



# HIGHLIGHTS OF GOVERNOR'S PROPOSED 2015-16 MAY REVISION

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## OVERVIEW

This morning the Governor released the May Revision of the Administration's 2015-16 budget proposal. As expected, the revised budget proposal reflects the robust State revenues that have been collected since January. Overall, the revision reflects \$6.7 billion in additional revenue above the January budget projections.

The Governor's proposal in many ways aligns with key priorities articulated by the Assembly Democrats. In specific, the Assembly outlined five budget priorities, which are all addressed in the May Revision.

- **Build Reserves and Pay Down Debt**
  - The Governor's May Revision includes total reserves of \$4.6 billion and makes an additional \$633 million in debt payments.
- **Invest in Schools and Early Education**
  - The Governor's May Revision increases school funding by several billion over the January amount, but makes no additional increases for childcare and preschool.
- **Improve Higher Ed Funding**
  - The Governor's May Revision increases funding for UC, CSU, and the Community Colleges, but more funding will be needed for CSU and the UC will need to meet additional conditions.
- **Establish a State Earned Income Tax Credit**
  - The Governor's May Revision establishes an Earned Income Tax Credit, as articulated by the Assembly.
- **Down Payment towards Transportation Funding Gap**
  - The Governor's May Revision articulates the intent for a solution later this year.

As expected, much of the new revenue is expected to be attributed to Proposition 98, with an additional \$6.1 billion for the Proposition 98 guarantee. Of this amount \$3.5 billion is one-time funding and \$2.6 billion is ongoing.

The proposed budget has total reserves of \$4.6 billion. This includes \$1.1 billion in regular budget reserve and \$3.5 billion in the Rainy Day Fund. In addition, per the Proposition 2, an additional \$633 million, above the January proposed budget, is provided to repay budget debts.

This summary is intended to provide an initial high-level highlight of proposals in the Governor's May Revision. The Assembly Budget Committee intends to more fully hear these issues in the next week, as the Subcommittee hearings conclude for this budget year.

**SUMMARY OF CHARTS**

**2015-16 May Revision  
General Fund Budget Summary  
(in millions)**

	2014-15	2015-16
<b>Prior Year Balance</b>	<b>\$5,589</b>	<b>\$2,359</b>
Revenues and Transfers	\$111,307	\$115,033
<b>Total Resources Available</b>	<b>\$116,896</b>	<b>\$117,392</b>
Non-Proposition 98 Expenditures	\$64,929	\$65,892
Proposition 98 Expenditures	\$49,608	\$49,416
<b>Total Expenditures</b>	<b>\$114,537</b>	<b>\$115,308</b>
<b>Fund Balance</b>	<b>\$2,359</b>	<b>\$2,084</b>
Reserve for Liquidation of Encumbrances	\$971	\$971
Regular Reserve (SFEU)	\$1,388	\$1,113
<b>Budget Stabilization Account/ Rainy Day Fund</b>	<b>\$1,606</b>	<b>\$3,460</b>

**General Fund Revenue Sources**

(in millions)

	<b>2014-15</b>	<b>2015-16</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Personal Income Tax	\$75,384	\$77,700	\$2,316	3.1%
Sales and Use Tax	23,684	25,240	1,556	6.6%
Corporation Tax	9,809	10,342	533	5.4%
Insurance Tax	2,486	2,556	70	2.8%
Liquor Tax	353	360	7	2.0%
Tobacco Taxes	84	82	-2	-2.4%
Motor Vehicle Fees	23	23	0	0.0%
Other	1,090	584	-506	-46.4%
<b>Subtotal</b>	<b>\$112,913</b>	<b>\$116,887</b>	<b>\$3,974</b>	<b>3.5%</b>
Transfer to the Budget Stabilization				
Account/Rainy Day Fund	-1,606	-1,854	-248	-15.4%
<b>Total</b>	<b>\$111,307</b>	<b>\$115,033</b>	<b>\$3,726</b>	<b>3.3%</b>

**2015-16 Revenue Sources**

(in millions)

	<b>General Fund</b>	<b>Special Funds</b>	<b>Total</b>	<b>Change From 2014-15</b>
Personal Income Tax	\$77,700	\$1,806	\$79,506	\$2,355
Sales and Use Tax	25,240	12,757	37,997	1,413
Corporation Tax	10,342	-	10,342	533
Highway Users Tax	-	4,893	4,893	-828
Insurance Tax	2,556	-	2,556	70
Liquor Taxes	360	-	360	7
Cigarette Tax	82	688	770	0.0%
Motor Vehicle Fees	584	18,963	-19,547	-2,264
Other				
<b>Subtotal</b>	<b>\$116,887</b>	<b>\$45,628</b>	<b>\$162,515</b>	<b>1,441</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	-1,854	-1,854	0	0
<b>Total</b>	<b>\$115,033</b>	<b>\$47,482</b>	<b>\$162,515</b>	<b>1,441</b>

**General Fund Expenditures by Agency**

(in millions)

<b>Category:</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Change</b>	<b>% Change</b>
Education (K-12)	\$49,659	\$49,285	-374	-0.8%
Health and Human Services	30,046	31,811	1,765	5.9%
Higher Education	13,267	14,195	928	7.0%
Transportation	200	261	61	30.5%
Legislative, Judicial, Executive	3,017	3,180	163	5.4%
General Government: Non- Agency Depts.	1,500	677	-823	-54.9%
Tax Relief/Local Gov	446	469	23	5.2%
Statewide Exp.	242	1,211	969	400.4%
Corrections and Rehabilitation	10,030	10,087	57	0.6%
Natural Resources	2,558	2,490	-68	-2.7%
Environmental Protection	87	65	-22	-25.3%
Government Operations	754	739	-15	-2.0%
Business, Consumer Services & Housing	843	623	-220	-26.1%
Labor and Workforce Development	282	215	-67	-23.8%
Supplemental Payment to the Economic Recovery Bonds	1,606	-	-1,606	-100%
<b>Total</b>	<b>\$114,537</b>	<b>\$115,308</b>	<b>\$771</b>	<b>0.7%</b>

## **EARNED INCOME TAX CREDIT**

- Establishes the first state Earned Income Tax Credit (EITC) in California. This targeted credit will provide a refundable tax credit for wages and would focus on the lowest-income Californians, or households with incomes less than \$6,580 if there are no dependents or \$13,870 if there are three or more dependents. The proposed credit would match 85 percent of the federal credit at the lowest income levels, providing an average estimated household benefit of \$460 annually for 825,000 families, representing two million individuals, with a maximum benefit of \$2,653.

California has the highest poverty in the country compared to any other state. Nearly one in four Californians (24 percent) lived in poverty between 2010 and 2012, on average, based on the United States Census Bureau's Supplemental Poverty Measure (SPM). Poverty is conventionally defined as the condition of having insufficient resources to achieve a minimum standard of living. The SPM is a newer method of comprehensively assessing resources that a household has available to meet basic needs, and, as it was applied to California (called the California Poverty Measure, or CPM), illuminated that the high cost of living, along with the condition of the job market and the prevalence of a low-wage job sector, doesn't provide families with enough income to meet the most basic expenses of daily life.

The federal Earned Income Tax Credit (EITC) is a refundable tax credit that is one of the nation's most effective tools for reducing economic hardship and ameliorating child poverty among working families. Research demonstrates that the EITC helps poor children by increasing family income, boosting academic achievement, and improving health outcomes. The EITC also increases employment among single parents by rewarding work, creating higher earnings in subsequent years. Many states have EITC provisions in their own income tax laws that supplement the federal EITC and in most cases are patterned after the federal EITC. California currently does not have its own EITC, though there have been several legislative attempts since 1999 to enact one. This May Revision proposal from the Governor would change that with the establishment of California's first targeted state EITC.

## K-12 EDUCATION

Includes total funding of \$83 billion (\$49.7 billion General Fund and \$33.3 billion other funds) for all K-12 education programs.

### Proposition 98 Funding

- Provides \$6.1 billion more in Proposition 98 funds for K-12 schools over the three-year period of 2013-14 to 2015-16 relative to the Governor's Budget, with the formula now allocating \$53.1 billion for 2015-16. Specifically, Prop. 98 Guarantee funding increases by \$241 million in 2013-14, \$3.1 billion in 2014-15, and \$2.7 billion in 2015-16. As a result of these changes, the revised Prop. 98 Guarantee levels at the May Revision for the 2013-14 through 2015-16 fiscal years are \$58.9 billion, \$66.3 billion, and \$68.4 billion, respectively.
- Maintains the repayment of all of the inter-year budgetary deferrals, while substantially increasing funding for the formula by providing an additional \$2.1 billion, building upon the more than \$4 billion provided in the Governor's Budget. In total, this \$6.1 billion investment in the formula will provide enough funding to close 53 percent of the remaining gap to full implementation of the Local Control Funding Formula (LCFF).

### Common Core/Recently-Adopted State Standards

- Expands prior investments in implementation of the recently state-adopted academic standards for English Language Arts and Mathematics by proposing an additional \$2.4 billion in Proposition 98 resources. With more than \$3.5 billion in total discretionary funding, the Governor states that schools will be able to continue to make the necessary investments in professional development, provide teacher induction to beginning teachers, and purchase instructional materials and technology to prepare both students and teachers for success. Of this new total funding, \$40 million will be provided to county offices of education to assist schools in meeting new responsibilities required under the accountability structure of the formula.

### Special Education

- Proposes \$60.1 million Proposition 98 General Fund (\$50.1 million ongoing and \$10 million one-time) in 2015-16 to implement selected program changes recommended by the California Statewide Special Education Taskforce, and makes targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education. More detail is below.



- Proposes augmenting the Early Education Program for Infants and Toddlers with Exceptional Needs, which identifies and provides early interventions for infants from birth to age two with special needs, by \$30 million Proposition 98 General Fund. Participation in the current program is limited to local educational agencies that have historically received state funding for this program. This investment will allow for new participation in the program, and provide an opportunity for the state to reassess the outdated funding model.
- Proposes \$12.1 million Proposition 98 General Fund to provide access to an additional 2,500 children in State Preschool. Priority for this funding is for children with exceptional needs.
- Requires State Preschool programs to: (1) provide parents with information about accessing local resources for the screening and treatment of developmental disabilities, and (2) within existing professional development requirements, provide teachers with training on behavioral strategies and targeted interventions to improve kindergarten readiness. Proposes increasing State Preschool reimbursement rates by 1 percent (at a cost of \$6 million Proposition 98 General Fund) to reflect these changes.
- Proposes a one-time investment of \$10 million Proposition 98 General Fund to provide technical assistance and build statewide resources to assist local educational agencies interested in implementing school-wide, data-driven systems of support and intervention. School-wide tiered systems provide scientifically based practices and interventions that are proportional to a student's needs. The Governor states that research indicates that schools that have implemented tiered systems are more successful at improving disabled student outcomes.
- Proposes an increase of \$1.7 million federal Individuals with Disabilities Education Act state-level activity funds to expand the current Alternative Dispute Resolution Grant Program to all Special Education Local Plan Areas in the state. The Governor states that on a limited scale, this program has proven successful in resolving special education disputes at the local level.
- Proposes an increase of \$500,000 federal Individuals with Disabilities Education Act state-level activity funds to develop resources and provide technical assistance to local educational agencies for implementation of the federally required State Systemic Improvement Plan for students with disabilities.

**Career Technical Education**

- Proposes an additional \$150 million in 2015-16 for the first year of this transition program, an additional \$50 million in 2016-17, and a reduction of \$50 million in 2017-18. This adjusted schedule of funding will better allow schools to transition to entirely using their own discretionary funds by 2018-19. The Governor's

Budget proposed \$250 million in one-time Proposition 98 funding in each of the next three years to support a transitional Career Technical Education (CTE) Incentive Grant Program. School districts, county offices of education, and charter schools receiving funding from the program would be required to provide a dollar-for-dollar match each year.

- Increases the minimum local-to-state funding match requirement to 1.5:1 in 2016-17 and 2:1 in 2017-18, to assist local educational agencies' transition in supporting CTE with their Local Control Funding Formula apportionments and other existing resources after this program expires.
- Eliminates Career Pathways Trust from the list of allowable sources of local matching funds.
- Directs the Department of Education and the State Board of Education to give funding priority to applicants administering programs located in rural districts or regions with high student dropout rates.

### **Other Adjustments**

- Increases by \$4.6 million one-time Proposition 98 General Fund to provide half of the final apportionment of Quality Education Investment Act (QEIA) funding to selected school districts in 2015-16 that do not qualify for concentration grant funding under the Local Control Funding Formula. This funding will help ease the transition off QEIA funding for districts with isolated concentrations of English learners and students who qualify for free or reduced-priced meals.
- Increases by \$2 million Proposition 98 General Fund for the Los Angeles County Office of Education to contract with the Simon Wiesenthal Center to support the Museum of Tolerance's "Tools for Tolerance" training programs. These funds allow the center to partner with schools throughout the state to advance anti-bias education, inclusion, and equity through professional development programs.
- Decreases \$123.3 million of Proposition 98 General Funds in 2014-15 for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues.
- Decreases \$224 million of Proposition 98 General Funds in 2015-16 for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues.
- Increases by \$94.4 million in 2014-15 and by \$173.5 million in 2015-16 for school districts, charter schools, and county offices of education under the Local Control Funding Formula as a result of an increase in 2013-14 average daily attendance (ADA), which drives projections of ADA in both 2014-15 and 2015-16.

- Decreases the amount of energy efficiency funds available to K-12 schools in 2015-16 by \$6.7 million to \$313.4 million to reflect reduced revenue estimates. The California Clean Energy Jobs Act (Proposition 39) was approved by voters in 2012, and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency projects.
- Decreases \$18.4 million of Proposition 98 General Funds for selected categorical programs, based on updated estimates of projected ADA growth.
- Decreases \$22.1 million of Proposition 98 General Funds to selected categorical programs for 2015-16 to reflect a change in the cost-of-living factor from 1.58 percent at the Governor's Budget to 1.02 percent at the May Revision.
- Increases \$1.2 million Proposition 98 General Fund to reflect greater school district participation in the mandates block grant. This additional funding is required to maintain statutory block grant funding rates assuming 100-percent program participation.

**Commission on Teacher Credentialing**

- Proposes to increase the teacher credential fee to \$100 for initial and renewal credentials in an effort to provide the Commission with additional revenue necessary to support mission-critical activities. Credential fees had been held flat at \$55 since 2000, until the fee was raised to the current level of \$70 in 2012. Even with this proposed increase, the Governor states, the teacher credential fees would remain lower than renewal fees charged to professionals in a number of other occupational fields.
- Includes \$4.5 million in additional funding to address long-term underlying causes of the current structural budget issues faced by the Commission. The Administration proposes to begin this effort with a focus on the Commission's responsibility to monitor educator misconduct through the existing district reporting process. Often, the evidentiary files of district-reported cases of teacher misconduct are incomplete and lack basic information, which increases processing time and costs. While the minimum required information is currently specified in regulations, the Administration proposes to place these requirements in statute in an effort to emphasize the basic information needed in a district report of teacher misconduct. The Administration also proposes to provide the Commission with jurisdiction to investigate a superintendent or charter school administrator who fails to report educator misconduct. Both of these changes are intended to improve the quality of these reports, allowing the Commission to act more quickly in determining the correct course of action in each of these cases and ultimately reach a more efficient disposition of each case.

## HIGHER EDUCATION

### University of California

- Freezes tuition at current rates through the 2016-17 school year, which the University has agreed to, according to the Administration.
- Continues the Governor's proposal from January for a 4% increase over current year General Fund support, which amounts to \$119.5 million.
- Requires UC to develop, over the next two years, a specific community college transfer process for its 20 most popular majors. This process will replicate the process required by SB 1440 for California State University. The Administration states this will allow UC to meet its goal of enrolling one transfer student for every two freshmen.
- Proposes several policy changes that could improve students' ability to graduate more quickly, including:
  - Requires UC to undertake a comprehensive review of the courses necessary in 75% of its majors with the goal of reducing requirements.
  - The Administration also states that the UC President will encourage the Academic Senate to review existing policies on credits for Advanced Placement courses and College Level Examination Program tests to further streamline students' abilities to receive credit by exam and transfer credit from other institutions.
  - States that three campuses will pilot alternative pricing models for summer session to encourage more students to enroll in summer classes.
  - Requires campuses to develop three-year degree pathways for 10 out of its top 15 majors by March 2016, and states that UC has committed to a goal of 5% of students accessing these accelerated tracks by 2017.
- Provides \$25 million in one-time Cap and Trade revenue, which would be used for energy efficiency projects at UC campuses.
- States that UC has agreed to use technology to improve efficiencies and access. UC Riverside will pilot activity-based costing in one department, while UC Davis will lead a multi-campus effort to use technology to improve completion rates for difficult courses. UC also has committed to continuing efforts to increase online courses and the use of technology in hybrid courses.

- Requires that the UC Regents implement a pension reform by 2016 that will require new employees to select a defined benefit plan with a pensionable salary cap in line with the state's cap or a full defined contribution plan. Also provides \$96 million in 2015-16 and \$170 million in each of the next two years to cover UC pension liabilities through Proposition 2 funding.
- Continues and expands requirements that UC report to the Administration and Legislature on the costs of education.

**California State University**

- Provides an additional \$38 million General Fund, above the \$119.5 million proposed in January, to support student success efforts at all campuses and enroll 1,500 more community college transfer students in Spring 2016.
- Creates a Basic Skills Partnership Pilot that calls for community colleges to offer basic skills education to incoming CSU students who require remedial courses.
- Provides \$35 million in one-time Cap and Trade revenues for campus energy efficiency projects.
- Continues the Governor's proposal from January for \$25 million General Fund for deferred maintenance projects.

**California Community Colleges**

- Continues the amount of funding for the Adult Education Block Grant program at \$500 million Proposition 98 General Fund, but makes several changes to the January proposal:
  - Eliminates the proposed allocation boards, and instead allows each regional consortia to determine how it will make spending decisions.
  - Revises the planning process to require a three-year plan with annual updates.
  - Requires the Superintendent and Chancellor to certify by July 30 the amount of funding spent on adult education activities in the past to ensure consortia understand maintenance of effort costs in 2015-16.
  - Eliminates the creation of a local fiscal administrator in each region.
  - Requires the Superintendent and Chancellor to develop a plan to integrate Workforce Innovation and Opportunity Act Title II and Perkins funding into the regional consortia structure.
- Provides an additional \$60.3 million Proposition 98 General Fund to support 3% enrollment growth, up from 2% growth proposed in January.

- Reduces the cost-of-living adjustment to 1.02%, which is \$61 million Proposition 98 General Fund.
- Provides \$41.9 million Proposition 98 General Fund to allow colleges to earn back enrollment funding for declines in enrollment over the past two years, as is allowed by statute.
- Increases the base allocation increase proposed in January by \$141.7 million Proposition 98 General Fund, for a total of \$266.7 million, which can be used to cover various operating expenses at the discretion of districts.
- Provides \$75 million Proposition 98 General Fund to support an increase in full-time faculty within each community college district. This is expected to add 600 full-time faculty to the system.
- Provides \$60 million Proposition 98 General Fund to assist community colleges in improving the delivery of basic skills instruction.
- Provides \$2 million Proposition 98 General Fund for a pilot program to provide incentives to community colleges and the CSU to coordinate remedial instruction programs for incoming CSU students.
- Increases Proposition 98 General Fund support for Student Equity Plans by \$15 million; with the funding also used to implement Chapter 771, Statutes of 2014 (SB 1023), which creates a program for foster youth in the Extended Opportunity Programs and Services program.
- Provides \$15 million Proposition 98 General Fund to implement strategies to improve college performance in student success and outcomes.
- Provides \$148 million in one-time Proposition 98 General Fund that colleges can use to address deferred maintenance or to purchase instructional equipment.
- Increases Proposition 98 General Fund support to address mandate payments by \$274.7 million, for a total of \$626 million.
- Provides a cost-of-living adjustment for four student support categorical programs: the Disabled Student Programs and Services, the Extended Opportunities Programs and Services, the Special Services for CalWorks, and the Child Care Tax Bailout programs. Total increased funding is \$2.5 million Proposition 98 General Fund.
- Decreases Proposition 39 funding to community colleges by \$825,000, for a total of \$38.7 million. The funding supports energy efficiency projects.

- Makes other minor adjustments: decreases Proposition 98 General Fund support by \$156.1 million and increases local property tax support by the same amount; increases Proposition 98 General Fund by \$7.4 million to reflect revised student fee revenues; and decreases Proposition 98 General Fund by \$691,000 to align mandate block grant funding with revised student enrollment figures.

**California Student Aid Commission**

- Adjusts General Fund support for the Cal Grant program based on revised caseload, decreasing General Fund spending by \$54.2 million in 2014-15 and \$42.2 million in 2015-16.
- Increases Federal Temporary Assistance for Needy Families funding for the Cal Grant program by \$247.3 million and reduces General Fund support by a like amount.
- Increases Cal Grant B Access Award funding by \$1.9 million due to the new College Access Tax Credit Fund. Each student will receive an additional \$8.
- Decreases General Fund support for the loan assumption program by \$1.2 million in 2014-15 and \$339,000 in 2015-16 to reflect revised caseload.
- Decreases General Fund support for the Middle Class Scholarship program by \$18 million General Fund to reflect revised cost estimates.

**Awards for Innovation in Higher Education**

- Increases General Fund support by \$25 million over the January proposal and includes community college campuses, along with CSU campuses, in the program for 2015-16. Also revises the program's goals to better align with state higher education goals articulated in Chapter 367, Statutes of 2013 (SB 195).
- Decreases General Fund support in 2014-15 by \$23 million and provides a corresponding increase in Proposition 98 General Fund to reflect the awards going to community colleges.

**California State Library**

- Increases General Fund support by \$2 million over the January proposal to support adult literacy programs, and requires coordination with the regional adult education consortia.

- Increases General Fund support by \$1.7 million over the January proposal to support the California Public Library Broadband Project. Of the amount, \$1.5 million is one-time and available for technology upgrade grants to public libraries and \$225,000 is ongoing for administrative costs for the Broadband Project.
- Provides \$521,000 General Fund to improve the library's efforts to preserve historical items, including \$181,000 for two additional positions and \$340,000 in one-time funding for equipment.



## **HUMAN SERVICES**

### **Department of Social Services**

- Increases funding for the In-Home Supportive Services (IHSS) program by \$147.6 million General Fund in 2014-15 and \$179.1 million General Fund in 2015-16 associated primarily with increases in caseload, hours per case, and costs per hour. The May Revision continues the Governor's Budget proposals in IHSS for restoration of the 7 percent hours reduction tied to the Managed Care Organizations (MCO) tax and inclusion of funding for the payment of overtime hours for IHSS providers, pending resolution in litigation efforts that could occur sometime in 2015-16.
- Decreases CalWORKs program General Fund and federal Temporary Assistance for Needy Families (TANF) block grant expenditures of \$97 million in 2015-16 to reflect revised caseload projections since the Governor's Budget. Overall CalWORKs caseload continues to decline, as caseload is projected to be approximately 539,000 in 2014-15 and 525,000 in 2015-16. No other major changes are proposed for CalWORKs as part of the May Revision
- Includes \$5 million (General Fund, on-going) to fund grants to non-profit organizations to provide application assistance to undocumented immigrants eligible for deferred action under the President's executive actions.
- Includes \$47.3 million General Fund for DSS to provide food assistance to those impacted by California's historic drought.

### **Department of Developmental Services**

- Includes \$5.9 billion (\$3.5 billion General Fund) in 2015-16 for support of the Department and community services.
- Proposes to initiate closure planning for the remaining developmental centers:
  - Proposes a closure timeline for the Sonoma Developmental Center, with projected closure by the end of 2018.
  - Proposes the future closure of the Fairview Developmental Center and the non-secure treatment portion of the Porterville Developmental Center, with the final closure projected for the end of 2021.
- Includes \$49.3 million (46.9 million General Fund) to begin the development of resources in the community to support the transition of those moving out of the Sonoma Developmental Center. This funding will provide resources to fund the

development of homes in the community, additional training for providers, supported living services, crisis services, transportation, and other support services.

**Department of Community Services and Development**

- Includes \$7.5 million General Fund for farmworker assistance to the Department of Community Services and Development.

**Health and Human Services Agency**

- Includes \$62 million General Fund to cover partial-year costs in 2015-16 for full-scope Medi-Cal, In-Home Supportive Services, and Cash Assistance Payments for undocumented immigrants who have been recognized as having Permanent Residence Under Color of Law as a result of the President's executive actions on immigration on November 20, 2014.
- Allocates \$228 million General Fund (reduced from \$300 million in the January budget) to the Department of Health Care Services, Department of State Hospitals and Department of Corrections and Rehabilitation to implement expanded clinical guidelines for the treatment of Hepatitis C. Directs the Health & Human Services Agency to convene two additional workgroups to develop a proposal for inclusion in the 2016-17 Governor's Budget.

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## **HEALTH SERVICES**

### **Department of Health Care Services**

- Assumes General Fund savings of \$381 million in 2015-16 as a result of enhanced federal funding for the Children's Health Insurance Program (CHIP) Reauthorization.
- Includes \$61.6 million (non-state funds) for payments to health plans that participate in the Health Homes Program, per AB 361 (Mitchell, Chapter 642, Statutes of 2013).
- Assumes costs of \$2.9 billion (\$1.4 billion General Fund) in 2015-16 for costs associated with simplifications to Medi-Cal mandated by the Affordable Care Act. Assumes caseload of 1.4 million attributable to this expansion.
- Assumes costs of \$14 billion (federal funds) in 2015-16 for the Medi-Cal expansion, an option created by the Affordable Care Act. Assumes caseload of 2.3 million attributable to this expansion.
- Allocates \$150 million (\$48.8 million General Fund) over the January Budget in 2015-16 to counties for increased workload in Medi-Cal eligibility administration as a result of the Affordable Care Act.
- Assumes \$341 million General Fund costs as a result of increases to mental health and substance use treatment benefits.
- Includes \$125 million General Fund to cover the costs of managed care rate increases in 2015-16.

### **Department of State Hospitals**

- Includes \$10.1 million General Fund to expand the Restoration of Competency Program by up to 108 beds in order to address the Incompetent to Stand Trial placement waitlist.
- Allocates \$4.6 million General Fund to activate 30 beds at the California Medical Facility in Vacaville for Coleman patients to address the waitlist under the Coleman case.

**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION**

**Emergency Drought Response**

- Request \$2.2 billion of one-time resources to continue immediate response to drought impacts. This additional funding is proposed in the wake of a very dry winter as the state continues to suffer from a drought of uncertain duration.

Emergency Drought Response (Dollars in Millions)						
Investment Category	Department	Program	May Revision	Fund Source		
Protecting and Expanding Local Water Supplies	Water Board	Groundwater Contamination	\$784.0	Proposition 1		
	Water Board	Water Recycling	\$475.0	Proposition 1		
	Water Board	Safe Drinking Water in Disadvantaged Communities	\$180.0	Proposition 1		
	Water Board	Wastewater Treatment Projects	\$160.0	Proposition 1		
	Water Board	Stormwater Management	\$100.0	Proposition 1		
	Department of Resources* of Water	Groundwater Sustainability	\$60.0	Proposition 1		
	Department of Resources* of Water	Desalination Projects	\$50.0	Proposition 1		
Water Conservation	Department of Resources*/Energy Commission of Water	Urban Conservation	Water \$104.0	Proposition 1/ Cap and Trade		
	Department of Resources*/Department of Food and Agriculture of Water	Agricultural Conservation	Water \$75.0	Proposition 1/ Cap and Trade		
	Department of Resources*/Energy Commission of Water	Make Water Conservation a Way of Life	\$43.0	Proposition 1/ Cap and Trade		
	Department of Services of General	Water Conservation at State Facilities	\$23.4	General Fund/ Special Funds		
Emergency Response	Department of Forestry and Fire Protection**	Enhanced Fire Protection	\$61.8	General Fund		
	Office of Emergency Services	California Assistance Act	Disaster \$22.2	General Fund		
	Department of Resources of Water	Removal of Emergency Salinity Barriers in the Delta	\$22.0	General Fund		
	Department of Community Services and Development	Farmworker Assistance	\$7.5	General Fund		
	Department of Housing and Community Development	Rental Assistance	Relocation \$6.0	General Fund		
	Water Board	Executive Implementation	Order \$1.4	General Fund		
<b>Total</b>			<b>\$2,175</b>			

\* Amounts include funding proposed in Governor's Budget and additional funding in May Revision.

\*\* Proposed in the Governor's Budget

**Protecting and Expanding Local Water Supplies**

- Requests \$1.8 billion (Proposition 1 funds) for the following programs to accelerate the implementation of water infrastructure projects statewide:
  - \$1.7 billion, available over the next three years, for the following Water Board programs:
    - Groundwater Contamination—\$784 million for projects that prevent or clean up the contamination of groundwater that serves as a source of drinking water.
    - Water Recycling—\$475 million for water recycling and advanced treatment projects to enhance local water supply resiliency.
    - Safe Drinking Water—\$180 million for projects, with priority given to small systems in disadvantaged communities, which help to provide clean, safe and reliable drinking water.
    - Wastewater Treatment Projects—\$160 million for small communities to build or upgrade their wastewater systems to meet current standards.
    - Storm water Management—\$100 million for multi-benefit storm water management projects that also contribute to local water supplies.
  - \$110 million for the following Department of Water Resources programs:
    - Groundwater Sustainability—\$60 million to support local groundwater planning efforts. Of this amount, \$50 million is available over the next three years for technical and direct assistance and grants to local agencies for groundwater sustainability governance and planning. An additional \$10 million in immediate funding will be dedicated to counties with stressed groundwater basins to update or develop local ordinances and plans that protect basins and their beneficial users and help facilitate basin-wide sustainable groundwater management under the Sustainable Groundwater Management Act, in coordination with other local water managers.
    - Desalination Projects—\$50 million, available over the next two years, to assist local agencies to develop new local water supplies through the construction of brackish water and ocean water desalination projects.

**Water Conservation**

- Requests \$245 million to fund programs and projects that save water, including:
  - \$104 million for the following urban water conservation programs:
    - \$43 million (\$30 million Cap and Trade funds for the Energy Commission and \$13 million Proposition 1 funds for DWR) to implement a consumer rebate program for the replacement of inefficient water consuming appliances, including dishwashers and toilets, to save water and energy and reduce greenhouse gas emissions, consistent with the April 1 Executive Order.
    - \$27 million Proposition 1 funds to replace lawns in underserved communities throughout the state with water efficient landscaping, consistent with the April 1 Executive Order.
    - \$20 million Cap and Trade funds for the DWR Water Energy Grant Program to reduce energy demand and greenhouse gas emissions through local projects that also support water use efficiency and conservation.
    - \$10 million Proposition 1 funds to implement the CalConserve Program, which will enable homeowners and businesses to finance water-efficiency upgrades through a revolving-loan program.
    - \$4 million General Fund to augment the Save Our Water campaign to target the state's largest residential water users with focused information to reduce their water usage.
  - \$75 million (\$40 million Cap and Trade funds and \$35 million Proposition 1 funds) for agricultural water efficiency programs. These additional resources will enable the Department of Food and Agriculture and DWR to provide incentives to agricultural operations to invest in water irrigation technologies that reduce water and energy use, and greenhouse gas emissions.
  - \$43 million for activities that will integrate water conservation into residents' lifestyles, consistent with the Water Action Plan, including:
    - \$30 million (Cap and Trade funds) to begin implementation of the Water Energy Technology Program, consistent with April 1 Executive Order, to provide funding for innovative technologies that (1) display significant water and energy savings, beyond the research and development stage, and (3) document readiness for rapid, large scale deployment in California.
    - \$13 million (Proposition 1) funds for the DWR to provide technical assistance, data collection, and applied research that supports long-term water use efficiency in urban and agricultural sectors.

- \$23 million, including \$10 million (General Fund) for water conservation projects at state facilities. As urban and agricultural water users across the state are reducing their water use, it is critical that state facilities continue to reduce water use. This proposal will provide additional funds to implement indoor and outdoor water conservation measures at state facilities.

**Emergency Response**

- Requests \$37.1 million (General Fund) to assist drought-impacted communities and enforce water use restrictions, including:
  - \$22.2 million for the Office of Emergency Services to support local jurisdictions using the California Disaster Assistance Act program for approved drought-related projects, including, but not limited to, restoring and replacing public infrastructure that sustained drought-related damages, and emergency protective measures such as delivering water to individuals without drinking or potable water.
  - \$7.5 million for the Department of Community Services Development to provide emergency assistance to unemployed farmworkers, including job training and assistance.
  - \$6 million for the Department of Housing and Community Development to assist or relocate households without potable water sources due to drought.
  - \$1.4 million for the Water Board to increase enforcement of water use restrictions and conduct additional inspections of diversion facilities to verify compliance with water rights laws.

**Emergency Salinity Barriers**

- Requests \$22 million (General Fund) for the removal of the temporary salinity barriers in November. Faced with potentially insufficient water supplies to prevent salinity intrusion in the Sacramento- San Joaquin Delta, the DWR, in consultation with federal and state water and wildlife agencies, has initiated installation of an emergency, temporary rock barrier across West False River in the Sacramento-San Joaquin Delta. This barrier must be removed in November to avoid the flood season and prevent harm to migratory fish. Keeping saltwater from the central Delta is a priority, as a large portion of the state's freshwater supplies travel through this part of the Delta. The barrier will help prevent saltwater contamination of water supplies for the people who live in the Delta; Contra Costa, Alameda, and Santa Clara counties; as well as the 25 million people and 3 million acres of irrigated agriculture that depend upon the Delta-based federal and state water projects for some of their supplies.

**Department of Toxic Substances Control (DTSC)**

- Requests \$2.1 million (Toxic Substances Control Account [TSCA]) and 11 positions to implement and evaluate approaches to address environmental violations in vulnerable communities. This proposal would focus inspection and enforcement resources on the metal recycling industry and the hazardous waste transportation industry.
- Requests 11 limited-term positions and \$1.4 million (TSCA) for two years to conduct a review of its hazardous waste management enforcement program. Specifically, DTSC proposes to conduct a thorough assessment of its enforcement program, including evaluating workload and processes for inspections, investigations, and enforcement activities; developing, revising, and standardizing policies and guidance documents for enforcement staff, and evaluating statute and regulations pertaining to enforcement of hazardous waste laws. In addition, DTSC proposes to conduct a statewide assessment of its public engagement efforts to improve transparency and participation.
- Requests 6 limited-term positions and \$673K for two years (TSCA) to implement the 2015-2017 Priority Product Work Plan. These additional resources would enable DTSC to expand research capabilities and accelerate the rate in which consumer products containing toxic chemicals can be evaluated and identified for inclusion in the Safer Consumer Products program.

**Department of Conservation**

- Requests \$10 million for an Oil and Gas management system. This system will provide data and tracking of permitting of oil wells.

**Department of Forestry and Fire Protection**

- Requests \$6.1 million (General Fund) to replace of one air tanker.
- Requests \$5 million (Special Fund) for the disposal of the existing stockpile of dangerous and illegal fireworks and the management and disposal of illegal fireworks seized in 2015.

**CAP AND TRADE**

The May Revision reflects recent auction revenues, increasing the total Cap and Trade expenditures by approximately \$1 billion above the levels in the Governors January



Budget. Pursuant to statute, some of these additional revenues are subject to continuous appropriation and others are proposed for appropriation in the budget act. The chart below illustrates the newly proposed funding levels.

Figure CAP-01  
**2015-16 Cap and Trade Expenditure Plan**  
 (Dollars in Millions)

Investment Category	Department	Program	Jan 10/ Accelerated Drought	May Revision	Total
Sustainable Communities and Clean Transportation	High-Speed Rail Authority	High-Speed Rail Project	\$250	\$250	\$500
	State Transit Assistance	Low Carbon Transit Operations Program	\$50	\$50	\$100
	Transportation Agency	Transit and Intercity Rail Capital Program	\$100	\$165	\$265
	Strategic Growth Council	Affordable Housing and Sustainable Communities Program	\$200	\$200	\$400
	Air Resources Board	Low Carbon Transportation	\$200	\$150	\$350
Energy Efficiency and Clean Energy	Department of Community Services and Development	Energy Efficiency Upgrades/Weatherization	\$75	\$65	\$140
	Department of General Services *	Energy Efficiency for Public Buildings	\$20	\$20	\$40
	University of California/ California State University	Renewable Energy and Energy Efficiency Projects	\$0	\$60	\$60
	Department of Water Resources/Department of Food and Agriculture	Water and Energy Efficiency	(\$30)	\$60	\$60
	Energy Commission/ Department of Water Resources	Drought Executive Order - Rebates for Appliances	\$0	\$30	\$30
	Energy Commission/ Department of Water Resources	Drought Executive Order - Water and Energy Technology Program	\$0	\$30	\$30
	Department of Food and Agriculture	Agricultural Energy and Operational Efficiency	\$5	\$20	\$25
	Department of Fish and Wildlife	Wetlands and Watershed Restoration	\$25	\$40	\$65
	Natural Resources and Waste Diversion	Department of Forestry and Fire Protection	\$42	\$50	\$92
		Department of Food and Agriculture	Healthy Soils	\$0	\$20
	Cal Recycle	Waste Diversion	\$25	\$35	\$60
<b>Total</b>			<b>\$992</b>	<b>\$1,245</b>	<b>\$2,237</b>

\* Shifts administration of Green Buildings and \$20 million from the current year from Energy Commission to Department of General Services.

The May Revision plan includes several new Cap and Trade Funding programs. These are:

- 1. Water Conservation.** The Cap and Trade Expenditure Plan includes an additional \$128 million for the following programs that will reduce GHGs by saving energy through water conservation:

- \$40 million for the Department of Food and Agriculture's existing State Water Efficiency and Enhancement Program to provide incentives to agricultural operations to invest in energy-efficient irrigation technologies that reduce water use.
  - \$30 million for the Energy Commission to begin implementation of the Water Energy Technology Program to provide funding for innovative technologies that (1) display significant energy and water savings, (2) demonstrate actual operation beyond the research and development stage, and (3) document readiness for rapid, large-scale deployment in California.
  - \$30 million for the Energy Commission to implement a consumer rebate program for the replacement of energy-inefficient water-consuming appliances, such as dishwashers and washing machines.
  - \$20 million for the Department of Water Resources' existing Water Energy Grant Program to reduce energy demand and GHGs through local projects that also support water use efficiency and conservation.
  - \$8 million for the Department of General Services for projects that will reduce energy use through water conservation at state prisons located in the Central Valley.
2. **Energy Efficiency in Higher Education.** The May Revision proposes \$60 million (\$35 million to CSU and \$25 million to UC) for energy efficiency and renewable projects at the universities.
3. **Carbon-Rich Soils Initiative.** The May Revision proposes \$20 million Cap and Trade funds to demonstrate increasing carbon in soils, which is intended to increase water holding capacity, increase crop yields, and decrease sediment erosion.

## **TRANSPORTATION**

- Reflects new Cap and Trade revenues for transportation related programs. In specific, the new Cap and Trade revenue estimates result in the following proposed levels for various transportation programs:
  - \$100 million for Low Carbon Transit Operations Program
  - \$265 million for the Transit and Intercity Rail Capital Program
  - \$400 million for the Affordable Housing and Sustainable Communities Program
  - \$500 million for High Speed Rail.
  - \$350 million for Low Carbon Transportation at the Air Resources Board

## **PUBLIC SAFETY**

### **California Department of Corrections and Rehabilitation**

- Includes \$10.2 billion (\$9.9 billion General Fund) for the CDCR in 2015-16. This reflects a \$130 million reduction from the Governor's January budget proposal. The main driver of this decrease (\$73.3 million) is the projected reduction of nearly 4,000, out-of-state, contract prison beds by the end of the year. The Governor's January budget proposal assumed the continuance of roughly 9,000, out-of-state, contract prison beds through the end of the year. Much of the reduction in out-of-state, contract prison beds is being attributed to the passage of Proposition 47 (2014).
- Decreases the 2014-15 budget by \$21.3 million (General Fund) and the 2015-16 budget by \$108.5 million (General Fund) to reflect changes in adult inmate and parolee populations.
- Updates prison population projections to reflect a 1.1-percent reduction in 2014-15 (from 133,558 to 133,451) and a 3.8-percent reduction in 2015-16 (from 129,581 to 127,990) compared to the Governor's January projections. The revised adult parolee population estimate is 44,073 in 2014-15 (a decrease of 847) and 44,570 in 2015-16 (a decrease of 4,103).
- Decreases the 2014-15 budget by \$494,000 (General Fund) and the 2015-16 budget by \$2 million (General Fund) to reflect changes in the juvenile ward population. The revised juvenile ward population estimate is 683 in 2014-15 (a decrease of 2 wards) and 677 in 2015-16 (a decrease of 32 wards).
- Increases prison healthcare costs by 51.8 million (General Fund) in 2014-15 and \$60.6 million (General Fund) in 2015-16 to treat inmates with Hepatitis C.

### **Community Corrections**

- Increases Community Corrections Performance Incentive Grants (ch. 608, st. 209 - SB 678) to local probation departments by \$1.1 million in 2015-16 bringing total program funding to \$125.8 million. This increase is linked to a new allocation methodology that considers Probation Departments' successes in the supervision of all local felony supervision classifications.

**Commission on Peace Officer Standards and Training**

- Updates the Governor's January proposal to reduce the Commission's budget by \$5.2 million by allocating the reduction as follows:
  - Reducing administrative costs by \$800,000.
  - Increasing the January reduction of contracted, non-mandated training courses (\$1.9 million).
  - Continuing the suspension of reimbursements for local law enforcement to backfill behind officers participating in training (\$2.5 million).

The Administration insists that the updated proposal should not further impact training services offered as it is a continuation of past reductions. Additionally, the Administration clarifies that the proposed reduction, coupled with the expanded delinquent court-ordered debt amnesty program (See Judiciary section below), will allow the Commission to reinstate reimbursement of travel costs (roughly \$4.4 million, statewide) which will help reduce the cost of training for local law enforcement agencies.

**Judicial Branch**

- Includes \$3.8 billion (\$1.7 billion General Fund) for the Judicial Branch in 2015 16.
- Includes \$15.5 million (General Fund) to reflect a further reduction in fine and penalty revenue collection in 2015-16, for a total of \$66.2 million available for transfer to the Trial Court Trust Fund.
- Expands on the Governor's January proposal to establish an 18-month amnesty program for those Californians with past-due court-ordered debt (owed prior to January 1, 2013) from traffic infractions. Participating individuals can reduce their debts by 50-percent, reduce administrative fees from \$300 to \$50, and have their drivers' licenses reinstated.

Overall, this proposal is projected to generate \$150 million which will help to avoid additional revenue shortfalls in several special funds supported by the State Penalty fund.

**Office of Emergency Services**

- Provides \$22.2 million for the Office of Emergency Services to support local jurisdictions using the California Disaster Assistance Act program for approved drought-related projects, including, but not limited to, restoring and replacing public infrastructure that sustained drought-related damages, and emergency protective measures such as delivering water to individuals without drinking or potable water.

**Department of Justice**

- Increases funding for the Controlled Substance Utilization Review and Evaluation System (CURES) by \$1.1 million and provides five program staff for maintenance and operations of the CURES information technology database.

## **GENERAL GOVERNMENT**

### **State Health Care Benefits**

- Continues to pursue important changes to the state's health care program for state employees and retirees through collective bargaining process and legislation. The approach includes the following:
  - Partnering with state employees to share in the prefunding of retiree benefits going forward.
  - Proposing to control costs by reducing the employer subsidy for retiree health care for future state employees by requiring them to work longer to qualify for retiree health care benefits.
  - Additional reporting requirements and information sharing about state employee and retiree health plans to increase oversight of the state's health care administrator and more health plan choices for employees through adding lower-cost plans to the benefit menu.
  - Trailer bill establishes a statutory standard to share pre-funding costs with state employees and creates a mechanism to hold investment income gained from prefunding contributions in a trust fund until the health care plan is fully funded.
  - Trailer bill concerning retiree health benefit changes has been introduced as a placeholder pending collective bargaining.

### **Employee Compensation**

- Includes \$57 million (\$43 million General Fund) increase in employee compensation and retiree health care costs relative to the Governor's Budget. The costs are attributed to increases in health care premiums and enrollment.
- States that collective bargaining has begun with four of the state's bargaining units and that each of these unit's contracts will expire in early July 2015.

### **Retirement Contributions**

- Includes the adjustments for retirement costs related to CalPERS and CalSTRS.

**Civil Service System**

- Includes the following proposals relative to the state's civil service system.
  - Vacant Positions. The May Revision proposes abolishing current law that requires the elimination of positions at the end of a fiscal year that have been vacant for six consecutive months or more. It proposes replacing current law with a better mechanism to provide monitoring of and greater transparency into departments' budgets.
  - Limited-Term Positions. Under current law, when a department's new work is temporary, it may receive limited-term positions along with temporary funding. The May Revision proposes to eliminate the use of limited-term positions going forward. Instead limited-term spending authority will act as a control on the number of positions a department can fill in any given year.
  - Hiring Process. The May Revision proposes eliminating practice that imposes unnecessary restrictions on departments for hiring practices. It also discusses other efforts to review and improve the state's recruitment, hiring, training and retention of the workforce.

**Arts Council**

- Proposes permanent funding increase of \$5 million ongoing General Fund for the California Arts Council.

**Temporary Worker Pilot Program**

- Includes \$148,000 General Fund and one position for the Labor and Workforce Development Agency.
  - This funding will be used to implement a voluntary two-year pilot program to prevent abuses in the recruitment of temporary workers.
- This program will improve coordination, maximize efficiency, and increase the effectiveness of various labor programs that serve and protect more than 800,000 farmworkers.



**State Appropriations Limit Calculation**

- The State Appropriations Limit (SAL) Calculation is estimated to be \$94.042 billion for 2015-16. This revised limit is the result of applying the growth factor of 4.55 percent.
- The revised 2015-16 limit is \$899 million above the \$93.1 billion estimated in January.

**Debt Service**

- Includes the following adjustments for debt service costs:
  - Current Year Debt Service. General Fund debt service has increased by \$35.3 million compared to the Governor's Budget for a total of \$5.2 billion. This includes increased General Obligation debt service (\$4.7 billion total) and no change for lease revenue bond debt service costs (\$505.3 million total)
  - Budget Year Debt Service. General Fund debt service expenditures will decrease by \$161.7 million compared to the Governor's Budget, to a total of \$5.4 billion. This adjustment reflects reduced General Obligation debt costs (\$4.8 billion total) and lease revenue bond debt service costs (\$535.8 million total).

## **LOCAL GOVERNMENT**

### **Redevelopment Agencies (RDA)**

The May Revision proposal includes elements from the January proposal, some key changes to the January proposal, and new provisions exclusive to the May Revision.

#### Provisions that stayed in May Revision from January Proposal:

- Continues to exempt the Department of Finance from the Administrative Procedures Act.
- Continues to only allow a city, county, or city and county that authorized the RDA to loan or grant funds to a Successor Agency (SA), when there is insufficient distribution from the Redevelopment Property Tax Trust Fund (RPTTF).
- Continues to state that these loans are subject to the Local Agency Investment Fund (LAIF) Rate.
- Continues to include a list of type of work allowed during the unwinding of RDA.
- Continues to clarify that the administrative cost allowance shall not exceed 50 percent of the RPTTF payment.
- Continues to expand the definition of governmental purpose property to include public parking lots. Allows a SA to amend only once its Long-Range Property Management Plan (LRPMP) prior to January 1, 2016, to include public parking lots.
- Includes process and timelines for the final dissolution process.
- Continues to have the LAIF rate set at 1 percent.
- Clarifies the requirements to submit a LRPMP.
- Creates the process for the Last and Final Recognized Obligation Payment Schedule (ROPS) process.

Key Changes from January Proposal to May Revision

- Changes from June 28, 2011, to June 27, 2012, for when reentered agreements are no longer valid. This change will not overturn the Emeryville v. Cohen decision.
- States that prospectively, any legal costs challenging the RDA law shall only be paid out of the administrative cost allowance. Additionally, it states that if the successor agency obtains a final judicial determination granting the relief, then the funds provided by the sponsoring entity will be considered an enforceable obligation. If relief is not granted, then the funds will not be an enforceable obligation.

New May Revision details

- Includes a provision that an agreement entered into by the redevelopment agency prior to June 28, 2011, is enforceable obligation if the agreement relates to state highway infrastructure improvements to which the redevelopment agency committed funds.
- Sets up a process for alternate members to serve on oversight boards.
- Creates five oversight boards for the County of Los Angeles.
- Creates a flexible process for SA to get a Finding of Completion (FOC) though a payment plan with the Department of Finance on funds discovered to be unallowably transferred.
- States that if a SA fails by December 31, 2015 to pay or enter into a payment plan, the SA shall never receive a FOC.
- Describes a process if a SA fails to fully make one or more payments, including oversight board actions shall no longer be valid, loan agreements between RDAs and city, county, city and county are no longer enforceable obligations (EO), and LRPMP will no longer be effective.
- Allows payments in support of pension programs or in support of capital projects and programs related to the State Water Project to go back to the source, so long as these were not pledged as a security for the payment of any indebtedness obligation.
- Defines loan agreements and specifically states that loan agreements do not include agreements that the former RDA was required to pay or reimburse the city, county, city and county that created the former RDA for cost of services or obligations incurred under contracts with third parties.

- Creates a process to use the proceeds from the 2011 bonds
- No more than 15 percent of the proceeds may be expended unless the SA meets the following criteria:
  - If the SA has an approved Last and Final ROPS, the agency may expend no more than 30 percent of the proceeds from the bonds; creates a process that the earlier that the bonds were issued, the more the SA is able to spend.
- Addresses past property tax apportionment factors for San Benito County.
- Repeals the statutory requirement that the Santa Clara County Auditor must reduce the amount of property tax revenues allocated to specified cities and increase the amount of property tax revenues allocated to the county ERAF by a defined “ERAF reimbursement amount.”
- Allows the SA of the City and County of San Francisco to issue bonds and incur other indebtedness to meet affordable housing obligations.
- Repays monies owed by the newly formed Cities of Jurupa Valley, Menifee, and Wildomar for services rendered by the County of Riverside.
- Provides an appropriation of \$5,825,000 for insufficient Educational Revenue Augmentation Fund (ERAF) for the Counties of Amador, San Mateo, and Alpine.
- Ends the requirement for four cities in Santa Clara County to reimburse the County ERAF for the Tax Equity Allocations (TEA) over a five-year period.

**Mandates**

- Proposes \$765 million payment to local governments for the pre-2004 mandate debt, which will fully satisfy the remaining debt. This is \$232 million more than what was estimated in the Governor's Budget in January. Of the \$765 million, 77 percent will go to counties, 22 percent to cities and 1 percent to special districts.

**TAXATION AND REVENUES**

**Revenues**

- Provides that after accounting for transfers such as the Rainy Day Fund, overall revenue estimates are higher than the Governor's January budget proposal by \$700 million in 2013-14, \$3.3 billion in 2014-15, and \$1.7 billion in 2015-16. Excluding transfers and the revenue loss associated with the Earned Income Tax Credit, revenues are \$6.7 billion higher over these three years.
- States that the improved economic forecast, along with strong cash trends in April support the significant increase in revenues.
- Provides that the differences for the Personal Income Tax, Sales and Use Tax, and the Corporation Tax are reflected in the chart below:

	2013-14			2014-15			2015-16		
	January Forecast	May Forecast	Difference	January Forecast	May Forecast	Difference	January Forecast	May Forecast	Difference
Personal Income Tax	66.5	67	0.7	71.6	75.3	5.1	75.2	77.7	3.3
Sales Tax	22.2	22.2	0	23.4	23.6	1	25.1	25.2	0.3
Corporation Tax	8.8	9	2.6	9.6	9.8	2	10.1	10.3	1.7
Other	5.1	5.1	0	3.4	2.6	-0.2	3.6	4	0.4
<b>Total</b>	<b>102.6</b>	<b>103.3</b>	<b>0.7</b>	<b>108</b>	<b>111.3</b>	<b>3</b>	<b>113.3</b>	<b>115</b>	<b>1.5</b>

\*BSA Transfer for three years is \$5.6 billion