AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 6 ON BUDGET PROCESS, OVERSIGHT AND PROGRAM EVALUATION

ASSEMBLYMEMBER SHIRLEY WEBER, CHAIR

THURSDAY, MAY 7, 2015

UPON ADJOURNMENT OF SESSION - STATE CAPITOL ROOM 447

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Date of Hearing: May 7, 2015

ASSEMBLY COMMITTEE ON BUDGET
Shirley Weber, Chair
AB 227 (Alejo) – As Amended April 15, 2015

SUBJECT: Transportation funding

SUMMARY: Makes several changes to transportation-related funding streams and loans.

Specifically, **this bill**:

1) Eliminates the transfer of weight fee revenues for debt service related to transportation general obligation bonds.
2) Requires all outstanding loans to the General Fund from certain transportation special funds be repaid by December 31, 2018.

EXISTING LAW: The 2009-10 budget package included a complicated fuel swap that allowed the State to use taxes on fuels to achieve about a $1 billion annual General Fund savings by paying General Obligation Bond debts with weight fees instead of General Fund. As part of this swap, the State replaced the State sales tax on gasoline with an excise tax that contained a true-up mechanism to mimic the revenue growth of a sales tax over time.

Prior to the fuel tax swap, cities and counties received 40 percent of the Proposition 42 portion of the sales tax on gasoline. In May of 2013, DOF estimated that in 2014-15, Proposition 42 revenues would be $1.57 billion if the state still charged a sales tax on gasoline. Based on DOF's estimate, the cities and counties share of Proposition 42 revenues would be about $628 million in 2014-15, assuming fuel tax law prior to the swap.

Under the swap, the state expects to collect about $2.5 billion in swap excise tax revenues in 2014-15. The first $958 million of these funds backfilling weight fees used to pay GO debt service, which saves the equivalent amount of General Fund. The remaining roughly $1.5 billion is then divided by formula, with 44 percent of the funds going to cities and counties. For 2014-15, the swap excise tax revenue that replaced the Proposition 42 transfer to cities and counties is projected to be about $680 million, or roughly $50 million more than locals would have received if the swap had not been enacted.

FISCAL EFFECT: This bill would result in a General Fund cost of close to $1 billion annually from the shift of weight fees from debt service payments.

COMMENTS: This bill would cost close to $1 billion to shift wait fee revenues from their existing use as debt service payment. As a result, this bill results in an ongoing General Fund cost of the equivalent amount. The weight fees would instead be deposited in the State Highway Account. This bill also requires the General Fund repay all loans from certain transportation special funds by December 31, 2018. According to a report prepared by Department of Finance as of December 31, 2014, the State has approximately $575 million on outstanding debts that would have to repaid to the State Highway Account, the Motor Vehicle Account, the Motor Vehicle Fuel Account, the Local

Airport Loan Account, and the Public Transit Account. In this report, Department of Finance projects all of these loans to be repaid on or before 2016-17.

REGISTERED SUPPORT / OPPOSITION:

Support

American Council of Engineering Companies
Association of Governments- Southern California
Blackburn Consulting
California Asphalt Pavement Association
California Association of Councils of Governments
California State Council of Laborers
California Transit Association
City/County Association of Governments of San Mateo County
Dimensions 4 Engineering Inc
EFS Engineering, Inc.
HMH Engineers
Holdrege and Kull
Kennedy & Associates
Kimley, Horn
Lane Engineers, Inc.
Lee & Pierce Inc.
Leighton Consulting, Inc.
Leptien, Cronin, Cooper, Morris, & Poore, Inc.
Michael Baker International
Morton & Pitalo, Inc.
Orange County Transportation Authority
Pace Engineering
Pacific Crest Engineering Inc.
RICK Engineering Company
Robert L. Dewitt and Associates, Inc.
SA Associates
Shannon & Wilson, Inc.
Solano Transportation Authority
Stantec Consulting Services Inc.
Transportation Agency for Monterey County
Transpedia Consulting Engineers
Towill, Inc.
Valley Transportation Authority
Ventura County Transportation Authority
Whitson Engineers
Yeh and Associates, Inc.

Opposition

None on file

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

Date of Hearing: May 7, 2015

ASSEMBLY COMMITTEE ON BUDGET
Shirley Weber, Chair
AB 474 (Brown) – As Amended April 7, 2015

SUBJECT: Public social services: SSI/SSP.

SUMMARY: Specifically, **this bill**:

1) For the 2015-16 fiscal year, and annually thereafter, would require the state maximum State Supplementary Payment (SSP) grant for individuals to be readjusted and increased so that the state SSP payment and the federal Supplemental Security Income (SSI) payment, when combined, equal 112 percent of the federal poverty level (FPL).

EXISTING LAW: Existing state law creates the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program, which provides a monthly cash benefit to enable needy aged, blind, and disabled people to meet their basic living expenses for food, clothing, and shelter. The state's General Fund provides the SSP portion of the grant while federal funds pay for the SSI portion of the grant. The 2015-16 Governor's Budget includes $10.1 billion ($7.3 billion federal funds, $2.8 billion General Fund) for the SSI/SSP program.

FISCAL EFFECT: To increase grants for individuals to 112 percent of the FPL, the state would provide $198 to the maximum grant per month (from a total grant of $900 to $1,098). The marginal grant increase multiplied by 12 months multiplied by 1.073 million individual recipients totals an annual and ongoing cost of approximately $2.5 billion. (Please note that this estimate scenario increases the grant after an already-budgeted federal cost-of-living adjustment (COLA) takes effect on January 1, 2016, discussed below). This change would increase the individual grant on an annual basis from $10,800 to approximately $13,176.

COMMENTS: **SSI/SSP Caseload.** To be eligible for SSI/SSP, a person must be at least 65 years old, blind, or disabled (including blind or disabled children). A qualified recipient must file an application with the Social Security Administration (SSA). Federal criteria are used to determine eligibility. A qualified SSI recipient is automatically qualified for SSP. To be eligible for SSI and maintain eligibility, a person must meet certain income and resource requirements.

Caseload is estimated to be 1.53 million individual recipients in 2015-16, a 0.6 percent increase over the 2014-15 caseload. This breaks out into 1.073 million individuals in the program and 230,000 couple cases (two persons in each couple). The caseload consists of 27 percent aged, 2 percent blind, and 71 percent disabled persons.

Current Grant Levels. The Governor's Budget passes through the federal cost-of-living adjustment (COLA) for SSI/SSP recipients, 1.7 percent for 2015 and a projected 1.5 percent for 2016. These changes keep the SSI/SSP grant levels at their minimum as allowed under federal law for both couples and individuals in order for the state to maintain eligibility for Medicaid funding. The grant level that individuals and couples receive varies based on existing income and falling into a specific eligibility category. There are 25 eligibility categories, each with a unique maximum grant level. For purposes of analysis, the administration uses the "maximum" possible grant when we discuss the state of the grants and scenarios for changing the grant. Effective January 1, 2016, maximum grant levels are $900 per month for an individual and $1,512 per month for couples. Today and until December 31, 2015, they are $889 per month for an individual and $1,496 per month for couples.

The chart below from the Legislative Analyst's Office (LAO) in March 2015 displays the maximum monthly SSI/SSP grant for individuals and couples in 2000-01, as compared to proposed grant levels for 2015–16 (after January 1, 2016).

SSI/SSP Maximum Monthly Grants Then and Now

	2000-01	2015–16 Proposed
Maximum Grant—Individuals		
SSI	$531	$744
SSP	181	156
Totals	**$712**	**$900**
Percent of FPL	102.3%	91.8%
Maximum Grant—Couples		
SSI	$796	$1,116
SSP	469	396
Totals	**$1,265**	**$1,512**
Percent of FPL	134.9%	113.9%

FPL = federal poverty level.

2015 Federal Poverty Level. The chart below displays the 2015 FPL at its 100 percent and 112 percent levels (as proposed to be a minimum level for individual grants in this bill). The FPL is determined by the federal government and the different household levels are displayed for every year at the U.S. Department of Health and Human Services website.

Number of people in a household	100% FPL	112%
One person (Individual)	$11,770 per year	$13,182 per year
Two people	$15,930 per year	$17,841 per year

Other Impacts. If the proposal were adopted, the 230,000 couple cases in the program (equating to 460,000 individuals) would not experience an increase in their monthly grants, both due to the fact that the bill only applies to "individuals" cases and that couples currently receive a combined grant that exceeds 112 percent FPL (as shown in the LAO table above, they are at 113.9 percent FPL in 2015-16).

The Cash Assistance Program for Immigrants (CAPI) provides benefits to aged, blind, and disabled legal immigrants. The CAPI benefits are equivalent to SSI/SSP program benefits, less $10 per individual and $20 per couple. The grant increases for individuals would presumably have an effect for the CAPI grants as well, as these grant levels are statutorily tied. This would increase the cost of the proposal further.

SSI/SSP Advocacy. The Committee has received numerous letters regarding proposed increases in the SSI/SSP grants, though none have been particular to this proposal. Letters in support of SSI/SSP grant increases have been submitted by the Health and Human Services Network, California Advocates for Nursing Home Reform, California Council of the Blind, and Disability Rights California, among other organizations and numerous individuals.

REGISTERED SUPPORT / OPPOSITION:

Support

None on File

Opposition

None on File

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

Date of Hearing: May 7, 2015

ASSEMBLY COMMITTEE ON BUDGET
Shirley Weber, Chair
ACA 1 (Olsen) – As Introduced December 1, 2014

SUBJECT: Legislative procedure.

SUMMARY: Imposes a requirement in the State Constitution to require bills to be in print for 72 hours prior to adoption by either house. Specifically, **this bill**:

1) Prohibits either house from passing a bill unless it has been made available in print and on the internet for 72 hours prior to the vote.

2) Provides an exception for urgency bills related to a declared emergency, as specified in the Constitution.

3) Allows bills to be heard by committees after the contents of the bill have been available on the internet for 15 days.

EXISTING LAW: Prohibits any bill (other than the budget bill) from being heard or acted on by a committee or off the floor in either house until the 31st day after being introduced unless the house dispenses with this requirement by a roll call vote with three fourths of the members concurring.

FISCAL EFFECT: Possible impacts of the measure are discussed below.

COMMENTS: The stated goal of this measure is to enhance transparency by requiring all final legislation to be in print for 72 hours prior to floor action in either house of the Legislature. According to the author, "…the citizens of California deserve a transparent government and legislative body. They should be given the opportunity to review all bills for at least 72 hours before they are voted on. And legislators should be given adequate time to analyze a bill before a vote in order to make a sound decision."

Most bills considered by the Legislature are, under current law, in print for at least 72 hours prior a vote. This measure would impose a strict no-exceptions policy that would require all bills to be in print for this time period, except during a declared disaster. This more rigid policy, if adopted, would meet part of the author's stated goal, while it may severely limit the flexibility of the Legislature to craft difficult compromises, take amendments to respond to citizens, or make technical fixes such as adopting chaptering amendments or striking an urgency clause from a bill.

Bills considered by the Legislature that are in print in final form for less than 72 hours are conventionally driven by three scenarios: the bill is part of a hard fought, complicated compromise; the bill is part of the budget package or; the bill has technical problems and needs to be amended prior to final floor action.

One example of the need for flexibility is the difficult bipartisan political compromise necessary to tackle California's profound drought. AB 1471, which created Proposition 1, the 2014 Water Package required weeks of negotiation to develop and was adopted on the last possible day for the measure to be included on the November 2014 ballot. As a result, the bill was amended in the Senate, concurred by the Assembly, and signed by the Governor all on the same day. Thus, the bill language was only been in print for a few hours prior to adoption. Proposition 1 was adopted by 67.1 percent of voters and is the centerpiece of the State's response to the drought.

The urgent need to act regarding the drought continued in the recent effort to appropriate funds authorized by Proposition 1. In order to get needed projects underway, the Legislature adopted the 2015 water package in two bills, AB 91 and AB 92 in March of this year. Both of these bills were amended two days prior to the vote, which in turn means that the bill was in print for only one day.

Another example was the February 2009 budget package, which was recognized as an example of historic, courageous action that saved the state from fiscal insolvency. That budget agreement was being updated and technically corrected up through the final hours prior to the vote, including, the insertion of SCA 4 (Maldonado), which created the Open Primary. This agreement was not in print for 72 hours, but it was credited with saving the state from insolvency and earned the four Legislative Leaders the prestigious Profiles in Courage Award by the John F Kennedy Library Foundation in 2010.

This measure would also make the small technical changes at the end of session more difficult to accommodate. These include a common practice of eliminating an urgency clause from a measure, to allow a measure to be adopted with only a majority vote. In addition, bills often amend the same sections of code and technical changes are necessary so that the measures don’t chapter out the provisions of a different bill. Under the provision of this measure, either of these changes would trigger a 72-hour in-print requirement, which will mean it will add complexity to the final days of each legislative session.

This measure would also severely narrow and hamstring the annual budget process. The passage of Proposition 25 in November of 2010 sent a clear signal to the Legislature that the passage of a budget on time is a top budget priority for the public; the measure even included financial penalties for members of the Legislature if the budget was not passed by the deadline. California's Constitution requires that the Legislature adopt the budget on or before June 15th of each year, giving the Legislature slightly more than four weeks from when it receives the May Revision on May 14th to when it must enact the budget. This bill would require about ten percent of that time-period to be set aside for the bills to be in print on the floor at the end of the process.

How would the Legislature accommodate this loss of time? Because the current May -June process is already compacted, it is difficult to envision how the process would accommodate this requirement. Should the time to analyze and hear the May Revision proposals be shortened by three days, reducing the chance for the public to participate in crafting of the budget and requiring members to vote on provisions with less information? Or should the Senate and the Assembly have three less days to reconcile their respective budgets into one unified version of a budget package? Perhaps the drafting process could be shortened for the trailer bills and the over 800-page budget bill, but that would further tax the hundreds of staff in Department of Finance, Legislative Counsel, as well as the Legislature and the Administration that develop the final budget package, potentially resulting in significant errors in their work product.

Because the budget process is based on a finite schedule, there is not room to accommodate this print requirement without undermining the quality of the process and the budget legislation. Therefore, these costs should be considered when weighing the merits of this bill.

California's legislative work is more transparent now than at any point in history. This year marks the twentieth anniversary of AB 1624 (Bowen), which required any legislative bill, analysis, history, and voters to be made available via the internet. Prior to the enactment of this bill, this information was only available through the Capitol Bill Room and various small publications that charged a fee to provide this information. Today anyone with access to the internet can see the latest version of a bill, for free, at any time in a system that is updated daily.

Therefore, while this measure has the admirable goal of increasing transparency, California has a relatively transparent legislative process and a long history of important agreements that were quickly passed. Moreover, adding new time requirements may actually strengthen special interests ability to upset legislative agreements and harm the already condensed budget process.

The provisions contained in this measure were also contained in Proposition 31 of November 2012, which was rejected by voters with 39.5 percentage of the electorate voting in favor of the measure.

REGISTERED SUPPORT / OPPOSITION:

Support

California Newspaper Publishers Association
California Tax Payers Association
Howard Jarvis Taxpayers Association
League of California Cities

Opposition

None on File

Analysis Prepared by: Christian Griffith/ Budget/ 916-319-2099

Date of Hearing: May 7, 2015

ASSEMBLY COMMITTEE ON BUDGET
Shirley Weber, Chair
ACA 5 (Grove) – As Amended April 30, 2015

SUBJECT: Legislature: 2-year budget.

SUMMARY: Converts the State to a bi-annual budget process. Specifically, **this bill**:

Creates a biannual budget process that would occur the first year of a Legislative Session.

1) Specifies that, starting in 2019, the legislative session would be organized in two annual phases, with the first year being dedicated to the budget and oversight by committees of the legislature and the second year being dedicated to all other legislation.

2) Allows that after budget is passed, the Governor could submit amendments to the budget bill to the Joint Legislative Budget Committee. The Committee could approve these changes with a simple majority vote of committee members. In addition, the Legislature could amend the budget during the session with a two-thirds vote.

3) Specifies that the Joint Legislative Budget Committee be compromised of sixteen members, eight from both houses, with the membership being proportionate to the representation of each political party in each house.

4) Restricts the introduction of bills during the first year of a legislative session to bills related to the budget and for oversight. During this first year, legislative committees could issue up to five bills each in the first year of the biannual session.

5) Makes various changes to the Constitution to implement a two-year fiscal period, including amending the State Appropriation Limit and the calculations of Proposition 98 and Proposition 2.

EXISTING LAW: The California Constitution provides that the Legislature meets in a biennial regular session, commencing with the first Monday in December in each even-numbered year, when each house is required to immediately organize, and concluding at midnight on November 30 of the next even-numbered year. The California Constitution requires the Governor to submit to the Legislature a budget for the ensuing fiscal year within the first 10 days of each calendar year and requires the Legislature to pass the Budget Bill by midnight on June 15 of each year. The California Constitution authorizes the Legislature or either house, by resolution, to provide for the selection of committees necessary for the conduct of its business.

FISCAL EFFECT: Possible impacts of the measure are discussed below.

COMMENTS: This measure would impose a two-year budget process and define the Legislature's role during the Legislative Session. According to the author, "The current budget process occurs on an annual basis with no formal role for oversight or long-term fiscal planning."

There are three major changes that would result from this measure: (1) the State fiscal process would be less responsive to the dynamic of changing expenditures and revenues; (2) the Legislature would lose influence over State fiscal matters as well as the ability to control its own purpose during the session; and (3) the Administrative Branch of government would see further increases in power at the expense of the Legislative Branch.

Reduced Ability to Respond to State Fiscal Matters

Currently, the State refreshes estimates of revenue and expenditure data twice a year. First, in November, which serves as the basis for the Governor's budget. The second time is in May, which provides the foundation for the May Revision. Historically, at times of economic expansion or recession, there have been substantial differences in the projections during these two time periods because of the nature of California's dynamic economy. During the recent recovery, this has meant that revenues have increased at a robust pace, but during downturns the State has seen huge reductions in revenues. California's major revenue sources – Personal Income Tax, Sales and Use Taxes and Corporate taxes – all correlate with the general condition of the economy as a whole. Likewise, caseloads for health and human services programs grow and shrink to reflect trends in the larger economy.

The Department of Finance includes a five-year projection of revenues and expenditures that provides a rough estimate of whether the State budget is structurally balanced in the long run. The Legislative Analyst's Office also includes a multi-year forecast in the *November Budget Outlook* publication, which frames the forthcoming budget process. However, while these projections are useful for making decisions about spending decisions in the short run, they are sensitive to economic (i.e. the dot com boom and crash) and world events (i.e. Great Recession) that cannot be foreseen when the projections are first made.

This measure would lock in the budget projections for an entire year. This would likely put the State on an autopilot course that would either result in an unexpected surplus or deficit at the conclusion of the fiscal year. Without the ability to course-correct, the State would not be able to respond to change in times of financial uncertainty.

This measure does provide two mechanisms for amending a budget, which theoretically could be used to change the budget. The first is the ability for the Governor to amend the budget through a request to the Joint Legislative Budget Committee, which could be adopted by a majority of the committee. This tool would allow for some minor adjustments to the State spending plan, but because it does not include the ability to approve budget-related statutes, it would not provide a mechanism to adjust many of the main drivers of the overall budget such as the Proposition 98 guarantee estimate, the benefit levels of health and human service programs, or the ratification of memoranda of understanding with State labor unions.

The second mechanism for amending the budget would be through the adoption of a bill, with two-thirds of the members voting in favor. This second tool would re-impose the supermajority voting threshold on any changes to the budget. Thus, it would be more difficult for the Legislature the change the budget plan once it had been established.

Reduction in Legislative Power

This measure would cede existing legislative power to the executive branch. The Legislature's power to appropriate funds would only be fully available to the two houses for the first seven months of the legislative session, while the budget is being crafted. After that time, the Governor can amend the spending plan with the agreement of only nine members of the Legislature, per the new Joint Legislative Budget Committee's role in this measure. However, the Legislature can only make changes to the State spending plan if two-thirds of both houses concur on a bill. This would increase the Administration's flexibility, while reducing the ability of the legislature to act.

Outside of the budget process, this measure would impose a legislative process upon the Legislature in the Constitution in a manner that is normally contained in the rules of each house. This approach gives the Legislature little flexibility to structure its operations, calendar, and focus. Again, this would reduce the ability of the State to respond to the current needs of Californians.

REGISTERED SUPPORT / OPPOSITION:

Support

None on File

Opposition

None on File

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

Date of Hearing: May 7, 2015

ASSEMBLY COMMITTEE ON BUDGET
Shirley Weber, Chair
ACR 45 (Grove) – As Introduced March 11, 2015

SUBJECT: State agency budgets: legislative review: zero-based budgeting

SUMMARY: Resolves that a zero-based budgeting analysis be performed for the 40 largest State departments and agencies over a five-year period. The resolution outlines a process by which these departments and agencies are identified by June 30, 2015 and then the first eight agencies begin the analysis during the 2015 interim study recess.

COMMENTS: There has been considerable interest in adding some sort of "top to bottom" programmatic review of all departments to complement the existing budget process. On December 8, 2011, the Governor issued executive order B-13-11 directing the Department of Finance to create a strategy for program-evaluation methods into the budget process, zero-based budgeting was included as one approach. The intent of ACR 45 appears in line with this effort for greater oversight.

This resolution envisioned an approach of the legislature reviewing eight departments/agencies for the first year, and presumable eight each subsequent year, to review 40 different departments and agencies within five years. Such an approach differs from current efforts underway in the Assembly and in the Executive Branch.

Assembly Budget Subcommittee #2 is currently engaged in the zero-based budgeting analysis of the University of California. The Subcommittee 2 held its first hearing in February and is scheduled to follow up on the UC Budget on May 13th. The experience to date has shown that the effort requires significant staff resources as well as considerable time to sift through increasingly more detailed levels of financial, performance, and staffing data. The zero-based budgeting effort for the University of California may need to continue for more than an additional year, given the complexity of issues brought forward to date.

The Assembly Budget Committee has already been directed to explore expanding the role of zero-based budgeting to all State departments and agencies at least once every ten years. The Committee has not yet developed a work plan for achieving such a review, as the current experience with Subcommittee 2 is critical to informing the future approach. In addition, the Committee intends to develop templates and protocols so that several different departments can be analyzed at the same time in a consistent manner.

The Department of Finance must play a critical role in leading any zero-based budgeting effort. The Department's expertise and resources must be fully engaged in any effort for it to be successful. In meeting the requirements of Executive Order B-13-11, the Department of Finance has chosen to apply zero-based budgeting at the programmatic level in select departments. For example, the many programmatic functions of Caltrans have been the subject of this review over the last four years, and in 2014, the analysis focused on the Caltrans Legal Services division, rather than the entire department. This approach has allowed the Department of Finance to conduct programmatic evaluation within the existing staff resources at the department. Such an approach achieves the same goals as this resolution, but in a much slower and more gradual pace.

The process for conducting zero-based budgeting outlined in ACR 45 may be difficult to implement in the tight timelines envisioned by the resolution. Under the proposed language, work on the zero-based budgeting efforts would need to commence immediately to begin an analysis of eight departments and/agencies for this fall.

The Assembly's effort to implement zero-based budgeting also overlaps with the implementation of the new state accounting system, FI$Cal. Over 80 state agencies and departments are scheduled to transition to this new system in 2015-2017. It may be unrealistic to try to have these departments undertake both difficult and resource intensive activities at the same time.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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