **Black Infant Health Program.** The committee augmented the Department of Public Health's (DPH) budget by \$3.9 million General Fund to restore the Black Infant Health Program.
- **HIV Prevention Pilots.** The committee augmented DPH's budget by \$5 million General Fund to establish HIV prevention pilots to allow for innovative, evidenced-based approaches to outreach, screening, and linkage to, and retention in, care for persons living with, or at risk for, HIV.
- **AIDS Drug Assistance Program (ADAP).** The committee adopted the May Revision proposal to add hepatitis C drugs to the ADAP Formulary for a cost of \$26 million (federal funds and rebate funds).
- **Office of AIDS-Health Insurance Premium Assistance Payment Program (OA-HIPP) Medical Cost Sharing Wrap.** The committee adopted trailer bill language to develop the capacity to pay out-of-pocket medical expenses, in addition to premiums for eligible OA-HIPP clients, for clients who choose to purchase insurance through Covered California. This would

encourage more ADAP clients to enroll in comprehensive coverage and would result in a reduction in ADAP costs of \$9.9 million in 2014-15.

- **Licensing and Certification.** The committee approved the Governor's proposal to add 18 limited-term positions and \$1,951,000 (Licensing & Certification Special Fund) to support timely investigations of allegations/complaints filed against Certified Nurse Assistants (CNAs), Home Health Aides (HHAs), and Certified Hemodialysis Technicians (CHTs). The committee also adopted trailer bill language to require DPH to report monthly on metrics regarding complaints and surveys of health facilities and to establish a stakeholder workgroup that shall meet at least on a quarterly basis to advise the department on the development of solutions and new policies that would improve the program and ensure that Californians receive the highest quality of medical care in health facilities.
- **Triage Personnel Grant Program Oversight.** The committee adopted the May Revision request to add three positions to oversee and monitor the triage personnel grant program established by SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, the Investment in Mental Health Wellness Act of 2013. The committee adopted budget bill language that reappropriates \$12 million (Mental Health Services Fund) for these triage personnel grants and \$7 million for suicide nets at the Golden Gate Bridge.
- **Incompetent to Stand Trial (IST).** The committee rejected the Governor's proposal to increase the state hospital system by 105 beds (\$28 million General Fund). Instead, the committee approved the Governor's proposal to create a patient management unit designed to assist the Department of State Hospitals in better managing the placement of patients in the five state hospitals. In addition, the committee approved the Governor's request for funding to increase the Restoration of Competency (ROC) program which allows individuals to receive treatment to return them to competency while they are awaiting trial in county jails. In addition, the committee augmented that proposal by approximately \$8 million to include 105 additional ROC beds. Finally, the committee expanded the ROC program to allow community mental health providers to receive funding to restore individuals to competency in community residential treatment facilities.
- **Enhanced Treatment Units.** The committee rejected the Governor's proposal to begin planning and designing enhanced treatment units in the five state hospitals. Those enhanced treatment units would have included individual patient rooms that could be locked from the outside, which are currently not allowed in hospitals.
- **Office of Investigations and Law Enforcement Support.** The committee rejected the Governor's May Revision request to create an Office of Investigations and Law Enforcement Support within the Health and Human Services Agency to provide support and oversight for the public safety officers currently working within the state hospitals and developmental centers. Instead, the budget committee authorized three two-year limited-term positions to develop uniform training and policies and procedures for peace officers at both the state hospitals and developmental centers.

In addition, the committee provided \$200,000 to the state's Inspector General to prepare a recommendation to address oversight and transparency of the employee discipline process and use of force within the Department of State Hospitals (DSH). The proposal must assess the feasibility and cost of either bringing the state hospitals under the Inspector General's jurisdiction or creating a separate Inspector General's Office for the state hospital system.

HUMAN SERVICES

The Senate approved a human services package that included critical restorations and reinvestments, and furthered policy decisions for developmental centers, CalWORKs, In-Home Supportive Services, and Community Care Licensing.

- **Response to the Fair Labor Standards Act for In-Home Supportive Services and Regional Center Services.** The committee rejected the Governor's January proposal to prohibit overtime for In-Home Supportive Services (IHSS) providers, in-home respite workers, personal assistants, and supported living program workers. Instead, the committee augmented the budget by \$75.5 million for program costs to implement payment for overtime. In addition, the committee adopted placeholder trailer bill language and approved \$140 million to restore a seven percent across-the-board services reduction on IHSS recipients.
- **Child-Welfare Services.** The committee added several proposals to improve child welfare, including: (1) \$750,000 and an ongoing \$1.2 million, until 2018-19, for a foster youth permanency pilot; (2) \$20.3 million General Fund to provide services to support child victims of sexual exploitation; and (3) placeholder trailer bill language to increase the minimum age requirements of group home staff for foster youth to be at least 21 years of age. Also, the committee amended the May Revision for the Title IV-E California Well-Being Waiver Project, and approved five staff, and up to 10.5 additional positions, upon final federal approval of the waiver and contingent upon the final number of participating counties in the waiver extension.
- **CalWORKs.** The committee added placeholder trailer bill language, suspending the 24-month clock until six-months after the full implementation of California Work Opportunity and Responsibility to Kids (CalWORKs)'s early engagement strategies, including Online California Assessment Tool (OCAT), family stabilization, and subsidized employment. The committee rejected the Governor's Parent-Child Engagement Demonstration Pilot Project, as well as the Welfare-to-Work Performance Oversight State-County Peer Review proposal for eight additional staff. For more information about the Parent-Child Engagement Pilot Project, please see the K-12 Education section of this report.
- **Drought and Emergency Food Assistance.** The committee amended the Administration's May Revision request to authorize up to \$20 million General Fund (\$15 million reflects a shift of funding from SB 103 [Budget Committee], Chapter 2, Statutes of 2013), and instead authorized up to \$15 million General Fund for the budget year and eliminated budget bill language that authorizes DOF to increase expenditure authority above \$20 million. Also, the committee added \$5 million to the State Emergency Food Assistance Program.

- **Community Care Licensing.** The committee amended the Governor's proposal regarding Community Care Licensing. Specifically, the committee approved: (1) a delayed implementation of the proposal, no sooner than October 1, 2014; (2) a plan to increase annual inspection frequency, beginning no later than April 1, 2015; (3) to remove specified language pertaining to penalty rate structure to be replaced with intent language regarding scope of penalties; and, (4) placeholder trailer bill language that details procedures that the Department of Social Services must implement to minimize the trauma of residents or clients at risk of physical or mental abuse, abandonment, or any other substantial threat to health or safety following a temporary suspension or revocation of a license.
- **CalFresh.** The committee approved the May Revision to create a state-funded energy assistance program, known as the State Utility Assistance Subsidy (SUAS) program, to comply with the mandates of the federal Farm Bill. The committee approved \$11.8 million total costs (\$10.9 General Fund). Of the \$11.8 million, the budget provides \$9.5 million in SUAS benefits to select households, \$0.4 million in one-time reprogramming for the Statewide Automated Welfare System, and \$1.7 million for county administrative activities.
- **Automation Projects.** The committee amended and approved automation proposals, including:
 - **Child Welfare Services-New System (CWS-NS).** The committee amended the April Letter and May Revision proposals for the CWS-NS project to make seven positions permanent, and to extend, for five years, nine existing two-year limited-term positions. The committee also approved funding adjustments to accommodate a 19-month project delay. The committee added supplemental reporting language to require monthly implementation and progress updates on project implementation and progress.
 - **Case Management and Information Payrolling System (CMIPS) II.** The committee approved the Governor's January budget and May Revision requests for \$17.5 million to support system changes to implement the federal Fair Labor Standards Act's Final Rule, increases in the minimum hourly wage rate pursuant to AB 10 (Alejo), Chapter 351, Statutes of 2013, and enhancements to accommodate the blind and visually impaired.
- **Early Start Program.** Restored eligibility in the Early Start Program for infants and toddlers to the 2009 level (\$15.7 million General Fund).
- **Insurance Deductibles.** Approved trailer bill language to allow for the payment of insurance deductibles for consumers and families for services, covered by private health insurance policies and health plans, which would otherwise be fully-funded by a regional center. Regional centers can currently pay co-payments and co-insurance under the same circumstances.
- **Supported Employment Programs.** Augmented by \$4.5 million (\$3.5 million General Fund) to provide a rate increase to supported employment programs.

- **Roadmap for Future Rate Adjustments to Community-Based Services.** Approved budget bill and trailer bill language to require DDS to review and make recommendations for revising rate-setting methodologies for community-based services and the regional center core-staffing formula.
- **Plan for the Future of Developmental Centers in California.** The Legislature approved the Administration's proposals to implement plan recommendations, including: establishment of two new models of community care - behavioral support homes and community crisis homes (\$11.7 million General Fund); establishment of one distinct crisis center at Fairview Developmental Center and one at Sonoma Developmental Center (\$3.2 million (\$2 million General Fund)); and expansion of the Community State Staff program statewide.
- **Improved Support for Persons Moving Out of Developmental Centers or in Crisis.** Augmented by \$200,000 (General Fund), and adopted trailer bill language to improve the judicial process and individual placement plan process for persons moving out of a developmental center or utilizing crisis services.

Subcommittee No. 4
State Administration and
General Government

STATE ADMINISTRATION AND GENERAL GOVERNMENT

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

- **State Controller's 21st Century Project.** The committee approved \$6.5 million in funding to support ongoing legal costs associated with the 21st Century Project at the State Controller's Office and revised the Governor's request to extend authority to assess funds within the treasury from June 30, 2017 to June 30, 2015. The committee also provided \$2.5 million to support an independent assessment of the project's system configuration.
- **Business and Economic Development.** As part of the state's efforts in economic development, the Governor's Office of Business and Economic Development (GO-Biz) has initiated several programs. The Senate budget plan calls for additional staffing to administer New Employment Tax Credit (NETC) and the California Competes Tax Credit (CCTC), increased resources for administrative activities, and new funds to rebuild the state's small business development centers.
- **Funding for the California State Museum.** The committee augmented the Secretary of State's budget by \$2.0 million General Fund (GF) to support the California State Museum.
- **Increased Funding to Address Licensing and Enforcement Backlog.** The committee provided \$12.9 million in increased expenditure authority to address the licensing and enforcement backlog at the 26 boards, nine bureaus, and two commissions housed within the Department of Consumer Affairs.
- **Funding for Housing Programs.** The committee approved an augmentation of \$87.5 million for the Proposition 1C Housing-Related Parks Program. In addition, the committee provided \$75 million (local assistance) to implement a housing program developed by the Department of Housing, the California Housing Finance Agency, and the California Department of Veterans Affairs to provide multi-family housing to low-income and homeless veterans and their families.

- **Funding for the California Technology Agency.** The committee approved \$208,000 (GF) to form the initial elements of the Statewide Project Management Office within the Department of Technology. Nearly \$3 million in funding was also provided to establish and manage a cost-effective “cloud” based environment for state departments.
- **Sacramento Area Development.** The committee adopted trailer bill language that will (1) allow for the sale of Capitol Area Development Authority (CADA)-managed property to CADA with the intent of maintaining the viability of affordable housing in the Capitol Area, (2) allow for the Department of General Services (DGS) to withdraw from the CADA Joint Powers Agreement, and (3) specifies that the state is not responsible for debts, liabilities, or obligations of the Joint Powers Agreement. The committee also approved \$2.5 million for DGS to undertake the development of a long-range planning study to address infrastructure and space deficiencies within the Sacramento Region.
- **San Diego Readiness Center.** The committee increased the Military Department’s budget by \$790,000 to begin the planning and design phase of construction at the San Diego Readiness Center.
- **Investigation Workload at the Department of Alcoholic Beverage Control.** The committee provided \$1.0 million to fund additional staff at the Department of Alcoholic Beverage Control to address ongoing workload associated with the investigation and prosecution of violations of the tied-house laws.
- **Funding for Deferred Maintenance Projects.** The committee rejected the Governor’s proposal to provide \$100 million in General Fund dollars for deferred maintenance projects at departments including the Department of Parks and Recreation, Department of Corrections and Rehabilitation, and the Department of Developmental Services. Addressing deferred maintenance is a high priority, however this proposal did not provide for adequate legislative oversight and transparency.
- **Tax Agencies.** Both the Franchise Tax Board (FTB), which administers the personal income tax (PIT) and the corporation tax (CT), and the Board of Equalization (BOE), which administers the sales and use tax (SUT), fuels excise taxes, and other taxes and fees, are engaged in large data and technology improvement projects. FTB received additional funding of \$75.0 million for its enterprise data to revenue (EDR) project. BOE did not receive additional funding this year but its project is on-going. In addition, both agencies received augmentations for enhanced data security initiatives. Other proposals adopted and incorporated in the Senate plan include:
 - **Franchise Tax Board.** The FTB received additional funding for tax compliance and enforcement, including: 101 limited-term positions to reduce the department’s accounts receivable backlog, resulting in accelerated revenue of over \$100 million; additional staffing to assist the Governor’s Office for Business and Economic Development (GOBiz) administer New Employment Tax Credit (NETC) and the

California Competes Tax Credit (CCTC), adopted by the Legislature last year; and, \$3.6 million and 26 limited-term positions (some of which could be converted to permanent) to address the tax protest workload.

- **Board of Equalization.** The BOE received additional funding of \$3.6 million, to continue its Southern California Appeals and Settlement Units (SCAS). This initiative is expected address 868 separate cases resulting in the acceleration of about \$85 million in revenue. Additional funding and 54 positions are scheduled to administer the fire prevention fee, which generates revenues of \$90.8 million.
- **Veterans Homes of California.** The budget committee approved the Governor's proposal to continue the activation process of the Fresno and Redding Veterans Homes, totaling \$11.56 million (General Fund). The budget committee also approved a request for a one-time reduction of \$17.202 million (General Fund) in FY 2013-14 and a reduction of \$16.883 million (General Fund) in FY 2014-15.
- **Veterans Cemeteries.** The budget committee approved a request for \$1.42 million (Central Coast State Veterans' Cemetery at Fort Ord Operations Fund) in FY 2014-15 to begin construction of the Central Coast State Cemetery at Fort Ord. The budget committee also approved a request for a \$10,000 augmentation to the Northern California Veterans Cemetery Perpetual Maintenance Fund for operational and maintenance purposes of Northern California Veterans Cemeteries.

FINANCIAL MANAGEMENT

The state has numerous financial activities in which it engages for purposes on cash flow needs and 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.

- **Interest Costs for Cash Management and Budgetary Loans.** The committee approved the Administration's proposed reductions for both external and internal borrowing costs and adopted further reductions totaling \$30 million GF. Based on the assumed issuance of a \$3.5 billion Revenue Anticipation Note (RAN), to be repaid within the 2014-15 fiscal year, to cover the state's cash flow requirements; the committee incorporated interest costs of \$20 million. Also, based on the assumption that the state's internal cash-flow borrowing needs would be less than the Administration's, the committee incorporated associated interest costs of \$10 million.
- **"Wall-of-Debt" Repayment.** The committee rejected two pieces of the Governor's repayment plan for the "wall-of-debt" in 2014-15. Specifically, the \$100 million GF to repay a portion of the existing mandate reimbursement claims owed to local governments and \$59 million GF to repay the Public Utilities Commission, High-Cost Fund B Administrative Committee Fund were rejected.
- **Debt Service Costs for Bonds.** The committee assumed debt service costs would be \$55 million lower than the Governor across the general obligation (GO) and lease-revenue bond spending estimates for 2014-15. The General Fund costs for GO and lease-revenue debt service costs total \$5.8 billion. Not included in these figures is \$1.6 billion for the Economic Recovery Bonds (ERBs) that are repaid with a dedicated one-quarter cent of the sales tax. Approved the Administration's assumption that the ERBs would be paid off by the end of 2014-15. The committee's actions also assumed the fall issuance of an additional \$2.1 billion in General Obligation bond debt for the state's infrastructure requirements.
- **Greater General Fund Reserve Adopted.** The committee's version of the budget provides for a \$2.5 billion General Fund reserve. The reserve is comprised of combined amounts from Special Fund for Economic Uncertainties (SFEU) plus deposits to the Budget Stabilization Account (BSA). The committee's reserve is \$383 million above the reserve totals presented in the May Revision. In addition, under the committee's version of the budget, the state would have higher reserves and bigger operating surpluses in the out-years than projected in the May Revision.

LOCAL GOVERNMENT

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

- **Commission on State Mandates.** The Senate budget plan incorporates the Governor's plan to fund mandates related to public safety and property taxes, for a cost of \$33.6 million. The Senate acted to suspend numerous mandates that have been suspended in prior years, for a savings of over \$400 million. It acted to not suspend but to fund mandates related to election and tuberculosis control. The Senate did not approve the Governor's plan to repay \$100 million to local governments for pre-2004 mandate claims.
- **Subventions for Counties for Insufficient ERAF.** The committee approved one-time funding totaling \$12.7 million for the counties of Alpine, Amador, and San Mateo because the funds available in the Educational Revenue Augmentation Fund (ERAF) are insufficient to make these counties whole as a result of the Triple Flip and the Vehicle License Fees swap.
- **Property Tax Administration.** The Senate plan provisionally approves a pilot program between the state and county assessors (State-County Assessor's Partnership Program) intended to improve property tax administration by making assessment more current and accurate. The plan also approved a technical change which allows for 'stranded' property taxes to flow to local government taxing entities.
- **Local Economic Development.** The Senate heard, but did not take action on, the Governor's proposal for a new economic development tool for local governments, intended to partially act as a replacement of redevelopment agencies. The expansion of the existing Infrastructure Financing Districts (IFD) is not integral to the state's overall budget.

Subcommittee No. 5
Corrections, Public Safety and
the Judiciary

LABOR

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

- **Unemployment Insurance Administration.** Approved \$131.6 million (\$46.6 million General Fund) for the Employment Development Department (EDD) to continue to improve the department's administration of the Unemployment Insurance program. This funding will provide staff and overtime funding to support service level improvements related to the timely processing of claims for unemployment benefits, responding to telephone calls and online inquiries, and scheduling eligibility determinations.
- **Paid Family Leave Outreach.** Approved \$1 million for EDD to implement a three-year Paid Family Leave outreach campaign and supplemental reporting language requiring EDD to report on the type of, and effectiveness of, outreach activities.
- **Process Safety Management.** Approved \$2.4 million from the Occupational Safety and Health Fund and 11 positions to expand the Process Safety Management (PSM) unit to improve enforcement of workplace health and safety regulations in the state's 15 oil refineries and over 1,800 other chemical facilities.

PUBLIC EMPLOYMENT AND RETIREMENT

The Senate's budget plan begins to pay down the California State Teachers' Retirement System (CalSTRS) unfunded liability in a manner that is projected to provide for 100 percent funding over the same 32 year timeframe that the Governor proposed. However, the Senate plan reduces the burden on school districts in the first years.

- **CalSTRS Unfunded Liability.** Approved \$59.1 million for the state's share of the proposed funding plan to eliminate the CalSTRS unfunded liability over 32 years. Under the plan, over the next three years, the state's contribution would increase from 3 percent to 6.3 percent and contributions for teachers would increase either from 8 percent to 10.25 percent for pre- Public Employees' Pension Reform Act of 2013 (PEPRA) teachers or 8 percent to 9.21 percent for PEPRA teachers. In addition, employer contributions would increase from 8.25 percent to 19.1 percent over seven years.
- **California Public Employees' Retirement System (CalPERS).** Provided \$342,655,000 General Fund, \$166,180,000 in special funds, and various other nongovernmental cost funds will increase by \$65,828,000 for retirement rate adjustments. The increases are largely driven by key assumption changes made by the CalPERS board, including: longer post-retirement life expectancy, earlier retirement ages, and higher than expected wage growth for State Peace Officers/Firefighters and the California Highway Patrol.
- **Bargaining Agreements.** Adopted budget bill language ratifying agreements for Bargaining Units 1, 19, 13, 6, and 10.

PUBLIC SAFETY

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

- **Recidivism Reduction Package.** The budget committee rejected the Governor's \$91 million recidivism reduction package. Instead, the budget committee adopted a recidivism package focused on providing enhanced services for people who are at the greatest risk of reoffending and returning to prison and improving the quality of programs offered in state prisons. Specifically, the committee:
 - Provided \$50 million for the Mentally Ill Offender Crime Reduction program.
 - Provided \$20 million for a grant program to increase the use of collaborative courts.
 - Created an innovative grant program to expand programs focusing on restorative justice and offender responsibility provided by not-for-profit providers and volunteers in remote institutions that do not have access to a large volunteer population.
 - Adopted the Governor's proposal to provide substance abuse treatment in all state prisons. In addition, the proposal requires that every program include a component that trains inmates to be certified substance abuse treatment counselors.
 - Provided \$25 million for the Governor's revised proposal to create community reentry programs for mentally ill offenders.
 - Eliminated the lifetime ban in CalWORKs and CalFresh for parents who have been convicted of a drug felony.
 - Required an independent evaluation of the effectiveness of all rehabilitation programming offered in every state prison.
- **Jail Construction.** The budget committee rejected the Governor's proposal to provide \$500 million in lease-revenue bonds for the construction of county jails. Instead, the committee provided \$500 million in lease-revenue bond financing for county construction projects designed to provide rehabilitative services and housing to individuals convicted of crimes. Those projects can include, but are not limited to, jail construction, transitional housing, day reporting centers, mental health treatment facilities, and substance abuse treatment facilities. The committee also required that decisions concerning the proposed projects and subsequent grant applications be made by county boards of supervisors.
- **Sentencing Policy.** The budget committee declined to hear three pieces of proposed trailer bill language related to changes in sentencing. The proposed language would have added a one-year enhancement for a person convicted of a felony while on mandatory supervision, required that anyone serving a sentence of ten years or more would be required to serve that sentence in state prison, rather than county jail, and required that judges split sentences between county jail and mandatory supervision, unless the judge finds that it is not appropriate in a particular case. The

budget committee took the position that sentencing changes should not be made piecemeal, but should be done in the context of a broader review of the state's sentencing laws.

- **Training for Correctional Officers.** The budget committee adopted the Governor's proposal to augment funding for new correctional officer recruitment and training by \$62 million. The increased funding is intended to allow for the recruitment and training of 3,400 new correctional officers. In addition, the committee augmented funding for training by \$24 million to increase the annual training for all institution staff by 16 hours. Those 16 hours are required to include motivational interviewing, stress management training for employees, crisis intervention training, and CDCR custody, health care, and mental health staff collaboration training. In addition, to address the lack of higher education requirements for custody staff, including wardens. The committee provided funding for an evaluation of the current education level of the custody staff and the development of a plan to increase those minimum requirements. At a minimum, the evaluation must include:
 - A survey of the educational level of all current correctional staff, including wardens.
 - An analysis of the current minimal education requirements, including an assessment of what the ideal minimal requirements should be for each position.
 - An analysis of the national standards and the educational requirements in other states.
 - A strategic plan for implementing minimal higher education requirements that includes both incentives for current staff to attain higher levels of education, including feasible accommodations within their work schedules, and a strategy for implementing minimal the higher education requirements for each position.

JUDICIAL BRANCH

The budget committee approved the Governor's May Revision proposal to increase trial court funding by \$160 million. \$31 million of that General Fund augmentation will backfill an expected shortfall in the trial court revenues. The committee augmented the Governor's proposal by \$121 million.

- **Trial Court Funding.** The budget committee increased overall trial court funding by \$100 million, in addition to the Governor's \$160 million augmentation. The Governor's May Revision specifically provided a five percent increase in state trial court operations, for a total increase of \$86.3 million. In addition, the May Revision included an increase of \$42.8 million to reflect increased health benefit and retirement adjustment costs for trial court employees. Finally, the May Revision reflected a General Fund increase of \$30.9 million to account for an estimated shortfall in the Trial Court Revenue Trust Fund.
- **Dependency Counsel.** The budget committee increased funding for dependency court attorneys in 2014-15 by \$11 million, growing to \$22 million in 2015-16, and further increasing to \$33 million in 2016-17 and on-going.
- **Immediate and Critical Needs Account (ICNA).** The budget committee augmented the Judicial Branch budget by \$10 million in order to begin buying out the \$50 million annual transfer from the Immediate and Critical Needs Account (ICNA) over the next five years. The annual transfer from ICNA to fund trial court operations will end in year five.