

Assembly  
California Legislature



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# Agenda

August 27, 2015

8:00 a.m. - Room 4202

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## Hearing to Consider Budget Follow Up Legislation

- 1) Call to Order
- 2) Bill Before the Committee (File Order):
  - SB 101
  - SB 102
  - SB 103
  - SB 99
  - SB 104
  - SB 91
  - SB 105
  - SB 106
  - SB 107
- 3) Adjournment

Date of Hearing: August 27, 2015

ASSEMBLY COMMITTEE ON BUDGET

Shirley Weber, Chair

SB 101 (Committee on Budget and Fiscal Review) – As Amended August 24, 2015

**SENATE VOTE:** Vote not relevant

**SUBJECT:** Budget Act of 2015.

**SUMMARY:** : Contains necessary statutory and technical changes to amend the Budget Bill Junior of 2015 to reflect the budget agreement between the Governor and the Legislature.

**COMMENTS:** This bill amends the 2015 Act, AB 123 and SB 97, to make technical amendments and corrections to budget provisions to adequately reflect the agreement reached by the Legislature and the Governor. This bill corrects omissions, clarifies previously-ambiguous provisions, provides necessary statutory language for budgetary allocations, and corrects amounts that were previously cited incorrectly. Specifically, this bill:

- 1) Clarifies that \$2 million in State Special Education funds will be used to backfill the reduction of federal assistance funds.
- 2) Adjusts the federal fund spending authority for the 2013-14 and 2014-15 years for the Department of Fish and Wildlife.
- 3) Ensures ongoing funding for the Stanford Mansion.
- 4) Restores an unintentional reduction of \$1.9 million General Fund for the Congregate Nutrition “Meals on Wheels” program.
- 5) Includes \$14 million (\$508,000 state operations, \$13.5 million local assistance) to the Santa Monica Mountains Conservancy, originally proposed in the January budget, from the appropriate bond allocation specifically designated for the Conservancy, rather than the Los Angeles River.
- 6) Removes funding (\$50 million, Proposition 1) for Desalination in the State Water Resources Control Board that was already appropriated under the Department of Water Resources.
- 7) Provides additional Budget Bill language that authorizes a cash loan for the Commission on Peace Officer Standards Training (POST) in the event that the Commission has a cash flow issue due to their declining fund balance. It is projected that the cash shortfall will occur from December 2015 to February 2016.

This bill makes changes necessary for the implementation of the 2015-16 Budget and contains about 20 changes to various budget provisions necessary for this purpose.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on File

**Opposition**

None on File

**Analysis Prepared by:** Matthew Cremins and Jazmin Hicks / BUDGET / (916) 319-2099 /

Date of Hearing: August 27, 2015

ASSEMBLY COMMITTEE ON BUDGET  
Shirley Weber, Chair  
SB 102 (Committee on Budget and Fiscal Review) – As Amended August 24, 2015

**SENATE VOTE:** Vote not relevant

**SUBJECT:** Budget Act of 2015

**SUMMARY:** Contains necessary statutory and technical changes to implement the Budget Act of 2015 related to General Government. Specifically, **this bill:**

1. Clarifies that the cap on allocations received by counties for recidivism and crime reduction are to be based on each year's Budget Act allocation.
2. Corrects a technical drafting error in the trailer bill that exempted the Health Benefits Exchange (HBEX) from the State Contract Act, only pertaining to public works procurements. This correction exempts HBEX from all of Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code, reflecting the Legislature's intent to exempt all HBEX contracts (including its goods and services contracts and its Information Technology contracts) from the Public Contract Code requirements.
3. Allows the Department of Human Resources to set Compensation rates for members of the Occupational safety health appeals board and the Board of Parole Hearings instead of specifying the compensation rate for board members in statute.
4. Contains technical clean up language to the Brace and Bolts Program.
5. Includes a technical change to the PERS reporting language to include a due date for the first report.
6. Appropriates \$400,000 from the State Department of Public Health Licensing and Certification Program to the Long-Term Care Ombudsman Program.

**FISCAL EFFECT:** Appropriates \$400,000 from the State Department of Public Health Licensing and Certification Program to the Long-Term Care Ombudsman Program.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on file

**Opposition**

None of File

**Analysis Prepared by:** Matthew Cremins / BUDGET / (916)-319-2099

Date of Hearing: August 26, 2015

ASSEMBLY COMMITTEE ON BUDGET

Shirley Weber, Chair

SB 103 (Committee on Budget and Fiscal Review) – As Amended August 24, 2015

**SENATE VOTE:** Vote not relevant

**SUBJECT:** Education finance.

**SUMMARY:** Specifically, **this bill:** Includes technical and minor changes to higher education budget issues, including:

1. Based on changes to the Middle Class Scholarship program made in the 2015 Budget Act that will change income eligibility limits in future years based on inflation, makes a similar change to the amount of discount off of tuition for students of various family income levels within the income eligibility limits. This change requires the California Student Aid Commission to conduct an annual calculation once income levels are set to ensure students receive tuition discounts between 40% and 10%, based on their income.
2. Changes the reporting date for the Legislative Analyst's next analysis of the California State University Early Start Program to January 1, 2018 to allow for more time to collect data.
3. Changes the process and timing of a report on the California State University Doctor of Nursing Practice degree pilot program. New language calls on CSU to report on the program, including number of programs implemented, number of degrees awarded, and analysis of whether the program is meeting state employment need, by March 1, 2016, and for the Legislative Analyst to submit a report on the program by January 1, 2017.
4. Requires the Office of Planning and Research to conduct an eligibility study to determine whether the University of California and California State University are admitting a sufficient number of California students to meet admissions goals set by the Master Plan for Higher Education. The 2015 Budget Act appropriated \$1 million for this study but did not determine which entity would conduct the study.
5. Makes changes to the San Mateo County Individualized Child Care Subsidy Plan, which was shifted from a pilot project to a permanent program by AB 260 (Gordon), Chapter 731, Statutes of 2013. These changes eliminate the January 1, 2018 sunset for the county's annual reporting requirement and make the reporting requirement permanent.
6. Adjusts federal and state funds for a child care program. Specifically, the bill will adjust \$50.8 million federal funds with \$50.8 million General Fund from the Alternative Payment and CalWORKs Stage 3 programs. This adjustment will maintain existing contract funding ratios in the General Child Care program.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on File

**Opposition**

None on File

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

Date of Hearing: August 27, 2015

ASSEMBLY COMMITTEE ON BUDGET

Shirley Weber, Chair

SB 99 (Committee on Budget and Fiscal Review) – As Introduced January 9, 2015

**SENATE VOTE:** Vote not relevant

**SUBJECT:** Budget Act of 2015.

**SUMMARY:** Makes necessary statutory and technical changes to implement the Budget Act of 2015 related to Civil Service improvement provisions. Specifically, **this bill:**

1. Updates and expands the definition of career executive to mean an employee appointed from an employment list established for the express purpose of providing a list of persons who are eligible for career executive assignment (CEA) as specified for persons employed by the Legislature, persons who served in the US military, persons holding nonelected exempt positions in the executive branch of government and private sector employees.
2. Simplifies and streamlines the process for persons employed by the Legislature, persons who served in the US military, and to persons holding nonelected exempt positions in the executive branch of government to obtain eligibility on a civil service list by taking a promotional or CEA exam.
3. Clarifies the termination rights of CEAs who were, prior to their CEA appointment, legislative employees or nonelected exempt executive branch employees to state that he or she shall have the right to request a deferred examination for any promotional list that his or her appointment power has in existence at the time of termination and for which he or she meets the minimum 1 qualifications.
4. Repeals Government Code Section 19057 relating to the Rule of Three Names for candidates who are eligible for promotion within civil service.
5. Expands the list of eligible employees for the purpose of hiring persons into civil service positions by making the Rule of Three Ranks the default certification list.
  - a. Allows appointing powers discretion to look at candidates based on a full evaluation of their merit (shown by results other than the exam results through a hiring process).
6. Repeals Government Code Section 19057.2 relating to creating a list of Six Ranks for the purpose of hiring managers.
7. Makes conforming changes to reflect repealing Government Code Section 19057.
8. Repeals Government Code Section 19057.4 relating to the Rule of One Rank.
9. Extends existing due process rights to private sector employees when an appointment power terminates a career executive assignment, specifically,

- a. An employee who at the time of his or her appointment to a CEA was employed by the state and had civil service status shall be reinstated to a civil service position that is (1) not a CEA and (2) that is at least at the same salary level as the last position that he or she held as a permanent or probationary employee.
  - b. If an employee had completed a minimum of five years of state service, he or she may return to a position that is (1) at substantially the same salary level as the last position or (2) at a salary level that is at least two steps lower than that of the CEA position from which he or she is being terminated.
  - c. Allows an employee who at the time of his or her appointment to a CEA was from the outside civil service shall be eligible to compete in any promotional examination at multiple departments for which he or she meets the minimum qualifications as outlined in the class specifications.
  - d. An employee receiving a passing score shall have his or her name placed on the promotional list resulting from the examination or otherwise gain eligibility for appointment.
  - e. The employee shall have the right to request a deferred examination for any promotional eligible list that is in existence at the time the CEA is terminated.
  - f. Requires a request for a deferred examination to be made not later than 10 days after the effective date of termination of the CEA.
  - g. Requires the department or its designee to administer the deferred examination within 30 days of the date of the request.
10. Includes various technical clean up language.
11. Appropriates \$300,000 to Department of Finance for the posting on the department's internet website of all budget requests included as part of the Governor's budget.

**FISCAL EFFECT:** The bill would appropriate \$300,000 one-time General Fund for the Department of Finance to post all budget requests included as part of the Governor's budget on its website.

**COMMENTS:** According to the Department of Finance, this trailer bill includes the first round of Civil Service Improvement proposals aimed at simplifying the state's outdated processes. These specific proposals will make modest improvements to streamline the state's existing hiring process and broaden the pool of eligible candidates for Rank and File or Managerial appointments within state civil service. Additionally, this proposal will increase state resource transparency by requiring the Department of Finance to make all budgetary requests available electronically on its website.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on file

**Opposition**

None on file

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

Date of Hearing: August 27, 2015

ASSEMBLY COMMITTEE ON BUDGET

Shirley Weber, Chair

SB 104 (Committee on Budget and Fiscal Review) – As Introduced January 9, 2015

**SENATE VOTE:** Vote not relevant

**SUBJECT:** Budget Act of 2015.

**SUMMARY:** Specifically, **this bill:** Provides the California State University with greater flexibility to invest funds under its control.

The bill would allow CSU to invest up to 30% of specified funds, including money from publications, contracts and tuition, in a broader array of investment options than current statute allows. CSU would be allowed to invest in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission; or, in real estate investment trusts. Additional monies earned through these investments would be used for capital outlay or deferred maintenance projects.

The bill also establishes procedures for the CSU to follow regarding this change, including requiring the CSU Board of Trustees to establish a committee of advisors, including the state Treasurer and independent investment experts, to help determine appropriate investment opportunities. CSU also would be required to submit an annual report to the Legislature and Department of Finance describing its investment performance. The bill includes a ramp-up period through 2019 in which CSU is limited to specified amounts of funding it can use to invest: \$200 million in the first year, \$400 million in the second year, and \$600 million in the third year. After June 30, 2019, it will be allowed to use up to 30% of specified funds for these purposes, which currently could amount to about \$1 billion.

The bill includes language stating that CSU will not seek additional funding from the state or students should it incur losses related to these investments.

**EXISTING LAW:** CSU's authority to invest funds under its control is governed by Education Code 89724(a) and 89725, and Government Code 16430. These statutes limit CSU's investment authority to fixed income securities that generate relatively low returns

**COMMENTS:** CSU notes that its current investment pool, with investment assets totaling \$3.2 billion, has recorded returns of .71%, .66%, and 1.38%, for the trailing 12 months, 5 years and 8 years (when the pool was created.) CSU also notes that the University of California, which does not have the same statutory limitations as it faces, has created an investment pool with much higher returns.

CSU is seeking somewhat similar investment authority to UC. The bill would allow CSU to invest in a broader array of funds, allowing CSU to earn more revenue, which it would then use for capital outlay and deferred maintenance projects. CSU is seeking these changes as a way to generate more revenue for badly-needed infrastructure issues.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on file

**Opposition**

None on file

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