

**2018 BUDGET TRAILER BILL
ANALYSIS PACKET**

Bills anticipated for Thursday, June 14, 2018

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SENATE THIRD READING

SB 841 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: Supplemental Appropriations Bill. Amends the 2017 budget act to appropriate funding for unexpected costs incurred during the 2017-18 fiscal year. Specifically, **this bill**:

- 1) Appropriates \$890,522,911 for the following unanticipated 2017-18 costs:
 - a. \$830,532,000 million for MediCal Benefit costs;
 - b. \$12,277,000 for Adult MediCal costs;
 - c. \$1,249,000 for Medi-Cal Dental Costs;
 - d. \$19,437,000 for Mental Health Services;
 - e. \$26,020,000 for Contracts Services for the Department of Corrections and Rehabilitation; and
 - f. \$7,911 for payments to local governments for the costs of homicide trials.

- 2) Reverts any unexpended funds for these purposes on December 31, 2018

FISCAL EFFECT: This bill reflects \$890.5 million in General Fund costs already assumed in the 2018-19 budget package.

COMMENT: This bill, often referred to as the deficiency bill, reflects costs already incurred in the 2017-18 fiscal year. This routine bill reconciles the 2017 budget act with unexpected expenditure incurred throughout the year.

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

FN:

SENATE THIRD READING

SB 848 (Committee on Budget and Fiscal Review)

As Introduced January 10, 2018

SUMMARY: This trailer bill makes statutory changes related to transportation necessary to implement the Budget Act of 2018. Specifically, **this bill:**

1. Requires the Department of Motor Vehicles to impose an additional \$1 transaction fee to recoup the private industry partners' proportionate share of the cost of the implementation of department-wide system improvements and prohibits the private partner from passing the additional fee on to the customer. The fee would sunset in five years.
2. Allows the Tracy Area Office Replacement project to proceed as a build-to-suit lease. Authority for this project was initially provided in the 2008 Budget Act and has since expired. Restoration of this authority will allow this priority project to proceed expeditiously.
3. Amends AB 544 (Bloom, Chapter 630, Statutes of 2017) to make super ultra-low emission vehicles, advanced technology partial zero-emission vehicles, or transitional zero-emission vehicle identifiers issued between January 1, 2017 and March 1, 2018 valid until January 1, 2019, would make those issued between March 1, 2018 and January 1, 2019, valid until January 1, 2022, and would make those issued on or after March 1, 2018, for a vehicle that had previously been issued an identifier, valid until January 1, 2022.
4. For counties that have passed a countywide sales tax measure dedicated for transportation projects (the 24 Self-Help counties), this limits the administrative portion of the costs Caltrans charges for the work it does on their behalf to 10 percent. These counties would continue to pay the full cost of direct costs. This provision sunsets in three years.
5. Allows cities and counties to borrow from other internal city and county revenue streams and reimburse themselves with future year apportionments from the Road Repair and Accountability Act of 2017, also known as SB 1.
6. Allows the Golden Gate Bridge, Highway, and Transportation District to use the Construction Manager/General Contractor contracting method.
7. Allows the Ventura County Transportation Commission to allocate local transportation fund revenues apportioned to the City of Thousand Oaks for local streets and roads and other specified purposes. Absent this change, under current law in Ventura County, the ¼ percent local sales and use tax money would have to go to transit projects.
8. Makes an appropriation by providing \$8 million to the State Transportation Agency from the General Fund for allocation to the Los Angeles County Metropolitan Transportation Agency for the River to Rails Project, a project that is intended to transform blighted and

abandoned rail right-of-way across southern Los Angeles County into an active transportation corridor.

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

FN:

SENATE THIRD READING
SB 850 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: This is the Housing trailer bill for 2018-19. It contains necessary changes related to the Budget Act of 2018. Specifically, this bill:

SB 35 Technical Changes

- 1) Makes various technical and clarifying changes to SB 35 (2017).
- 2) Identifies which special flood hazards zones are prohibited from being areas where projects maybe located and use the streamlining provisions of SB 35.
- 3) Clarifies that projects that use SB 35 streamlining and are 100% affordable are not subject to the skilled and trained workforce requirements.
- 4) Clarifies that the California Environmental Quality Act does not apply to actions taken by a state or local government to provide any financial assistance to a development using the streamlining provisions.

Homeless Emergency Aid Program

- 5) Establishes the Homeless Emergency Aid Program for the purpose of providing localities with one-time flexible block grant funds to address their immediate homeless challenges.
- 6) Makes the following definitions related to the Homeless Emergency Aid Program:
 - a) Administrative entity means a unit of general purpose local government or a nonprofit organization that has previously administered federal Department of Housing and Urban Development Continuum of Care funds as the collaborative applicant.
 - b) Agency means the Business, Consumer Services and Housing Agency
 - c) Council means the Homeless Coordinating and Financing Council.
 - d) County includes, but is not limited to, city and county.
 - e) Homeless point-in-time count means the 2017 homeless point-in-time counts pursuant to Section 578.3 of Title 24 of the Code of Federal Regulations.
 - f) Program means the Homeless Emergency Aid program.
- 7) Provides that the Agency, in consultation with Council, shall administer the program.

- 8) Provides that the Agency's decision to approve or deny an application and the determination of the funding is final.
- 9) Requires the Agency to maintain records.
- 10) Exempts the Agency from the Administrative Procedures Act.
- 11) Provides that in order to be eligible for the program funds, an administrative entity must demonstrate the following:
 - a. Except as otherwise provided below, the jurisdiction or jurisdictions that the administrative entity represents for which funding is requested have, at the time of the award, declared a shelter crisis.
 - b. The applicants within the administrative entity have collaborated in its application, and have committed future collaboration. Provides that recipients may submit a regional plan.
- 12) Provides that an administrative entity representing cities and counties included in the three groupings within the lowest three homeless point-in-time count thresholds may submit a waiver for the requirement for a declaration of a shelter crisis, as required above. Upon approval by the Agency during a given round of awards, a city, county or city and county shall be eligible to receive funds.
- 13) Provides that \$250 million shall be distributed as follows based on homeless population:
 - a. To administrative entities with a homeless point-in-time count of over 20,000 persons, \$40 million dollars.
 - b. To administrative entities with a homeless point-in-time count between 4,000 and 19,999 persons, \$60 million dollars.
 - c. To administrative entities with a homeless point-in-time count between 2,500 and 3,999 persons, \$30 million dollars.
 - d. To administrative entities with a homeless point-in-time count between 1,800 and 2,499 persons, \$48 million dollars.
 - e. To administrative entities with a homeless point-in-time count between 1,500 and 1,799 persons, \$18 million dollars.
 - f. To administrative entities with a homeless point-in-time count between 1,000 and 1,499 persons, \$32 million dollars.
 - g. To administrative entities with a homeless point-in-time count between 750 and 999 persons, \$12 million dollars.

- h. To administrative entities with a homeless point-in-time count between 250 and 749, \$7 million dollars.
 - i. To administrative entities with a homeless point-in-time count less than 250 persons \$2 million dollars.
- 14) Provides that the Agency shall set aside funds for each administrative entity grouping with the funds to be divided equally amongst each grouping.
- 15) Includes up to \$1 million for the Agency to administer the program.
- 16) Provides that the Agency allocate \$100 million in program funding to each administrative entity in an amount calculated based on the administrative entity's proportionate share of total homeless population based on the 2017 homeless point-in-time count.
- 17) Provides that the Agency shall proportionally allocate \$150 million in program funding to each city or city and county that meets the following requirements:
 - a. Has a population of 330,000 or more according to the data published on the Department of Finance's website.
 - b. Has declared a shelter crisis.
- 18) Provides that if there is more than one recipient within the administrative entity that meets the requirements of #17 then the funding shall be equally allocated to those jurisdictions.
- 19) Requires that applications for the first round of awards be submitted to the agency on or before December 31, 2018, and requires that the Agency verify whether each funding request meets the minimum criteria no later than January 1, 2019.
- 20) Requires the agency to set aside any remaining funds for a second round of awards.
- 21) Requires that applications for the second round of awards be submitted to the agency on or before April 30, 2019, and requires that the agency verify whether each funding request meets the minimum criteria no later than May 31, 2019.
- 22) Provides that any remaining funds after the second round of funding either be reallocated under a methodology determined by the Department of Finance or revert to the General Fund.
- 23) Requires that program funds be expended on one-time uses that address homelessness, including, but not limited to, prevention, criminal justice diversion programs to homeless individuals with mental health needs and emergency aid.
- 24) Provides that no more five percent of program funds may be used for administrative costs related to the execution of eligible activities.

- 25) Provides that an administrative entity use no less than five percent of its total allocation to establish or expand services meeting the needs of homeless youth or youth at risk of homelessness.
- 26) Requires that no later than January 1, 2020, that each recipient of program funds submit to the agency a report, on a form provided by the agency, pertaining to contract expenditures, the number of homeless individuals served by program funds, and progress toward state and local homeless goals.
- 27) Requires that not less than 50 percent of program funds be contractually obligated by January 1, 2020.
- 28) Requires that 100 percent of program funds be contractually obligated by June 30, 2021.

SB 2 Homeless Year One Funding

- 29) Provides that Department of Housing and Community Development shall allocate the funds described in subparagraph (B) of paragraph (1) of subdivision (b) of Section 50470 as follows:
 - a. \$5 million to the Bridges at Kraemer Place emergency shelter located in Orange County.
 - b. \$5 million to the County of Merced, in furtherance of Phase 1 to create a homeless navigation center
- 30) Provides that the remaining funds in subparagraph (B) of paragraph (1) of subdivision (b) of Section 50470 be split 50 percent be provided for the California Emergency Solution and Housing Program and 50 percent to the Housing for Healthy California Program.
- 31) Establishes the California Emergency Solutions and Housing Program to be administered by the Department of Housing and Community Development.
- 32) Makes the following definitions related to the California Emergency Solutions and Housing Program:
 - a. Administrative entity means one of the following that has been designated by the Continuum of Care to administer the California Emergency Solutions and Housing Program funds.
 - i. A unit of general purpose local government.
 - ii. A nonprofit organization that has previously administered HUD Continuum of Care funds as the collaborative applicant as defined by Section 578.3 of Title 24 of the Code of Federal Regulations.

- iii. A unified funding agency, as defined in Section 578.3 of Title 24 of the Code of Federal Regulations
- b. Applicant means an administrative agency that has applied to receive funds under the program
- c. At risk of homelessness has the same meaning as defined by Section 578.3 of Title 24 of the Code of Federal Regulations.
- d. Continuum of Care has the same meaning as defined by Section 578.3 of Title 24 of the Code of Federal Regulations.
- e. Continuum of Care service area means the entire geographic area within the boundaries of a Continuum of Care.
- f. Coordinated Entry System or CES means a centralized or coordinated assessment system developed pursuant to Section 576.400(d) or Section 578.7(a)(8), as applicable, of Title 24 of the Code of Federal Regulations, and related requirements, designed to coordinate program participant intake, assessment, or referrals.
- g. Department means the Department of Housing and Community Development.
- h. HMIS means a Homeless Management Information System, as defined in Section 578.3 of Title 24 of the Code of Federal Regulations. The term HMIS also includes the use of a comparable database by a victim services provider or legal services provider that is permitted under HUD Part 579 of Title 24 of the Code of Federal Regulations.
- i. Homeless has the same meaning as defined in 578.3 of Title 24 of the Code of Federal Regulations.
- j. HUD means the federal Department of Housing and Urban Development.
- k. Permanent Housing means a structure or set of structures with subsidized or unsubsidized rental housing units subject to applicable landlord-tenant law, with no limit on length of stay and no requirement to participate in supportive services as a condition of access to or continued occupancy in the housing. Permanent housing includes permanent supportive housing.
- l. Permanent supportive housing means permanent housing with no limit on the length of stay that is occupied by the target population and that is linked to onsite or offsite services that assist the supportive housing residents in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community. Permanent supportive housing includes associated facilities in used to provide services to housing residents.
- m. Program means the California Emergency Solutions and Housing Program.

- n. Subrecipient means a unit of local government or a private nonprofit or for-profit organization that the administrative entity determines is qualified to undertake the eligible activities, described in subdivision (a) of Section 50490.4, for which the administrative entity seeks funds under the program, and that enters into a contract with the administrative entity to undertake those eligible activities.
 - o. Temporary housing means housing that does not qualify as permanent housing.
- 33) Requires the Department to allocate 50 percent of moneys available in the Building Homes and Jobs Trust Fund and any moneys that have not yet been made available pursuant to a notice of funding availability or request for proposals as of June 30, 2018. The Department shall allocate the money available using the following formula components:
- a. The 2017 point-in-time count published by HUD that includes both sheltered and unsheltered homeless.
 - b. The number of extremely low income households in rental housing that pay more than 50 percent of household income on rent, based on HUD's most recent Comprehensive Housing Affordability Strategy dataset.
 - c. The number of persons below the federal poverty line divided by the total population within the Continuum of Care service area, based on data from the United States Census Bureau. The formula required by this shall afford double weight to the factor described.
- 34) Requires that the administrative entity within a Continuum of Care service area that receives an allocation not use more than 5 percent of that for administrative costs.
- 35) Requires that any funds not distributed by the Continuum of Care service area be returned to the Department and be reallocated as follows:
- a. Any funds not distributed after the initial round of awards shall be reallocated among all Continuums of Care.
 - b. Any fund not distributed after the second round of awards shall revert to be used for the Multi-family Housing Program.
- 36) Does not require these funds to be matched.
- 37) Requires an application to meet the following:
- a. The application requests an allocation to carry out one or more of the eligible activities
 - b. The applicant is an administrative entity that meets one of the following:
 - i. Has prior experience administering the eligible activities described in the application.

- ii. Has partnered with one or more local governments or other entities within the relevant Continuum of Care service area that have the necessary prior experience to administer the requested funds.
 - c. The application documents that the Continuum of Care service area has a functioning CES and HMIS that meet the applicable HUD requirements. If the Continuum of Care does not have a system in place that meet the requirements, the application documents that a minimum of 20 percent of the allocation to the Continuum of Care service area will be used to implement or update its system to comply with the applicable HUD requirements.
 - d. The application describes or provides documentation of the local program or project selection process anticipated to be used to allocate available funds to subrecipients qualified to carry out the eligible activities.
 - e. The application identifies anticipated estimated amounts to be used for the eligible activities in the application, in collaboration with the relevant Continuum of Care, to be used to evaluate success in implementing eligible activities described in the application.
- 38) Provides that an application submitted in response to the Department's notice of funding availability may include the most current plan addressing actions to be taken within the Continuum of Care service area to address homelessness. If there is no current plan, the application may request that funds allocated to the Continuum of Care service area be used to develop a plan. If an application request funding to develop a plan, the applicant shall submit the plan developed to the Department prior to the expiration of the contract.
- 39) Provides that an administrative entity use funds for one or more of the following eligible activities:
- a. Rental assistance and housing relocation and stabilization services to ensure housing affordability to people experiencing homelessness or at risk of homelessness.
 - b. Operating subsidies in the form of 15-year capitalized operating reserves for new and existing affordable permanent housing units for homeless individuals and families.
 - c. Flexible housing subsidy funds for local programs that establish or support the provision of rental subsidies in permanent housing to assist homeless individuals and families. Funds used for purposes of this paragraph may support rental assistance, bridge subsidies to property owners waiting for approval from another permanent rental subsidy source, vacancy payments, or project-based rent or operating reserves.
 - d. Operating support for emergency housing interventions, including but not limited to, the following

- i. Navigation centers that provide temporary room and board and case managers who work to connect homeless individuals and families to income, public benefits, health services, permanent housing, or other shelter.
 - ii. Street outreach services to connect unsheltered homeless individuals and families to temporary or permanent housing.
 - iii. Shelter diversion, including, but not limited to, homelessness prevention activities, and other necessary service integration activities to connect individuals and families to alternate housing arrangements, services, and financial assistance.
 - e. System support for activities necessary to maintain a comprehensive homeless services and housing delivery system, including CES, data, and HMIS reporting, and homelessness planning activities.
 - f. To develop or update a CES system or to develop a plan addressing actions to be taken within the Continuum of Care service area to address homelessness.
- 40) Requires the administrative entity or a subrecipient to establish the duration, amount, or other terms of assistance provided, consistent with the requirements of the chapter, and other terms reasonable limitations established by the Department in the notice of funding availability or in the contract with the Department.
- 41) Requires an administrative entity that is allocated funding under this program utilize a CES that meets the requirements of the Code of Federal Regulations or HUD requirements, unless exempted from federal rules.
- 42) Requires an administrative entity that is allocated funds that provide permanent housing to incorporate the core components of Housing First.
- 43) Requires an administrative entity to provide all eligible activities in a manner consistent with housing first practices.
- 44) Prohibits an administrative entity from using more than 40 percent of the funds in a fiscal year for operating support for emergency housing interventions.
- 45) Requires the Department to distribute funds allocated to an administrative entity by executing a contract with that entity for five years. After the contract has expired and the funds have not been expended, the funds shall revert to the Multi-Family Housing Program.
- 46) Requires an annual report for any administrative entity who receives funds pertaining to the administrative entity's program or project selection process performed in collaboration with the Continuum of Care, contract expenditures, and progress toward meeting state and local goals.
- 47) Requires the administrative entity to be responsible for ensuring that the expenditure of those funds.

- 48) Allows the Department to monitor the expenditures and activities of the administrative entity.
- 49) Allows the Department, as it deems necessary, to request the repayment of funds from an administrative entity or pursue any other remedies available to it by law for failure to comply with program activities.

Office of Migrant Services

- 50) Requires a migratory agricultural worker that is eligible for housing at a migrant farm labor center to reside at least 50-miles away from the migrant farm labor center at least three out of the preceding six months (50-mile rule).
- 51) Creates a waiver program under the Office of Migrant Services at the Department of Housing and Community Development to allow an entity operating a migrant farm labor center to request a waiver to allow 50% units at the center to be exempt from the 50- mile rule and make those units available to families with school age children if the families meet the following criteria:
- a. Upon enrollment, the agricultural worker must provide proof that their school age children are attending school in a local school district, grades K-12.
 - b. In determining the applicant's agricultural workers status, the combined income of all members of the applicant's household shall be considered, and as long as 50% of the household's combined earned income is derived from agricultural employment, any individual household members may engage in nonagricultural employment.
- 52) The proposal shall reserve a minimum of 50% of the units at the migrant farm labor center for migratory agricultural workers who require round-trip travel exceeding 100 miles per day, which results in the migratory agricultural worker being unable to return to the workers' chosen place of residence within the same day of labor.
- 53) The proposal for the waiver must be first presented at a meeting of the migrant farm labor center's resident council.
- 54) Requires an entity operating a migrant farm labor center to provide an annual report to the Office of Migrant Services that contains specified data about the agricultural workers that resided at the migrant farm labor center during the most recently concluded contract period.
- 55) Sunsets the provisions of this bill on January 1, 2024.

COMMENT: This bill is a budget trailer bill within the overall 2018-19 budget package to implement actions related to housing.

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

FN:

SENATE THIRD READING

SB 851 (Committee on Budget and Fiscal Review)

As Introduced January 10, 2018

SUMMARY: This is the General Government trailer bill for 2018-19. It contains necessary changes related to the Budget Act of 2018. Specifically, this bill:

- 1) Makes governance changes to Sixth District Agricultural Association including, but not limited to, renaming it to Exposition Park and vesting in Exposition Park and the Exposition Park manager duties and responsibilities formerly exercised by the California Science Center.
- 2) Provides for a lease-purchase agreement for 30 years and requires that the lease payments on behalf of the state be \$2.4 million a year for Phase III of the California Science Center.
- 3) Revises the requirements to require the Department of Justice to transmit fingerprint images and related information to the Federal Bureau of Investigation for federal criminal background checks.
- 4) Identifies administrative costs reimbursed with the Central Cost Recovery Fund to include the Department of General Services.
- 5) Requires that on or before December 15, 2018, and on or before December 15 or each year thereafter, that the California Gambling Control Commission, upon approval by the Department of Finance, apply any funds in excess of estimated expenditures, transfers, reasonable reserves, or other adjustments from the Indian Gaming Special Distribution Fund to reduce or eliminate the pro rata share payments required to be made to the fund by limited gaming tribes.
- 6) Creates the Small Business Development Technical Assistance Expansion Program within the Governor's Office of Business and Economic Development to assist small businesses.
- 7) Provides the Department of Finance's Office of State Audits and Evaluations (OSEA) the same authority to request information as the State Auditor and also clarifies the need for department's to comply with corrective action to audit findings.
- 8) Prohibits the Director of General Services from entering a lease agreement between the state and another entity with a firm lease period longer than eight years, the proposed lease is a capitalized lease that has not been previously authorized, or entering into the proposed lease would result in any occupying department or agency vacating a material amount of state-owned space. Requires the notification to the Legislature to include, among other things, a financial impact of the lease.
- 9) Authorizes the Victim Compensation Board to adopt regulations governing any matter over which it has jurisdiction.
- 10) Authorizes the California Department of Fee and Tax Administration and the State Board of Equalization to delegate, share, and provide assistance for, or transfer between themselves

administrative responsibilities for tax and fee programs within the department's and board's respective duties, powers, and responsibilities pursuant to an agreement. Prohibits the agreement between the department and the board from transferring jurisdiction over any tax or fee that is the subject of the agreement.

- 11) Transfers authority to administer the welfare exemption, the veterans' organization exemption, change in control and change in ownership of legal entity, and the Tax-Rate Area System and related provisions from the California Department of Fee and Tax Administration to the State Board of Equalization.
- 12) Allows a designee of the Governor to direct the Controller to transfer funds from special funds to the General Fund in the event that the General Fund is or will be exhausted.
- 13) Renames the California Secure Choice Retirement Savings Trust Act to CalSavers Retirement Savings Program.
- 14) Streamline the administration of long-term monitoring for housing programs, provides consistency across all rental programs, and decrease the risk of default of affordable housing projects.
- 15) Provides the Department of Insurance the flexibility to operate an office in the Greater San Francisco Bay Area, as opposed to just the City and County of San Francisco.
- 16) Amends from January 1, 2019, to January 1, 2021, for which the Department of General Services must establish and publish in the State Contracting Manual, a maximum acceptable global warming potential for each category of eligible materials.
- 17) Clarifies that the Department of Technology's role in the procurement of technology projects that have transitioned to maintenance and operations.
- 18) Establishes the State Supplementation for County Assessors Program.
- 19) Eliminates an unnecessary component of the reporting requirement for the California Department of Tax and Fee Administration related to the sales and use tax exemption for manufacturing equipment, and clarifies that the estimate of revenue loss is from the Department of Finance.
- 20) Includes legislative finding.

COMMENT: This bill is a budget trailer bill within the overall 2018-19 budget package to implement actions related to state administration.

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

SENATE THIRD READING
SB 852 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: Provides legislative ratification of the memorandum of understanding (MOU) agreed to by the state and Bargaining Unit (BU) 6: Specifically, **this bill:**

- 1) Ratifies the MOU for BU 6 – Corrections, represented by Corrections California Correctional Peace Officers Association.

EXISTING LAW:

- 1) Establishes the Ralph C. Dills Act, which requires the state to collectively bargain with the exclusive representatives of employee groups (i.e. bargaining units) regarding wages and working conditions, and to define negotiated agreements in MOUs.
- 2) Establishes the California Department of Human Resources (CalHR) as the official representative of the Governor in all matters related to collective bargaining with state employees.
- 3) Requires that any MOU between the state and an exclusive representative must be ratified by the Legislature.
- 4) Establishes the California Public Employees' Retirement System (CalPERS), which administers health and retirement benefits for state employees.
- 5) Requires the Legislative Analyst's Office (LAO) to analyze all state MOUs and to provide analyses of an MOU and its fiscal impact to the Legislature within 10 days of receipt of an MOU from CalHR.
- 6) Provides that fully vested state retirees (e.g., with 20 or more years of state employment) are entitled to an employer contribution for retiree health care equal to 100% of the weighted average premium of the four health plans most highly utilized by all members. Dependents are eligible for a contribution based on 90% of the average additional premiums paid for dependents during the benefit year in which the formula is applied. This is referred to as the 100/90 formula.
- 7) Requires that Medicare-eligible retirees enroll in Medicare and choose a Medicare-coordinated health plan. Since these plans may be cheaper than non-Medicare (or "Basic" plans), thus resulting in some portion of the employer contribution going unused, current law requires that any unused portion of the 100/90 formula contributions may be applied to reimburse retirees for the costs of Medicare Part B premiums. These reimbursements are made in the form of an additional payment to the retiree on the retirement warrant up to the cost of the Part B premium. Whether or not a retiree receives the Medicare Part B reimbursement in full or in part depends upon the cost of that retiree's health plan.

- 8) Provides that most state employees (those hired after 1985 or 1989, depending on class) must work for 10 years to receive 50% of the 100/90 formula, with an additional 5% per year of service until, after 20 years, they are vested to receive 100% of the 100/90 formula. Individuals hired prior to 1985 or 1989 could be subject to either five year or 10 year vesting for full coverage of the 100/90 formula.
- 9) Provides that retirees who were covered in certain bargaining units while actively employed will receive an employer retiree health contribution based on the 80/80 formula (i.e., 80% of the weighted average premium of the four health plans most highly utilized by all members).
- 10) Provides that the employer contribution for active state employee health care shall be determined through collective bargaining.

FISCAL EFFECT: The budget trailer bill includes a continuous appropriation. The cost for 2018-19 is \$114.6 million (\$112.4 million General Fund)

COMMENTS: The following information summarizes the general provisions of the MOU was provided by CalHR:

- 1) Total of approximately 27,349 full-time equivalents.

HEALTH BENEFITS

- 1) Employer Contribution for Active State Employees: The state's monthly health benefit contribution for each employee shall continue to be a flat dollar amount equal to 80 percent of the weighted average of the basic health benefit plan premiums of the four largest enrolled basic health plans. For each employee with enrolled family members, the employer shall continue to contribute an additional flat dollar amount equal to 80 percent of the weighted average of the additional premiums. The flat dollar amounts shall be increased as appropriate pursuant to the formula on January 1, 2019.

COMPENSATION

- 1) General Salary Increase (GSI)
 - a. Effective July 1, 2019, all Unit 6 represented classifications shall receive a five percent (5%) GSI.
- 2) Uniform Allowance (14.04)
 - a. Increases the annual uniform allowance from \$950 to \$1,000 for full-time employees, excluding Medical Technical Assistance (MTA) and permanent employees working for the Division of Adult Parole Operations (DAPO).

- b. Increases the annual uniform allowance from \$546 to \$1,000 for MTAs.
 - c. Provides a new annual uniform allowance of \$250 for DAPO employees.
 - d. Allows employees to start receiving a uniform allowance upon completion of the academy rather than upon completion of a probationary period.
- 3) Night Shift and Weekend Pay Differentials
- a. Increases the night shift pay differential (earned by employees who work more than four hours between 6:00 p.m. and 6:00 a.m.) by \$0.15 per hour (Article 15.08 A).
 - b. Increases the weekend pay differential (earned by employees who work more than four hours between midnight Friday and midnight Sunday) by \$0.15 per hour (Article 15.08 B).
- 4) Leave Buyback
- a. In September of 2018, all Unit 6 represented employees will be permitted to cash out up to 80 hours of accumulated compensable leave (Article 10.21). It is anticipated that payment for the one-time cash out will be issued by December 15, 2018.

MISCELLANEOUS

- 1) Requires on-duty Division of Adult Institution peace officers to be armed while in uniform, in a state vehicle, and off grounds in the community. Additional weapons retention training will be incorporated into the 2019 In-Service Training Plan. Beginning January 1, 2020, when Division of Adult Institution peace officers are providing inmate transportation, guarding, or escorts off grounds in the community, they are required to be armed with an approved handgun with a triple retention holster (Article 7.05).
- 2) Equip each transportation team with a state-issued smart phone. If a state-issued smart phone is unavailable, transportation staff shall be permitted to voluntarily bring his or her personal cellular phone for state business use only (Article 7.06).
- 3) Allows medical verification for sick leave via telemedicine (Article 10.02).
- 4) Clarifies holiday pay for posted and non-posted positions (Article 10.11).
- 5) Effective July 1, 2019, the forty-one hour work period schedule for Correctional Counselor I employees will include one hour for pre and post work activities (Article 11.10).

- 6) Provides hour for hour CTO for the time an employee was incorrectly held over for involuntary overtime (Article 12.06).
- 7) Increases the lodging reimbursement rate from \$90 to \$110 for Marin County, \$125 to \$140 for Alameda, San Mateo and Santa Clara Counties, and from \$150 to \$250 for San Francisco County (Article 14.01).
- 8) The state and CCPOA will meet to develop the parameters of an equitable distribution redirection plan (Article 16.05).
- 9) Improves and automates the Parole Agent Requested Transfers process (Article 19.06).
- 10) Prohibits a furlough program or a mandatory Personal Leave Program during the term of the agreement (Article 27.04).
- 11) To the extent additional Correctional Counselor positions are authorized through the budget process, the state and CCPOA will meet to discuss duties relative to rehabilitation.

DURATION

- 1) July 3, 2018 through July 2, 2019.

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

FN:

SENATE THIRD READING
SB 853 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: As part of the 2018 budget package, includes provisions relating to services provided through the Department of Developmental Services (department). Specifically, **this bill:**

- 1) Revises provisions relating to the failure of community placement and admittance to a developmental center or department-operated facility to instead refer to an acute crisis home. Includes the acute crisis centers at the Fairview Developmental Center and the Sonoma Developmental Center within the definition of an acute crisis home.
- 2) Requires, as a condition of admittance to the secure treatment facility at Porterville Developmental Center, the regional center to notify the regional resource development project and other specified individuals of the potential admission, and requires that the regional resource development project to complete an assessment of the individual's services and support needs.
- 3) Authorizes disclosure of information and records obtained in the course of providing intake, assessment, and services to the regional center clients' rights advocate, unless the consumer objects on his or her own behalf, specifying the various settings where this disclosure requirement would apply.
- 4) Requires federal funds received under the Self-Determination federal waiver to be used to maximize the ability of Self-Determination Program participants to direct their own lives and ensure that the department and regional centers implement the program, including costs associated with (a) independent facilitators to assist with a participant's initial person-centered planning meeting, (b) development of the participant's initial individual budget, (c) joint training of consumers, family members, regional center staff, and members of the local volunteer advisory committee, and (d) regional center operations for caseload ratio enhancement.
- 5) Requires each regional center to include on its Internet Web site any procedures and assessment tools used by the regional center to determine the level of respite services needed by each consumer.
- 6) Appropriates \$1.5 million from the General Fund to the department to fund a contract awarded for the Best Buddies Program.
- 7) Declares that this measure is to take effect immediately as a bill providing for an appropriation related to the 2018 Budget Act.

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

FN:

SENATE THIRD READING
SB 854 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: This is the Omnibus Resources Trailer Bill for 2018-19. It contains necessary changes related to the Budget Act of 2018. This bill makes various statutory changes to implement the 2018-19 Budget. Specifically, this bill:

1. **Technical Clean-up: SRA Fund Name.** Makes a technical, nonsubstantive change to Public Resources Code §4213.05, by changing “State Responsibility Area Fire Responsibility Fund” to “State Responsibility Area Fire Prevention Fund.”
2. **State Parks Revenue Incentive Subaccount.** Amends and extends the Revenue Generation Program, and revises how money is deposited into the State Parks Revenue Incentive Subaccount.
3. **Great California Delta Trail.** Clarifies that funding may be provided for the planning and implementation of the Great California Delta Trail Master Plan using a phased approach.
4. **Mobile Source Expansion to Off Road and Aftermarket Parts.** Authorizes the Air Resources Board to impose fees on applicants seeking for certification of aftermarket parts.
5. **Soil Conservation Fund.** Authorizes the first \$5 million in revenue from Williamson Act contract cancellations to remain in the Soil Conservation Fund.
6. **California Underground Facilities Safe Excavation Board Clean-Up.** Makes a technical correction to a drafting error in a previous trailer bill by: (1) clarifying that the Board cannot initiate enforcement action until July 1, 2020, and (2) authorizing the Board to undertake investigations prior to July 1, 2020 consistent with the previous funding approved for the Board, which included authorization of 12 investigator positions starting on July 1, 2018.
7. **Dam Inundation Maps and Emergency Action Plans.** Clarifies the process for dam owners where there is an existing or partial Emergency Action Plan or inundation map as of March 1, 2017. Also requires dam owners with partial Emergency Action Plans or inundation maps to develop a timeline by which they will develop the comprehensive Emergency Action Plan and inundation maps.
8. **Advanced Payments.** Authorizes the Air Resources Board to make advance payments to grantees of a grant program or project if the Air Resources Board determines specified conditions are met. Requires the Air Resources Board, in consultation with the Department of Finance, to adopt a regulation implementing that advance payment program.

9. **Enforcement of Beverage Container Recycling Program.** Clarifies the authority of the California Highway Patrol to arrest individual transporters who illegally transport out-of-state empty containers for redemption in California.
10. **Plastic Market Development Program.** Extends the sunset date on the Plastic Market Development Program from January 1, 2018 to July 1, 2022.
11. **State Parks California Indian Heritage Center.** Authorizes the California Indian Heritage Center project in Yolo County.
12. **Delta Levee Subvention.** Makes various changes to the Delta Levee Maintenance Program.
13. **Department of Conservation Regulatory Field Inspection.** Requires the Department of Conservation to report annually on the completion of mandated oversight activities.
14. **California Conservation Corps Outcomes Reporting.** Requires the California Conservation Corps to report annually on corpmember outcomes beginning 2020.
15. **Department of Fish and Wildlife Service Based Budgeting.** Specifies the mission and core programs of the Department of Fish and Wildlife and requires the Department to contract with an independent entity to conduct a comprehensive service-based budget tracking system.
16. **Department of Conservation Mineral Classification.** Requires the Department of Conservation to post data on mineral land classifications and designations online.
17. **Federal Public Lands Conveyances.** Authorizes the executive officer of the State Lands Commission to issue a certificate of compliance for certain conveyances.
18. **Martins Beach.** Creates the Martins Beach Subaccount in the Land Bank Fund, and would require that moneys received from public and private sources, including nonprofit sources, to be used to acquire that right-of-way or easement for the creation of that public access route.
19. **Mokelumne River.** Includes specified segments of the Mokelumne River in the state's Wild and Scenic Rivers System.
20. **Contaminant Risk Assessment: Public Health Goals.** Requires each public health goal published by the Office of Environmental Health Hazard Assessment to be reviewed at least once every five years unless the Office of Environmental Health Hazard Assessment determines that there has not been a detection of the corresponding contaminant.
21. **Healthy Stores Refrigeration Grant Program.** Creates the Healthy Stores Refrigeration Grant Program to award grants to qualified entities, for the purchase of energy-efficient refrigeration units by a small business or corner store that is located in a food desert. Requires a small business or corner store that purchases a refrigeration unit with grant fund to stock the unit with California-grown fresh fruits, nuts, vegetable.

22. **Transfer of the Oversight of Household Goods Movers.** Facilitates the transfer of the California Public Utilities Commission's (CPUC) Transportation Rate Fund to the Department of Consumer Affairs (DCA) Household Movers Fund, by removing a reference that would have DCA spend money out of a fund they will never use again. Also, allows the CPUC to finish liquidating their 2017-18 encumbrances, transfer any monies that may be left to DCA's fund, and when the fund is empty - abolishes the fund.
23. **Reporting Requirements for CPUC.** Requires the CPUC to report on its efforts to keep transmission rates low for ratepayers through its participation in Federal Energy Regulatory Commission rate cases and the Independent System Operator's transmission planning process.
24. **Net Energy Metering 2.0 Tariffs.** Allows military installations with eligible distributed generation to utilize the Net Energy Metering (NEM) 2.0 tariff, essentially allowing these electric customers to be treated similarly to other customers who have on-site eligible distributed generation under the NEM 2.0 tariff.
25. **Per Diem for Advisory Group Members.** Provides reimbursement for reasonable expenses and a per diem for members of the Advisory Group authorized under the Clean Energy and Pollution Reduction Act of 2015 (Chapter 547, Statutes of 2015) to help ensure appropriate representation on this advisory group.
26. **Name Change for the CPUC's Office of the Rate Payer Advocate.** Changes the name of the CPUC's Office of the Rate Payer Advocate to the Public Advocate's Office of the CPUC.

Comment: This bill makes various changes to implement the resources, environmental protection, energy, and agriculture budget actions adopted as part of the 2018-19 Budget package.

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

FN:

SENATE THIRD READING
SB 855 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: This is the revenue and taxation trailer bill for 2018-19. It contains necessary changes related to the Budget Act of 2018. Specifically, this bill:

- 1) Expands the Earned Income Tax Credit (EITC) to working individuals who are aged 18-24 or over age 65 by revising the age range requirement for the definition of an "eligible individual."
- 2) Expands the qualifying income range for the EITC so that employees with one or more dependents working up to full-time at the 2019 minimum wage of \$12 per hour would qualify for the credit.
- 3) Extends, until 2026, the allowance of the current credit for hiring qualified full-time employees within a specified census tract or economic development area. The credit is an amount equal to 35 percent of qualified wages, paid to qualified employees, multiplied by an applicable percentage of the taxable year.
- 4) Excludes from gross income the earned income of an eligible taxpayer that is derived from sources within Indian country in this state.
- 5) Extends the California Competes Tax Credit until January 1, 2010, and provides for the allocation of credit amounts of \$180 million for each fiscal year 2018-19 to 2022-23.
- 6) Requires that beginning with the 2018-19 fiscal year, that when determining whether to enter into a specific written agreement related to the California Competes Tax Credit, the Governor's Office of Business and Economic Development (GO-Biz) consider the extent to which the credit will influence the taxpayer's ability, willingness, or both, to create jobs in California. Additionally, requires GO-Biz to consider the amount of training opportunities offered for employees by the taxpayer.
- 7) Requires GO-Biz to provide to the Legislative Analyst's Office (LAO) a report on credits allocated for the 2018-19 fiscal year, including a detailed description of the methodology used to evaluate applications and allocated credits. Additionally, requires the LAO to report to the Legislature on the GO-Biz report.
- 8) Requires GO-Biz to provide a member of the California Competes Tax Credit Committee, or their designated representative, upon request of that member, with any information necessary to fulfill their duties related to the tax credit.
- 9) Removes the repeal date of January 1, 2019, for a tax data exchange agreements between the Franchise Tax Board and local governments. Additionally, makes clarifying changes.

COMMENT: This bill is a budget trailer bill within the overall 2018-19 budget package to implement actions related to revenue and taxation. **Analysis Prepared by:** Genevieve Morelos

SENATE THIRD READING
SB 858 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: This trailer bill makes statutory changes related to general government and transportation necessary to implement the Budget Act of 2018. Specifically, **this bill:**

1. Requires the Department of Veterans Affairs to prepare its Master Plan for the state's eight Veterans Homes by December 31, 2019 instead of July 1, 2019, and to update the plan every five years. Also, requires the Master Plan to include consideration and discussion of certain specified elements.
2. Requires the Secretary of State to use funds appropriated in the 2018 Budget Act to reimburse counties for the replacement of their voting systems, as specified.
3. Prohibits issuing a minor "fix it" ticket to cars that have modified mufflers to increase noise or exhaust systems that make unusual or excessive noise.
4. Requires the California Victim Compensation Board to consider, until December 31, 2019, whether the victim or derivative victim incurs emotional harm or a pecuniary loss as a result of the identification of the "East Area Rapist," also known as the "Golden State Killer," as person suspected of committing certain homicide and sexual assault crimes. The bill would specify, for purposes of this provision, that "emotional harm" includes, but is not limited to, harm incurred while preparing to testify.
5. Makes an appropriation by expanding the scope of provisions authorizing certain uses of continuously appropriated funds from the Restitution Fund.

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

FN:

SENATE THIRD READING
SB 859 (Committee on Budget and Fiscal Review)
As Amended June 11, 2018

SUMMARY: This is the Proposition 98 Certification Trailer Bill for 2018-19 budget. This bill provides necessary statutory changes to enact the 2018-19 budget related to K-14 education. Specifically, **this bill:**

Proposition 98. The bill provides for a new process for certifying, or finalizing, the Proposition 98 Guarantee for a given year as follows:

- 1) Specifies that each year, as part of the May Revision process, the Department of Finance shall calculate the state's Proposition 98 Guarantee level for the prior fiscal year based on the most recently available underlying data and publish the proposed certification calculation and underlying data.
- 2) Provides the Superintendent of Public Instruction, the Chancellor of the Community Colleges and other stakeholders with the opportunity to comment on the proposed certification of the Proposition 98 Guarantee. Requires the Department of Finance to provide written responses to the comments on their website and provide this information in a report to the Legislature.
- 3) Provides the Legislature with the opportunity to review the comments and responses and provide additional feedback to the Department of Finance prior to the final certification of the prior year Proposition 98 Guarantee. The final certification is followed by a 90 day period during which a legal challenge may be filed. Requires the Department of Finance to publish the final certification of the Proposition 98 Guarantee and the underlying data in a separate schedule of the Governor's Budget no later than January 10th of the following year.
- 4) If the Director of Finance determines that, pursuant to the certification process, the state has provided appropriations in excess of the Proposition 98 Guarantee for the prior fiscal year, requires that the excess, not to exceed one percent of the value of the Proposition 98 Guarantee in the certified year, be credited to a newly created Proposition 98 Cost Allocation Schedule. Any amounts in the Proposition 98 Cost Allocation Schedule may be credited to satisfy an outstanding obligation for K-14 education under the Proposition 98 Guarantee in any prior year.
- 5) To the extent an outstanding obligation remains for K-14 education under the Proposition 98 Guarantee in any prior year, after any adjustments made for amounts in the Proposition 98 Cost Allocation Schedule, continuously appropriates the amounts necessary to satisfy the obligations to K-14 education entities, as allocated by the State Controller pursuant to a schedule determined by the Department of Finance.

- 6) Provides the Legislature with the opportunity to adopt an alternative plan for repayment of any outstanding obligations determined as a result of the certification process through the annual budget process or other statute.
- 7) Creates a truncated version of this process to certify the Proposition 98 Guarantee for the 2009-10 through 2016-17 fiscal years. Related to this process, provides for the rebenching of the Proposition 98 Guarantee in the 2015-16 fiscal year for additional child care wraparound services related to the State Preschool Program that were funded with the Proposition 98 Guarantee beginning in 2015-16.

Local Control Funding Formula (LCFF). This bill provides a continuous appropriation for cost-of-living-adjustments for the LCFF in future years. This bill also includes technical clean-up related to implementation of the LCFF.

One-Time Discretionary Funds. This bill provides \$100 million in Proposition 98 settle-up funds for K-14 education in the 2018-19 year. Of the total, \$89.1 million is allocated to K-12 local educational agencies (LEAs) on a per average daily attendance basis. These one-time discretionary funds may be used for any purpose; however a LEA's funds may be reduced by any outstanding balances related to Medi-Cal claims. The remaining \$10.9 million is allocated to community college districts on a full-time equivalent student basis and may be used for deferred maintenance, instructional materials, and other activities. These funds count towards settle-up owed for the 2009-10 Proposition 98 guarantee.

Fiscal Effect: This bill appropriates \$100 million in Proposition 98 General fund for K-14 education programs.

Support: None on file.

Opposed: None on file.

Comments: This bill provides necessary statutory changes to enact the 2018-19 budget related to K-14 education.

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

FN:

SENATE THIRD READING
SB 860 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: Creates a funding structure for the replacement of the State Capitol Annex and a separate state office building as part of the 2018 budget package. Specifically, **this bill:**

- 1) Creates the statutory structure for the Capitol Annex replacement project:
 - a. Expands existing project authority to include ancillary improvements, which may include a visitor center, a relocated and expanded underground parking facility, and any needed deconstruction and infrastructure work (Annex-related work).
 - b. Requires that the agreement regarding specified aspects of the work be made by the Joint Rules Committee, the Department of Finance or its designated representative, and the Department of General Services or its designated representative.
 - c. Requires this agreement to establish the scope, budget, delivery method, and schedule for Annex and Annex-related work.
 - d. Requires that the agreed upon scope, cost, and delivery method of each project be recognized by, and subject to oversight of, the State Public Works Board, but authorizes the parties to the agreement to agree upon any delivery method deemed appropriate and advantageous for the work performed and requires them to agree to any changes in the scope of the projects.
 - e. Exempts Annex and Annex-related project work from specified state requirements.
 - f. Specifies that a designated amount of space within any Annex be under the control of the Department of General Services and that all other space be allocated from time to time by the Joint Rules Committee.
 - g. Specifies that projects related to the Annex may be pursued in phases.
 - h. Expands the CEQA-related provisions described above to additionally apply to Annex-related work.
 - i. Requires, on or before July 1, 2019, the Judicial Council to adopt a similar rule of court regarding proceedings related to Annex-related work.
- 2) Creates a project for a new state office building on 10th and O street in Sacramento:
 - a. Authorizes the Department of General Services to pursue design and construction of a state office building, located on O Street, between 10th Street and 11th Street, in Sacramento, to provide for the housing and administrative requirements of the Legislature and executive branch during work on the Annex project, and for a state-owned office building over the longer term.

- b. Applies specified requirements and provisions similar to those applicable to the Annex project to this state office building.
 - c. Applies a height limit in existing statute to this state office building.
 - d. Requires the Department of General Services or its designated representative to collaborate with the Joint Rules Committee to determine the scope, budget, delivery method, and schedule for work related to this state office building.
 - e. Expands the CEQA-related provisions described above to additionally apply to this state office building.
 - f. Requires, on or before July 1, 2019, the Judicial Council to adopt a similar rule of court regarding proceedings related to this state office building.
- 3) Creates a funding mechanism for these two projects:
- a. Authorizes the State Public Works Board to issue bonds, lease-revenue bonds, notes, or bond anticipation notes, not exceeding specified amounts, to finance the acquisition, design, and construction of the Annex and Annex-related projects, as well as state office building on O Street.
 - b. Continuously appropriates funds derived from these financing methods to the State Public Works Board for the authorized projects.
 - c. Establishes the intent of the Legislature, for the Annex and Annex-related projects, to utilize available cash sources, including, but not limited to, funds deposited into the SPIF prior to 2018 and funds appropriated in the Budget Act of 2018, prior to utilizing lease-revenue bond authority provided in this bill.
 - d. Authorizes the use of funds deposited into the SPIF to cover the costs of any report that may be prepared with respect to the state office building.
 - e. Authorizes a transfer of funds from the SPIF to the Architecture Revolving Fund to be used for work related to the state office building.
 - f. Prohibits the use of funds transferred to the Operating Funds of the Assembly and Senate for alteration or modification of specified details related to the historically restored areas of the west wing of the Capitol, unless the Legislature expressly appropriates moneys for that purpose in accordance with the California Constitution.
 - g. Expressly appropriates from the SPIF up to \$20 million to cover the costs of design and construction to modify the west wing in order to facilitate a fully functional State Capitol.

FISCAL EFFECT: This bill creates funding mechanisms to replace the Capitol Annex, including authorizing lease-revenue bonds. However this cost of this bill depends upon the mix of funding that is ultimately used to complete the project.

COMMENT: This bill outlines the governance and funding structures for the renovation of the California State Capitol's Annex section as part of the 2018 budget package. This renovation is necessary to address serious deficiencies in the current structure to address functionality, security, and disabled accessibility needs of the facility.

The bill reflects the current plan to accomplish this renovation. First a new state office building will be constructed on O Street in site that is currently a parking lot. This new office space will serve as the temporary swing space for the Annex functions during the renovation of the space. Upon completion of the Annex construction, the O Street space will be available for other state office space needs.

It is expected that the Capitol Annex Renovation will mostly be financed with funding available in the State Project Infrastructure Fund, but this bill provides authority to issue lease revenue bonds if necessary for the project. In addition, it is expected that the new O Street office building will be funding with lease financing.

The bill also creates the project management framework for the Legislature to work with the Executive branch on the management of these two projects. The projects will be subject to review oversight of the Public Works Board, as specified, with the final O street building anticipated to be managed by the under the control of the Department of General Services, but the State Capitol returning to the oversight of the Legislature's Joint Rules Committee, with the exception of a designated space (currently the first floor), which is reserved for executive branch functions.

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

FN:

SENATE THIRD READING
SB 864 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: Creates two new reserve funds, the Budget Deficit Savings Account and the Safety Net Reserve as part of the 2018 budget package. Specifically, this bill:

- 1) Creates the Budget Deficit Savings Account:
 - a. Deposits, for the 2018-19 fiscal year, the discretionary amount needed to fill the Budget Stabilization Account ;
 - b. Transfers, based upon the projections the projections in the 2018-19 May Revision, the amount necessary to fill the Budget Stabilization Account after May 31, 2018;
 - c. Specifies that half of any remaining balance shall be transferred to the Safety Net Reserve CalWORKs Subaccount; and
 - d. Includes legislative findings related stating the need for the State to set-aside additional reserves for future economic downturns.
- 2) Creates the Safety Net Reserve:
 - a. Creates two subaccounts, the CalWORKs Subaccount, and Medi-Cal Subaccount;
 - b. Requires, by May 1, 2019, the Department of Finance, in consultation with the Department of Health Care Services, the Department of Social Services and the Legislative Analyst's Office to:
 - i. Develop a methodology for determining savings from caseload declines and costs per case in CalWORKs and Medi-Cal; and
 - ii. Create rules for withdrawing funds from these two new subaccounts
 - c. States legislative intent that future savings attributed to the methodology would be deposited in the appropriate subaccount;
 - d. Deposits \$200 million into the CalWORKs Subaccount in 2018-19.
- 3) Clarifies that funds in both reserves are available for cash management purposes.
- 4) Appropriates \$8,000 for the Department of Finance to develop the methodology for the Safety Net Reserve.

FISCAL EFFECT: This bill will result in \$1.747 billion being deposited into the Budget Deficit Savings Account and \$200 million being deposited in the Safety Net Reserve CalWORKs Subaccount. This bill will cost \$8,000 General Fund to implement.

COMMENT: This 2018 budget trailer bill creates two new reserve accounts. These reserve accounts have different objectives:

The Budget Deficit Savings Account was first proposed in AB 1740 (Daly) but was incorporated into the budget process so it could take effect during the 2018-19 fiscal year. The intent of this reserve is to provide a mechanism to deposit additional reserves once the Budget Stabilization Account reaches its maximum level of 10 percent of General Fund revenues.

The Safety Net Reserve is intended to capture savings achieved by reductions to CalWORKs and Medi-Cal programs due to lower caseloads and costs from less utilization from a strong economy. These savings can then be available to pay for increased program costs associated if the economy weakens and demand for these programs increase. This bill creates a process to develop the mechanism for calculating savings and distributing the proceeds from this reserve.

The 2018 budget package includes a \$1.747 billion discretionary deposit into the Budget Stabilization Account. This amount would fully fund the Rainy Day Fund, based upon the revenue projections assumed in the budget package. This deposit will be made after May 31, 2019.

This bill would use the Budget Deficit Savings Account as a holding account for this discretionary deposit. If revenues in the 2018-19 fiscal year exceed that amount assumed in the budget, then it would be likely that not all of the \$1.747 billion would be needed to maximize the Rainy Day Fund. Pursuant to this bill, any funds that remained after the transfer to the Budget Stabilization Account would be split between the Budget Deficit Savings Account and the Safety Net Reserve CalWORKs Subaccount. If State revenue collections are more in line with the Legislative Analyst's Office forecast for 2018-19, this could mean several hundred million dollars of funding will remain in both reserves at the end of the fiscal year.

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

FN:

SENATE THIRD READING
SB 865 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: As part of the 2018 budget package, creates a structure for the expenditure of Proposition 2 revenues that are dedicated for infrastructure. Specifically, **this bill:**

- 1) Creates the Infrastructure Stabilization Fund to allocate funding dedicated for infrastructure pursuant to Proposition 2 of 2014;
- 2) Dedicates future Proposition 2 revenue in the following manner:
 - a. Allocates the first \$415 million to the State Infrastructure and Maintenance Fund;
 - b. Splits amounts beyond the first \$415 million of revenue:
 - i. Dedicates fifty percent to the Rail Modernization Program; and
 - ii. Allocates the remaining 50 percent to Housing Rehabilitation Loan Fund;
 - c. Stipulate that this funding split applies until the 2021-22 fiscal year.
- 3) Stipulates that funds deposited in the Housing Rehabilitation Loan Fund from this funding source could only be used for Multifamily Housing Program infrastructure investments;
- 4) Creates the Rail Modernization Program, a new rail corridor improvement funding program administered by the State Transportation Agency;
- 5) Creates the State Infrastructure and Maintenance Fund for improvements related to state infrastructure and capital;
- 6) Converts Assembly appointments to the Student Aid Commission, the State Fair Board, the High Speed Rail Authority Board, and the Employment Training Panel from term appointments to appointments at the pleasure of the Speaker.

FISCAL EFFECT: This bill allocates Proposition 2 infrastructure funding that would begin to accrue after the Budget Stabilization Account has reached its maximum size of 10 percent of State General Fund revenues.

COMMENT: Proposition 2 of 2014 created the Budget Stabilization Account, also called the Rainy Day Fund. The proposition dedicates 1.5 percent of General Fund revenue and certain excess capital gains revenues to fund the Budget Stabilization Account, with half of this revenue set aside to pay for certain state liabilities. Once the Budget Stabilization Account reaches 10 percent of State General Fund, any excess funding that would have gone to the Budget Stabilization Account must be used for infrastructure.

As part of the 2018 budget package, this bill provides the framework for the expenditure of infrastructure funding that would begin to accrue after the Rainy Day fund is full. As the 2018 budget envisions filling the rainy day fund during the fiscal year, these funds could begin to be available during this fiscal year. The plan would stipulate that until 2021-22, the first \$415 million of infrastructure funding would be deposited in the State Infrastructure Maintenance Fund for improvements to the State Capitol. Beyond that amount, half of the funding would be dedicated to the rail corridor improvements identified by the State Transportation Agency and the other half would be used for Multifamily Housing Programs.

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

FN:

SENATE THIRD READING

SB 868 (Committee on Budget and Fiscal Review)

As Introduced January 10, 2018

SUMMARY: Contains necessary statutory and technical changes to implement the Budget Act of 2018 related to Public Safety (lease revenue bonds). Specifically, **this bill:**

Provides an augmentation of \$43 million to the California Department of Corrections and Rehabilitation for the Health Care Facility Improvement Projects, bringing the total provided for these projects to \$1.09 billion. Requires approval from the State Public Works Board in order to fund the various Health Care Facility Improvement Projects. Requires the Department of Finance, no less than 20 days prior to the State Public Works Board's approval, to report to the Joint Legislative Budget Committee and the Assembly and Senate fiscal committees regarding the allocations provided for each project, reasons for the additional allocation, the estimated date of completion for the projects, and the amount remaining to be allocated to the other projects.

COMMENT: This bill is a budget trailer bill within the overall 2018-19 budget package to implement actions related public safety.

Analysis Prepared by: Jennifer Kim / BUDGET / (916) 319-2099

FN:

SENATE THIRD READING
SB 870 (Committee on Budget and Fiscal Review)
As Introduced January 10, 2018

SUMMARY: Contains necessary statutory and technical changes to implement the Budget Act of 2018 related to the Public Safety. Specifically, **this bill:**

1. Clarifies provisions related to the Disaster Response Emergency Operations Account (DREOA) by defining disaster response operations costs as those that are immediate and necessary to deal with an ongoing or emerging crisis. Requires notification to the Joint Legislative Budget Committee and the fiscal committees of the Assembly and the Senate where emergency response activities must continue beyond the 120 day period and must include the estimated additional amount of time needed and the reason requiring the additional time. Provides that extensions cannot exceed 120 days past the initial 120-period.
2. Requires, beginning on January 1, 2019, a monthly surcharge amount of not less than \$0.20 and not more than \$0.80 per access line to fund the current fiscal year's 911 costs under the Emergency Telephone Users Surcharge Act. Requires, between January 1, 2019 and before January 1, 2020, a 0.75% surcharge for mobile telephone communications services for prepaid mobile telephony services. Requires, on or after January 1, 2020, that prepaid monthly telephony services monthly surcharges will be the equivalent of surcharges of all other access lines. Clarifies that Next Generation 9-1-1 and the subsequent technologies and interface needed to deliver 9-1-1 voice and data information is included within the meaning of the basis system for the purposes of the State Emergency Number Account expenditures. Takes effect immediately as an urgency statute.

COMMENT: This bill is a budget trailer bill within the overall 2018-19 budget package to implement actions related to the Public Safety.

Analysis Prepared by: Jennifer Kim / BUDGET / (916) 319-2099

FN:

