



HIGHLIGHTS OF GOVERNOR'S PROPOSED 2016 - 17 MAY REVISION

MAY 13, 2016

Philip Y. Ting

CHAIR, ASSEMBLY BUDGET COMMITTEE

TABLE OF CONTENTS

Overview	2
Summary of Charts	3
Rainy Day Fund	8
K-12 Education	9
Higher Education	11
Transportation.....	14
Human Services.....	15
Health Services.....	18
Natural Resources	20
Public Safety	22
General Government	24
Housing and Local Government	26
Taxation and Revenue.....	28

OVERVIEW

Today, the Governor proposed his May Revision for the 2016-17 State Budget. Not unexpectedly, the May Revision lowers projected revenues from the January forecast by a net of \$1.9 billion spread over the three years of the budget window.

While the May Revision forecast is lower than the robust forecast of January, it is still higher than the forecast used when passing the current year Budget Act last summer.

Proposition 2 Rainy Day Fund is working as planned and is helping the state avoid the problems of the past where spending gyrated up and down with every swing in revenue forecasts. When the January revenue estimate was significantly higher than the forecast used to pass the last budget, Proposition 2 transfer grew significantly. With the lower revenue forecast than the January, Proposition 2 transfer will go down by \$1.3 billion. This means that \$1.3 billion of the \$1.9 billion drop in the revenue forecast will be absorbed by Proposition 2, and not impact spending on schools and other critical programs.

The May Revision reflects major budget related actions already accomplished this year, including: the Managed Care Organization financing restructuring; rate increase for Developmental Disability Services; restoration of the 7% IHSS hours reduction; and the historic Minimum Wage increase.

Generally speaking, other than the updated revenue and caseload estimates, and the actions already taken, the May Revision retains most of the Governor's January Budget proposal.

The Governor's May Revision includes total available General Fund resources of \$124.9 billion, and \$122.2 billion in General Fund spending.

The May Revision proposal includes \$1.8 billion Regular Reserve and \$6.7 billion in the Rainy Day Fund, for total reserves of \$8.5 billion. These figures include the Governor's proposal for an optional \$2 billion deposit into the Rainy Day Fund.

This summary is intended to provide an initial high-level highlight of proposals in the Governor's May Revision. The Assembly Budget Committee intends to more fully hear these issues in the next week, as the Subcommittee hearings conclude for this budget year.

SUMMARY OF CHARTS

**General Fund Summary
(in millions)**

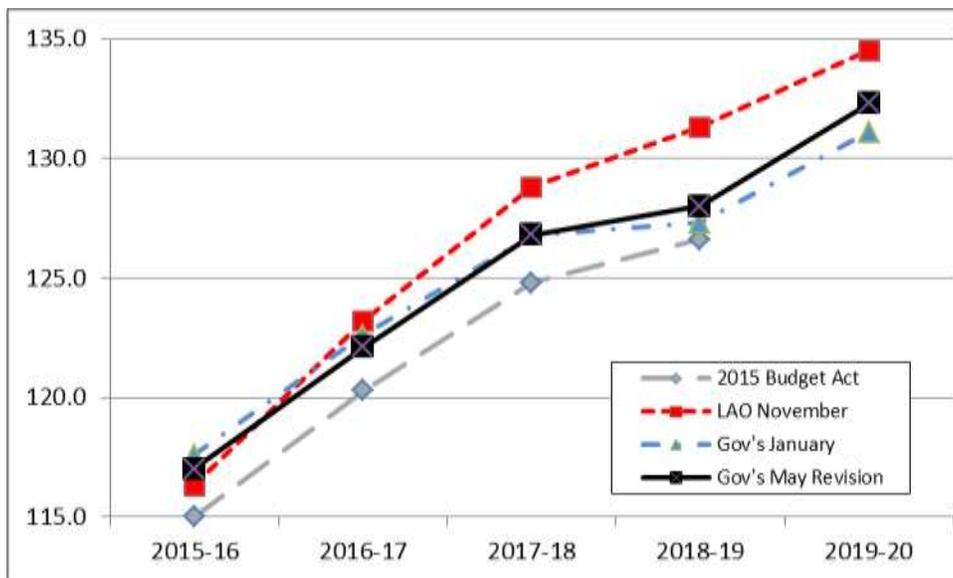
	<u>2015-16</u>	<u>2016-17</u>
Prior Year Balance	\$3,444	\$4,829
Revenues and Transfers	\$117,000	\$120,080
Total Resources Available	\$120,444	\$124,909
Non-Prop 98 Expenditures	\$65,842	\$71,050
Prop 98 Expenditures	\$49,773	\$51,105
Total Expenditures	\$115,615	\$122,155
Fund Balance	\$4,829	\$2,754
Reserve for encumbrances	\$966	\$966
Regular Reserve	\$3,863	\$1,788
Prop 2 Rainy Day Fund	\$3,421	\$6,713
Total Reserves	\$7,284	\$8,501

Comparing Recent Forecasts

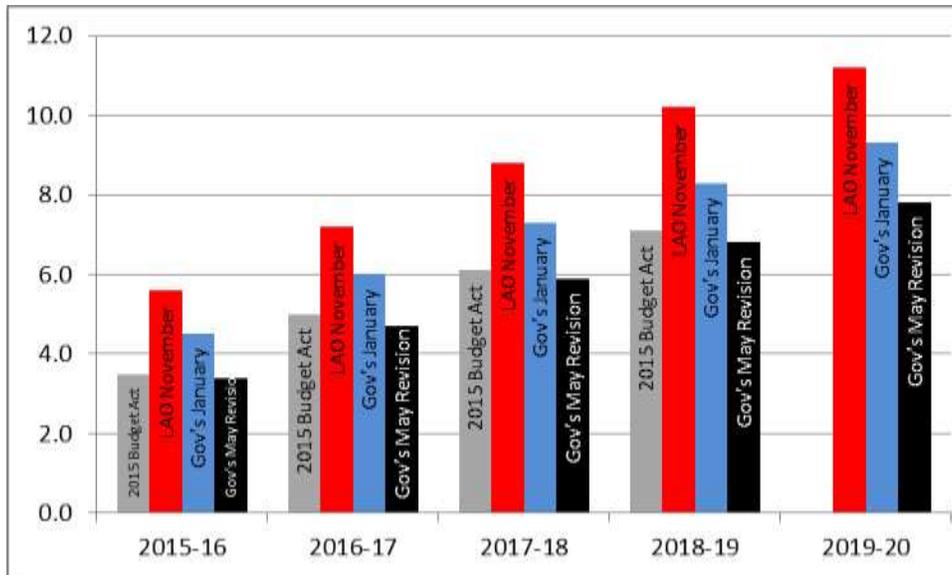
General Fund Revenues (in billions)



Available General Fund Revenues After MANDATORY Prop 2 Transfers (in billions)

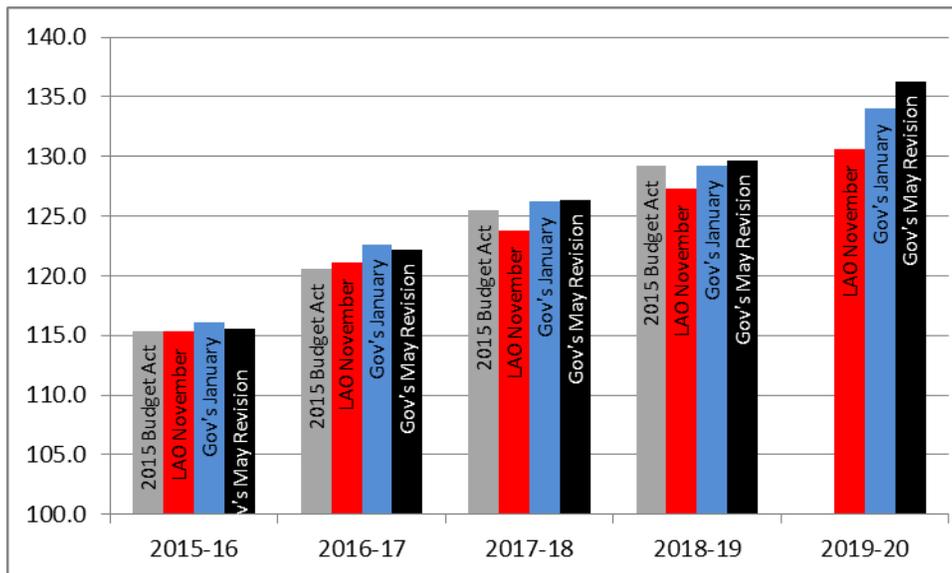


MANDATORY Rainy Day Fund Balance (in billions)

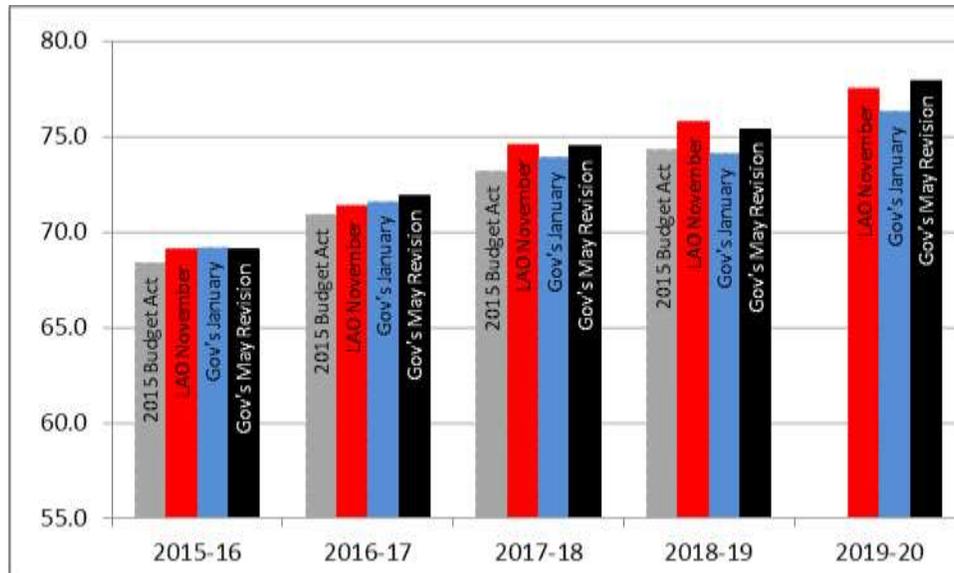


(*Governor proposes an additions \$2 billion optional deposit, not reflected in this chart)

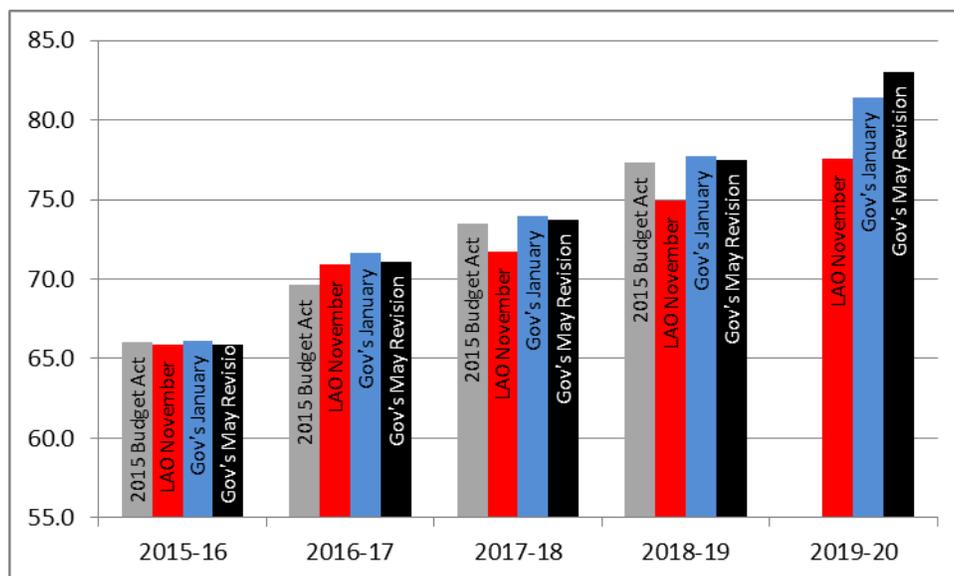
General Fund Spending (in billions)



**Total Prop 98 Minimum
(General Fund and Local Property Tax Revenues)
(in billions)**



**Non-Prop 98 General Fund Spending
(in billions)**



2016-17 Total State Expenditures by Agency

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$3,404	\$4,042	\$594	\$8,040
Business, Consumer Services and Housing	432	853	405	\$1,690
Transportation	237	9,892	1,441	\$11,570
Natural Resources	2,801	1,656	595	\$5,052
Environmental Protection	86	3,407	340	\$3,833
Health and Human Services	32,995	20,674	-	\$53,669
Corrections and Rehabilitation	10,775	2,700	-	\$13,475
K-12 Education	51,200	96	122	\$51,418
Higher Education	14,300	106	283	\$14,689
Labor and Workforce Development	173	711	-	\$884
Government Operations	2,256	-1,232	6	\$1,030
General Government:				
Non Agency Departments	736	1,917	1	\$2,654
Tax Relief/Local Government	485	1,706	-	\$2,191
Statewide Expenditures	2,275	595	-	\$2,870
Total	\$122,155	\$47,123	\$3,787	\$173,065

(Dollars in Millions)

2016-17 Revenue Sources

	General Fund	Special Funds	Total	Change from 2015-16
Personal Income Tax	\$83,393	1,858	\$85,251	\$3,472
Sales and Use Tax	25,727	13,166	38,893	1,005
Corporations Tax	10,993	-	10,993	684
Highway Users Tax	-	4,780	4,780	-221
Insurance Tax	2,345	-	2,345	-141
Alcoholic Beverage Taxes and Fees	376	-	376	6
Cigarette Tax	85	718	803	-22
Motor Vehicle Fees	22	7,917	7,917	1,202
Other	431	18,026	18,457	1,806
Subtotal	\$123,372	\$46,465	\$169,837	\$4,179
Transfer to the Budget Stabilization Account/Rainy Day Fund	-3,292	3,292	0	0
Total	\$120,080	\$49,757	\$169,837	\$4,179

(Dollars in Millions)

RAINY DAY FUND

Makes adjustments to the Debts and Liabilities Eligible for Accelerated Payments Under Proposition 2:

- Includes a decrease from the Governor's January Budget of \$263 million for Loans from Special Funds.
- Includes a decrease from the Governor's January Budget of \$39 million for Underfunding of Proposition 98 Settle-Up.
- Includes an increase from the Governor's Budget of \$38 million to pay down State Retiree Health Liabilities.

The following chart details the updated Pay Down amounts at May Revision.

	Outstanding Amount at Start of 2016-17	Proposed use of 2016-17 Pay Down at Governor's Budget	Changes from Governor's Budget	Proposed Use of 2016-17 Pay Down at May Revision
Budgetary Borrowing				
Loans from Special Funds	\$1,819	\$955	-\$263	\$692
Underfunding of Proposition 98 – Settle-Up	1,232	257	-39	218
Repayment of pre-Proposition 42 Transportation Loans	879	173	0	173
State Retirement Liabilities				
State Retiree Health	74,103	0	38	38
State Retiree Pensions	49,592	0	0	0
Teacher Pensions	72,626	0	0	0
Judges' Pensions	3,279	0	0	0
Deferred Payments to CalPERS	570	0	0	0
University of California Retirement Liabilities				
University of California Employee Pensions	10,786	171	0	171
University of California Retiree Health	17,270	0	0	0
Total	\$232,156	\$1,556	-\$264	\$1,292

(Dollars in Millions)

K-12 EDUCATION

Overall Proposition 98:

- Provides a total Proposition 98 funding level of \$71.9 billion in 2016-17, up from \$71.6 billion in January.
- Increases the overall Proposition 98 funding level over the last three years (2014-15 to 2016-17) by a total of \$626 million above the Governor's January Budget. Specifically, the Proposition 98 funding level increases by \$463 million in 2014-15, decreases by \$125 million in 2015-16, and increases by \$288 million in 2016-17.

Local Control Funding Formula:

- Increases funding for the Local Control Funding Formula (LCFF) by \$154 million, for a total of \$2.9 billion in 2016-17. This investment would fund the LCFF at 95.7 percent of full implementation.

One-Time Discretionary Funds:

- Provides a total of \$1.4 billion in discretionary funding for K-12 schools and community colleges in 2016-17, \$134.8 million more than the Governor's January budget. This funding would be allocated on a per-pupil basis and would offset any applicable mandate reimbursement claims for these schools and community colleges.

Teacher Workforce:

- Provides \$10 million in one-time non-Proposition 98 General Fund for grants to California postsecondary institutions to develop or improve four-year integrated teacher credential programs.
- Proposes \$2.5 million in one-time Proposition 98 General Fund for the California Center on Teaching Careers, to strengthen statewide recruitment of individuals into the teaching profession.

Early Childhood Education:

- Maintains the Governor's January proposal to consolidate funding for Transitional Kindergarten, the California State Preschool Program and the Quality Rating and Improvement System into a \$1.6 billion Early Education Block Grant. The May

Revision includes the following details to the proposal:

- Specifies that school districts would administer the early education programs and county offices of education would provide technical support.
 - Includes a transition year for county offices of education to begin working with school districts and other providers to implement early education programs in 2017-18.
 - Includes the development of a regional early learning plan, which includes stakeholder input.
 - Uses the existing locally based quality rating system to define the minimum standards for a pre-kindergarten program.
 - Maintains current levels of funding for school districts and regions during a transition period.
- Provides \$20 million Proposition 98 General Fund (\$10 million ongoing and \$10 million one-time) for county offices of education to transition to the new early education program.

School Facilities:

- Provides \$100 million in one-time Proposition 98 General Fund to establish an emergency repair revolving loan program to provide temporary funding to schools with insufficient resources to address imminent health and safety issues.

Other Adjustments:

- Makes adjustments to state preschool and selected categorical programs for 2016-17 to reflect a change in the cost-of-living factor from 0.47 percent to 0.00 percent.
- Increases the amount of energy efficiency funds available to K-12 schools through Proposition 39 in 2016-17 by \$33.3 million, for a total of \$398.8 million.
- Makes funding adjustments due to increased average daily attendance (ADA) in 2015-16 and a projected decrease for 2016-17.
- Decreases Proposition 98 General Fund by \$196.5 million in 2015-16 and \$211.3 million in 2016-17 for school districts, special education local plan areas and county offices of education due to higher offsetting property tax revenues.

HIGHER EDUCATION

California Community Colleges

- Provides a base allocation increase of \$75 million Proposition 98 General Fund to support increased community college costs in areas such as employee benefits, facilities, professional development and converting part-time faculty to full-time faculty.
- Makes changes to trailer bill language creating the Strong Workforce career technical education program, including allowing 40% of new funding to be provided directly to colleges and 60% to regional consortia. Also requires the Chancellor's Office to work with stakeholders, including the Academic Senate, to develop quicker curriculum approval processes.
- Expands the community college online course exchange, which allows students to enroll in online courses across the system, by providing \$20 million one-time Proposition 98 General Fund.
- Supports increased investment in broadband Internet capacity across the system by providing \$12 million Proposition 98 General Fund, with \$7 million in one-time funding and \$5 million ongoing.
- Provides \$5 million one-time Proposition 98 General Fund to support technical assistance for adult education consortia.
- Increases funding for the Employment Opportunity Fund by \$2.3 million Proposition 98 General Fund to promote equal employment opportunities and increased faculty diversity in hiring and promotion at community college districts.
- Increases funding for the Full-Time Student Success financial aid program by \$2.2 million Proposition 98 General Fund to allow Cal Grant C recipients to receive aid, and to reflect new estimates of eligible students for this program.
- Increases apportionment funding by \$12.2 million Proposition 98 General Fund to reflect a revised estimate of City College of San Francisco enrollment and a reduction of the cost-of-living adjustment, from .47% to 0%.
- Provides \$38.6 million Proposition 98 General Fund to reflect an anticipated shortfall in redevelopment agency property taxes for community college apportionments.

- Supports the Academic Senate by providing an increase of \$300,000 Proposition 98 General fund.
- Reduces support for deferred maintenance and instructional equipment by \$65.8 million Proposition 98 General Fund to reflect alternative spending priorities, reducing the January proposal to \$219.4 million one-time.
- Increases mandate debt payments by \$29.2 million one-time Proposition 98 General Fund.
- Decreases support for five categorical programs by a combined \$1.3 million Proposition 98 General Fund to reflect the revised cost-of-living adjustment, which moves from .47% to 0%.
- Increases funding for Proposition 39 energy efficiency projects by \$4.1 million, for a total of \$49.3 million.
- Increases Proposition 98 General Fund support by \$51.2 million to reflect decreased local property tax revenues.
- Decreases Proposition 98 General Fund by \$9.8 million Proposition General Fund as a result of increased student enrollment fee revenues.
- Decreases Proposition 98 General Fund by \$134,000 to align mandate block grant funding with revised student enrollment estimates.

California State University

- Provides \$25 million one-time General Fund, available from Middle Class Scholarship savings, contingent upon the Board of Trustees adopting plans and timeframes to improve graduation rates.
- Provides \$1.1 million General Fund to create the CSU Student Support Network, which will allow faculty and administration to share best practices in improving student outcomes.

University of California

- Provides \$25 million General Fund, per the 2015 Budget Act, to support the enrollment of 5,000 more California undergraduate students in the 2016-17 academic year.

- Provides \$4 million one-time General Fund to support UC's efforts in developing high-quality, middle school and high school online classes and curriculum to satisfy "a-g" subject requirements.

California Student Aid Commission

- Increases federal Temporary Assistance for Needy Families (TANF) support for the Cal Grant program by \$283 million, for a total of \$1.1 billion.
- Provides \$2 million General Fund, with \$500,000 ongoing, for upgrades to the existing Grant Delivery System based on a recent security audit.
- Provides \$396,000 one-time General Fund to continue planning for the procurement of a new Grant Delivery System.
- Decreases support for the Cal Grant program by \$50.9 million General Fund in 2015-16 and \$101.6 million General Fund in 2016-17 to reflect revised caseload.
- Decreases support for the Middle Class Scholarship program by \$33.5 million General Fund to reflect revised caseload.
- Increases support for the College Access Tax Credit Fund by \$3.2 million to reflect revised revenue estimates. The increase will provide \$22 to every student who receives a Cal Grant B access award.
- Decreases support for loan assumption programs by \$2.1 million General Fund in 2015-16 and \$2.4 million General Fund in 2016-17 to reflect revised costs.

California State Library

- Provides \$505,000 General Fund for publications and database subscriptions.
- Provides \$56,000 General Fund to support increased facility rental costs.

TRANSPORTATION

Requests provisional language to allow California to compete and match new federal funds available for trade corridors from a new program called the Fostering Advancement in Shipping and Transportation of the Long-term Achievement of National Efficiencies (FASTLANE) created in the recently enacted Fixing America's Surface Transportation (FAST) Act. The federal government will match up to 60 percent of the total project costs with this new funding. The May Revision proposes to allocate half of this new funding to corridor-based projects proposed by local agencies and half to projects of statewide significance proposed by Caltrans.

HUMAN SERVICES

Continuum of Care Reform

- Increases General Fund by \$59.9 million in 2016-17 for county child welfare agencies and probation departments to continue the implementation of the Continuum of Care reforms (CCR) contained in Chapter 773, Statutes of 2015 (AB 403). The reforms emphasize movement to home-based family care, improved access to services without having to change out-of-home placements to get those services, including mental health services, and an increased role of children, youth, and families in assessment and case planning. Combined with funding in the Department of Health Care Services, the May Revision includes \$127.3 million General Fund to implement the CCR effort.

In-Home Supportive Services

- Includes an increase of \$265.8 million General Fund to reflect restoration of the 7-percent reduction to authorized hours in the In-Home Supportive Services (IHSS) program. The January Budget proposed funding this restoration using proceeds from the managed care organization (MCO) tax. The restoration, under the May Revision proposal, is to remain in effect until June 30, 2019, when the MCO tax is scheduled to expire.
- Includes an increase of \$3.6 million General Fund in 2015-16 and \$22.3 million General Fund in 2016-17 to reflect costs associated with exempting providers who meet specified criteria from IHSS overtime restrictions enacted in Chapter 29, Statutes of 2014 (SB 855). Exemptions are available for live-in family care providers who, as of January 31, 2016, reside in the home of two or more disabled minor or adult children or grandchildren for whom they provide services. A second type of exemption will be considered for recipients with extraordinary circumstances and granted on a case-by-case basis. Under either exemption, the maximum number of hours a provider may work cannot exceed 360 hours per month.
- Decreases General Fund by \$65.8 million in 2015-16 primarily resulting from the revised implementation schedule for the payment of overtime, travel, and medical accompaniment to IHSS providers to comply with federal Fair Labor Standards Act rules and the provisions of SB 855.
- Includes a General Fund increase of \$131.7 million in 2015-16 and \$183.1 million in 2016-17 to reflect increases in caseload growth, average hours per case, and average cost per case.

- Includes an increase of \$18.4 million General Fund to reflect the impact of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017, pursuant to Chapter 4, Statutes of 2016 (SB 3).

CalWORKs

- Reflects an increase in 1991-92 State-Local Realignment revenue projections for the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund, allowing for a 1.4-percent increase to CalWORKs grants, effective October 1, 2016. The Subaccount is projected to have a 2016-17 ending balance of \$47.4 million. Of this amount, \$35.4 million will be used to fund the first-year costs (9 months) of the grant increase, with the remainder carried forward to 2017-18 to help fund the full-year costs.
- Includes an increase of \$46.6 million General Fund and federal Temporary Assistance for Needy Families (TANF) block grant funds in 2015-16 and a decrease of \$28.4 million General Fund and TANF in 2016-17 to reflect updated caseload and average cost per case projections.
- Includes a decrease of \$6 million General Fund in CalWORKs expenditures to reflect the impact of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017, pursuant to Chapter 4, Statutes of 2016 (SB 3).
- Makes no change to the Maximum Family Grant policy in CalWORKs.

Supplemental Security Income/State Supplementary Payment

- Includes a decrease of \$19.4 million in 2015-16 and \$44 million in 2016-17 to reflect updated caseload and average cost per case projections.
- Continues to reflect a cost-of-living increase, effective January 1, 2017, to the SSP portion of the SSI/SSP grant equivalent to the increase in the California Necessities Index, which is 2.76 percent.

Department of Developmental Services

- Includes language to:
 - Extend special managed care provisions to Medi-Cal eligible individuals that are transitioning from developmental centers into the community
 - Provide an exemption to allow developmental center employees working at facilities slated for closure to go through the process of becoming community-based service providers
 - Provide retention incentives for developmental center staff during the closure process to maintain services during the transition

- Proposes an additional \$6.6 million General Fund in 2016-17 for Regional Center and DDS resources to implement changes authorized by ABx2 1.
- Includes an increase of \$12 million General Fund to reflect the impact of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017.
- Includes a decrease of \$75.8 million General Fund to reflect the transition of Behavioral Health Treatment services for regional center consumers that will now receive these services in the Medi-Cal program.

HEALTH SERVICES

Department of Health Care Services

- Increases funding of \$135 million General Fund for 2016-17 for increased Medi-Cal rates for Intermediate Care Facilities for the Developmentally Disabled and forgiveness of the recoupment payments for Distinct Part Nursing Facilities.
- Includes \$2.2 billion in federal funds for the new Medi-Cal 2020 waiver.
- Increases funding by \$86.4 million, for a total of \$180.2 million General Fund to provide federally required Behavioral Health Treatment services, reflecting the costs of transitioning these services from Developmental Services to Medi-Cal.
- Increases funding by \$2.2 million (\$1.1 million General Fund) for transition assistance for 433 children in the Home and Community-Based Services Waiver for Persons with Developmental Disabilities who are anticipated to lose their Medi-Cal eligibility and require new comprehensive health coverage.
- Increases funding by \$45.4 million, for a total of \$188.2 million General Fund to provide full-scope benefits to 185,000 children, regardless of immigration status, per SB 75 (Budget Trailer Bill, Chapter 18, Statutes of 2015), beginning May 2016.
- Delays the implementation date to January 1, 2018 for eligible beneficiaries in the Newly Qualified Immigrant Benefits and Affordability Program to be transitioned to coverage through the Health Benefits Exchange, thereby increasing funding by \$31.8 million General Fund.
- Increases funding by \$7.1 million General Fund reflecting the impact of the state minimum wage increase, effective January 1, 2017, per SB 3 (Leno, Chapter 4, Statutes of 2016).
- Includes \$5 million General Fund and 38 positions to implement new federal Medicaid managed care regulations.
- Includes \$6.4 million General Fund for county mental health costs resulting from implementation of Continuum of Care Reform efforts, adopted through AB 403 (Stone, Chapter 773, Statutes of 2015), including child and family teams, mental health assessments for children in foster care and training of providers.
- Reduces funding by \$20.1 million General Fund, for total funding of \$12.3 million General fund (\$39.1 million total funds) for residential treatment services, reflecting the need for additional time to obtain state, county and federal

approvals of county implementation plans as part of the new federal Drug Medi-Cal Organized Delivery System Waiver.

- Projects Medi-Cal caseload to reach 14.1 million in 2016-17.
- Assumes costs of \$16.2 billion (\$819.5 million General Fund) in 2016-17 for the optional Medi-Cal expansion.

Department of State Hospitals

- Includes \$2.7 million General Fund and 1 position to expand the Jail-Based Competency Treatment Program by 25 beds and provide additional oversight of the program.
- Increases funding by \$18.1 million General Fund and 175.5 positions to activate an additional 60 beds at Napa State Hospital and 36 beds at Metropolitan State Hospital for the Incompetent to Stand Trial population.

Emergency Medical Services Authority

- Includes a proposed redesign to the Mobile Field Hospital program in order to modify and expand the potential uses of the equipment into general staging, stabilization and shelter capability, including alternate healthcare sites to provide low acuity care for triage and stabilization, command and staff shelters for incident command, and general or medical shelter facilities. Includes no increase in funding for this purpose.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Emergency Drought Response and Drought Resiliency

- Proposes \$11 million General Fund to CAL FIRE to assist in the removal and disposal of trees in high hazard areas.
- Includes \$30 million for the Office of Emergency Services to provide assistance to counties through the California Disaster Assistance Act, which could be used to assist counties with tree mortality.
- Proposes \$4.2 million General Fund to benefit Delta smelt.
- Includes a decrease of \$42 million General Fund to reflect that removal of salinity barriers in the Delta will not be needed in the fall of 2016.
- Proposes \$5 million General Fund for the Department of Water Resources to provide emergency drinking water support for small communities, including private wells.
- Includes \$10.4 million General Fund for CAL FIRE to contract for additional helicopters and seasonal helicopter crews during peak fire season.
- Proposes \$4.5 million General Fund for a coordinated effort by the Department of Water Resources and the Water Board to review and update local water agency drought preparedness and resiliency plans.
- Includes \$1 million General Fund for the Department of Water Resources to support local public agencies with facilitation services as they implement the Groundwater Act.
- Proposes \$1 million General Fund for the Department of Water Resources to support the use of remote sensing technology to establish statewide agricultural land use data.

Reducing Lead Exposure

- Includes \$180,000 Childhood Lead Poisoning Prevention Fund for the Department of Public Health to upgrade childhood lead mapping.
- Proposes \$480,000 Safe Drinking Water Account for the Water Board to improve monitoring and reporting of drinking water.
- Includes \$255,000 Toxic Substances Control Account for the Department of Toxic Substances Control to evaluate listing lead acid batteries as "priority products" subject to the Department's Safer Consumer Products regulations.

Enhancing Environmental Justice

- Proposes \$904,000 Various Special Funds for expanded enforcement in environmental justice communities.
- Proposes \$2.3 million Special Funds for the Department of Pesticide Regulation and the Air Resources Board to strengthen pesticide air monitoring.

Department of Parks and Recreation

- Proposes \$348,000 State Parks and Recreation Fund to fund a two-year California History Interpretation pilot program.

PUBLIC SAFETY

Judicial Branch

- Includes \$12.4 million (General Fund) to replace court case management systems in Orange, Sacramento, San Diego, and Ventura Counties.
- Provides \$531,000 to support health benefit and retirement costs for trial court employees.

California Department of Corrections and Rehabilitation

- Includes total funding of \$10.6 billion (\$10.3 billion General Fund) for the California Department of Corrections and Rehabilitation (CDCR) in 2016-17.
- Updates prison population projections from the Governor's January Budget Proposal to reflect an expected increase of 578 inmates in 2015-16 (bringing inmate totals to 128,259) and a decrease of 13 inmates in 2016-17 (bringing inmate totals to 128,821). The fiscal impact of these changes are an \$11.6 million decrease in 2015-16 and a \$9.8 million decrease in 2016-17.
- Updates the Average Daily Parole population projection is 43,976 in 2015-16 and 42,601 in 2016-17, an increase of 16 and 30 parolees, respectively.
- Provides an additional \$24.5 million (General Fund) in support of inmate rehabilitation and reentry services. This investment includes the following:
 - \$3 million for electronic textbooks for inmates participating in community college programs.
 - \$3.7 million to create a system for delivering rehabilitative programming remotely using an internal, CDCR, television network.
 - \$2.2 million to expand cognitive behavioral treatment therapy to all institutions.
 - \$3.7 million to add 950 substance use disorder slots in prisons.
 - \$2.3 million to add 12 new Career Technical Programs which will reduce wait lists.
 - \$4 million expand the "Arts in Corrections" program from 19 institutions to at all institutions.
 - \$3.1 million to expand and encourage community groups to collaborate with prisons in areas of the state with low volunteerism.
 - \$2.5 million for prison guard overtime needed to supervise inmates during rehabilitative programming.

- \$6.6 million to expand secured internet access for inmate working toward certifications in all Career Technical Education courses, statewide.
- Includes \$4 million to support Leadership Training courses to custody and non-custody staff.
- Increases funding for CDCR's Electronic Health Records System by \$35.9 million (General Fund) to add dental patient and scheduling information to the system. Overall system costs are roughly \$350 million.

Proposition 47

- Increases Proposition 47 savings by \$10.2 million above January projections. Ongoing savings are now expected to be roughly \$63 million per year.

Office of Emergency Services

- Includes total funding of \$1.52 billion (\$208 million General Fund) for the Office of Emergency Services in 2016-17.
- Provides a \$30 million (General Fund) increase to support local jurisdictions using the California Disaster Assistance Act Program. The program supports recovery from all disasters (tree mortality, wildfires, earthquakes, floods, and drought).
- Provides \$10 million to support implementation of the California Earthquake Early Warning System. The proposed funding would be used to perform research on necessary technology and other technical aspects which will integrate public and private infrastructure, provide public education, and conduct training.

GENERAL GOVERNMENT

Employee Compensation and Collective Bargaining

- Reflects a \$362 million (\$314 million General Fund) increase in employee compensation and retiree health care costs relative to the January Budget. The additional costs are driven by the recently negotiated Correctional Peace Officers and Professional Scientists and pay increases relative to SB 3, Minimum Wage changes.
- Includes retention incentives for the Department of Developmental Services employees working in facilities that will be closing in the coming years.
- Includes a proposal to more closely align the benefit structure of state-level employees in the Judicial Branch with other civil service employees. As part of the proposal, these employees, excluding justices, will receive a 7.5 percent General salary increase over two years, contribute more to their pensions, participate in the Administration's strategies to address the retiree health care unfunded liability and receive an employer health benefit contribution similar to other civil service employees.
- Sets-aside \$500 million (\$200 million General Fund) to offset potential employee compensation and benefit cost increases for good faith bargaining.

State Retirement Contributions

- Includes the adjustments for retirement costs related to CalPERS and CalSTRS.
 - State contributions to CalPERS for pension costs have decreased by \$89.8 million (\$43 million General Fund) relative to the Governor's budget.
 - State contributions to CalSTRS increased by \$4.6 million (General Fund) due to revised compensation for K-12 and community college teachers.

Minimum Wage Increase

- Includes \$39.4 million (General Fund) to fund state costs associated with the first scheduled increase.

State Appropriations Limit Calculation

- The State Appropriations Limit (SAL) Calculation is estimated to be \$99.787 billion for 2016-17. This revised limit is the result of applying the growth factor of 5.96 percent.
- The revised 2016-17 limit is \$950 million above the \$998.837 billion estimated in January.

HOUSING AND LOCAL GOVERNMENT

Proposals to Reduce Housing Costs

- Proposes legislation requiring ministerial "by-right" land use entitlement provisions for multifamily infill housing developments that include an affordable housing component. The goal would be to help restrain development costs, improve the pace of housing production by increasing certainty and shortening the local entitlement process, and encourage an increase in housing supply.
 - Under the proposal, a local government could not require a conditional use permit, planned unit development permit, or other discretionary local government review or approval for qualifying developments that include affordable housing, provided they are consistent with objective general plan and zoning standards, and where applicable, are subject to mitigating measures to address potential environmental harm.
 - States that it is counterproductive to continue providing funding for housing under a system which slows down approvals in areas already vetted and zoned for housing
- Supports other initiatives to increase housing supply where such initiatives do not create a reimbursable mandate.
- Proposes sensible changes in law to further the California Housing Finance Agency's goal of helping more families become first-time homebuyers by combining the remaining funding totaling \$176.5 million from multiple down payment assistance programs into the MYHOME Program.

Funding for Mental Health-Focused Housing Assistance

- Endorses the concept of a \$2 billion bond of a portion of future Proposition 63 mental health revenues. The funding would enable HCD to develop and administer homelessness and affordable housing programs through a Mental Health Services Act-Supportive Housing Program and Tenant-Based Rental Assistance Program.
- Proposes first-year funding of \$267 million from the bond proceeds.

Community-Based Transitional Housing Program

- Includes statutory language to implement a framework for rewarding communities that agree to issue new, long-term permits for hard-to-site facilities. The January proposal proposed \$25 million for siting grant program to local governments. Specifically, the proposal would provide:
 - Additional funds to local governments that site, for a minimum of 10 years, new transitional housing and supportive services for offenders released from state prison or county jail.
 - A requirement that a portion of the fund be used by the city or county to increase public safety around the facility and improve communication with neighbors.
 - A requirement that grant funding be shared with non-profit facility operators to support rehabilitative services, security, and community outreach.
 - A competitive application process that will protect existing permitted facilities, examine the current concentration of permitted facilities in the community, review the past performance of the facility operator, and give priority to cities and counties that leverage or provide other funding for the facility.

Redevelopment Agencies

- Estimates that cities will receive an additional \$673 million in general purpose revenues in 2015-16 and 2016-17 combined, with counties receiving \$710 million, and special districts \$316 million.
- Estimates that additional ongoing property tax revenues of more than \$3.2 billion will be distributed to cities, counties, and special districts by 2019-20.
- Estimates that Proposition 98 General Fund savings resulting from the dissolution of RDAs will be \$1.3 billion in 2016-17.

TAXATION AND REVENUE

Revenues

- Provides that from 2014-15 through 2016-17, the May Revision revenue forecast has decreased by \$1.9 million. The following factors explain the reduction:
 - A combined reduction of \$2.3 billion in 2015-16 and 2016-17 due to poor personal income tax receipts and weaker sales tax revenues through the end of April.
 - A combined revenue reduction of \$300 million for the insurance tax and corporation tax related to changes in the financing structure for managed care organizations.
 - An offsetting increase of \$400 million in cash receipts from corporations that accrued to 2014-15.
- Provides that after accounting for transfers such as the Rainy Day Fund, overall revenue estimates are lower than the Governor's January budget proposal by \$537 million in 2015-16 and \$553 million in 2016-17.

Earned Income Tax Credit

- Includes \$2 million for the Franchise Tax Board to support additional outreach and marketing. Eligible claimants for the 2015 credit remain eligible to claim the credit through October 2016.
 - Based on tax returns filed through April, over 350,000 households have claimed the credit, including 57,000 new claimants who had not previously filed a CA tax return.
 - While over 15 percent of the claimants are first-time filers, preliminary data suggest that more than 68,000 eligible households did not claim the CA credit.