

TRAILER BILL ANALYSIS PACKET

Senate Floor	Bill	Assembly Floor	Page Number
AB 97	Conference Vehicle	AB 97	Floor Report
AB 98	Supplemental Appropriations	SB 82	2
AB 99	K-12 Education Omnibus	SB 83	3
AB 100	GG V*	SB 84	pending
AB 101	Higher Education	SB 85	11
AB 102	State Administration	SB 86	15
AB 103	Public Safety	SB 87	22
AB 105	Human Services	SB 89	26
AB 106	IHSS MOE	SB 90	30
AB 107	Developmental Services	SB 91	33
AB 108	Resources	SB 92	36
AB 110	Cannabis (2/3)	SB 94	38
AB 111	General Government	SB 95	44
AB 112	General Government II	SB 96	46
AB 113	Health*	SB 97	51
AB 114	Prop 63 and CHBRP (2/3)*	SB 98	56
AB 115	Transportation	SB 99	58
AB 116	Resources II	SB 101	60
AB 117	Bottle Bill*	SB 102	61
AB 119	GG III	SB 104	63
AB 120	Budget Bill Jr.	SB 105	64
AB 121	GG IV*	SB 106	66

* Bill anticipated to be in print, but not eligible by June 15TH

SENATE THIRD READING

SB 82 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: This is a supplemental appropriation bill, also known as a deficiency bill, that appropriates \$1,156,921,693 from the General Fund to address unexpected state expenses during the 2016-17 fiscal year. Specifically, this bill:

- 1) Allocates \$8,939,000 to for additional Fiscal Intermediaries Medi-Cal claims system costs;
- 2) Allocates \$1,133,101,000 for higher than projected MediCal benefits costs;
- 3) Allocates \$5,000 to Fiscal Intermediaries Management costs;
- 4) Allocates \$14,631,000 to the Department of Corrections and Rehabilitation for medical services to adults;
- 5) Allocates \$216,000 to the Department of Corrections and Rehabilitation for ancillary health care services; and
- 6) Allocates \$29,693 to pay local governments for the costs of homicide trials in Lassen and Maricopa counties.

FISCAL EFFECT: This bill would cost \$1,156,921,693 General Fund, all of these costs are assumed in the 2017-18 budget package.

COMMENT: This bill amends the Budget Act of 2016 to account for unexpected costs that occurred during the fiscal year. The funds have already been expensed and the costs are assumed in the 2017-2018 Budget package.

Analysis Prepared by: Christian Griffith and Kevin Sheehan / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 83 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: This is the K-12 Education Omnibus Trailer Bill for 2017-18 budget. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, **this bill:**

Early Childhood Education

- 1) Increases the standard reimbursement rate (SRR), which is the reimbursement for providers who contract with the Department of Education, (annualizes the 10 percent increase intended to be provided January 1, 2017, and increases the rate by an additional 6 percent, beginning July 1, 2017). Authorizes future cost-of-living adjustments to the SRR.
- 2) Updates, effective, July 1, 2017, the regional market rate (RMR), which is the reimbursement for providers who accept vouchers, to the 75th percentile of the 2016 RMR survey. This includes a temporary hold harmless provision so no provider receives less in 2017-18 than it receives under current rates.
- 3) Amends income eligibility rules to use the most recent calculation of state median income based on census data and adjusted for family size for determining initial and ongoing eligibility for subsidized child care services. In addition, specifies that families who meet eligibility and need requirements for subsidized child care services shall receive services for not less than 12 months and makes related changes.
- 4) Requires the Legislative Analyst's Office to convene a stakeholder process to provide recommendations on existing Health and Safety requirements currently required under Title 22, but not included in Title 5, California Field Act, Title 24, the California Plumbing Code, California Education Code and the California Health and Safety Code. Requires the Legislative Analyst's Office to submit a report to the Legislature, Department of Education and Department of Finance with recommendations or observations based on the stakeholder process by March 15, 2018. The Department of Education may begin the emergency regulation process based on the report findings no less than 30 days after the report is released. Exempts State Preschool programs operated by local educational agencies from Title 22 requirements upon adoption of emergency regulations or by June 30, 2019, whichever comes first.
- 5) Allows school districts to operate transitional kindergarten classes for a different length of time than their kindergarten classes, if the school district also operates a preschool program.

- 6) Authorizes state preschool providers to enroll children with exceptional needs who do not meet income qualifications if space is available after all qualifying low-income children are served.
- 7) Authorizes the Department of Education, in addition to the Department of Social Services, to enter into a contract with the California Child Care Resource and Referral Network to administer trustline program duties. Specifies that grants or contracts under this section are exempt from certain contracting requirements, including the Public Contract Code, State Contracting manual, and are not subject to approval by the Department of General Services.
- 8) Conforms the state's definition of "homeless" child or youth with that used by the federal government and authorizes child care providers to use digital application forms.

K-12 Education

- 1) Allocates \$1.36 billion in ongoing Proposition 98 funding to further implement the Local Control Funding Formula (LCFF) for school districts and charter schools, bringing the total amount provided for LCFF to \$57.2 billion in the 2017-18 fiscal year.
- 2) Provides \$876.6 million in discretionary one-time Proposition 98 funding for 2017-18, to be distributed to local educational agencies (LEAs) on a per-student basis and offsets any applicable mandate reimbursement claims owed to schools. States legislative intent that these funds be prioritized for deferred maintenance, professional development, beginning teacher induction programs, instructional materials, technology infrastructure, and any other investments necessary to support implementation of state academic standards.
- 3) Provides \$603.2 million in Proposition 98 one-time settle up funding that counts toward the 2009-10 Proposition 98 minimum guarantee. Of this, up to \$513.6 million is allocated to K-12 local educational agencies (LEAs) for the purpose of funding 2016-17 expenditures for school districts and community colleges, \$86.3 million is provided to community colleges for the Community Colleges Guided Pathways program in 2017-18 and \$3.3 million is provided for the Career Technical Education Incentive Grant Program in 2017-18.
- 4) Suspends the statutory requirement to provide a supplemental appropriation on top of the Proposition 98 minimum guarantee from 2016-17 through 2020-21. This provision, known as the "Test 3B" supplement, applies when Test 3 is operative and state revenue is growing relatively slowly. This suspension is expected to have no impact in the 2016-17 and 2017-18 fiscal years, but will likely lower the Proposition 98 minimum guarantee in 2018-19 through 2020-21.
- 5) Provides \$25 million in one-time Proposition 98 funding for the Commission on Teacher Credentialing to fund a second cohort of the California Classified School Employee Teacher Credentialing Program. Specifically, the Commission on Teacher Credentialing shall allocate up to 1,250 grants per year for five years and up to \$4,000 per participant per year.

- 6) Redirects \$11 million in federal Title II local assistance funding to create the California Educator Development (CalED) program designed to enhance the state's efforts to address teacher recruitment and retention issues. Specifically, the CalEd program requires the Commission on Teacher Credentialing, in conjunction with the California Center on Teaching Careers, to develop a competitive grant program to assist local educational agencies with the recruitment and retention of effective educators and school leaders. Gives positive consideration for specified applicant characteristics and activities. Requires the California Center on Teaching Careers and Commission on Teacher Credentialing to collect data and report outcomes of grant recipients to the Legislature and Department of Finance by October 1st of each year.
- 7) Provides \$7 million in ongoing Proposition 98 funding to county offices of education funded at their Local Control Funding Formula target amount for workload related to supporting their member school districts in developing their Local Control and Accountability Plans.
- 8) Requires county superintendents of schools to provide a summary of how the superintendent will support school districts and schools within the county in completing and implementing their Local Control and Accountability Plans (LCAPs) and present the summary annually to the county board of education at a public meeting. Requires the summary to include information on how the superintendent will collaborate with the California Collaborative for Educational Excellence (CCEE), the Department of Education, and other county superintendents of schools to support school districts and schools within the county. In addition, requires the Superintendent of Public Instruction (SPI) to provide technical assistance to the county superintendent, if the SPI finds merit in a complaint against a county superintendent related to the approval of a district's LCAP.
- 9) Extends the district of choice program through the 2022-2023 fiscal year and amends the law to address program equity and accessibility, increase transparency and reporting requirements, and make other minor program changes. In addition, the Superintendent is required to provide specified information on the program to the Legislature, Legislative Analyst's Office, and the Department of Finance each year. The Legislative Analyst's Office is further required to provide an evaluation of the program by January 31, 2021.
- 10) Requires funds allocated to the Department of Education pursuant to Proposition 56 to be allocated to support programs that prevent and reduce the use of tobacco and nicotine products by young people, pursuant to legislation enacted in the 2017-18 that is consistent with Proposition 56. If legislation is not chaptered regarding the use of these funds by October 15, 2017, requires the funds to be allocated to the Department of Education pursuant to the existing program to prevent and reduce the use of tobacco and nicotine products by young people.
- 11) Provides \$10 million in one-time Proposition 98 funding for the Department of Social Services to allocate grants to school districts impacted by significant numbers of refugee students. Requires the Department of Social Services to allocate the grants based on the

eligibility criteria and allocation methodology used for the federal Refugee School Impact program.

- 12) Appropriates \$5 million in one-time Proposition 98 funding for the San Francisco Unified School District to contract with the California Historical Society, in partnership with the California History-Social Science Project to create free online curriculum resources aligned with the new History-Social Science Framework by July 1, 2019.
- 13) Provides \$5 million in one-time Proposition 98 funds for and creates the Bilingual Teacher Professional Development Program to provide grants to local educational agencies for professional development services for specified teachers and paraprofessional employees who seek to obtain the authorizations necessary to provide bilingual instruction.
- 14) Provides \$4 million in one-time Proposition 98 funding in 2017-18 for the Southern California Regional Occupational Center (SoCal ROC) for instructional and operational costs. Includes legislative intent to provide additional one-time funding for the SoCal ROC in future years, including \$3 million in 2018-19, \$2 million in 2019-20 and \$1 million in 2020-21. Requires the SoCal ROC to provide a report to the Legislature and Department of Finance annually on the specific data and actions the SoCal ROC will take to transition to a fee-supported funding model as the LCFF reaches full implementation.
- 15) Allocates \$2.5 million in one-time Proposition 98 funding for the Department of Education to establish the California Equity Performance and Improvement Program to promote equity in California's public schools. Specifically, requires the Department of Education to contract with at least two county offices of education to identify resources to support and build capacity within local educational agencies to address disparities in outcomes or opportunities among student groups.
- 16) Provides \$1.5 million in one-time Proposition 98 funding for the Department of Education to establish the California-Grown Fresh School Meals Grant Program to incentivize schools to purchase California-grown food and expand the number of freshly prepared meals. Requires the Department of Education to allocate grants to local educational agencies to be used on purchasing equipment and providing professional development to food services employees regarding implementing healthy school meals. Provides priority for local educational agencies with at least 50 percent unduplicated students and positive consideration for specified activities.
- 17) Requires local educational agencies (LEAs) that receive state school facilities bond funding to include the use of those funds in their annual financial audits. Allows for local educational agencies to use local funds to repay ineligible expenses, requires repayments to be deposited back into the bond fund and designates the Department of Education as the collection agency.

- 18) Adds the California Assessment of Student Performance and Progress mandate and the Training for School Employee Mandated Reporters mandate to the K-12 Mandates Block Grant, and makes minor and technical changes to related statute. Includes a cost-of-living-adjustment to the block grant commencing with the 2017-18 fiscal year.
- 19) Increases the maximum charter school grant under the Charter School Facilities Grant Program from \$750 per unit of average daily attendance (ADA) or up to 75 percent of a school's annual rent and lease costs, to \$1,117 per ADA or up to 75 percent of its annual rent and lease costs (whichever is less). Applies a cost-of-living-adjustment to the per ADA rate in future years, however the rate is pro-rated to the extent the rate adjustments would exceed the amount appropriated for the program in the annual Budget Act.
- 20) Allocates \$400,000 in one-time Proposition 98 funding for the Superintendent of Public Instruction to contract with the San Joaquin County Office of Education to develop the Local Control and Accountability Plan (LCAP) Electronic Template system and the California School Dashboard mobile application. Of this amount, \$350,000 is available to develop and maintain the LCAP Electronic Template and \$50,000 is available to develop the California School Dashboard mobile application.
- 21) Requires the Legislative Analyst's Office to submit a report to the Legislature by March 1, 2018 on recommended options for incentivizing full-day kindergarten programs, including options for providing differentiated funding rates for full-day and part-day kindergarten.
- 22) Exempts a school district with average daily attendance greater than 400,000 students from the penalty for exceeding the administrator-to-teacher ratio for the 2016-17 and 2017-18 fiscal years.
- 23) Extends the authority of the Superintendent of Public Instruction, with approval of the State Board of Education, to suspend calculation of the Academic Performance Index for the 2016-17 fiscal year.
- 24) Extends the date by which the State Board of Education may revise the Local Control and Accountability Plan (LCAP) template under the state's open meeting law rather than through the formal regulatory process from January 31 to December 31, 2018.
- 25) Authorizes the California Collaborative for Educational Excellence (CCEE), with the approval of the Department of Finance, to contract with an LEA to act as its fiscal agent (current statute provides this authority to the Superintendent of Public Instruction, with approval of the State Board of Education). Adds language to clarify that employees working with schools under the CCEE are considered employees of the fiscal agent for purposes of participating in the State Teachers' Retirement System of the Public Employees' Retirement System.

- 26) Replaces the existing authority for the Superintendent of Public Instruction to assign the CCEE to assist a charter school, with authority for the CCEE to assist such a school after consulting with the Superintendent of Public Instruction.
- 27) Allows early college high schools and middle college high schools to meet instructional minute requirements using the average over a period of five or ten school days, instead of daily.
- 28) Authorizes the Department of Education to expand fees for all vehicle types within the Schoolbus Driver Training program.
- 29) Authorizes the Governor to select the members of the computer science implementation advisory panel and makes minor amendments to existing statute, as requested in the Governor's signing message for AB 2329 (Chapter 693, Statutes of 2016). Also extends statutory deadlines for related workload by six months.
- 30) Authorizes the California Department of Education to charge publisher fees sufficient to cover the costs of reviewing instructional materials submitted for potential state adoption, and prohibits use of General Fund to support these activities. Authorizes the State Board of Education to reduce the fee for a small publisher or small manufacturer.
- 31) Revises the fund source for 2017-18 Career Technical Education Incentive Grant program to use one-time rather than ongoing Proposition 98 funds. Total funding provided for this program is \$200 million in 2017-18.
- 32) Extends the date for local educational agencies to encumber funds received under Proposition 39 for clean energy projects by one year, until June 30, 2019.
- 33) Applies a cost-of-living-adjustment to per-meal reimbursements for child nutrition, and authorizes members of the Child Nutrition Advisory Council to be appointed by the Superintendent of Public Instruction, rather than the State Board of Education
- 34) Repeals language prohibiting the State Allocation Board from approving allocations of school facilities bond funding for career technical education projects on or after January 1, 2015, in order to align to the language passed by voters in Proposition 51.
- 35) Requires the Department of Finance, by June 30, 2018 to adjust funding provided to the Department of Education, if the amount of revenues distributed to local educational agencies for special education programs are more or less than the estimated amount reflected in the 2017 Budget Act.
- 36) Reappropriates any remaining one-time funding provided in the 2016 Budget Act for the California Collaborative of Educational Excellence (CCEE) from the Riverside County Office of

Education to the Marin County Office of Education, due to a change in the fiscal agent for the CCEE.

- 37) Requires the Imperial County Office of Education as the lead agency for the K-12 High Speed Network to develop a methodology for selecting and implementing network upgrade projects by December 15, 2017 and before expending funds for network upgrade projects.
- 38) Extends the deadline for the Department of Education to develop a manual providing guidance to local educational agencies on identifying, supporting, and reclassifying English language learner students with exceptional needs by six months to January 1, 2019 and makes other changes to update terminology in this section.
- 39) Authorizes the California Department of Education to pay student testing contractors on a per-test-administration basis rather than a fiscal year basis.
- 40) Repeals obsolete language relative to the Emergency Repair Program, which no longer exists. Corrects language authorizing transfers of unspent funds from the State School Deferred Maintenance Fund, which no longer exists. Requires any unspent Emergency Repair Program funds as of July 1, 2018, to revert to the Proposition 98 reversion account.
- 41) Requires the California Department of Education to finalize adjustments to the amount of funding in lieu of property taxes allocated to charter schools at the third recertification of its annual apportionments to schools. Conforms the statutory authorization for county charter program schools to seek in-lieu property tax reimbursement from their students' districts of residence to the department's current practice. Makes a technical correction to related statute.
- 42) Requires the California Department of Education to adjust funding rates for Special Education Local Plan Area reorganizations to ensure that overall funding neither increases nor decreases from the pre-reorganization levels.
- 43) Reflects anticipated changes in funding for the Out-of-Home Care program for foster students with exceptional needs.
- 44) Suspends the Proposition 98 statutory split between K-12 education and the California Community Colleges.
- 45) Makes a variety of technical clean-up changes to code references.
- 46) Provides that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to existing law.
- 47) Declares this bill to take effect immediately as a bill providing appropriations related to the budget bill.

COMMENTS: This bill is the K-12 Education Omnibus trailer bill. This bill implements the overall 2017-18 budget package related to Proposition 98, K-12 education and early childhood education programs.

Analysis Prepared By: Katie Hardeman / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 85 (Committee on Budget and Fiscal Review)

As Amended June 11, 2017

Majority vote

SUMMARY: This is the Higher Education Trailer Bill for 2017-18. It contains necessary changes related to the Budget Act of 2017. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, this bill:

- 1) Requires the University of California to use UC employees to operate all new buildings built with state funding. Includes a seven-year sunset.
- 2) Creates the "Hunger-Free Campus" program, which incentivizes University of California, California State University and California Community College campuses to develop programs to reduce food insecurity among students.
- 3) Modifies requirements for the University of California student outcomes report by requiring the university to provide improvement goals for the next three academic years.
- 4) Provides an annual cost-of-living adjustment for the California Community Colleges mandates block grant.
- 5) Requires faculty and non-represented employees of California State University to work for CSU for at least 10 years before becoming eligible for retiree health benefits.
- 6) Creates the Every Kid Counts Act, which will provide state matching funds of up to \$200 for low-income families who open and contribute to a college savings account for any dependent age 14 or younger.
- 7) Allows the California Community College Chancellor's Office an exemption to the competitive bidding process for any contract with a community college district with a value of \$20 million or less. Includes a 5-year sunset.
- 8) Modifies reporting dates for the Legislative Analyst's Office review of the community college Student Success Act. The LAO will review the act in a report due September 30, 2019.
- 9) Modifies enrollment targets and funding from the 2015 Budget Act to reflect actual numbers.

- 10) Extends the encumbrance date for 2015 appropriations of the apprenticeship innovation program until June 30, 2018.
- 11) Appropriates \$5 million one-time Proposition 98 General Fund to the California Community College Board of Governors to support veterans resource centers.
- 12) Appropriates \$11.3 million one-time Proposition 98 General Fund to Compton Community College District to support costs associated with regaining accreditation.
- 13) Appropriates \$2 million one-time Proposition 98 General Fund to Norco Community College to expand the veterans resource center and establish a program to award course credit for military experience.
- 14) Appropriates \$4.5 million-one time Proposition 98 General Fund to support mental health services and training at California Community Colleges.
- 15) Appropriates \$8 million one-time Proposition 98 General Fund to the California Community College Chancellor's Office to support grants to colleges in high unemployment areas. The grants are intended to create or expand projects that accelerate workforce development.
- 16) Appropriates \$1 million one-time Proposition 98 General Fund to be allocated to the California Community College Academic Senate to support a course identification numbering system.
- 17) Appropriates \$2.5 million one-time Proposition 98 General Fund to support hunger-free campus projects at California Community Colleges.
- 18) Provides the Chancellor of the community colleges the authority to audit apprenticeship programs, including verifying if the hours related and supplemental instruction reported to each local educational agency by a participating apprenticeship program sponsor are eligible for reimbursement.
- 19) Establishes the Chancellor's Higher Education Innovation Awards Program, which awards grants to colleges that seek innovations that improve student success for students that are underrepresented in higher education, targets former or current members of the Armed Forces, current or formerly incarcerated adults, underemployed adults and programs that incorporate technology to improve instruction and support services.
- 20) Modifies eligibility requirements for the exemption from paying nonresident tuition for students who meet the requirements to qualify for education benefits under either the federal Montgomery GI Bill or Post 9/11 GI Bill program, to align with federal law.

- 21) Delays by one year, to 2017-18, the reduction in the Cal Grant for private non-profit, and accredited for-profit postsecondary educational institutions. For the 2017-18 award year, the award will be \$9,084, however in 2018-19 and each year after, the award will be \$8,056. Additionally, includes intent language that these institutions make good faith effort to increase the number of low-income residents enrolled, ease the transfer process for community college students, and expand high-quality online education. Requires annual reporting by March 15 on these measures.
- 22) Extends the deadline for the Legislative Analyst's Office to submit a report to the Legislature on the outcomes of the Cal Grant C program from April 1, 2018 to April 1, 2019. Additionally extends the reporting deadline for the California Student Aid Commission to report on Cal Grant C from April 1, 2020 to April 1, 2021.
- 23) Allows the board of governors of the community colleges to enter into a direct contract with the Academic Senate of the California Community Colleges to support statewide initiatives, projects and programs.
- 24) Provides the Compton Community College District with additional funding for four fiscal years, as the college transitions from a center to an accredited district. Specifically, for the 2018-19 fiscal year, the district will receive funding equal to the amount it received in the 2017-18 fiscal year, with the amount of funding for the district being reduced by five, 10, and 15 percent in 2019-20, 2020-21, and 2021-22 respectively.
- 25) Repeals the Chancellor's Office authority to allocate excess local revenue.
- 26) Creates a separate Adult Education Fund for program funds received by participating school districts to be deposited and expended only for adult education purposes.
- 27) Extends the sunset date Economic and Workforce Development Program from January 1, 2018 to January 1, 2023.
- 28) Establishes the Community College Completion Grant Program to assist community college students in the completion of an associate degree, certificate program or transfer to a four-year university in a timely manner. Students must demonstrate financial aid, and enroll in sufficient number of units to be considered on track to obtain an associates degree, transfer to a four-year university, or obtain a certificate within the published length of time. Eligible students would receive an award of \$2,000 annually, and shall not supplant other grant, fee waiver or scholarship aid. The Chancellor's Office shall report by April 1, 2019 on outcomes related to the awards.

- 29) Establishes the Community College Guided Pathways Program, which seeks to integrate existing student-success programs and services, builds capacity of colleges for data analysis and planning, and develop clearly structured programs and paths for all entering students to improve student outcomes and reduce time to degree. The budget appropriates \$150 million one-time funds for this purpose, with up to 10 percent of these funds for statewide assistance and programmatic support, the remainder will be distributed with 20 percent going equally among all participating colleges, 35 percent based on the percentage of full-time-equivalent students at each participating college, and 45 percent be awarded based on the percentage of students who satisfy the requirements to receive federal Pell Grants.
- 30) Extends the reporting deadline for the Legislative Analyst's Office report on California State University Early Start Program from January 1, 2018 to January 1, 2019.
- 31) Modifies the California State University's and the University of California's existing report on academic performance to also include a report on three year goals for various academic performance measures.
- 32) Modifies the University of California's capital outlay authority to allow the cost of deferred maintenance of academic facilities and related infrastructure as an eligible capital expenditure for UC's capital outlay process.
- 33) Provide \$2.5 million one-time Proposition 98 General Fund for community college districts to comply with state and federal requirements to prevent and address sexual harassment, including sexual violence, involving a student both on and off campus. Funding shall be used to develop policies to address any complaints, by a student, school employee, or third party, including procedures to conduct investigation, notification process, and timelines to resolve complaints.

COMMENT: This bill is a budget trailer bill within the overall 2017-18 budget package to implement actions taken affecting the University of California, the California State University, the California Community Colleges, and the California Student Aid Commission.

Analysis Prepared by: Mark Martin / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 86 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: Enacts statutory changes related to the State Board of Equalization necessary to implement the 2017-18 Budget Act. Specifically, **this bill:**

- 1) Finds and Declares the following:
 - a) This act shall be known as "the Taxpayer Transparency and Fairness Act of 2017".
 - b) That taxpayers are entitled to a tax administration and appeals process that is fair, transparent, consistent, equitable, and impartial.
 - c) That taxpayers deserve to have appeals considered by an independent, objective panel with sufficient expertise and a sole focus on tax issues.
 - d) That it is the intent of the Legislature that any appeals forum resolve matters on appeal on a timely basis, for taxpayers and tax administration agencies alike.
- 2) Establishes, within the Government Operations Agency, the California Department of Tax and Fee Administration (Department), as follows:
 - a) Specifies that the Department is under the control of a director that is appointed by the Governor and subject to Senate confirmation.
 - b) Requires the Governor to appoint a chief deputy director and chief counsel.
 - c) Specifies that the director is solely responsible for selecting persons for career executive assignment positions and other non-civil service managers for the department.
 - d) Provides the director with the powers given to any other director of a state department.
 - e) Specifies that the Department is the successor to, and is vested with, all duties, powers, and responsibilities of the Board of Equalization (Board) to which the Department succeeds.
 - f) Provides that an action to which the Board is a party shall not be abated but shall continue in the name of the Department if consistent with the powers transferred to the Department.

- g) States that all employees serving in state civil service, including temporary employees, who are engaged in the performance of functions, transferred to department will be transferred to the department; and no status, positions, or rights shall be affected.
 - h) Provides that the department shall succeed to all the rights and property of the Board related to the functions being transferred.
 - i) Requires the Department to provide the Board with administrative and personnel services.
 - j) Allows the Department to adopt regulations as necessary or appropriate to carry out its work.
 - k) Authorizes the Department, until January 1, 2019, to adopt emergency regulations that maybe needed to carry out the department's duties, powers, and responsibilities.
 - l) States that the Department may inspect the books, accounts or papers of persons having business before the department.
- 3) Ensures confidentiality of taxpayer information.
- 4) Provides that, beginning July 1, 2017, the Board shall continue to only have the following duties, powers, and responsibilities:
- a) The review equalization, or adjustment of a property tax assessment pursuant to Section 11 of Article XIII of the California Constitution, and any duty, power, or responsibility conferred by statute on the Board in connection with that review.
 - b) The measurement of county assessment levels and adjustment of secured local assessment rolls pursuant to Section 18 of Article XIII of the California Constitution, and any duty, power, or responsibility conferred by statute on the Board in connection with that measurement and adjustment.
 - c) The assessment of pipelines, flumes, canals, ditches, and aqueducts lying within in two or more counties and property, except franchises, owned or used by regulated railway, telegraph, or telephone companies, car companies operating on railways in the state, and companies transmitting or selling gas or electricity pursuant to Section 19 of Article XIII of the California Constitution, and any duty, power, or responsibility conferred by statute on the Board in connection with that assessment.

- d) The assessment of taxes on insurers pursuant to Section 28 of Article XIII of the California Constitution and any duty, power, or responsibility conferred by statute on the Board in connection with that assessment.
 - e) The assessment and collection of excise taxes on the manufacture, importation, and sale of alcoholic beverages in this state pursuant to Section 22 of Article XX of the California Constitution, and any duty, power, or responsibility conferred by statute on the Board in connection with that assessment and collection.
- 5) Requires that the Board retain the duty to adjust the rate of the motor vehicle fuel tax for 2018-2019.
 - 6) Specifies that the Board retains the authority to appoint an executive director and prescribe and enforce his or her duties.
 - 7) Provides that the Board shall retain all employees serving in state civil service, including temporary employees, who are engaged in the performance of functions described above in numbers 18 and 19.
 - 8) States that all employees retained with the Board shall not have their status, position, and rights affected by the retention.
 - 9) Allows the Board to employ civil service staff to carry out the duties, powers, and responsibilities described above in numbers 3 and 4.
 - 10) Specifies that each member of the Board elected by the voters of an equalization district shall only have one office in Sacramento and one district office.
 - 11) Specifies that each member of the Board elected by the voters of an equalization district shall only have two staff persons who are exempt from civil service and any other civil service positions approved by the Legislature through the budget.
 - 12) Prohibits a Board member from having any authority to appoint, remove, discipline, assign, reassign, promote, demote, or issue orders to any employee of the Board.
 - 13) Specifies that the executive director of the Board shall be solely responsible for selecting persons for career executive assignment positions and other non-civil service managers.
 - 14) States that a Board member shall not modify or approve a budget change proposal for the Board or the Department.

- 15) Specifies that the Board shall not interfere with or influence the process of the Board's or the Department's legislative analyses, revenue analyses, or any other form of technical assistance requested by the Governor or the Legislature.
- 16) States that ex parte communications of the Board shall follow those provided in the Administrative Procedures Act.
- 17) Requires all Board member procurements to be processed through the Department of General Services.
- 18) Prohibits a Board Member from representing a person before the Board before one year after the expiration of their term or after separation from the Board.
- 19) Prohibits staff of a Board member from representing a person before the Board before one year after separation from employment with that member.
- 20) Repeals Government Code 15623 on July 1, 2017.
- 21) Establishes in state government, the Office of Tax Appeals (OTA), as follows:
 - a) States that OTA is under the control of a director.
 - b) Requires the Governor to appoint a director who would be subject to Senate confirmation.
 - c) Requires the Governor to appoint a chief deputy director and chief counsel of OTA.
 - d) Specifies within OTA that there shall be tax appeals panels, each consisting of three administrative law judges (ALJ) designated by the director of OTA.
 - e) Requires that each ALJ satisfy both of the following:
 - i) Possess both of the following qualifications:
 - (1) Active membership in the State Bar of California for at least five years immediately preceding his or her designation to tax appeals panel; and
 - (2) Knowledge and experience with regard to the administration and operation of the tax and fee laws of the United States and this state.
 - (3) Subscribe to the Code of Judicial Ethics adopted by the Supreme Court pursuant to the California Constitution for the conduct of judges.
- 22) Specifies that an "appeal" means any of the following:

- a) A petition, including , but not limited to, a petition for redetermination, petition for reassessment, petition for reconsideration of successor liability, or petition for rehearing.
 - b) Administrative protest.
 - c) Claim, including claim for refund.
 - d) Appeal from an action of the Franchise Tax Board.
 - e) Application, including, but not limited to, an application for administrative hearing.
 - f) Any other item that may be scheduled for a hearing, including, but not limited to, requests for relief of taxes, fees, interest, or penalties.
- 23) States that the OTA is the successor to, and vested with, all the duties, powers, and responsibilities of the Board necessary or appropriate to conduct appeal hearings not related to the responsibilities listed in numbers 3 and 4.
- 24) Prohibits, beginning January 1, 2018, the Board from conducting appeals that are not related to the responsibilities listed in numbers 3 and 4.
- 25) Specifies that the OTA's headquarters shall be in Sacramento, with hearing offices in Sacramento, Fresno, and Los Angeles.
- 26) Requires the tax appeal panels to begin conducting appeals on or after January 1, 2018.
- 27) Requires the tax appeal panels to issue a written opinion for each appeal decided within 100 days after the tax appeals panel's decision becomes final.
- 28) States that unless otherwise provided all adjudicative hearings and proceedings shall be conducted under the Administrative Procedure Act.
- 29) Specifies that a person may be represented on appeal by any authorized person or persons, at least 18 years of age, of the person's choosing, including, but not limited to, an attorney, appraiser, accountant, bookkeeper, employee, business associate, or other person.
- 30) Allows the person filing the appeal to appeal the decision of the tax appeals panel to the superior court in accordance with the law imposing the tax or fee, the standard of judicial review to be applied by the superior court shall be review de novo.
- 31) Prohibits a Board member from representing a person before a tax appeals panel before one year after the expiration of their term or after separation from the Board.

- 32) Prohibits staff of a Board member from representing a person before a tax appeals panel before one year after separation from employment with that member.
- 33) Allows the OTA to adopt regulations as necessary.
- 34) Allows, until January 1, 2019, the OTA to adopt emergency regulations to carry out the OTA's duties as needed.
- 35) Any regulation adopted by the OTA shall be consistent with all of the following:
 - a) The procedures established by the Commission on Judicial Performance for regulating activities of state judges.
 - b) The gift, honoraria, and travel restrictions on legislators contained in the Political Reform Act of 1974.
 - c) The Model State Administrative Tax Tribunal Act dated August 2006 and adopted by the American Bar Association.
- 36) Makes other conforming changes.
- 37) Provides an appropriation of \$5 million from the General Fund to the Office of Tax Appeals for administrative costs.

COMMENTS: This trailer bill related to state administration contains provisions agreed upon as part of the 2017 Budget Act.

- 1) Established in 1879 by a constitutional amendment, the BOE was initially charged with responsibility for ensuring that county property tax assessment practices were equal and uniform throughout the state. The BOE administers various tax and fee programs, including Sales and Use tax; adopts rules and regulations to clarify tax laws; acts as an appellant body for the review of property, business and income tax assessments; assesses and allocates the property tax values of railroads and specified utilities; and oversees the property tax assessment practices of all 58 counties.
- 2) In 2017-18, the BOE budget included \$670.7 million in proposed expenditures and 4799.7 authorized positions with over 600 vacancies. The BOE collects over \$60 billion, more than 30 percent of all state revenues.
- 3) According to the Legislative Analyst's Office (LAO), under the BOE's current structure, Board members are administrators, arbiters, and advocates. It is extremely difficult, if not impossible, for a single entity to perform all of these functions effectively.

- 4) According to the LAO, the Department of Finance's recent evaluation raised concerns about various aspects of BOE's operations, such as redirections of staff away from their budgeted purposes. In recent years, some Board members, the Legislature, and other observers have expressed concerns about other aspects of BOE's use of resources, including outreach and communications activities, vacancies, executive pay, and the use of office space.
- 5) According to LAO, although DOF's evaluation has presented the Legislature with new information about specific activities at the BOE, the organization's fundamental problem is not new.
- 6) The BOE reforms established in this bill, better align its responsibilities with voter-approved provisions in the California Constitution to do the following:
 - a) *Removing the BOE's elected members from oversight of the day-to-day operations of the organization.* Allows the BOE to refocus on its core constitutional responsibilities – review, equalize, or adjust property tax assessments, assess taxes on insurers, and assess and collect excise taxes on alcoholic beverages.
 - b) *Transfers tax appeal cases away from politicians to independent judges who are experts in tax law.* This appeals process will issue decisions in a transparent and timely fashion while treating all taxpayers the same.
 - c) *Establishes the Department of Tax and Fee Administration to manage the BOE's current non-constitutional tax and fee administration responsibilities.* Under this new structure, California will assess and collect taxes according to current law, while providing the state's civil service employees with a work environment free from the fear of retaliation.
- 7) The BOE will continue with its core constitutional responsibilities and functions, while allowing BOE members to continue acting as advocates on behalf of their constituents and helping them navigate government to ensure taxpayer issues are resolved.
- 8) Finally, the proposal upholds the "Taxpayers' Bill of Rights" by ensuring taxpayers are protected during the process of fair assessment and collection of taxes.

Analysis Prepared by: Genevieve Morelos / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 87 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: Contains necessary statutory and technical changes to implement the Budget Act of 2016 related to Public Safety. Specifically, **this bill:**

- 1) Reallocates two vacant judgeships from the Superior Court of the County of Santa Clara to the Superior Court of the County of Riverside and two vacant judgeships from the Superior Court of the County of Alameda to the Superior Court of the County of San Bernardino.
- 2) Removes the ability for courts to impose a driver's license suspension for failure to pay.
- 3) Revises the structure of the State Penalty Fund to work within limits of current revenues.
- 4) Makes changes to the required reporting information of a discharged ward and requires the Board of State and Community Corrections to provide an annual report of discharged wards sorted by county to the Department of Finance, instead of the Chief Probation Officers of California.
- 5) Revises the requirements for the appointment of a Chief Probation Officer, and establishes the duties and obligations of that office.
- 6) Increases the number of Commissioners for the Board of Parole Hearings from fourteen to fifteen and revises the term of office for existing commissioners.
- 7) Clarifies that the California Prison Industry Authority does not require immediate cash availability for funding retiree health care and pension liabilities.
- 8) Defines residence for the purpose of Postrelease Community Supervision Clarification as one or more locations at which a person regularly resides, and requires that if a person has no residence, he or she must inform the supervising county agency that he or she is transient.
- 9) Establishes reimbursement rates for meals and incidental expenses for persons transporting fugitives for return to certain local government jurisdictions.
- 10) Requires certain state agencies to obtain the written consent of the Attorney General before employing in-house counsel to represent those agencies in any judicial or administrative adjudicative proceeding and before contracting with outside counsel.

- 11) Provides the Department of State Hospitals the authority to establish the Admission, Evaluation, and Stabilization (AES) Center in the County of Kern, and other AES Centers in the future, to provide competency restoration treatment services and to refer individuals to other competency restoration treatment programs. Also authorizes the Director of State Hospitals to adopt emergency regulations to implement this provision and authorizes the Department to determine who is to be admitted to jail-based competency programs.
- 12) Requires that specified conditional funding to a participating county for the construction or renovation of a local jail facility or adult local criminal justice facility be used to construct or renovate a facility that meets or surpasses the minimum number of weekly visits as specified in regulations through the use of in-person visitation space. The bill would require a scope change to be submitted to include in-person visitation, as specified, for any proposals submitted previous to these requirements that only provided for video visitation.
- 13) Prohibits a local detention facility, as defined, that provided in-person visitation as of January 1, 2017, from converting to only video visitation. The bill would prohibit a local detention facility from charging for visitation when visitors are onsite and participating in either in-person or video visitation. The bill would also require a local detention facility that does not offer in-person visitation to provide the first hour of remote video visitation each week free of charge.
- 14) Requires inspections of local detention facilities to be conducted, at a minimum, biennially and requires that inspections address components relating to the availability of visitation and relating to the receipt of state funds for jail construction.
- 15) Authorizes a person who is committed to a state hospital after being found not guilty by reason of insanity to petition the court to have the maximum term of commitment reduced to what it would have been had Proposition 36 or Proposition 47 been in effect at the time of the original determination, as specified. The bill would also require the petitioner to show that he or she would have been eligible to have his or her sentence reduced under the relevant proposition and to file the petition prior to January 1, 2031, or at a later date with a showing of good cause.
- 16) Prohibits a person who has an outstanding warrant for a felony from owning, purchasing, receiving, or possessing a firearm, and would make a violation of this prohibition punishable as a felony. Also prohibits a person who has an outstanding warrant for certain misdemeanors from owning, purchasing, receiving, or possessing a firearm within 10 years of the issuance date of the outstanding warrant.
- 17) Extends the deadline to register a weapon in order to be exempted from the prohibition of assault weapons that do not have a fixed magazine from January 1, 2018 to July 1, 2018.

- 18) Increases the Department of Justice's oversight of detention facilities used to detain immigrants.
- 19) Prohibits a city or county or local law enforcement agency from, on or after June 15, 2017, entering into a contract with the federal government or any federal agency to house or detain an adult noncitizen in a locked detention facility for purposes of civil immigration custody. The bill would prohibit a city or county or local law enforcement agency that entered into a contract of that nature on or before June 15, 2017, from modifying or renewing that contract so as to expand the maximum number of contract beds that may be used to house or detain an adult noncitizen for purposes of civil immigration custody.
- 20) Requires, in connection with potential litigation involving the California Secure Choice Retirement Savings Program, that the state be represented by attorneys who possess a comprehensive knowledge of ERISA and have at least 10 years of experience litigating claims related to ERISA in federal trial and appellate courts. The bill would require the Department of Justice, if it does not have sufficient attorneys with these characteristics, to enter into contracts with qualified attorneys to secure their services.
- 21) Requires a system for the electronic filing and service of documents to be accessible to individuals with disabilities. The bill would require a trial court that contracts with an entity for the provision of a system for the electronic filing and service of documents to include certain requirements in its contract with the entity, including a requirement that the entity test and verify that the entity's system is accessible.
- 22) Requires that whenever a judgment, including any consent judgment, decree, or settlement agreement that has been approved by the court, in a class action provides for the payment of money to members of the class, any unpaid cash residue or unclaimed or abandoned class member funds be distributed in accordance with its provisions, unless the court makes a specific finding.
- 23) Requires that at least 25% of the unpaid cash residue or unclaimed or abandoned class member funds generally attributable to California residents, plus any accrued interest that has not otherwise been distributed, be transmitted to the State Treasury for deposit in the Trial Court Improvement and Modernization Fund and be continuously appropriated to the Judicial Council to fund trial court operations. The bill further requires that at least 25% of these funds be transmitted to the Equal Access Fund of the Judicial Branch.
- 24) Allows the State Department of State Hospitals to enter into an agreement for the purposes of continued operation of the existing central utility plant at the Metropolitan State Hospital without having to go through a competitive bid process.

- 25) Requires Judicial Council, beginning on October 1, 2018, to annually report on revenue and collections for each court and county for the previous fiscal year, as specified.
- 26) Establishes a Workers Compensation Fund for the California Military Department, and provides that all moneys in the fund are continuously appropriated to the Military Department for workers' compensation claims that are wholly or partially reimbursed by the federal government for personnel within the Military Department, as specified.
- 27) This bill would authorize the Administrative Director of the Courts to transfer specified court facility property to the County of San Diego under prescribed circumstances, and would prescribe the circumstances under which the Board of Supervisors of the County of San Diego may enter into leases for subsequent improvements of the property.

FISCAL EFFECT: This bill would provide continuous appropriations to the Military Department's Workers' Compensation Fund.

COMMENTS: This bill includes provisions necessary to implement the Budget Act of 2017.

Analysis Prepared by: Jazmin Hicks / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 89 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: This is the Human Services Omnibus Trailer Bill for 2017-18. It contains necessary changes related to the Budget Act of 2017. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, this bill:

- 1) Establishes the California CalWORKs Outcomes and Accountability Review (Cal-OAR) to facilitate an accountability system that fosters continuous quality improvement in county CalWORKs programs and in the collection and dissemination by the Department of Social Services (DSS or department) of best practices in service delivery. These activities are funded with \$600,000 General Fund in 2017-18, \$1.7 million General Fund in 2018-19, and \$2.4 million in 2019-20 and ongoing. Specifically, the language:
 - a) Requires that the department convene a workgroup comprised of various stakeholders with various expertise by October 1, 2017.
 - b) Requires the department to report annually to the Subcommittees on Health and Human Services of the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget during the budget process.
 - c) Requires that Cal-OAR shall be established by July 1, 2019.
 - d) Specifies various aspects of CalWORKs that Cal-OAR shall consider, including process and outcome measures, performance indicators, a county CalWORKs self-assessment, and a county CalWORKs system improvement plan.
- 2) Provides additional flexibility to counties regarding the use of mental health and substance abuse funding, including allowing counties to offer services to children of CalWORKs recipients. Requires DSS, the Department of Health Care Services (DHCS), and others, to evaluate the current process by which adult and child recipients of CalWORKs benefits are referred to and receive mental health and substance abuse services through the county behavioral health system.
- 3) Requires DSS to expedite any necessary steps to obtain any necessary licenses to allow the Online CalWORKs Assessment Tool (OCAT) to function as a shared service in the Statewide Automated Welfare System (SAWS) automation environment. This aligns to an investment of \$3.7 million General Fund in 2017-18, \$8.3 million General Fund in 2018-19, and \$3.8 million General Fund in 2019-20 and ongoing.
- 4) Creates the CalWORKs Educational Opportunity and Attainment Program, which provides CalWORKs recipients with a one-time education incentive award of \$100 for completion of a high school diploma or its equivalent, and authorizes a CalWORKs recipient to apply to receive a one-time education stipend totaling \$1,000 for enrollment in an education or training program leading to a career technical education program certificate, an associate's

degree, or a bachelor's degree. This aligns to an investment of \$4 million General Fund (one-time) in 2017-18.

- 5) Requires DSS to work with representatives of county human services agencies and the County Welfare Directors Association (CWDA) to develop recommendations, with specified dates, for revising the methodology used for development of the CalWORKs single allocation.
- 6) Requires DSS to implement and maintain an automated, nonbiometric identity verification method in the CalWORKs program to replace the Statewide Fingerprint Imaging System (SFIS), with the stated intent to codify additional details regarding this method so that recipients of aid, other than dependent children, will be required, as a condition of eligibility, to cooperate with this method. DSS is required to, in consultation with stakeholders, develop options and present these to the Legislature by November 1, 2017, pursuant to specified criteria. Any method implemented and maintained would be subject to funding in the annual budget act. Once the new method is implemented, the SFIS would be repealed.
- 7) Makes several changes relating to Able-Bodied Adults Without Dependents (ABAWDs) due to the expiration of a federal waiver, including removing the ability of a county board of supervisors to opt out of accepting a federal waiver, authorizing self-initiated volunteer work to be performed in order to qualify for the ABAWDs exemption to the maximum extent permitted by federal law, and requiring the state to maximize federal exemptions to the ABAWD limit for homeless Californians.
- 8) Creates the Safe Drinking Water Supplemental Benefit Pilot Program to provide time-limited additional CalFresh nutrition benefits to residents of prioritized disadvantaged communities that are served by public water systems that consistently fail to meet primary drinking water standards. This aligns to an investment of \$5 million General Fund (one-time) in 2017-18.
- 9) Requires the electronic benefits system to be designed to include a flexible benefit issuance mechanism that can target multiple populations with specific benefits, and that the benefits from the pilot be delivered through this system. Makes these provisions inoperative on July 1, 2020 and repeal them as of January 1, 2021.
- 10) Establishes the Emergency Child Care Bridge Program for Foster Children, effective January 1, 2018, in order to increase access to child care and enable a larger pool of families to become foster parents. This is funded with \$15.5 million General Fund in 2017-18 and \$31 million General Fund in 2018-19. Specifically, the language:
 - a) Authorizes county welfare departments to administer the program and distribute vouchers or payment for six months of child care services for an eligible child who is placed with an approved resource family, a licensed or certified foster family, or an

- approved relative or nonrelative extended family member, or who is the child of a young parent involved in the child welfare system.
- b) Requires that each child receiving a monthly child care payment or voucher be provided with a child care navigator.
 - c) Requires the child care resource and referral program to provide trauma-informed training and coaching to child care providers working with children, and children of parenting youth, in the foster care system.
- 11) Modifies the Approved Relative Caregiver (ARC) program consistent with the implementation of the Continuum of Care Reform (CCR), providing rates equal to the resource family basic rate, regardless of federal eligibility, including for the dual agency rate and the infant supplement rate. This achieves rate equity across all relevant categories of care.
- 12) Requires DSS to develop curriculum for case management workers and foster care providers that addresses certain topics related to sexual and reproductive health care in order to prevent unintended pregnancies among foster youth. Includes the recording of sexual and reproductive health education for middle and high school age foster youth in the case management process. This aligns to an investment of \$2.9 million General Fund in 2017-18 and \$2.6 million General Fund ongoing.
- 13) Requires DSS, in consultation with DHCS, to contract for child psychiatry services to complete a record review for all authorization requests for psychotropic medications for which a second opinion review is requested by a county. This aligns to an investment of approximately \$100,000 General Fund in 2017-18 and ongoing.
- 14) Revises provisions pertaining to immigration services, aligning to investments that include \$30 million for 2017-18, 2018-19, and 2019-20 to augment existing funding. These changes accomplish the following:
- a) Expands the definition of legal services to include additional immigration remedies.
 - b) Authorizes DSS to provide grants to qualified organizations to provide legal training and technical assistance.
 - c) Makes services available to persons presently or formerly residing in California.
 - d) Prohibits the use of grant funds to provide legal services to an individual who has been convicted of a violent or serious felony.
- 15) Revises provisions pertaining to the In-Home Supportive Services (IHSS) program, including codifying existing exemptions to the Fair Labor Standards Act overtime provisions, requiring the county to inform recipients whose providers may be eligible for an exemption, and requiring written notification to the provider and recipients of its approval or denial of an exemption. These changes align to an investment of \$1.6 million General Fund in 2017-18 and increasing to approximately \$4.5 million General Fund in the out years.

- 16) Continues, for an additional two fiscal years, the suspension of existing law that prohibits DSS and the Department of Justice from charging a fee to process a criminal history check of individuals who are licensed to operate child and adult facilities, provide care in a facility, or reside at that facility. These statutory provisions have been routinely delayed due to the costs associated with their enactment.
- 17) Allows funds in a county's family support subaccount to be used to fund a portion of the CalWORKs Single Allocation in lieu of using General Fund as a result of additional, unforeseen county savings in indigent health services as a result of the implementation of the Affordable Care Act.
- 18) Includes provisions that would ensure that in any future procurement processes for single-family energy efficiency and renewable energy services in the Low-Income Weatherization Program (LIWP) administered by the Department of Community Services and Development (CSD) prioritize existing ties to local communities and give preference to organizations with demonstrated performance outcomes, and that the Legislature is included in the development of future procurement processes.
- 19) Includes provisions pertaining to Department of Child Support Services (DCSS), including suspending Improved Performance Incentives for DCSS through fiscal year 2017-18 and repealing the Health Insurance Incentives Program.
- 20) Provides authority to the state to implement and administer specified changes to law through all-county letters or similar instructions until regulations are adopted, and provides authority for emergency regulations to be adopted no later than January 1, 2019.
- 21) Specifies that to the extent that this act has an overall effect of increasing the costs already borne by a local agency for programs or levels of services mandated by the 2011 Realignment Legislation, Section 36 of Article XII of the California Constitution shall govern this act's application to local agencies and the state's funding of those programs or levels of service.
- 22) Designates this act as a bill providing for appropriations related to the Budget Act and that it is identified as such in the Budget Bill, and shall take effect immediately.

COMMENT: This bill is a budget trailer bill within the overall 2017-18 budget package to implement actions taken affecting the Department of Social Services, Department of Child Support Services, Department of Community Services and Development, Department of Health Care Services, and the Office of Systems Integration within the Health and Human Services Agency.

Analysis Prepared by: Nicole Vazquez / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 90 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: This is the Human Services II Trailer Bill for 2017-18. It contains necessary changes related to the Budget Act of 2017. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, this bill:

- 1) Repeals sections of code related to the elimination of the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) as it was structured under the Coordinated Care Initiative (CCI).
- 2) Adds language that provides fiscal exemption to counties through 2015-16 for an error made by the Board of Equalization.
- 3) Freezes rates for institutions of mental disease that are licensed and certified as skilled nursing facilities in years for which the Mental Health Subaccount of the Local Revenue Fund does not receive full Vehicle License Fee growth funds.
- 4) Eliminates the prior IHSS MOE and replaces it with a new MOE, creating a new base for county costs that includes both services and administration costs. The portion of the MOE obligation met by the administrative costs is capped.
- 5) Provides that the Department of Finance (DOF) shall consult with the California State Association of Counties (CSAC) to determine each county's share of the statewide total county IHSS MOE base amount.
- 6) Provides that the Department of Social Services (DSS), the DOF, CSAC, and the County Welfare Directors Association (CWDA) will examine the workload and budget assumptions related to the administration of the IHSS program for 2017-18 and 2018-19.
- 7) Includes an annual inflation factor on the new MOE base that would be phased in. In the first year, the inflation factor will be zero. Beginning July 1, 2018, the inflation factor will be 5.0 percent, and beginning July 1, 2019, and annually thereafter the inflation factor will be 7.0 percent. This amount may also change depending on 1991 Realignment revenues in any given year.
- 8) Appropriates General Fund to offset a portion of IHSS costs incurred by the counties, and authorizes a portion of those costs to be offset from other related 1991 Realignment funds. Temporarily redirects the Vehicle License Fee growth from the Health, County Medical

Services Program, and Mental Health Subaccounts to provide additional resources for IHSS to offset General Fund costs.

- 9) Allows, under certain circumstances, a county to request a loan from the state if they are experiencing hardship related to the cost shift to counties due to the ending of the CCI and the new MOE level. The loan would not exceed three years and cannot exceed the net cost to the county resulting from the IHSS MOE. The sum of all loans approved during any fiscal year shall not exceed \$25 million.
- 10) Provides that, as part of the 2019-20 budget, DOF, in consultation with CSAC and other affected parties, shall reexamine the funding structure within 1991 Realignment, and DOF shall report findings and recommendations regarding the IHSS MOE and other impacts on 1991 Realignment programs, as well as the status of collective bargaining for IHSS programs in each county. Findings and recommendations shall be reported to the Legislature no later than January 10, 2019.
- 11) Modifies the 1991 Realignment caseload growth calculation for IHSS.
- 12) Eliminates the IHSS Statewide Authority, which was the collective bargaining structure for demonstration counties under the CCI.
- 13) Returns collective bargaining to counties and maintains the 35 percent county share of negotiated increases.
- 14) Provides that the state participation cap always be \$1.10 above the hourly minimum wage set in SB 3 (Leno), Chapter 4, Statutes of 2016, for large employers. The cap would rise with inflation once the minimum wage reaches \$15 per hour. For counties at or exceeding the current state cap of \$12.10, the state would participate at its 65 percent share of costs up to a 10 percent increase in wages and benefits over three years.
- 15) Provides that, beginning July 1, 2017, if a county does not conclude bargaining with its IHSS workers within nine months, the union may appeal to the Public Employment Relations Board. Outlines the process and requirements for mediation and repeals this section effective January 1, 2020.
- 16) Provides authority to the state to implement and administer these changes to law through all-county letters or similar instructions until regulations are adopted, and provides authority for emergency regulations to be adopted no later than January 1, 2019.

17) Specifies that if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for these costs shall be made pursuant to current law.

18) Designates this act as a bill providing for appropriations related to the Budget Act and that it is identified as such in the Budget Bill, and shall take effect immediately.

COMMENT: This bill is a budget trailer bill within the overall 2017-18 budget package to implement actions taken affecting the In-Home Supportive Services program administered by the Department of Social Services and implemented by the counties.

Analysis Prepared by: Nicole Vazquez / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 91 (Committee on Budget and Fiscal Review)

As Amended June 11, 2017

Majority vote

SUMMARY: This is the Developmental Services Trailer Bill for 2017-18. It contains necessary changes related to the Budget Act of 2017. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, this bill:

- 1) Requires that designated housing at Harbor Village first be available for individuals with developmental disabilities receiving services from a regional center. Requires the existing lease be amended to include a portion of this development for the purpose of developing additional housing units to serve this population. These new housing units will be used to replace and expand the STAR (Stabilization, Training, Assistance, and Reintegration) crisis units at Fairview Developmental Center in anticipation of the developmental center's closure.
- 2) Allows state employees under contract with a regional center, under specified conditions, to maintain state employment following vendorization by a regional center until such time that the employee is providing services under that contract.
- 3) Clarifies that the individualized family service planning team for infants and toddlers eligible under the California Early Intervention Services Act may determine that a necessary medical service is not available through the family's private health insurance policy or health care services plan, and therefore the regional center may fund it.
- 4) Requires that performance objectives included in regional center contracts measure progress and outcomes in implementing the Employment First policy. Clarifies that the Department of Developmental Services (DDS or the department) may require the performance contracts to include any annual performance objective they determine to be necessary to ensure the regional center is complying with state laws and regulations.
- 5) Updates the rate paid for vouchered community-based training services and specified supportive employment services to \$14.99 per hour and \$36.57 per hour, respectively, to reflect the rate increases provided in Assembly Bill X2 1 (Thurmond), Chapter 3, Statutes of 2016.
- 6) Exempts individuals participating in a paid internship or, subsequently, competitive integrated employment, from the prohibition on regional center-funded services being provided to 18-22 year olds who are otherwise eligible for services through the education system.

- 7) Removes the cap on the amount of respite services that can be purchased by a regional center, based on needs identified in the individual program plan, effective January 1, 2018. This restoration of respite services is funded with \$5.6 million General Fund (\$10.3 million total funds) in 2017-18 and \$11.7 million General Fund (\$21.6 million total funds) in 2018-19 and ongoing.
- 8) Specifies that community-based organizations are eligible for disparity grant funding, and requires DDS to post specified information on their website relative to the disparity grant program structure, grant recipients, and evaluation of grant effectiveness in reducing disparities.
- 9) Requires DDS to provide quarterly updates to the Legislature, through December 2020, on the development of the safety net plan. The safety net plan was released in May 2017 in compliance with the requirement in Welfare and Institutions Code section 4474.15, which requires a plan outlining how DDS will provide access to crisis services after the closure of a developmental center and how the state will maintain its role in providing residential services to those whom private sector vendors cannot or will not serve.
- 10) Aligns the admission criteria, transition planning, and client rights and protections associated with the developmental centers to the new DDS-operated facilities proposed for development and funded in the budget under the safety net plan.
- 11) Aligns client protections associated with institutions for mental disease to mental health rehabilitation centers.
- 12) Ensures that the transition planning process for persons moving from a mental health rehabilitation center, institute for mental disease, or the secured treatment program at Porterville Developmental Center be based on individual needs, developed through an individual placement plan process; and ensure that needed services and supports are provided, including wraparound services.
- 13) Establishes seclusion and behavioral restraint utilization and reporting requirements for new community-based residential models that are operated by DDS. Requires DDS to develop guidelines regarding the use of restraints or containment in enhanced behavioral support homes, as specified.
- 14) Under specified conditions, authorizes a community crisis home using delayed egress devices to also utilize secured perimeters, and exempts a community crisis home or an enhanced behavioral supports home from the requirement that it be eligible for federal funding participation if the department approves use of delayed egress devices with secured perimeters.

- 15) Expands, under specified conditions, the use of community placement plan funding for broader community resource development in order to address the needs of persons living in the community, following notification to the Legislature, and requires reporting to the Legislature on the development of community housing options for persons with developmental disabilities.
- 16) Authorizes the department to utilize the Program Development Fund for community resource development projects, as specified, subject to appropriation by the Legislature.
- 17) Requires the department to convene a working group to consider simplified processes for providers seeking rate adjustments and to report on the working group process and product to the Legislature.
- 18) Requires the department to annually report at budget subcommittee hearings on research projects undertaken by the department, as specified.
- 19) Appropriates \$5.6 million General Fund to support activities associated with the implementation of the aforementioned safety net plan.
- 20) Designates this act as a bill providing for appropriations related to the Budget Act and that it is identified as such in the Budget Bill, and shall take effect immediately.

COMMENT: This bill is a budget trailer bill within the overall 2017-18 budget package to implement actions taken affecting the Department of Developmental Services.

Analysis Prepared by: Nicole Vazquez / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 92 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: This is the Omnibus Resources Trailer Bill for 2017-18. It contains necessary changes related to the Budget Act of 2017. This bill makes various statutory changes to implement the 2017-18 Budget. Specifically, this bill:

- 1) *Life Time License Trust Account.* Eliminates the Lifetime License Trust Account and transfer the funds as specified.
- 2) *Agricultural Protection Planning Grant Program.* Revises the purpose of the Agricultural Protection Planning Grant Program to incorporate climate change goals and increases the grant limits from \$500,000 to \$750,000.
- 3) *Central Valley Flood Protection Board - Fees.* Authorizes the Central Valley Flood Protection Board, after holding at least one public hearing, to set and charge fees sufficient to cover the reasonable cost for the services it provides.
- 4) *Small Watercraft Facilities Loan and Grants Program.* Removes the requirement that the Division of Boating and Waterways in the Department of Parks and Recreation must submit recommendations to the Governor for inclusion in the budget bill before it makes any loans or grants.
- 5) *Recycling Programs at State Agencies.* Removes the requirement for state agencies to obtain approval from the Department of Resources Recycling and Recovery prior to contracting for recycling services and authorizes state agencies to retain revenues received.
- 6) *Sacred Lands File Research.* Authorizes the Native American Heritage Commission to establish fees to recover the costs of providing Sacred Lands File searches.
- 7) *Parks Expenditures Reporting Requirement.* Revises the annual report that the Department of Parks and Recreation must submit to the Legislature describing the allocation and expenditure of funds made available to the Department of Parks and Recreation from the Harbors and Watercraft Revolving Fund.
- 8) *Natural Resources Preservation Fund.* Establishes the Natural Resources Preservation Fund.
- 9) *Dam Safety.* Requires dams (except for low-risk dams) to have an emergency action plan that is updated every ten years, updated inundation maps every ten years, or sooner if specific circumstances change, and provide DWR with enforcement tools, including fines and operational restrictions for failure to comply.

- 10) *Dig Safe Act of 2016 Clean-up*. Clarifies the intent and requirements for an “area of continual excavation” and extends the dates by which the California Underground Facilities Safe Excavation Board is required to complete their regulations and begin enforcement –from November 2017 to July 2020, and other technical changes.
- 11) *Commercial Landing Fees*. Renames the “landing tax” as a “landing fee” and revises the rate schedule by increasing certain fees while decreasing other fees to specified amounts.
- 12) *GGRF Clean-up*. Clarify that provisional language regarding grants from the 2016 Budget Act in the California Department of Food and Agriculture's budget only applies to dairy digesters grants. Also, provides an Administrative Procedure Act exemption to Greenhouse Gas Reduction Funds appropriated in the 2016 Budget Act.
- 13) *PUC Clean-up*. Changes the amount of funding available for the Multifamily Affordable Housing Solar Roofs Program as provided for in AB 693 (Eggman, Chapter 582, Statutes of 2015) from 10 percent of the 15 percent of Investor Owned Utilities (IOU) auction allowance revenue to 10 percent of the total IOU consignment allowance auction revenue.
- 14) *Delta Stewardship Council Term Extension*. Adopts an extension of the length of time a member of the Delta Stewardship Council is authorized to serve as chairperson from four to six years. This extension will revert back to four years in 2019.
- 15) *Milk Pooling*. Authorizes the California Department of Food and Agriculture to establish a stand-alone milk quota program.
- 16) *Air Pollution Grants*. Requires the Air Resources Board, in addition to UCs, to consider CSUs when awarding contracts for air pollution research.
- 17) *Timber Harvest Plan Report*. Delays the report required by AB 1958 (Wood, Chapter 583, Statutes of 2016) by one year and specifies that the report shall include an analysis of exemption use, whether the exemptions are having the intended effect, any barriers for small forest owners, and measures that might be taken to make exemptions more accessible to small forest owners.
- 18) *Loan Repayment Extension*. Extends from June 30, 2019 to June 30, 2020, the repayment date of the loan from the Oil Spill Response Trust Fund.

COMMENT: This bill makes various changes to implement the resources, environmental protection, energy, and agriculture budget actions adopted as part of the 2017-18 Budget package.

Analysis Prepared by: Susan Chan / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 94 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: Enacts statutory changes related to a single system of administration for state licensing entities to implement a regulatory framework for the cannabis law in California necessary to implement the 2017-18 Budget Act. Specifically, **this bill:**

- 1) Makes findings and declarations including, but not limited to, the following:
 - a. In November 1996, voters approved Proposition 215, which decriminalized the use of medicinal cannabis in California. Since the proposition was passed, most, if not all the regulation has been left to local governments.
 - b. In 2015, California enacted three bills, AB 243 (Wood, Chapter 688, Statutes of 2015); AB 266 (Bonta, Chapter 389 of Statutes of 2015); and Senate Bill 643 (McGuire, Chapter 719, Statutes of 2015) that collectively established a comprehensive state regulatory framework for the licensing and enforcement of cultivation, manufacturing, retail sale, transportation, storage, delivery, and testing of medicinal cannabis in California, known as the Medical Cannabis Regulation and Safety Act (MCRSA).
 - c. In November 2016, voters approved Proposition (Prop.) 64, the Adult Use of Marijuana Act (AUMA). Under Prop. 64, adults 21 years of age or older may legally grow, possess, and use cannabis for nonmedicinal purposes, with certain restrictions. In addition, beginning on January 1, 2018, AUMA makes it legal to sell and distribute cannabis through a regulated business.
 - d. So that state entities can implement the voters' intent to issue licenses beginning January 1, 2018, while avoiding duplicative costs and inevitable confusion among licensees, regulatory agencies, and the public and ensuring a regulatory structure that prevents access to minors, protects public safety, public health and the environment, as well as maintaining local control, it is necessary to provide for a single regulatory structure for both medicinal and adult-use cannabis and provide for temporary licenses to those applicants that can show compliance with local requirements.
- 2) Creates one regulatory system for commercial cannabis activity, known as the "Medicinal and Adult-Use of Cannabis Regulatory and Safety Act.
- 3) Maintains the integrity of MCRSA statutes, including:
 - a. **Public Protection.** Provides that the protection of the public shall be the highest priority for all licensing authorities in exercising licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

- b. **Property Owner Protection.** Provides protection for property owners who lease or rent a property to a licensee from asset forfeiture.
- c. **Patient Exemption.** Specifies that a qualified patient that is not engaged in commercial activity is exempt from the licensure requirements of MCRSA. Applies the same standards to a primary caregiver.
- d. **Licensing.** Clarifies that all commercial cannabis activity can only be conducted between licensees.
- e. **Distribution License Transportation Requirements.** Requires that distribution drivers be directly employed by a licensee. Clarifies that all state laws and regulations governing commercial transport apply to those transporting cannabis or cannabis products for hire.
- f. **Retail Security Measures.** Outlines security measures for retailers and requires notifications to licensing authorities and local law enforcement when inventory discrepancies or criminal activities are found.
- g. **Testing Laboratories.** Includes requirements for laboratories that were in MCRSA and are not in conflict with AUMA. These include:
 - i. Use of a standard operating procedure to confirm or refute bad results;
 - ii. Requiring the destruction of the remains of samples;
 - iii. Notification to the bureau within one day of any change in accreditation; and
 - iv. Establishing a standard operating procedure for chain of custody controls for samples.
- h. **Cannabis Study on Motor Skills.** Requires the bureau to contract with the California Marijuana Research Program, known as the Center for Medicinal Cannabis Research, to develop a study that identifies the impact of cannabis on motor skills.
- i. **Local Control.** Clarifies that this division does not limit the authority or remedies of a city, county, or city and county under any provision of law, including, Section 7 of Article XI of the California Constitution.
- j. **Pesticide Intent Language.** Adds intent language that states the use of pesticides is not adequately regulated due to the omissions in federal law, and cannabis cultivated in California for California patients can and often does contain pesticide residues. Lawful California medical cannabis growers and caregivers urge the Department of Pesticide Regulation to provide guidance, in absence of federal guidance, on whether the pesticides currently used at most cannabis cultivation sites are safe for use on cannabis intended for human consumption.

- 4) Increases public safety and consumer protection provisions, including:
- a. **Exit Packaging.** Requires that all cannabis and cannabis purchased by a consumer cannot leave a retail premises unless they are placed in an opaque packaging.
 - b. **Advertisement.** Requires that a technology platform and outdoor advertising company ensure that a licensee include their license number on any advertisements.
 - c. **Driving Under the Influence of Drugs (DUID) Task Force.** Creates a DUID Task Force with a balanced membership to make recommendations regarding prevention of impaired driving, means of identifying impaired driving, and responses to impaired driving that reduce reoccurrence.
 - d. **Open Container Standard.** Creates a new infraction if a person has opened cannabis or cannabis products in the car. Creates an exemption for a qualified patient who is carrying either a state Medical identification (ID) card or a physician's recommendation.
 - e. **California Highway Patrol (CHP) Funding.** Appropriates \$3 million to the California Highway Patrol to be used to for training drug recognition experts. Program costs may include training, overtime, and backfill of state and local law enforcement officers to attend training.
 - f. **Monopoly, Excessive Concentration.** Maintains excessive concentration provisions of AUMA, applies the Cartwright Act, the Unfair Practices Act, and the Unfair Competition Law to all licensees. In addition, makes it unlawful for any person to monopolize, or attempt to monopolize, or to combine or conspire with any person or persons, to monopolize any part of the trade or commerce related to cannabis. Gives the Attorney General the authority to enforce these provisions.
 - g. **Fire and Life Safety Standards.** Adds a clarification that local fire officials retain the authority to carry out fire and life safety requirements.
 - h. **Quality Assurance and Compliance Monitoring.** Creates a quality assurance compliance monitor, employed by the bureau to conduct random quality control inspections and verify compliance with the packaging and labeling standards. The compliance monitor will also be responsible for independent tax verification.
 - i. **Cannabis Destruction.** Clarifies that only a peace officer can seize and destroy cannabis.
 - j. **Volatile Solvent Definition.** Defines volatile solvent as a solvent that is or produces a flammable gas vapor that, when present in the air in sufficient quantities, will create explosive or ignitable mixtures .

- k. **Local Verification Process.** Requires local jurisdictions to provide the bureau a copy of any ordinance or regulation related to commercial cannabis activity and a contact to serve as a liaison between the state licensing entities and the local jurisdiction. Outlines a process by which locals and the state licensing authorities will communicate regarding an applicant for licensure.
- 5) Enhances Tax and Cash Payment Provisions, including:
- a. **Cultivation and Excise Taxes:**
 - i. Creates a methodology to implement the two taxes imposed by Proposition 64, the cultivation tax (\$9.35 per dry weight ounce for flowers and \$2.75 for leaves) and excise tax (15% of the sales price).
 - ii. Clarifies that the cultivation tax shall be imposed when the cannabis or cannabis products enter the commercial marketplace.
 - iii. Requires the distributor to collect and remit the cultivation tax at the time of distribution and create a tax liability for the excise tax at the same time. The excise tax is due and payable 90-days after the transfer of the products.
 - iv. Allows the Board of Equalization (BOE) or its successor agency to determine refund policies to ensure that there is no overpayment of tax.
 - v. Does not change the incidence of tax and requires that BOE, or its successor agency, determine the actual tax.
 - b. **Cash Collection.** Establishes that by January 1, 2018, the Secretary of Business, Consumer Services, and Housing, or his or her designee, work with the Legislature, the Department of Consumer Affairs, the Department of Food and Agriculture, the State Department of Public Health, and any other related departments to ensure that there is a safe and viable way to collect cash payments for taxes and fees related to the regulation of cannabis activity throughout the state.
 - c. **North Coast Office.** Requires that by July 1, 2018, the bureau, in coordination with the Department of General Services, establish an office to collect fees and taxes in the County of Humboldt, County of Trinity, or County of Mendocino in order to ensure the safe payment and collection of cash for licenses and taxes in those counties.
- 6) Includes the following environmental clarifications:
- a. **License Conditions.** Clarifies that cultivation licenses issued by the California Department of Food and Agriculture (CDFA) shall include conditions requested by the Department of Fish and Wildlife (DFW) and the State Water Resources Control Board (SWRCB).
 - b. **Adverse Impacts.** Specifies that if DFW or the SWRCB finds that cultivation is causing significant adverse impacts in a watershed, CDFA shall not issue new

cultivation licenses or increase the total number of plant identifiers in that watershed.

- c. **Denial of License.** Specifies that licensing entities can deny an application for a licensure or renewal for failure or inability to meet environmental requirements.
- 7) Makes various changes to enhance the Medicinal and Adult-Use of Cannabis Regulatory and Safety Act, including:
- a. **Advisory Committee.** Specifies that the advisory committee members must include persons who work directly with racially, ethnically, and economically diverse populations.
 - b. **Appeals Panel Membership.** Expands the Cannabis Control Appeals Panel by two members: one appointee each from the Senate Committee on Rules and the Speaker of the Assembly. This is in addition to three Governor’s appointees that are subject to Senate confirmation for a total of five members.
 - c. **Cannabis Cooperatives.** Specifies that certain license types may pool their resources for cannabis farming of no more than four acres total and all members of the association must be disclosed to the licensing agencies. Specifically, the cooperatives must include three or more members (that have not been licensed to operate a cannabis business in another state or country) and form an association for the purpose of:
 - i. The cultivation, marketing, or selling of the cannabis products of its members.
 - ii. The growing, harvesting, curing, drying, trimming, packing, grading, storing, or handling of any product of its members.
 - iii. The manufacturing, selling, or supplying to its members of machinery, equipment, or supplies.
 - d. **Organics and Appellations Standards.** Requires by 2021, CDFA to develop a California organic designation for cannabis and include standards, practices and varieties as part of their appellations program.
 - e. **Non-storefront delivery.** Specifies that a retailer shall have a licensed premises which is a physical location, but, that it may be closed to the public and that they can conduct sales exclusively by delivery.
 - f. **Diversifies Mutual Fund and Blind Trust.** Allows “blind” investors to have financial interest without requiring background checks.
 - g. **Allows for Co-location and defines premises.** Allows for the co-location of medicinal and adult use cannabis businesses, although, requires that a licensee obtain separate licenses for each type of business. Defines premises to mean the designated structures and land specified in the application that is owned, leased, or otherwise held under the control of the applicant or licensee where the

commercial cannabis activity will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one licensee.

- h. **Product testing.** Authorizes a licensed cannabis operator with an in-house (non-licensed) testing laboratory to provide testing of cannabis and cannabis products obtained from third party cannabis cultivators and manufacturers prior to those products being sent to a licensed testing laboratory pursuant to this division for final, presale quality assurance. Requires testing to of samples to be performed on the final form in which cannabis or cannabis product will be consumed or used.
- i. **Temporary event license.** Authorizes the bureau to issue a state temporary event license at a county fair or district agricultural association, where people 21 years of age or older could sample cannabis and cannabis products. Temporary event licenses shall only be issued in local jurisdictions that authorize such events.
- j. **State Medical ID Card.** Preserves the State Medical Marijuana ID card.
- k. **Destruction of product.** Specifies individuals engaging in activity without a license are responsible for the cost of destroying product.
- l. **Temporary licenses.** Adds section allowing licensing entities to issue temporary licenses if specific requirements are met (including local approval and fee), valid for 120 days with a possible 90 extension.
- m. **Technical Changes.** Makes various technical changes throughout multiple code sections to replace references of "marijuana" to "cannabis."
- n. **Definitions.** Adds, amends, or deletes multiple definitions necessary to implement one regulatory framework for cannabis law.

FISCAL EFFECT: Appropriates \$3 million to the California Highway Patrol. In addition there are likely additional regulatory costs to implement various provisions of this bill and offsetting savings from not having to implement two separate regulatory systems. The net impact of additional regulatory costs versus savings is unknown.

COMMENTS: This cannabis trailer bill contains provisions agreed upon as part of the 2017 Budget Act. Both MCRSA and AUMA required the state to begin issuing licenses for commercial cannabis activity by January 1, 2018. The trailer bill reflects extensive stakeholder input on language that leverages a balanced and successful approach already in existing law with the requirements of the Proposition. Given the limited timeline that the state has to establish a regulatory framework, this bill is critical in that it creates one system; thus easing the burden on the state regulatory entities and increasing the likelihood that the state will be able to successfully fulfill its responsibilities by January 1, 2018.

Analysis Prepared by: Genevieve Morelos / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 95 (Committee on Budget and Fiscal Review)

As Amended June 9, 2017

Majority vote

SUMMARY: Enacts statutory changes related to general government necessary to implement the 2017-18 Budget Act. Specifically, **this bill:**

- 1) Authorizes the Department of General Services to adjust the amount of the filing fees in order to maintain a reasonable working balance in Public School Planning, Design, and Construction Review Revolving Fund, provided that the fees do not exceed the amount of raised rates.
- 2) Raises the rate of the amount of the filing fee as follows:
 - a. From 0.7 percent to 1.25 percent of the estimated costs for the first \$1 million dollars
 - b. From 0.6 percent to 1 percent of the estimated costs for all costs in excess of \$1 million.
- 3) Provides that if the working fund balance exceeds 6 months' expenditures, the Department of General Services would be required to reduce the fees.
- 4) Increases the amounts to be deposited into the Public School Planning, Design, and Construction Review Revolving Fund and thereby creates a continuous appropriation.
- 5) Provides statutory authority for California state entities that receive federal tax information from the Internal Revenue Service (IRS) to require criminal background check of its prospective and existing employees and contractors in order to comply with new IRS rules in Publication 1075.
- 6) Requires the Department of Consumer Affairs (DCA) Release 3 Boards and Bureaus to participate in business process reviews and organizational change management activities in preparation for transition to a new licensing technology platform, either through the relevant unit in the DCA or through contracted services.
- 7) Authorizes the entity that originally issued the expired warrant to pay that warrant from any funds that are otherwise legally available to that entity. Authorizes an issuing entity that determines that it is unable to issue a replacement warrant from its current appropriation or from any funds that are otherwise legally available to the entity for that purpose to submit a request to include a claim for reimbursement of that warrant in a claims bill pursuant to a process by the Department of General Services.
- 8) Requires the department to ensure that all claims have been approved, and for which no legally available appropriation exists, are submitted for legislative approval at least once during each calendar year instead of twice during each calendar year.

- 9) Corrects a transfer from the duties of the Department of General Services back to the Public Employment Relations Board.
- 10) Transfers the California Commission on Disability Access within the Department of General Services but maintains the independence of the California Commission on Disability Access beginning, July 1, 2017.
- 11) Requires the Director of the California State Lottery to provide on an annual basis in accordance with reports to the Department of Finance, the Joint Legislative Budget Committee, and the budget committees of the Legislature.
- 12) Authorizes the California State Lottery to make payments through the revolving fund to the California State Lottery prizewinners of \$1,000 or less.
- 13) Requires an appropriation to be immediately available for encumbrance or expenditure during the specified or 3-year time period. Authorizes a state agency to estimate encumbrances consistent with the authority of the appropriation. Finally, authorizes the Department of Finance instead of the Director of Finance to determine the applicable liquidation period that the appropriation is no longer necessary, and require the balance of the appropriation to revert to the appropriate fund.
- 14) Amends the Community Based Transitional Housing Program to allow cities and counties to provide a portion of their program funds to the facility operator, if the facility operator agrees to use those funds for facility operations and services to residents. States that there is no limit on the amount the city and county may provide to the facility operator. Additionally, allows cities and counties to use program funds for other purposes that their governing boards determine are in furtherance of the program's goals as long as the proposed uses are specific in the application.
- 15) Requires that, after transferring required amounts in the Fiscal Recovery Fund (FRF) to the counties, any remaining amounts be transferred to the General Fund.
- 16) Authorizes the Department of Housing and Community Development to use up to 10 percent of the Federal Housing Trust Fund annual grant for administrative fees.
- 17) Authorizes the Military Department to use the design-build procurement process.
- 18) Establishes the minimum contribution amount for the 2017 calendar year, with regard to the voluntary contribution funds described above, as \$0.
- 19) Reduces the amount from \$300,000,000 to \$294,101,545 of revenue bonds, notes, or bond anticipation notes that may be authorized by the Public Works Board for those rehabilitative facilities.

COMMENT: This general government trailer bill contains provisions agreed up as part of the 2017 Budget Act.

Analysis Prepared by: Genevieve Morelos / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 96 (Committee on Budget and Fiscal Review)

As Introduced January 11, 2017

Majority vote

SUMMARY: Enacts statutory changes related to general government necessary to implement the 2017-18 Budget Act. Specifically, **this bill:**

- 1) Clarifies the statutory methodology used to calculate annual salary adjustment for state judges and justices, which is based on the average salary growth of civil service state employees.
- 2) Allows the Labor Commissioner, at his or her discretion, to close an investigation if a complainant files an action in court against an employer based on same or similar facts made under Section 98.7 of the Government Code. However, if a complainant has already challenged his or her discipline or discharge through the State Personnel Board, or other internal governmental procedure, or through collective bargaining agreement grievance procedure that incorporates anti-retaliation provisions, the Labor Commissioner may reject the complaint.
- 3) Provides that an action by the Labor Commissioner seeking injunctive relief, reimbursement of lost wages and interest, payment of penalties, and any other appropriate relief, shall not accrue until a respondent fails to comply with the order for more than 30 days following notification of the Commissioner's determination. Requires the Labor Commissioner to commence an action within three years of its accrual, regardless of whether the commissioner seeks penalties in the action.
- 4) Requires a time limitation for a complainant to bring an action in court to be tolled from the time of filing the complaint with the division until the issuance of the Labor Commissioner's determination.
- 5) Extends the time that the Labor Commissioner notifies the complainant and respondent of his or her determination from not later than 60 days to one year after the filing of the complaint.
- 6) Requires that determinations by the Labor Commissioner under subdivision (c) or (d) of Section 98.7 of the Government Code, are final and not subject to administrative appeal except for cases arising under Sections 6310 and 6311.
- 7) Requires the court to determine the reasonable attorney's fees incurred by the Labor Commissioner in prosecuting the enforcement action and assess the cost to the employer when the Labor Commissioner is the prevailing party. Provides a \$100 per day for each day the employer continues to be in noncompliance with the court order, up to a maximum of \$20,000. Requires that any penalty be paid to the affected employee.
- 8) Allows citations to be served by certified mail with a return receipt requested.

- 9) Provides that any employer, or other person or entity, who may be liable for a violation or any provision is precluded from introducing as evidence, in an administrative proceeding contesting a citation or writ proceeding under Section 558 or 1197.1, books, documents or records that are not provided pursuant to a duly served written request by the Labor Commissioner within the time that the Labor Commissioner requests those books, documents, or records.
- 10) Increases from \$300 to \$400 the application fee for contractors to register with the Department of Industrial Relations.
- 11) Provides that beginning June 1, 2019, a contractor may register or renew in annual increments up to three year from the date of registration. Contractors, who wish to do so, will be required to prepay the applicable nonrefundable application or renewal fees to qualify for the number of years for which they wish to preregister.
- 12) Exempts from Labor Code Sections 1725.5, 1771.1 and 1773.3 work performed on a public works project of \$25,000 or less, when the project is for construction, alteration, demolition, installation, or repair work or to work performed on a public works project of \$15,000 or less when the project is for maintenance work.
- 13) Deletes the authority for the director to use his or her discretion to waive payment of the liquidated damages with respect to that portion of the unpaid wages, if the contractor or subcontractor demonstrates to the satisfaction of the direction that he or she had substantial grounds for appealing the assessment or notice with respect to a portion of the unpaid wages.
- 14) Includes civil penalties of \$100 for each day of work performed in violation of registration requirement not to exceed \$8,000 if the Labor Commissioner or his or her designee determines the contractor or subcontractor engaged in the performance or any public work contract without having been registered.
- 15) Provides that in addition, or in lieu of, any other penalty or sanction authorized, a higher tiered public works contractor or subcontractor who is found to have entered into a subcontractor with an unregistered lower tier subcontractor to perform any public work in violation of the requirements of Section 1725.5 or 1771.1 shall be subject to a civil penalty of \$100 for each day the unregistered lower tier subcontractor performs work in violation up to \$10,000.
- 16) Provides authority for the Labor Commissioner to issue and serve a stop order prohibiting the use of the unregistered contractor or the unregistered subcontractor on all public works until the unregistered contractor or unregistered subcontractor is registered. The stop order shall not apply to work by registered contractor or subcontractors on public work.
- 17) Provides that it is a misdemeanor punishable by imprisonment in county jail not exceeding 60 days or by a fine not exceeding \$10,000, or both for failure to observe a stop order issued and served upon him or her.

- 18) Provides that all penalties be deposited in the State Public Works Enforcement Fund established by Section 1771.3.
- 19) Extends from five days to 30 days of the award, but in no event later than the first day in which a contractor has workers employed upon the public work, the time that the awarding agency must provide notice to the Department of Industrial Relations of any public works contract.
- 20) Provides that an awarding agency that fails to provide the notice, shall in addition to any other sanction or penalty authorized by law, be subject to a civil penalty of \$100 for each day in violation, not to exceed \$10,000 for each project.
- 21) Requires an awarding agency to withhold final payment due to the contractor until at least 30 days after all of the required information has been submitted, including but not limited to, providing a complete list of all subcontractors. If an awarding agency makes a final payment to a contractor after that time and an unregistered contractor or subcontractor is found to have worked on the project, the awarding body shall be subject to civil penalty of \$100 for each full calendar day of noncompliance, for a period of up to 100 days for each unregistered contractor or subcontractor.
- 22) Provides that whenever the Labor Commissioner determines that an awarding body has willfully violated the requirements of this section or chapter with respect to two or more public works contracts or projects in any 12-month period, the awarding agency shall be ineligible to receive state funding or financial assistance for any construction project undertaken by or on behalf of the awarding agency for one year. Additionally, the debarment procedures adopted by the Labor Commissioner pursuant to Section 1771.1 shall apply to any determination.
- 23) Revises the Car Wash Worker Restitution Fund and the Garment Manufacturing fund, to allow the Labor Commissioner to ensure the payment of wages, interest, and any damages or other monetary relief arising from the violation of orders of the Industrial Welfare Commission or from the a violation of code. Provides that any disbursement be made pursuant to a claim for recovery from the fund in accordance with procedures from the Labor Commissioner.
- 24) Adds that no person shall discharge or in any way discriminate against an employee for reporting a work-related fatality, injury, or illness, requested access to occupational injury or illness reports. Provides an exception in cases where the employee alleges he or she has been retaliated against because he or she filed or made known his or her intention to file a workers compensation claim pursuant to Section 132a, which is under the exclusive jurisdiction of the Workers Compensation Appeals Board.
- 25) Increases from up to \$7,000 to up to \$12,471 the civil penalty for any employer who violates any occupational safety or health standard, order, or special order, or Section 25910 of the Health and Safety Code, and the violation is specifically determined not to be of a serious nature.

- 26) Increases the civil penalty from not more than \$70,000 to not more than \$124,709 for each violation, and increases from not less than \$5,000 to not less than \$8,908 for each willful violation for any employer who willfully or repeatedly violates any occupational safety or health standard, order, or special order, or Section 25910 of the Health and Safety Code.
- 27) Increases from up to \$7,000 to up to \$12,471 for each violation the civil penalty for any employer who violates any of the posting or recordkeeping requirements prescribed by regulations adopted pursuant to Section 3550.
- 28) Revises various provisions relating to the state's veterans' homes including expanding the definition of the veterans' home system to include multiple home locations, clarifying membership for domestic partners, and updating obsolete references.
- 29) Codifies the vision of how the veterans' homes will serve the state's veterans population and prioritizes veterans with service-connected disability ratings of 70 percent or greater from the US Department of Veterans Affairs, allowing the California Department of Veterans Affairs (CalVet) to provide services to those who have sacrificed the most. Allows CalVet to charge for outpatient services and clarifies that aid and attendance allowances shall be paid to the veterans' home.
- 30) States Legislative intent that a portion of the savings resulting from the proposed changes in the trailer bill and future changes to the operation of the state homes stay within the CalVet budget and be used to expand supportive services to other veterans and their families; such as transition services, housing assistance, health services, mental health services, small business assistance, and employment services and job training.
- 31) Requires CalVet to establish a page on its Internet Website that includes specified information and the ability for a person to apply for residency in a veterans' home and check his or her application and wait list status online.
- 32) Identifies the Bake Parkway site on 125 acres in Orange County as the location of the Southern California Veterans Cemetery instead of the site that was the former Marine Corps Air Station El Toro.
- 33) Finds and declares existing law as related to the County of Los Angeles approved Measure H, which imposes a transactions and use tax at a rate of 0.25 percent for the support of countywide programs and services to prevent and combat homelessness.
- 34) Provides that the board shall enter into a contract with the County of Los Angeles to perform all function incident to the administration and operation of the transactions and use tax ordinance described in subdivision (a) and shall collect the tax in all districts within the county where the aggregate tax is 0.25 percent or more below the limitation specified in Section 7251.1. The contract with the county shall comply with Section 7270, and shall ensure the collection of the tax commences on October 1, 2017.
- 35) Requires the Secretary of State to notify a county elections official that a petition received a sufficient number of signatures to initiate a recall election and allows for a 30 day period for voters to withdraw their signatures.

36) If a sufficient number of verified signatures are ultimately obtained requires the Department of Finance in consultation with affected elections officials and the Secretary of State to estimate the costs of the recall election if it is held as a special election, or as part of the next regularly scheduled election. Requires DOF to post this information on its website and requires the Joint Legislative Budget Committee to review this information.

37) Appropriates \$5 million to remit specified costs of conducting a recall election to affected counties.

COMMENT: This general government trailer bill related to labor, veterans' affairs, and other issues contains provisions agreed upon as part of the 2017 Budget Act.

Analysis Prepared by: Farra Bracht /Genevieve Morelos / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 97 (Committee on Budget and Fiscal Review)

As Amended

Majority vote

SUMMARY: This is the Omnibus Health Trailer Bill for 2017-18. It contains necessary changes related to the Budget Act of 2017. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, this bill:

- 1) **Medi-Cal Dental Benefits.** Restores the remaining uncovered optional Medi-Cal dental benefits beginning January 1, 2018.
- 2) **Medi-Cal Optometric Benefits.** Restores the optometric and optician optional Medi-Cal benefits beginning January 1, 2020, contingent upon the Legislature including funding for these services in the state budget process.
- 3) **Newly Qualified Immigrant Affordability and Benefit Program.** Eliminates the Newly Qualified Immigrant (NQI) Affordability and Benefit Program, and authorizes the Department of Health Care Services (DHCS) to seek federal Minimum Essential Coverage designation for the existing, state-funded NQI health care coverage program.
- 4) **Medi-Cal Diabetes Prevention Program (DPP).** Makes the DPP, an evidence-based intervention covered by Medicare and certified by the Federal Centers for Disease Control and Prevention (CDC), a covered benefit under Medi-Cal Fee-for-Service and Managed Care. Specifically, this bill:
 - Requires that the DPP be an evidence-based lifestyle change program designed to prevent or delay the onset of type 2 diabetes among individuals with prediabetes;
 - Requires that the DPP be available no sooner than July 1, 2018;
 - Requires Medi-Cal managed care plans to make this benefit available to eligible beneficiaries;
 - Requires Medi-Cal providers offering these services to comply with guidelines issued by the CDC and obtain CDC recognition;
 - Establishes eligibility criteria based on age, body mass index, the results of a hemoglobin A1c test, fasting plasma glucose tests and previous diagnoses of diabetes; and
 - Requires that DPP services be provided by peer coaches.
- 5) **Parkinson's Disease Program.** Establishes the Richard Paul Hemann Parkinson's Disease Program to require the Department of Public Health (DPH) to collect incidence and prevalence data on Parkinson's disease. Requires DPH to designate the disease as one required to be reported in any part of the state, and requires that all cases of Parkinson's

disease diagnosed or treated in California be reported to DPH. Requires that this data be available for purposes of scientific research.

- 6) ***Medically-Tailored Meals Pilot Program.*** Establishes a pilot program within Medi-Cal to provide medically-tailored meal intervention services for individuals with one or more of the following health conditions: congestive heart failure, cancer, diabetes, chronic obstructive pulmonary disease, or renal disease. Specifies that the intervention includes up to 21 meals per week for 12 to 24 weeks. Requires that the pilot program operate in the following counties: Alameda, Los Angeles, Marin, San Diego, San Francisco, San Mateo, Santa Clara, and Sonoma. Requires DHCS to evaluate the pilot program to determine its impact on hospital readmissions, decreased admissions to long-term care facilities, and emergency room utilization. Requires DHCS to report to the Legislature on the evaluation by January 1, 2021 or within 12 months of the end of the pilot program.
- 7) ***Medi-Cal Managed Care Ombudsman Call Center Data Collection.*** Requires the Medi-Cal Managed Care Ombudsman Call Center to collect data on callers and calls received and requires DHCS to include this information in a quarterly report.
- 8) ***Community Clinic Lifeline Grant Program.*** Establishes the Community Clinic Lifeline Grant Program within the California Health Facilities Financing Authority (CHFFA) for small and rural health clinics suffering financial losses, and appropriates \$20 million from the Health Expansion Loan Program (HELP II) fund one-time for this purpose. Makes findings and declarations regarding the value of community health clinics and the goals for this grant program. Requires CHFFA to develop selection criteria and a process for awarding the grants, which may not exceed \$250,000 each.
- 9) ***Coordinated Care Initiative Reauthorization.*** Reauthorizes and continues key components of the Coordinated Care Initiative, including the duals demonstration project (Cal MediConnect), mandatory managed care for duals, and long-term services and supports as managed care benefits. Specifically, this bill:
 - Repeals the requirement that the state develop a Universal Assessment Tool to be used by multiple long-term services and support programs;
 - Requires DHCS to notify a dual-eligible who is mandated to enroll in managed care that he or she may request to be assessed for eligibility for the Program of All Inclusive Care for the Elderly (PACE), and if eligible, may enroll in a PACE plan;
 - Prohibits DHCS from enrolling a dual eligible, who requests a PACE assessment, into a managed care plan until the earlier of 60 days or the time that he or she is assessed and determined to be ineligible for PACE, unless the beneficiary subsequently chooses to enroll in a managed care plan;
 - Codifies efforts currently underway at the Department of Aging and DHCS to create standards of care for consumers of the Multipurpose Senior Services Program (MSSP), to

aid in ensuring that the model for delivery of services remains intact as MSSP transitions to managed care in the Cal MediConnect counties; and

- Shifts some functions from the Department of Managed Health Care (DMHC) to DHCS.
- 10) **Medi-Cal Reimbursements for Marriage and Family Therapists.** Delays implementation of AB 1863 (Wood, Chapter 610, Statutes of 2016) – which authorizes Medi-Cal reimbursements for marriage and family therapists at Federally Qualified Health Centers – to no later than July 1, 2018.
 - 11) **Medi-Cal Third Party Liability Program.** Clarifies: 1) the formula that defines the state’s portion of litigation costs; and 2) the DHCS Director’s right to recover when there are multiple settlements.
 - 12) **Medi-Cal Third Party Recovery Contracting Authority.** Updates the third party recovery program for worker's compensation and personal injury cases, including:
 - Eliminating mandated outsourcing of Workers' Compensation recovery;
 - Removing unnecessary regional contracts;
 - Ensuring the contractor is operating consistently with DHCS policies; and
 - Streamlining the administrative process.
 - 13) **Major Risk Medical Insurance Fund (MRMIF).** Abolishes the Major Risk Medical Insurance Fund and transfers the fund balance, and ongoing Managed Care Administrative Fines and Penalties Fund revenue, to the newly established Health Care Services Plans Fines and Penalties Fund, which may be used to fund expenditures in the Major Risk Medical Insurance Program (MRMIP) and in the Medi-Cal program (after all MRMIP costs have been covered first).
 - 14) **Graduate Medical Education in Public Hospitals.** Implements a Graduate Medical Education program that would reimburse (federal funds) designated public hospitals for the costs of training health care providers.
 - 15) **Medi-Cal Pharmacy Reimbursements.** Codifies the new drug ingredient reimbursement methodology and dispensing fees based on a study of outpatient pharmacy provider costs in purchasing and dispensing outpatient prescription drugs to Medi-Cal beneficiaries, consistent with federal law and guidance.
 - 16) **Nursing Facility Acute Hospital Waiver.** Codifies key components of this renewed waiver, including:

- Intends to maximize independent living allowing frail and vulnerable Medi-Cal members the opportunity to remain in their own homes and/or community or transition out of an institution into their own home and/or community;
- Offers participants with an institutional alternative choice;
- Provides participants with flexibility to self-direct some benefits;
- Allows for a local qualified non-state entity to perform comprehensive care management and care coordination ;
- Increases slots to reduce the existing waitlist;
- Shifts to an aggregate cost limit to allow the services that will be authorized to a participant to be determined based on assessed medical care needs and not individual cost limits;
- Allows for a seamless transition of all In-Home Operations waiver participants to the NF/AH waiver; and
- Provides that home settings, including Congregate Living Health Facilities (CLHFs) and Intermediate Care Facilities, for the Developmentally Disabled-Continuous Nursing Care (ICF/DD-CNCs) meet new Federal regulations or are transitioned to the State Plan as long-term care providers.

17) **San Francisco Community-Living Support Benefit Waiver.** Sunsets this waiver and assists the waiver beneficiaries transition into the Medi-Cal Assisted Living Waiver in order to receive the same or similar services.

18) **HIV Data Sharing.** Expands authority for DPH to share HIV health information to improve linkages to, and retention in, HIV medical care and treatment.

19) **Public Health Emergency Preparedness.** Modernizes the Public Health Emergency Preparedness program and updates statutory language and allocations of federal funds to local jurisdictions.

20) **Pre-Exposure Prophylaxis (PrEP) Program.** Clarifies that the PrEP program will cover uninsured clients and will operate outside of the AIDS Drug Assistance Program.

21) **Consumer Participation Program.** Extends the sunset for six years, from January 1, 2018 until January 1, 2024, on the Consumer Participation Program that awards advocacy and witness fees to consumer advocates who represent consumer interests in regulatory proceedings at DMHC.

- 22) **Robert F. Kennedy Medical Plan.** Extends the sunset on SB 145 (Pan, Chapter 712, Statutes of 2015) from January 1, 2021 to January 1, 2026 to assist the Robert F. Kennedy Medical Plan to build sufficient reserves so that it will no longer be dependent on state funding.
- 23) **Alternative Birth Centers Rate-Setting Methodology.** Establishes a new Medi-Cal reimbursement rate-setting methodology, using 80 percent of the Diagnosis Related Group Level-1 rates, for Alternative Birth Centers.
- 24) **Disproportionate Share Hospital Claims.** Implements federal policy affecting the distribution of federal matching funds for uncompensated costs in hospitals.
- 25) **Federal Cures Act Opioid Targeted Response Grant.** Exempts DHCS from competitive bidding requirements in order to provide increased medication-assisted treatment for individuals with substance use disorders per this federal grant.
- 26) **Medi-Cal Eligibility Established by CalWORKs Eligibility.** Authorizes DHCS to request federal approval to use the determination of eligibility for the CalWORKs program as a determination of eligibility for the Medi-Cal program.
- 27) **Every Woman Counts Budget.** Converts the Every Woman Counts budget from accrual to cash to be consistent with all of the other program budgets at DHCS.
- 28) **Medi-Cal County Eligibility Administration.** Suspends the annual COLA for counties for the costs of Medi-Cal eligibility administration for 2017-18.
- 29) **California Medicaid Management Information System (CA-MMIS).** Repeals obsolete 2010 uncodified budget trailer bill that required project updates and reporting on the prior CA-MMIS project that has since ended.
- 30) **Nurse Patient Staffing Ratios.** Increases mandated nurse patient staffing ratios in skilled nursing facilities. Details pending.

COMMENT: This bill is a budget trailer bill within the overall 2017-18 budget package to implement actions taken affecting the Departments of Health Care Services, Managed Health Care, Public Health, and the California Health Facilities Financing Authority.

Analysis Prepared by: Andrea Margolis / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 98 (Committee on Budget and Fiscal Review)

As Amended January 12, 2017

2/3 vote

SUMMARY: This is a Trailer Bill for the 2017-18 budget. It contains necessary changes related to the Budget Act of 2017. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, this bill:

1) ***Mental Health Services Act (MHSA) Fiscal Reversions***. Clarifies and defines the reversion process for MHSA funds that have been unspent for over three years by counties. Specifically, this bill:

- Deems all unspent funds subject to reversion as of July 1, 2017, to have been reverted to the Mental Health Services Fund and reallocated to the county of origin for the purposes for which they were originally allocated;
- Requires the Department of Health Care Services (DHCS), on or before July 1, 2018, in consultation with counties and other stakeholders, to prepare and submit a report to the Legislature identifying the amounts that were subject to reversion prior to July 1, 2017, including to which purposes the unspent funds were allocated;
- Requires DHCS to provide to counties the amounts it has determined are subject to reversion, and provide a process for counties to appeal this determination;
- Requires counties with unspent funds subject to reversion, that are deemed reverted and reallocated, to prepare and submit a plan (by July 1, 2018) to expend these funds on or before July 1, 2020;
- Restarts the three-year clock on expenditure of Innovation funds when a county's Innovation Plan has received approval by the Mental Health Services Oversight and Accountability Commission (Commission);
- Authorizes small counties, with a population of less than 200,000, to expend MHSA funds for up to five years before unspent funds will be reverted to the state;
- Requires DHCS, in consultation with the Commission and the County Behavioral Health Directors Association of California, to develop and administer instructions for the Annual MHSA Revenue and Expenditure Report. Requires that the instructions include a requirement that the county certify the accuracy of this report. Requires counties to submit the report electronically to DHCS and to the Commission. Requires DHCS and the Commission to annually post each county's report on its website in a timely manner. Requires the department, in consultation with the commission and the County Behavioral Health Directors Association of California, to revise these instructions by July 1, 2017, and as needed thereafter, to improve the

timely and accurate submission of county revenue and expenditure data. Specifies the purpose of the Report;

- Requires DHCS, by October 1, 2018, and by October 1 of each subsequent year, in consultation with counties, to publish on its Internet Web site a report detailing funds subject to reversion by county and by originally allocated purpose; and
- Requires that, on or after July 1, 2017, funds subject to reversion be reallocated to other counties for the purposes for which the unspent funds were initially allocated to the original county.

2) **California Health Benefits Review Program (CHBRP) Sunset.** Extends the sunset date of the CHBRP for three years. The program, based at the University of California, provides the Legislature with cost analyses of pending health care legislation. The program is supported by a fee on health plans.

3) **Umbilical Cord Blood Collection Program Sunset.** Extends the sunset date of the Umbilical Cord Blood Collection Program until January 1, 2023. Requires the University of California, which administers the program, to provide a report to the Legislature one year before the sunset date that provides information on the program.

COMMENT: This bill is a budget trailer bill within the overall 2017-18 budget package to implement actions taken affecting the Department of Health Care Services, the Mental Health Services Oversight and Accountability Commission, and the University of California.

Analysis Prepared by: Andrea Margolis / BUDGET / (916) 319-2099

FN:

SENATE THIRD READING

SB 99 (Committee on Budget and Fiscal Review)

As Amended June 9, 2017

Majority vote

SUMMARY: Enacts statutory changes necessary to implement the 2017-18 Budget Act. Specifically, **this bill:**

- 1) Makes various technical amendments to the Road Repair and Accountability Act of 2017, SB 1 (Beall, Chapter 5, Statutes of 2017).
- 2) Provides various measures in order to accelerate projects relative to The Road Repair and Accountability Act of 2017 (SB 1). Specifically, the bill:
 - Expands the pilot program for the Construction Manager/General Contractor (CM/GC) on the state highway system to 12 additional projects;
 - Expands the pilot program for Design-Build on local streets and roads by six projects—three projects reserved for Riverside County Transportation Commission (RCTC);
 - Provides contracting flexibility to expedite delivery of SR-91 Toll Connector to I-15 North;
 - Expands authority to use CM/GC off of the state highway system;
 - Authorizes "cost plus time" contracting authority for SB 132 (Committee on Budget and Fiscal Review, Chapter 7, Statutes of 2017) lead agencies; and
 - Clarifies that RCTC may be the recipient of appropriations for SB 132 projects.
- 3) Clarifies that for the purpose of construction of specific railroad grade separations and bridge rehabilitation using CM/GC the County of Riverside should be considered a transportation planning agency.
- 4) Requires the Department of Transportation and the California State Transportation Agency to post formal draft guidelines, hold at least two public workshops, and notify the fiscal and appropriate policy committees of the Legislature prior to formally adopting any program guidelines related to the Road Repair and Accountability Act of 2017, also known as SB 1 (Beall, Chapter 5, Statutes of 2017).
- 5) Requires the Los Angeles County Assessor to assess properties originally acquired for the construction of State Route 710, Los Angeles County, that are sold by Caltrans at an affordable or reasonable price, at those sales prices, instead of the market rate.
- 6) Facilitates the state's compliance with the Federal Driver License and Identification Card Conformity requirements by requiring the Department of Motor Vehicles to issue driver's licenses that contain either the mailing address or residence address of the licensee. Would authorize the department to require an applicant for a driver's license or identification card

to produce any identification for the above-specified purposes upon application for a renewal of a driver's license in addition to an application for an original or duplicate license.

- 7) Extends the sunset date for excluding the CHP Commissioner from the mandatory retirement age of 60 until April 1, 2019.
- 8) Amends the Active Transportation Program to provide authority for the California Transportation Commission to approve "Letters of No Prejudice" that would provide project sponsors with a tool to initiate projects with their own resources prior to the year in which they would receive state funding they had been awarded.
- 9) Exempts diesel-fueled vehicles that are issued a temporary permit from payment of the current \$50 registration fee. Would also exempt vehicles registered under the International Registration Plan from registration fees.
- 10) Contains a continuous appropriation for the California Transportation Commission to allocate to local and regional transportation agencies within counties that have sought and received voter approval for transportation-related taxes or fees.

COMMENT: This transportation trailer bill contains provisions agreed to as part of the 2017 Budget Act.

Analysis Prepared by: Farra Bracht / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 101 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: This is the Resources II Trailer Bill for 2017-18. It contains necessary changes related to the Budget Act of 2017. This bill makes a statutory change to implement the 2016-17 budget. Specifically, this bill:

- 1) Revises and recasts provisions of the State Building Construction Act of 1955, including eliminating the requirement that three separate accounts be maintained within the Public Buildings Construction Fund and instead require subfunds, accounts, and subaccounts to be maintained within the Fund for the operation of the State Public Works Board.
- 2) Creates an Expense Account within the Public Buildings Construction Fund into which would be deposited amounts received by the State Public Works Board as additional rental under any of its leases and any other money received by the Board, other than proceeds of certificates or revenue bonds.
- 3) Requires a report prepared by the Air Resources Board relative to the implementation of a partial consent decree between the Air Resources Board and Volkswagen to include an evaluation of how the investment plan for expenditure of moneys received impacts the competitiveness of the charging infrastructure market.

COMMENTS: This bill makes changes to implement various budget actions adopted as part of the 2017-18 Budget package.

Analysis Prepared by: Susan Chan / BUDGET / (916) 319-2099

SENATE THIRD READING
SB 102 (Committee on Budget and Fiscal Review)
As Introduced January 11, 2017
Majority vote

SUMMARY: This is the bottle bill trailer bill for 2017-18. It contains necessary changes related to the Budget Act of 2017. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, **this bill:**

1. Redefines “convenience zone” to mean the area within a one-mile radius of a supermarket or the area designated by CalRecycle.
2. Extends the sunset date of the plastic market development program till January 1, 2019.
3. Narrows the scope of grocer obligation by limiting in-store take-back to 24 containers and only requiring take-back from dealers with sales \$2 million or more.
4. Adjusts the processing payments & handling fees to reflect the 2015 cost of recycling with a cost-of-living adjustment. This provision is repealed on January 1, 2020.
5. Suspends any surveys and calculations of recycling costs until January 1, 2019.
6. Redirects any contract funds already approved for cost surveys and calculations to siting redemption locations in unserved zones. This provision is repealed on January 1, 2020.
7. Makes handling fees available to any entity willing to establish a certified recycling location within a currently unserved zone that operates a minimum of 30 hours per week at the same physical location.
8. Authorizes CalRecycle to provide up to \$3 million in supplemental handling fees in rural/underserved areas to bring back recycling centers. This provision is repealed on July 1, 2020.
9. Adds authority for the Department of General Services to enter into one or more leases, as lessor or lessee, and other related agreements with the Capitol Area Development Authority (CADA), under which CADA will be responsible for developing a parking structure and retail spacer that is located on specified property located in the City of Sacramento.
10. Authorizes CADA to enter into a financing arrangement for the development, design, and construction of the R Street Parking structure project through the California Infrastructure and Economic Development Bank.
11. Authorizes the department to charge state employees and the general public for the use of the structure and require that all funds be deposited into the Motor Vehicle Parking Facilities Money Account.

COMMENTS: More than 560 recycling centers have closed in the last 18 months due to a combination of plummeting worldwide commodities prices and an 11 percent reduction in state payments. As a result, consumers are losing access to redemption centers. Recycling rates have fallen below 80 percent for the first time since 2008. During the last six months of 2016, 1.6 million more containers per day were landfilled compared to the same period in 2015.

This bill seeks to provide an interim solution to the recycling problem by supporting the recycling infrastructure and preserving consumer access until we find a comprehensive fix to the Beverage Container Recycling Program.

Analysis Prepared by: Susan Chan / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 104 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: This bill is a General Government trailer bill associated with the 2017-18 budget package. Specifically, this bill:

- 1) Creates an expense account within the Public Buildings Construction Fund for administrative expenses related to the activities of the Public Works Board;
- 2) Finds and Declares, for the 2016 taxable year, that partnership returns that faced an accelerated filing date due to the implementation of AB 1775 (Oberholte, Chapter 348, Statutes of 2016), that the Franchise Tax Board presumes reasonable cause and not willful neglect, if these partnerships meet certain criteria;
- 3) Clarifies that the Secure Choice program must be constructed in manner that prevents the benefit from being classified as an employee benefit plan subject to the federal Employee Retirement Income Security Act;
- 4) Exempts from sales taxes the repayment for property vested with pawnbrokers to secure a loan, as long as the loan was less than \$2,500 and occurred for less than six months;
- 5) Clarifies that Section 21080 of the Public Resources Code does not apply to approvals and authorizations of the Public Works Board or the Department of Finance. This change conforms to existing practice;
- 6) Requires certain public sector entities allow specified public section representatives to present to employees during new employee orientation and provides specified employee contact information to the representative entities;
- 7) Prevents the public disclosure of public employee's personal email addresses as a public record request, unless these email accounts are used to conduct public business or the disclosure is necessary to identify a person in an otherwise discloseable communication. This provision does not apply to email addresses used for public purposes, as decided by the California Supreme Court in *San Jose v. Superior Court* (2017) 2 Cal.5th 608;
- 8) Clarifies the revenue sources to repay No Place Like Home bonds; and
- 9) Transfers \$851,170,000 from the State Infrastructure Fund to the General Fund.

FISCAL EFFECT: This bill is part of the overall budget architecture of the 2017-18 budget package and its costs and revenues are assumed in that overall scoring of the budget.

COMMENTS: This General Government trailer bill for the 2018-17 budget package is one of five bills related to General Government that are expected to be in print on June 15, 2017.

Analysis Prepared by: Christian Griffith / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 105 (Committee on Budget and Fiscal Review)

As Amended January 11, 2017

Majority vote

SUMMARY: This bill amends the Budget Act of 2017. It contains necessary changes related to revenues and expenditures related to Proposition 56, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016. This bill makes various statutory changes to implement the 2017-18 budget. Specifically, this bill:

- 4) **Proposition 56 Expenditures.** Specifies that Proposition 56 funds shall be expended consistent with criteria established through this bill, including authorizing up to:
 - \$50 million to be allocated for Women's Health supplemental payments;
 - \$27 million to be allocated for supplemental payments to Intermediate Care Facilities for the Developmentally Disabled;
 - \$4 million to be allocated for HIV/AIDS waiver provider payments;
 - \$325 million to be allocated for supplemental payments for physician services; and
 - \$140 million to be allocated for supplemental payments on dental services.
- 5) **Adjustments to Provider Payments.** Based on a determination of the state's fiscal condition by the Director of the Department of Finance, authorizes the Department of Finance, on January 10, 2018 and on May 14, 2018, to direct the Department of Health Care Services to adjust supplemental provider payments up to a total of \$800,000,000 for the following fiscal year. Specifies the factors that the Director of the Department of Finance may consider in determining the state's fiscal condition, including, but not limited to: Proposition 56 Revenues, projected General Fund reserve, and economic factors.
- 6) **Provider Payments Structure.** Requires the Department of Health Care Services to develop the structure of these provider payments and post those parameters on its Internet Website by July 31, 2017.
- 7) **Revenue Adjustment.** Authorizes the Department of Finance to decrease or increase this item in order to conform the appropriation to revised Proposition 56 revenue estimates.
- 8) **Appropriation of Proposition 56 Revenues.** Appropriates \$1,257,166,000 from the Healthcare Treatment Fund, containing revenue raised by Proposition 56.
- 9) **Provider Payments Approvals.** Prior to implementation of these supplemental provider payments, all necessary federal approvals must be obtained and the Department of Health Care Services must determine that federal financial participation is available and is not otherwise jeopardized. Authorizes each individual provider-type supplemental payment to be implemented independently of each other as federal approval is received for each one. Implements these supplemental payments only to the extent federal Medicaid policy does not reduce federal financial participation as projected in the annual budget act, as determined by the Department of Finance.

10) **Allocations.** Specifies that for supplemental provider payments to physicians and dentists, 70 percent of the allocations shall be for physician payments and 30 percent shall be for dental payments.

COMMENT: This bill is a budget bill that amends AB 97, the 2017 Budget Act, to include revenue and expenditures related to Proposition 56.

Analysis Prepared by: Andrea Margolis / BUDGET / (916) 319-2099

SENATE THIRD READING
SB 106 (Committee on Budget and Fiscal Review)
As Introduced January 11, 2017
Majority vote

SUMMARY: Enacts statutory changes related to general government necessary to implement the 2017-18 Budget Act. Specifically, **this bill:**

- 1) Expands the California Earned Income Tax Credit (EITC) to cover the self-employed and incomes up to about \$22,000, annually.
- 2) Expands the scope of the supervised population served by the program to include persons who are on parole and persons who are supervised by, or under the jurisdiction of, the Department of Corrections and Rehabilitation.
- 3) Requires the board to be responsible for setting the policy of the grant program and to design the grant program application process to ensure, among other things, that grants are allocated equitably among the grant partners based on services and activities provided in support of the success of participants and that nonprofit community-based organizations are competitive in applying for funds as the lead applicant.
- 4) Clarifies intent language to ensure that funds allocated to the state from the federal State Community Development Block Grant Program, and administered by the Department of Housing and Community Development (HCD), be prioritized for the most effective activities in order to provide maximum benefit in meeting the housing and economic development needs of persons and families of low or moderate income.
- 5) Provides HCD with the authority to establish guidelines to implement the CDBG program and this process should be done in conjunction with stakeholder outreach related to these guidelines.
- 6) Requires the approval of the Department of Finance and subject to the notification of the Joint Legislature Budget Committee, after the adoption of any guidelines by HCD.
- 7) Requires that there are no changes to the existing program until after guidelines and have underwent the approval process.

COMMENT: This general government trailer bill contains provisions agreed upon as part of the 2017 Budget Act. It is the intent of the Legislature that HCD work in direct connection with the grantees of the state issued CDBG funds in order to ensure that any changes to the guidelines include stakeholder expertise.

Analysis Prepared by: Genevieve Morelos / BUDGET / (916) 319-2099