



HIGHLIGHTS OF GOVERNOR'S PROPOSED 2016-2017 BUDGET

JANUARY 7, 2016

Dr. Shirley Weber

CHAIR, ASSEMBLY BUDGET COMMITTEE

TABLE OF CONTENTS

Overview	2
K-12 Education.....	3
Higher Education.....	5
Cap and Trade	8
Transportation.....	10
Human Services.....	12
Health Care Services	15
Natural Resources and Environmental Protection	17
Public Safety	21
General Government.....	25
Local Government.....	28
Revenues.....	29
Summary of Charts.....	31

OVERVIEW

On January 7th the Governor released his proposed budget for 2016-17. As expected, the budget proposal reflects a brighter revenue picture, which has yielded increased General Fund revenue and an operating surplus for next year.

Overall the Governor's budget forecasts \$125.8 billion in available General Fund resources in 2016-17; this includes a \$5.2 billion balance projected at the end of 2015-16, and \$120.6 billion in budget year revenues.

The Governor's revenue forecast are \$5.9 billion higher than the 2015-16 Budget Act projections, but are slightly lower than the LAO projections made in the November 2015 Fiscal Outlook report. The chart below compares the three forecasts:

Forecast Comparisons
(in billions)

	2015 Budget Act	LAO Nov Forecast	Governor's Jan 7	Gov's 1/7 vs. 2015 Budget Act
2014-15 Revenues	112.9	113.8	112.9	0
2015-16 Revenues	116.9	120.3	120.4	3.5
2016-17 Revenues	121.8	124.8	124.2	2.4
Three Years Total	351.6	358.9	357.5	5.9

The Governor proposes \$122.6 billion in General Fund expenditures; this includes \$71.6 billion in non-Prop 98 expenditures and \$51 billion in Prop 98 expenditures.

The Governor projects the Proposition 2 Rainy Day Fund to grow from 4.5 billion to \$8 billion, which includes \$1.6 billion of additional deposits, a discretionary \$2 billion deposit proposed by the Governor. In addition, pursuant to the provisions of Proposition 2, \$1.6 billion of State debts are repaid.

Under the Governor's proposed budget, there are \$10.2 billion in total reserves, this includes \$2.2 billion in the regular reserve, and \$8 billion in the Budget Stabilization Account (the existing, Proposition 2 Rainy Day Fund).

The Governor's budget proposals, as well the Assembly proposals and others, will be fully vetted through the Budget Subcommittee process, which will commence with the Committee's first hearing on January 20th and continue with Subcommittee hearings next month.

We hope this document helps provide an initial understanding of the Governor's proposed budget.

K-12 EDUCATION

K-12 Education

- Provides a total Proposition 98 funding level of \$71.6 billion for the 2016-17 Fiscal Year, \$3.2 billion above the level enacted in the 2015-16 Budget.
- Proposition 98 per-pupil expenditures are projected to be \$10,591 in 2016-17, an increase of \$368 per-pupil from 2015-16.
- Uses the "Test 3" formula to determine the Proposition 98 level for 2016-17.

Specific K-12 Education adjustments:

- Provides \$2.8 billion to further implement the Local Control Funding Formula (LCFF), an increase of 5.4 percent from 2015-16. This proposed funding level will fund the LCFF at 95 percent.
- Proposes an Early Education Block Grant, consolidating \$1.6 billion in Proposition 98 funding from the State Preschool Program, transitional kindergarten, and the Preschool Quality Rating and Improvement System Grant, with the intent to provide local education officials with more financial flexibility. Block grant funding would be distributed based on factors such as population and need, similar to the LCFF, however no local educational agency would receive less funding than they receive currently.
- Provides \$1.2 billion to further pay down the education mandate claims backlog. This funding could be used for any educational purpose.
- Maintains the Career Technical Education Incentive Grant program established in the 2015-16 Budget, which allocates \$900 million over three years (\$400 million in 2015-16, \$300 million in 2016-17 and \$200 million in 2017-18).
- Includes no specific proposal related to school facilities, but commits to "continue a dialogue" to shape a future state program focused on districts with the greatest need.

Other Adjustments:

- Allocates \$365.4 million to support energy efficiency projects using funds available through Proposition 39.

- Provides \$22.9 million for a 0.86 cost-of-living adjustment for categorical programs outside the Local Control Funding Formula. Provides \$1.7 million to support a COLA and attendance changes for county offices of education.
- Includes \$20 million in one-time Proposition 98 funding to support start-up costs for new charter schools in 2016 and 2017.
- Allocates an additional \$30 million in one-time Proposition 98 funds for local educational agencies to provide academic and behavioral supports, building on the \$10 million provided in 2015-16.
- Proposes \$7.3 million to be available through Proposition 47 to support programs to reduce truancy and support students at risk of dropping out of school or are victims of crime.
- Includes a decrease of \$149.4 million in 2015-16 and \$1.2 billion in 2016-17 in Proposition 98 funding for school districts and county offices of education due to higher offsetting property tax revenues.
- Includes an increase of \$61 million for projected charter school attendance growth and makes other adjustments due to the decrease in projected attendance for school districts, charter schools, and special education.

HIGHER EDUCATION

University of California

- Continues the Administration's long-term funding plan by providing about a 4% increase to the university's base budget, or \$125.4 million. The Administration expects UC to hold tuition flat for the 2016-17 school year and to continue working on the agreement reached last year on reforms to shorten the time it takes students to earn degrees.
- Provides \$171 million in Proposition 2 funds to help pay down the unfunded liability in the UC Retirement Plan. The Administration expects UC to implement pension reform by June 30, which was part of the 2015 Budget Act.
- Provides \$35 million one-time General Fund for deferred maintenance projects.
- Provides \$25 million in Cap and Trade funds to allow UC to implement various energy efficiency projects.

California State University

- Provides a \$148.3 million General Fund increase to CSU's base budget, reflecting the Administration's long-term funding plan for CSU and additional funding via savings from the Middle Class Scholarship program and certain lease revenue rental payments.
- Provides \$35 million one-time General Fund for deferred maintenance projects.
- Provides \$35 million in Cap and Trade funds to allow CSU to implement various energy efficiency projects.

California Community Colleges

- Calls for 2% enrollment growth in 2016-17, and provides \$114.7 million Proposition 98 General Fund to support this growth.
- Creates the Strong Workforce Program, which is designed to allow community colleges to expand access to career technical education courses and programs and to implement a regional planning and accountability structure to meet regional workforce needs. The Administration proposes \$200 million Proposition 98 General Fund to support this program.

- Continues the Career Technical Education Pathways Program by providing \$48 million Proposition 98 General Fund.
- Revives the Awards for Innovation in Higher Education program by providing \$25 million Proposition 98 General Fund for community colleges to compete for grants focusing on innovations in technology and data, effective transfer pathways, and successful transitions into the workforce.
- Increases support for remedial education by \$30 million Proposition 98 General Fund, which the Administration expects community colleges to use to collaborate with high schools, UC and CSU, further the purposes of the Basic Skills Transformation and Student Outcomes program, and improve outcomes for students requiring remediation.
- Provides \$5 million Proposition 98 General Fund to support community college efforts to begin creating zero-textbook-cost degree programs.
- Increases support for the Chancellor's Office's new Institutional Effectiveness Partnership Initiative by providing \$10 million Proposition 98 General Fund. Of this, \$2 million will go toward technical assistance for local districts and \$8 million will be used to develop and disseminate best practices in professional, administrative and educational areas.
- Provides \$283 million Proposition 98 General Fund for deferred maintenance and instructional equipment costs.
- Provides \$76.3 million Proposition 98 General Fund to pay down outstanding mandate claims.
- Provides .47% cost of living increases to four categorical programs: the Disabled Student Programs and Services program, the Extended Opportunities Programs and Services program, the Special Services for CalWORKS Recipients program, and the Child Care Tax Bailout program. This amounts to \$1.3 million Proposition 98 General Fund.
- Provides \$1.8 million Proposition 98 General Fund to increase apprenticeship funding.
- Provides \$3 million Proposition 98 General Fund to improve systemwide data security.

- Provides \$45.2 million in Proposition 39 funding to continue supporting energy efficiency projects.
- Continues the Full Time Student Success Grant at the same level as the 2015 Budget Act, \$39 million Proposition 98 General Fund. This program provides grants to low-income students who are taking 12 or more units at community colleges.

California Student Aid Commission

- Makes adjustments to the Cal Grant program to reflect updated caseload estimates. This decreases spending by \$48.5 million General Fund in 2015-16 and increases spending by \$88.7 million General Fund in 2016-17.
- Decreases funding from the federal Temporary Assistance for Needy Families program for the Cal Grant program by \$304.6 million to reflect increased TANF reimbursements budgeted for 2016-17. TANF is used to offset General Fund costs for the Cal Grant program.
- Increases support for the Middle Class Scholarship program by \$34 million General Fund to reflect agreement made in the 2015 Budget Act.

California State Library

- Increases support for the California Library Services Act by \$1.8 million ongoing General Fund and \$3 million one-time General Fund to strengthen statewide and regional services for public libraries.

Hastings College of Law

- Continues the Administration's long-term funding plan for Hastings by providing a \$1 million General Fund increase with the expectation that tuition will not increase in 2016-17.
-

CAP AND TRADE

- Proposes a \$3.1 billion Cap and Trade plan, which would appropriate the expected \$2 billion in 2016-17 in Greenhouse Gas Reduction Funds, as well as a portion of the \$1.7 billion of funds unappropriated from prior years. The Governor's spending proposal reflects the forthcoming scoping plans. The chart below, illustrates the various spending proposals contained in the Governor's budget:

Figure EPA-01
2016-17 Cap and Trade Expenditure Plan
(Dollars in Millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
Continuous Appropriation	High-Speed Rail Authority	High-Speed Rail Project	\$500
	State Transit Assistance	Low Carbon Transit Operations	\$100
	Transportation Agency	Transit and Intercity Rail Capital Program	\$200
	Strategic Growth Council	Affordable Housing and Sustainable Communities Program	\$400
50 Percent Reduction in Petroleum Use	Transportation Agency	Transit and Intercity Rail Capital Program	\$400
	Caltrans	Low Carbon Road Program	\$100
	Air Resources Board	Low Carbon Transportation & Fuels	\$500
	Energy Commission	Biofuel Facility Investments	\$25
Local Climate Action	Strategic Growth Council	Transformational Climate Communities	\$100
Short-Lived Climate Pollutants	Air Resources Board	Black Carbon Woodsmoke	\$40
		Refrigerants	\$20
	Cal Recycle	Waste Diversion	\$100
	Department of Food and Agriculture	Climate Smart Agriculture - Healthy Soils and Dairy Digesters	\$55
Safeguarding California/ Water Action Plan	Departments of Food and Agriculture & Water Resources	Water and Energy Efficiency	\$30
	Energy Commission	Drought Executive Order - Water and Energy Technology Program & Appliance Rebates	\$60
	Department of Fish and Wildlife	Wetlands and Watershed Restoration/CalEcoRestore	\$60
Safeguarding California/ Carbon Sequestration	CAL FIRE	Healthy Forests	\$150
		Urban Forestry	\$30
	Natural Resources Agency	Urban Greening	\$20
Energy Efficiency/ Renewable Energy	Department of General Services	Energy Efficiency for Public Buildings	\$30
	I Bank	California Lending for Energy and Environmental Needs Center	\$20
	Conservation Corps	Energy Corps	\$15
	Department of Community Services and Development	Energy Efficiency Upgrades/ Weatherization	\$75
	University of California/ California State University	Renewable Energy and Energy Efficiency Projects	\$60
Total			\$3,090

- Provides \$15 million General Fund, on a one-time basis, for the energy commission to research emerging technologies for low carbon transportation fuels.

TRANSPORTATION

- Includes a multi-year transportation funding proposal that was previously proposed by the Administration in the Extraordinary Special Session. The proposal would impose a Road Improvement Charge, increasing Gasoline and Diesel excise taxes and dedicate Cap and Trade funds to transportation. The expenditure components of this package are below:

Figure TRN-01
Governor's Transportation Package
(Dollars in Millions)

<i>Investment Category</i>	<i>Program</i>	<i>2016-17 Amount</i>	<i>Annualized Amount³</i>
Local Streets and Roads	Low Carbon Road Program	\$100	\$100
	Local Road Maintenance & Repairs ¹	\$490	\$1,010
	Local Partnership Grants ²	\$0	\$250
Transit	Transit Capital ¹	\$409	\$400
State Highway Repair and Maintenance	Pavement ¹	\$220	\$900
	Bridges and Culverts	\$155	\$500
	Traffic Management Systems	\$20	\$90
	Maintenance	\$120	\$120
Trade Corridors	Improved Goods Movement ¹	\$211	\$200
Total		\$1,725	\$3,570

¹ The 2016-17 totals include anticipated loan repayments.
² Provides up to \$250 million per year beginning in 2017-18.
³ Excludes one-time loan repayments totaling \$879 million.

Caltrans

- Includes a proposal for Caltrans administrative efficiencies, which is expected to save \$100 million through streamline project delivery, staffing flexibility, and extending public private partnerships.

Department of Motor Vehicles

- Proposes a Motor Vehicle Account Fee increase of \$10 per vehicle to address the structural imbalance in the Motor Vehicle Account Fund.
- Provides \$8 million to expand DMV's existing network of self-service terminals.
- Includes \$3.9 million for DMV staff to implement the New Motor Voter Program.
- Expands the cap on "green decal" vehicle program so more vehicles can participate in the program.

HUMAN SERVICES

Department of Social Services

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

- Includes \$40.7 million General Fund for a cost-of-living adjustment (COLA) increase to the SSP portion of the grant equivalent to the increase in the California Necessities Index, which is estimated to be 2.96 percent. The increase would be effective January 1, 2017 and would add to an expected 1.7 percent federal COLA to the SSI portion of the grant that would take effect the same day. This one-time investment does not restore an on-going statutory SSP COLA. The effect of the combined COLA in January 2017 would increase maximum SSI/SSP monthly grant levels by \$17 and \$31 for individuals and couples, respectively.

In-Home Supportive Services (IHSS)

- Proposes to continue the restoration of the 7 percent across-the-board reduction in IHSS authorized hours of service in the 2016-17 budget year, funded with resources generated through the Governor's Managed Care Organization (MCO) tax proposal. The cost to restore the 7 percent is estimated to be \$236 million in 2016-17. For additional information on the MCO tax, please see the Department of Health Care Services (DHCS) section of this document.
- Funds the implementation of the U.S. Department of Labor regulations that require overtime pay for domestic workers, which is estimated to cost \$700.4 million (\$331.3 million General Fund) in 2015-16 and \$942 million (\$443.8 million General Fund) annually thereafter. Enacted legislation (Chapters 29 and 488, Statutes of 2014, SB 855 and SB 873 respectively) limits providers to a 66-hour workweek and provides compensation for travel time between recipients for providers who work for multiple recipients up to seven hours per week.

Foster Care and Child Welfare

- Includes \$94.9 million (\$60.9 million General Fund) for the Department of Social Services, Department of Health Care Services, county child welfare agencies, and county probation departments to continue the implementation of the Continuum of Care reforms approved in Chapter 773, Statutes of 2015 (AB 403). The Governor's Budget states, "The reforms emphasize home-based family care, improve access to services without having to change out-of-home placements to

get those services, and increase the role of children, youth, and families in assessment and case planning. The bill established a core practice model to govern all services, whether delivered by a county or licensed provider organization, and provides medically necessary mental health services to children and youth in foster care regardless of their placement setting."

CalWORKs

- Provides an additional \$15 million General Fund in 2015-16 and \$17.4 million General Fund in 2016-17 to provide remaining needed funding for grant restorations made in recent years that are primarily funded through revenues from the Child Poverty and Family Supplemental Support Subaccount. The Governor makes no additional significant changes in the CalWORKs program.

CalFresh

- Includes \$804,000 (\$261,000 General Fund) and five positions for DSS to provide technical assistance and training to the 19 largest counties on effective business processes for enrolling and retaining families in CalFresh. The Governor states that this work will be coordinated with Medi-Cal and the Department of Public Health's Women, Infants, and Children program to provide appropriate nutrition assistance for young children.

Department of Developmental Services (DDS)

- Assumes an estimated 302,000 individuals with developmental disabilities will be served in the community and 847 individuals will reside in the state-operated developmental centers.
- Includes \$146.6 million (\$127.2 million General Fund) to assist in the development of community resources for placement of current Developmental Center (DC) residents. This includes direct allocations to each of the remaining DCs, specifically, \$24.5 million for Sonoma, \$29.7 million for Fairview, and \$24.6 million for Porterville. Also includes \$18 million to resolve open workers' compensation claims, inventory and archive clinical and historical records, execute an independent monitoring contract, and relocate residents and their personal belongings.
- Includes \$18 million to address deferred maintenance needs at the Porterville DC.

- Includes \$80 million (\$50 million General Fund) in order to provide targeted investments in the developmental services system. This includes 1) \$46 million (\$26 million General Fund) to establish a 4-bed Alternative Residential Model homes rate; 2) \$17 million to increase the number of case managers and decrease the caseload for each case manager; and 3) \$15 million (\$11 million General Fund) to target rate increases to providers with the aim of transitioning services to more integrated models of care in the community more consistent with the Home and Community-Based Services Waiver.
- Provides \$1.9 million (\$1.3 million General Fund) and 14 positions for audit functions at DDS and to create a new fiscal and research unit that will help develop accurate, reliable, and data-driven programmatic information and services trends that can improve the administration of the regional center system.

HEALTH

Department of Health Care Services

Medi-Cal

- Assumes total Medi-Cal caseload to be 13.5 million Californians in 2016-17 at a General Fund cost of \$19.1 billion in 2016-17.
- Assumes passage of a new, 3-year managed care organization (MCO) tax, expected to raise \$1.2 billion annually, providing \$1 billion to Medi-Cal and \$236 million to restore the 7-percent reduction to the In-Home Supportive Services program.
- Assumes the continuation of the Coordinated Care Initiative through January 2017, at which point the administration will determine the financial viability of continuing the program based on enrollment and passage of an MCO tax, potentially ceasing operations in January 2018.
- Extends full-scope Medi-Cal coverage to undocumented children, as approved through the 2015 Budget Act, including \$182 million (\$145 million General Fund) to provide full-scope benefits to 170,000 children beginning May 1, 2016.
- Implements various changes and new policies based on the new federal waiver, the "Medi-Cal 2020" Waiver, which results in \$6.2 billion in federal funds over five years. These changes include: a delivery system transformation and alignment incentive program for designated public and district hospitals; a global payment program for designated public hospitals for services for the remaining uninsured; a whole person care pilot program to integrate care for high-risk populations; a dental transformation incentive program; and a federally-required independent assessment of access to care and network adequacy for managed care beneficiaries.
- Expands residential treatment services for substance use disorders at a cost of \$90.9 million (\$32.5 million General Fund).
- Implements the Performance Outcomes System to track outcomes of Medi-Cal Specialty Mental Health Services for children and youth at a cost of \$11.9 million General Fund, for implementing the system, including county collection of assessment data and related training.

- Increases funding by \$169.9 million (\$57 million General Fund) in 2016-17 to counties for the administration of Medi-Cal eligibility determinations.
- Assumes net costs of \$4 billion (\$1.9 billion General Fund) in 2016-17 for the cost of the Affordable Care Act mandatory Medi-Cal expansion.
- Assumes costs of \$14.1 billion (\$740.2 million General Fund) in 2016-17 for the state's share of costs for the Affordable Care Act optional Medi-Cal expansion.

Department of Public Health

- Seeks to enhance the timely detection of infectious disease outbreaks and improve the prevention of the spread of infectious disease by adding \$1.6 million General Fund and 14 new positions to state laboratories in order to increase disease surveillance and testing.
- Implements the Medical Marijuana Regulation and Safety Act by providing \$457,000 in 2015-16 and \$3.4 million and 14 positions in 2016-17 to the department for the licensing and regulation of medical marijuana product manufacturers and testing laboratories.

Department of State Hospitals

- Replaces the public address system and local area networks at the Coalinga and Patton hospitals with an increase of \$6.5 million General Fund and 2 new positions in 2016-17.
- Expands the Restoration of Competency (jail-based competency treatment) Program by adding \$500,000 General Fund in 2015-16 and \$1.5 million General Fund in 2016-17 for the department to contract with Sonoma County for 10 beds in its jail facility.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Emergency Drought Response

- Proposes an additional \$323.1 million (\$212.1 million General Fund) on a one-time basis to continue immediate response to the drought, including:
 - \$74.5 million General Fund and \$2.9 million other funds to continue firefighter surge capacity, retain seasonal firefighters beyond the normal budgeted fire season, provide additional defensible space inspectors, and enhance air attack capabilities to suppress wildfires during the 2016 fire season;
 - \$64 million General Fund for multiple statewide drought response efforts including:
 - \$42 million for installation and removal of a temporary rock barrier in the Sacramento-San Joaquin Delta to deter salinity encroachment;
 - \$12 million to implement statewide actions, including operation of the drought management operations center, water transfer support and water supply modeling;
 - \$5 million to provide emergency drinking water support for small communities, including addressing private wells;
 - \$5 million to continue Save Our Water, the state's public education campaign aimed at helping all Californians reduce water use;
 - \$5.4 million General Fund and \$16.0 million other funds to continue enforcement of drought-related water rights and water curtailment actions and provide grants for emergency drinking water projects;
 - \$15.7 million General Fund and \$2 million other funds to continue fish rescue and stressor monitoring, water efficiency projects on department lands, law enforcement activities, and to provide infrastructure to protect salmon;
 - \$18.4 million General Fund to continue the Drought Food Assistance Program;
 - \$7.5 million General Fund to provide emergency assistance to unemployed farmworkers, including housing, utility and job training assistance; and

- \$26.7 million General Fund for the State Operations Center to continue to provide local communities with technical guidance and disaster recovery support related to the drought, distribution of bottled water, and response and recovery training and credentialing program for local agencies.

Water Action Plan

- Proposes approximately \$563 million in investments to continue to implement the Governor's Water Action Plan, a five-year roadmap towards sustainable water management. Proposed expenditures include:
 - \$385 million Proposition 1 funds for multiple agencies to support projects that meet the state's commitments under the Klamath Agreements (\$250 million), Central Valley Project Improvement Act (\$90 million), and the San Joaquin River Settlements (\$45 million);
 - \$100 million General Fund for the Department of Water Resources to enhance flood protection in the Central Valley;
 - \$80 million Proposition 1 for the Department of Water Resources to design and implement projects that expand habitat and suppress dust at the Salton Sea, a critical resting stop for migratory birds;
 - \$60 million Greenhouse Gas Reduction Fund for the Department of Fish and Wildlife to implement wetland restoration projects that provide carbon sequestration benefits, including habitat restoration projects within the California EcoRestore program to support the long-term health of the Delta's native fish and wildlife species;
 - \$3.6 million General Fund for the Delta Stewardship Council to implement the Delta Science Plan and incorporate the WaterFix Delta conveyance project into the Delta Plan;
 - \$3 million General Fund for the Department of Water Resources to identify water delivery operational improvements in extreme conditions and evaluate long-term climate change impacts on statewide water supplies;
 - \$2.5 million General Fund for the Department of Water Resources to update data and fix safety hazards at 15 monitoring sites that are part of the National Hydrography Dataset, an important federal surface water mapping system; and

- \$1.2 million General Fund for the Department of Water Resources to strengthen coordination and performance evaluation across state and regional agencies and develop a long-term investment and financing strategy for the Water Action Plan.

Department of Forestry and Fire Protection

- Proposes an increase of \$150 million Greenhouse Gas Reduction Fund to reduce wildfire risk and improve the carbon sequestration potential of California's forests.
- Proposes an increase of \$24.6 million (\$24 million General Fund) to improve the efficiency and effectiveness of CAL FIRE's emergency response capabilities, including:
 - \$17 million General Fund and 95.9 positions to increase staffing levels in CAL FIRE's 21 Emergency Command Centers, along with the two regions and Sacramento Command Centers, to address the increased volume of emergency calls during historically anticipated periods of increased fire activity; and
 - \$7.6 million (\$7 million General Fund) and 12.8 positions to acquire, install, and support Automated Vehicle Location and Mobile Data Computer devices in all CAL FIRE emergency response equipment.
- Provides \$4.4 million (\$4.1 million General Fund) and 14 positions to establish a dedicated unit responsible for implementing a comprehensive program addressing personnel investigations and adverse actions.

Department of Parks and Recreation

- Provides a repayment of \$112 million of General Fund loans made from the Off-Highway Vehicle (OHV) Trust Fund and a one-time transfer of \$31 million of existing fuel tax revenues, currently deposited into the OHV Fund, to the State Parks and Recreation Fund.
- Provides an increase of \$60 million General Fund for high-priority deferred maintenance projects in the state parks system.

Department of Conservation

- Provides an increase of \$1.3 million special funds and 2 positions to develop and implement a comprehensive oil and gas training program for regulatory staff.

- Proposes \$1.4 million special funds and 10 positions to enable the Department to prevent possible pipeline releases by testing sensitive gas pipelines on a periodic basis and accurately mapping pipelines to identify potential threats.

California Conservation Corps

- Proposes \$15 million Cap and Trade funds for the Energy Corps Program. This funding will support 10 crews and approximately 100 corpsmembers to conduct energy audits and install energy efficiency and water conservation upgrades in public buildings over the next several years.
- Provides \$5 million to partner with CALFIRE on forest health projects that will be targeted in the highest fire risk areas of the state.
- Proposes an increase of \$2.6 million General Fund to allow the Corps, in partnership with CAL FIRE, to open a residential center in the Magalia Conservation Camp with three fire crews totaling 47 corpsmembers.

Department of Toxic Substances Control

- Proposes an increase of \$1.2 million from the Hazardous Waste Control Account and continuation of 8 limited-term positions on a permanent basis to support permitting actions and improve the clarity, consistency, protectiveness, and enforceability of permits issued.

Department of Food and Agriculture

- Proposes \$3.4 million from the Medical Marijuana Regulation and Safety Fund and 18 positions to provide Medical Cannabis Cultivation Program administrative oversight, promulgate regulations, issue medical marijuana cultivation licenses, and perform an Environmental Impact Report.

PUBLIC SAFETY

Judicial Branch

Overall funding

- Proposes total funding of \$3.8 billion (\$1.8 billion General Fund) for the Judicial Branch in 2016-17, of which \$2.8 billion is provided to support trial court operations.

General Judicial Branch Items

- Includes \$15.6 million (General Fund) for trial court employee benefit costs, of which \$7.4 million is allocated to trial courts that have made progress towards meeting the Public Employees' Pension Reform Act of 2013 standard for employees sharing in the cost of pension funding.
- Provides \$75 million (General Fund) to backfill unrealized Trial Court Trust Fund revenue projections. The shortfall is, primarily, linked to a continued reduction in the amount of fine and fee revenue collected.
- Augments the Judicial Branch's budget by \$21.4 million (General fund) to support increased workload associated with the downgrading of specified drug and property crimes from felonies to misdemeanors pursuant to Proposition 47 (2014).
- Authorizes \$30 million (General fund) in support of a new "Court Innovation Grant Program" intended to identify and promote improvements, efficiencies, and access to justice.
- Augments the Judicial Branch's current Language Access Program by \$7 million (General Fund) to deliver interpreter services in civil proceedings. (The Language Access Program was previously funded at \$94.5 million/year).
- Provides a \$20 million (General Fund) augmentation to the Judicial Branch in support of various trial court operations costs. The Judicial Branch is being given wide discretion on the use of this funding.
- Includes \$8.7 million (General fund) to fund the Phoenix Financial System. The Phoenix Financial System is operated by the Judicial Council. It allows the state to monitor trial court expenditures. The Phoenix Financial System was previously funded from the Trial Court Improvement and Modernization Fund.

- Includes a one-time \$60 million (General Fund) allocation in support of deferred maintenance for court facilities as prioritized by the Judicial Council.

California Department of Corrections and Rehabilitation

Overall funding

- Proposes total funding of \$10.5 billion (\$10.3 billion General Fund) for the California Department of Corrections and Rehabilitation (CDCR) in 2016-17.

Adult Population

- Projects a 0.2 percent (309 inmates) reduction in the state's adult inmate population in 2015-16 (as compared to the 127,990 inmate population assumption made in the 2015 Budget Act).
- Projects a 0.7 percent (844 inmates) increase in the state's adult inmate population in 2016-17 (as compared to the 127,990 inmate population assumption made in the 2015 Budget Act).
- Projects a 1.4 percent (610 parolees) decrease in the state's adult parolee population in 2015-16 (as compared to the 44,570 parolee population assumption made in the 2015 Budget Act).
- Projects a 4.5 percent (1,999 parolees) decrease in the state's adult parolee population in 2016-17 (as compared to the 44,570 parolee population assumption made in the 2015 Budget Act)

Juvenile Population

- Projects an increase of 37 youthful offenders in 2015-16 and 42 in 2016-17 for a total population of 714 wards in 2015-16 and 719 wards in 2016-17.

New Prison Population Reduction Measures

- Provides \$3.7 million (General Fund) for costs associated with youthful offender parole hearings as required by SB 260 (2013) and SB 261 (2015).
- Includes \$3.3 million to expand existing female Alternative Custody Programs to male offenders pursuant to the *SASSMAN v. BROWN* lawsuit.

Proposition 47 Savings

- Pinpoints total Proposition 47 savings for 2015-16 at \$29.3 million. This calculation is based primarily on savings from prison population reductions and increased one-time costs associated with parole and Judicial Branch workload.

Absent the aforementioned one-time costs, the Department of Finance projects ongoing annual savings to hover around \$57 million.

Rehabilitation and Reentry

- Includes \$400 million (General Fund) for in-prison Division of Rehabilitation Programs targeted at substance use disorders, criminal thinking, anger management, and family relations.
- Provides \$15.2 million (General Fund) to expand substance use disorder treatment to the 11 institution currently not offering these services.
- Includes \$32.1 million (General Fund) for community-based reentry programs that assist with substance use disorders, mental health care, medical care, employment, education, housing, family reunification, and social support.
- Provides \$25 million (General fund) for incentive payments to local governments to aid in the siting of reentry housing in California's communities.

General CDCR Items

- Includes \$7.9 million (General Fund) for efforts intended to diminish the flow of contraband into the state's prison facilities.
- Provides \$10 million (General Fund) to address the unique need of lifers and offenders being released after lengthy sentences. These services include transitional housing services, mentoring services, pre-employment services, and other services designed to meet the needs of these offender groups.
- Authorizes \$28 million (General Fund) to satisfy the terms of the *ASHKER v. BROWN* settlement. The settlement moves the department from the use of indeterminate terms on segregated housing units to a system of determinate terms based on behavior-based rule violations. The budget also includes \$5.8 million (General Fund) for additional investigative staff intended to monitor gang activity in prisons as previously segregated inmates matriculate into prison "general populations".

Local Public Safety

- Includes \$129.7 million (General Fund) to continue providing incentives to counties successful in reducing the number of felony probationers sent to state prison (SB 678, 2009).
- Provides \$26 million (General Fund) for city police departments targeted at improving relationship between police and communities.
- Includes \$26.8 million (\$18.1 million General Fund) for county probation departments to implement Continuum of Care reforms targeted at foster youth pursuant to AB 403 (2015).
- Includes \$10 million (General Fund) for local law enforcement agencies to support costs incurred from implementation of the Racial and Identity Profiling Act of 2015 (AB 953, 2015). The intent of this funding is to eliminate future mandate reimbursement claims from impacted local agencies.
- Provides \$250 million (General fund) for local criminal justice facility construction. This amount is in addition to the \$2.2 billion authorized for similar purposes in prior years [\$1.2 billion authorized by AB 900 (2008), \$500 million authorized by SB 1022 (2012), and \$500 million authorized by SB 863 (2014)].

GENERAL GOVERNMENT

State Employee and Teacher Retirement

- Includes \$5.5 billion (\$3.2 billion General Fund) for state contributions to the California Public Employees' Retirement System (CalPERS) for state pension costs.
- Includes \$2.5 billion General Fund in 2016-17 for the California State Teachers' Retirement Fund (CalSTRS) to address the unfunded liability.
 - Increases the state contribution to 6.3 percent of teacher compensation, 10.2 percent for most teachers, and 12.6 percent for school districts based on the model of shared responsibility.
 - Includes an additional contribution of 2.5 percent of teacher compensation to CalSTRS for the Supplemental Benefits Maintenance Account.

Employee Compensation

- Includes \$220 million (\$27 million General Fund) in 2016-17 for employee compensation and health care costs for active state employees.
 - Included in these costs are salary increases for the state's rank and file employees represented by BU 9, which the state is extending to state managers and supervisors related to these employees.
- Sets aside \$350 million (\$300 million General Fund) to fund potential employee compensation increases subject to good faith bargaining.

Improving the State's Civil Services

- Includes 16 positions and \$1.9 million (\$600,000 General Fund) for California Department of Human Resources (CalHR) to develop and implement statewide solutions for workforce and succession planning, recruitment, and training.

California Five-Year Infrastructure Plan

- Includes a 2016 Five-Year Infrastructure Plan that outlines the Administration's infrastructure priorities for the next five years including investments in transportation and high speed rail, state institutions, the judicial branch, natural resource programs, state office infrastructure, and education.

- Proposes \$1.5 billion transfer from the General Fund to a new State Office Infrastructure Fund to be used for the long-deferred renovation or replacement of state office buildings in the Sacramento region.
 - Includes safety and capacity of the Capitol Annex building, include replacement of the Natural Resources Agency Building and construction of new building on O Street to replace the vacant Department of Food and Agriculture Annex.
- Includes one-time resources of \$807 million to address the most critical statewide deferred maintenance needs.

Public Employment Relations Board

- Includes an increase of \$885,000 and 5 positions to reduce backlogs and contribute toward meeting statutory timelines.

Department of Fair Employment and Housing

- Includes an increase of \$2.5 million and 21 positions to allow the Department to meet its federal and state requirements to provide thorough and timely investigations of discrimination complaints.

Precision Medicine

- Provides \$10 million on a one-time basis to the Office of Planning and Research to further the efforts of the California Initiative to Advance Precision Medicine, and building on the \$3 million appropriation made in the 2014 Budget Act.

Department of Industrial Relations

- Includes an increase of \$1.4 million from the Labor and Workforce Development Fund and nine positions to review and investigate additional Private Attorney General Act cases and evaluate proposed settlement agreements to determine if they are consistent with the Act. The Labor and Workforce Development Agency receives notices for approximately 6,000 cases per year. The Budget also includes \$207,000 from the same fund and one attorney at the Agency to oversee the program. There is also proposed trailer bill language to streamline the administration of the Act.
- Includes an increase of \$3.2 million from the Labor Enforcement and Compliance Fund and 19.5 positions to address a significant increase in caseload, eliminate the current backlog of old cases, and provide an appropriate number of

supervising staff. From 2011 to 2014, the units experienced a 48 percent increase in caseload and over 2,400 cases remained open at the end of 2014.

- Includes an increase of \$1.8 million from the Labor Enforcement and Compliance Fund and nine positions to address a growing backlog of wage claim adjudication hearings. The Governor states that the growing complexity of labor law has resulted in higher wage claims comprised of multiple violations and, as a result, hearings take longer. In 2014, it took an average of four months for a hearing to be held after an initial conference failed to result in a settlement, and in busier offices, this process can take as long as eight months.

Department of Veterans Affairs

- Includes \$8 million to address deferred maintenance needs at the Veterans Homes statewide.

Department of Technology

- Includes \$1.6 million and 11 positions to expand an information security pilot program into a permanent audit unit that will review all departments for compliance with information security requirements.
- Increases resources for the Department of Technology to provide project oversight and procurement support to departments to improve the quality, value, and likelihood that information technology projects undertaken by the state will be successful.

Department of Consumer Affairs

- Includes \$3.8 million from the Medical Marijuana Regulation and Safety Act Fund and 25 positions to create the Bureau of Medical Marijuana Regulation. The Bureau will regulate the transportation, storage, distribution, and sale of medical marijuana within the state and will also be responsible for licensing, investigation, enforcement, and coordination with local governments.

LOCAL GOVERNMENT

Redevelopment Agencies

- Estimates that in 2015-16 and 2016-17, cities will receive an additional \$643 million in general-purpose revenues, with counties receiving \$684 million and special districts \$203 million.
- Estimates Proposition 98 General Fund savings resulting from the dissolution of RDAs will be \$1.1 billion in 2015-16 and \$1 billion in 2016-17.

Siting Incentive Grants

- Proposes \$25 million General Fund for incentive payments to cities and/or counties that approve between 1/1/16 and 6/30/17, new long term permits for hard to site facilities that improve public safety and support the criminal justice system through the provision of services.

Wildfire Relief

- Includes \$1.9 million General Fund one-time in 2016-17 to backfill property tax, sales and use tax, and transient occupancy tax revenue losses that Calaveras and Lake Counties, and the special districts located in those counties will incur due to the wildfires.
- Proposes that the State cover local costs for an existing CalFIRE \$2.6 million contract with South Lake County Fire and a \$267,000 contract with Calaveras County.

REVENUES

Revenues

- Projects an overall revenue increase of \$5.9 billion above the 2015 Budget Act before transfers to the Rainy Day Fund. Of this amount:
 - Revenue for the 2015-16 is forecast to be \$3.5 billion greater than the amount forecast in the 2015 Budget Act, and
 - Revenue for the 2016-17 is forecast to be \$2.4 billion greater than the amount forecast in the 2015 Budget Act.
- Forecasts total General Fund Revenues to be \$118 billion in 2015-16, which is 2.2 percent higher than the forecast from the 2015 Budget Act.
- Forecasts total General Fund Revenues to be \$121 billion in 2016-17, which is about 0.3 percent higher than the forecast from the 2015 Budget Act.

Personal Income Tax

- Estimates personal income tax (PIT) revenues will increase in 2015-16 by 4.7 percent, from \$77.7 billion to \$81.4 billion from what was assumed in the 2015 Budget Act.
- Forecasts that PIT revenues will increase in 2016-17 to \$83.8 billion, 2.7 percent higher than what was assumed in the 2015 Budget Act. These figures reflect a reduction of \$380 million per year in 2015-16 and 2016-17 for the state's earned income tax credit.

Sales and Use Tax

- Projects sales and use tax (SUT) revenues will generate revenues of \$25.2 billion in 2015-16, and \$25.9 billion in 2016-17, which is a slight increase relative to the 2015 Budget Act. Revenue in 2016-17 only grows slightly because the temporary 0.25 cent Proposition 30 increase expires at the end of 2016, halfway through the fiscal year.

Corporation Tax

- Estimates corporation tax will decrease slightly by 0.4 percent to \$10.3 billion in 2015-16 from the 2015 Budget Act.

- Projects corporation tax will decrease by 1.1 percent to \$11 billion in 2016-17 from the 2015 Budget Act. These decreases are due primarily to higher refunds affecting 2014-15.

Supplemental Transfer to the Rainy Day Fund

- Proposes \$2 billion transfer from General Fund to Budget Stabilization Account in addition to the current projected amounts required by current law. The \$3.6 billion transfer brings the balances of the Rainy Day Fund to \$8 billion in 2016-17, or 65 percent of the maximum.

• SUMMARY OF CHARTS

2015-16 General Fund Budget Summary

(in millions)

	2015-16	2016-17
Prior Year Balance	\$3,699	\$5,172
Revenues and Transfers	\$117,537	\$120,633
Total Resources Available	\$121,236	\$125,805
Non-Proposition 98 Expenditures	\$66,072	\$71,637
Proposition 98 Expenditures	\$49,992	\$50,972
Total Expenditures	\$116,064	\$122,609
Fund Balance	\$5,172	\$3,196
Reserve for Liquidation of Encumbrances	\$966	\$966
Special Fund for Economic Uncertainties	\$4,206	\$2,230
Budget Stabilization Account/Rainy Day Fund	\$4,455	\$8,011

General Fund Expenditures by Agency

(in millions)

	2015-16	2016-17	Change- Dollar Change	2015-16 Percent Change
Legislative, Judicial, Executive	\$3,227	\$3,330	\$103	3.2%
Business, Consumer Services & Housing	\$636	\$434	-\$202	-31.8%
Transportation	\$267	\$222	-\$45	-16.9%
Natural Resources	\$2,730	\$2,909	\$179	6.6%
Environmental Protection	\$325	\$-31	-\$356	-109.5%
Health and Human Services	\$31,666	\$33,742	\$2,076	6.6%
Corrections and Rehabilitation	\$10,276	\$10,620	\$344	3.3%
K-12 Education	\$49,859	\$51,230	\$1,371	2.7%
Higher Education	\$14,312	\$14,567	\$255	1.8%
Labor and Workforce Development	\$212	\$166	-\$46	-21.7%
Governmental Operations	\$761	\$2,245	\$1484	195.0%
General Government				
Non-Agency Departments	\$711	\$729	\$18	2.5%
Tax Relief/Local Government	\$445	\$483	\$38	8.5%
Statewide Expenditures	\$637	\$1963	\$1,326	208.2%
Total	\$116,064	\$122,609	\$6,545	5.6%

General Fund Revenue Sources

(in millions)

- Change from 2015-16

	2015-16	2016-17	Dollar Change	Percent Change
Personal Income Tax	\$81,354	\$83,841	\$2,487	3.1%
Sales and Use Tax	\$25,246	\$25,942	\$696	2.8%
Corporation Tax	\$10,304	\$10,956	\$652	6.3%
Insurance Tax	\$2,493	\$2,549	\$56	2.2%
Liquor Tax	\$366	\$373	\$7	1.9%
Cigarette Tax	\$84	\$81	-\$3	-3.6%
Motor Vehicle Fees	\$22	\$22	0	0.0%
Other	\$517	\$425	-\$92	-17.8%
Subtotal	\$120,386	\$124,189	\$3,803	3.2%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-2,849	-3,556	-707	24.8%
Total	\$117,537	\$120,633	\$3,096	2.6%