

## 2018 Budget Trailer Bill Analyses Packet

Monday, August 27, 2018

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SENATE THIRD READING

SB 862 (Committee on Budget and Fiscal Review)

As Amended August 15, 2018

**SUBJECT:** Budget Bill Jr.

**SUMMARY:** This bill makes additional appropriations and includes clarifying and technical changes to the Budget Act of 2018 (Chapter 29 and Chapter 30, Statutes of 2018).

**Proposed Law:** The bill makes clarifying and technical revisions necessary to implement the Budget Act of 2018. Specifically, this bill does the following:

- 1) Adjusts the due date of the report from the Department of Justice to the Legislature related to grants for processing sexual assault kits to six months following the close of the grant cycle. Funds are available for expenditure or encumbrance until June 30, 2021.
- 2) Adjusts the due date of the report from the Department of Justice to the Legislature related to grants to audit untested sexual assault kits to July 1, 2020.
- 3) Makes a technical change to the Student Authors Program and the Lunch at the Library Program to allow for funding to be distributed more effectively. Both California State Library programs were funded in the 2018 Budget Act.
- 4) Allows the University of California a longer expenditure period for Jordan's Syndrome research and legal services for undocumented and immigrant students, faculty, and staff.
- 5) Corrects a technical error regarding state mandates for community colleges by changing the fiscal year from 2015-16 to 2016-17.
- 6) Makes a technical correction to transfer funds to the Coastal Trust Fund instead of the Coastal Conservancy Fund.
- 7) Includes \$4 million for the California Conservation Corps for active transportation projects with provisional language making the funds available for encumbrance and liquidation until June 30, 2024.
- 8) Requires State Coastal Conservancy to distribute a portion of the allocated Greenhouse Gas Reduction funds to the California Coastal Commission and San Francisco Bay Conservation and Development Commission.
- 9) Authorizes a transfer of \$15 million from the Air Quality Improvement Fund to the Alternative and Renewable Fuel and Vehicle Technology Fund.
- 10) Extends the liquidation and encumbrance period for the California Nutrition Incentive Matching Grant Program allocation.

- 11) Specifies that of the \$10 million (General Fund) appropriated to the Department of Social Services (DSS) for the provision of diapers to low-income families with infants or toddlers, \$2.5 million shall be provided to either or both specified organizations serving the San Francisco Bay Area. Additionally specifies that grant details shall be developed in consultation with legislative staff and that DSS may provide up to 25 percent of a grant award as cash in advance of actual purchases made by a grantee to accommodate readiness and infrastructure needs.
- 12) Allows for the Director of Finance to augment the appropriation for the Department of Motor Vehicles (DMV) to alleviate wait times at field offices and requires, upon request of the funding, submission of a report that includes the status of resources provided, justification for additional resources and estimated impact on wait times, and updated field office wait times. Also, requires DMV to report on potential business process improvements, and to report monthly until December 31, 2020 on wait times in field offices.
- 13) Adds provisions to the Governor's Office of Business and Economic Development Department for the Office of Small Business Advocate to specify that \$3 million shall be used to draw down federal funds for the California Small Business Development Center Program; \$17 million is for the California Small Business Development Technical Assistance Expansion Program, and \$3 million shall be used for other federal small business technical assistance programs.
- 14) Allows for the Department of Education to use \$100,000 in one-time federal Title IV carryover for state operations funding to administer a one-time Title IV grant program, instead of redirecting these funds to administer the Early Math Initiative.
- 15) Updates the federal grant award amounts for various education related programs.
- 16) Corrects the incorrect fiscal year related to reimbursement of education related mandate claims for the Mandated Cost Reimbursement Program.
- 17) Updates references to "pending legislation" with the appropriate budget trailer bill legislation.
- 18) Corrects an incorrect reference relating to an allocation for the California Conservation Corps to develop and implement active transportation projects.
- 19) Removes a reference to pending legislation and instead specifies that the \$3.6 million allocated for the Department of Forestry and Fire Protection in the 2018 Budget Act may be used for fireworks management and disposal.
- 20) Reappropriates \$15 million in Item 3760-101-0001 in the Budget Act of 2017 to enhance public access and other public purposes concerning the West Coyote Hills area in Orange County.

- 21) Appropriates \$23.5 million for various water related projects, including the water tank installation, well replacement, septic replacement, and the Safe Drinking Water for Schools Grant Program.
- 22) Provides \$10 million (General Fund) to the Office of Emergency Services for grants related to human trafficking services.
- 23) Reduces General Fund resources of \$10 million from the Department of Social Services that had been appropriated for benefit costs related to the elimination of the Social Security Income (SSI) Cash-Out policy, leaving a remaining \$190 million, which is subject to review for adequacy in funding the program changes as part of future budgets.
- 24) Provides \$700,000 to the Department of Justice (DOJ) to implement the California Consumer Privacy Act of 2018.
- 25) Provides funding of up to \$15 million, subject to the passage of pre-trial reform legislation, to support start up activities associated with the implementation of pre-trial reform efforts.
- 26) Appropriates to San Diego County for elections for county offices up to \$20,000 of the \$134.4 million made available in the 2018 Budget Act to counties for upgrading their county election systems.
- 27) Makes various other minor technical and clarifying amendments.

**FISCAL EFFECT:** This bill includes additional appropriations from special and federal funds, as well as the General Fund. This bill amends SB 840 (Chapter 29, Statutes of 2018), the 2018 Budget Act, and SB 856 (Chapter 30, Statutes of 2018), which included amendments to the 2018 Budget Act, to reflect the agreement of the use of funds associated with the 2018 budget package. This bill also makes technical and clarifying changes to the 2018 budget.

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

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SENATE THIRD READING

SB 874 (Committee on Budget and Fiscal Review)  
As Amended August 27, 2018

**SUBJECT:** Education

**SUMMARY:** This bill makes additional changes to the 2018 Budget Act related to education. Specifically, the bill includes the following amendments:

1. Includes the following conditions for school districts with emergency apportionment loans as of July 1, 2018 (Oakland Unified, Inglewood Unified, King City Unified, and Vallejo Unified) when selling or leasing surplus property, until the district has repaid the emergency apportionment loan:
  - a. Specifies that the sale of surplus property is subject to the provisions governing priorities for sale of surplus property.
  - b. Exempts the district from applying for financial hardship assistance when applying for funds under the School Facilities program for construction or modernization fund.
  - c. Specifies that school districts with emergency apportionment loans specified in this section are eligible to participate in the School Facilities program.
  - d. Requires the proceeds from the sale or lease of the surplus property to be used to reduce or retire outstanding emergency apportionment loans or for capital improvements of school district facilities.
  - e. Specifies that this section cannot be waived by the State Board of Education or the Superintendent of Public Instruction.
- 2) Requires the Fiscal Crisis Management Assistance Team (FCMAT) to review the ineffectiveness of the county superintendent responsible for resolving the financial problems of the school district in financial distress. Requires the county office of education to demonstrate how they are going to remediate those deficiencies.
- 3) Makes other technical changes.

**COMMENTS:** This bill makes changes to the 2018 Budget Act related to education.

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

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SENATE THIRD READING

SB 846 (Committee on Budget and Fiscal Review)

As Amended August 14, 2018

**SUBJECT:** Employment

**SUMMARY:** Makes technical changes related to the 2018-19 Budget Act.

Specifically, **this bill:**

- 1) Prohibits the Controller, a public employer, an employee organization, or any of their employees or agents, from being liable under state law for, and would grant to them a complete defense to, any claims or actions under California law for requiring, deducting, receiving, or retaining agency or fair share fees from public employees, and would deny standing to current or former public employees to pursue these claims or actions, if the fees were permitted at the time and paid prior to June 27, 2018. Specifies that its provisions apply to pending claims.
- 2) Defines "employee organization" to mean any organization that functioned as an exclusive collective bargaining representative for public employees under any statute, ordinance, regulation, or other state or local law, and any labor organization with which it was affiliated.
- 3) Defines "public employer" to mean any public employer, including, but not limited to, the state, the Regents of the University of California, the Trustees of the California State University, the California State University, the Judicial Council, a trial court, a city, a county, a city and county, a school district, a community college district, a transit district, any public authority, public agency, or any other political subdivision or public corporation, or any other entity considered a public employer for purposes of the labor relations statutes in California.
- 4) Requires the Department of Human Resources to include an evaluation of reasonable accommodation policies and practices in their annual report to the Governor and Legislature.
- 5) Makes various technical references changes including striking "Department of Human Resources" and replacing with "department".
- 6) Provides that an employee hired by the Kern County Hospital Authority on or after the operative date of this act, may participate in the Kern County Employees' Retirement Association, subject to the sole discretion of the retirement board of the association to maintain their tax-qualified or governmental plan status under federal law.

- 7) Requires the Department of General Services to periodically review policies and procedures in the State Contracting Manual and training provided to state personnel related to reasonable accommodation purchases for state employees.
- 8) Requires the Department of General Services, in consultation with the Department of Human Resources and the Department of Rehabilitation, to post on its Internet Website, on January 1, 2019, and biennially thereafter, a report on the purchases of services, goods, information technology, and telecommunications related to reasonable accommodations for state employees.

**FISCAL EFFECT:** Appropriates \$1,371,000 from grant funds received from the federal Department of Labor for expenditure in the 2018-19 to the Department of Industrial Relations for purposes of expanding or supporting existing apprenticeship programs and activities.

**COMMENTS:** This budget bill amends the 2018 Budget Act, and makes technical changes related to employment.

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

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## SENATE THIRD READING

SB 873 (Committee on Budget and Fiscal Review)

As Introduced January 10, 2018

**SUBJECT:** Memorandums of Understanding (MOUs)

**SUMMARY:** Provides legislative ratification of the memoranda of understanding (MOU) agreed to by the state and Bargaining Units (BU) 9 and 10. Specifically, **this bill:**

- 1) Ratifies the MOU for BU 9 – Professional Engineers in California Government (PECG).
- 2) Ratifies the MOU for BU 10 – California Association of Professional Scientists (CAPS).

### **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 \$93.5 million of which \$3.135 million is General Fund.

**COMMENTS:** The following information summarizes the general provisions of the MOUs provided by CalHR:

#### **NUMBER OF EMPLOYEES**

- 1) BU: 9: Total of approximately 10,782 full-time equivalents.
- 2) BU 10: Total of approximately 3,304 full-time equivalents

#### **RETIREMENT**

- 1) Employee Pension Contribution:
  - a. BU 9: On July 1, 2019, current employee contribution rates will remain in effect unless CalPERS determines that (a) the total normal cost rate for the 2016-17 fiscal year has increased or decreased by 1 percent, and (b) 50 percent of that normal cost rate, rounded to the nearest quarter of 1 percent, is greater than the current employee contribution rate. If CalPERS determines (a) and (b) above have been met, the employee contribution rate shall be adjusted to 50 percent of the normal cost rate rounded to the nearest quarter of 1 percent. The increase to the employee contribution shall not exceed 0.5 percent. Contribution increases pursuant to this section will remain in effect through June 30, 2020.
  - b. BU 10: Current employee contribution rates will remain in effect unless CalPERS determines that (a) the total normal cost rate for the 2016-17 fiscal year has increased or decreased by one percent, and (b) 50 percent of that normal cost rate, rounded to the nearest quarter of 1 percent, is greater than or less than the current

employee contribution rate. After CalPERS determines (a) and (b) above have been met, the employee contribution rate shall be adjusted to 50 percent of the normal cost rate rounded to the nearest quarter of 1 percent. Each year thereafter, it shall only be adjusted if CalPERS determines the total normal cost rate increases or decreases by more than 1 percent of payroll above the total normal cost in effect at the time the employee contribution rate was last adjusted. The increase or decrease to the employee contribution in any given fiscal year shall not exceed 1 percent per year. Beginning July 1, 2021, the employee contribution shall return to the rate in effect July 1, 2018.

## **POST-EMPLOYMENT BENEFITS**

### 1) Post-Employment Dental Vesting Schedule for Future Retirees:

- a. BU 9 and BU 10: All employees first hired on or after January 1, 2019, will be subject to an extended vesting schedule for retiree dental benefits providing 50 percent of the employer contribution upon completion of 15 years of state service, increasing 5 percent for each additional year of service, until the employee is 100 percent vested at 25 years of state service.

### 2) Prefunding of Other Post-Employment Benefits:

- a. BU 10: After July 1, 2019, if it is actuarially determined that total normal costs increase or decrease by more than half a percent from the total normal cost contribution in effect at that time, the employer and employee contribution percentages will be increased or decreased, no sooner than July 1, 2020, to maintain a 50 percent cost sharing of actuarially determined total normal costs. Beginning July 1, 2021, the employee contribution shall return to the rate in effect July 1, 2019.

## **COMPENSATION**

### 1) General Salary Increase (GSI)

- a. BU 9: Effective July 1, 2018, all Unit 9 represented classifications shall receive a four and one half (4.5%) GSI.
- b. BU 9: Effective July 1, 2019, all Unit 9 represented classifications shall receive a four percent (4.0%) GSI.
- c. BU 10: Effective July 1, 2019, all Unit 10 represented classifications shall receive a five percent (5%) GSI.
- d. BU 10: Effective July 1, 2020, all Unit 10 represented classifications shall receive a five percent (5%) GSI.

## 2) Educational Pay Differential

- a. BU 10: Effective the first day of the pay period following ratification, establishes a monthly educational pay differential for employees that work in a Unit 10 classification that requires possession of a master's or doctoral degree as a condition of employment. Classifications requiring a master's degree shall receive two percent (2%). Classifications requiring a doctoral degree shall receive three percent (3%).

## 3) Longevity Pay Differential

- a. BU 9: Establishes a longevity pay differential for Unit 9 employees with 20 or more years of state service. This pay differential will be established on July 1, 2018, and will be phased based on the following schedule:
  - i. Two percent (2%) on July 1, 2018, for employees with 20 or more years of state service.
  - ii. Three percent (3%) on July 1, 2019, for employees with 21 or more years of state service.
  - iii. Four percent (4%) on July 1, 2020, for employees with 22 or more years of state service.
  - iv. Five and one half percent (5.5%) on July 1, 2021, for employees with 23 or more years of state service.

## 4) Geographic Pay Differential

- a. BU 9: Effective July 1, 2018, establishes a monthly geographic pay differential of \$250 per month for all Unit 9 employees whose worksite is located in Alameda, Marin, Santa Clara, San Francisco, or San Mateo.

## 5) Prison Recruitment and Retention Bonus

- a. BU 9 and BU 10: Effective July 1, 2018, increases the annual recruitment and retention incentive for Avenal, Ironwood, Calipatria, Centinela, and Chuckawalla Valley State Prisons from \$2,400 to \$2,600. This provision also establishes the same incentive for Pelican Bay, California Correctional Center, and High Desert State Prisons.

## 6) Uniform Allowance Increase

- a. BU 9: Increases the annual uniform replacement credit from \$350 to \$700 for Unit 9 employees at the California Department of Parks and Recreation.

- b. BU 9: Increases the annual uniform replacement credit from \$380 to \$700 for Unit 9 employees at the California Department of Forestry and Fire Protection.
- 7) Uniform Replacement Allowance
  - a. BU 10: Effective July 1, 2018, increases the annual uniform replacement allowance from \$450 to \$670.
- 8) Diving Pay Differential
  - a. BU 10: Effective July 1, 2018, increases the diving pay differential from \$12 to \$25 per hour. This provision also changes from compensating for each diving hour, to all payable hours of the day of a dive.
- 9) Safety Footwear Reimbursement
  - a. BU 10: Effective July 1, 2018, increases the biennial safety footwear reimbursement from \$200 to \$275.
- 10) Safety Professional Certificates
  - a. BU 9: Effective July 1, 2018, allows safety engineers employed by the California Department of Water Resources to be reimbursed for the application (\$160) and examination (\$350) fees associated with successfully completing the examination for Certified Safety Professionals administered by the Board of Certified Safety Professionals. This provision also allows reimbursement of the annual renewal fee (\$150).

## **MISCELLANEOUS**

- 1) BU 9: Increases the number of Voluntary Personal Leave Program (VPLP) hours an employee may elect to receive while participating the VPLP. The prior contract only allowed 8 hours and now employees have the option of 8 or 16 hours. This provision also establishes a VPLP cap of 240 hours.
- 2) BU 9: Prohibits a furlough or mandated Personal Leave Program during the term of the agreement.
- 3) BU 10: Licensed veterinarians working for the California Department of Food and Agriculture and the California Department of Fish and Wildlife, and staff toxicologists working at CDFW will be eligible to receive overtime while assigned to an Incident Command Structure Response.
- 4) BU 10: Licensed veterinarians will receive up to 36 hours of continuing education leave every two years to attend courses directly related to maintaining a licensure or certification. This provision also requires the state to reimburse eligible employees up to

\$1,000 per year to cover continuing education costs for tuition, registration fees, course related books, transportation, and mileage.

- 5) BU 10: Business and Travel: Effective upon ratification, the state agrees to increase the lodging rate for San Francisco from \$150 to \$250, and Marin from \$90 to \$110.
- 6) BU 10: Dependent Vesting: Removes the requirement that a new employee must work one year before receiving the full employer health contribution for dependents.
- 7) BU 10: Eliminates the Emergency Pay Differential for veterinarians.
- 8) BU 10: Prohibits a furlough or mandated Personal Leave Program during the duration of the agreement.

**DURATION:**

BU 9 and BU 10: July 1, 2018 through June 30, 2020.

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

SENATE THIRD READING

SB 877 (Committee on Budget and Fiscal Review)

As Amended August 13, 2018

**SUBJECT:** General Government

**SUMMARY:** Makes technical changes related to the 2018-19 Budget Act.

Specifically, **this bill:**

- 1) Authorizes the Department of Housing and Community Development (department) to charge a person who receives a loan directly from the department pursuant to the Housing for Healthy California Program an ongoing monitoring fee to cover the costs of project monitoring.
- 2) Requires all money received by the department in repayment of any loans to be deposited into the Housing Rehabilitation Loan Fund, and would provide that any money provided be continuously appropriated.
- 3) Provides that a stop order may be personally served to the contractor or subcontractor using the address of contractor or subcontractor on file with the Secretary of State or the Contractors' State License Board; and if the contractor or subcontractor has no address on file with the Secretary of State or the Contractors' State License Board, then the address of the site of the public work.
- 4) Requires any employee of an unregistered contractor or subcontractor on a public works project affected by a work stoppage order issued by the Labor Commissioner to be paid by their employer at the prevailing wage rate for any hours the employee would have worked but for the work stoppage, not to exceed 10 days.
- 5) Makes various technical changes including replacing "awarding agency" with "awarding body".
- 6) Allows a state agency, local agency, school district and/or community college awarding a public works contract under an emergency no-bid procedure to notify the Department of Industrial Relations of the award within 30 days of the award of the contract, or by the last day on which a contractor is employed under the contract, whichever is sooner.
- 7) Provides that the procedure for the processing and appeal of a citation or civil penalty issued by the Labor Commissioner under Section 1773.3 of the Labor Code is the same as prescribed in Section 1023 of the Labor Code.
- 8) Exempts contracts related to the State's 2020 Census Complete Count Effort from the public contracting process.

- 9) Extends the repayment date of a loan made to local mass transit providers from the Public Transportation Account in the State Transportation Fund from January 1, 2019 to January 1, 2021.

**FISCAL EFFECT:** Requires additional funds to be deposited the Housing Rehabilitation Fund, a continuously appropriated fund, thereby making an appropriation.

**COMMENTS:** This budget bill amends the 2018 Budget Act, and makes technical changes related to state government.

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