

Date of Hearing: September 13, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 93 (Committee on Budget and Fiscal Review) – As Amended September 11, 2017

SENATE VOTE: 26-9

SUBJECT: Budget Act of 2017

SUMMARY: Amends the 2017 Budget Act to include provisions for the 2017 Greenhouse Gas Emission Fund Expenditure Plan and other technical changes to the budget act. Specifically, **this bill:**

- 1) Appropriates \$621.7 million of Greenhouse Gas Reduction Fund for various investments to fight climate change, mitigate the immediate impact on California, and begin the process of adapting to the long-term impacts of climate change. These investments include:
 - a. \$200 million for healthy forests and fire prevention in State Responsibility areas, of which \$5 million shall be used for activities of the California Conservation Corp;
 - b. \$25 million for fire prevention grants to localities in High Risk Fire Areas;
 - c. \$99 million for methane reduction programs, including dairy digesters research and development and alternative manure management programs. These investments must comply with siting requirements applied to digester projects awarded in the 2016-17 fiscal year;
 - d. \$60 million for energy efficiency funding for agricultural entities, including food processors;
 - e. \$6 million for renewable energy projects related to agriculture;
 - f. \$40 million for waste diversion and recycling infrastructure;
 - g. \$10 million for the Transformative Climate Communities program;
 - h. \$26 million for urban greening;
 - i. \$20 million for urban forestry;
 - j. \$18 million for low income weatherization for multi-family, solar, and farmworker residential units;
 - k. \$15 million for wetland restoration;
 - l. \$26 million for adaptations activities, with \$20 million for natural land adaptation and \$6 million for coastal adaptation;

- m. \$11 million for competitive grants for research related to climate change, clean energy, and adaptation;
 - n. \$80 million to backfill State Responsibility Area funds for fire protection in local areas. This bill includes a provision to appropriate these funds prior to the application of the continuous appropriation of Greenhouse Gas Reduction funds for the budget year; and
 - o. \$11.7 million for statewide implementation costs.
- 2) Appropriates \$78.3 million of other special funds for activities related to the 2017 Greenhouse Gas Expenditure Plan, including:
- a. \$50 million for agricultural diesel replacement and upgrades, of which \$35 million is from the Alternative and Renewable Fuels and Vehicle Technology Fund and \$15 million is from Air Quality Improvement Fund;
 - b. \$28.3 million for implementation costs, including \$27 million of Air Pollution Control fund for local efforts to implement AB 617 (C. Garcia), Chapter 136 of the Statutes of 2017 and \$1.3 million from the Cost of Implementation Fund for the implementation of AB 398 (E. Garcia) Chapter 135 of the Statues of 2017.
- 3) Deletes sections of the budget bill referring to collection and expend State Responsibility Area fire fee revenue, which was repealed.
- 4) Exempts state departments from Administrative Procedures Act guidelines for implementation of Greenhouse Gas Reduction Act funded programs.
- 5) Advanced payment requires the California Air Resources Board to advance pay grant funding allocated to California Air Quality Management Districts.
- 6) Makes small technical updates and corrections to the 2017 budget act including:
- a. Adjusts the project amount and program code for \$5.2 million of special funds for the Grass Valley DMV renovation project.
 - b. Appropriations \$750,000 for the California Energy Commission to support activities related to Proposition 39 that was adopted by part of the 2017-18 budget package.
 - c. Increases federal funding and makes corresponding adjustments to General Fund to reflect newly identified federal education revenue.
 - d. Adds budget control language to allow the Department of Education to make unallocated preschool funding for full day preschool at local educational agencies available for contracts for part day preschool programs.
 - e. Makes other technical and conforming changes.
- 7) Provides authority to advance up to 25 percent for advanced pay.

FISCAL EFFECT: This bill includes \$750.4 million of additional appropriations from special and federal funds. The bill reduces General Fund costs by \$11.1 million due to inclusion of additional federal revenues not identified previously in the budget.

COMMENTS: This bill is one of two bills that amends AB 97 (Ting) Chapter 14 Statutes of 2017, the 2017 budget act to include the 2017 Greenhouse Gas Revenue Expenditure Plan. In combination with amendments included in AB 134 /SB 119, this bill creates a plan that reflects the broad portfolio of investments intended to complement the policy work of AB 398 (Chapter 135 of the Statutes of 2017) and AB 617(Chapter 136 of the Statutes of 2017). Accounting for continuous appropriations, the State expects to spend \$2.4 billion of Greenhouse Gas Reduction Funds in 2017-18, with \$1.5 billion of GGRF and \$78.3 million of other special funds contained in the expenditure plan in SB 93/AB 109 and SB 134/119.

Major investments include:

- **Air Quality Improvement:** \$430 million (\$351.7 from Greenhouse Gas Reduction Funds) to invest in air quality improvement activities and implementation activities associated with the enactment of AB 617. This includes \$250 million for local air districts to expand the existing Carl Moyer Program and \$135 million for agricultural diesel engine replacement. This amount also includes \$5 million in technical assistant grants to help community groups engage in the development of emission reduction programs and monitoring efforts, as required by AB 617.
- **Clean vehicle and ports:** \$560 million for rebates for an array of vehicles and funds to improve port equipment. This includes \$140 million for port equipment and \$180 million to the Heavy Vehicle Improvement Program, which provides incentives for clean trucks and buses. In addition, the Clean Vehicle Rebate Programs is fully funded at \$140 million.
- **Healthy Forests and Fire Protection:** \$305 million for various programs targeting improving our state forests and reducing the risk of fires. This includes backfilling \$80 million from the end of the State Responsibility Area funding, \$200 million for Healthy Forests and Fire Prevention grant funding for State Responsibility Areas, and \$25 million of grants to support local fire suppression activities in High Risk fire areas.
- **Sustainable Agriculture:** \$300 million (\$250 million from Greenhouse Gas Reduction Fund) for investments in agriculture, include \$99 million for methane reduction from dairy digesters and alternative manure management practices, \$60 million for energy efficiency improvements at food processing facilities, and \$135 million for agriculture diesel engine replacements (also noted in Air Quality item above).
- **Adaptation and Natural Resource Restoration:** \$105 million for natural resource investments, including \$26 million for adaptation in natural lands and coastal regions, \$26 million for urban greening, \$20 million for urban forestry , and \$15 million for wetland restoration grants. These investment are in addition to the \$305 million of healthy forest and fire prevention mentioned previously.

- Affordable Housing and Sustainable Communities: \$284 million is projected for this program in 2017-18, of which at least 75 percent of the funding will be for affordable housing project grants.
- Waste Diversion: \$40 million to continue the successful waste diversion program at CalRecycle.
- Transit: \$213 million of revenue is projected for 2017-18 for transit capital and operations. In addition, at least \$35 million of the funding appropriated by Heavy Vehicle Incentive Program is set aside for zero-emission bus purchases.
- Community improvements: \$10 million for Transformative Climate Communities for additional funding for investments in disadvantaged communities and \$18 million for multi-family, solar, and farmworker weatherization improvement for disadvantaged communities.
- Clean Energy and Climate Research: \$11 million for competitive research grants for clean energy, adaptation and resiliency, to be administered by the Strategic Growth Counsel.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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

Date of Hearing: September 13, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 112 (Committee on Budget and Fiscal Review) – As Amended September 11, 2017

SENATE VOTE: 26-9

SUBJECT: State Government

SUMMARY: This trailer bill makes statutory changes related to general government necessary to implement the Budget Act of 2017. Specifically, **this bill:**

- 1) Clarifies that a city, county, city and county, or local law enforcement agency is prohibited from entering into a contract with any federal agency to house or detain noncitizens in a locked detention facility owned and operated by a local entity.
- 2) Requires the State Fire Marshal, in consultation with the Department of Corrections and Rehabilitation, to prepare and adopt regulations establishing minimum standards for the prevention of fire and for the protection of life and property against fire in any building or structure used or intended for use as a community correctional reentry facility, as specified.
- 3) Clarifies that a local detention facility is required to offer the first hour of remote video visitation each week free of charge if that facility offers remote video visitation.
- 4) Clarifies that provisions which prohibit a person who has an outstanding warrant for certain misdemeanors from owning, purchasing, receiving, or possessing a firearm, shall not apply to or affect a person who otherwise violates those provisions if the person did not have knowledge of the outstanding warrant.
- 5) Extends the Emergency Management Assistance Compact, which provides for mutual assistance between states responding to emergencies and disasters, to March 1, 2023. Existing law would have made the compact inoperative on March 1, 2018.
- 6) Conforms the County Employees Retirement Law of 1937 with the Public Employees' Retirement system, to permit a retired person to serve as an elective officer without reinstatement from retirement or loss or interruption of benefits, provided that his or her retirement allowance is suspended to the extent that it is based on service in that elective office.
- 7) Requires that the arbitrator selection process to commence within 14 days of a party's demand for compulsory interest arbitration instead of no later than 14 days prior to the negotiation period.
- 8) Provides that the party demanding compulsory interest arbitration be responsible for requesting a panel of arbitrators from the State Mediation and Conciliation Service.

- 9) Requires that interest arbitration be completed within 30 days instead of the arbitrator's earliest available date or any other date to which the parties agree.
- 10) Provides an exception from the requirement by the California Gambling Commission to deny a license for a conviction of a felony for the possession of cannabis, the facts of which would not constitute a felony or misdemeanor under California law on the date the application for a license is submitted.
- 11) Makes an appropriation by providing \$2.6 million in reimbursement authority to the California Office of Emergency Service, as the state's Emergency Management Assistance Compact coordinator, to reimburse local fire departments for activities provided in support of the State of Nevada during the October 2016 Little Valley Fire.

FISCAL EFFECT: Provides \$2.6 million in reimbursement authority.

COMMENTS: This trailer bill includes technical clean up provisions related to general government necessary to implement the 2017 Budget Act.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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

Date of Hearing: September 13, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 114 (Committee on Budget and Fiscal Review) – As Amended September 10, 2017

SENATE VOTE: 26-9

SUBJECT: Education finance

SUMMARY: This bill is the K-12 and higher education clean-up budget trailer bill. Specifically, **this bill:**

K-12 and Early Education

- 1) Makes minor and conforming changes related to updating the income eligibility requirements for state subsidized child care and preschool, including:
 - a. Requires the Department of Finance to update its calculations of the state median income for various family sizes to the Department of Education my March 1st of each year, instead of May 1st, for purposes of determining child care eligibility.
 - b. Aligns requirements for determining the family fee schedule for child care and preschool services with the new income eligibility requirements and repeals the outdated family fee schedule.
- 2) Clarifies that the California Energy Commission is exempt from the Administrative Procedure Act when adopting or revising any guidelines related to the Clean Energy Job Creation (Proposition 39) program.
- 3) Repeals the provision included in the education omnibus trailer bill (AB 99) requiring Proposition 56 funds provided for tobacco and nicotine prevention programs for young people to be allocated pursuant to legislation. Repealing this provision will allow for the funding to be allocated pursuant to the existing Tobacco Use Prevention Education (TUPE) program.
- 4) Extends the time for the California-Grown Fresh School Meals Account to be open by three years, until July 1, 2021, and require the Superintendent of Public Instruction to report annually through September 30, 2021 on the funds received and grants awarded from the account.
- 5) Corrects a cross-reference related to the District of Choice program and make other conforming changes.

Higher Education

- 1) Amends language regarding the Community College Innovation Awards to correctly reference a Budget Bill item number.
- 2) Amends the Middle Class Scholarship statute to reflect an agreement in the 2017 Budget Act to appropriate \$96 million in 2017-18 for the program. The appropriation will rise to \$117 million in 2018-19 and beyond.
- 3) Clarifies the Community College Completion Grant to ensure that students pursuing a bachelor's degree can qualify for the grant, and that the grant shall be at maximum \$1,000 per semester.
- 4) Amends the Every Kid Counts College Savings Program established in the 2017 Budget Act to direct the Scholarshare Investment Board to consider strategies to best incentivize families to participate in college savings programs and consult with the Legislature and Administration before implementing a new program.
- 5) Allows the Scholarshare Investment Board and the Franchise Tax Board to share information to verify income status for participants of the Scholarshare Investment Board's college savings programs.
- 6) Adjusts the University of California Innovation and Entrepreneurship Initiative to ensure state funding can support research and development of new energy technologies and storage.

FISCAL EFFECT: No increased cost to the General Fund.

COMMENTS: These minor and technical changes are needed to clarify the intent of the 2017 Budget Act related to K-12 education, child care and higher education.

REGISTERED SUPPORT / OPPOSITION:

None on file.

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

Date of Hearing: September 13, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 115 (Committee on Budget and Fiscal Review) – As Amended September 10, 2017

SENATE VOTE: 26-9

SUBJECT: Health and human services

SUMMARY: These amendments make technical and clarifying changes to health and human services budget trailer bills included in the overall 2017 budget package. Specifically, **this bill:**

- 1) Further refines the language adopted in SB 90 (Chapter 25, Statutes of 2017) related to the Public Employment Relations Board (PERB) and collective bargaining for In-Home Supportive Services (IHSS) program providers by clarifying that the specified mediation process prescribed in SB 90 is required if a public authority or nonprofit consortium and the employee organization have not reached an agreement on a bargaining contract with in-home supportive services workers by January 1, 2018.
- 2) Specifies the conditions under which a county may negotiate a wage supplement that is tied to the state minimum wage. The initial wage supplement may be applied to the county's current provider wage rate for counties that are currently paying above minimum wage, which clarifies that all counties can negotiate a wage increase and receive state participation under certain conditions.
- 3) Revises the factors used to calculate caseload growth for purposes of evaluating the appropriate level of funding that counties would receive in the modified Realignment/General Fund/county funds arrangement prescribed in SB 90, which took effect July 1, 2017. These revisions change the definition of "growth" to exclude the County IHSS Maintenance of Effort (MOE) in effect on June 30, 2017, and by including offsets provided by General Fund moneys and redirected 1991 Realignment Vehicle License Fee growth revenues in the calculation of the County IHSS MOE costs.
- 4) Corrects an inadvertent omission regarding the redirection of growth revenues to account for the 2016-17 sales tax growth revenues that are available after accounting for caseload growth. These changes are consistent with the agreement that realignment revenue growth be redirected to county IHSS costs. The allocation of these funds shall be based on a schedule provided by the Department of Finance developed in consultation with the California State Association of Counties.
- 5) Requires the State Controller, commencing with the caseload growth calculation for the 2017-18 fiscal year regarding IHSS funding, to annually post on its Internet Web site the total amount of unfunded caseload growth by county.
- 6) Clarifies the terms of spending for an appropriation of \$5.4 million General Fund that was made in the 2017 Budget Act, requiring the Department of Social Services (DSS) to allocate the funds to the City of San Jose for purposes of assisting homeless and low-income individuals displaced by the Coyote Creek flooding that occurred in February

2017, and, as a condition of receiving these funds, require the City of San Jose to provide quarterly reports to DSS.

- 7) Clarifies that, for fiscal years 2017-18 and 2018-19, skilled nursing facilities may continue to participate in the supplemental payment program as long as they meet the nursing hours patient per day requirements that were in statute prior to the adoption of SB 97 (Chapter 52, Statutes of 2017), consistent with the intent of that budget trailer bill.
- 8) Clarifies that, beginning in fiscal year 2019-20, a skilled nursing facilities that is granted a waiver from the new nursing hours patient per day requirements pursuant to SB 97 may continue to participate in the supplemental payment program as long as they meet the nursing hours patient per day requirements that were in statute prior to the adoption of SB 97, for as long as the waiver is in effect, consistent with the intent of that budget trailer bill.
- 9) Appropriates \$20 million (General Fund) to DSS for use in the 2017-18 fiscal year for payment to existing entities providing immigration services on behalf of clients involved in, applying for, or subject to federal Deferred Action for Childhood Arrivals (DACA) status. States that those payments shall be made by the Controller upon receipt of written notification from DSS of the amounts, contractors, and timing of the payments.
- 10) Designates this act as a bill providing for appropriations related to the Budget Act and that it is identified as such in the Budget Bill, and shall take effect immediately.

FISCAL EFFECT: This bill appropriates \$20 million (General Fund) to the Department of Social Services for additional payment to existing entities providing immigration services on behalf of clients involved in, applying for, or subject to federal Deferred Action for Childhood Arrivals (DACA) status.

COMMENTS: This bill contains technical, clarifying changes to 2017 health and human services budget trailer bills adopted in June 2017, with the majority of changes related to the In-Home Supportive Services program and nurse patient ratios in skilled nursing facilities.

REGISTERED SUPPORT / OPPOSITION:

Support

California State Association of Counties
 County Medical Services Program
 County Welfare Directors Association
 Service Employees International Union (SEIU) California
 United Domestic Workers (UDW)/American Federation of State, County, and Municipal Employees (AFSCME) Local 3930
 Urban Counties of California

Opposition

California Advocates for Nursing Home Reform (CANHR)

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

Date of Hearing: September 13, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 116 (Committee on Budget and Fiscal Review) – As Amended September 10, 2017

SENATE VOTE: 26-9

SUBJECT: Taxation

SUMMARY: This is a trailer bill on state revenue issues containing necessary changes related to the Budget Act of 2017. This bill makes statutory changes to implement the 2017 Budget Act. Specifically, **this bill:**

- 1) Provides intent language related to the underground economy.
- 2) Makes findings and declarations related to the Taxpayer Transparency and Fairness Act of 2017 and the Office of Tax Appeals (office).
- 3) Requires that a licensee of the California Board of Accountancy be independent in the performance of services in accordance with professional standards.
- 4) Requires appeals conferences to continue to be conducted in the same manner as before the duties, powers, and responsibilities were transferred to the California Department of Tax and Fee Administration (department).
- 5) Provides that the regulations contained in Article 6 (commencing with Section 5260) of Chapter 2 of Division 2.1 of Title 18 of the California Code of Regulations continue in force and apply to appeals conference within the department's jurisdiction. Authorizes the department to amend, repeal, or add regulations as necessary or appropriate to carry out the Chapter.
- 6) Authorizes a person requesting relief in an appeals conference to request a hearing before a tax appeals panel in the office if the department denies the request for relief.
- 7) Authorizes the State Board of Equalization (board) and the department to obtain copies of pictures or photographs of licensees from the Department of Motor Vehicles in order to carry out its respective duties, powers, and responsibilities.
- 8) Allows the department to disclose to specified persons solely for use in an action or proceeding affecting personnel rights of an employee or former employee, or in preparation of the action or proceeding, but only to the extent the department determines that the information is, or may be, relevant and material to the action or proceeding.
- 9) Defines "an action or proceeding affecting the personnel rights of an employee or former employee of the department" means an action or proceeding arising under either of the following:
 - a. The State Civil Service Act (Part 2 (commencing with Section 18500) of Division 5).

- b. The Ralph C. Dills Act (Chapter 10.3 (commencing with Section 3512) of Division 4 of Title 1).
- 10) Provides that any unauthorized disclosure by a specified person is subject to criminal penalty and civil liability for that unauthorized disclosure.
- 11) Allows the board to continue to have legal authority to hear, determine, decide or take any other action with respect to an appeal, regarding matter for which the duties, powers, responsibilities are transferred to the office, only if both of the following apply:
- a. The hearing, determination, decision, or any other action with respect to an appeal is placed on the calendar of a meeting of the board to be held before January 1, 2018, and
 - b. The appeal is heard, determined, decided, or is otherwise final before January 1, 2018.
- 12) Provides that on and after January 1, 2018, the board has no legal authority to, and shall not conduct an appeals hearing, make a determination, issue or publish a decision, or take any other action with respect to an appeal heard at a meeting of the board before January 1, 2018, if the board's hearing, determination, decision, or any other action is, for any reason, not final before January 1, 2018.
- 13) Requires that the director of the office administer and direct the day-to-day operations of the office, including, but not limited to, ensuring that each hearing office is sufficiently staffed and that appeals hearings are heard and resolved in a timely and efficient manner.
- 14) Provides that the director of the office shall not direct, oversee, supervise, or be otherwise involved in the decision-making process of the tax appeals panels.
- 15) Clarifies that administrative law judges subscribe to the Code of Judicial Ethics adopted by the Supreme Court pursuant to subdivision (m) of Section 18 of Article VI of the California Constitution for the conduct of judges, including but not limited to, those canons governing conflict of interest.
- 16) Clarifies the following definitions of appeal to mean:
- a. Administrative protest with respect to a tax or fee administered by the California Department of Tax and Fee Administration.
 - b. Claim, including a claim for refund with respect to a tax or fee administered by the California Department of Tax and Fee Administration.
 - c. Appeal from an action of the Franchise Tax Board filed under Part 10.2 (commencing with Section 18401) of Division 2 of the Revenue and Taxation Code or Chapter 1 (commencing with Section 20501) and Chapter 4 (commencing with Section 20641) of Part 10.5 of Division 2 of the Revenue and Taxation Code.
- 17) Specifies that the tax appeals panels of the office and the appeals hearings conducted by tax appeals panels are not to be construed to be, or to be conducted by, a tax court.

- 18) Clarifies that on or after January 1, 2018, the tax appeals panels shall conduct all appeals hearings for those duties, powers, and responsibilities transferred to the office pursuant to Section 15672.
- 19) Clarifies that on or after January 1, 2018, the board shall not conduct appeals or take any other action with respect to an appeal, except as provided in subdivision (b) of section 15600 and consistent with subdivision (d) of Section 15600.
- 20) Provides that a certified public accountant and a public accountant may also represent a person before a tax appeals panel.
- 21) Requires the office to establish a process under which a person filing an appeal is authorized to request a closed hearing
- 22) Require the office to establish objective criteria for determining whether to grant a request.
- 23) Clarifies that if a person disagrees with the decision of the tax appeals panel, the person may bring an action in superior court in accordance with the law imposing the tax or fee for a trial de novo.
- 24) Requires that all appeal hearings and proceedings be conducted pursuant to the Administrative Procedure Act, consistent with Section 15674. Require regulations adopted under the jurisdiction of the board to continue in force and apply to all appeals hearings and proceedings, to the extent applicable and not conflict.
- 25) Provides that the office shall amend, repeal or add to the regulations to govern the hearings and proceedings as necessary.
- 26) Requires the office to adopt regulations regarding the presentation of evidence and preparation for the hearings and proceedings before a tax appeals panel that do not require application of specialized knowledge.
- 27) Provides that regulatory actions adopted to carry out the subdivision shall be consistent with the Model State Administrative Tax Tribunal Act dated August 2006 adopted by the American Bar Association, to the extent applicable and not in conflict.
- 28) Defines "board, itself" or "State Board of Equalization meeting as a public body" to mean the California Department of Tax and Fee Administration for those duties, powers, and responsibilities transferred to the California Department of Tax and Fee Administration pursuant to Section 15570.22 of the Government Code.
- 29) Defines "executive director" or "executive officer of the board" to mean the director of the California Department of Tax and Fee Administration for those duties, powers, and responsibilities transferred to the California Department of Tax and Fee Administration pursuant to Section 15570.22 of the Government Code.
- 30) Requires the department to provide a report no later than May 1 for calendar years 2018 to 2030, to the Joint Legislative Budget Committee and the Department of Finance of the

revenue value of the total dollar amount of exemptions taken for sales to, or purchases by, qualified persons, for the immediately preceding calendar year.

- a. Requires the report under this subparagraph to include the revenue value of the total dollar amount of exemptions allowed to do the following:
 - i. A qualified person that is primarily engaged in those lines of business described in Codes 221111 and 221118, and 221122 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.
 - ii. A qualified person that is both of the following:
 1. A person that is primarily engaged in those lines of business described in Codes 3111 and 3399, inclusive, 541711, and 541712 of NAICS published by the OMB, 2012 edition, and
 2. A person that is an apportioning trade or business as specified, that is required to apportion its business income as specified, or a trade or business as described conducted wholly within this state that would be required to apportion its business income.
- 31) Requires the department to provide a report by May 1, to the Joint Legislative Budget Committee and the Department of Finance of the revenue value of the total dollar amount of exemptions taken under this section for the immediately preceding calendar year, and for calendar year 2022. Requires the report to cover July 1 to December 31, 2022.
- 32) Requires an amount that equals the revenue value of the total dollar amount of exemptions, as reported by the department with concurrence of the Department of Finance, be transferred from the Greenhouse Gas Reduction Fund to the General Fund no later than each June 30. Excludes any amount attributable to any cancellations the department made of any outstanding and unpaid deficiency determinations and any refunds. Requires the transfers to the General Fund to be accrued to the fiscal year in which the revenue loss occurred.
- 33) Allows for calendar years 2022 through 2030, an amount not to exceed the difference between the revenue value of the total dollar amount of exemptions, and the revenue value of the total dollar amount of exemptions as reported by the department may be transferred from the Greenhouse Gas Reduction Fund to the General Fund, no later than each July 31 following that calendar year. Requires the transfers to the General Fund to be accrued proportionally to the fiscal year in which the revenue loss occurred.
- 34) Requires that the amount transferred under this subparagraph for each fiscal year to be determined by the Director of Finance, unless a different amount is otherwise specified in the Budget Act.
- 35) Defines "revenue value" of an amount of exemptions as the estimated revenue loss to the General Fund from the allowance of those exemptions for this subdivision.

- 36) Makes technical clarifications to revise the calculation factors to expand the earned income tax credit.
- 37) Makes technical clarifications for the 2018 calendar year, for the minimum voluntary tax contribution requirements.
- 38) Includes finding and declaration related to the office, public information and privacy concerns.
- 39) Includes a continuous appropriation related to the Budget Bill.

FISCAL EFFECT: Includes a continuous appropriation.

COMMENTS: This trailer bill includes technical clean up provisions related to state revenue issues necessary to implement the 2017 Budget Act.

- 1) For the aggregate amount of backfill from the GGRF to the General Fund, the "total dollar amount of exemptions" means the aggregate amount, and not the amount for each particular taxpayer.

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

Date of Hearing: September 13, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 118 (Committee on Budget and Fiscal Review) – As Amended September 10, 2017

SENATE VOTE: 26-9

SUBJECT: Cannabis Regulation

SUMMARY: This trailer bill makes technical changes on cannabis related issues necessary to implement the 2017 Budget Act. Specifically, **this bill:**

- 1) Makes technical changes to the definition of "A-license" and "A-licensee."
- 2) Makes technical change to the definition of "customer" and clarifies that a primary caregiver may also be a "customer."
- 3) Amends the definition of "delivery" to mean the commercial transfer of cannabis or cannabis products to a customer. "Delivery" also includes the use by a retailer of any technology related platform.
- 4) Defines "primary caregiver" to have the same meaning as Health and Safety Code Section 11362.7).
- 5) Clarifies that the office of the Governor may only remove a Governor's appointment from the Cannabis Control Appeals Panel.
- 6) Deletes "provided that the licensed premises are separate and distinct" from paragraph that provides authority for a person to apply for and be issued more than one license.
- 7) Clarifies that an applicant that voluntarily submits a valid, unexpired license, permit, or other authorization from the local jurisdiction shall be presumed to be in compliance with all local ordinances unless the licensing authority is notified otherwise by the local jurisdiction. Requires the licensing authority to notify the contact person for the local jurisdiction of any applicant that voluntarily submits a valid, unexpired license, permit, or other authorization from the local jurisdiction.
- 8) Clarifies that prior to issuing a state license for any commercial cannabis activity, if an applicant has not provided adequate proof of compliance with local laws pursuant to subdivision (e).
- 9) Changes the dates in which specific information or applications must be submitted to the State Water Resource Control Board for cultivation license applicants.
- 10) Makes clarifying changes regarding prohibition of cultivating cannabis without first obtaining a state license issued pursuant to - strikes "section", adds "division."

- 11) Clarifies that labs may transport samples of cannabis or cannabis products for purposes of testing.
- 12) Revises Section 26070 (c) to read "the driver of a vehicle transporting or transferring cannabis or cannabis products shall be directly employed by a licensee authorized to transport or transfer cannabis and cannabis products."
- 13) Deletes "physical" from requirement that licensees' maintain a copy of a delivery request during delivery.
- 14) Deletes "deliver, transfer, transport" from section describing certain activities that labs are prohibited from performing.
- 15) Deletes language specifying that specific types of manufacturers may only manufacture cannabis products for sale by a retailer with a medical license.
- 16) Clarifies that an A-licensee is not prohibited from allowing any person under 21 on its premise if the A-licensee also possesses a M-license for the same premise, that an M-licensee may allow any person over 21 on its premise if the M-licensee also holds an A-license for the same premise, that primary caregivers 18 years of age or older are allowed on the premise of an M-licensee/that M-licensees may sell them products, and that the bureau may establish requirements for verification of a primary caregiver.
- 17) Clarifies that cannabis cooperative or association may only enter into contracts/agreements with other cooperatives or associations within the state.
- 18) Adds the Chairperson of the Cannabis Control Appeals Panel to section that establishes salaries for numerous chairpersons of state boards and commissions.
- 19) Adds the Member of the Cannabis Control Appeals Panel to section that sets salary for numerous state board and commission members.
- 20) Changes "four" to "eight" grams of concentrated cannabis in section that sets infraction penalties for possession, to align with other sections of law.
- 21) Changes reference to "Board" to "Department" and replaces definition of "board" (BOE) with definition of "Department" (California Department of Tax and Fee Administration).
- 22) Specifies that "immature cannabis plants and seeds" are not included for purposes of defining products entering the commercial market.
- 23) Defines "Manufacturer" to mean a person required to be licensed as a manufacturer pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.
- 24) Replaces requirement for retailers to provide receipts that display excise tax separately with authorization for the department to prescribe means to display the cannabis tax on a

receipt; deletes "cultivation" from statement on receipt specifying taxes that are included in the total.

- 25) Specifies that a distributor shall collect the cultivation tax from a cultivator "on all harvested cannabis that enters" the commercial market (deletes "upon entry into").
- 26) Appropriates \$250,000 from the Cannabis Control Fund to the Cannabis Control Appeals Panel for costs associated with additional members.
- 27) Makes finding and declaration that this act is consistent with and furthers the purpose of Prop 64.
- 28) Provides an appropriation related to Budget Bill.

FISCAL EFFECT: Appropriates \$250,000 from the Cannabis Control Fund to the Cannabis Control Appeals Panel.

COMMENTS: This trailer bill makes technical and clarifying changes necessary to implement the 2017 Budget Act related to state regulatory requirements consistent with the cannabis trailer bill.

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

Date of Hearing: September 13, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 119 (Committee on Budget and Fiscal Review) – As Amended September 11, 2017

SENATE VOTE: 26-9

SUBJECT: Greenhouse Gas Reduction Fund: Expenditure Plan

SUMMARY: Amends the 2017 Budget Act to add provisions related to the 2017 Greenhouse Gas Expenditure plan and Higher Education Specifically, **this bill:**

- 1) Appropriates \$900 million Greenhouse Gas Reduction Fund revenue to the Air Resources Board for an array of programs including:
 - a. \$250 million for Carl Moyer program funding for the South Coast, San Joaquin Valley, and Bay Area Air Quality management districts;
 - b. \$180 million for Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program, of which:
 - i. At least \$35 million is allocated for zero-emission buses, and
 - ii. Requires the Air Resources Board to consider technologies innovations in heavy duty trucks, like natural gas vehicles, that reduce diesel truck emissions.
 - c. \$140 million for the Clean Vehicle Rebate Program for rebates for light-duty vehicles:
 - i. Requires the Air Resources Board and Labor and Workforce Development Agency to develop procedures for certifying manufacturing of vehicles included in the program as being fair and responsible in the treatment of their workers; and
 - ii. Applies income eligibility restrictions on this program of \$150,000 for single filers, \$204,000 for head of household, and \$300,000 for joint filers.
 - d. \$140 million for equipment and improvements at ports, including for projects for ships at birth;
 - e. \$100 million for Enhanced Fleet Modernization Program and light duty equity pilot projects like agricultural vanpools;
 - f. \$85 million for agriculture equipment and tractor replacement; and
 - g. \$5 million for technical assistance for environmental justice communities.
- 2) Appropriates \$10 million General Fund for financial aid in the following manner:

- a. \$1 million General Fund to the University of California and \$2 million General Fund to California State University to further support the Dream Loan program.
- b. Redirects \$7 million Proposition 98 General Fund from deferred maintenance at California Community Colleges to provide emergency financial aid to Dream Act students.

FISCAL EFFECT: This bill contains \$910 million in appropriations, including \$900 million of Greenhouse Gas Reduction Funds and \$10 million General Fund.

COMMENTS: This bill is one of two bills that amends AB 97 (Ting) Chapter 14 Statutes of 2017, the 2017 budget act to include the 2017 Greenhouse Gas Revenue Expenditure Plan. In combination with amendments included in AB 109 /SB 93, this bill creates a plan that reflects the broad portfolio of investments intended to complement the policy work of AB 398 (Chapter 135 of the Statutes of 2017) and AB 617(Chapter 136 of the Statutes of 2017). Accounting for continuous appropriations, the State expects to spend \$2.4 billion of Greenhouse Gas Reduction Funds in 2017-18, with \$1.5 billion of GGRF and \$78.3 million of other special funds contained in the expenditure plan in SB 93/AB 109 and SB 134/119.

Major investments include:

- Air Quality Improvement: \$430 million (\$351.7 from Greenhouse Gas Reduction Funds) to invest in air quality improvement activities and implementation activities associated with the enactment of AB 617. This includes \$250 million for local air districts to expand the existing Carl Moyer Program and \$135 million for agricultural diesel engine replacement. This amount also includes \$5 million in technical assistant grants to help community groups engage in the development of emission reduction programs and monitoring efforts, as required by AB 617.
- Clean vehicle and ports: \$560 million for rebates for an array of vehicles and funds to improve port equipment. This includes \$140 million for port equipment and \$180 million to the Heavy Vehicle Improvement Program, which provides incentives for clean trucks and buses. In addition, the Clean Vehicle Rebate Programs is fully funded at \$140 million.
- Healthy Forests and Fire Protection: \$305 million for various programs targeting improving our state forests and reducing the risk of fires. This includes backfilling \$80 million from the end of the State Responsibility Area funding, \$200 million for Healthy Forests and Fire Prevention grant funding for State Responsibility Areas, and \$25 million of grants to support local fire suppression activities in High Risk fire areas.
- Sustainable Agriculture: \$300 million (\$250 million from Greenhouse Gas Reduction Fund) for investments in agriculture, include \$99 million for methane reduction from dairy digesters and alternative manure management practices, \$60 million for energy efficiency improvements at food processing facilities, and \$135 million for agriculture diesel engine replacements (also noted in Air Quality item above).
- Adaptation and Natural Resource Restoration: \$105 million for natural resource investments, including \$26 million for adaptation in natural lands and coastal regions, \$26 million for urban greening, \$20 million for urban forestry , and \$15 million for

wetland restoration grants. These investment are in addition to the \$305 million of healthy forest and fire prevention mentioned previously.

- Affordable Housing and Sustainable Communities: \$284 million is projected for this program in 2017-18, of which at least 75 percent of the funding will be for affordable housing project grants.
- Waste Diversion: \$40 million to continue the successful waste diversion program at CalRecycle.
- Transit: \$213 million of revenue is projected for 2017-18 for transit capital and operations. In addition, at least \$35 million of the funding appropriated by Heavy Vehicle Incentive Program is set aside for zero-emission bus purchases.
- Community improvements: \$10 million for Transformative Climate Communities for additional funding for investments in disadvantaged communities and \$18 million for multi-family, solar, and farmworker weatherization improvement for disadvantaged communities.
- Clean Energy and Climate Research: \$11 million for competitive research grants for clean energy, adaptation and resiliency, to be administered by the Strategic Growth Counsel.

REGISTERED SUPPORT / OPPOSITION:

Support

None on File

Opposition

None on File

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

Date of Hearing: September 13, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 120 (Committee on Budget and Fiscal Review) – As Amended September 11, 2017

SENATE VOTE: 26-9

SUBJECT: Transportation Trailer Bill

SUMMARY: This trailer bill includes statutory changes related to transportation necessary to implement the Budget Act of 2017. Specifically, **this bill:**

- 1) Ensures that cities and counties that receive monies from the Road Repair and Accountability Act of 2017, SB 1 (Beall, Chapter 5, Statutes of 2017), but use their own funds to start a project before the SB 1 funds begin flowing to them, can reimburse themselves when they receive their SB 1 apportionment from the Controller's Office. The language also allows for a 90 day grace period if a city or county fails to submit their project list to the California Transportation Commission (CTC) by the deadline. If they submit the list within 90 days of the deadline, they would still receive funding.
- 2) Allows that for the following California Department of Transportation (Caltrans) programs—The Transit and Intercity Rail Program, The Solutions for Congested Corridors Program, Trade Corridor Investments, and the Local Partnership Program— an implementing agency could expend its own funds on a project programmed by the CTC for a future year, and be reimbursed at a later time for eligible projects.
- 3) Allows small (typically rural) transportation planning agencies to receive from Caltrans a single advance payment for programming, planning, and monitoring activities of no more than \$300,000 or less per year. This approach minimizes workload and has been used informally by Caltrans for the last ten years.
- 4) Expedites the delivery of SB funded projects by authorizing the Secretary of Transportation to assume the federal government's responsibility for federal environmental review and clearance under the National Environmental Policy Act of 1969 (NEPA) for any railroad, public transportation, or multimodal project undertaken by state agencies. Authority sunsets January 1, 2021. Caltrans already has this assignment for federally-funded highway projects and has been able to expedite the construction of projects as a result.
- 5) Appropriates \$274.5 million from the Federal Trust Fund to Caltrans for the 2017-18 fiscal year for transportation-related purposes.

FISCAL EFFECT: Appropriates \$274.5 million from the Federal Trust Fund to Caltrans.

COMMENTS: This trailer bill includes technical clean up provisions related to transportation necessary to implement the 2017 Budget Act.

REGISTERED SUPPORT / OPPOSITION:

None on file.

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