# *CALIFORNIA STATE SENATE*

COMMITTEE ON BUDGET AND FISCAL REVIEW

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***Holly J. Mitchell, Chair***

## *Agenda*

***May 22, 2019***

***Upon Call of the Chair - State Capitol – Room 4203***

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## Budget Act of 2019
## Overview of the Senate Budget Plan

## ITEMS PROPOSED FOR VOTE-ONLY

## ITEMS PROPOSED FOR DISCUSSION AND VOTE

# 0160 LEGISLATIVE COUNSEL BUREAU

## Issue 1: Workplace Conduct Unit

**Legislative/Governor's Proposal.** The Governor's budget included $1.7 million General Fund and four positions to continue operating the Workplace Conduct Unit mandated by SB 867 (Committee on Budget and Fiscal Review), Chapter 450, Statutes of 2018.

**Subcommittee Action.** None

**Staff Comments.** SB 867 established a Workplace Conduct Unit within the Legislative Counsel Bureau (LCB), charged with receiving and investigating complaints of harassment, discrimination, and retaliation related to the Legislature. SB 867 appropriated $1.5 million in 2018-19 to fund the implementation and operation of the unit during its first year. The responsibilities of the unit are a new function for the LCB. To continue operating the unit in 2019-20 and ongoing, the LCB is requesting funding and position authority for four new positions: a Career Executive Assistant to serve as the Director of the unit, two attorney positions to conduct investigations (one Deputy Legislative Counsel III and one Deputy Legislative Counsel IV), and an Office Technician (Typing) to provide clerical support. The LCB is also requesting operating expenses for the new unit, which includes funding for personal services contracts with five employment attorneys to serve on the Workplace Conduct Panel as required by the bill, additional office space, and the basic information technology needs of the unit.

**Staff Recommendation.** Approve as budgeted.

**Vote:**

# 0509 Governor's Office of Business and Economic Development

## Issue 2: Film and Television Tax Credit Carryforward

**Legislative/Governor's Proposal.** Trailer bill language has been proposed to extend the 2.0 Film and Television Tax Credit carryforward period from five to eight years, aligning it with the carryforward provisions of the 3.0 credit as included in SB 871 (Committee on Budget and Fiscal Review), Chapter 54, Statutes of 2018. The proposed change is as follows:

Included in the 3.0 credit pursuant to SB 871:

> *(3) In the case where the credit allowed under this section exceeds the "net tax," the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.*

Proposed change to 2.0 credit:

> *(3) In the case where the credit allowed under this section exceeds the "net tax," the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding ~~five~~ eight taxable years, if necessary, until the credit has been exhausted.*

**Staff Recommendation.** Approve as proposed.

**Vote:**

# 0840 STATE CONTROLLER'S OFFICE (SCO)

## Issue 3: California State Payroll System Project

**Legislative/Governor's Proposal.** The May Revision includes $1.3 million General Fund ($471,000 ongoing) and $961,000 special funds ($355,000 ongoing) to support six positions and contracted service costs during the Project Approval Lifecycle (PAL) process.

**Subcommittee Action.** This issue was heard by Subcommittee No. 4 on May 16, 2016, and held open.

**Staff Comments.** Beginning in 2016, SCO began to assess current information technology and the latest industry standards, and initiated the re-engineering of a new human resource management and payroll system. This new initiative is named the California State Payroll System Project (CSPS).

The CSPS Project intends to modernize and improve the efficiency of the current Uniform State Payroll System (USPS) or replace it entirely. Since the state continues to rely on its 1970s-era legacy systems, the CSPS Project is intended to develop a comprehensive approach to satisfy all stakeholders' concerns, meet the best interests of the state, and follow the PAL process to develop plans that align with SCO's strategic goals. A modern payroll system will allow SCO to meet its strategic objectives to promote financial integrity and accountability; provide excellent customer service; deliver core services more effectively through innovative business processes and technology solutions; invest in its employees to create a skilled, motivated, and diverse workforce; and enhance communications and information sharing.

SCO requests funding to support six permanent positions in 2019-20 and ongoing to continue work on the project activities that will drive the process of assessing options and designing a new statewide payroll approach.

**Staff Recommendation.** Approve as budgeted.

**Vote:**

# 2720 California Highway Patrol
# 2740 Department Of Motor Vehicles

## Issue 4: Motor Vehicle Account

**Legislative/Governor's Proposal.** The Motor Vehicle Account (MVA), part of the State Transportation Fund, is the primary fund source for the Department of Motor Vehicles (DMV) and the California Highway Patrol (CHP). The MVA supports the administration and enforcement of laws regulating the operation and registration of vehicles used on public streets and highways, as well as mitigation of the environmental effects of vehicle emissions.

The May Revision estimates the MVA will receive roughly $4.1 billion in revenues in 2019-20 and proposes a total of $4 billion in expenditures. This includes a total of $3.8 billion in expenditures from the MVA for CHP, DMV, and Air Resources Board (ARB). However, due to the precarious balance of the fund, which is projected to carry only a small reserve over the five-year forecast period, the Administration has proposed a series of cost-saving measures. These include shifting $130 million in capital outlay funding from the MVA to lease revenue bonds, and reducing the supplemental pension payments required by SB 84 (Committee on Budget and Fiscal Review), Chapter 50, Statutes of 2017 to zero in 2019-20. This would be made up in future years under the Administration's proposal.

**Subcommittee Action.** Budget Subcommittee No. 2 heard this item, but took no action.

**Staff Comments.** The Senate's proposal for the MVA provides for the ongoing operations of the DMV, CHP, and ARB, maintains a reserve of at least $100 million over the next five years, keeps cost lower by continuing the past practice of funding critical CHP and DMV office replacements on a cash basis, and makes a supplemental pension payment (SPP) of $100 million in 2019-20.

Specifically, the Senate Motor Vehicle Account package includes the following actions:

- Approve $576,000 per year for two years for CHP to comply with updated Public Records Act requirements.

- Approve DMV's capital outlay proposals as budgeted for the following projects:

    - Inglewood Field Office Replacement Reversion. (-$15.1 million)
    - Perimeter Security Fences Reversion. (-$9.9 million)
    - Reedley Field Office Replacement. ($1.2 million)
    - Walnut Creek Field Office Relocation (lease). ($0.7 million)
    - Delano Field Office Replacement Reappropriation. ($795,000)

- Reject CHP's capital outlay proposals for lease-revenue bond financing for Hayward, San Bernardino, El Centro offices. Approve cash funding for the Hayward ($48.1 million) and El Centro ($40.4 million) capital outlay projects in 2019-20.

- Approve CHP's capital outlay proposals as budgeted for the following projects:

  - San Bernardino Area Office Replacement Reversion. (-$40.3 million)

  - Quincy Area Office Replacement Reversion. (-$36.9 million)

  - Statewide Planning and Site Identification (Santa Ana Area Office). (-$0.5 million)

  - CHPERS Phase 1 Reappropriation ($320,000) and Keller Peak Tower Replacement. ($1.8 million)

- Establish intention to cash-fund future CHP and DMV capital outlay proposals.

- Reject the Administration's proposal to pass credit card fees on to DMV customers.

- Make a supplemental pension payment of $100 million in 2019-20, instead of $0 as the Administration proposes.

**Staff Recommendation.** Adopt the Senate Motor Vehicle Account package.

**Vote:**

## 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

### Issue 5: Enhanced Fire Protection May Revision Update: C-130 Federal Air Tankers

**Legislative/Governor's Proposal.** The May Revision proposes $4.6 million in 2019-20, $4.6 million in 2020-21, and $2.2 million in 2021-22 to fund an Exclusive Use C-130 Contract-Training Platform to support CalFire's Large Air Tanker (LAT) C-130 Program.

This proposal is additive to the $13.1 million proposed in the Governor's Budget to begin implementation of the C-130 program.

**Subcommittee Action.** Held open.

**Background.** ***Exclusive Use Contract for a C-130 Training Platform***. According to CalFire, the department needs access to the training platform in 2019-20 to have flight crews fully trained and prepared in anticipation of the first C-130 being delivered in 2020-21. Not having access to this training will result in a delivered C-130 without properly trained crews, delaying operations for up to two years. The training platform will be provided by a third-party vendor, and includes C-130 flight instructors to provide training for new and existing pilots, C-130 qualified mechanics to work with existing mechanics to gain C-130 familiarization training, and an on call 4,000-gallon LAT for actual wildfire firefighting missions.

**LAO Comments.** The aircraft would also be available for fire response needs during peak fire season. CalFire asserts that the proposal is cost neutral since the department would likely contract for a similar air tanker for use during the peak fire season. However, the backup data to support the concept of this proposal being cost neutral is inconclusive. While the cost of the C-130 training aircraft is likely to be offset to some degree by savings from reduced emergency fire suppression expenditures, the amount of offsetting savings is unknown and will depend on the severity and fire response needs in the upcoming fire seasons.

The Legislature will likely want to align its actions on this proposal with actions on the broader proposed C-130 air tanker program. LAO continues to think that the Legislature will want to weigh the costs and potential benefits of the proposed enhanced fire protection resources, including the C-130 air tanker program, against other options for addressing wildfires.

**Staff Recommendation.** Approve as proposed.

**Vote:**

# 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

## Issue 6: Innovation Procurement Sprint

**Legislative/Governor's Proposal.** The May Revision proposes $15 million to enable CalFire to procure innovative solutions to combat the state's wildfire crisis consistent with Executive Order N-04-19, and provisional language to allow for augmentations of this amount as necessary under specified conditions.

**Subcommittee Action.** Held open.

**LAO Comments.** While LAO recognizes the potential benefits of piloting a new procurement approach, the proposed provisional language raises two major concerns. First, the provisional language allows the Administration to augment the funding by an unlimited amount upon notification to JLBC (in some cases with only a 15-day notification). Given the uncertainty around the types of technologies or solutions that might result from the innovative procurement approach, some flexibility in funding may be reasonable. However, providing an unlimited potential augmentation of funds outside of the traditional budget process significantly limits the Legislature's role.

Second, given the confidential nature of the ongoing procurement process, the Administration has not provided any details on the types of technologies or solutions it might select with these funds, and the proposed provisional language does not include a requirement to report on these details. Without details on how the funds might be spent it will be difficult for the Legislature to weigh the potential benefits against other budgetary priorities.

**Staff Recommendation.** Approve requested resources with the following modifications to the provisional language: (1) Include $5 million cap on the total level of augmentations that can be authorized. (2) Require 30-day notification and review periods instead of the proposed 15-day period. (3) Require CalFire to provide an update to the JLBC on the procurement process and the number and types of technologies being considered upon conclusion of the initial evaluation of proposals. (4) Require CalFire to provide a description of the outcomes of field testing of any technologies or solutions before entering into any contracts beyond the initial proof of concept.

**Vote:**

# 4170 DEPARTMENT OF AGING

## Issue 7: Long-Term Care Ombudsman Augmentation

**Governor's Proposal.** The Governor's May Revision included $1 million to provide additional one-time funding to local Long-Term Care Ombudsman (LTCO) programs.

**Subcommittee Action.** The subcommittee heard and discussed this item during its May 14, 2019 hearing and took action to provide an additional $4.2 million in 2019-20, and $5.2 million every year thereafter for local LTCO programs.

**Staff Comments.** Additional trailer bill language is needed to specify that the State Ombudsman will provide residents with regular and timely access to services through quarterly visits to skilled nursing facilities and residential care facilities for the elderly.

**Staff Recommendation.** Adopt placeholder trailer bill language.

**Vote:**

## 4170 DEPARTMENT OF AGING
## 4260 DEPARTMENT OF HEALTH CARE SERVICES

### Issue 8: Multipurpose Senior Services Program (MSSP) Supplemental Rate Increase

**Legislative Proposal.** The MSSP Site Association (MSA) requests a one-time $25 million General Fund augmentation over three years to provide supplemental increases for MSSP sites. Local MSSP sites provide social and health care management for frail elderly clients who are certifiable for placement in a nursing facility but who wish to remain in the community. The goal of the program is to arrange for and monitor the use of community services to prevent or delay premature institutional placement of these frail clients.

**Subcommittee Action.** The subcommittee heard and discussed this item during its March 14, 2019 hearing and took no action.

**Staff Recommendation.** Approve as proposed.

**Vote:**

## 4260-601-3085 DEPARTMENT OF HEALTH CARE SERVICES
## 4560-VARIOUS MENTAL HEALTH SERVICES OVERSIGHT & ACCOUNTABILITY COMMISSION

### Issue 9: Alignment of Innovation Funding Timelines Trailer Bill Language

**Legislative Proposal.** Adopt trailer bill language to align the timeline of funding for innovation projects under the Mental Health Services Act (MHSA) with the full term of the project plan approved by the Mental Health Services Oversight and Accountability Commission (MHSOAC). The MHSA requires county funding for innovation projects to be spent within three years, or the funding is reverted to the state to be redistributed to other counties. The MHSA also requires counties to receive approval from the MHSOAC for their plan to spend innovation funding. Recent MHSA amendments allow counties to restart the three-year funding limit upon approval of the innovation funding plan approved by the MHSOAC. Counties have raised concerns that this timing places an artificial limitation on the timing for expenditure of innovation funding and have requested adoption of trailer bill language to allow funding for innovation projects to be retained for the duration of the timeline of the project as approved by MHSOAC in the county's innovation plan.

**Subcommittee Action.** Subcommittee No. 3 heard this proposal during its May 9th hearing and the proposal was held open.

**Staff Comments.** AB 114 (Committee on Budget), Chapter 38, Statutes of 2017, imposes certain requirements on counties and the Department of Health Care Services (DHCS) regarding the reversion of unspent MHSA funds. Prior to AB 114, DHCS had not reverted any funds from counties for several years and counties retained these funds in reserve accounts, rather than expending them on services or programs, because of the expectation the funds would eventually be reverted. AB 114 requires DHCS to annually publish the amounts of MHSA funding subject to reversion. AB 114 also allows counties to retain MHSA funding for innovation projects for three years (five years for small counties) from the date the county's innovation plan is approved by the MHSOAC. This provision leads to the potential that a county could retain innovation funding for up to six years (ten years for small counties). While the proposed trailer bill language could have the effect of extending even longer the time during which innovation funds may be retained by counties, the extension of time would be subject to review and approval by the MHSOAC and consistent with the counties' approved plans to spend MHSA innovation funding. The intent of AB 114 was to ensure that counties spend innovation funds in a timely and appropriate manner to improve the delivery of mental health services consistent with the MHSA. Providing flexibility to counties under an approved innovation plan would still be consistent with that intent.

**Staff Recommendation.** Adopt placeholder trailer bill language.

**Vote:**

# 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

## Issue 10: Canyon Springs Admissions Expansion Trailer Bill Language

**Governor's Proposal.** The Governor's budget proposes language that would expand admissions into the Canyon Springs Community Facility for individuals currently admitted to acute psychiatric facilities, Institution for Mental Disease, or state operated Stabilization, Training, Assistance, and Reintegration homes and have no community placement options to meet high intensity need. Canyon Springs is a community facility designed to provide residential services, treatment, and training for up to 56 adults who have developmental and intellectual disabilities. The facility also serves as a step-down towards increased community access and integration.

**Subcommittee Action.** The subcommittee heard the issue on May 15, 2019, but took no action.

**Staff Comments.** Consumers and advocates raised concerns at the May 15, 2019, hearing of Subcommittee No. 3 that the proposed language undoes language that was carefully negotiated in Senate Bill 174 (McGuire), Chapter 884, Statutes of 2018. Stakeholders and the department continue to work together to address stakeholder concerns with the language.

**Staff Recommendation.** Adopt placeholder trailer bill language.

**Vote:**

## 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

### Issue 11: Porterville Stabilization Training Assistance and Reintegration Facilities

**Governor's Proposal.** The Administration requests that Item 4300-001-0001 be increased by $4.7 million and reimbursements be increased by $1.2 million to operate two Stabilization, Training, Assistance, and Reintegration (STAR) homes at the Porterville Developmental Center General Treatment Area. This one-time augmentation provides interim acute crisis stabilization services pending the completion of the Central Valley STAR homes in fiscal year 2020-21.

**Subcommittee Action.** The subcommittee heard the issue on May 15, 2019, but took no action.

**Staff Recommendation.** Approve as proposed.

**Vote:**

# 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

## Issue 12: Headquarters Restructuring and System Improvement BBL

**Legislative Proposal.** The Senate proposes budget bill language that would state its intent that the resources provided for the department's headquarters restructuring and for regional centers in the 2019-20 budget offers opportunity for system improvement and renewed purpose.

**Subcommittee Action.** The subcommittee heard the issue on May 2, 2019, but took no action.

**Staff Recommendation.** Approve placeholder budget bill language.

**Vote:**

# 4560-Various Mental Health Services Oversight And Accountability Commission

## Issue 13: Commission Membership Technical Clean-up Trailer Bill Language

**Legislative Proposal.** SB 1113 (Monning), Chapter 354, Statutes of 2018, made an inadvertent change to the statutory reference to the Senate's appointee to the Mental Health Services Oversight and Accountability Commission. Instead of referring to the "Chairperson of the Senate Health and Human Services Committee," an inadvertent edit adjusted the language to instead refer to the "Chairpersons of the Senate Health and Human Services Committees," which would potentially authorize the Senate to appoint two members of the Commission, rather than one. The proposed trailer bill language would address this error by referring instead to the "Chairperson of the Senate Health or Human Services Committee."

**Subcommittee Action.** Subcommittee No. 3 did not hear this issue.

**Staff Comments.** This is a technical change that restores clarity on the Senate's appointment to the Commission.

**Staff Recommendation.** Approve as proposed.

**Vote:**

# 4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

## Issue 14: Earned Income Tax Credit Outreach

**Governor's Proposal.** The Governor's budget included $5 million General Fund to the Office of Planning and Research (OPR) in grant funding for organizations that provide taxpayer outreach and free tax preparation.

**Subcommittee Action.** Subcommittee No. 4 heard this issue on May 2, 2019, and took action to move this funding from OPR to the Franchise Tax Board (FTB).

**Staff Comment.** In 2017-18 and 2018-19, FTB has contracted with the Department of Community Services and Development (CSD) to conduct this outreach. As CSD is under the jurisdiction of Subcommittee No. 3, a conforming action should have been taken in Subcommittee No. 3.

**Staff Recommendation.** Conform with the action of Subcommittee No. 4 and provide local assistance reimbursements of $5 million for CSD's 2019-20 budget.

**Vote:**

## 5160 DEPARTMENT OF REHABILITATION

### Issue 15: Traumatic Brain Injury Program Sunset Removal

**Legislative Proposal.** The Senate proposes to remove the sunset date on the traumatic brain injury (TBI) program. The TBI program serves those who have suffered a traumatic brain injury by providing post-acute care and support. Participants must have a TBI diagnosis and be able to benefit from a coordinated service approach.

**Subcommittee Action.** The subcommittee heard and discussed this item during its May 2, 2019 hearing and took no action.

**Staff Recommendation.** Approve as proposed.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES – IHSS

## Issue 16: Public Authority Administration Funding

**Governor's Proposal.** The Governor's budget proposes $3.7 million ($1.8 million General Fund and $1.9 million reimbursements) for public authority administration based on updated workload assumptions.

**Subcommittee Action.** The subcommittee heard and discussed this item during its May 15, 2019 hearing and took no action.

**Staff Recommendation.** Approve funding as proposed.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES - IHSS

## Issue 17: Electronic Visit Verification County Administration Funding

**Governor's Proposal.** The Governor's budget proposes $6 million ($1.5 million General Fund and $4.5 million reimbursements) to reflect adjustments in county administrative workload associated with the final implementation plan for electronic visit verification.

**Subcommittee Action.** The subcommittee heard and discussed this item during its May 15, 2019 hearing and took no action.

**Staff Recommendation.** Approve as proposed and adopt placeholder trailer bill language requiring the department to work with the County Welfare Directors Association of California to determine actual county workload and implementation costs and to incorporate any necessary changes into the 2020-21 budget.

**Vote:**

## 5180 DEPARTMENT OF SOCIAL SERVICES - CALFRESH

### Issue 18: Simplifying Senior Access to CalFresh

**Legislative Proposal.** California Food Policy Advocates and the California Association of Food Banks, along with local food banks and other partners, request a one-time augmentation of $1 million General Fund for the department to design and automate a user-centered, simplified CalFresh application for seniors and people with disabilities.

**Subcommittee Action.** The subcommittee heard and discussed this item during its April 11, 2019 hearing and took no action.

**Staff Recommendation.** Approve as proposed.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES - CALFRESH

## Issue 19: Disaster CalFresh Automation

**Legislative Proposal.** The County Welfare Directors Association of California (CWDA) requests $1.8 million ($900,000 General Fund) to allow DSS to automate disaster CalFresh eligibility determinations and add related forms and notices in CalSAWS.

**Subcommittee Action.** The subcommittee heard and discussed this item during its April 11, 2019 hearing and took no action.

**Staff Recommendation.** Approve as proposed.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES - CALFRESH

## Issue 20: Supplemental Reporting Language on Able-Bodied Adults without Dependents (ABAWDs)

**Legislative Proposal.** The Senate proposes supplemental reporting language asking the department to provide updates and report on planning efforts relating to ABAWDs. For ABAWDs, the receipt of benefits is limited to three months in a 36-month period unless individuals are working at least 80 hours per month, participating in qualifying education and training activities at least 80 hours per month, or complying with a workfare program. In 2008, California received a statewide waiver of the time limits; however, that waiver is set to expire on August 31, 2019. The proposed language would require the department to provide updates on how they are planning for the waiver expiration.

**Subcommittee Action.** The subcommittee heard and discussed this topic during its April 11, 2019 hearing and took no action.

**Staff Recommendation.** Approve placeholder language.

**Vote:**

## 5180 DEPARTMENT OF SOCIAL SERVICES - CALFRESH

### Issue 21: Supplemental Reporting Language on Expansion of CalFresh to SSI/SSP Recipients

**Legislative Proposal.** The Senate proposes supplemental reporting language asking the department to provide updates and report on the implementation of the CalFresh expansion to SSI/SSP recipients.

**Subcommittee Action.** The subcommittee heard and discussed this topic during its April 11, 2019 hearing and took no action.

**Staff Recommendation.** Approve placeholder language.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES - CALWORKS

## Issue 22: Supplemental Reporting Language on SB 1041 RAND report

**Legislative Proposal.** The Senate proposes supplemental reporting language requiring the department to provide updates on the release of the final RAND report on CalWORKs reforms that took effect in 2013.

**Subcommittee Action.** The subcommittee took no action.

**Staff Comment.** Senate Bill (SB) 1041 (Committee on Budget and Fiscal Review), Chapter 47, Statutes of 2012, included significant reforms to CalWORKs. To fully understand if SB 1041 is achieving its objectives and if there are any unintended consequences, the Legislature required an independent evaluation. The Department of Social Services awarded the evaluation contract to the RAND Corporation.

**Staff Recommendation.** Adopt placeholder language.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES - CALWORKS

## Issue 23: Single Allocation Budget Methodology Changes

**Governor's Proposal.** The Governor's budget proposes $41.4 million ($128,000 General Fund and $41.3 million federal funds) to reflect a revised budgeting methodology for the employment services component of the CalWORKs Single Allocation to counties. The Governor's budget also proposes to remove the CalWORKs Stage One Child Care services component from the CalWORKs Single Allocation. The Single Allocation is the largest allocation of funds from the state to the counties for the administration of CalWORKs. It currently includes funding for employment services, eligibility determination and other administrative costs, and child care subsidies.

**Subcommittee Action.** The subcommittee heard and discussed this item during its May 15, 2019 hearing and took no action.

**Staff Recommendation.** Approve proposed funding and adopt placeholder trailer bill language that would delay movement of funding for the Stage One Child Care services from the CalWORKs Single Allocation to 2020-21 and clarify that it is the intent of the Legislature that the department work with county representatives and the County Welfare Directors Association of California to develop case work metrics for employment services, as well as a budgeting methodology for welfare-to-work direct services.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES - CALWORKS

## Issue 24: CalWORKs Outcomes and Accountability Review (CalOAR) Administrative Funding

**Governor's Proposal.** The Governor's budget proposes $13.2 million ($887,000 General Fund and $12.3 million federal funds) to support county administrative activities related to the CalOAR Continuous Quality Improvement process.

**Subcommittee Action.** The subcommittee heard and discussed this item during its May 15, 2019 hearing and took no action.

**Staff Recommendation.** Approve as proposed.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES - CALWORKS

## Issue 25: CalWORKs Outcomes and Accountability Review (CalOAR) TBL

**Legislative Proposal.** The Western Center on Law and Poverty and the Coalition of California Welfare Rights Organizations request trailer bill language to codify the intent of CalOAR, a performance measurement system for CalWORKs.

**Subcommittee Action.** The subcommittee heard and discussed this item during its April 11, 2019 hearing and took no action.

**Staff Recommendation.** Adopt placeholder trailer bill language.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES - CALWORKS

## Issue 26: Client Centered CalSAWs Trailer Bill Language

**Legislative Proposal.** The Alliance to Transform CalFresh requests trailer bill language relating to improving consumer experience with social services programs administered through CalSAWS, with the goal to minimize the burdens of enrollment for low-income consumers, and to provide opportunities for feedback from applicants and clients.

**Subcommittee Action.** The subcommittee heard and discussed this item during its March 28, 2019 hearing and took no action.

**Staff Recommendation.** Approve placeholder trailer bill language.

**Vote:**

# 5180 Department of Social Services - CalWORKs

## Issue 27: Earned Income Disregard (EID) and Income Reporting Threshold (IRT)

**Legislative Proposal.** The County Welfare Directors Association of California (CWDA) requests to strengthen the EID by raising the amount of income that would be disregarded. The EID is the amount subtracted from a CalWORKs recipient's income to determine initial eligibility for assistance and monthly grant amounts. The purpose of the EID is to allow families to continue to receive benefits while earning a paycheck – up to a certain limit.

**Subcommittee Action.** The subcommittee heard and discussed this item during its April 11, 2019 hearing. On May 16, 2019, the subcommittee took action to adopt placeholder language to change the EID to $500 and allow subsequent adjustments in future fiscal years.

**Staff Comment.** It was the intent of the subcommittee to align an update to the income reporting threshold with the change in the EID.

**Staff Recommendation.** Adopt placeholder trailer bill language to delete the amount likely to render a recipient ineligible for the program from the income reporting threshold formula.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES

## Issue 28: Housing and Homelessness Programs

**Governor's Proposal.** The Governor's budget includes $590,000 ($297,000 General Fund and $293,000 federal funds) to support three permanent positions and one two-year limited-term positions to administer various housing support programs and analyze outcomes.

**Subcommittee Action.** The subcommittee heard and discussed this item during its May 9, 2019 hearing and took no action.

**Staff Recommendation.** Approve funding as proposed.

**Vote:**

## 5180 DEPARTMENT OF SOCIAL SERVICES

### Issue 29: Rapid Response Reserve

**Governor's Proposal.** Although not included in the department's budget, the Governor's budget proposes a one-time augmentation of $5 million General Fund in 2018-19, and $20 million General Fund in 2019-20, for an Immigration Rapid Response program to be set aside in a reserve until needed. The May Revision includes $7.3 million to provide funding for nonprofits who operate emergency shelters for migrants in San Diego and Riverside counties.

**Subcommittee Action.** The subcommittee heard and discussed this item during its May 14, 2019 hearing. On May 16, 2019, the subcommittee took action to approve the Governor's proposal and provide an additional $5 million.

**Staff Comment.** Additional trailer bill language is needed to ensure local governments are reimbursed for expenditures made beyond the scope of technical support.

**Staff Recommendation.** Adopt placeholder trailer bill language.

**Vote:**

# 5180 DEPARTMENT OF SOCIAL SERVICES – CALWORKS

## Issue 30: CalWORKs Asset Test Limits

**Legislative Proposal.** The Senate proposes to eliminate asset test limits for purposes of CalWORKs eligibility determination. This proposal is estimated to cost $7.6 million in 2019-20, $28.3 million in 2020-21, and approximately $30 million in the out-years. Currently under the CalWORKs program cash assistance and other benefits are provided to families and individuals who meet specified eligibility criteria, including limitations on income and assets.

**Subcommittee Action.** The subcommittee heard and discussed this item during its April 11, 2019 hearing and took no action.

**Staff Recommendation.** Approve funding as proposed.

**Vote:**

## 5225 CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

### Issue 31: General Adult Population Adjustments and Proposals

**Legislative/Governor's Proposal.** Based upon updated caseload projections and additional alternative custody program placements, the May Revision projects the following average daily population of adult inmates in the budget year.

| Fiscal Year | 2019-20 Governor's Budget | 2019-20 May Revision-Updated | Difference |
|---|---|---|---|
| 2018-19 | 128,334 | 127,972 | -362 |
| 2019-20 | 126,971 | 125,871 | -1,100 |

The population adjustments, as shown in the proposal, are reflected by a net decrease of $11.8 million General Fund in the current year and a net increase of $3.6 million in 2019-20. In addition, the May Revision projects the average daily population of parolees to be 48,535 in the current year, and 50,442 in 2019-20, a decrease of 166 in the current year and an increase of 497 compared to the Governor's Budget projection.

**Background.** As part of the Governor's January and May budget proposals each year, the Administration requests modifications to CDCR's budget based on projected changes in the inmate and parolee populations in the current and budget years. The Legislative Analyst's Office (LAO) recently identified a couple of errors in the population adjustment proposed in the May Revision. Specifically, they noted that the proposed adjustments did not reflect: (1) the impact of emergency regulations implemented in 2018 and (2) the reduction in the population of the 35 prisons that will result from the activation of the two 60-bed Custody to Community Transitional Reentry Program (CCTRP) facilities. The Department of Finance concurred with the LAO's recommendation to reduce the funding requested for the CCTRP expansion to reflect a phase-in and has accordingly adjusted their 2019-20 average daily population estimates for that program from 120 to 100. On net, these issues resulted in their budgeting for 21 more inmates than necessary in 2018-19 and 935 more than necessary in 2019-20 (835 related to the emergency regulations impact and 100 related to CCTRP expansion).

The CDCR has indicated that it would provide revised funding figures consistent with the LAO's recommendations to the Legislature.

**Subcommittee Action.** The item was heard and held open in Subcommittee No. 5 on May 14, 2019.

**Staff Comments.** In 2019-20, several recent policy changes are anticipated to accelerate the release of certain inmates from prison (e.g. referrals for possible sentence reductions and changes under Proposition 57). As a result of these policy changes, the inmate population is expected to decline and parolee population is expected to temporarily increase. Both of these estimated impacts are not reflected in CDCR's current population projections. Given that the current population projections form the basis of the Administration's population-related budget requests, it is possible that the requested level of resources may be more than the department will need.

**Staff Recommendation.** Approve as budgeted and adopt LAO recommendation for trailer bill language that directs CDCR to report to the Legislature when it makes changes to credit policies in the future.

**Vote:**

# 5225 CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

## Issue 32: Janitorial Services at California Health Care Facility

**Legislative/Governor's Proposal.** The Governor's budget proposes, in the May Revision, an augmentation of $6.1 million in 2019-20 and ongoing to provide contractual janitorial services at the California Health Care Facility (CHCF) in Stockton. The funding would support continuance of a contract with PRIDE Industries for which authority would otherwise expire. Approval of the requested funding will allow CDCR to maintain an adequate hybrid system of janitorial services provided by PRIDE and by civil service employees.

**Background.** To address longstanding concerns about their cleanliness, CDCR has contracts with the California Prison Industry Authority (CALPIA) to clean the health care areas of facilities. CALPIA has managed to run a successful Healthcare Facilities Maintenance program within 34 facilities. However, due to the size, scope, and lack of eligible inmates to perform the work, CHCF was not included in the CALPIA contract. CDCR turned to private contractors to perform the work in an effort to address the poor cleanliness of its main health care facility.

The Budget Act of 2015 provided resources to CCHCS to contract with PRIDE Industries to clean the facility. Shortly after the proposal was approved, the Service Employees International Union (SEIU) Local 1000 filed a grievance with the California Department of Human Resources to contest the contract, saying the work could be performed by a civil service classification (Government Code 19130). CDCR was made aware of the grievance and in response developed and began implementing a transition plan to civil service staff.

The Governor's budget in January 2018 proposed positions and resources to transition from a janitorial contract with PRIDE Industries to a civil service janitorial solution at CHCF. However, PRIDE and the developmental disability community voiced concerns that the proposal did not ensure that the janitors with disabilities would keep their positions either as civil service or contracted employees.

The 2018 Budget Act included a compromise so that 50 percent of positions (175) would be converted to state civil service positions and the other 50 percent (175) would be maintained by PRIDE Industries.

**Subcommittee Action.** The proposal was not heard in Subcommittee No. 5.

**Staff Comments.** The agreement last year implies that civil service positions will be raised from 162.8 to 175 and that PRIDE's positions will be brought down from 192 to 175. CDCR has, however, had issues filling the civil service positions, doing so at a fill rate of 63 percent, and so there are still quite a few vacancies on the civil service side. As a result, there is a chance that PRIDE may not have to lower their number of positions.

According to the Department of Finance, in fiscal year 2019-20, the transition to the civil service janitorial solution was intended to be completed and the authority for civil service was supposed to increase from $10.1 million and 162.8 civil service staff to $13.8 million (ongoing) and 221 civil service staff. Instead, the CDCR will use $3.8 million plus this $6.1 million augmentation to fund contracts with PRIDE and fulfill the agreed upon 175-175 position split.

**Staff Recommendation.** Approve as budgeted.

**Vote:**

## 5225 California Department of Corrections and Rehabilitation

### Issue 33: Reentry Preparation and Services for Transgender, Gender Non-Conforming, and Intersex People Inside and Outside of State Prison

**Legislative/Governor's Proposal.** This is a legislative request for a one-time allocation of $3 million General Fund to help transgender, gender non-conforming, and intersex (TGI) people prepare for reentry and reintegrate themselves into society. Funds are proposed to be distributed across the state to transgender-led organizations and should guide work to support other TGI individuals both inside and outside of prisons. The intention is to foster a relationship between transgender-led organizations and the California Department of Corrections and Rehabilitation (CDCR's) Division of Rehabilitative Programs that will lead to creation of programs that link TGI people to housing, education, and workforce development programs both while incarcerated and upon release.

**Subcommittee Action.** The item was heard and held open in Subcommittee No. 5 on May 9, 2019.

**Staff Comments.** This proposal would be a first step to address barriers TGI people face in attempting to achieve stability. These topics have been key priorities for Subcommittee No. 5 as reflected by numerous special panels over the last two years. Staff recommends approval and inclusion in the Prison to Community Pipeline package approved by Subcommittee No. 5 recently.

**Staff Recommendation.** Approve as proposed and fold into Subcommittee No. 5's Prison to Community Pipeline package.

**Vote:**

## 6100 DEPARTMENT OF EDUCATION

### Issue 34: Four-Day School Week

**Legislative Proposal.** Adopt budget trailer bill language to correct an Education Code Section that ceases funding for schools operating on a four-day week and eliminate related penalties for Leggett Valley Unified School District (Mendocino County) and Big Sur Unified School District (Monterey County). Both school districts operate in remote regions of the state and providing a four–day school week allows flexibility for student and families in the area.

**Subcommittee Action.** The subcommittee took no action on this item.

**Staff Recommendation.** Approve placeholder trailer bill language to correct Education Code Section 37700 and to waive penalties for specified districts operating schools on a four-day school week pursuant to approval of a plan for meeting instructional minute requirements.

**Vote:**

# 6100 DEPARTMENT OF EDUCATION
# 6870 CALIFORNIA COMMUNITY COLLEGES

## Issue 35: Updated Proposition 98 Package

**Legislative Proposal.** Adopt Proposition 98 Package, which includes the following adjustments to the actions taken in Subcommittee No. 1 on May 15, 2019:

- Reduce the required deposit in the Public School System Stabilization Account to $89.6 million.
- Eliminate the use of one-time funds for the Local Control Funding Formula in 2019-20.
- Increase the amount of one-time funding for the College Readiness Block Grant to $242 million.
- Include a $3.6 million ongoing adjustment to the State Preschool Program to reflect the application of the adjustment to rates for children with exceptional needs in part-day state preschool programs.
- Increase the amount of ongoing funding for hiring full-time faculty at California Community Colleges to $30.6 million.
- Provide $9 million in ongoing funding for student homelessness and housing insecurity at California Community Colleges.
- Specify that of the $15 million one-time funding to address student hunger at the California Community Colleges, $500,000 be appropriated to conduct an assessment on whether a college-based food program would be cost effective.
- Other technical and minor changes.

See Attachment A.

**Subcommittee Action.** Subcommittee No. 1 took action to adopt the Proposition 98 Package on May 15, 2019. This new proposal includes adjustments related to changes in the guarantee based on updated revenue calculations.

**Staff Recommendation.** Approve Proposition 98 Package – Attachment A.

**Vote:**

# 6120-011-0001 CALIFORNIA STATE LIBRARY

## Issue 36: Digital Preservation Activities and Statewide Cultural Inventory Development

**Legislative/Governor's Proposal.**

The May Revision proposes an increase of $1.74 million, as follows:

1) $700,000 one-time to conduct a statewide survey or census of cultural heritage assets.

2) $454,000 in 2019-20 and $430,000 in 2020-21 ongoing to support three positions to establish a digital concierge unit. The unit would conduct outreach to and coordinate with state entities and inform them of best practices for digitization and preservation, as well as identify appropriate vendors to perform work and coordinate with vendors.

3) $583,000 ongoing to support contracts with vendors to complete archival work on behalf of various entities. This proposal seeks to preserve recordings, government documents, and maps, to create a census of rare books, film, photographs, and other artifacts to ensure these items are cared for and housed appropriately.

**Subcommittee Action.** None

**Staff Comments.** The LAO recommends that should the Legislature approve additional funding for these activities in 2019-20, it adopt reporting language that: 1) describes which agencies participated and provides a list of resources that were digitized, 2) requires an update on the status of the statewide inventory, 3) provides a list of the remaining institutions to be surveyed, and 4) identifies whether any funds remain unspent.

**Staff Recommendation.** Approve as proposed, and adopt supplemental reporting language.

**Vote:**

## 6610-001-0001 CALIFORNIA STATE UNIVERSITY

### Issue 37: New Campus Study

**Legislative/Governor's Proposal.** The Governor's budget proposes $2 million one-time to support a review of a potential CSU campus in San Joaquin County. The Governor proposed budget bill language to require that the CSU report by July 1, 2020 to the Department of Finance and the Joint Legislative Budget Committee regarding: (1) the anticipated benefits to local students and the regional economy, (2) the impact a campus would have on projected enrollment demands, (3) impacts on the capital expenditure debt limitations, (4) identification of sites for a potential campus, (5) a timeline for development of a potential campus, including the curriculum, when staff and faculty would be hired, and when a President would be chosen, and (6) a description of the impact on redirection policy, among others.

**Subcommittee Action.** The subcommittee provided $4 million one-time to support a statewide study to review potential new CSU campuses. The review will look at all regions in the state, with a particular focus on the Central Valley and the San Diego border area.

**Staff Recommendation.**

1) Approve the Governor's budget proposal.

2) Appropriate $1 million one-time for a review of a potential campus in the San Diego border area.

3) Appropriate $1 million one-time for a review of a potential campus in the Silicon Valley area.

**Vote:**

# 6870 California Community College (CCC)

## Issue 38: Reentry Grant

**Legislative/Governor's Proposal.** The 2018-19 budget provided $5 million one-time Proposition 98 General Fund for the Reentry Grant Program to support currently and formerly incarcerated students. On May 9, 2019, Subcommittee No. 1 heard a legislative request to provide funds to support another round of grants for formerly incarcerated students. The subcommittee approved the request for $5 million one-time Proposition 98 General Fund on May 15, 2019.

A similar action was taken in Subcommittee No. 5 as part of its Prison to Community Pipeline package on May 16, 2019, but at a resource level of $3 million from the General Fund.

**Staff Recommendation.** Make no changes to the $5 million in Proposition 98 General Fund approved by Subcommittee No. 1, which would remain in the Senate's budget. Reduce the Prison to Community Pipeline package adopted by Subcommittee No. 5 by $3 million.

**Staff Comments.** The staff recommendation would reconcile the discrepancies in the actions taken by both subcommittees, provide a $5 million one-time Proposition 98 General Fund, and lead to a savings of $3 million General Fund when compared to prior actions taken by the subcommittees.

**Vote:**

# 6870 CALIFORNIA COMMUNITY COLLEGES

## Issue 39: Baccalaureate Degree Pilot Program

**Legislative/Governor's Proposal.**

Existing law authorizes the Board of Governors (BOG) of the California Community Colleges (CCC), in consultation with the California State University (CSU) and the University of California (UC), to establish baccalaureate degree pilot programs, at up to 15 community college districts. Each CCC may offer one baccalaureate degree program each, as specified, to be determined by the Chancellor of the CCC and as long as it does not duplicate a baccalaureate degree program already offered by the CSU or the UC. Existing law also requires an independent evaluation by the Legislative Analyst's Office and sunsets the program on July 1, 2026.

Existing law requires the Legislative Analyst's Office (LAO) to produce a final evaluation of the program and report to the Legislature by July 1, 2021. The final evaluation must include: (1) the number of baccalaureate degree programs implemented, including the number of programs, applicants, enrollees, (2) the extent the program fulfilled a workforce need, (3) information regarding the place of employment of graduates, (4) cost of the programs and funding source, (5) time to degree and completion rates, and (6) recommendation on whether and how the program be extended or expanded, among others.

The Legislature may wish to require the LAO to produce an earlier evaluation.

**Subcommittee Action.** None.

**Staff Recommendation.** Modify the deadline for the LAO's final evaluation from July 1, 2021 to February 2020.

**Vote:**

## 7730 FRANCHISE TAX BOARD

### Issue 40: Earned Income Tax Credit (EITC) Expansion and Advance Payments

**Legislative/Governor's Proposal.** The May Revision proposes to rename the credit the "California EITC, a cost-of-living refund," and to expand the credit beyond the Governor's Budget proposal by doubling the credit for every qualified family that has at least one child under the age of six, from $500 to $1,000. The Administration estimates that the newly expanded credit will be available to roughly three million households in total, and will approximately triple the amount of credits provided from $400 million to about $1.2 billion.

The May Revision also includes $18.7 million and 22 positions in 2019-20; $20.5 million and 77.5 positions in 2020-21; $13.2 million and 98 positions in 2021-22; $8.5 million and 92 positions in 2022-23; and $8.3 million and 90 positions ongoing to implement the EITC Advance Payments expansion.

The May Revision builds upon the Governor's budget proposal, which included the following components: 1) providing an additional $500 credit for families with children under the age of six, 2) increasing the maximum eligible earned income so that workers working up to full-time at the 2022 minimum wage of $15 per hour will be eligible for the credit, 3) changing the phase-out formula so that taxpayers earning income at the upper end of the credit structure will receive significantly higher credit amounts, 4) exploring how to allow workers to receive a portion of their credit in monthly payments, as opposed to receiving the credit in one lump sum at the end of the year, and 5) $5 million one-time through the Office of Planning and Research (OPR) to provide matching funds to nonprofits, community-based organizations, or governmental entities that increase awareness of the state's EITC and provide free tax preparation assistance to eligible families and individuals.

**Subcommittee Action.** Subcommittee No. 4 heard these issues on April 11, 2019, and they were held open.

**Staff Comments.** As mentioned during the April hearing, while the Governor's proposal continues to be commendable, there is still one key group, low-income working immigrant families, that is not able to claim the EITC. Additionally, on May 2, 2019, the subcommittee took action to reject the Governor's proposal to move outreach and free tax preparation services to OPR, instead voting to maintain those responsibilities at the FTB, along with the associated funding of $5 million.

Finally, staff notes that providing an option for monthly payments could provide an additional benefit for program participants by providing a smaller but consistent income boost throughout the year instead of a larger amount all at once. This may better align the payments with the timing of basic household needs. In addition, while the Administration's proposal is commendable, there are still a couple of major concerns that should be addressed before this option is implemented: 1) minimizing the risk of over-payments of the advanced credit; and 2) receiving federal waivers so that other public benefits are not impacted, such as CalFresh and CalWORKs.

**Staff Recommendation.** Approve the Governor's proposed expansion to the EITC, with the following changes: 1) make tax payers who file with an Individual Tax Identification Number eligible for the program, 2) augment funding for outreach and free tax preparation services at the FTB by $5 million, for a total of $10 million, 3) reject the renaming of the program, and 4) reject the FTB's proposal to begin implementation of advanced payments. Instead of beginning to implement advance payments now, adopt budget bill language requiring the FTB and the Department of Finance to report back to the Legislature on: 1) the approval or pending approval of federal waivers necessary to ensure that other public benefits are not impacted, 2) how the program will be designed in a way that is efficient and accessible to participants, and 3) how the risk of overpayments of the advanced credit will be minimized.

**Vote:**

# ITEMS PROPOSED FOR DISCUSSION AND VOTE

## 2740 - VARIOUS DEPARTMENT OF MOTOR VEHICLES

### Issue 41: Department of Motor Vehicles – Operational Improvements

**Legislative/Governor's Proposal.** The Governor's budget requests $242.1 million in 2019-20, $199.8 million in 2020-21, $86.1 million in 2021-22, $72.4 million in 2022-23, $45.3 million in 2023-24, and $34.4 million for 2024-25 and ongoing to address ongoing workload required by the Federal REAL ID Act, as well as other significant organizational improvements at the DMV. The request includes four primary categories of activities: 1) increased REAL ID workload, 2) customer service improvements, 3) operational improvements, and 4) information technology (IT) improvements. The request also includes provisional language similar to last year allowing for budget augmentations if the funding provided in the Budget Act is insufficient.

| Request Category | Amount |
|---|---|
| REAL ID & Transaction Volume | $196 million |
| Customer Service Improvements | $17.7 million |
| Operational Improvements | $29.5 million |
| IT Improvements | $17 million |
| **Total 2019-20 Request** | **$242 million** |

Importantly, this budget request proposes to offset a portion of its costs by passing credit card fees on to DMV customers. This is estimated to save the DMV roughly $18 million in 2019-20 and $24 million ongoing after that.

**Subcommittee Action.** This item was heard by the Full Budget Committee on April 22, 2019. No action was taken.

**Staff Comments.** Given both the uncertain nature of the out-year workload and the likely surge in applications for federally-compliant REAL IDs over the next two years, limited-term resources are appropriate. These will allow the Department to meet the immediate needs of complying with the REAL ID Act, while allowing course corrections in out-years if initial workload estimates prove inaccurate. At the same time, stringent reporting requirements will ensure that the DMV stays accountable for its use of resources and their impact on the Department's customers.

For the training and IT-related portions of this request, ongoing funding is more appropriate. These resources will lay the groundwork for the DMV to begin the significant organizational overhaul required to turn the DMV into a responsive, efficient, customer-centric organization.

**Staff Recommendation.** Approve $280 million in 2019-20, and $260.1 million in 2020-21, for REAL ID workload and DMV operational improvements. Approve $10 million ongoing and 12 positions for training and IT refresh purposes.

Adopt provisional language requiring the DMV to provide monthly reports on office wait times, wait time ranges, window office hours, progress on hiring the provided positions, and any technology outages in field offices.

**Vote:**

## 4800-101-0001 CALIFORNIA HEALTH BENEFIT EXCHANGE

### Issue 42: Premium Affordability Assistance and Individual Mandate Penalty

**Governor's Proposal.** The Administration's updated premium affordability assistance and individual mandate penalty proposal would provide advanced premium assistance subsidies for individuals and families earning between 200 and 600 percent of the federal poverty level (FPL) who are purchasing health coverage in Covered California. The Administration's proposal would also impose an individual mandate penalty for individuals that do not purchase minimum essential coverage. Specifically, the updated proposal would:

- Offer advanced premium assistance subsidies to families earning between 200 and 600 percent of the FPL (between $50,000 and $150,000 for a family of four) through Covered California, beginning January 1, 2020.

- Allocate about 75 percent of subsidies to about 190,000 individuals with incomes between 400 percent and 600 percent of the FPL. Subsidies for these individuals would average around $100 per month and around $150 per household. About 660,000 individuals with incomes between 200 percent and 400 percent of the FPL would receive average state subsidies of around $10 per month, in addition to substantial federal subsidies.

- Require consumers to reconcile subsidies on their income tax returns.

- Adjust subsidy levels in coverage years 2021 and 2022 to maintain a budget-neutral program. The subsidy program would sunset on December 31, 2022.

- Beginning January 1, 2020, create an individual mandate penalty that would require California residents to obtain minimum essential coverage or pay a penalty similar to the penalty imposed under the federal Affordable Care Act.

- Exempt from the penalty individuals with hardships, such as short coverage gaps, low incomes, and unaffordable coverage, consistent with federal law and guidance. Additionally, the proposal would exempt individuals not required to file a California income tax return.

**Subcommittee Action.** Subcommittee #3 augmented the Administration's proposed level of General Fund expenditure authority to provide total premium assistance subsidies of $595.3 million in 2019-20, $630.4 million in 2020-21, and $679.9 million in 2021-22. The subcommittee took no action on the Administration's updated trailer bill language proposal.

**Staff Comments.** The Administration's proposed premium affordability and individual mandate penalty are steps in the right direction to stabilizing the individual health insurance market and lowering premiums for California health consumers. However, based on the options provided by Covered California in its Affordability Workgroup Report, as requested by the Legislature in the 2018 Budget Act, the overall level of premium subsidies is likely to be insufficient to have a measurable impact on many Californians who are having trouble affording health insurance in the individual market. In addition, the Administration's insistence on linking the level of premium subsidies with the revenue received from the individual mandate penalty are policies directly at cross-purposes. Should the premium subsidies be successful in reducing the ranks of the uninsured, fewer uninsured individuals would be paying the mandate penalty, undermining the funding source for the subsidy program.

The Administration's proposal also provides subsidies to individuals between 200 and 600 percent of the FPL (between $50,000 and $150,000 for a family of four), while the mandate penalty applies to individuals without minimum essential coverage beginning at approximately 140 percent of the FPL (around $35,000) for a family of four, and 117 percent of the FPL for an individual with no dependents. In addition, the Administration proposes to sunset the premium subsidy program after three years, while imposing the mandate penalty on an ongoing basis. Requiring consumers in the individual market least able to afford coverage to purchase unaffordable coverage or pay a penalty, which would then be used to subsidize individuals with incomes up to four times higher, may not be the most effective way to improve affordability.

In addition, the Administration's proposal would require individuals whose income changes during the course of the year to reconcile the amount of subsidies received on their annual tax return. While this is a required component of the federal subsidy program provided under the Affordable Care Act, imposing a similar requirement for a state subsidy program may lead to additional burdens, confusion, and significant additional tax liabilities for low- and middle-income individuals receiving assistance under the state premium subsidy program.

**Staff Recommendation.** Modify and Adopt Placeholder trailer bill language with the following program design components:

- Allow premium subsidies for individuals below 200 percent of the FPL and eliminate set percentage allocations of subsidies to each income group.
- Eliminate redetermination of program design based on the availability of mandate penalty revenue.
- Provide that the individual mandate penalty is only applicable in coverage years in which the state or federal government provides premium assistance or other subsidies at or exceeding a specified threshold.
- Exempt consumers from reconciliation of premium subsidy amounts if the amount of reconciliation is less than a specified threshold.
- Exempt individuals eligible for Medi-Cal coverage from the individual mandate penalty.
- Require the Franchise Tax Board to annually report statistics on individuals required to pay the individual mandate penalty.
- Sunset the exemption from the Administrative Procedures Act in three years.
- Eliminate exemptions for the mandate penalty for health care sharing ministries.

**Vote:**

## 8660 - VARIOUS CALIFORNIA PUBLIC UTILITIES COMMISSION
## 8660 - VARIOUS PUBLIC ADVOCATES OFFICE

### Issue 43: SB 901 / Climate Change / California's Energy Future

**Legislative/Governor's Proposal.** The Governor's budget proposes 34 positions and $6.6 million ongoing for the Public Utilities Commission (PUC) to implement SB 901 (Dodd), Chapter 626, Statutes of 2018 and $2.5 million ongoing for 14 positions for the Public Advocates Office (PAO) to implement the bill. The budget also includes 16 positions and $41.0 million ($38.0 million in one-time contract authority) in 2019-20, $3.0 million in 2020-21 and 2020-22, and $2.9 million on-going to support permanent staff from the Public Utilities Commission Utilities Reimbursement Account to begin the implementation of a five-part action plan aimed at preventing and responding to catastrophic wildfires as laid out in the Wildfires and Climate Change: California's Energy Future Report released on April 12, 2019.

**Subcommittee Action.** Budget Subcommittee No. 2 heard the SB 901-related requests on March 28, 2019, and the California's Energy Future request on May 14, 2019. No actions were taken.

**Staff Comments.** It is reasonable to assume that SB 901 will create numerous additional proceedings at the PUC, which will in turn create increased workload on both a regular schedule (for example, the review of required Wildfire Mitigation Plans) and an ongoing basis (for the enforcement and compliance of these plans). This will in turn drive workload at the PAO as they participate in PUC proceedings. However, the appropriate resources necessary to address this workload is uncertain given the relative novelty of these proceedings to the PUC.

The California's Energy Future report identified a number of opportunities for the PUC to provide additional oversight of investor-owned utilities, better mitigate and manage the risk of catastrophic wildfires, and address climate change. The related BCP requests positions and contract funding to advance this work, as well as accelerate and strengthen the implementation of SB 901.

Given the increasing risk of wildfire, and the PUC's statutory role in addressing it, additional resources are reasonable. However, given the novelty of this work, and the uncertainty regarding long-term workload, limited-term resources coupled with reporting language are appropriate.

**Staff Recommendation.** Approve the requested funds and positions for 2019-20 and 2020-21.

Approve Provisional Language requiring the PUC to report by March 1, 2020, and annually thereafter, on the details of any contracts entered into for wildfire enhanced safety protocols or wildfire policy development, as well as on the status and scope of any MOU with CalFire, the status of the list of qualified independent evaluators of utility Wildfire Mitigation Plans, and any lessons learned to date from the implementation of these resources.

**Vote:**