



2013-14

**BUDGET / TRAILER BILL ANALYSIS
FOR FLOOR ACTION ON
JUNE 14, 2013**

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SENATE THIRD READING

SB 66 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains statutory and technical changes necessary to implement the Budget Act of 2013 relating to human services. Specifically, this bill:

- 1) Confirms state statute regarding the In-Home Supportive Services (IHSS) Authority (Statewide Authority) to the process that applies when negotiations take place. Authorizes the Statewide Authority to implement any or all of its last, best, and final offer and would require that any proposal in the Statewide Authority's last, best, and final offer be presented to the Legislature for approval if it would conflict with existing statutes or require the expenditure of funds.
- 2) Exempts the Statewide Authority from public meeting requirements involving confidential discussions relating to bargaining and personnel issues.
- 3) Deletes the specified timing (currently the 2012-13 fiscal year) by which the Department of Social Services (DSS) must use a new rate-setting methodology, developed after consultation with specified stakeholders, for estimating IHSS public authorities' administrative costs.
- 4) Enacts limitations on the placement of children ages 6 to 12 in-group homes. Requires the deputy director or director of the county child welfare department or an assistant chief probation officer or chief probation officer of the county probation department to make findings that would authorize the extension of the 60-day group home placement limitation for children under six years of age, and creates requirements relating to placements that extend beyond 120 days. Enacts similar provisions for a dependent child 6 to 12 years of age, inclusive, and would require DSS to adopt regulations to implement these provisions, if DSS determines that regulations are necessary.
- 5) States the Legislature's intent that no child or youth in foster care reside in-group care for longer than one year, and would require DSS to provide updates to the Legislature, commencing no later than January 1, 2014, regarding the outcomes of assessments of children and youth who have been in group homes for longer than one year.
- 6) Extends by one-year provisions that limit exceptions to a moratorium on the licensing of new group homes or approvals of specified changes for existing providers. The larger moratorium was initially established as part of 2010-11 Budget, and the limitations on exceptions were established by the 2012-13 Budget.
- 7) Extends, through 2014-15, the suspension of a prohibition on the state charging fees for fingerprinting in order to conduct background checks of applicants for licenses to operate specified community care facilities that serve children.

- 8) Makes technical and conforming changes regarding the Resource Family Approval (RFA) program, consistent with Child Welfare Services programmatic realignment legislation passed as part of the 2012-13 Budget, which changed the pilot program to a permanent, statewide program. Deletes references to pilot project counties and refer instead to early implementation counties. The RFA program requires DSS to implement a unified, family friendly, and child-centered resource family approval process to replace the existing multiple processes for licensing foster family homes, approving relatives and nonrelative extended family members as foster care providers, and approving adoptive families.
- 9) Revises provisions relating to the allowable value of a licensed vehicle retained by an applicant or recipient of California Work Opportunity and Responsibility to Kids (CalWORKs) aid, by, among other things, requiring that the equity value of each licensed vehicle not be greater than \$9,500.
- 10) Revises, commencing January 1, 2014, the procedures relating to an applicant's job search participation by requiring an applicant, after receiving an orientation and appraisal, to participate in job search and job club, family stabilization pursuant to specified criteria, or substance abuse, mental health, or domestic violence services, unless the county determines that the participant should first receive a specified assessment. With respect to the family services component, authorizes a recipient to participate if the county determines that his or her family is experiencing an identified situation or crisis that is destabilizing the family and would interfere with participation in welfare-to-work activities and services.
- 11) Requires DSS, in consultation with the County Welfare Directors Association of California, to develop an allocation methodology to distribute additional funding for expanded subsidized employment programs for CalWORKs recipients. Requires counties that accept additional funding pursuant to these provisions to continue to expend no less than the aggregate amount of county funds that the county expended for public and private sector subsidized employment in the 2012–13 fiscal year.
- 12) Extends by one year (through the 2013-14 state fiscal year) a “match waiver” policy in the CalFresh program that was in effect for the 2010-11 through 2012-13 state fiscal years. Under the waiver, counties are allowed to draw down the full state General Fund allocation for CalFresh administration without meeting their share of nonfederal costs for the amount above an applicable maintenance of effort requirement (which is tied to 1996-97 expenditures).
- 13) Revises the timeframes for mailing out and receipt of the certificate of eligibility required for the annual redetermination for both CalWORKs and CalFresh programs. Requires counties to use information reported on the semiannual report form or the annual certificate of eligibility to prospectively determine eligibility and the grant amount for each semiannual reporting period.
- 14) Requires both DSS and the Department of Community Services and Development to report if there is a service demand that exceeds the allocation funding for the federal Low-Income Home Energy Assistance Program (LIHEAP) benefit. This report shall be made to the Legislature and a plan shall be developed to maintain the program as intended. Requires DSS to ensure that the receipt of the nominal LIHEAP service benefit does not adversely

affect a CalFresh household's eligibility or reduce the household's CalFresh benefits. Provides that if use of the full standard utility allowance, rather than the homeless shelter deduction, results in a lower amount of CalFresh benefits for a homeless household, the homeless household would be entitled to use the homeless shelter deduction.

- 15) Authorizes DSS to implement specified sections of this act by all-county letters or similar instructions, pending the adoption of emergency regulations by July 1, 2015.
- 16) 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.
- 17) Reappropriates the balance of specified appropriations made in the 2011 and 2012 Budget Acts to DSS for the purposes provided for in those appropriations, to be available for encumbrance and expenditure until June 30, 2014, thereby making an appropriation.
- 18) Contains an appropriation allowing this bill to take effect immediately upon enactment.

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

SENATE THIRD READING

SB 70 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains necessary statutory and technical changes to implement the Budget Act of 2013 related to Alcohol and Drug Programs. Specifically, this bill:

- 1) Provides for statutory changes necessary to eliminate the Department of Alcohol and Drug Abuse Programs (DADP) and transfer its programs and functions to other departments in state government and makes various technical conforming changes.
- 2) States that it is the intent of the Legislature that substance use disorder programs within the DHCS, and the Office of Problem Gambling within the DPH, have input in policy decisions at the both department and agency level and continue to utilize system stakeholders for input on public policy issues.
- 3) States that it is the intent of the Legislature that the impacts of these programmatic transitions are identified and evaluated.
- 4) Requires by April 1, 2014, and March 1 annually thereafter, that DHCS and the DPH to report to the Joint Legislative Budget Committee and the appropriate budget subcommittees and policy committees of the Legislature, and to publicly post the report on their Web site, using baseline measurements to assess year-over-year changes that demonstrate how and why service delivery was improved, or otherwise changed as a result of this transition.
- 5) Requires, by November 1, 2013, the DHCS and the DPH to consult with legislative staff and system stakeholders to develop a reporting format.
- 6) Sunsets the reporting requirement as of January 1, 2019.
- 7) Appropriates \$2,004,000 from the federal trust fund to the Department of Health Care Services for mental health programs. This is a technical adjustment to align federal fund authority for mental health services grants with the actual amount of the federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant received.
- 8) Contains an appropriation allowing this bill to take effect immediately upon enactment.

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

SENATE THIRD READING

SB 71 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains necessary statutory and technical changes to implement the Budget Act of 2013 related to general government. Specifically, this bill:

- 1) Authorizes the Bureau of Private Postsecondary Education (Bureau) to regulate currently exempted private postsecondary educational institutions that apply to be subject to the Bureau's oversight. This ensures these institutions' ability to participate in Federal student aid programs, and includes a sunset date of January 1, 2015.
- 2) Reduces the amount of bonded indebtedness authorized under the Public Education Facilities Bond Act of 1996, by \$12.9 million and repeals the authority of the Director of General Services and the Public Works Board to issue up to \$391 million in financing securities for facilities in the Capital Area Plan.
- 3) Makes compliance with certain provisions related to the delivery of electronic data optional for local agencies of the California Public Records Act (CPRA), encourages local agencies to follow these provisions as best practices, and requires any local agency to announce if it does not follow these best practices at its next regularly scheduled meeting and annually thereafter. This does not affect any other part of the CPRA.
- 4) Creates the Women and Girls Fund for all fundraising efforts by the Commission on the Status of Women and Girls including gifts or donations.
- 5) Transfers the Public Safety Communications Office from the Department of Technology to the Office of Emergency Services.
- 6) Specifies that funds in the Disaster Response-Emergency Operations Account shall not be expended for conditions in the state's prisons, medical facilities, or youth correctional facilities resulting solely from the action or inaction of the Department of Corrections and Rehabilitation in administering those facilities.
- 7) Transfers responsibility for information technology procurement from the Department of General Services to the Department of Technology.
- 8) Creates a grant program in the California Victim Compensation and Government Claims Board (CVCGCB) to provide \$2 million per year from the Restitution Fund, subject to appropriation by the Legislature, to Trauma Recovery Centers. Trauma Recovery Centers provide services directly to victims rather than requiring them to independently navigate the process of claiming benefits from the CVCGCB.
- 9) Updates references to the California Emergency Management Agency to recognize the name change to the Office of Emergency Services (OES). Allows the use of antiterrorism funds

from license plate revenues (instead of the General Fund) in support of California Specialized Training Institute.

- 10) Authorizes the Department of General Services to structure, administer, and maintain the Golden State Financial Marketplace Program (GS \$Mart Program). Requires the department to report annually to the Joint Legislative Budget Committee, the State Treasurer's Office, and the Department of Finance on the progress of the GS \$Mart Program.
- 11) Authorizes the State Personnel Board to bill departments on a pro-rata basis for the costs of its Compliance Review Audit Program and requires the Board to report on an annual basis regarding the audit and special investigations.
- 12) Requires the Department of Human Resources to submit two reports to the Legislature reviewing the additional appointments by state agencies for supervisors, and rank and file employees. Requires the State Personnel Board to submit a report on the policies and practices included in the Personnel Management Policy and Procedures Manual.
- 13) Removes the reimbursable state mandate that was created by AB 1234 Local Government Ethics Training Requirements ((Salinas), Chapter 700, Statutes of 2005) by making these compensation and reimbursement activities permissible for specified local agencies.
- 14) Repeals five mandates by making them permissive; these five mandates have been suspended in the Budget each year since 1992.
- 15) Removes California Earthquake Authority's limit on civil service positions.
- 16) Eliminates the sunset dates and increases the annual revenue caps of the Occupational Safety and Health Fund and the Labor Enforcement and Compliance Fund, allowing the Department of Industrial Relations to enforce laws that protect employees and the public.
- 17) Eliminates the Targeted Inspection and Consultation Fund and provides a loan from the fund to the Compliance Monitoring Unit, to be repaid to the Occupational Safety and Health Fund.
- 18) Clarifies reforms to the Workers' Compensation program as required by SB 863 (De Leon), Chapter 363, Statutes of 2012, including that new programs apply to workers injured on or after January 1, 2013.
- 19) Eliminates the High Hazard Assessment and shifts the assessment into the Occupational Health and Safety Fund, streamlining assessment collection for both employers and the Department of Industrial Relations.
- 20) Prohibits the Honda Center, which is located in an enterprise zone in Southern California, from obtaining additional hiring credits if they lay off workers and later rehire workers for lower wages and benefits.
- 21) Stabilizes funding for the Compliance Monitoring Unit, which enforces prevailing wage requirements on public construction projects, by allowing costs of monitoring to be covered by non-bond funds that are used for projects.

- 22) Directs the Department of Industrial Relations to use its statutory authority to approve a fee by March 31, 2014, to support an increase in funding and at least 15 new positions for the Process Safety Unit, which inspects oil refineries and chemical plants.
- 23) Allows state agency contracts for services under \$150,000 to be exempt from approval by the Department of General Services if the agency complies with certain requirements.
- 24) Adds the Secretary of Business, Consumer Services, and Housing to the Strategic Growth Council.
- 25) Contains an appropriation allowing this bill to take effect immediately upon enactment.

COMMENTS: This bill enacts various provisions to support the 2013 Budget Act, and among other things, creates the Women and Girls Fund, requires reporting on additional appointments by the Department of Human Resources, and directs the Department of Industrial Relations to increase oil refinery and chemical plant inspections.

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

SENATE THIRD READING

SB 72 (Budget and Fiscal Review Committee)

As Amended June 13, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains necessary statutory and technical changes to implement the Budget Act of 2013 related to resources. Specifically, this bill:

- 1) Shifts the Ocean Protection Council to the Natural Resources Agency and consolidates ocean programs under the Secretary for Natural Resources.
- 2) Allows revenues from agricultural leases provided to the state to be directed to the management of those leases rather than for the future purchase of state lands.
- 3) Allows members of the Legislature to designate an alternate to sit on Natural Resources Agency boards and Commissions. Because these members are ex-officio and do not vote, the alternates would have the same restrictions as the sitting members.
- 4) Provides a change to the Architectural Paint Recovery Program and Carpet Stewardship Program at the Department of Resources Recycling and Recovery (CalRecycle) to allow the administrative fees supporting these programs to be paid quarterly in arrears rather than yearly.
- 5) Reforms the Beverage Container Recycling Program at CalRecycle in order to: a) create a more stringent certification process, b) provide a new, formal training and technical assistance program, mandate the use of certain updated information technology tools, and, c) restrict recycling centers to only redeeming beverage containers for which a California Redemption Value has been paid.
- 6) Makes technical statutory changes to the Department of Forestry and Fire Protection to eliminate the non-critical functions, and reduce the statutory responsibilities of the department, in order to meet workload within its authorized spending levels.
- 7) Provides the necessary statutory changes to shift the Education and the Environment Initiative from the Secretary for California Environmental Protection Agency (CalEPA) to CalRecycle.
- 8) Requires Joint Legislative Budget Committee notification within 30 days of any hydroelectric power project relicensing proposal by the Federal Energy Regulatory Commission that, if approved by the department, would obligate the General Fund in the future.
- 9) Requires the California Alternative Energy and Advanced Transportation Financing Authority to develop and administer a risk mitigation program for Property Assessed Clean Energy (PACE) loans.

- 10) Provides for the transfer of a Caltrans building to the Department of Parks and Recreation for incorporation into the capital development plan for the San Diego State Historic Park.
- 11) Extends a concession agreement at Will Rogers State Beach to exceed 20 years in order to allow the concessionaire to amortize improvements over a longer period of time.
- 12) Eliminates the term limits on voting members of the Delta Stewardship Council.
- 13) Requires the California Energy Commission, in administering the Electric Program Investment Charge as developed by the California Public Utilities Commission, to develop and administer this program with a focus on ratepayers and with annual reporting to the Legislature. Does not change the authorization status of the program.
- 14) Makes several changes to the California Public Utilities Commission (CPUC) including: a) approves \$30 million for cyber-security research at the Lawrence Livermore National Laboratory, b) provides for a zero-based budgeting exercise at the CPUC to be reported to the Legislature in 18-months, c) creates the Office of Ratepayer Advocates as a separate budgetary program at the CPUC with separate budget and positions, and, d) requires notice to the Legislature of future litigation settlements.
- 15) Contains an appropriation allowing the bill to take effect immediately upon enactment.

COMMENTS: This bill provides the necessary statutory references to enact the 2012-13 Budget related to resources, environmental protection, energy and agriculture.

Analysis Prepared by: Gabrielle Meindl / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 73 (Budget and Fiscal Review Committee)

As Amended June 13, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains necessary statutory and technical changes to implement Proposition 39, the California Clean Energy Jobs Act. Specifically, this bill:

- 1) Specifies the allocation Proposition 39 revenues that are appropriated in the Budget Act for energy efficiency projects for K-12 local educational agencies (LEAs) and community college districts.
- 2) Allocates 89% of Proposition 39 funds for K-14 education, which equates to \$381 million in 2013-14, to the California Department of Education (CDE) for K-12 LEAs, including school districts, charter schools and county offices of education, and State Special Schools. In allocating LEA funds, funds are weighted as follows: 85% is distributed on the basis of student average daily attendance (ADA) and 15% is distributed on the basis of student eligible for free- and reduced-price meals.
- 3) Provides that minimum grants are established for small K-12 LEAs within the following student ADA thresholds: \$15,000 for LEAs with ADA of 100 students or less; \$50,000 for LEAs with ADA of more than 100 to 1,000 students; and \$100,000 for LEAs with ADA of more than 1,000 but less than 2,000 students.
- 4) Provides that LEAs with 1,000 students or less can receive an advance on future allocations allowing them to bundle two years of funding in 2013-14 and subsequent years.
- 5) Provides that LEAs receiving more than \$1 million in energy funds shall expend 50% of the funding on projects larger than \$250,000 that achieve substantial energy efficiency, clean energy and jobs benefits.
- 6) Provides guidance to K-12 LEAs, as produced by the California Energy Commission (CEC), and makes K-12 LEAs subject to front-end verification and back-end public tracking and reporting.
- 7) Allocates 11% of Proposition 39 revenues to K-14 education, which equates to \$47 million in 2013-14, to the Community College Chancellor's Office on behalf of community college districts. Funds are distributed at the discretion of the Chancellor's Office.
- 8) Requires the CEC, in consultation with the Department of Education, Chancellor's Office for California Community Colleges (CCC) and the Public Utilities Commission, is required to develop guidelines for contracts, including estimates for energy benefits, cost assumptions for energy savings, benchmarks, energy surveys and audits, and cost-effectiveness determination.

- 9) Prohibits sole source contracting and sets parameters for grants and contracting within the scope of Proposition 39 for both K-12 LEAs and community college districts.
- 10) Appropriates \$28 million in Proposition 39 revenues to the State Energy Conservation Assistance Account at the California Energy Commission in 2013-14. These funds are appropriated for the purpose of establishing a revolving loan program to provide low-interest and no-interest revolving loans, and loan loss reserves for eligible energy projects and technical assistance. In 2013-14, these funds shall be available to fund eligible projects for K-12 LEAs and community college districts. In 2014-15 through 2017-18, the amount available shall be determined through the annual budget process. Funds remaining in the Education Subaccount after 2017-18 shall be available for loans to K-12 LEAs and community college districts.
- 11) Appropriates \$3 million in Proposition 39 revenues to the California Workforce Investment Board to develop and implement a competitive grant program for eligible community-based organizations and other training workforce organizations preparing disadvantaged youth or veterans for employment.
- 12) Contains an appropriation allowing the bill to take effect immediately upon enactment.

COMMENTS: This bill provides the necessary statutory references to enact the 2012-13 Budget related to Proposition 39.

Analysis Prepared by: Misty Feusahrens and Gabrielle Meindl / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 74 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Provides for statutory changes necessary to enact the corrections provisions of the Budget Act of 2013. Specifically, this bill:

- 1) Adds Health Care Services to the statutory structure and responsibilities of the California Department of Corrections and Rehabilitation (CDCR). Creates an undersecretary for Health Care Services within the CDCR to be confirmed by the Senate and serve at the pleasure of the Governor. Creates, under the new undersecretary, the Division of Health Care Operations and the Division of Health Care Policy and Administration. The bill would create a director for each of these new divisions to be confirmed by the Senate and serve at the pleasure of the Governor.
- 2) Restructures the Board of State and Community Corrections (BSCC), as of July 1, 2013, by adding a 13th member. The 13th member will be a full-time Board Chair, appointed by the Governor, and subject to Senate confirmation. The existing Chair, the Secretary of the CDCR, would remain as a normal board member. The new full-time Chair would be entitled to receive compensation at a level set by the Department of Human Resources.
- 3) Specifies that members of a committee created by the BSCC, including board members, have no financial interest in any contract made by the board including grants and bond financing.
- 4) Codifies the co-location of Office of Inspector General staff with CDCR's Office of Internal Affairs staff. This action is consistent with actions taken in response to a lawsuit against CDCR pertaining to use-of-force.
- 5) Makes a technical change to correct a code reference error made in a trailer bill associated with the 2012 Budget Act, SB 1022 (Budget and Fiscal Review Committee), Chapter 42, Statutes of 2012, which authorized \$500 million in bond funding for local jail construction grants.
- 6) Appropriates \$750,000 from the 1990 Prison Construction Fund to the CDCR for statewide budget packages and advance planning in the CDCR's capital outlay program during the 2013-14 fiscal year. The funds are to be allocated by the CDCR, upon approval of the Department of Finance, to develop design and cost information for new projects for which funds have not been previously appropriated, but for which preliminary planning funds, working drawing funds, and/or working construction funds are expected to be included in the subsequent budget.
- 7) Contains an appropriation allowing this bill to take effect immediately upon enactment.

Analysis Prepared by: Marvin Deon / Budget / 916-319-2099

SENATE THIRD READING

SB 75 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Provides for statutory changes necessary to enact the Judicial Branch provisions of the Budget Act of 2013. Specifically, this bill:

- 1) Provides relief to courts as they prepare to operationalize a 1% cap on the amount of reserves that can be carried-over from one fiscal year to the next and mitigates cash flow concerns, by:
 - a) Specifying that court reporting fees collected for proceedings lasting less than an hour be distributed to the court in which it was collected.
 - b) Clarifying that each trial court's funding allocation be offset by the amount of reserves in excess of the amount allowable (1%).
 - c) Allowing the Administrative Office of the Courts (AOC) to transfer funds to the Trial Court Trust Funds, from other court funds (State Court Facilities Construction Fund, Immediate and Critical Needs Account, Judicial Branch Workers' Compensation Fund), if the cash balance is insufficient to support trial court operations. The total amount of the outstanding loan cannot exceed \$150 million and must be repaid within two years.
 - d) Exempting certain funds from being included in the calculation of the 1% balance trial courts are allowed to carry-over from one fiscal year to the next.
- 2) Allows courts, or, in some instances, counties on behalf of courts, to utilize the state's Tax Intercept Program, operated by the Franchise Tax Board (FTB) with participation by the State Controller's Office (SCO), to intercept tax refunds, lottery winnings, and unclaimed property from individuals who are delinquent in paying fines, fees, assessments, surcharges, or restitution ordered by the court. Current law allows FTB and SCO to require the court to obtain and provide the social security number of a debtor prior to running the intercept. This bill provides that courts will no longer be required to provide social security numbers to FTB. Instead, FTB and SCO will be required to use their existing legal authority to obtain social security numbers from the Department of Motor Vehicles. This change will reduce court costs by eliminating the need to dedicate resources to obtaining social security numbers from debtors.
- 3) Increases the fee charged for mailing a plaintiff's claim to each defendant in a small claims action, from \$10 to \$15, to cover costs associated with postal rate increases. This change is projected to generate \$200,000 in additional revenue.
- 4) Eliminates the sunset for public presentation of trial court budgets. This change will permanently require each trial court, prior to adopting a budget plan for the fiscal year, to

provide the public with notice of, and an opportunity for input on, the trial court's proposed budget.

- 5) Increases the fee for Exemplification of a Record from \$20 to \$50. Exemplification involves a triple certification attesting to the authenticity of a copy of a record by the clerk and the presiding judicial officer of the court for use as evidence by a court or other entity outside of California. This fee increase is projected to generate \$165,000 in additional revenue.
- 6) Makes various amendments to the Community Corrections Performance Incentive Act, by:
 - a) Requiring the AOC to collect additional data on the felony probation population relating to the number of Penal Code Section 1170(h) convictions;
 - b) Revising the probation failure rate calculation to include revocations resulting in county jail incarceration;
 - c) Adding a third tier of performance incentive payments for counties that demonstrate improved felony probation outcomes, but that still have combined probation failure rates above the 2006 through 2008 baseline statewide average;
 - d) Extending the \$200,000 minimum payment to counties performing better than the statewide average.
 - e) Requiring payments to counties that did not improve upon outcomes contingent on those counties providing plans on how they will improve.
 - f) Eliminating references to providing information to California Department of Corrections and Rehabilitation.
 - g) Adding mandatory supervision and post release community supervision to the definitions of community corrections and local supervision.
 - h) Specifying that moneys deposited into a county's Community Corrections Performance Incentive Fund, for implementing a community corrections program, be made available to the chief probation officer within 30 days of the moneys being deposited.
 - i) Adding reporting requirements regarding mandatory supervision and post release community supervision populations.
 - j) Allowing the Department of Finance, in developing a revised formula, for allocation of Community Performance Incentive Act Funding, to take into account mandatory supervision and post release community supervision failure to prison rates.
 - k) Appropriating \$1 million from the State Community Corrections Performance Incentive Fund to the judicial branch for the costs of implementing and administering this program.
- 7) Specifies that audits of the AOC, the Habeas Corpus Resource Center, the Supreme Court, and the appellate courts shall commence on or before July 1, 2013.

- 8) Specifies that each judicial branch entity shall pay the State Auditor for costs of audits.
- 9) Reduces the number of trial court audits to five occurring on a biennial basis while continue the biennial audit of the AOC.
- 10) Modifies statute to make the court's contracting audit program a more selective, risk-based audit program.
- 11) Authorizes court staff to waive costs associated with court-appointed counsel services in dependency cases if repayment would interfere with an ongoing family reunification process, thereby eliminating the need for a court hearing.
- 12) Requires the Judicial Council to perform an evaluation of the Long Beach Courthouse Project by comparing it to other similar state run court construction projects. The Long Beach courthouse project is being completed through a public-private-partnership arrangement. It is a four story, one-block building, that includes 31 courts, parking, offices for lease and retail space. The state takes possession of the building on August 31, 2013, and begins 35 years of payments starting in September of \$34.8 million, rising to \$54.2 million in fiscal year 2014-15 and then increasing annually with a specified inflator. These payments pay for all costs (capital and operating) related to the building for 35 years.
- 13) Contains an appropriation allowing this bill to take effect immediately upon enactment.

Analysis Prepared by: Marvin Deon / Budget / (916) 319-2099

SENATE THIRD READING

SB 76 (Budget and Fiscal Review Committee)

As Amended June 13, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Provides for statutory changes necessary to enact the Public Safety provisions of the Budget Act of 2013. Specifically, this bill:

- 1) Provides for monthly (instead of quarterly) disbursement of funds to numerous local law enforcement programs from the Enhancing Law Enforcement Activities Subaccount.
- 2) Provides a permanent funding source to support the responsibilities transferred to local law enforcement agencies pursuant to the 2011 Public Safety Realignment consistent with Proposition 30 passed in 2012.
- 3) Transfers regulatory responsibilities for Remote Caller Bingo to the Department of Justice (DOJ) pursuant to the Governor's Reorganization Plan No. 2 of 2012. Authorizes the DOJ to set Remote Caller Bingo Licensing fees at a level sufficient to support the DOJ's costs associated with regulating the program. Provides that any background investigation related to remote caller bingo conducted by the department shall be in accordance with the Gambling Control Act (Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code). Specifies that the loan authorized by Provision 1 of Item 0855-001-0567 of the Budget Act of 2009, in the amount of \$457,000 shall be repaid no later than July 1, 2019.
- 4) Clarifies that mandatory supervision shall begin upon release from jail.
- 5) Specifies, in regards to locally supervised offenders, the court in the county in which the person is supervised has jurisdiction to hear a revocation motion or petition. Specifies, in regards to parolees, either the court in the county of supervision or the court in the county in which the alleged violation of supervision occurred has jurisdiction to hear a revocation motion or petition.
- 6) Specifies that any person released to state parole supervision shall remain on state parole after having served 60 days under parole supervision, regardless to any subsequent determination.
- 7) Adds medical and mental health information to the list of things CDCR is required to release to local law enforcement agencies for parolees or inmates placed on Post Release Community Supervision who are released in their jurisdictions.
- 8) Clarifies that all medical and mental health information transfers initiated pursuant to this section must be made in a manner compliant with applicable provisions of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) (Public Law 104-191), the federal Health Information Technology for Clinical Health Act (HITECH) (Public Law 111-

005), and the implementing of privacy and security regulations in Parts 160 and 164 of Title 45 of the Code of Federal Regulations.

Specifies that these changes shall not take effect until the Secretary of the United States Department of Health and Human Services, or his or her designee, determines that this provision is not preempted by HIPAA.

- 9) Specifies that any person released to Post Release Community Supervision shall remain on Post Release Community Supervision after having served 60 days under Post Release Community Supervision, regardless to any subsequent determination.
- 10) Allows the sheriff or county director of corrections to, at his or her discretion, award additional time credits to any inmate sentenced to the county jail who participates in an in-custody work or job-training program, and who is eligible to receive one day of credit for every one day of incarceration. Specifically, this measure allows a sheriff or county director of corrections to instead award one and one-half days of credit for every one day of incarceration while satisfactorily participating in work or job training subject to this section.

As used in this measure, a work or job training program includes, but is not limited to, an industrial farm or industrial road camp as authorized in Penal Code Section 4101, an environmental improvement and preservation program, or projects such as forest and brush fire prevention, forest, brush, and watershed management, fish and game management, soil conservation, and forest and watershed revegetation.

- 11) Requires the CDCR to provide written notification to any county impacted by the opening, closing, or changing of location of a parole office or reception center that accepts prisoners from county facilities. This measure also requires written notification of the aforementioned changes be provided to the California State Association of Counties, the California State Sheriffs' Association, and the Chief Probation Officers of California at least 90 days prior to the proposed change.
- 12) Contains an appropriation allowing this bill to take effect immediately upon enactment.

Analysis Prepared by: Marvin Deon / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 77 (Budget and Fiscal Review Committee)

As Amended June 13, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: This is the Omnibus Health Trailer Bill for 2013-14. It contains necessary changes related to the Budget Act of 2013. This bill makes various statutory changes to implement the 2013-14 Budget. Specifically, this bill:

- 1) Provides for the continuation of Medi-Cal coverage for Foster Care Youth who turn 21 between July 1, 2013, and December 31, 2013, for \$900,000 General Fund. Effective January 1, 2014, per the federal Affordable Care Act (ACA), these young adults will remain eligible for Medi-Cal until age 26.
- 2) Exempts preventative services and adult vaccines from cost-sharing in order for the state to be eligible for enhanced federal funding under the ACA. This provides for \$7.5 million General Fund (GF) savings.
- 3) Requires the Department of Health Care Services (DHCS) to accept a grant from the California Endowment for Medi-Cal Enrollment Assistance (\$14 million) and Medi-Cal Outreach and Enrollment Grants to Community-Based Organizations (\$12.5 million) and obtain \$26.5 million in matching federal funds for these purposes.
- 4) Restores, in part, Medi-Cal Adult Dental Benefits effective May 1, 2014, for \$55.3 million (\$16.9 million General Fund). This partial restoration includes preventive/diagnostic services, restoration services (amalgams, composite and stainless steel crowns), and full mouth dentures.
- 5) Restores Medi-Cal enteral nutrition benefits starting May 1, 2014, for \$3.4 million (\$1.7 million GF).
- 6) Eliminates the seven visit cap on physician and clinic visits in Medi-Cal, which has yet to receive federal approval or to be implemented.
- 7) Extends the time period for which laboratory service providers have to submit data reports specifying their lowest amounts other payers are paying. This is necessary as the process to develop the new rate methodology has taken longer than anticipated.
- 8) Eliminates the sunset date for specialty provider contracting. The elimination of this sunset date achieves ongoing \$6.9 million GF savings.
- 9) Requires DHCS to post on its Web site proposed State Plan Amendments (SPAs), waiver amendments, and waiver renewals that it has submitted to the federal government. This would provide legislative staff and stakeholders with the opportunity to review and comment on the state's implementation of policy.
- 10) Transfers mental health facility licensing and quality improvement functions from the Department of Social Services to DHCS.

- 11) Incorporates the measuring and evaluating of Medi-Cal managed care plans' screenings for mental health needs and their referrals for these services (to both Medi-Cal fee-for-service providers and county mental health plans) into the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) performance outcome system. Requires stakeholder involvement in this effort, and requires the department to develop a plan for the incorporation of these factors into the outcome system, due to the Legislature by October 1, 2014.
- 12) Requires DHCS to consult with stakeholders prior to the submittal of the Behavioral Health Services Plan to the federal government.
- 13) Adopts technical amendments to ensure the cost neutrality of SB 1462 (Leno), Chapter 837, Statutes of 2012, which provides Medi-Cal coverage to eligible county inmates on medical parole and inmates granted compassionate release.
- 14) Transitions Access for Infants (AIM)-linked infants, born to women whose income is between 250 and 300% of the federal poverty level, from the Healthy Families Program to DHCS.
- 15) Ends the Managed Risk Medical Insurance Board's (MRMIB's) responsibility regarding the Pre-Existing Condition Insurance Plan (PCIP) effective July 1, 2013, as the federal government will take over administration of this program.
- 16) Extends the date in which MRMIB can subsidize the premium contributions paid to individuals receiving coverage in Managed Risk Medical Insurance Program (MRMIP). This change is necessary as MRMIP will remain a program beyond December 31, 2013.
- 17) Defines and clarifies the purpose and structure of the Safe Cosmetics Program Web site and requires that the Web site be operational by December 31, 2013.
- 18) Requires the Department of Public Health (DPH) to report to the Legislature if the assumptions it used to determine the transition of AIDS Drug Assistance Program (ADAP) clients to Low Income Health Programs may result in an inability to provide ADAP services to eligible ADAP clients.
- 19) Requires DPH to submit a plan to the Legislature on how it will address the findings and recommendations from its review of the BabyBIG program to ensure that an adequate supply of the vaccine is available to meet demand.
- 20) Reappropriates approximately \$1 million in federal funds to the Department of Managed Health Care for purposes of continuing operation of consumer assistance programs to help uninsured individuals obtain health coverage.
- 21) Contains an appropriation allowing this bill to take effect immediately upon enactment.

COMMENT: This bill is a budget trailer bill within the overall 2013-14 budget package to implement actions taken affecting the Departments of Health Care Services, Managed Health Care, Public Health, and Social Services, the Managed Risk Medical Insurance Board, and the Mental Health Services Oversight and Accountability Commission.

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

SENATE THIRD READING
SB 78 (Budget and Fiscal Review Committee)
As Amended June 13, 2013
2/3 vote. Urgency

SENATE VOTE: Vote not relevant

SUMMARY: Reinstates a tax on Medi-Cal managed care organizations, for which revenue and General Fund savings are included in the Budget Act of 2013. Specifically, this bill:

- 1) Imposes a tax, in 2012-13, for which the tax rate would be equal to the gross premiums tax (2.35%) to generate \$128.1 million General Fund savings.
- 2) Requires current year revenues to be directed to the Healthy Families Program.
- 3) Authorizes a General Fund loan to the Managed Risk Medical Insurance Board to cover the costs of the Healthy Families Program until this tax revenue is received.
- 4) Imposes a tax, in 2013-14 and beyond, at a rate equal to the state sales and use tax rate (3.9375%), for approximately \$342.9 million in General Fund savings on an ongoing basis. In the budget year, it is projected that the Managed Care Organization (MCO) tax would generate \$644 million in revenue, half of which would be used to draw down federal Medi-Cal funds and used to pay back Medi-Cal managed care plans. The other half of these funds would be used to offset General Fund expenditures for Medi-Cal managed care rates for children, seniors and persons with disabilities, and dual eligibles.
- 5) Includes a sunset of three years.
- 6) Protects the tax from the Bradley-Burns local sales tax, which prevents local communities from the ability to increase the tax.
- 7) Provides that the payment of the tax by plans is dependent on the state meeting its obligation to pay plans appropriately.
- 8) Stipulates the repeal of the tax if it is successfully challenged or rescinded.
- 9) Requires that the tax be collected by the Board of Equalization and that tax revenue received and allocated be reconciled quarterly.

COMMENT: This bill is a budget trailer bill within the overall 2013-14 budget package to implement actions taken affecting the Department of Health Care Services and the Managed Risk Medical Insurance Board.

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

SENATE THIRD READING

SB 80 (Budget and Fiscal Review Committee)

As Amended June 13, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: This is the 1991 Realignment/CalWORKs trailer bill, containing statutory and technical changes necessary to implement the Budget Act of 2013. This bill also implements a mechanism for counties to share savings, which result from implementation of the federal Affordable Care Act (ACA), with the state. Specifically, this bill:

- 1) Creates "option 1" for determining county savings as follows: A formula that measures actual county health care costs and revenues. Revenues will include patient care revenues, federal funds, health realignment dollars, and net county contributions to health care services, which will be adjusted to reflect historic growth rates. The difference between total revenues and total costs will determine the savings. Because this mechanism is cost-based, it includes incentives for cost containment and maximizing enrollment in coverage, and also accounts for the remaining uninsured being served by the county, consistent with today's level of service. The formula includes a cap on the amount of savings that will be redirected based on the proportion of health realignment funds historically used for indigent care, thereby allowing the county to retain the full amount of realignment historically spent on public health. Under this option, the costs counties incur for serving the remaining uninsured will have first priority before any savings are collected. To the degree that federal reimbursement they receive for providing services to the uninsured or Medi-Cal beneficiaries declines, those costs will be funded prior to any savings being redirected. The counties also will retain 20% of the savings. Funding for public health is preserved, as the state's share of savings is limited to the funding spent on indigent health.
- 2) Creates "option 2" for determining county savings as follows: 60% of a county's health realignment allocation plus maintenance-of-effort (MOE) will be captured as savings and the county retains 40% of its realignment funding for public health and to provide care to the remaining uninsured.
- 3) Provides that the 12 counties operating designated public hospitals (DPH) and the 12 non-DPH/non-CMSP (County Medical Services Program) counties have the option to select either option 1 or 2, described above and created through this bill, to determine county savings.
- 4) Provides for certain variations to option 1 specifically for Los Angeles County (LA). Authorizes LA to calculate costs based on actual total costs instead of actual Medi-Cal and uninsured costs. Specifies that the maximum state redirection for LA would be 82% of health realignment funds, rather than based on a formula. Calculates revenue based on all payors, rather than Medi-Cal and uninsured revenue. Includes additional variations specifically for LA.
- 5) Provides that the 34 CMSP counties shall be subject to option 2, above, to determine county savings.

- 6) Requires that the \$89 million that CMSP counties collectively contribute annually to the CMSP Governing Board will be redirected as savings, and the Governing Board will be responsible for covering the remainder of the amount equal to 60% of the program's total realignment and MOE funding.
- 7) Requires that, beginning, January 1, 2014, and through June 30, 2014, counties, in the aggregate will redirect a pro rata portion of their realignment funds up to \$300 million. Actual savings will depend on the level of realignment revenues for those counties operating under the 60/40 formula and on the various factors used to determine costs and revenues for those counties utilizing the mechanism described in option 1.
- 8) Authorizes any county, if circumstances arise that affect a county's health care finances and are out of a county's control, to request to change the mechanism by which savings are determined.
- 9) Creates the County Health Care Funding Resolution Committee to hear requests to change mechanisms, as described above. Stipulates that the Committee's members would be the Director of Finance, the Director of Health Care Services, and a representative from the California State Association of Counties.
- 10) Authorizes the state, for counties that choose option 1, to revise the 2013-14 estimates in May and, if at that point in time, the savings are estimated to be lower than \$300 million, the money will be provided to the county for health care costs.
- 11) Provides that future year savings for all counties will be estimated in January and May, prior to the start of the year based on the most recently available data. Stipulates that for all option 1 counties, a reconciliation will occur within two years of the close of each fiscal year. To the extent actual savings differ from the initial estimates, funding will be retroactively adjusted. Requires a true-up process for all other counties to ensure that the percentages transferred to a county's Health Subaccount has been sufficient.
- 12) States that if the non-CMSP counties do not adopt a resolution that confirms their approach, they will default to a 62.5/38.5 state-county sharing ratio.
- 13) Provides a "true-up mechanism" for the counties that choose the mechanism option rather than the 60/40.
- 14) Creates, for 2013-14, a special holding account in the Family Support Subaccount for the public hospital counties, which essentially creates a short-term true up mechanism for them.
- 15) Provides a true-up for the counties that chose the 60/40 option rather than the mechanism.
- 16) Requires the Director of Finance, Department of Health Care Services (DHCS), and the State Controller's Office to work together to ensure legislation is implemented as the Legislature intended.

- 17) Includes intent language to review the funding formulas established in Section 7 in the event that the federal government enacts reforms to federal immigration laws that create a pathway to citizenship for otherwise undocumented persons, and that pathway does not provide for enhanced federal funding. Requires the DHCS to analyze the potential impacts of such a change on county health care expenditures, and report this information to the applicable fiscal and policy committees.
- 18) Provides for the CalWORKs 5% grant increase in 2013-14, effective March 1, 2014, and describes the process for providing future grant increases. The estimated cost for this increase is approximately \$50 million, with annualized cost of approximately \$150 million, depending on caseload changes.
- 19) Specifies that the grant increases will be funded through the new Child Poverty and Family Supplemental Support Subaccount, which consists of redirected 1991 Realignment general growth funds.
- 20) Requires the Director of Finance to annually, as part of the January 10 and May 14 Budget process, determine both the cost of continuing to provide the previously implemented grant increases pursuant to this process and comparing that to the amount of revenue projected to be in the Child Poverty and Family Supplemental Support Subaccount for the current and budget year.
- 21) Prescribes that if the Child Poverty and Family Supplemental Support Subaccount is projected to have more funds than are needed to cover the previously implemented grant increase costs, adjusted for caseload, then a calculation will be done to determine the additional grant increase percentage that can be afforded for the following fiscal year.
- 22) Specifies that to the extent it is determined that a new grant increase can be afforded, that grant increase would be effective the upcoming October 1, starting October 1, 2014. The final projections depend on the level of revenues adopted in the Budget Act. Upon enactment of the Budget, the Director of Finance will provide legislative notification regarding the grant increase level.
- 23) Specifies that previously implemented grant increases will not be adjusted downward if it is projected that revenues in the Child Poverty and Family Supplemental Support Subaccount are not sufficient to cover the entire cost of the grant increases. In these situations, current General Fund provisional authority will be used to ensure grants are funded. Additional grant increases pursuant to this mechanism will not be provided until and unless the ongoing cumulative costs of all prior grant increases provided by this process are fully supported by the Child Poverty and Family Supplemental Support Subaccount.
- 24) Sunsets, as part of the changes to 1991 Realignment, current accounts within the Local Revenue Fund and establishes new accounts within the Local Revenue Fund effective July 1, 2013.
- 25) Establishes the Family Support Subaccount and the Child Poverty and Family Supplemental Support Subaccount at the state level and establishes the family support account at the local level.

- 26) Moves, for 2013-14, \$1 billion in sales tax from the Social Services Subaccount to the Health Subaccount.
- 27) Establishes the ongoing structure, which adds the Child Poverty and Family Supplemental Support Subaccount as an account that receives base funding from the sales tax account, and otherwise the structure is the same as current.
- 28) Applies language that exists for the CalWORKs Maintenance of Effort (MOE) Subaccount that prevents locals from reallocating up to 10% of the fund among other accounts to the family support account, and places both pieces of law into the same section.
- 29) Allocates, pursuant to a schedule developed by the Director of Finance, moneys from the Child Poverty and Family Supplemental Support Subaccount (state level), to the family support account (local level). All funds that are allocated shall be used for grant increases. Any funds not allocated will remain at the state level, and will be available for allocation in the following year.
- 30) Directs the Controller to move money monthly to the family support account to be used by counties to pay an increased county contribution towards CalWORKs costs.
- 31) Establishes short term and ongoing methods for transferring funding from the Health Subaccount to the Family Support Subaccount.
- 32) Requires the Controller to account for the Sales Tax swap when distributing Vehicle License Fee revenue.
- 33) Establishes how the general growth in the sales tax account is allocated among a) mental health (same as current law), b) health (18.4545%), and c) the new Family Supplemental Support Subaccount (the remainder). There is no General Growth for social services.
- 34) Requires that funds deposited in the family support account may only be used to pay an increased contribution towards CalWORKs as the funds were allocated by the Director of Finance.
- 35) Requires that funds deposited in the family support account may only be used to pay an increased contribution towards CalWORKs as the funds were allocated by the Director of Finance.
- 36) Contains an appropriation allowing this bill to take effect immediately upon enactment.

COMMENT: This bill is a budget trailer bill within the overall 2013-14 budget package to implement actions taken affecting the Department of Health Care Services, and related to the implementation of federal health care reform.

For background, the Local Revenue Fund under 1991 realignment provides a dedicated funding source to 1) help pay county contributions toward various social service and health programs (Foster care, Adoptions Assistance, Child Welfare Services, In-Home Supportive Services

(IHSS), CalWORKs, and California Children's Services), termed the Social Services subaccount programs, and 2) support county indigent health, public health, and mental health programs. The Local Revenue Fund receives both sales tax and vehicle license fee revenue. Current law establishes a process by which annual growth in these revenues are allocated amongst the various programs supported by 1991 Realignment. First call on revenue growth is to fund the increases in program costs experienced in the prior year for the Social Services subaccount programs. These allocations are known as Caseload Subaccount allocations. Remaining funds, termed "General Growth" are then allocated to all of the 1991 Realignment programs based on historical formulas, with indigent and public health (collectively) and mental health receiving roughly equal shares and the Social Service subaccount programs receiving a significantly smaller amount.

Analysis prepared by: Andrea Margolis and Nicole Vazquez / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 81 (Senate Budget and Fiscal Review)

As Amended June 13, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains necessary statutory and technical changes in the area of education in order to implement changes to the Budget Act of 2013. Specifically, this bill:

K-12 Education

- 1) Includes statutory provisions that retire a total of \$4.3 billion in ongoing Proposition 98 deferrals for K-14 education in 2012-13 and 2013-14. This leaves an outstanding balance of \$6.2 billion in deferred funding to schools.
- 2) Appropriates \$1.25 billion to school districts, county offices of education (COEs), charter schools and state special schools for the purposes of implementing Common Core State Standards.
- 3) Appropriates \$250 million General Fund for the establishment of the California Career Pathways Trust. This competitive grant program for regional partnerships links high schools, community colleges and businesses to build and improve career pathway programs.
- 4) Extends through July 1, 2016, the requirement that the governing board of any school district seeking to sell or lease any real surplus property first offer that property for sale or lease to charter schools that have at least 80 units of average daily attendance, as specified.
- 5) Extends flexibility through July 1, 2016 to allow school districts to deposit the proceeds from the sale of surplus property into their general fund.
- 6) Deletes education code that is inconsistent with federal law as it relates to cafeteria funds.
- 7) Makes several changes related to the shifting of the Charter School Facility Grant Program from the Department of Education to the California School Finance Authority.
- 8) Authorizes the Commission on Teacher Credentialing to charge fees for teacher preparation program review, with notification to Legislature and Department of Finance.
- 9) Adjusts the meal reimbursement rate for free and reduced price meals in schools to \$0.2229 and adjusts the rate for child care centers to reflect a rate of \$0.1660.
- 10) Suspends the following mandates, consistent with action on Local Government mandates: Absentee Ballots, Brendon Maquire Act, Mandate Reimbursement I and II and Sex Offender: Disclosure by Law Enforcement.

- 11) Adds the Science Graduation Requirement and the Pupil Expulsions and Suspensions mandates to the K-12 mandate block grant. The budget bill increases funding for the block grant by \$50 million to reflect the inclusion of these mandates.
- 12) Modifies state law related to Behavior Intervention Plans to minimize costs related to mandated activities.
- 13) Consolidates funding for regionalized services and program specialists and personnel development grants into the larger AB 602 funding formula to provide more local flexibility in the use of the funds.
- 14) Relaxes restrictions on funding for service to students with low-incidence disabilities. Consolidates two extraordinary cost pool budget items into one.
- 15) Revises the statewide target rate to a weighted student average based on updated data, and begins to equalize funding across all special education local plan areas (SELPA).
- 16) Extends supplemental per-ADA funding provided to necessary small SELPAs. Authorizes growth funding and a 1.565% cost of living adjustment.
- 17) Allocates federal special education funding separately from state funding to streamline the calculation and correct inequities in the funding that SELPAs receive when ADA grows versus the amount they lose when it declines. Specifies the state's federally-required "maintenance of effort" expenditure.
- 18) Makes the necessary statutory changes to begin the process of equalizing state special education funding among Special Education Local Program Areas (SELPA) in 2013-14 to the 90th percentile. The Budget Act provided \$30 million to begin this process in 2013-14.
- 19) Suspends the statutory division of Proposition 98 funding among K-12 educational agencies, community colleges, and other state agencies, and instead conform the division of funding based upon actual budget appropriations in 2012-13.
- 20) Extends the statutory authorization for use of the existing early literacy assessment for English learners (CELDT exam) by two years.
- 21) Makes statutory changes conforming to zero funding for the Emergency Repair Program in 2012-13.
- 22) Authorizes Inglewood Unified School District (IUSD), through the Department of Education, to request cash flow loans from the General Fund for a total of up to \$55 million. This replaces the authorization established through Chapter 325, Statutes of 2012, which appropriated \$29 million for an emergency loan to IUSD and authorized an additional \$26 million of lease financing through the California Infrastructure and Economic Development Bank (I-Bank).

- 23) Authorizes the Superintendent of Public Instruction (SPI) to appoint a trustee with the powers and responsibilities of an administrator when a school district becomes insolvent and requires an emergency apportionment from the state.

Higher Education

- 24) Consolidates the K-12 and community college apprenticeship programs into the community college system while continuing to allow local school districts to administer existing programs. Requires the Community College Chancellor's Office and the Division of Apprenticeship Standards, with participation by school district and community college apprenticeship administrators, to develop policies and standards for apprenticeship programs.
- 25) Requires the Community College Chancellor's Office and State Department of Education, based on funding provided in the Budget Act of 2013, to jointly provide planning grants to regional consortia of community college and school districts to develop regional plans to improve adult education programs. Plans are expected to include area adult education needs and proposals to improve specific portions of adult education, including English as a second language, career technical education, education programs for adults with disabilities and basic skills. Includes the requirement of a subsequent report on improving the adult education system and legislative intent that additional funding will be provided for adult education in 2015-16.
- 26) Eliminates the Community College Fund for Instructional Improvement, an outdated program, and sweeps the remaining fund balance of \$863,000 into the General Fund.
- 27) Changes the date by which community college districts are required to submit letters to participate in the mandates block grant from September 30 to August 30.
- 28) Allows for a General Fund backfill for community colleges to the extent that expected property tax revenue from the dissolution of Redevelopment Agencies does not match anticipated revenues in the current year and budget year.
- 29) Allows for a General Fund backfill for community colleges to the extent that expected tax revenue from the Education Protection Account, created by Proposition 30, does not match anticipated revenues in the current year and budget year.
- 30) Requires that community college students who are CalWORKs recipients to receive priority enrollment status, allowing these students who have a shortened amount of time on benefits to enroll in classes earlier than other students.
- 31) Removes the apprenticeship and matriculation categorical programs at community colleges from the flex, which will require districts to spend funding associated with these programs directly on these programs.

Child Care

- 32) Simplified family fees for families receiving state-subsidized child care by creating a process for the Department of Education to adopt a new fee schedule that will provide more predictable fees through a cost-neutral change to the current fee structure.
- 33) Requires the Department of Education to report family fees collects for preschool programs to the Department of Finance.
- 34) Clarifies that current state income eligibility levels for state child care program continue for the budget year.
- 35) Contains an appropriation allowing this bill to take effect immediately upon enactment.

Analysis Prepared by: Misty Feusahrens, Mark Martin and Christian Griffith / BUDGET / (916)
319-2099

SENATE THIRD READING

SB 82 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Establishes the Investment in Mental Health Wellness Act of 2013. Specifically, this bill:

- 1) Makes various findings and declarations regarding the need for a renewed investment in community-based mental health treatment options. This bill establishes the Investment in Mental Health Wellness Act of 2013 and states the objectives of this act.
- 2) Authorizes the California Health Facilities Financing Authority (CHFFA) to administer a competitive selection process for capital capacity and program expansion to increase capacity for mobile crisis support, crisis intervention, crisis stabilization services, crisis residential treatment, and specified personnel resources. These funds shall be made available to selected counties, or counties acting jointly. CHFFA may also give consideration to private nonprofit corporations and public agencies in an area or region of the state if a county, or counties acting jointly, affirmatively supports this designation and collaboration in lieu of county government directly receiving the funds.
- 3) Requires CHFFA to develop a process to award these grants after consulting with representatives and interested stakeholders from the mental health community. Requires CHFFA to ensure that grants result in a cost-effective expansion of the number of community-based crisis resources in regions and communities selected for funding. The 2013-14 Budget provides one-time \$142 million General Fund for these purposes.
- 4) Implements a process by which the Mental Health Services Oversight and Accountability Commission (MHSOAC) can allocate funding based upon requests for application of need and description of deployment of triage personnel to assist individuals in gaining access to needed services, including medical, mental health, substance use disorder assistance and other community services. Requires that these funds be made available to selected counties, counties acting jointly, or city mental health departments, as determined by the commission through a selection process. The 2013-14 Budget provides \$54 million (\$32 million Mental Health Services Act (MHSA) State Administrative Funds and \$22 federal funds) for this purpose. This funding is ongoing.
- 5) Requires CHFFA to submit to the Legislature on or before May 1, 2014, and on or before May 1, 2015, a report on the progress of the implementation of the grant programs. These reports shall include at least a description of the project awarded funding, the amount of each grant issued, a description of other sources of funding for the project, and a description of project operation and implementation, including who is being served.
- 6) Requires the MHSOAC to provide a status report to the Legislature on the progress of implementing the triage personnel allocation process by March 1, 2014.

- 7) Restores the MHSA state administrative fund percentage from the current 3.5% to the voter approved Proposition 63 level of 5% to fund key regional concerns, which have statewide significance.
- 8) Appropriates \$500,000 to CHFFA to implement the grant programs to support the development, capital, equipment acquisition, and applicable program startup or expansion costs to increase capacity for client assistance and services for individuals with mental health disorders.
- 9) Contain an appropriation allowing this bill to take effect immediately upon enactment.

COMMENT: This bill is a budget trailer bill within the overall 2013-14 budget package to implement actions taken affecting the CHFFA, Mental Health Services Oversight and Accountability Commission, and the Office of Statewide Health Planning and Development.

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

SENATE THIRD READING

SB 83 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains statutory and technical changes necessary to implement the Budget Act of 2013 relating to developmental services. Specifically, this bill:

- 1) Establishes a requirement for the administration to submit a master plan for the future of developmental centers, which it has committed to producing by November 15, 2013, to the Legislature, by that same date. In the preparation of this plan, the administration shall consult with a cross-section of stakeholders, as specified. Further, creates a requirement for the administration to report, by January 10, 2014, to the Legislature regarding the administration's resulting plans to meet the needs of current developmental center residents, and to ensure the delivery of cost-effective, integrated, and quality services for this population.
- 2) Requires the Department of Developmental Services (DDS) to complete closure of the Lanterman Developmental Center (LDC) in the Fall of 2014 (no later than December 31, 2014).
- 3) Removes a previously enacted, two-year time limit on the community state staff program associated with the closure of LDC. The program allows DDS to contract with an entity, such as a community-based provider of services, for use of the department's employees to provide services in furtherance of the orderly closure of the facility.
- 4) Clarifies that existing restrictions on the use of Institutions for Mental Disease (IMDs), enacted in trailer bill language last year AB 1472 (Budget Committee), Chapter 25, Statutes of 2012, apply irrespective of the availability of federal financial participation in the costs associated with the placements. At the same time, authorizes, until July 1, 2014, the placement of consumers, who are under 21 years of age, in IMDs for a period of time that exceeds 180 days, if specified conditions are met. These placements would not, however, be authorized to extend beyond a period of one year, unless specified conditions are met and DDS approves a requested 30-day extension.
- 5) Requires DDS and regional centers to work together to identify services and supports needed for individuals under the age of 21 with both developmental and mental health disabilities, and to facilitate the development of community-based resources, as specified.
- 6) Clarifies existing provisions, also established in AB 1472, that require regional centers to conduct comprehensive assessments of the needs of developmental center and IMD residents. More precisely, specifies that regional centers shall identify the services and supports that would enable the consumer to move to a community setting, and make other, related changes.

- 7) Specifies that regional centers shall provide, to the extent appropriate, relevant information from the statewide specialized resource service to individual program planning teams, as specified.
- 8) Ensures that clients' rights advocates will be notified of, and unless the consumer objects, authorized to participate in, hearings by writ of habeas corpus for release from specified facilities. Further, requires that clients' rights advocates receive notice of, and be authorized, unless the consumer objects, to participate in, specified individual program planning team meetings. Finally, requires specified notices to the clients' rights advocate when regional centers make, or extend, as specified, placements in IMDs.
- 9) Establishes authority for regional centers to pay the costs of health insurance copays and coinsurance payments that are associated with a consumer accessing services identified as necessary in his or her Individual Program Plan. Further, specifies that the conditions under which regional centers would be authorized to make such copay or coinsurance payments, and prohibits payment by regional centers of costs associated with insurance deductibles. The anticipated General Fund costs in 2013-14 associated with coverage of these co-payments and co-insurance is \$9.9 million.
- 10) Eliminates the sunset date on a requirement for families with children under the age of 18, living at home, who receive services from regional centers beyond eligibility determination, needs assessment, and service coordination, to pay annual fees of \$150 or \$200. The application of this policy in 2013-14 is anticipated to result in \$3.8 million General Fund (GF) savings.
- 11) Makes technical changes to the Welfare and Institutions Code Sections 6500 and 6509, to clarify that changes made in AB 1472 last year were not intended to preclude court-ordered placements, for individuals who are found to be a danger to themselves or others, in settings less restrictive than developmental centers.
- 12) Clarifies that regional centers must notify DDS of meetings scheduled, in accordance with existing requirements, regarding specified data with respect to purchase of service, authorization, utilization, and expenditure by regional center. Additionally, requires the regional centers and DDS to collaborate to collect data with respect to the payment of copays and coinsurance. Finally, requires DDS to post notice of the meetings on its Web site.
- 13) 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.
- 14) Extends the period to liquidate encumbrances of funds appropriated in Item 4300-003-0001 of the Budget Act of 2010 (SB 870 (Ducheny), Chapter 712, Statutes of 2010), to June 30, 2014, thereby making an appropriation.
- 15) Contains an appropriation allowing this bill to take effect immediately upon enactment.

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

SENATE THIRD READING

SB 85 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SUMMARY: Contains provisions related to transportation necessary to implement the 2013-14 Budget package. Specially, this bill:

- 1) Creates a direct payment account for debt service from weight fees, rather than using weight fees to reimburse the General Fund. The direct payment would improve the credit rating for these bonds and allow the state to issue bonds at yields 40-50 basis points lower than other General Obligation (GO) bonds.
- 2) Continues the dedication of certain special fund revenues associated with transportation to debt service payments associated with transportation projects.
- 3) Includes language to specify cash accounting methods for special funds.
- 4) Provides the High Speed Rail Authority with authority to establish a process and rules for the relocations of utilities outside the right-of-way for the High-Speed Rail project. The process is modeled after procedures already in place for the California Department of Transportation (Caltrans) projects.
- 5) Contains an appropriation allowing this bill to take effect immediately upon enactment.

FISCAL EFFECT: The provisions of this bill result in an ongoing savings of \$67 million General Fund, which are included in the overall architecture of the 2013-14 budget package.

COMMENT: This bill is the transportation budget trailer bill associate with the 2013-14 Budget package. It makes necessary changes to statute to achieve these savings and also to improve the overall state's financial position in terms of cash management and credit rating of state bonds.

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

SENATE THIRD READING

SB 86 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains necessary statutory and technical changes to implement the Budget Act of 2013 relating to general government. Specifically, this bill:

- 1) Extends the liquidation period from June 30, 2015, to June 30, 2017, for funds previously appropriated from the Regional, Planning, Housing and Infill (ILG) Incentive Account and the Transit Oriented Development (TOD) Implementation Fund under Proposition 1C.
- 2) Requires the Department of Housing and Community Development to amend the guidelines with revised performance-based milestones and to evaluate the revised performance-guidelines on a project by project basis.
- 3) Prepares for the end of the triple flip by outlining a process to provide compensation to cities and counties once the mechanism is no longer needed to pay for the Economic Recovery Bonds, including redefining the fiscal adjustment period, requiring the Director of Finance to estimate when the notification to the State Board of Equalization is likely to occur, and requiring the Director of Finance to revise the countywide adjustment once notification occurs.
- 4) Requires any taxpayer who participates in an out-of-state Like-Kind Exchange to file an informational return form with the Franchise Tax Board when the property acquired in the exchange is located outside of California.
- 5) Allocates any moneys allocated and appropriated that become disencumbered and redeposited in the Transit-Oriented Development Account during fiscal year 2013-14. This is technical modification to be consistent with AB 1585 (John A. Pérez), Chapter 777, Statutes of 2012.
- 6) Contains an appropriation allowing this bill to take effect immediately upon enactment.

COMMENTS: This bill enacts various provisions to support the 2013 Budget Act, and among other things, extends the liquidation period for previously appropriated ILG and TOD Proposition 1C funds, and provides a process for the end of the triple flip.

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

SENATE THIRD READING

SB 88 (Budget and Fiscal Review Committee)

As Amended June 13, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Contains necessary statutory and technical changes to implement the Budget Act of 2013 relating to higher education. Specifically, this bill:

- 1) Establishes the Middle Class Scholarship, which will provide up to 40% off of tuition at the University of California and California State University for students whose family income is less than \$100,000 but who do not qualify for other financial aid programs. Students with family income less than \$150,000 will also receive reduced tuition. The program will begin providing scholarships in 2014-15, and includes a three-year ramp-up phase until full implementation. Program costs are capped at \$305 million annually.
- 2) Requires the University of California and California State University to begin reporting on specific performance measurements in 2013-14. Measurements include graduation rates, community college transfer rates, number of degrees earned by low-income students, and number of degrees in STEM (Science, Engineering, Technology and Mathematics) fields.
- 3) Requires the University of California and California State University to provide bi-annual reports describing the costs related to undergraduate, graduate and professional school education. The reports will allow for a better understanding of how much the university systems spend on instruction and research, and the difference in educational costs among different disciplines.
- 4) Allows the University of California (UC) to restructure its capital debt service, which could allow the university to cut costs on debt service and free up funding for other support services. The university would not be allowed to spend more than 15% of its state support budget on capital costs, and some savings generated through restructuring would be required to be spent on UC pension costs. Additionally, a review process is created requiring UC to provide reports to the Department of Finance and Joint Legislative Budget Committee on upcoming capital projects.
- 5) Requires that of the state General Fund support provided to the UC, \$15 million shall be provided for planning and startup costs associated with the School of Medicine at the University of California Riverside. Also includes a requirement that the university provide an annual progress report on the School of Medicine.
- 6) Creates a new fund within the California Student Aid Commission to allow the Commission to contract with other out-of-state agencies seeking to implement the Dream Act. By assisting other states in developing outreach and application materials, the Commission anticipates improving its own Dream Act administration for California students.

- 7) Provides state General Fund support for California State University (CSU) retirement costs based on the 2013-14 payroll. Increased payroll or pension costs beyond the 2013-14 baseline will be absorbed by other CSU funds.
- 8) Allows the Department of Finance to adjust payment schedules to CSU based on the state's cash flow needs.
- 9) States legislative intent that the absence of language in the Budget Act of 2013 requiring the University of California to use budgeted funds for retirement costs is not an indication of legislative support for increasing retirement costs for university employees.
- 10) Requires that of the state General Fund support provided to the UC, the university shall pay lease revenue and general obligation bond debt service.
- 11) Allocates \$375,000 from the 1996 Higher Education Capital Outlay Bond Fund to the University of California for funding equipment at the UC Merced Science and Engineering Building 2.
- 12) Contains an appropriation allowing this bill to take effect immediately upon enactment.

COMMENTS: This is a trailer bill containing necessary statutory and technical changes regarding higher education to implement the Budget Act of 2013. By enacting the Middle Class Scholarship, this bill will benefit as many as 130,000 University of California and California State University students by providing discounted tuition. The program supports families who have been impacted the most by increasing tuition at UC and CSU. The bill allows the California Student Aid Commission to administer the program and develop regulations, and also gives the Department of Finance discretion to reduce spending in years in which the May Revision projects a budget deficit.

This bill also will provide important information regarding performance and costs at UC and CSU by requiring regular reports on costs associated with education, and regular reports on performance measurement, allowing the public and policymakers better data to understand funding needs and outcomes at both university systems.

The bill also provides the UC with a new tool to manage its own debt service costs and infrastructure needs, by allowing UC to restructure debt service costs. UC officials believe this will allow them to save money in the short-term, which could allow more funding for capital projects and support services.

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

SENATE THIRD READING

SB 89 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: This supplemental appropriations bill (also called a "deficiency bill") appropriates \$497.3 million from the General Fund for unanticipated costs incurred in Fiscal Year 2012-13. Specifically, this bill:

- 1) Allocates \$482.8 million General Fund to the Department of Health Care Services to address a loss in savings due to the shift of the Healthy Families program to Medi-Cal, lack of federal approval to eliminate supplemental payments to non-designated public hospitals, and a court injunction related to provider rate reductions.
- 2) Allocates \$2.6 million to the Department of Developmental Services to support a higher than budgeted population in the state developmental centers.
- 3) Allocates \$5.6 million for Regional Centers within the Department of Developmental Services to backfill the loss of federal Title XX block grant funding as a result of the federal sequester.
- 4) Allocates \$224,976 to reimburse qualifying counties for costs associated with homicide trials. Specifically, provides \$12,773 General Fund to Mariposa County for the case *People v. Cary Stayner*; \$59,629 General Fund to Amador County for the cases *People v. Bergo* and *People v. Manisap, Nguyen, Saechao, Tai, and Tran*; and \$152,574 General Fund to Lassen County for the case *People v. Mcelrath, James*.
- 5) Allocates \$5.9 million to Health and Dental Benefits for Annuitants for June health care premiums due to a shortfall in federal Medicare Part D subsidy funds that happened during the state's transition to the Employer Group Waiver Plan for CalPERS Supplemental Medicare Plans.
- 6) Specifies that funds designated for the above purposes that have not been used by June 30, 2013, must revert to the General Fund.
- 7) Contains an appropriation allowing this bill to take effect immediately upon enactment

FISCAL EFFECT: \$497.3 million General Fund appropriation to various departments for current-year expenses. Unspent funds will be transferred back to the General Fund.

COMMENT: This bill contains funding necessary to address deficiencies in the 2012 Budget Act. The funds have already been expended and the costs are reflected in the 2013-14 Budget package.

Analysis Prepared by: Zoe Adler/BUDGET/ (916) 319-2099

SENATE THIRD READING

SB 91 (Budget and Fiscal Review Committee)

As Amended June 12, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Replaces the existing revenue limit and categorical funding structure with the Local Control Funding Formula (LCFF), beginning in the 2013-14 fiscal year. The formula is comprised of a base grant, supplemental grant and concentration grant for school districts, charter schools and county offices of education. Requires the State Board of Education (SBE) to adopt regulations governing the expenditure of supplemental and concentration grant funds. Includes an "Economic Recovery Target" with the goal of restoring districts back to their 2007-08 funding levels. Specifically, this bill:

District Formula Summary

- 1) Establishes a Local Control Funding Formula (LCFF) for school districts, charter schools, and county offices of education (COEs).
- 2) Provides target base grant amounts per unit of average daily attendance (ADA), adjusted by grade level as follows:
 - a) Grades kindergarten through 3: \$6,845
 - b) Grades 4 to 6: \$6,947
 - c) Grades 7 and 8: \$7,154
 - d) Grades 9 to 12: \$8,289
- 3) Establishes an eight-year phase-in timeline, as specified, to incrementally close the gap between actual funding and the target level of funding.
- 4) Establishes a supplemental grant equal to 20% of the base grant for every pupil identified as either an English learner (EL), eligible for a free or reduced price meal (FRPM), or in foster care; and uses an "unduplicated count" meaning that pupils who fall into more than one category are counted only once.
- 5) Establishes a concentration grant equal to 50% of the base grant for every unduplicated pupil above the threshold of 55% of enrollment.
- 6) Requires the pupil-to-teacher ratio in grades K-3 to be no more than 24 to 1, when the formula is fully implemented, unless a higher ratio is negotiated through collective bargaining, and requires a gradual reduction to the 24 to 1 ratio during the phase-in period.
- 7) Caps funding for Home-to-School transportation funding (HTS) and the Targeted Instructional Improvement Program (TIIG) at their 2012-13 levels and continues to provide

this funding to school districts currently receiving it in addition to their Local Control Funding Formula (LCFF) base grant.

- 8) Requires that HTS funds to be spent for purposes of pupil transportation.
- 9) Maintains funding and program requirements for the following categorical programs:
 - a) Special education;
 - b) After School Education and Safety Program;
 - c) State Preschool;
 - d) Quality Education Investment Act;
 - e) Assessments;
 - f) American Indian Education Centers;
 - g) Early Childhood Education Programs;
 - h) Partnership Academies;
 - i) Agricultural Vocational Education;
 - j) Specialized Secondary Programs;
 - k) Foster Youth Services Programs; and
 - l) Adults in Correctional Facilities.
- 10) Repeals funding and program requirements for all other categorical programs and redirects their monies to the supplemental and concentration grant portions of the LCFF.
- 11) Requires school districts that spent funds on Regional Occupational Centers/Programs and Adult Education in 2012-13 to spend the same level of funding on those programs in 2013-14 and 2014-15.
- 12) Establishes a hold harmless provision to maintain total revenue limit and categorical program funding for each district and charter school at its 2012-13 level, unadjusted for changes in ADA or cost-of-living adjustments (COLA).
- 13) Provides, for basic aid districts, that local property tax revenues be used to offset the entire LCFF allocation. However, as part of the hold harmless approach, basic aid districts will continue to receive the same level of state aid as allocated in 2012-13.
- 14) Specifies that Necessary Small Schools (NSS) funding will be the same as current law for geographically isolated schools/districts going forward. However, for those NSS that are

“single school, school districts” and that cannot meet the miles traveled, and other criteria, as specified, a “hold harmless” (guarantee of same funding level as 2012-13) provision will be in effect, even if their funding level exceeds their LCFE target.

- 15) Repeals the requirement that districts receiving state general obligation bond funding for facilities set aside 3% of the general fund expenditures in a routine maintenance account.

County Office of Education (COE) Formula

- 16) Replaces the existing funding model for COEs with a two-part formula based on the cost of providing regional services and alternative education.
- 17) Provides that the regional services component of the COE funding formula consist of the following:
 - a) A base operations grant of \$655,920 per county;
 - b) An additional amount of \$109,320 per school district in the county;
 - c) An additional \$70 per ADA in the counties with up to 30,000 ADA; \$60 per ADA for counties with ADA between 30,000 and 60,000; \$50 per ADA in counties with ADA between 60,000 and 140,000; and \$40 per ADA in counties with ADA above 140,000.
- 18) Provides that the alternative education component of the COE funding formula include:
 - a) An unspecified base grant, per eligible pupil, equal to the sum of the 2012-13 per-pupil undeficitated statewide average juvenile court school base revenue limit (eligible pupils are incarcerated, on probation, probation-referred, or mandatorily expelled);
 - b) A supplemental grant of 35% for unduplicated pupils who are ELs, receiving free or reduced price meals, or in foster care.
 - c) A concentration grant of 35% for each unduplicated pupil above 50% of enrollment.

School District and COE Accountability

- 19) Requires school districts and COEs, on or before July 1, 2014, (with annual updates beginning in 2015), to adopt a local control and accountability plan (LCAP) using a template adopted by the SBE. Further requires the LCAP to be effective for three years.
- 20) Requires the LCAP to include annual goals for pupils (including each subgroup of pupils) to be achieved for state and local priorities and the specific actions the school district, or COE will take during each year of the plan to achieve specified goals.
- 21) Authorizes school districts and COEs to establish local priorities for inclusion in the LCAP and requires the following state priorities to be included in the LCAP:

- a) Priorities related to the *Williams v. State of California* settlement agreement (2004) – fully credentialed teachers, instructional materials, and school facilities.
 - b) Implementation of the academic and performance standards, including English language development standards (ELD).
 - c) Parental involvement, as specified.
 - d) Pupil achievement, as measured by statewide assessments, the Academic Performance Index (API), percentage of pupils meeting A-G graduation requirements, percentage of ELs making progress toward English proficiency, the EL reclassification rate, the percentage of pupils who have passed the advanced placement exams, and the percentage of pupils demonstrating college preparedness.
 - e) Pupil engagement, as measured by attendance, dropout and graduation rates, and pupil expulsions/suspensions.
 - f) School climate as measured by suspensions/expulsion rates, and other local measures, as specified.
 - g) The extent in which pupils (including ELs and special needs) have access and are enrolled in a broad course of study, as specified.
 - h) Pupil outcomes, if available, for non-state assessed courses of study in grades 1-12 (e.g., other history-social science, visual performing arts, physical education, etc.). COEs are required to include outcomes specific to pupils in alternative programs, as specified.
- 22) Requires a school district and COE, as part of the annual update of the LCAP, to include a listing and description of the expenditures in the fiscal year implementing the specific information included in the LCAP, as specified.
- 23) Requires the superintendent of the school district and COE to present the LCAP, prior to its adoption, to the public and parent advisory committees (including the EL parent advisory committee) for review and comment and requires the superintendent to respond in writing to these comments, as specified and review the schoolsite plans for student achievement required under current law, ensuring the LCAP is consistent with the schoolsite plans, as specified.
- 24) Establishes a public process for the review and adoption of LCAPs and requires a school district and COE to establish a parent advisory committee, including one specific to EL parents, as specified.
- 25) Requires the SBE, on or before October 1, 2015, to adopt evaluation rubrics for all of the following purposes:
- a) To assist a school district, COE, or charter school in evaluating its strengths, weaknesses, and areas that require improvement.

- b) To assist a COE in identifying school districts and charter schools in need of technical assistance, as specified.
 - c) To assist the Superintendent of Public Instruction (SPI) in identifying school districts for which intervention is warranted, as specified.
- 26) Establishes the California Collaborative for Educational Excellence (CCEE) to advise and assist school districts, COEs, and charter schools in achieving its goals established in its LCAP or charter petition. Further requires the SPI to contract with individuals, local education agencies (LEAs), or organizations with expertise, experience, and a record of success to carry out the CCEE's mission of providing technical assistance to LEAs and charter schools, as specified.
- 27) Requires a school district to file its LCAP with the COE. Further establishes a process for the COE to review and submit recommendations to the district and adopt the LCAP, as specified. This process includes provisions for the COE to ensure the LCAP adheres to the SBE template and includes "expenditures sufficient to implement the specific actions and strategies included in the LCAP."
- 28) Requires a COE to file its LCAP with the SPI. Further establishes a process for the SPI to review and submit recommendations to the COE and adopt the LCAP, as specified. This process includes provisions for the SPI to ensure the LCAP adheres to the SBE template and includes "expenditures sufficient to implement the specific actions and strategies included in the LCAP."
- 29) Requires the COE or SPI, if it does not approve a school district or COE's LCAP or if the district/COE requests technical assistance, to provide the assistance to the district/COE, including any of the following:
- a) To assist in identifying strengths and weaknesses with regard to the state priorities, as specified.
 - b) Assignment of an academic expert or team of academic experts to assist in identifying and implementing effective programs that are designed to improve outcomes for pupil subgroups, as specified.
 - c) The assignment of the CCEE to provide advice and assistance to the school district/COE, as specified.
- 30) Authorizes the SPI to identify school districts and COEs in need of intervention and requires the SPI to only intervene in districts and COEs that meet both of the following criteria:
- a) The school district or COE did not improve outcomes for three or more pupil subgroups in regard to more than one state or local priority in three out of four consecutive school years.

- b) The CCEE has provided advice and assistance to the district or COE and submits findings to the SPI, as specified.
- 31) Authorizes the SPI, for districts and COEs in need of intervention and with SBE approval, to do one or more of the following:
- a) Make changes to the district or COE's LCAP.
 - b) Develop and impose a budget revision the SPI determines would allow the district or COE to improve the outcomes for all pupil subgroups in regard to state and local priorities.
 - c) Stay or rescind an action, if that action is not required by a local collective bargaining agreement that would prevent the district or COE from improving outcomes for all pupil subgroups in regard to state and local priorities.
 - d) Appoint an academic trustee to exercise the powers and authority specified in this measure on behalf of the SPI.

Charter School Accountability

- 32) Requires a charter school petition to include a description of the school's annual goals for all students and for each subgroup of students to be achieved in applicable state priority areas as defined above and the specific annual actions to achieve these goals, as specified. Further authorizes the petition to establish additional priorities and goals in the same manner as districts and COEs.
- 33) Requires a charter petition, as part of describing pupil outcomes, to include outcomes related to the applicable state priorities defined above, as specified.
- 34) Requires a charter school, beginning in 2015, to provide an update to its petition no later than July 1 of each year and requires the update to use the SBE template and include the following:
- a) A review of the progress toward the goals included in the charter, an assessment of the effectiveness of the specific actions of the charter school in meeting its schools, as specified.
 - b) A list and description of the expenditures for the subsequent year implementing the specific actions included in the charter, as specified.
- 35) Requires charter schools to consult with teachers, principals, other schoolsite staff, parents, and pupils in the annual update to the charter plan referenced above.
- 36) Authorizes the SBE, whether or not it is the chartering authority, to revoke a charter school's charter if it finds the charter school failed to improve pupil outcomes across multiple state and local priorities, as specified.

- 37) Specifies if a charter school fails to improve pupil outcomes for pupil subgroups in regard to more than one state or local priority in three out of four consecutive school years, all of the following apply:
- a) The chartering authority shall provide technical assistance to the charter school, using the SBE evaluation rubric, as specified.
 - b) The SPI may assign, at the request of the chartering authority and approval of the SBE, the CCEE to provide technical assistance to the charter school, as specified.
- 37) Requires a chartering authority to consider the revocation of any charter school to which the CCEE has provided advice and assistance and has made either of the following findings:
- a) The charter school has failed to implement, or is unable to implement, the recommendations of the CCEE.
 - b) The inadequate performance of the charter school is either so persistent or so acute as to require revocation.
- 38) Requires a chartering authority to consider the increases in pupil academic achievement for all groups of pupils served by the charter school as the most important factor in determining whether to revoke a charter. Further prohibits a charter school from appealing a revocation determined based on the provisions of this measure.

Economic Recovery Target (ERT)

- 39) Calculates an Economic Recovery Target (ERT) for each school district. The ERT will be a per-pupil rate consisting of:
- a) The district's revenue limit in 2007-08—regardless of the mix of state aid and local property tax (LPT) revenue that funded the revenue limit. (The ERT does not count a basic aid district's "excess" local property tax revenue in the per-pupil rate.)
 - b) Revenue limit cost-of-living adjustments for 2008-09 through 2020-21.
 - c) The district's categorical funding in 2007-08 (before Control Section 12.42 or "fair share" reductions to categorical programs were implemented).

SBE regulations and other provisions

- 39) Requires the SBE, no later than January 31, 2014, to adopt regulations governing the expenditure of supplemental grant funds, including concentration grant funds. Requires the regulations to:
- a) Require a school district, COE, or charter school "to increase or improve services for unduplicated pupils in proportion to its increase in funds apportioned on the basis of the number and concentration of unduplicated pupils in the district, COE, or charter school"; and

b) Create authorization for the use of funds for schoolwide or districtwide purposes in a manner that is no more restrictive than federal No Child Left Behind Act of 2001 Title I funds (poor and needy pupils).

41) Requires the SBE, on or before March 31, 2014, to establish templates for use by school districts, COEs, and charter schools to complete the LCAP, as specified.

42) Requires school districts, COEs, and charter schools to establish local policies and procedures to implement a complaint process in accordance with the current Uniform Complaint process, as specified.

43) Prohibits the SBE or the SPI from waiving any part of the Local Control and Accountability Plans.

44) Requires the Department of Education and Department of Social Services to enter into a memorandum of understanding to share disaggregated information on foster youth so that districts, charter schools and county offices of education can identify pupils in foster care.

45) Makes various technical and conforming changes to, among other things, replace statutory references to the revenue limit with references to the LCFF.

46) Contains an appropriation allowing this bill to take effect immediately upon enactment.

FISCAL EFFECT: Appropriates \$2.1 billion from the General Fund for the following purposes:

- 1) \$2.067 billion to the SPI for allocation to school districts and charter schools for first year implementation of the LCFF; and
- 2) \$32 million to the SPI for allocation to COEs for the County Local Control Funding Formula, as specified.

The budget bill also provides \$10 million for CCEE activities and \$2 million to the Governor's Office of Planning and Research in order for the SBE to develop and adopt regulations, as specified, develop and adopt evaluation rubrics, and develop and adopt LCAP templates.

COMMENTS: The Governor's January Budget proposed the Local Control Funding Formula (LCFF) with the goal of allocating funding to school districts, charter schools, and county offices of education more equitably than under the current revenue limit and categorical program structure.

According to the Administration, "California's school finance system has become overly complex, administratively costly, and imbalanced. There are many different funding streams, each with their own allocation formula and spending restrictions. Many program allocations have been frozen and are no longer reflective of current demographics, administrative costs, and legislative intent. The fiscal flexibility that has recently been provided to schools is not permanent and excludes some significant programs. Scholarly research and practical experience indicate that low-income students, foster children, and English learners come to school with

unique challenges and often require supplemental instruction and other support in order to be successful in school. These challenges are most extreme in communities with high concentrations of poverty and non-English speakers."

According to the Administration, the plan would allocate an estimated \$25 billion over the next eight years to restore the significant funding reductions local educational agencies have experienced, including forgone cost-of-living adjustments to their existing revenue limits and ongoing cost-of-living adjustments for LCFF grants.

Transition to the LCFF would be based on Proposition 98 growth and provide school districts, charter schools, and county offices of education with a guarantee that no school district, charter school, or county office of education would receive less funding in 2013-14 and into the future than it did in 2012-13 relative to current law. The LCFF ensures a uniform base grant for all students and provides local educational agencies with supplemental funding to support students that come to school with additional needs.

Economic Recovery Target. Most school districts will receive the greater of the LCFF target or ERT. For the vast majority of school districts, the LCFF target for 2020-21 will be higher than the ERT for 2020-21. For about 230 districts, the ERT, however, will be higher. Over the next eight years, roughly 130 of these districts will receive additional payments in equal increments in excess of their LCFF payments to restore them to their ERT by 2020-21. (Districts that have an ERT above the 90th ERT percentile will receive no additional funding in excess of the 90th percentile. Approximately 96 districts have rates that are this high—more than \$14,500 per pupil.) This calculation is intended to ensure that nearly all districts, with the exception of those with unusually high levels of historical per-pupil funding, are restored to their 2007-08 funding levels.

Analysis Prepared by: Misty Feusahrens / BUDGET / (916) 319-2099

SENATE THIRD READING
SB 92 (Budget and Fiscal Review Committee)
As Amended June 12, 2013
2/3 vote. Urgency

SENATE VOTE: Vote not relevant

SUMMARY: Establishes a permanent funding source for the Alfred E. Alquist Seismic Safety Commission. Specifically, this bill:

- 1) Creates the Seismic Safety Account (Account) as a special account within the Insurance Fund to support the Alfred E. Alquist Seismic Safety Commission and administrative costs incurred by the Department of Insurance.
- 2) Imposes an annual property assessment for each property exposure. The assessment is not to exceed \$0.15.
- 3) Specifies that the annual property assessment be set at \$0.15 for the first three years. Thereafter, the annual will be calculated by the department but is never to exceed \$0.15 per property exposure.
- 4) Requires the Department of Insurance to report to the Legislature, the Alfred E. Alquist Seismic Safety Commission, and the Department of Finance by December 1 of each year regarding the calculation method that determined the assessment fee.
- 5) Defines a late payment as failure to pay the assessment fee within 45 days of the invoice date, and authorizes the Department of Insurance to charge a late fee of 1.5% per month of the balance due.
- 6) Stipulates that any deficiency or excess funds collected will be accounted for in the following year's fee calculation.
- 7) Contains an urgency clause allowing this bill to take effect immediately upon enactment.

EXISTING LAW: Provides for the Alfred E. Alquist Seismic Safety Commission in the State and Consumer Services Agency.

FISCAL EFFECT: This bill will generate \$1.2 million in special funds to support the Alfred E. Alquist Seismic Safety Commission.

COMMENT: The Alfred E. Alquist Seismic Safety Commission is responsible for conducting research, coordinating earthquake safety activities, setting goals and priorities for the public and private sectors, and overseeing certain aspects of earthquake hazard mitigation.

Analysis Prepared by: Zoe Adler / BUDGET / (916) 319-2099

SENATE THIRD READING

SB 94 (Budget and Fiscal Review Committee)

As Amended June 13, 2013

Majority vote. Budget Bill Appropriation Takes Effect Immediately

SENATE VOTE: Vote not relevant

SUMMARY: Implements changes to the Coordinated Care Initiative (CCI), which was adopted as part of the 2012 budget package. Specifically, this bill:

- 1) Deletes the uncodified sections in both SB 1008 and SB 1036 (2012 health budget trailer bills that adopted the CCI) that no longer apply to CCI as the conditions under which this language would have become inoperative were addressed in the Memorandum Of Understanding entered into between California and the Centers for Medicare and Medicaid Services (CMS) on March 27, 2013.
- 2) Authorizes the Department of Health Care Services, with direction from the Director of the Department of Finance, to determine if implementation of CCI results in savings to the General Fund, and if it does not, requires DHCS to render the terms of the CCI inoperative.
- 3) Delinks the operation of Cal MediConnect (the duals demonstration project) from the other components of the CCI – the mandatory enrollment of Duals into Medi-Cal managed care, the integration of Medi-Cal long term services and supports into managed care plans, and the commencement of the In-Home Supportive Services (IHSS) Statewide Public Authority.
- 4) Adds language to Government Code Section 110032, to be consistent with other public bargaining statutes, that permits the Statewide Public Authority to discuss collective bargaining matters with its bargaining negotiator without having to hold the meeting open to the public; it also exempts the actual negotiations with the exclusive bargaining representative from open meeting requirements.
- 5) Requires the Department of Health Care Services, beginning with the 2014 calendar year and continuing through the 2016 calendar year, to offer to renew existing federal Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110-275) compliant contracts to existing Medicare Advantage Special Needs Plans (D-SNP plans) to continue to market, enroll and provide Medicare and, if applicable, other contracted benefits to their enrollees in their service areas as authorized and approved on January 1, 2012, by CMS.
- 6) Authorizes health plans and contracted Multipurpose Senior Services Program (MSSP) sites to determine readiness for enrollment into managed care, and based on such determinations, to choose to begin enrollment into managed care either on the first day or the 90th day of implementation of the CCI.
- 7) Contains an appropriation allowing the bill to take effect immediately upon enactment.

COMMENT: This bill is a budget trailer bill within the overall 2013-14 budget package to implement actions taken affecting the Departments of Aging and Health Care Services.

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

ASSEMBLY THIRD READING
ACA 8 (Blumenfield)
As Amended April 4, 2013
2/3 vote.

SUMMARY: Amends the California Constitution to allow a city, county, city and county, or special district, as defined, to incur bonded indebtedness in order to fund specified public improvements and facilities, with 55% voter approval of that city, county, city and county, or special district. Specifically, this bill:

- 1) Allows a city, county, city and county, or special district, as applicable, to incur indebtedness in the form of general obligation (GO) bonds to be adopted by 55% of the voters of the city, county, city and county, or special district, where the GO bonds fund the construction, reconstruction, rehabilitation, or replacement of any of the following:
 - a) Public improvements, including, but not limited to, improvements to transportation infrastructures, streets and roads, sidewalks, transit systems, highways, freeways, sewer systems, water systems, wastewater systems, storm drain systems, and park and recreation facilities; and
 - b) Facilities or buildings used primarily to provide sheriff, police, or fire protection services to the public, including the furnishing and equipping of those facilities or buildings.
- 2) Lowers to 55% the voter-approval threshold for a city, county, or city and county to incur bonded indebtedness, in the form of GO bonds, that exceeds in one year the income and revenue provided in that year, for the construction, reconstruction, rehabilitation, or replacement of any of the following:
 - a) Public improvements, including, but not limited to, improvements to transportation infrastructures, streets and roads, sidewalks, transit systems, highways, freeways, sewer systems, water systems, wastewater systems, storm drain systems, and park and recreation facilities; and
 - b) Facilities or buildings used primarily to provide sheriff, police, or fire protection services to the public, including the furnishing and equipping of those facilities or buildings.
- 3) Defines "special district," for purposes of this bill, as the same meaning as that term is used in the California Constitution for the section related to voter approval for local tax levies, and includes a transit district, but does not include a school district or redevelopment agency.

EXISTING LAW:

- 1) Authorizes cities, counties, and special districts to impose a general tax for general governmental purposes with the approval of a majority of the voters.
- 2) Authorizes cities, counties, and special districts to impose a special tax for specified purposes with the approval of two-thirds of the voters.

- 3) Authorizes school districts, community college districts, or county offices of education to incur school bonded indebtedness with the approval of 55% of the voters voting on the bond measure, require that bond proceeds only be used for purposes specified in the California Constitution, and requires an audit to ensure that the funds have been expended only on the specific projects listed.
- 4) Prohibits specified local government agencies from incurring any indebtedness exceeding in one year the income and revenue provided in that year, without the assent of two-thirds of the voters.

FISCAL EFFECT: Unknown, there may be one-time General Fund costs to include an analysis of the measure, and arguments for and against the measure, in the state voter pamphlet.

COMMENTS: Article XIII of the California Constitution allows for bonded indebtedness for a school district, community college district, or county office of education to fund the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, among other provisions, if approved by 55% of the voters. This section of the Constitution also requires that the bond proceeds be used only for the purposes listed, and requires annual independent auditing to ensure that funds have been expended on the specific projects listed.

This bill mirrors these requirements in the Constitution in place for school districts by providing that a city, county, or specified special district incur bonded indebtedness for construction, reconstruction, rehabilitation, or replacement of public improvements and public safety facilities or buildings, if 55% of the voters approve. The current threshold to pass GO bond measures for cities, counties and special districts is a two-thirds vote.

The author notes that it is estimated that California needs at least an additional \$500 billion for maintenance, repair and upkeep of the crumbling sewer and storm drain systems, streets and sidewalks, overcrowded and outdated police stations, jails, fire stations, and libraries. The author argues that every \$1 billion invested in infrastructure creates more than 15,000 California jobs. These infrastructure investments will enhance public safety, increase the value of real estate, and improve the quality of life in communities as vital facilities will be better maintained to safely serve today's population.

Lowering the voter threshold for special taxes and bond indebtedness has been tried several times in the past years. ACA 7 (Nation) from the 2005-06 Legislative Session would have lowered the constitutional vote requirement from two-thirds to 55% for any special tax. ACA 10 (Feuer), would have created an additional exception to the 1% ad valorem property tax for transportation projects with 55% voter approval. There were several measures introduced in the 2009-10 session that would have revised constitutional voting thresholds for different purposes, including ACA 10 (Torlakson), ACA 15 (Arambula), SCA 12 (Kehoe), ACA 9 (Huffman), and SCA 6 (Simitian), none of which were enacted.

There are currently several bills in the 2012-13 session that would amend the California Constitution to lower the vote threshold, including ACA 3 (Campos), SCA 3 (Leno), SCA 4 (Liu), SCA 7 (Wolk), SCA 8 and 9 (Corbett), and SCA 11 (Hancock).

Support arguments: The Los Angeles Business Council, in support, writes that communities throughout California have fallen far behind in their ability to repair their local infrastructure.

Opposition arguments: The California Taxpayers Association, in opposition, writes that a lower voter threshold undermines Proposition 13 taxpayer protections.

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