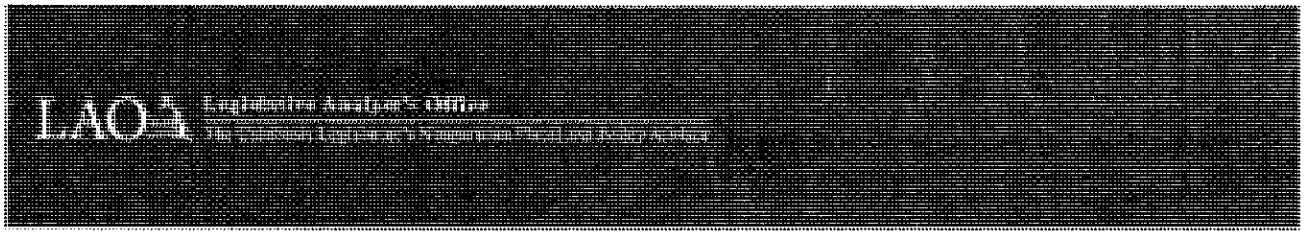
EXHIBIT A



Budget and Policy Post

March 8, 2018

The 2018-19 Budget

Census Outreach

The decennial census enumerates each person in the United States. The results of the census apportion seats in the House of Representatives, guide legislative redistricting, and form the basis for allocating half-a-trillion dollars in federal assistance annually. The census also provides a social, demographic, and economic profile of the country's residents, informing decisions by policymakers and businesses across the state. Census results also are used to determine legislative districts for federal, state, and local representatives. The census is the responsibility of the federal government and is conducted by the Census Bureau, a division of the U.S. Department of Commerce. Census Day—for the purposes of the count—is April 1.

Changes to the 2020 Census

Significant Changes to Count Operations. The 2010 Census cost over $12 billion over the life cycle of the enumeration (which includes the preparation for and aftermath of the count). The Census Bureau estimated that completing the 2020 Census in a similar manner as 2010 would cost over $17 billion. To keep costs closer to the costs of the 2010 Census, the Census Bureau is making a number of significant changes to count operations, including:

- ***Internet Response.*** Historically, individuals primarily responded to the census via a mailed questionnaire. In 2020, only a portion of households will receive a mailed census. Most individuals will be encouraged to respond online. The Census Bureau aims to have over 50 percent of respondents respond via the internet. (Individuals also will have the option of responding by phone through the Census Questionnaire Assistance Center.)
- ***Address List Update.*** Typically, the Census Bureau relied heavily on field workers to update its national address list. (The national address list is used to mail census forms

and follow up with nonrespondents.) For the 2020 Census, the Census Bureau will rely primarily on local government data, satellite imagery, and other administrative records to update its address list.

- ***Reduced Follow Up.*** The Census Bureau expects to hire 50 percent fewer fieldworkers for nonresponse follow up in 2020. Consequently, field operations will be substantially reduced in 2020. In previous years, census field workers visited households that had not yet responded up to six times to complete their surveys. For 2020, the Census Bureau is committing to visiting nonrespondents at least once. Given the reduced field presence, the Census Bureau will rely heavily on administrative records—like those from the Internal Revenue Service—to complete the count.

Current Funding Below Estimated Costs. Funding for the 2020 Census has been below estimated costs for a number of years. For the current year, the latest federal budget agreement provided $180 million less than was requested by the Census Bureau. These reductions have had a number of impacts to census preparations, including notable impacts to field testing:

- ***2017 Field Test Canceled.*** The Census Bureau planned to test a number of features of the online response system in 2017, but canceled these tests due to budgetary uncertainty.
- ***Significantly Reduced Census "Dress Rehearsal."*** Typically, the Census Bureau does a comprehensive test of census operations—known as an end-to-end test—in three areas of the county. The different locations chosen reflect the differing response challenges throughout the country. This year, this rehearsal will only occur in Providence, Rhode Island.

Changes to Residency Determination. Historically, the Census Bureau counted people where they lived, generally defined by where they sleep most of the time on census day. The 2020 Census will change this practice for some residence situations. Generally, these changes attempt to capture more people where they live day-to-day. One of the largest changes is for deployed civilian and military personnel. For the 2020 Census, individuals on deployment will be counted at their domestic address, typically the installation from which they deployed. (This change, however, will not apply to personnel stationed overseas. Individuals stationed overseas typically live at that location for at least a year, whereas deployments are shorter in duration.) Previously, deployed personnel were counted using administrative records. Often, these administrative records used a different permanent address (typically, their last address before joining the military). These changes will not affect college students or individuals in prison, who will continue to be counted at their college residence or jail/prison facility.

Possible Changes to Census Questions. Census forms historically asked two separate questions about race and ethnicity. Increasingly, however, many respondents have not identified with any particular race and instead selected "Some Other Race." This raised concerns about the accuracy of the data collected. While a proposal for combining the two

questions (and changing the possible categories) was proposed previously, the Census Bureau recently announced that no changes will be made to these questions. In addition, the U.S. Department of Justice requested that a question on citizenship be added to the census. No decision on this issue has been announced. The final census form is due to Congress at the end of March 2018.

Potential Challenges for California

California Has a Large "Hard to Count" Population. Historically, the census has undercounted particular groups of people including young children, the elderly, low-income individuals, minorities, renters, foreign-born individuals, and individuals living in crowded households. As a majority-minority state, most residents of California fit into at least one of these categories. In addition to over half of residents being nonwhite, over a quarter of residents are foreign born, close to half live in rental housing, and 14 percent have incomes at or below the poverty line.

California Was "Undercounted" in 1990 Census. California was undercounted by 2.7 percent in the 1990 Census—the fourth highest undercount percentage in the country. This cost California roughly $2 billion in federal funds over ten years. The undercount also likely cost California a seat in the House of Representatives. (See our 1999 report <http://www.lao.ca.gov/1999/0799_census2000.pdf> for more on the 1990 undercount in California.)

Changes to 2020 Census May Affect California Count. Moving to a primarily internet-based census is a significant change from prior practice. Only a portion of households will receive a paper census; the rest will receive instructions by mail for how to respond online (or by phone). Concerns have been raised about individuals' willingness to respond via the internet given concerns about information security. These concerns—in combination with the potential for a question about citizenship—raise the possibility of an undercount in California in 2020. (By law, information collected in the census about immigration status cannot be passed <https://www.justice.gov/sites/default/files/olc/opinions/attachments/2016/03/18/2010-01-04-census-confidentiality.pdf> on to immigration enforcement agencies.)

Governor's Proposal

Governor Proposes Providing $40 Million Over Three Years for Census Outreach. The administration proposes providing $40 million and 22 limited-term positions to support the Complete Count Committee. The Complete Count Committee was first formed after the 1990 undercount. The committee is appointed by the Governor and coordinates the state's outreach efforts, focusing on the hard-to-count population. The funding proposed for 2018-19 would support the activities of the committee through the 2020 Census. Almost three-quarters of the funds would be dedicated to a media campaign ($17 million) and working with local community based organizations ($12.5 million). Community

organizations would conduct most of the direct outreach to individuals to encourage them to complete the census.

Funding Previously Provided for 2020 Census Preparation. The *2017-18 Budget Act* provided up to $10 million for initial census preparation activities. Of that amount, $7 million was provided for grants to local governments for participating in the Census Bureau's Local Update of Census Address (LUCA) program. (As noted previously, the Census Bureau is relying heavily on administrative data to update its national address list.) The Department of Finance also received authority to spend up to $3 million on initial outreach activities for the 2020 Census. These funds are being used to support initial activities of the Complete Count Committee.

Prior Complete Count Committees. The state provided $24.7 million for the 2000 Complete Count Committee in response to the 1990 undercount. For 2010, however, the state only provided $2 million. (The Complete Count Committee raised roughly $10 million in private funding to augment its efforts for the 2010 Census.)

LAO Comments

Proposal Reflects Significant Increase in State Support Compared to 2010. The Governor's proposal would bring total state funding for census-related activities to $50 million across 2017-18 and 2018-19. Due to the significant changes to the census, providing state funding to target hard-to-count populations is reasonable. The Legislature will want to ensure community based organizations can effectively reach out to hard-to-count populations given the notable reduction in fieldworkers for nonresponse follow up. In addition, the Legislature will want to monitor the media campaign costs. The 2020 Census will be taking place in a presidential election year when advertising can be particularly expensive. Census day, however, will occur after the California primaries (which move to March in 2020). Consequently, media costs may not be as high in the weeks leading up to the census as they will be earlier in the year.

Undercount Could Have Serious Consequences for California. The decennial census is one of the main factors that underlie how hundreds of billions of dollars of federal assistance are distributed. For instance, the census count is used to determine states' Federal Medical Assistance Percentage (FMAP) for Medicaid, known in California as Medi-Cal, which is based on per-capita income. A lower per-capita income can result in a higher FMAP and more federal funds per Medi-Cal participant. The census is used to determine each state's per-capita income. This year, California expects to receive over $60 billion in federal assistance for the Medi-Cal program. Other major federal assistance programs that use census data include highway funding, Section 8 housing vouchers, and special education grants.

An undercount in California could result in losing a seat in the House of Representatives. These seats are apportioned based on states' relative populations. California's population

growth has been slower than some other states. By not growing as quickly as other states, the relative proportion of people living in California—compared to other states—shrunk. Based on a recent study by Election Data Services <https://www.electiondataservices.com/wp-content/uploads/2017/12/NR_Appor17c3wTablesMapsC2.pdf> (a research company), were California to have a greater-than-average undercount of roughly 76,000 people it could result in California losing a seat. As we outlined in recent blog posts—here <http://lao.ca.gov/LAOEconTax/Article/Detail/265> and here <http://lao.ca.gov/LAOEconTax/Article/Detail/269> —part of the reason California's population growth has been slower is the net loss of some residents to other states.

Recommend Funding Census Outreach Now. California is the first state to set aside funds for census outreach. Given the major changes to the upcoming census—and the potential impacts to state funding—preparing for a significant outreach campaign can be in the state's fiscal interest.

EXHIBIT B

CALIFORNIA STATE BUDGET
2018-19

Edmund G. Brown Jr. Governor
State of California

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INTRODUCTION

During the years leading up to 2011, California's fiscal troubles were monumental, with huge annual budget deficits and perennially late budgets. Many questioned whether California was governable at all, with the media calling the state "a fiscal basket case" and comparing it to insolvent nations like Greece.

Today, California has passed eight consecutive on-time budgets, kept its spending in line with revenues, and fully filled its Rainy Day Fund.

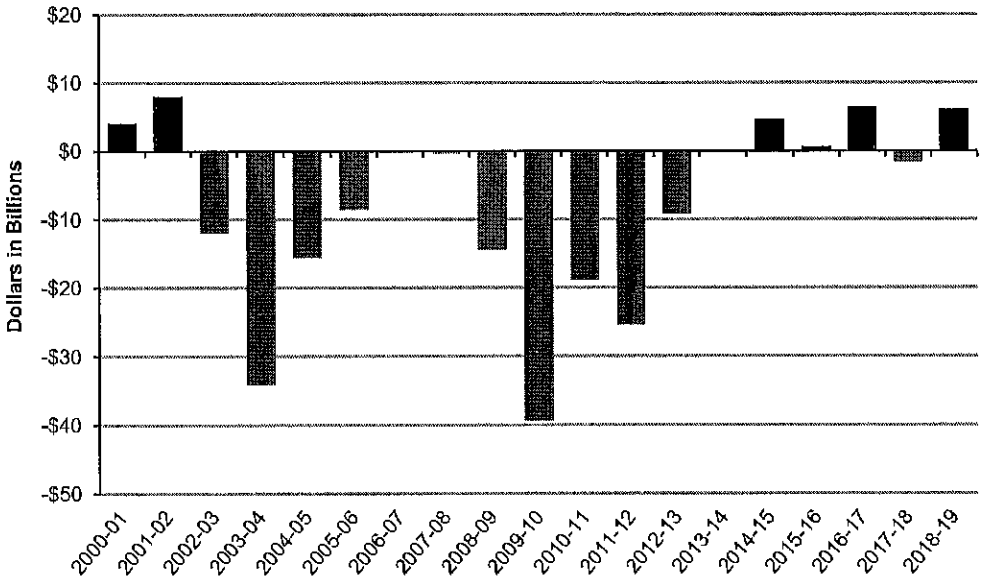
As the state's economy has recovered from the Great Recession, the past six budgets have significantly increased spending—through historic growth in education funding, the creation and expansion of the state's first Earned Income Tax Credit, a minimum wage that will increase to $15 per hour over time, and the expansion of health care coverage to millions of Californians. The state has also paid down its budgetary borrowing and tackled such long-standing problems as restoring fiscal health to its retirement benefit plans and making major improvements to the state's transportation and water systems.

The state must continue to plan and save for the next recession. By the end of 2018-19, the current economic expansion will have matched the longest in post-war history. To protect against future cuts, the Budget takes a prudent approach—fully filling the Rainy Day Fund and emphasizing one-time spending. While the state still faces large long-term risks, California is in better shape to weather a recession than at any other time in recent history.

MAINTAINING A BALANCED BUDGET IN UNCERTAIN TIMES

California's fiscal stability—from a balanced budget and a recovering state economy—has been a welcome reprieve from prior budget deficits. As shown in Figure INT-01, the state's short periods of balanced budgets in the 2000s were followed by massive budget shortfalls. While each of these prior crises was preceded by a stock market crash, actions by the federal government could also easily overwhelm the fiscal capacity of the state. California's relationship with the federal government has never been more uncertain.

Figure INT-01
Balanced Budgets Have Been Quickly Followed by Huge Deficits[1/]



[1/] Budget shortfalls or surplus, measured by the annual Governor's Budget (January).

FEDERAL GOVERNMENT AND TAX BILL

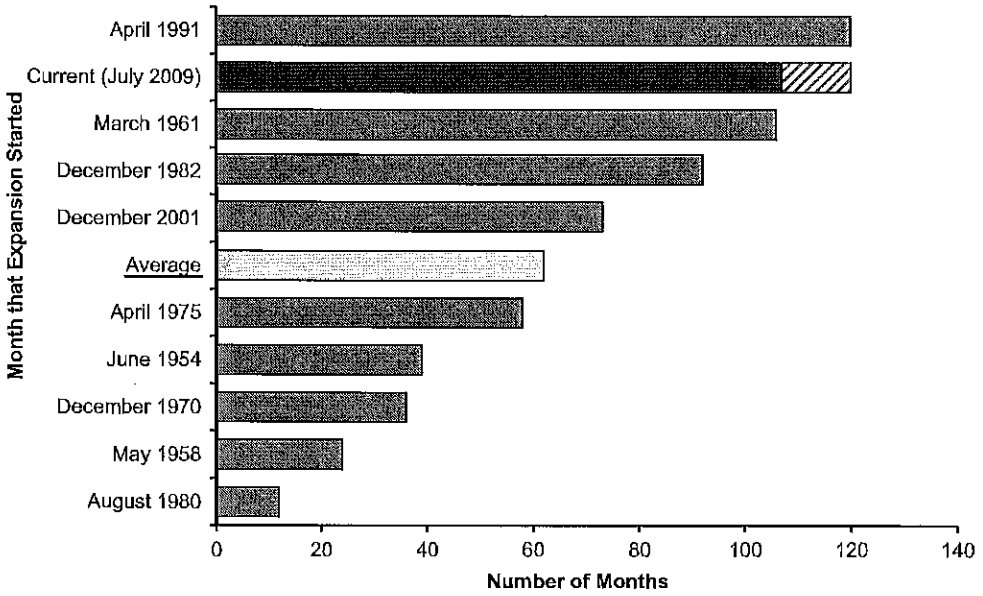
The economic forecast underlying the budget assumes the tax changes passed by the federal government in late 2017 will provide a temporary boost to the national economy and provide fiscal gains to many Americans, especially the wealthiest. However, this boost is likely to come at a long-term cost as it will take economic growth from future years and increase income inequality. By growing the federal deficit to more than $1 trillion each year, the tax package is essentially borrowing from the future to subsidize corporate stock buybacks and executive bonuses. However, the full implications to the state's taxpayers and federal-state programs will not be known for many years.

The increasing federal deficit caused by the tax bill will also create more pressure for the federal government to cut spending. Historically, this has meant shifting a greater cost burden to states. For instance, the congressional Medicaid proposals that have been debated over the past two years would have shifted tens of billions of dollars in permanent Medi-Cal costs to the state General Fund. Although they have been defeated to date, there is a major risk that they, or similar proposals, could reappear in future years.

RECESSION

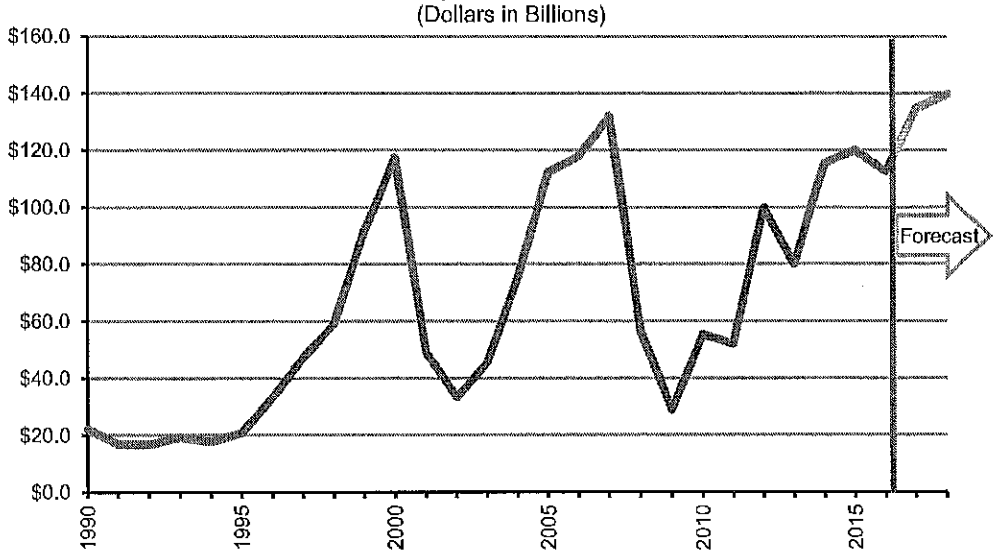
The Budget assumes the continued expansion of the economy and a balanced budget through the forecast period. But economic expansions don't last forever. In the modern era, the average expansion has lasted about five years. By the end of the 2018-19 fiscal year, as shown in Figure INT-02, the U.S. will have matched the longest recovery in modern history. In recent history, the state's unemployment rate has dipped below 5 percent only twice, in 2000 and 2006. Each time, full employment was short-lived at 7 months and 11 months, respectively. The state's unemployment rate has fallen to an all-time low of 4.2 percent, and has been below 5 percent for more than a year.

Figure INT-02
Current Recovery Is Approaching The Longest Ever



The state's most volatile revenue source—capital gains—is expected to reach all-time highs in 2017 and 2018 and is forecast to stay at levels never achieved previously as shown in Figure INT-03. To achieve these levels, the stock market would need to continue an unprecedented run.

Figure INT-03
Volatile Capital Gains on the Rise
(Dollars in Billions)



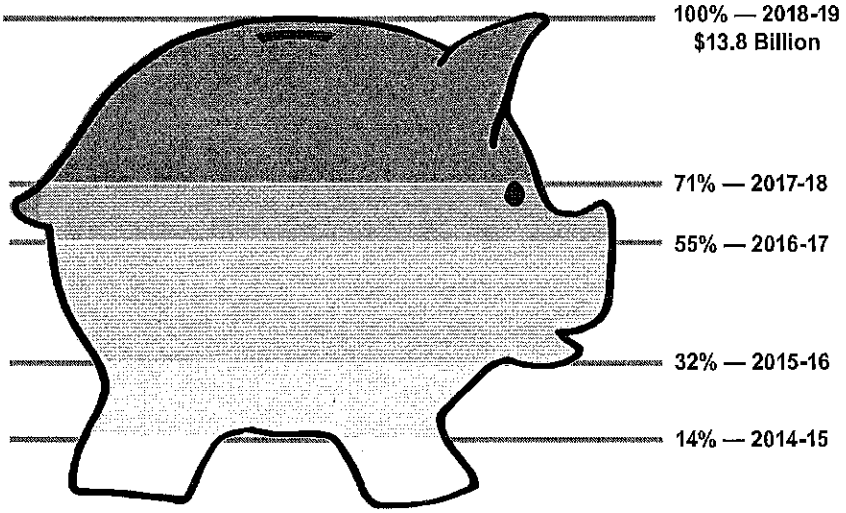
PLANNING FOR THE NEXT RECESSION

The next recession will be upon California soon enough, so a full Rainy Day Fund and a commitment to prudent one-time spending are the best tools available to guide the state through a downturn.

FILLING THE RAINY DAY FUND

Proposition 2, passed by the voters in 2014, establishes a constitutional goal of reserving 10 percent of tax revenues in a Rainy Day Fund by increasing deposits in years with high capital gains. At the end of 2017-18, the state's Rainy Day Fund has a total balance of $9.4 billion (71 percent of the constitutional target). As shown in Figure INT-04, the state has quickly and aggressively filled the state's Rainy Day Fund in the past few years, including making optional supplemental deposits in 2016-17 and 2018-19, to fully fill the Rainy Day Fund before the next recession begins.

Figure INT-04
Filling Up the Rainy Day Fund Before the Next Recession



To address the inevitability of the next recession, the Budget adds two additional reserves to state law. The Budget Deficit Savings Account will facilitate the supplemental payment to fully fill the state's Rainy Day Fund, and the Safety Net Reserve Fund will protect against cuts to certain health and welfare programs during the next recession.

FOCUSING ON ONE-TIME EXPENDITURES

After accounting for costs to continue existing programs, the Budget makes few new targeted ongoing commitments. Instead, in recognition of the growing risks that the state budget faces, the Budget commits $4 billion in one-time General Fund spending, focused on infrastructure, homelessness, and mental health.

MOVING GOVERNMENT CLOSER TO THE PEOPLE

To both balance the budget and improve the state's ability to serve its residents, the state has taken major steps since 2011 to move government decision-making closer to the people.

2011 PUBLIC SAFETY REALIGNMENT

The 2011 Public Safety Realignment shifted various public safety programs to local governments while providing an ongoing constitutionally-protected funding source for these programs. The state began a major reduction in the size of the prison system due to federal court orders and the ability of counties to better serve lower-level offenders at a lesser cost. Since 2011, the

state's prison population has been reduced by nearly 20 percent (from 162,000 in 2011 to 131,000 in 2017). As part of this realignment, roughly $8 billion in flexible funding will be distributed next year to local governments.

LOCAL CONTROL FUNDING FORMULA

In 2013, the state enacted the K-12 Local Control Funding Formula to enhance school district fiscal flexibility. By eliminating 43 categorical programs and revamping state allocation formulas, school districts now have the freedom to innovate locally and focus improvement on English learners, students from low-income families, and youth in foster care. With $3.67 billion in new funding for the formula in 2018-19, the Budget will achieve full implementation of the formula two years earlier than originally scheduled and provide nearly 1.0 percent growth on top of the fully implemented amounts.

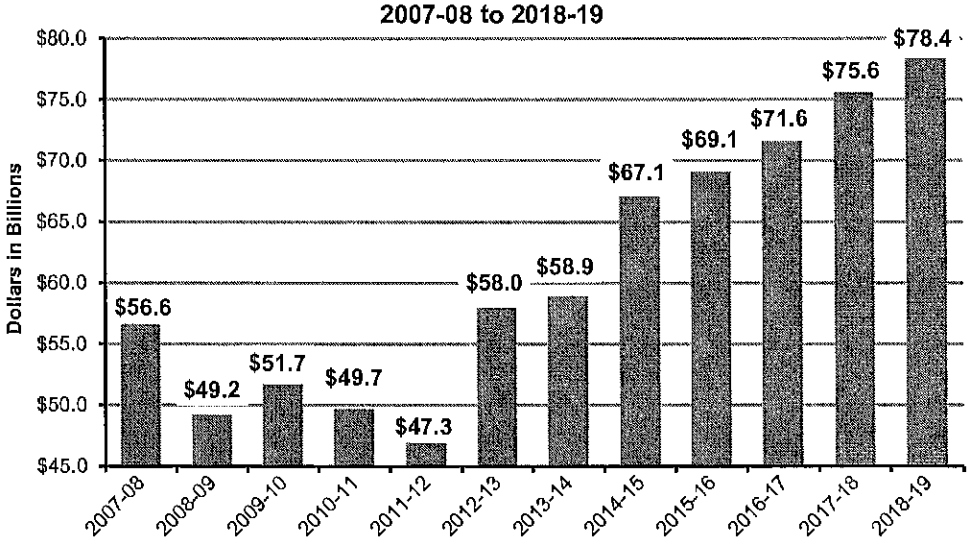
INCREASING MONEY FOR SCHOOLS

Proposition 30 in 2012 and Proposition 55 in 2016, as passed by the voters, increased funding for public education from their reduced levels during the Great Recession.

K-12 EDUCATION

As shown in Figure INT-05, the minimum guarantee of funding for K-14 schools in 2007-08 was $56.6 billion, dropping to $47.3 billion in 2011-12 at the depth of the state budget crisis. From this recent low, funding has grown substantially, and will continue to grow to $78.4 billion in 2018-19—an increase of $31 billion (66 percent) in seven years.

Figure INT-05
Proposition 98 Funding
2007-08 to 2018-19

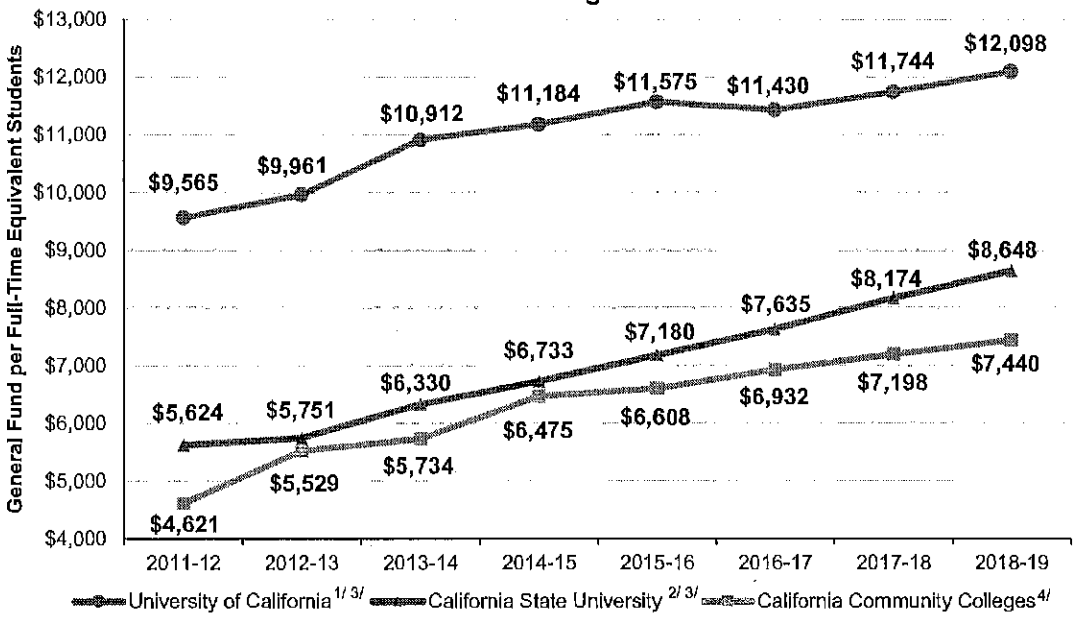


For K-12 schools, 2018-19 funding levels will increase by about $4,633 per student over 2011-12 levels. As noted above, available funding will allow the state to reach 100-percent implementation of the Local Control Funding Formula this year, correcting historical inequities in school district funding. While many districts have seized the opportunities offered under the formula to better serve their students, others have been slower to make changes. To improve student achievement and transparency, the Budget requires school districts to create a link between their local accountability plans and their budgets to show how increased funding is being spent to support English learners, students from low-income families, and youth in foster care. The Budget also provides $300 million to districts to target improvements for the state's lowest performing students.

HIGHER EDUCATION

The Budget continues to keep student fees low, promote new technology and innovation, and improve graduation rates. The Budget provides each university system with an ongoing increase and the community colleges with a total increase of $609 million (4 percent). New funding is dedicated to the California State University to further improve its four-year graduation rates as laid out in its Graduation Initiative. As shown in Figure INT-06, per-student General Fund levels have increased significantly since 2011-12. Since their recent lows, the University of California has received $1.2 billion in new funding, the California State University (CSU) has received $1.7 billion, and the community colleges $2.4 billion. Over the same time period, funding for state financial aid that primarily supports low-income students has increased by $700 million, to a total of $2.4 billion.

Figure INT-06
Per Student Funding for Public Higher Education Has Been Increasing Since 2011



1/ Appropriations to the UC are adjusted to exclude one-time funds of $5 million in 2011-12, $5 million in 2012-13, $4 million in 2014-15, $122 million in 2015-16, $261.6 million in 2016-17, $176.6 million in 2017-18, and $213.8 million in 2018-19.

2/ Appropriations to the CSU are adjusted to exclude one-time funds of $4.6 million in 2015-16, $46.3 million in 2016-17, $44.2 million in 2017-18, and $126.8 million in 2018-19.

3/ Appropriations to the UC beginning in 2013-14 and the CSU beginning in 2014-15 are adjusted to exclude funds used to pay state general obligation bond debt service to allow for comparisons to earlier years.

4/ Community college funding reflects total Proposition 98 funding (including both General Fund and property taxes), excluding funding for adult education.

Given these recent and proposed funding increases, coupled with the current level of resources available to postsecondary education institutions, the Budget reflects flat tuition and expects the universities and community colleges to continue to improve students' success with the proposed level of resources. With no tuition increases this year, university tuition, adjusted for inflation, will be below 2011-12 levels.

In 2010, through legislation (SB 1440), the state created the Associate Degree for Transfer—a process to simplify the transfer of community college students to the CSU system. Last year alone, over 38,000 students earned an Associate Degree for Transfer from a community college and 18,000 of these students successfully transferred to the CSU for the 2017 fall term. Over the past few years, the state has made successful efforts to integrate both the University of California and the state's nonprofit colleges and universities into this transfer process.

The state's decades-old community college apportionment formula—which favors counting the number of students at a desk at a particular point in time—is not the most effective way for community colleges to reach their student achievement goals. Instead, the Budget adopts a

new funding formula that provides supplemental funding to those districts that serve low-income students and provides funding to districts for each student who meets specified student success metrics, including completion of a degree or certificate with additional funding for low-income students. As the formula is implemented, no district will receive less funding than currently provided. The formula will be implemented over the next three years.

Currently, public universities and community colleges are inadequately serving the 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential. Consequently, these young adults lack the skills and education to succeed in the modern economy and, therefore, are particularly at risk of being laid off during a recession. Often, these individuals seek educational assistance outside of California or through for-profit institutions, paying tens of thousands of dollars to try to get ahead but too often ending up buried in debt. To serve these workers—who lack the time and ability to enroll in traditional classes—the Budget creates the California Online College. While this innovative new college will take time to get up and running, it will offer millions of state residents a new, low-cost path to economic success by taking advantage of modern technology.

Counteracting the Effects of Poverty

The Census Bureau has reported that 14.3 percent of California residents are living in poverty—slightly above the national average of 14.0 percent. The Census Bureau's supplemental measure of poverty, which considers broader definitions of income and living costs, reflects an even higher poverty rate—primarily due to the state's high cost of housing. While California's economic condition has improved since the Great Recession, much of the gains have accrued to the state's wealthiest residents.

Affordable housing and Homelessness

Housing affordability for Californians continues to be a problem. Approximately one in five households in California in 2016 paid more than 50 percent of their household income toward housing costs. Over half of all California renters pay 30 percent or more of household income towards housing, with more than 25 percent paying 50 percent or more.

In 2017, the Legislature passed and the Governor signed a package of bills designed to increase housing supply and affordability. In the coming year, from that package, new revenues dedicated to addressing the rising cost of housing will begin to flow from a fee on real estate transactions and a $4 billion general obligation bond. The Budget includes $255 million from the real estate fee and $277 million from the bond, assuming voter approval in November 2018. In addition, the Budget includes $500 million to assist local governments in their immediate

efforts to address homelessness. The Budget also anticipates placing the $2 billion No Place Like Home bond on the November ballot to accelerate the delivery of housing projects to serve individuals with mental illness. Altogether, the Budget includes $5 billion related to affordable housing and homelessness, across multiple state departments and programs.

OTHER POVERTY-FOCUSED EFFORTS

California has an extensive safety net for the state's neediest residents who live in poverty. Since 2012, the General Fund has newly committed more than $20 billion annually in poverty-focused programs (see Figure INT-07). In addition to full implementation of the K-12 Local Control Funding Formula—which heavily emphasizes services to the state's neediest students—the Budget increases funding for programs designed to counteract poverty, focusing new efforts in CalWORKs and child care. In total, the Budget funds:

- The rising state minimum wage, which increased to $11 per hour in 2018 and is scheduled to eventually rise to $15 per hour.
- The expansion of health care coverage under the federal Affordable Care Act, which provides millions of Californians with coverage, and expansion of full medical coverage to about 200,000 undocumented children.
- The restoration of various health benefits to low-income Californians that were eliminated during the recession, including adult dental services.
- The continuance of the state's Earned Income Tax Credit, which was created in 2015, and enhanced and expanded in 2017 and 2018.
- The increase in CalWORKs grants and the repeal of the maximum family grant rule, which denied aid to children who were born while their parents were receiving aid.
- The elimination of the SSI/SSP "cash out" policy expanding federal funding for food assistance to approximately 370,000 households, while holding harmless households potentially affected by the change.
- The increases in child care and early education provider rates and the number of children served, totaling $1.3 billion.

Figure INT-07

Major Ongoing Poverty-Focused Budget Actions Since 2012

	Total Budget Impact
Minimum Wage	
• Increase from $8/hour to $10/hour	$173.3 million
• Increase from $10/hour to $15/hour and extend paid sick leave	$3.5 billion
Medi-Cal	
• Optional expansion under Affordable Care Act	$2.6 billion
• Exemptions from provider cuts	$213.8 million
• Adult dental restoration	$287.4 million
• Full Scope Services for undocumented children	$290.8 million
• Estate recovery limitations	$19.5 million
• Drug Medi-Cal Organized Delivery System Waiver[1]	$153.8 million
CalWORKs	
• 21.4 percent in cost-of-living increases[2]	$638.8 million
• Repeal Maximum Family Grant Rule[2]	$223.5 million
• Enhanced employment and early engagement services	$285.4 million
• Expansion of designated housing assistance	$95 million
• Elimination of once-in-a-lifetime restriction on homelessness assistance	$37 million
• Increase homelessness assistance daily rate from $65 to $85	$15.3 million
• Diaper assistance	$19.8 million
CalFresh	
• Work Incentive Nutritional Supplement	$29 million
• SSI Cash-Out Reversal (excludes one-time hold harmless benefits)	$22.3 million
• State Utility Assistance Subsidy	$11.1 million
SSI/SSP	
• 2.76 percent cost-of-living increase	$73 million
In-Home Supportive Services	
• Overtime	$311.5 million
• Restoration of 7 percent of hours	$311.7 million
Earned Income Tax Credit	
• Creation and expansion of California credit (includes administrative and outreach costs)	$445.9 million
Child Care	
• Various increases to rates and slots	$700 million
Cal Grants	
• Various augmentations and restorations	$183.7 million
Proposition 98	
• Local Control Funding Formula—Supplemental and concentration grants for low-income and English Learner students	$9.9 billion
• State Preschool—various increases to rates and slots and minimum wage costs	$599.5 million
• Community College Student Equity funding increases	$165 million
• Community College Student Success Completion Grant	$131.8 million
Total:	**$21.4 billion ($10.7 billion Prop 98, $10.3 billion General Fund, $0.4 billion Local Realignment Fund)**

Note: Fiscal estimates reflect fully implemented costs.
[1] Portions of the total costs are reflected under ACA optional expansion and existing Drug Medi-Cal base services.
[2] Funded by General Fund and 1991-92 State-Local Realignment Revenues.

COMBATING CLIMATE CHANGE

California has acted decisively and aggressively to reduce greenhouse gas emissions and address climate change, with a state goal to reduce emissions 40 percent below 1990 levels by 2030. The state's most cost-effective approach to meeting that target is the Cap and Trade Program, which allows the private sector to determine the most appropriate path for reducing emissions through the quarterly auction of pollution credits. In addition to the direct emission reductions required under the program, the state has appropriated $6.9 billion in auction proceeds to further reduce emissions by funding transit and high-speed rail, affordable housing near jobs and services, forest and watershed improvements, healthy soils, recycling and home energy upgrades. Further, the state has prioritized the expenditure of these funds in disadvantaged communities.

The Administration worked with the Legislature last year to strengthen Cap and Trade by extending the program through 2030, The Budget includes a $1.4 billion Cap and Trade Expenditure Plan to invest in programs that further reduce emissions and support climate resiliency efforts, including $210 million for forest improvement and fire prevention projects that protect the state's forests from wildfires and $200 million to provide rebates for zero-emission vehicles to meet the Governor's Executive Order goal of 5 million zero-emission vehicles on the road by 2030.

ENHANCING PUBLIC SAFETY

The public safety goal of the Administration and the Legislature has been to give offenders the greatest opportunity for rehabilitation—thereby reducing recidivism and increasing overall public safety in a cost-effective manner. Over the past seven years, both in response to a federally imposed population cap and voter directives, the prison population has been reduced by 20 percent.

Over the prior two decades, corrections spending was one of the fastest growing components of the state budget—averaging 12.5 percent annual growth. The department's budget was notoriously difficult to control, with spending exceeding budgeted amounts—often by hundreds of millions of dollars.

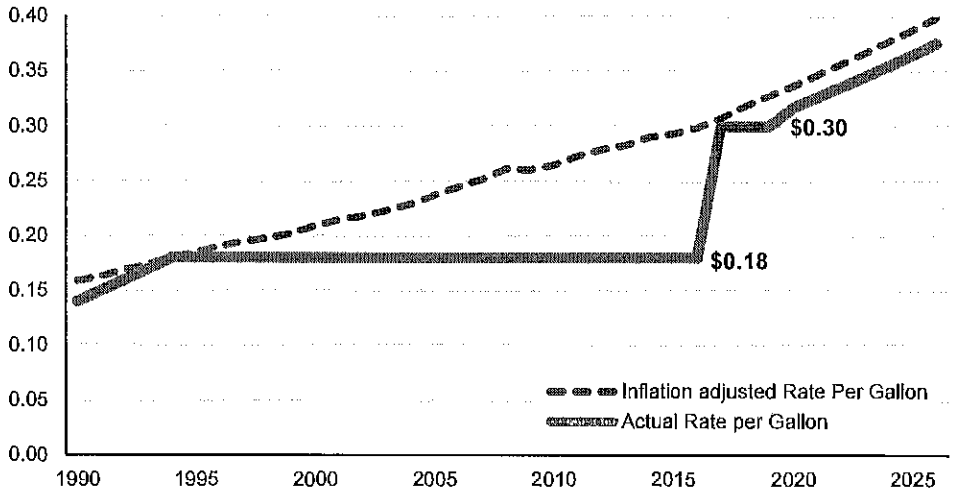
In contrast, over the past eight years, annual corrections spending growth has been reduced to 2.7 percent while focusing more dollars on health care and rehabilitation. While corrections spending represented 11.4 percent of 2011-12 General Fund spending, it now represents only 8.6 percent under the Budget.

STRENGTHENING INFRASTRUCTURE

The construction and maintenance of key physical infrastructure is one of the core functions of state government. Infrastructure allows for the movement of goods across the state and the delivery of public services. The deferred maintenance on existing state infrastructure is staggering—estimated to total $67 billion. The 2015 and 2016 Budgets contained hundreds of millions of dollars to begin addressing the most critical deferred maintenance projects. The Budget adds $333.5 million to this effort, with funding for the universities, courts, other state facilities, and flood control. The 2016 Budget also began a major investment in renovating Sacramento's aged and inadequate state office infrastructure including the state Capitol Annex, and the Budget provides $630 million to continue these efforts. Under the state Constitution, once the state's Rainy Day Fund is filled, the balance of deposits will be dedicated for infrastructure projects. The Budget allocates these future funds—providing the first $415 million annually to state government infrastructure costs with any remaining funds split evenly between high-priority housing and rail projects.

The Budget reflects the first full year of funding under the Road Repair and Accountability Act of 2017 (SB 1), which provides stable, long-term funding for both state and local transportation infrastructure priorities. California was facing the effects of inflation that had significantly eroded the purchasing power of the gas tax since the last time it was raised in 1994. The package reverses that trend (see Figure INT-08) and provides $55 billion in new funding over the next decade, split evenly between state and local projects.

Figure INT-08
SB 1 Restored Lost Purchasing Power for the Gas Tax



For 2018-19, the Budget includes $4.6 billion in new transportation funding, which:

- Focuses on "fix-it-first" investments to repair neighborhood roads, state highways, and bridges ($2.8 billion).
- Makes key investments in trade and commute corridors to support continued economic growth and implement a sustainable freight strategy ($556 million).
- Matches locally generated funds for high-priority transportation projects ($200 million).
- Invests in passenger rail and public transit modernization and improvement ($721 million).

In addition to significant transportation funding, the Budget also reflects the first $1.24 billion of expenditures from the recently passed natural resources bond (Proposition 68), and funding to restart the state's court construction program to complete ten courthouses.

SUPPORTING JOB CREATION

Since January 2011, California has added 2.7 million jobs to the economy. While state government can only have a limited influence over the state's dynamic economy, the stability of a balanced state budget has given businesses the certainty and the reassurance they need to invest in California. In addition, the Administration redirected billions of dollars that were once spent ineffectively through the enterprise zone and redevelopment programs to more proven tools, like a sales tax exemption for manufacturing equipment and the California Competes tax credit program. To continue these efforts, the Budget extends the California Competes program for another five years with $180 million in credits awarded annually. An additional $20 million annually will directly assist small businesses.

PAYING DOWN DEBTS AND LIABILITIES

In May 2011, Governor Brown identified a $35 billion Wall of Debt— an unprecedented level of debts, deferrals, and budgetary obligations accumulated over the prior decade. That debt has been substantially reduced, now standing at less than $5 billion after the appropriated payments in 2018-19. In addition to strengthening the Rainy Day Fund, Proposition 2 requires the state pay down a certain amount of debt in each budget. Additional Proposition 2 debt payments over the next few years for eligible components will further shrink this debt. The Budget provides $254 million, plus estimated interest, to repay counties for prior mental health mandated costs.

While short-term debts and budgetary borrowing have been largely eliminated, long-term liabilities remain. As shown in Figure INT-09, the state has $291 billion in long-term costs, debts, and liabilities. The vast majority of these liabilities—$287 billion—are related to retirement costs of state and University of California employees.

Figure INT-09

Debts and Liabilities Eligible for Accelerated Payments Under Proposition 2

(Dollars in Millions)

	Outstanding Amount at Start of 2018-19 [2/]	2018 Budget Act Pay Down
Budgetary Borrowing		
Loans from Special Funds	$1,248	$205
Weight Fees	1,150	382
Underfunding of Proposition 98—Settle-Up	440	100
Non-Proposition 98 Mandates (Pre 2004)	18	7
Pre-Proposition 42 Transportation Loans	471	235
State Retirement Liabilities		
State Retiree Health	91,008	195
State Employee Pensions	58,765	623
Teachers' Pensions [1/]	103,468	0
Judges' Pensions	3,277	0
Deferred payments to CalPERS	682	0
University of California Retirement Liabilities		
University of California Employee Pensions	10,851	0
University of California Retiree Health	19,331	0
Total	**$290,709**	**$1,747**

[1/] The state portion of the unfunded liability for teachers' pensions is $35.3 billion.

[2/] For retiree health and pensions, the amounts reflect latest actuarial report available.

Over the past several years, the Governor and Legislature have taken significant steps to address the long-term costs of retirement programs.

In 2012, the California Public Employees' Pension Reform Act was enacted to save billions of taxpayer dollars by capping pension benefits, increasing the retirement age, stopping abusive practices, and requiring employees to pay at least half of their pension costs. In 2014, a funding plan was implemented to restore fiscal solvency to the state's teacher pension system by 2046. In 2015, the state and its employees began to share equally in the prefunding of retiree health benefits to eliminate a then $72 billion unfunded liability in the coming decades. In 2017, the state made a $6 billion supplemental payment to CalPERS that is estimated to save a net $4.8 billion in required pension contributions over the next two decades.

Despite these efforts, California's unfunded liabilities continue to rise. If not for the above-noted efforts, these liabilities would be billions of dollars higher. Accounting for all of these actions, and under current assumptions, the state now has plans in place to pay off these liabilities. The state's multi-year spending forecast accounts for the expected increases in these costs while keeping spending in line with revenues. In other words, the state can continue to manage its retirement expenses while waiting for the long-term savings under 2012's pension reform law to phase in. The growing costs will be expensive, but paying more now will reduce the liabilities and help preserve the ability of the state to keep providing these benefits over the long term.

MAINTAINING FISCAL BALANCE: AN ONGOING CHALLENGE

The past six years have been the longest stretch of balanced budgets in recent history. With a volatile revenue structure and limited spending flexibility, the California budget demands constant vigilance to stay in balance. These six years of relative fiscal stability illustrate the benefits of a prudent approach to budgeting—building up a Rainy Day Fund, avoiding overcommitting one-time revenues and making tough decisions when necessary. These years provide a sharp contrast to the decade of budget crises that preceded it—a decade that was defined by using one-time revenues from capital gains for ongoing expenditures while deferring tough decisions through borrowing and gimmicks. The next recession will be upon California soon enough, but a full Rainy Day Fund and a commitment to prudent one-time spending are the best tools available to guide the state through it.

SUMMARY CHARTS

This section provides various statewide budget charts and tables.

Figure SUM-01
2018 Budget Act
General Fund Budget Summary
(Dollars in Millions)

	2017-18	2018-19
Prior Year Balance	$5,702	$8,483
Revenues and Transfers	$129,825	$133,332
Total Resources Available	**$135,527**	**$141,815**
Non-Proposition 98 Expenditures	$73,663	$83,818
Proposition 98 Expenditures	$53,381	$54,870
Total Expenditures	**$127,044**	**$138,688**
Fund Balance	**$8,483**	**$3,127**
Reserve for Liquidation of Encumbrances	$1,165	$1,165
Special Fund for Economic Uncertainties	$7,318	$1,962
Safety Net Reserve		**$200**
Budget Stabilization Account/Rainy Day Fund	**$9,410**	**$13,768**

Figure SUM-02
General Fund Expenditures by Agency
(Dollars in Millions)

	2017-18	2018-19	Change from 2017-18 Dollar Change	Change from 2017-18 Percent Change
Legislative, Judicial, Executive	$3,397	$4,535	$1,138	33.5%
Business, Consumer Services & Housing	404	443	39	9.7%
Transportation	232	229	-3	-1.3%
Natural Resources	3,506	3,542	36	1.0%
Environmental Protection	214	130	-84	-39.3%
Health and Human Services	35,663	39,480	3,817	10.7%
Corrections and Rehabilitation	11,686	12,091	405	3.5%
K-12 Education	54,005	55,919	1,914	3.5%
Higher Education	15,123	16,082	959	6.3%
Labor and Workforce Development	147	143	-4	-2.7%
Government Operations	1,135	1,824	689	60.7%
General Government:				
Non-Agency Departments	784	1,109	325	41.5%
Tax Relief/Local Government	433	466	33	7.6%
Statewide Expenditures	315	2,695	2,380	755.6%
Total	**$127,044**	**$138,688**	**$11,644**	**9.2%**

Note: Numbers may not add due to rounding.

Figure SUM-03

2018-19 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	$4,535	$3,864	$303	$8,702
Business, Consumer Services & Housing	443	944	635	2,022
Transportation	229	13,696	637	14,562
Natural Resources	3,542	1,702	1,363	6,607
Environmental Protection	130	3,827	202	4,159
Health and Human Services	39,480	24,839	-	64,319
Corrections and Rehabilitation	12,091	2,909	-	15,000
K-12 Education	55,919	106	656	56,681
Higher Education	16,082	173	335	16,590
Labor and Workforce Development	143	739	-	882
Government Operations	1,824	-309	7	1,522
General Government				
Non-Agency Departments	1,109	1,859	33	3,001
Tax Relief/Local Government	466	2,593	-	3,059
Statewide Expenditures	2,695	1,570	2	4,267
Total	**$138,688**	**$58,512**	**$4,173**	**$201,373**

Note: Numbers may not add due to rounding.

Figure SUM-04

General Fund Revenue Sources

(Dollars in Millions)

	2017-18	2018-19	Change from 2017-18 Dollar Change	Change from 2017-18 Percent Change
Personal Income Tax	$91,971	$95,011	$3,040	3.3%
Sales and Use Tax	25,384	26,674	1,290	5.1%
Corporation Tax	11,246	12,259	1,013	9.0%
Insurance Tax	2,514	2,576	62	2.5%
Alcoholic Beverage Taxes and Fees	371	377	6	1.6%
Cigarette Tax	67	65	-2	-3.0%
Motor Vehicle Fees	27	27	0	0.0%
Other	942	701	-241	-25.6%
Subtotal	**$132,522**	**$137,690**	**$5,168**	**3.9%**
Transfer to the Budget Stabilization Account/Rainy Day Fund	-2,697	-4,358	-1,661	61.6%
Total	**$129,825**	**$133,332**	**$3,507**	**2.7%**

Note: Numbers may not add due to rounding.

Figure SUM-05

2018-19 Revenue Sources

(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2017-18
Personal Income Tax	$95,011	$2,225	$97,236	$3,213
Sales and Use Tax	26,674	12,041	38,715	2,074
Corporation Tax	12,259	-	12,259	1,013
Highway Users Taxes	-	7,691	7,691	789
Insurance Tax	2,576	-	2,576	62
Alcoholic Beverage Taxes and Fees	377	-	377	6
Cigarette Tax	65	2,000	2,065	-53
Motor Vehicle Fees	27	9,330	9,357	1,013
Other Regulatory Fees	2	8,575	8,577	-1,136
Other	699	15,679	16,378	254
Subtotal	**$137,690**	**$57,541**	**$195,231**	**$7,235**
Transfer to the Budget Stabilization Account/Rainy Day Fund	-4,358	4,358	0	0
Total	**$133,332**	**$61,899**	**$195,231**	**$7,235**

Note: Numbers may not add due to rounding.

K-12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,000 charter schools provide students with instruction in English, mathematics, history, science, and other core competencies to provide them with the skills they will need upon graduation for either entry into the workforce or higher education.

The Budget includes total funding of $97.2 billion ($56.1 billion General Fund and $41.1 billion other funds) for all K-12 education programs.

PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in 1988-89, determines education funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, local property tax revenues, per capita personal income, civilian population, and school attendance growth or decline.

In 2011-12, at the depth of the state budget crisis, the minimum guarantee dropped from the previous high of $56.6 billion in 2007-08 to $47.3 billion. Over the past seven years, primarily driven by significant increases in state General Fund revenues and the passage of Propositions 30 and 55, the minimum guarantee has increased by $31 billion to $78.4 billion. With these significant increases in the minimum guarantee, the Administration and the Legislature have

paid down debt owed to schools, fully implemented the Local Control Funding Formula (LCFF), and provided schools with large grants of flexible, discretionary funding to invest in local priorities. For K-12 schools, this increase results in Proposition 98 per pupil spending of $11,640, a $4,633 increase over the 2011-12 per pupil spending levels. Additionally, over this period of time, per pupil spending from all state, federal, and local sources increased by approximately $5,700 per pupil to $16,352.

The state also postponed $19 billion in payments to K-14 schools during the recession, in the form of inter-year budgetary apportionment deferrals ($10.6 billion), settle-up payments owed for past Proposition 98 fiscal years ($4.3 billion), outstanding mandate claims ($4.2 billion), and the balance owed in the *Williams* settlement ($800 million). By appropriating large increases in Proposition 98 funds to pay down these outstanding obligations, the state eliminated inter-year budgetary deferrals and the *Williams* settlement balance in 2014-15, and reduced the outstanding mandate claim balances and settle-up debt in 2018-19 to approximately $1.1 billion and $340 million, respectively.

PROPOSITION 30

In November 2012, voters passed Proposition 30, the Governor's tax initiative, which temporarily raised the state sales and personal income tax and provided significant additional funding for K-14 schools. Without the passage of Proposition 30, the state anticipated $5.4 billion in additional cuts to K-14 schools in 2012-13. Instead, from 2012-13 through 2018-19, Proposition 30 (as extended by Proposition 55 beginning January 2019) accounts for $50 billion in state revenue, which has allowed the state to shift from making substantial reductions to making substantial investments in education. Proposition 55 extends the personal income tax rates through 2030.

LOCAL CONTROL FUNDING FORMULA

In 2013, the Administration and Legislature created the LCFF to replace the prior revenue limit school finance system, which was inequitable, overly complex, and administratively costly. The transition to LCFF represented a fundamental shift from state control of educational programs and fiscal priorities to a more locally determined model that allows communities the flexibility to serve their unique student populations. Specifically, the state eliminated 43 categorical programs and revamped state allocation formulas, targeting flexible funding to school districts more equitably with a focus on reducing the academic achievement gap. The formula responds to research and practical experience that indicates students from low-income families, English language learners, and youth in foster care often require supplemental services and support to be successful in school.

The school district and charter school LCFF formula includes the following major components:

- A grade-span base grant for each local educational agency per unit of average daily attendance, including a base grant rate adjustment of 10.4 percent to support lower class sizes in grades K-3, and an adjustment of 2.6 percent to reflect the cost of operating career technical education programs in high schools.
- A supplemental grant of 20 percent of the adjusted base rate for English learners, students from low-income families, and youth in foster care to support increased services to students with higher needs.
- An additional concentration grant of 50 percent of the adjusted base rate for each English learner, student from low-income families, and youth in foster care above 55 percent of the enrollment served by the local educational agency.

The enacted county office of education formula includes: (1) a base grant for each county office of education per unit of average daily attendance to support instruction of students who attend community schools and juvenile court schools, and (2) unrestricted funding, inclusive of the resources necessary for administrative and technical support of local educational agencies in developing and approving local accountability plans, based on the average daily attendance of all students in the county.

The Budget provides $3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71 percent COLA and an additional $570 million above the COLA as an ongoing increase to the formula. Since the enactment of LCFF, the state has allocated over $21 billion in additional ongoing resources to school districts and charter schools through the formula. The county office of education formula was fully implemented in 2014-15.

The Budget also provides $300 million one-time Proposition 98 General Fund for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who: (1) perform at the lowest levels on the state's academic assessments, and (2) do not generate supplemental LCFF funds or state or federal special education resources.

K-12 ACCOUNTABILITY

The student academic achievement gap is the most persistent and difficult challenge facing California's public school system. For decades, data shows an inequity in academic outcomes between the state's student subgroup—especially for students with disabilities, foster and

homeless youth, English language learners, and students of color. Prior to the implementation of the LCFF, the state predetermined program funding allocations for local educational agencies that did not address changing student needs and measured student achievement based solely on test scores and graduation rates. The adoption of the LCFF marked a redirection of resources aimed at closing the achievement gap, allowing local educational agencies greater authority to target spending to local needs. This shift required the state to redesign its K-12 accountability system to ensure that local educational agencies adopted spending plans that reflected their students' needs based on a complete evaluation of their own local education system.

Parallel to the transition to a new education finance and accountability system, in 2010, the State Board of Education also adopted new, more rigorous state standards for English language arts and mathematics. In addition to defining curriculum content for grades K-12, these standards focused on developing the critical thinking and analytical skills students need to be ready for college-level courses and the workforce. To measure student proficiency in these new standards, in 2015 the state implemented new computer-based, adaptive assessments for the first time, reducing the number of assessments that students are required to take while increasing the precision of those assessments to identify content areas where students either excel or need additional support.

The Local Control and Accountability Plan (LCAP) is the foundation of the state's new accountability system, and is developed by local educational agencies in collaboration with school and community stakeholders to improve student outcomes. First required of local educational agencies for the 2014-15 school year, the purpose of the LCAP process is to develop local multi-year strategies and funding plans to continuously improve student achievement, based on multiple measures of student success. These measures—which include student test scores, suspension rates, English learner progress, and several other indicators—are aggregated for public review on the California School Dashboard, which became available for the first time in fall 2017. The state uses the Dashboard to identify school districts with consistently low-performing student subgroups to connect them with a network of resources available through the new statewide system of support. Within the system of support, school districts, county offices of education, the California Collaborative for Educational Excellence, and the Department of Education work collaboratively to identify barriers to student achievement and share expertise to address those barriers. The LCAP, the Dashboard, and the statewide system of support replace the state's previous high stakes testing-driven accountability system to give a more comprehensive view of student achievement and more opportunities for school communities to make meaningful changes to improve student outcomes.

The Budget makes $82.8 million in investments for the state's new accountability system and capacity-building within the statewide system of support, including:

- Statewide System of Support—$57.8 million Proposition 98 General Fund for county offices of education to provide technical assistance to school districts, of which $4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.
- Multi-Tiered Systems of Support (MTSS)—$15 million one-time Proposition 98 General Fund to expand the state's MTSS framework to foster positive school climate in both academic and behavioral areas.
- Community Engagement Initiative—$13.3 million one-time Proposition 98 General Fund for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the LCAP process.
- California Collaborative for Educational Excellence—$11.5 million Proposition 98 General Fund to support the Collaborative in its role within the statewide system of support.
- Special Education Local Plan Area (SELPA) Technical Assistance—$10 million Proposition 98 General Fund for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.
- Dashboard Improvement—$300,000 one-time Proposition 98 General Fund to improve the user interface of the California School Dashboard.
- LCFF Budget Summary for Parents—$200,000 one-time Proposition 98 General Fund to develop the electronic template for the LCFF Budget Summary for Parents, which will help stakeholders better understand funding decisions made within the LCAP.
- LCAP Redesign—$200,000 one-time Proposition 98 General Fund to support intended future legislation to streamline the LCAP.

PROPOSITION 98 CERTIFICATION

In 1989, shortly after Proposition 98 was passed by voters, the state enacted a certification process intended to finalize the calculations of the minimum school funding formula in each fiscal year. Under this process, the Department of Finance, the Superintendent of Public Instruction, and the Chancellor of the Community Colleges were to jointly certify the calculation of the minimum guarantee within nine months after the close of each fiscal year. Given the

compressed timeframe, differing interpretations of the law, and other issues, certification of the minimum guarantee has been delayed for many years. The last time the state certified the minimum guarantee was in 2008-09.

Consistent with the focus of the Administration and the Legislature on retiring debt and liabilities, the Budget enacts a new Proposition 98 certification process designed to: (1) provide a new mechanism to ensure annual certifications, (2) increase certainty around the payment of future certification settlements, (3) provide the state with additional budgeting flexibility, and (4) certify the guarantee for the prior years of 2009-10 through 2016-17.

Under the new certification process, Finance will publish a tentative calculation of the prior year's Proposition 98 minimum guarantee in the May Revision. This estimate will include all of the relevant factors used in the calculation of the guarantee, reflecting Finance's, the Superintendent's, and the Chancellor's final estimates for the year. Following the publication, a public review and comment period will allow interested parties and stakeholders to ask questions and submit comments regarding the certification to Finance. Finance will be required to respond to and publish all relevant comments prior to posting the final calculation of the guarantee. If no legal challenge to the calculation is made by October 1, the guarantee will be deemed certified. Any funding in excess of the required minimum level may be determined through the certification process and may be applied to meet guarantee obligations in future fiscal years. Any additional amount owed will be paid over a specified period of time.

As part of the certification included in the Budget, the Proposition 98 minimum guarantee was rebenched in 2015-16 to reflect the inclusion of additional child care wraparound services that were funded within the guarantee beginning in 2015-16. To further the certainty that the new certification process will provide, the Budget also continuously appropriates funding for the LCFF, including the annual cost-of-living adjustment. Doing so provides the same level of certainty for budget planning that local educational agencies enjoyed under the previous revenue limit system.

CAREER TECHNICAL EDUCATION

Career technical education funding in California has undergone a significant transformation in recent years. Prior to the adoption of the LCFF, the state provided more than $500 million annually to support a collection of targeted career technical education categorical programs, most notably the Regional Occupational Centers and Programs (ROCPs). The 2013 Budget collapsed almost all of this previous categorical funding into the LCFF in the form of a 9-12 grade span adjustment and required local educational agencies to describe how they intend to meet the career technical education needs of their students consistent with state-adopted

standards in their LCAPs. This approach changed both state and local conversations around career technical education, as funding for these programs was now tied directly to decisions made at the local level around how best to use resources to improve student outcomes.

Acknowledging that a shift to local decision-making could be difficult, the 2013 Budget included a two-year maintenance-of-effort requirement for local educational agencies to maintain their 2012-13 levels of spending on ROCPs, providing them with additional time to structure more long-term service delivery arrangements. Further, both the 2013 and 2014 Budgets provided $250 million in one-time Proposition 98 General Fund to support the Career Pathways Trust Program, which provided one-time competitive grants to create innovative programs and partnerships linking rigorous academic standards to career pathways in high-need and high-growth sectors of the economy. This program was followed by the Career Technical Education Incentive Grant Program, which provided $900 million over a three-year period to encourage the creation and expansion of high-quality career technical education programs during local educational agencies' implementation of the LCFF. These investments supplemented the ongoing funding that was rolled into the LCFF in recognition of the higher cost of offering career technical education programs at the high school level.

Funding allocated through the LCFF should pay for a full range of educational costs, including career technical education. However, in recognition that high-quality career technical education programs play a valuable role in preparing students to meet the state's labor market demands, the Budget includes $164 million ongoing Proposition 98 funding to establish a K-12 specific component within the Strong Workforce Program. This workforce development proposal is designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program, which is funded at $248 million annually. The state's investment in career technical education is further complemented by the inclusion of $150 million ongoing Proposition 98 General Fund to make permanent the Career Technical Education Incentive Grant Program, mentioned above.

Together, these programs, along with the funding provided through the LCFF, will enhance students' opportunities to participate in effective, high-quality career technical education programs that are aligned not only with college and career-readiness standards, but also with the needs of employers, industry, and labor.

MANDATES

Under the traditional state mandate reimbursement claims process, local educational agencies were reimbursed for the costs incurred to perform specified mandated activities. Local educational agencies were required to follow specific claiming instructions and maintain documentation supporting the amounts claimed. The entire process was labor intensive and burdensome. Moreover, the traditional reimbursement process did not create an incentive for local educational agencies to perform mandated activities in a cost-effective or efficient manner given that any administrative compliance costs incurred were reimbursed. Further, local educational agencies determined the cost of performing specified mandated activities, resulting in significant variance in claimed costs among local educational agencies.

To address these issues, the K-12 Mandate Block Grant Program was created as part of the 2012 Budget. In lieu of filing reimbursement claims for specific state-mandated programs, local educational agencies can participate in the block grant and receive funding for mandated programs based on specified funding rates per unit of average daily attendance. The block grant significantly simplifies the mandate reimbursement process by eliminating the need to submit reimbursement claims for individual mandated programs and maintaining applicable supporting documentation for many years. Moreover, the block grant allows local educational agencies to plan on a dedicated funding source to support mandated programs, while also allowing the state to more effectively plan and budget for mandated costs. As of 2017-18, nearly 98 percent of local educational agencies have elected to participate in the block grant.

While the K-12 Mandate Block Grant Program addressed the prospective funding of these requirements on schools, unpaid local educational agency reimbursement claims prior to 2012-13 totaled in the billions of dollars. As part of the Administration's emphasis on paying down debt, more than $5.7 billion in one-time funding has been provided to school districts, charter schools and county offices of education since 2014-15 to use at local discretion, while offsetting outstanding reimbursements claims for these entities. These funds have provided substantial resources to support critical investments in content standards implementation, technology, professional development, induction programs for beginning teachers, deferred maintenance, and employee benefits. The Budget builds on the commitment to retire debt by providing an additional $1.1 billion for school districts, charter schools and county offices of education to further support local priorities. These funds, coupled with previous discretionary funding, allows the state to retire approximately $4.5 billion in outstanding K-12 mandate debt and reduce the amount owed to local educational agencies from a recent high of approximately $5.5 billion (both from debt incurred prior to the creation of the block grant and from claims submitted since then) to nearly $1 billion.

Similar to K-12 local educational agencies, community college districts received discretionary funding of $787 million since 2014-15. Districts can use the funding for local needs and priorities such as deferred maintenance, technology infrastructure, professional development, and developing open education resources and zero-textbook-cost degrees. In addition to providing districts with a discretionary resource to address critical local needs, the funding also offsets any applicable outstanding mandate reimbursement claims for these entities. As a result, outstanding community college mandate debt has been reduced from approximately $565 million to $110 million.

TEACHER WORKFORCE

In recognition of the need to recruit and retain qualified individuals into the teaching profession, the Administration and the Legislature have targeted teacher workforce investments. Over the last few years, these targeted investments have included the following:

- Educator Effectiveness Block Grant—$490 million one-time Proposition 98 General Fund in 2015-16 to support educator professional development.
- Classified School Employee Credentialing Grant Program—$45 million total one-time Proposition 98 General Fund in 2016-17 and 2017-18 to support at least 2,250 classified employees electing to participate in a teacher preparation program and become certificated classroom teachers in California public schools.
- Integrated Teacher Preparation Program—$10 million one-time non-Proposition 98 General Fund in 2016-17 to create pathways that allow university students to graduate with a bachelor's degree and a preliminary teaching credential within four years.
- California Educator Development Grant Program—$9 million one-time federal Title II funds in 2017-18 for competitive grants that assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high-need subjects and schools.
- California Center on Teaching Careers—$5 million one-time Proposition 98 General Fund in 2016-17 to support statewide teacher recruitment and retention efforts.
- Bilingual Educator Professional Development Grant Program—$5 million one-time Proposition 98 General Fund in 2017-18 for competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.

Additionally, the California Commission on Teacher Credentialing, as the state's licensing board for public school teachers, has implemented a variety of initiatives to align educator preparation with new K-12 academic content standards and improve the availability of statewide teacher workforce data. Specific activities include:

- Consolidating the number of Special Education Credentials from seven to five by embedding the existing Physical and Health Impairments and Language and Academic Development authorizations into both the Mild/Moderate and Moderate/Severe credentials.
- Extending the validity period for teacher licensing exams.
- Updating teacher and administrator standards to reflect adoption of the California State Standards and California's Next Generation Science Standards.
- Creating an online dashboard on teacher supply and demand and educator preparation.
- Establishing the Teaching Permit for Statutory Leave to authorize long-term substitutes for teachers on extended leave.
- Revising the accreditation system for teacher preparation programs to focus on program outcomes such as program completion factors, teacher placements, and employer satisfaction.

Although many of the recent investments in the teacher workforce have been targeted at science, technology, engineering and mathematics (STEM), bilingual, and special education fields, for decades there has been a particularly acute shortage in the number of fully credentialed special education teachers. Most concerning, the number of special education teachers providing instruction with a substandard credential continues to rise. In response to this shortage, and because two-thirds of school districts have been identified as having poor special education performance, the Budget provides an additional $100 million investment to increase and retain special education teachers, as well as an additional $25 million investment for bilingual and STEM education fields:

- Teacher Residency Grant Program—$75 million one-time Proposition 98 General Fund to support locally sponsored, one-year intensive, mentored, clinical teacher preparation programs with $50 million aimed at preparing and retaining special education teachers and $25 million aimed at bilingual and STEM teachers.

- Local Solutions Grant Program—$50 million one-time Proposition 98 General Fund to provide one-time competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need for special education teachers.

OTHER K-12 BUDGET ADJUSTMENTS

In addition to the augmentations described above, the Budget also provides:

- Classified School Employee Summer Assistance Program—$50 million one-time Proposition 98 General Fund to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the school year and then paid during the summer recess period.
- Classified School Employee Professional Development Block Grant Program—$50 million one-time Proposition 98 General Fund for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.
- English Language Proficiency Assessment for California (ELPAC)—$27.1 million one-time Proposition 98 General Fund to convert the paper-based ELPAC to a computer-based assessment and to develop an ELPAC assessment specific to students with exceptional needs.
- Charter School Facility Grant Program—$21.1 million one-time and $24.8 million ongoing Proposition 98 General Fund to reflect increases in programmatic costs.
- Kids Code After School Program—$15 million one-time Proposition 98 General Fund to increase opportunities for students in after-school programs to access computer coding education.
- Fire-Related Support—$4.4 million Proposition 98 General Fund over two years in property tax relief to schools impacted by the fires in Northern and Southern California in 2017, and an additional $25 million Proposition 98 General Fund relief through the LCFF. The Budget also holds harmless the average daily attendance used in calculating the LCFF for these counties for three years.
- California-Grown Fresh School Meals Grants—$1 million one-time Proposition 98 General Fund to encourage the purchase of California-grown food by schools and expand the number of freshly prepared school meals offered that use California-grown ingredients.

- Fiscal Crisis and Management Assistance Team (FCMAT)—$972,000 Proposition 98 General Fund to allow FCMAT to coordinate with county offices of education to offer more proactive and preventive services to fiscally distressed school districts, specifically those with a qualified interim budget status (school districts that may not meet their financial obligations in the current year or subsequent two years).

CHILD CARE AND STATE PRESCHOOL

The state funds nine child care and early education programs as well as dozens of other programs that support child care quality and access, including family resource and referral agencies and local child care planning councils. These programs are administered by the Department of Education and the Department of Social Services. Families can access child care and early education subsidies through providers that contract directly with the Department of Education, local educational agencies, or through vouchers from county welfare departments or alternative payment program agencies.

During the economic downturn, state child care and early education programs experienced significant cuts, with reductions of almost $1 billion in funding. However, since 2013, the state has increased funding by $700 million non-Proposition 98 General Fund and $600 million Proposition 98 General Fund. These investments have improved services by:

- Increasing Provider Reimbursement Rates—The state updated child care provider reimbursement rates to pay child care providers that accept vouchers rates that reflect the current cost of care. Prior to these rate increases (which began in 2014), providers received reimbursement rates that were based on the cost of care in 2005. The state also increased the rates of providers that contract directly with the Department of Education by more than 26 percent.
- Expanding Access for Families—From 2013 to 2018, the state added more than 58,000 subsidized child care and early education slots. The state also increased income eligibility ceilings for families receiving child care subsidies, both for initial and continuing eligibility determinations. For families with inconsistent incomes or work schedules, the state reduced the frequency of eligibility redeterminations from several times a year to annually. Finally, the state increased State Preschool income eligibility ceilings for children with disabilities to improve inclusivity in that program.

- Reducing Costs for Families—In 2014, the state eliminated fees for families participating in part-day State Preschool. In addition, by increasing income eligibility ceilings for families (described above), the state also increased the number of families exempt from paying fees in all state child care programs.
- Improving the Quality of Care—To increase the quality of subsidized child care, in 2014-15 and 2015-16 the state provided: (1) $50 million ongoing Proposition 98 General Fund for local block grants for State Preschool quality improvement; (2) $24.2 million one-time non-Proposition 98 General Fund for local block grants for quality improvement in infant and toddler care; (3) $10 million one-time Proposition 98 General Fund to provide loans for State Preschool facility expansion; and (4) $25 million one-time Proposition 98 General Fund for State Preschool and transitional kindergarten teacher training. From 2011-12 to 2015-16, the state also invested $75 million one-time federal Race to the Top–Early Learning Challenge funds into the creation of a state/local quality rating and improvement system for child care providers. Further, to verify that transitional kindergarten teachers are appropriately trained to provide instruction for four-year-olds, in 2014-15 the state increased the educational requirements for transitional kindergarten teachers to include 24 units of early childhood education. Finally, in 2018-19 the state increased the frequency of inspections for licensed child care providers from once every three years to annual.
- Streamlining Program Requirements—To improve the experience of participating providers and families, the state: (1) authorized the use of electronic applications for child care subsidies, making it less burdensome for eligible families to access care and more efficient for providers to process applications; (2) eliminated duplicative licensing requirements for State Preschool providers utilizing facilities that meet transitional kindergarten facility standards; and (3) simplified eligibility determinations for providers accepting both state and federal subsidies and serving homeless children by aligning the eligibility requirements for these subsidies.

Included in these investments are augmentations in the Budget that increase provider reimbursement rates and expand access for families. Specifically, the Budget makes the final augmentations associated with the multi-year funding agreement adopted as part of the 2016 Budget by increasing the reimbursement rate for providers that contract directly with the Department of Education by approximately 2.8 percent, and making permanent a temporary hold harmless provision to the 2016 Regional Market Reimbursement Rate Survey for providers accepting vouchers. Additionally, the Budget increases the reimbursement rate adjustment factors for child care providers serving infants, toddlers, children with exceptional needs, and severely disabled children. The Budget also provides the final of three scheduled 2,959 full-day slot increases to the State Preschool program, totaling 8,877 slots over three years, and

increases the number of available child care vouchers by 13,407. Overall, the Budget includes approximately $1 billion in new child care investments for 2018-19 and 2019-20.

Finally, the Budget creates the Inclusive Early Education Expansion Program, providing $167.2 million one-time Proposition 98 General Fund through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care. Grant recipients will commit that all children benefiting from grant funds, especially those with disabilities, have access to appropriate settings that support their educational and developmental growth.

Significant Adjustments:

- Alternative Payment Program Expansion—Increases of $15.8 million non-Proposition 98 General Fund and $204.6 million federal Child Care and Development Fund for a total of 13,407 new voucher slots, of which 11,307 are available until June 30, 2020.
- Provider Reimbursement Rate Increases—Increases of $31.6 million Proposition 98 General Fund and $16.1 million non-Proposition 98 General Fund to increase the Standard Reimbursement Rate by approximately 2.8 percent, in addition to cost-of-living adjustments. The Budget also provides $34.2 million non-Proposition 98 General Fund beginning in 2019-20 to make permanent the existing limited-term Regional Market Reimbursement Rate hold harmless provision. Finally, the Budget includes $39.7 million non-Proposition 98 General Fund to increase the reimbursement rate adjustment factors for child care providers serving infants, toddlers, and children with exceptional needs, beginning January 1, 2019.
- Child Care Quality Investments—An increase of $26.4 million federal Child Care and Development Fund in both 2018-19 and 2019-20 to increase inspections of licensed child care providers from once every three years to annual. Additionally, $20 million in available one-time federal Child Care and Development Fund carryover is allocated to the County Pilot for Inclusive Early Care, the Child Care Initiative Project, and licensed child care teacher professional development.
- Full-Year Implementation of 2017 Budget Investments—Increases of $32.3 million non-Proposition 98 General Fund and $28.4 million Proposition 98 General Fund to reflect full-year costs of new policies implemented part-way through the 2017-18 fiscal year. These costs are associated with an update of the Regional Market Reimbursement Rate to the 75th percentile of the 2016 regional market rate survey (beginning January 1, 2018), and an increase of 2,959 slots for full-day State Preschool (beginning April 1, 2018).

- CalWORKs Stage 2 and Stage 3 Child Care—A net increase of $109.2 million non-Proposition 98 General Fund in 2018-19 to reflect increases in the number of CalWORKs child care cases. Total costs for Stages 2 and 3 are $559.9 million and $398.6 million, respectively.
- Federal Child Care and Development and TANF Funds—A decrease of federal TANF from $120.1 million in 2017-18 to $70.6 million in 2018-19. Total TANF and federal Child Care and Development Fund is $938 million.

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HIGHER EDUCATION

The Budget represents a significant investment in the state's public higher education segments—the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC)—and the students of California. The Budget provides significant increases in base funding to all three segments that will increase the quality of education and expand access. Moreover, the state has maintained financial aid programs that ensure that students of all backgrounds can succeed. This year also marks the beginning of a new, ambitious online education effort and the continuation of efforts to increase efficiency in the state's system of higher education.

The Budget includes total funding of $34.3 billion ($19.2 billion General Fund and local property tax and $15.1 billion other funds) for all higher education entities in 2018-19.

UNIVERSITY OF CALIFORNIA

The UC has received an additional $1.2 billion General Fund since 2012, reversing several years of cuts. As a result, the level of ongoing General Fund per full-time equivalent student at the UC has grown from $9,565 in 2011-12 to $12,098 in 2018-19, representing a more than 26-percent increase. In exchange for significant and reliable increases in funding, the UC has largely held tuition flat. Further, the agreement between the UC and the Administration in 2015 included significant reforms to the transfer process, promoting the use of new educational technologies, and establishing innovative approaches to financial management—all aimed at keeping student costs low. The Budget reflects the completion of this agreement as UC has finished the two remaining components of the agreement—the completion of activity-based costing pilots and

an aggressive, good-faith effort to achieve a ratio of one transfer student for every two new entering freshmen students at each campus. The UC President recently committed to working with the CCC Chancellor to better align the transfer process by creating an admission guarantee and more closely aligning transfer pathways with the existing Associate Degrees for Transfer.

Significant Adjustments:

- Ongoing General Fund Augmentations—An increase of $98.1 million, including a $92.1 million base increase, $5 million to support 500 additional resident undergraduate students in 2018-19, and $1 million to support the Institute for Global Conflict and Cooperation.
- Enrollment Shift—A decrease of $8.6 million General Fund for the UC Office of the President's appropriation and a corresponding increase to the campuses to support enrollment growth targets specified in the 2017 Budget.
- One-Time Funding—One-time General Fund totaling $248.8 million, of which $105 million will support efforts to improve instructional quality, bolster student services, and enroll additional students. Other adjustments include $40 million for graduate medical education, $35 million for deferred maintenance, $25 million for UC Berkeley, $15 million for mental health residency slots, $12 million for Jordan's Syndrome Research, $4 million for legal services for undocumented and immigrant students, faculty, and staff, and $12.8 million for various other one-time purposes.

CALIFORNIA STATE UNIVERSITY

The CSU has received an additional $1.7 billion General Fund since 2012, reversing several years of cuts. As a result, the level of ongoing General Fund per full-time equivalent student at the CSU has grown from $5,624 in 2011-12 to $8,648 in 2018-19, nearly a 54-percent increase. As with the UC, in exchange for significant and reliable increases in funding, the CSU has largely held tuition flat. The Budget includes $75 million to support the CSU Graduation Initiative 2025. The Initiative, launched in 2016, establishes goals for increasing on-time graduation rates for undergraduate students, as well as eliminating achievement gaps for Pell-eligible, underrepresented minority, and first-generation students. Graduation Initiative funding will better enable transfer students and first-time freshmen to achieve their educational goals within a two-year and four-year period, respectively. Previous investments in the Initiative have already demonstrated early success, such as increasing the four-year graduation rate for first-time freshmen from 19 percent to 23 percent. Additionally, since the passage of SB 1440 in 2010, the CSU worked with the CCCs to develop and offer Associate Degrees for Transfer.

Through the Associate Degree for Transfer, students have a clearer pathway through the community colleges and are guaranteed to enter the CSU with junior standing.

Significant Adjustments:

- Ongoing General Fund Augmentations—An increase of $197.1 million, including a base augmentation of $92.1 million, an additional $30 million to support CSU's operational costs, and $75 million to support the efforts of the Graduation Initiative.
- One-Time Funding—One-time funds totaling $161.6 million General Fund, including $120 million available over a four-year period for the CSU to provide an additional 3,641 undergraduate students access to the CSU, $35 million for deferred maintenance, $3.8 million to support shark and beach research at CSU Long Beach, $1.5 million to support student hunger programs, and $1 million to support the Mervyn Dymally Institute at CSU Dominguez Hills.

CALIFORNIA COMMUNITY COLLEGES

Since 2011, the state has made significant investments in the CCCs with overall growth of $2.6 billion Proposition 98 General Fund. The state has also made targeted investments to improve student success. This has included $285 million for the Student Success and Support Program, which has provided education planning services for matriculated students, and $155 million to mitigate disproportionate impacts on access and achievement in underrepresented groups. The Budget integrates these programs and the Student Success for Basic Skills Program to give districts enhanced flexibility to support students, eliminate equity gaps, and support implementation of guided pathways programs. Supported by $150 million one-time funding in the 2017 Budget, colleges are currently developing and implementing guided pathways programs focused on creating clear pathways for students to complete their degrees.

The Budget builds on the reforms and investments of the past several years to further accelerate improvements in student success. Today less than half of community college students complete their programs or transfer within six years. Further, only 42 percent of Latino students and 37 percent of African American students complete a certificate, a degree or transfer within six years. A decades-old community college apportionment formula—which has based funding on the number of students enrolled a particular point in time—is not the most effective way for community colleges to reach their student success goals and close the achievement gap. Instead, the Budget adopts a new student-centered funding formula that provides funding to districts based upon additional factors, including the number of low-income

students enrolled and the number of students who meet specified student success metrics, including completion of a degree or certificate. The formula will be implemented over the next three years. Core features of the funding formula include the following:

- Formula Structure and Transition—In 2018-19, 70 percent of funding will be distributed based on enrollment, 20 percent based on enrollment of low-income students, and 10 percent based on student success metrics. In 2019-20, 65 percent of funding will be distributed based on enrollment, 20 percent based on enrollment of low-income students, and 15 percent based on student success metrics. In 2020-21, 60 percent of funding will be distributed based on enrollment, 20 percent based on enrollment of low-income students, and 20 percent based on student success metrics.
- Hold Harmless Provision—In 2018-19, 2019-20, and 2020-21 no district will receive less funding than they received in 2017-18, and each will receive an increase to reflect a cost-of-living adjustment. In 2021-22 and future years, districts will receive no less in apportionment funding than is currently provided. Additionally, the funding formula includes stability provisions that provide districts with additional revenue protection by allowing them to receive the greater of their past-year or current-year total revenue.
- Advisory Committee—Corresponding with the implementation of the Student-Focused Funding Formula, an advisory committee will be established to monitor the implementation of the funding formula and report back to the Legislature and Administration on potential improvements.

EXPANDING OPPORTUNITIES FOR STUDENTS' TO IMPROVE THEIR ECONOMIC MOBILITY

Currently, there are 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential necessary to increase their earning potential. To serve these workers—who lack the time and ability to enroll in traditional classes—the Budget creates the California Online College. This college provides an opportunity for prospective students to improve their economic success. Specifically, the California Online College will:

- Develop flexible course scheduling not tied to the academic calendar and specialized support services.
- Recognize students' skills and learning acquired from work experience or prior learning through the delivery of competency-based education.

- Develop at least three program pathways by July 1, 2019, and enroll students by the last quarter of 2019. The Chancellor's Office has announced that the first two pathways will be an information technology credential and a medical coding credential.
- Report to the Legislature on student outcomes, including employment and earning gains after completion of programs, and share promising practices in online teaching and learning with all community colleges.

SUPPORTING WORKFORCE AND ADULT EDUCATION PROGRAMS

The state has also made significant investments to advance workforce training and adult education. The Strong Workforce Program, created in 2016-17, provides $248 million to expand the availability of career technical education and workforce development courses aligned with regional labor market demand. The Budget builds upon the proven successes of the Strong Workforce Program by providing $164 million for grants to K-12 local educational agencies to develop and expand career technical education programs, aligned with vocational programs offered by higher education institutions and with local workforce needs. The Adult Education Program, formerly named the Adult Education Block Grant Program, established in 2015-16, provides $527 million to support a coordinated approach between K-12 schools, community colleges, and community-based partners to provide educational opportunities to adult learners, including programs that lead to high school diplomas, English as a Second Language courses, and additional career opportunities.

NOTABLE BUDGET ADJUSTMENTS

- Student-Focused Funding Formula—An increase of $522.8 million Proposition 98 General Fund to implement a new student-focused funding formula, which includes the following:
  - An increase of $151.3 million to support a base augmentation for apportionments.
  - An increase of $173.1 million for a 2.71-percent cost-of-living adjustment for total apportionment growth.
  - An increase of $58.7 million, of which $35 million is one-time, to support hold harmless provisions and ensure all districts grow by at least the 2018-19 cost-of-living adjustment.
  - An increase of $138.7 million to reflect the amounts earned back by community colleges declining in enrollment during the previous three years.
  - An increase of $59.7 million for enrollment growth of 1 percent.
  - A decrease of $58.7 million to reflect unused growth provided in 2016-17.

- California Online Community College—An increase of $100 million one-time and $20 million ongoing Proposition 98 General Fund to establish an online community college.
- Student Success Completion Grant—An increase of $40.7 million Proposition 98 General Fund that consolidates two existing financial aid programs and establishes the Student Success Completion Grant to provide grants of $649 per semester to qualifying students who enroll in 12 to 14 units and $2,000 per semester to qualifying students who enroll in 15 or more units per semester.
- Full-Time Faculty Hiring— An increase of $50 million Proposition 98 General Fund to hire new full-time faculty for community college districts to move toward meeting the 75-percent full-time faculty target.
- Part-Time Faculty Office Hours— An increase of $50 million one-time Proposition 98 General Fund to compensate part-time faculty for providing and holding office hours.
- K-12 Strong Workforce Program—An increase of $164 million Proposition 98 General Fund in grants to K-12 local educational agencies to expand and align their career technical education programs with programs offered by higher education institutions, and with regional labor market demand, as referenced in the K-12 Education Chapter.
- California College Promise—An increase of $46 million Proposition 98 General Fund to support the implementation of the California College Promise, pursuant to Chapter 735, Statutes of 2017 (AB 19).
- Apprenticeship Programs—An increase of $36.5 million one-time and $22.7 million ongoing Proposition 98 General Fund to support apprenticeship programs.
- Online Education Initiative Competitive Grants—An increase of $35 million one-time Proposition 98 General Fund for community college districts to develop online programs and courses that lead to short-term, industry-valued credentials, or enable a student enrolled in a pathway developed by the California Online Community College to seek continued education through pathways offered by an existing community college.
- Adult Education Program—An increase of $26.6 million Proposition 98 General Fund, which includes a cost-of-living adjustment and $5 million for investments in a data collection and accountability system to ensure comprehensive and shared data reporting by regional consortia members. The formerly named Adult Education Block Grant program was renamed the Adult Education Program.
- Financial Aid Technology Improvements—An increase of $13.5 million one-time and $5 million ongoing Proposition 98 General Fund to upgrade colleges' financial aid management systems for more efficient processing.

- Legal Services for Undocumented and Immigrant Students, Faculty and Staff—$10 million Proposition 98 General Fund to provide legal services to undocumented and immigrant students, faculty and staff on community college campuses.
- Reentry of Incarcerated Individuals Program Grants—An increase of $5 million one-time Proposition 98 General Fund to provide support for currently and formerly incarcerated students, focused on reentry into their communities.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission, which administers the state's financial aid programs, the largest of which is the Cal Grant, will spend $2.4 billion on financial aid programs in the coming year, supporting over 440,000 students in accessing higher education. This represents an increase of $700 million since 2012 and an increase of almost 150,000 students who receive state-supported financial aid.

Significant Adjustments:

- Cal Grant Program Costs—An increase of $61.3 million in 2017-18 and $127.5 million in 2018-19 to reflect an increase in the number of new and renewal awardees in 2017-18 and 2018-19.
- Temporary Assistance for Needy Families (TANF) Reimbursements—A increase of $22.6 million in federal TANF reimbursements in 2018-19 over the 2017 Budget amount.
- Tuition Award for Students at Private Nonprofit Institutions—An increase of $8.1 million General Fund to maintain the maximum Cal Grant tuition award for new students attending private nonprofit institutions at $9,084, with a new requirement that, beginning in 2019-20, the sector admits each year a specified number of students who have earned transfer degrees from the community colleges and are guaranteed junior standing.
- Cal Grant Eligibility for Youth in Foster Care—An increase of $5.3 million General Fund to reflect increased eligibility for qualified youth in foster care up to age 26 and renewal eligibility of up to 8 years.
- Grant Delivery System—An increase of $5.5 million General Fund to fund the first year of project costs for the Grant Delivery System Modernization project.

UC HASTINGS COLLEGE OF THE LAW

Hastings College of Law has received an additional $6.8 million in state General Fund since 2012. In exchange for significant and reliable increases in funding, tuition at Hastings College of Law has been flat for six years.

Significant Adjustments:

- General Fund Base Augmentation—An increase of $1.1 million ongoing to support the College's general operations.
- UC Path Implementation—An increase of $1.5 million General Fund one-time to support the implementation of the UC Path payroll, accounting, time keeping, and human resources system.
- Diversity Pipeline Scholarship Program—$4.5 million General Fund one-time to fund scholarships for students from the American University in Armenia and Historically Black Colleges and Universities to attend UC Hastings.

CALIFORNIA STATE LIBRARY

The California State Library serves as the central reference and research library for the Governor and Legislature. Additionally, the State Library provides critical assistance to the 184 library jurisdictions and nearly 1,200 libraries across the state.

Significant Adjustments:

- Augmentation for Literacy Programs—An increase of $2.5 million General Fund ongoing to expand the existing California Library Literacy Services program.
- One-Time Funding for Broadband Grants—$5 million one-time General Fund for broadband equipment grants, with the expectation that $2 million would support connection for public libraries that lack access to the broadband network and $3 million would expand capacity for libraries already connected.
- One-Time Funding for Online Service Systems—$1.5 million one-time General Fund for online systems for use by public libraries to support efficient access to resources.

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities that provide health and social services to California's vulnerable and at-risk residents.

The Budget includes total funding of $160 billion ($39 billion General Fund and $121 billion other funds) for all programs overseen by this Agency.

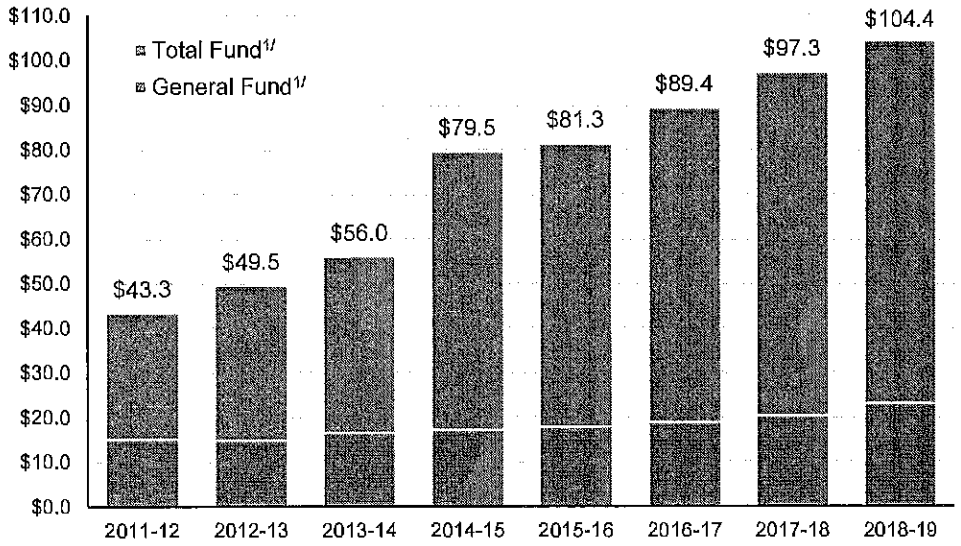
DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government mandates basic services, including: physician services; family nurse practitioner services; nursing facility services; hospital inpatient and outpatient services; laboratory and radiology services; family planning; and early and periodic screening, diagnosis, and treatment services for children. In addition to these mandatory services, the state provides optional benefits such as outpatient drugs, dental, home and community-based services, and medical equipment. The Department also operates the California Children's Services and the Primary and Rural Health programs, and oversees county-operated community mental health and substance use disorder programs.

Since 2011-12, Medi-Cal spending has more than doubled, as shown in Figure HHS-01. Compared to the 2011 Budget, total program costs increased from $43.3 billion ($14.7 billion General Fund), to $104.4 billion ($23 billion General Fund) in the Budget. These changes reflect

a significant expansion in the number of individuals receiving coverage through Medi-Cal and the Children's Health Insurance Program (CHIP) from 8.5 million to 13.3 million. Caseload for the Affordable Care Act (ACA) Optional Expansion population is anticipated to cover approximately 3.9 million individuals in 2018-19. In addition, 1.4 million people are expected to receive medical coverage through Covered California in 2018-19. Consequently, California has reduced the uninsured share of its population to less than ten percent.

Figure HHS-01
Medi-Cal Spending Has More Than Doubled
(Dollars in Billions)



1/ These amounts do not include expenditures from Managed Risk Medical Insurance Board, Department of Mental Health, and Department of Alcohol and Drug Programs prior to transition to the Department of Health Care Services.

As a result of the unprecedented coverage expansions in the Medi-Cal program over this period, the state is projected to spend $18.7 billion ($1.7 billion General Fund) on the ACA Optional Expansion population in 2018-19. This expansion is funded in part by a redirection of some of the savings experienced by counties who have responsibility for indigent health care programs. Under Chapter 24, Statutes of 2013 (AB 85), the state is projected to redirect approximately $773 million in 2018-19 for this purpose. In addition, the Budget includes costs of $365.2 million ($287.7 million General Fund) to expand full scope Medi-Cal coverage to 200,000 children regardless of immigration status as authorized by Chapter 18, Statutes of 2015 (SB 75).

Many of the program reductions from the Great Recession have been restored, including most optional benefits in the Medi-Cal program, such as dental benefits for adults and enteral nutrition, acupuncture, and psychology. Additionally, the state has made significant investments since the passage of the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56) in various rate increases and supplemental provider payments.

This Budget continues the state's progress toward providing health coverage for all Californians by creating the Council on Health Care Delivery Systems to research and provide potential options to achieve expanded coverage within an efficient health care financing system. The Budget also creates the Health Care Cost Transparency Database to collect and analyze health care cost data to improve transparency, inform policy decisions, reduce disparities, and reduce health care costs.

Significant Adjustments:

- Proposition 56—The Budget includes funding to support growth in Medi-Cal for expenditures above the 2016 Budget Act ($217.7 million), supplemental provider payments ($786.7 million), rate increases ($34.6 million), and a loan assistance program ($220 million) for recently graduated physicians and dentists who agree to work in underserved areas, as detailed in Figure HHS-02.

Figure HHS-02
Medi-Cal Proposition 56 Investments
(Dollars in Millions)

Category	2018-19
Physician Services Supplemental Payments	$500.0
Supplemental Payments For Dental Services	210.0
Women's Health Supplemental Payments	49.0
ICF/DD Supplemental Payments[1/]	12.3
AIDS Waiver Supplemental Payments	3.4
Home Health Providers Rate Increase	27.6
Pediatric Day Health Care Facility Rate Increase	7.0
Physician and Dentist Loan Assistance Program	220.0
Other One-Time Supplemental Payments	12.0
Total	$1,041.3

1/ Includes Proposition 56 costs for continuous skilled nursing facilities.

- School-Based Mobile Vision—The Budget includes $1 million General Fund for a school-based mobile vision services grant.
- CHIP Reauthorization—In February 2018, the federal government approved a ten-year extension of enhanced federal funding at 88 percent through September 30, 2019, phasing down in future years to the historic ratio of 65 percent.
- ACA Optional Expansion—In January of each year, the state's cost-sharing ratio for the 3.9 million Californians in the optional Medi-Cal expansion increases incrementally until it reaches 10 percent in 2020. The Budget includes $18.7 billion ($1.7 billion General Fund), an increase of $803.2 million ($251 million General Fund) compared to 2017-18 for the optional expansion population.

- Elimination of State-Only Limits on Breast and Cervical Cancer Treatment—The Budget includes $8.4 million General Fund to eliminate the 18-month treatment limitation for breast cancer and 24-month treatment limitation for cervical cancer in the state-only Breast and Cervical Cancer Treatment Program.
- Data Collection and Sharing Initiatives—The Budget includes $50 million ($5 million General Fund) in 2018-19 for the development of Health Information Exchanges to facilitate data sharing of health information between health systems. It also includes funding for changes to the California Health Information Survey to study the accuracy of responses and data collected related to children's health ($750,00 General Fund) and for incorporating questions and increasing efforts to conduct outreach involving long-term services and supports ($3 million General Fund).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) oversees and administers programs that serve, aid, and protect California's vulnerable children, adults, and seniors in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.
The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare Services, Community Care Licensing, and Disability Determination. During the Great Recession, many of these programs experienced substantial funding reductions. Since the beginning of the economic recovery, significant investments have been made to restore program reductions, provide additional flexibility to counties in administering these programs at the local level, and make targeted expansions, with the goal of improving the lives of those individuals and families receiving services.

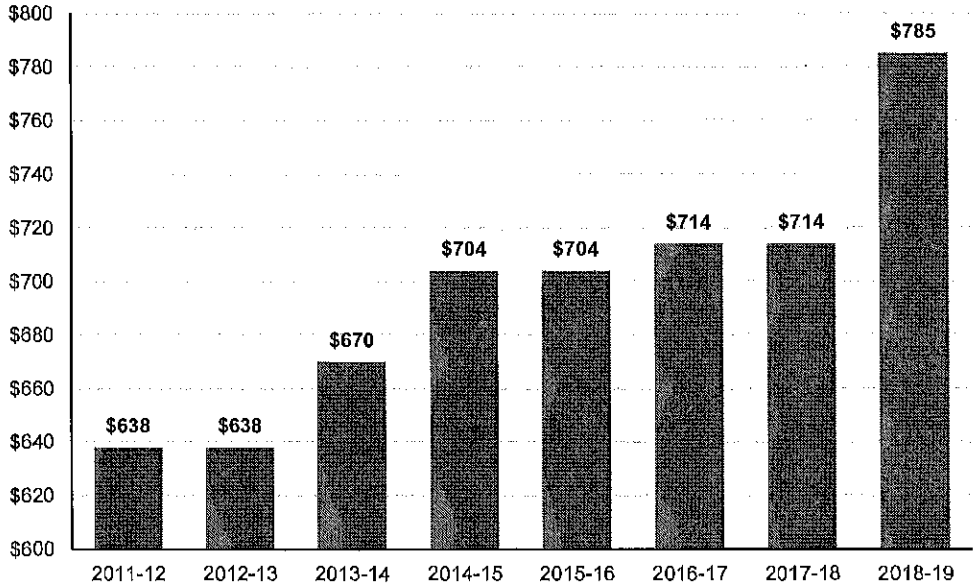
CALWORKS

Grant levels were reduced by 12 percent during the Great Recession, funding for employment services and child care was drastically reduced, and the state faced substantial federal penalties for failing to meet work participation requirements. As the economy expanded, CalWORKs was redesigned to emphasize employment and provide greater flexibility for participants to meet program requirements during the first 24 months of welfare-to-work participation by:
(1) providing housing support to families experiencing homelessness or housing instability and other family stabilization services to remove barriers to employment, (2) expanding the number of child care slots, (3) increasing child care provider rates, and (4) providing a Work Incentive Nutritional Supplement to working families. These programmatic changes have allowed the

state to meet federal work participation requirements—avoiding over $1.1 billion in potential penalties.

CalWORKs grant levels were gradually increased beginning in 2014, and with the next scheduled increase in April 2019, grant levels will reach an all-time high. For a family of three, maximum aid payment levels in 2019 will be over 23 percent higher than 2011 levels, as shown in Figure HHS-03. Also noteworthy was the repeal of the maximum family grant rule in 2017—under the rule, grants were not increased when a child was born into a family already receiving aid.

Figure HHS-03
CalWORKs Monthly Maximum Aid Payment Levels
(For a Family of Three)



Additionally, the Budget establishes a Safety Net Reserve Fund for CalWORKs and Medi-Cal to maintain program services and benefits in economic downturns. The Budget includes an initial transfer of $200 million from the General Fund to the Safety Net Reserve Fund, CalWORKs Subaccount. The Department of Finance, in consultation with DSS, DHCS, and the Legislative Analyst's Office, will present a methodology to the Legislature to determine future transfers to and distributions from the fund.

CHILD WELFARE AND FOSTER CARE

The state began the Continuum of Care Reform (CCR) in 2015, which emphasizes home-based, family care placements with supportive services rather than group home care placements for children in foster care. The goal of these efforts is to improve child welfare outcomes for children and families through the development of preventive services to help keep children

safely in their homes, when appropriate. Changes include: (1) input from the child, parents, and caregivers in case planning and case management, (2) a streamlined resource family approval process, (3) improvement in the retention and recruitment of caregivers, and (4) wraparound services, including mental health services to help support successful placements and reunifications. Initial funding for CCR was included in the 2015 Budget Act, and the Budget includes approximately $248 million General Fund to continue these efforts, including $35.8 million in one-time funding for foster parent retention, recruitment and support; to eliminate the backlog of foster care resource family applications; and provide additional support to implement a tool that assesses a child's level-of-care needs. Over the long term, local agencies should realize net savings from significant reductions in foster care assistance expenditures as group home placements will gradually transition to home-based family care settings.

COMMUNITY CARE LICENSING

Beginning with the 2014 Budget, additional resources have been provided for the Community Care Licensing program to improve program quality, strengthen enforcement, and increase the frequency of licensed community facility inspections. The additional funding, which totals approximately $27 million ($21 million General Fund) and 240 positions in the Budget, provides the necessary resources for DSS to perform inspections of child care facilities every three years; children's residential care facilities every two years; and adult and senior care facilities every year. The Budget also includes $26.2 million from the federal Child Care and Development block grant in both 2018-19 and 2019-20 to ultimately achieve annual inspections for child care facilities.

ELIMINATE SSI CASH-OUT

The Budget includes one-time funding of $230 million General Fund to eliminate the SSI cash-out policy no later than August 1, 2019, expanding federal funding for food assistance while holding harmless households potentially affected by the change. Prior to this change, individuals receiving SSI did not receive CalFresh benefits and their income was not counted in the benefit calculations for CalFresh households. These individuals instead were given a $10 monthly supplemental SSI/SSP benefit. Elimination of this policy results in approximately 370,000 households becoming newly eligible for CalFresh benefits, with an additional 45,000 households receiving an increase in CalFresh benefits.

Significant Adjustments:

- CalWORKs Grant Increase—The Budget increases CalWORKs grant levels by 10 percent, beginning April 1, 2019, with General Fund costs of $90.1 million in 2018-19 and

$359.9 million annually thereafter. This increase will bring grant levels to 45 percent of the federal poverty level. Additional increases may be considered beyond 2018-19 until grant levels reach at least 50 percent of the federal poverty level. Any such increases would be subject to an appropriation of funds.

- Home Visiting Initiative—The Budget includes $26.7 million for a voluntary CalWORKs Home Visiting pilot program, which will provide pregnant women and families with a child under the age of two with home visitation services for up to 24 months, with priority given to first-time pregnant women and parents. The goal of the home visiting pilot is to help young families reach self-sufficiency by improving family engagement practices, supporting healthy development of young children living in poverty, and preparing parents for employment. The pilot will leverage existing, evidence-based program models currently being implemented across the state. A total of $131.6 million in one-time federal Temporary Assistance for Needy Families block grant funds is being reserved for the pilot's total costs through calendar year 2021.

- Services to Address Homelessness—The Budget includes over $47 million General Fund to expand and enhance services to families and seniors experiencing or at risk of homelessness, including: (1) an increase of $24.2 million in 2018-19, to help CalWORKs families secure permanent housing, increasing total funding from $47 million to $95 million annually beginning in 2019-20, (2) an increases in the daily payment rate for temporary housing assistance from $65 to $85, effective January 1, 2019, with costs of $8.1 million in 2018-19 and $15.3 million annually thereafter, (3) one-time funding of $15 million General Fund to establish a three-year pilot program, with local matching funds, designed to provide housing-related supports to seniors experiencing or at risk of homelessness.

- IHSS Provider Paid Sick Leave—The Budget includes $29.3 million General Fund to reflect implementation of eight paid sick leave hours for IHSS providers beginning on July 1, 2018. Accrued paid sick leave hours will increase to 16 hours and 24 hours annually when the state minimum hourly wage reaches $13 and $15, respectively. General Fund costs are projected to grow to $131.2 million by 2022-23.

- Immigration Services—The Budget includes a total of $65 million General Fund, including one-time funding of $17 million, for the Immigration Services Program to provide a broad array of legal services and remedies related to immigration status for individuals and families. The one-time funds will be used primarily to assist unaccompanied undocumented minors and other minors in removal proceedings, current and past beneficiaries of federal temporary protected status, and persons on California State University campuses. The Budget also includes $10 million one-time Proposition 98 General Fund to provide immigration legal services to students on California Community College campuses,

as well as a one-time augmentation of $4 million General Fund to provide legal services for persons on a University of California campus. Together, the Budget provides $79 million General Fund for immigration services in 2018-19, and $48 million ongoing thereafter.

- Foster Care Support—The Budget includes various increases to support foster youth and their caregivers, including: (1) $13.4 million TANF to provide caregivers with up to six months of emergency assistance payments pending their approval as a resource family, (2) $16.8 million General Fund to eliminate the backlog of foster care resource family applications and support the implementation of a tool to assess a child's needed level of care, and (3) $4 million General Fund to expand eligibility for Chafee education and training voucher grant awards to former foster youth up to age 26.

MENTAL HEALTH SERVICES

In California, mental health services are primarily provided in the community through county-run systems, with significant state and federal funding participation.

State General Fund support for community-based mental health services was first realigned to the counties in 1991. In 2004, the voters passed Proposition 63, which generates revenues from a personal income tax surcharge of 1 percent on taxable income of over $1 million to further support community mental health services. 2011 Realignment completed the transfer of General Fund for community mental health services to the counties, and the remaining responsibility for mental health managed care and Early and Periodic Screening Diagnosis and Treatment-Specialty Mental Health Services. Those community mental health programs previously funded in 1991 Realignment now receive constitutionally protected revenue as part of 2011 Realignment. Further, the state's implementation of the Affordable Care Act expanded both mild-to-moderate mental health services as well as the population covered under Medi-Cal.

Funding for county mental health programs include over $1.8 billion in Proposition 63-Mental Health Services Fund, $1.4 billion from the 2011 Realignment Behavioral Health Subaccount (which also includes funding for substance use disorder and Early and Periodic Screening Diagnosis and Treatment-Specialty Mental Health services), and approximately $4.8 billion in General Fund and matching federal funds through the Medi-Cal program. Additionally, mental health services are provided by the Department of State Hospitals and the California Department of Corrections and Rehabilitation for individuals under their jurisdiction.

Despite recent efforts that have focused on mental health services, many challenges remain. A particularly challenging area is the cross section between the mental health and criminal justice systems. Specifically, the state has seen a drastic increase in incompetent to stand trial referrals to state hospitals. The state has also experienced a growing homeless population, which has a high prevalence of mental illness (and co-occurring substance use disorder issues). The Budget provides more than $450 million in new funding with the goal of enhancing local mental health efforts, decreasing homelessness, and reducing the number of individuals with mental illness involved in the criminal justice system—including the number of individuals incarcerated in county jails and state prisons, as well as those awaiting placement in state hospitals.

Significant Adjustments:

- Incompetent to Stand Trial Diversion—The Budget includes $100 million General Fund over three years for the expansion and development of county diversion programs, with the majority of funding going to the 15 counties with the highest referrals to state hospitals. In addition, targeted funding of approximately $15 million will be provided to Los Angeles County—the county with the highest number of severely mentally ill individuals and the majority of referrals to state hospitals—as well as $5 million Mental Health Services Fund over two years to help counties develop innovative plans to increase access and quality of county mental health services. These augmentations will help mitigate the incompetent to stand trial pending placement list, which is currently over 800 individuals.
- No Place Like Home—The Budget places the No Place Like Home program on the November 2018 ballot to accelerate the issuance of $2 billion in bond funds. The bonds will help provide housing for individuals experiencing mental illness who are homeless or at risk of homelessness and will be repaid from the Mental Health Services Fund. The Department of Housing and Community Development will issue an initial Notice of Funding Availability prior to November and make awards before the end of the calendar year contingent on voter approval of the measure.
- Children's Mental Health Mandate Repayment—The Budget includes repayment of approximately $254 million plus interest for repealed state mandates related to services provided by counties to seriously emotionally disturbed children (AB 3632). The Administration expects counties to use this funding for early intervention and prevention of mental health services for youth, with an emphasis on teens.
- Homeless Mentally Ill Outreach and Treatment—The Budget includes a one-time augmentation of $50 million for the Department of Health Care Services to provide counties with targeted funding for multi-disciplinary teams to provide intensive outreach, treatment

and related services for homeless persons with mental illness. This type of intervention is expected to result in earlier identification of mental health needs, prevention of criminal justice involvement, and better coordination of care for this population at the local level.

- Workforce Education Training—The Budget includes a one-time augmentation of $10 million Mental Health Services Fund for the Office of Statewide Health Planning and Development for targeted investments to support stipends for Psychiatric Nurse Practitioners, Clinical Psychologists, and Social Workers and increase education capacity for Psychiatric Nurse Practitioners.
- Childhood Trauma—The Budget includes $10 million one-time Mental Health Services Fund for the Department of Public Health to support a three-year All Children Thrive pilot program to address childhood trauma. This targeted investment will be used to provide up to 12 cities and counties with grants to implement local public health strategies to prevent childhood trauma.
- Suicide Hotlines—The Budget includes $4.3 million ongoing Mental Health Services Fund for the Department of Health Care Services to contract with a suicide hotline provider for statewide access to suicide prevention services.
- Criminal Justice Involved Mental Health Coordination—The Budget includes $945,000 Mental Health Services Fund for the Council on Criminal Justice and Behavioral Health to help address the prevalence of mental illness within the criminal justice-involved population. Of this amount, $795,000 ongoing will be used for stakeholder advocacy contracts, and associated program administration, to support mental health outreach and services for criminal justice-involved populations. In addition, the Budget includes $150,000, for three years, for the Council to consult with the Department of State Hospitals on the evaluation of counties' plans that are submitted under the Incompetent to Stand Trial Diversion program.
- Veterans Mental Health—To help address the mental health needs of California's veterans, the Budget includes an increase of $1 million ongoing Mental Health Services Fund to the California Department of Veterans Affairs to increase access to mental health services for veterans.
- Immigrant and Refugee Mental Health—The Budget includes $670,000 ongoing Mental Health Services Fund for the Mental Health Services Oversight and Accountability Commission to provide stakeholder advocacy contracts that support mental health outreach and services for immigrant and refugee populations.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services provides individuals with developmental disabilities a variety of services that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement.

Following a moratorium on developmental center admissions beginning in 2012, the state has made various investments through dedicated funding in the regional centers' community placement plan, the development of new community facility models and state-operated community crisis homes, and state-operated mobile crisis teams. In addition, many recession-era cuts have been restored, such as a 4.25-percent provider rate reduction from 2009, restoration of the Early Start program, and removal of the respite cap policy. Also, a significant ongoing augmentation to service provider rates was made through Chapter 3, Statutes of 2016 (ABx2 1), which is estimated to cost approximately $295.6 million General Fund in 2018-19.

Despite cost-saving reductions made during the Great Recession, the Department of Developmental Services' General Fund expenditures have grown from $2.6 billion in 2010-11 to $4.2 billion in 2018-19, an increase of 61.5 percent. During the same period, the Department's caseload in the community program has grown by 37 percent, from approximately 243,000 consumers in 2010-11 to an estimated 333,000 consumers in 2018-19. The planned closure of the Department's state-operated developmental centers (except for the secure treatment area at the Porterville Developmental Center and the Canyon Springs community facility) has resulted in caseload decreasing in the developmental centers by 85 percent, from 2,151 residents in 2010-11 to an estimated 323 residents by June 30, 2019, as residents transition to receiving services in the community.

Significant Adjustments:

- Bridge Funding for Service Providers—The Budget includes one-time funding of $25 million General Fund for a targeted rate increase for direct care service staff. The funding provides a limited-term increase in advance of a 2019 rate study. The study will address current methods for setting rates, including a comparison of the fiscal effects of alternative rate setting methods; how vendor rates relate to consumer outcomes; and whether the current method of rate setting leads to an adequate supply of providers.
- Uniform Holiday Schedule Suspension—The Budget includes $29.3 million General Fund on a one-time basis to suspend the 14-day Uniform Holiday Schedule statute.

- Provider Rate Increase—The Budget includes an increase of $17.7 million General Fund to provide a rate increase for Home Health, Intermediate Care Facility-Developmentally Disabled, and Pediatric Day Health Care providers. This adjustment is consistent with increases provided in the Department of Health Care Services' Medi-Cal program.
- Minimum Wage—The Budget includes an increase of $245.4 million ($133.7 million General Fund) to reflect the impact on providers of the state minimum wage. This amount includes the increases of the hourly wage to $12.00, effective January 1, 2019.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people of California. Public Health expenditures in 2018-19 are $3.2 billion ($170 million General Fund).

There have also been various ongoing and one-time General Fund augmentations in recent years focused in the following areas: sexually transmitted diseases, hepatitis, opioid overdose, Parkinson's disease, Amyotrophic Lateral Sclerosis, Alzheimer's disease, diabetes, valley fever, and human immunodeficiency virus (HIV). Additional ongoing special fund investments are supporting dental disease prevention for children, cannabis regulation, and increased licensing staff for health facilities.

Significant Adjustments:

- Public Health Investments—The Budget includes $11.4 million General Fund for the following ongoing health expenditures: expansion of Black Infant Health Program services in the California Perinatal Equity Initiative ($8 million); Alzheimer's disease research ($3.1 million); and $300,000 to backfill a loss of federal funds for the Office of Binational Border Health. The Budget also includes $23.5 million General Fund for the following one-time public health expenditures: services for individuals diagnosed with Amyotrophic Lateral Sclerosis ($9 million); human immunodeficiency virus prevention ($5 million); outreach and research for valley fever ($5 million); diabetes prevention and treatment ($2.5 million); and sexually transmitted disease prevention ($2 million).
- Implementation of the Medicinal and Adult Use Cannabis and Regulation Safety Act—The Budget contains $11.1 million and 28.5 positions in 2018-19 for Public Health to continue implementing the requirements of the Act. In total, Public Health has $26.6 million and 112.5 positions related to cannabis regulation in 2018-19.

PUBLIC SAFETY

The Budget includes the following changes related to California's correctional system and local public safety.

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation incarcerates the most violent felons, supervises those released to parole, and provides rehabilitation programs to help them reintegrate into the community. The Department provides safe and secure detention facilities and necessary support services to inmates, including food, clothing, academic and vocational training, as well as health care services.

The Budget includes total funding of $12.1 billion ($11.8 billion General Fund and $334 million other funds) for the Department in 2018-19. Including capital outlay, General Fund spending for the Department represents 8.6 percent of total General Fund spending, compared to a peak of 11.4 percent in 2011-12.

The Budget reflects a projected average daily adult inmate population of 126,890, average daily parolee population of 48,535, and average daily juvenile population of 646 in 2018-19. These estimates include the anticipated population changes resulting from the implementation of Proposition 57, the Public Safety and Rehabilitation Act of 2016.

ACHIEVING DURABLE POPULATION REDUCTIONS AND IMPROVING PUBLIC SAFETY

In 2011, the U.S. Supreme Court upheld the federal three-judge panel's order requiring the Department to reduce the prison population to 137.5 percent of the prisons' design capacity by June 2013, which was subsequently extended to February 28, 2016. In January 2011, the adult inmate population totaled 162,000—approximately 178 percent of design capacity. As this Administration's first major prison reform, the state passed Chapter 15, Statutes of 2011 (AB 109), to meet the court-ordered population cap. This landmark legislation helped ease prison crowding and reduced state spending on prisons by shifting responsibility for lower-level offenders to counties. Counties are provided approximately $1.5 billion annually to support this offender population.

AB 109 reduced the prison population in a manner that avoids early release and gives offenders the best chance at successful reintegration into their communities. Keeping offenders closer to their communities and linking them to post-release services is pivotal to reducing the offender population and maintaining a durable solution to the prison population cap set by the three-judge panel. In the first six months following passage of AB 109, the California Department of Corrections and Rehabilitation's inmate population dropped by more than 21,000 inmates.

Upon implementation, the Department carefully examined its inmate classification and custody designation system, and modified its processes to reclassify offenders into lower housing levels. This change allowed more inmates the opportunity to access programs and enabled the Department to house inmates in less restrictive environments, resulting in safer and more efficient prisons. Gymnasiums are no longer used to double or triple-bunk offenders and have been returned to activity centers that now serve as recreational and rehabilitative programming space for inmates. The alleviation of prison crowding has allowed rehabilitative programs to become a key focus of the prison system, and the construction of three infill housing projects allows level II inmates to be housed in dorm-style facilities that are more conducive to the Department's rehabilitation efforts. The ongoing construction of new space associated with the Healthcare Facility Improvement Project also allows for significant improvements in the delivery of health care in a custodial setting.

In addition to AB 109, other efforts were undertaken to reduce the prison population, including population reduction measures ordered by the federal three-judge panel on February 10, 2014, voter-approved initiatives aimed at reducing the prison population, such as Proposition 36 in November 2012 and Proposition 47 in November 2014, and the Governor signing into law a youthful offender parole hearing process for offenders who committed their crime before the

age of 26. The court's February 10, 2014 order reaffirmed that the Department would remain under the jurisdiction of the court for as long as necessary to continue compliance with the final benchmark of 137.5 percent of design capacity and establish a durable solution. The prison population has been below the court-ordered cap since February 2015.

Despite all the changes above, the fall 2016 adult inmate population projections estimated that the population would continue to increase by approximately 1,000 inmates per year, making it difficult for the state to maintain compliance with the court-ordered cap.

The Governor sponsored Proposition 57, the Public Safety and Rehabilitation Act of 2016, to establish a durable solution to prison crowding, end federal court oversight, and create more incentives for inmates to participate in rehabilitative programs. Proposition 57 also reforms the juvenile and adult criminal justice system in California by creating a parole consideration process for non-violent offenders who have served the full term for their primary criminal offense in state prison, authorizing the Department to award credits earned for good conduct and rehabilitative or educational achievements, and requiring judges to determine whether juveniles charged with certain crimes should be tried in juvenile or adult court.

The Department implemented emergency regulations in April 2017 to exercise its authority to award credits provided by the proposition and final regulations were approved in May 2018. Proposition 57 is now estimated to reduce the average daily adult inmate population by approximately 5,800 in 2018-19, growing to an inmate reduction of approximately 11,200 in 2020-21. These figures remain subject to considerable uncertainty.

The implementation of Proposition 57 and other population reduction measures mentioned above will allow the Department to eliminate the use of out-of-state contract beds. By the end of the 2017-18 fiscal year, all inmates will be removed from one of the two remaining out-of-state facilities. The final out-of-state facility is scheduled to close by the end of January 2019, effectively returning all inmates from out of state.

PUBLIC SAFETY THROUGH INMATE REHABILITATION AND REENTRY

The goal of the Administration's prison reforms has been to not only reduce the overall population and meet the court-ordered population cap, but also to give offenders greater opportunity for rehabilitation, thereby improving offender outcomes and increasing public safety. After years of recession-era cuts to offender rehabilitation programs, building population reductions around increased programming takes increased investments—especially given that much of Proposition 57 is premised around offenders earning their way out of prison through achievement credits. Over the last several years, programs have been reestablished to prior levels.

IN-PRISON REHABILITATION

Investments in rehabilitation programs create a safer prison environment and give inmates the educational and social skills they need to transition back into the community. Rehabilitation improvements include the following:

- Substance use disorder treatment programs have been expanded to all state prisons.
- Other cognitive behavioral treatment programs, including criminal thinking, family relationships, and anger management, have been expanded to all state prisons.
- Academic education classes are offered at all state prisons.
- Career technical education is available in all state prisons and recent budgets have included resources to expand programming slots to serve more offenders. Internet access has also been added in career technical education classrooms to maintain industry standards and certifications.
- There have been increased investments in Arts-in-Corrections with programs in all state prisons.
- Local community colleges now offer in-person college courses at all state prisons, with the exception of the California Health Care Facility.
- The Department has implemented an innovative, television-based education program to reach offenders not traditionally eligible or capable of attending in-person programs.
- Innovative programming grants have been used to encourage non-profit providers to expand their programs and services to traditionally hard-to-reach and underserved institutions.
- Programs have been expanded that are specifically tailored to long-term offenders, including substance use disorder mentor certification training and cognitive behavioral treatment specifically for offenders subject to review and release by the Board of Parole Hearings.

REENTRY AND POST-RELEASE REHABILITATION

While the above in-prison programs and others are largely focused on the rehabilitative aspects of preparing for release, additional investments have been made to provide offenders with basic necessities prior to release and to link them with community services upon release.

- The Cal-ID program has expanded to all state prisons. Cal-ID establishes a process for inmates who are being released to obtain a California State Identification Card, which is critical for inmates transitioning into the community. For example, a state-issued identification card is needed to enroll in Medi-Cal and obtain services. The Budget includes legislation to further expand the Cal-ID program to the state's juvenile facilities.
- The state is also pre-enrolling state inmates into Medi-Cal prior to release, which makes them immediately eligible for these services upon release. The Department is estimated to have approximately 48,500 offenders on active parole in 2018-19 and approximately 85 percent will be eligible for Medi-Cal.
- Transitional preparation courses focused on job-readiness and financial literacy have been expanded to all state prisons.
- A voluntary community reentry program was established to allow eligible participants to serve the last year of their sentence in community-based reentry centers while being directly linked to a range of rehabilitative services, including substance use disorder treatment, employment, education, housing, family reunification, and social support in their community of release in lieu of confinement in state prisons.
- A new transitional housing program was established for long-term offenders to provide housing, meals, support services, resources and peer-driven programming during the first 6 to 12 months after release.

CONTINUING TO ADVANCE REHABILITATION

The Budget includes $462.6 million General Fund specifically for the Division of Rehabilitative Programs, compared to approximately $300 million in 2012-13. As a per-offender investment, this exceeds pre-recession levels that were the peak of rehabilitation funding. The Division prepares offenders for release by offering various programs and services that promote positive in-prison behavior and support their rehabilitative efforts to provide a better opportunity for them to reintegrate into society. While offenders are prioritized if they are within four years of release and have a moderate-to-high risk to reoffend and a moderate-to-high need for services, the expansion of rehabilitative programs and reentry services to all prisons has allowed more inmates to participate in programs to help them prepare for community reintegration. The changes made under the authority provided by Proposition 57 encourage additional participation in programs and services, making for a safer prison environment and better success for inmates upon release.

To build upon prior investments made, the Budget includes the following augmentations:

- Correctional Counselor I Ratios—$13.5 million General Fund to reduce the current offender to Correctional Counselor I ratio of 150:1 to 135:1 to provide enhanced rehabilitation and program enrollment assistance to the offender population. This results in the addition of 89 Correctional Counselors to focus on core needs including reentry into the community.
- Career Technical Education—$6.7 million General Fund to expand Career Technical Education programming to 13 additional sites and offer 338 additional programming slots and $1.5 million General Fund for related equipment replacement. Career Technical Education programming provides participants with education aligned with state boards or national organization certifications. The Career Technical Education program can currently serve approximately 9,100 offenders annually with a moderate-to-high employment need and focuses on offenders who are within four years of their expected release. Additional resources are provided for equipment replacement to maintain alignment with industry standards and equalize equipment across all institutions.
- Self-Help Groups—$2.5 million General Fund to provide support for inmate activity groups now eligible for rehabilitative achievement credits under Proposition 57. Participation and waitlists have grown significantly since the implementation of Proposition 57. This funding expands inmate activity group programs from 1,100 programs in 2016-17 to over 3,000 programs by 2018-19. These programs are designed to enhance public safety by engaging offenders in self-improvement programs and personal preparation for reentry. Providing incentives to inmates to participate in rehabilitative programming also reduces inmate misconduct and violence in the prisons, yielding safer conditions for inmates and staff.
- Rehabilitative Programming Grants—$4 million Inmate Welfare Fund to provide rehabilitative programming grants to non-profits that provide programs that have demonstrated success and focus on offender responsibility and restorative justice principles. The grant resources will improve access to rehabilitative programming, treatment, and services and increase the percentage of offenders served.

STATEWIDE PRISON TO EMPLOYMENT INITIATIVE

The Budget includes $16 million General Fund for the Statewide Prison to Employment Initiative, a partnership of the California Workforce Development Board, the California Department of Corrections and Rehabilitation, and the California Prison Industry Authority, that will provide services for regional and local planning and implementation to integrate reentry and workforce services and direct services to the formerly incarcerated. This initiative is designed to accelerate the alignment of correctional education, training, and increased workforce system collaboration.

FIREFIGHTER TRAINING AND CERTIFICATION PROGRAM

The Budget includes $26.6 million General Fund to establish a Firefighter Training and Certification Program for ex-offenders to provide the necessary education and training to become a firefighter. The program creates a training center at the Ventura Conservation Camp for 80 ex-offenders annually with job skills to succeed post-incarceration. The California Conservation Corps will be the employer of record and provide the base wages and benefits consistent with other Corps members. The California Department of Forestry and Fire Protection (CAL FIRE) will be responsible for the administration of the facility, fire training, and certification.

The California Department of Corrections and Rehabilitation and CAL FIRE will jointly select participants for the program, and CAL FIRE will recommend individuals that are housed at fire camps while incarcerated. The 18-month program will consist of three phases: phase one is a three-month orientation training that includes completion of life skills training, any required treatment programs, and basic forestry and firefighting courses; phase two will include three months of firefighter training to complete advanced, comprehensive industry firefighter courses and certification; and phase three is a Type I Fire Crew assignment for 12 months, during which participants will gain the necessary hands-on work experience component of the program.

Upon completion of the program, participants will be qualified through experience and certifications to apply for entry-level firefighting jobs with local, state, and federal firefighting agencies. In addition, the program will allow up to 20 California Conservation Corps members to participate in training courses at the facility.

DRUG AND CONTRABAND INTERDICTION

The prison drug trade strengthens prison gangs and leads to disputes among inmates that can escalate into violence. Such violence often leads to security lock-downs which interfere with rehabilitation by restricting inmate access to programming. In recent years, the Department has made a sustained effort to eliminate drug use in prison, such as by expanding substance use disorder treatment to all state prisons in order to reduce the demand for drugs. However, to successfully reduce the presence of drugs in prison the Department must focus not just on reducing demand, but also on reducing the supply.

Most other states and the Federal Bureau of Prisons search all packages and persons entering prison grounds. To measure the efficacy of such efforts in California prisons—one of the largest state prison systems in the nation—this approach will be tested to determine the effect it has on the introduction of drugs and contraband, as well as overdoses associated with the presence of illegal drugs in prisons.

The Budget includes $9.1 million General Fund to pilot a comprehensive drug interdiction program and a Medication Assisted Treatment (MAT) program at the Substance Abuse Treatment Facility. The interdiction program will include baggage/parcel and full body scanners at both entrances to deter contraband from entering the prison. It will be operational 24 hours per day, seven days per week, and all staff, volunteers, and visitors will be searched prior to entering the prison. Canine teams, using dogs trained to detect drugs and contraband, will be present as an additional deterrent. The MAT program will complement these efforts and will include access to medications and cognitive behavioral counseling to treat alcohol and opiate use disorders. This comprehensive strategy for reducing both the supply of and demand for drugs is intended to reduce the influence of prison gangs, prevent inmate violence, increase safety for staff and inmates, and promote a drug-free rehabilitative environment.

EMPLOYEE TRAINING

As discussed, many of this Administration's efforts have focused on rehabilitating offenders. However, to create meaningful change on the overall prison environment, there is a need to also focus on the wellness and training of the prison workforce.

The Budget includes $12.9 million General Fund for additional training initiatives to bolster the Department's investment in workforce development. This funding will support additional training for peace officers on topics such as ethics, sexual harassment, procedural justice, and implicit bias. In addition, the funding will support specialized training for Special Agents and

Investigative Unit staff in criminal investigations, training designed to assist with the transition of officers to supervisory roles, and training to strengthen skills of existing supervisors and managers. The Department will implement these initiatives through the following operational changes:

- Expanding the Correctional Officer Academy by 1 week for a total of 13 weeks.
- Expanding the annual institution staff off-post training by 8 hours for a total of 48 hours.
- Creating a Command College for Captains, Associate Wardens, Chief Deputy Wardens and Superintendents.
- Utilizing Peace Officer Standards and Training certified courses to train Special Agents and Investigative Services Unit staff.
- Increasing Advanced Supervision training by 1 week to 3 weeks.

SUPPORT FOR AGING INFRASTRUCTURE

A prison system that is safe for inmates and staff requires investments in infrastructure to provide the necessary space and tools to operate effectively. While the state has made significant investments in rehabilitation and health care, some of the Department's core infrastructure has deteriorated and improvements must be made. Accordingly, the Budget includes $120.1 million for specific infrastructure investments, and $9 million in deferred maintenance as discussed in the Statewide Issues and Various Departments Chapter.

ROOFS AND MOLD REMEDIATION

California experienced record levels of rainfall in 2017, and severe storms caused significant damage to prison roofs. Failing prison roofs have resulted in damage to electrical systems and housing units, and interruptions in rehabilitation programs, education programs, and mental health treatment. In continuation of the roof replacement funding provided in the 2017 Budget, the Budget includes $60.7 million General Fund to replace roofs at the California Substance Abuse Treatment Facility, Salinas Valley State Prison, and Ventura Youth Correctional Facility and $9 million General Fund for mold remediation efforts at various facilities in 2018-19. This continues a multi-year strategy to address failing roofs, with Calipatria State Prison, California Correctional Women's Facility, and California State Prison, Corcoran being the next priorities. The Budget includes total funding of $153 million General Fund for roof replacements and mold remediation over the next two fiscal years.

PUBLIC SAFETY COMMUNICATION SYSTEM

The Department's public safety communication radio system has been in operation for over 28 years and is no longer supported by the manufacturer. These systems have experienced failures, resulting in the inability to effectively communicate within the Department and externally with partner organizations. Over the past several years, the Department has prioritized the replacement of handheld radio devices to the extent possible. The Budget includes $32.9 million General Fund to replace the public safety radio communication system at the remaining nine adult institutions that have not been upgraded, two juvenile facilities, and various fire camps, and provide interoperability to the statewide transportation unit.

HEALTH CARE VEHICLES

The Department's fleet consists of approximately 7,700 vehicles, including vans, buses and medical transport vehicles, many of which have exceeded mileage standards set by the Department of General Services. In 2012, the Receiver delegated health care access responsibilities to the Department, which includes providing timely transportation of inmates to health care appointments outside the prisons. Many of the vehicles used to provide transportation are in need of replacement, and the Department lacks a permanent and dedicated vehicle replacement budget. Since 2013-14, the Department has been able to redirect resources to replace some health care vehicles, but more needs to be done. The Budget includes $17.5 million General Fund to replace and purchase additional high-priority health care vehicles.

While this will allow for the purchase and replacement of some health care vehicles, it is a small fraction of the Department's overall fleet needs. The Department will work with the Department of General Services on a more comprehensive and long-term fleet acquisition plan for consideration.

JUVENILE JUSTICE REFORM

The Budget includes the following juvenile justice reforms aimed at diverting young offenders from adult prison to the Division of Juvenile Justice to avoid the adult prison environment, especially gang activity.

AGE OF JURISDICTION

The *Farrell v. Brown* lawsuit began in the early 2000s, and resulted in a complete reform of the state juvenile system, including several legislative changes that were implemented to dramatically reduce the Division of Juvenile Justice population from around 3,000 in 2005 to

approximately 1,100 in 2011. To continue population reductions and generate savings, the 2012 Budget changed the age of jurisdiction from 25 to 23 for youths sent to the Division of Juvenile Justice.

New research on brain development and juvenile case law around diminished culpability of juvenile offenders has prompted the Administration to reevaluate this decision. Currently, juvenile court commitments are eligible to be housed at a juvenile facility until the age of 23, and superior court commitments are transferred to an adult prison at the age of 18 if they are not able to finish their sentence by the age of 21. To allow offenders to benefit from rehabilitative programming designed for young offenders and be more successful upon release, the Budget makes two key changes. First, it raises the age of jurisdiction for juvenile court commitments to 25 for youth facing a term of seven years or more. Second, it raises the age of confinement for superior court commitments so that youth who are able to complete their sentence by age 25 can serve their entire term at a juvenile facility, rather than being transferred to adult prison.

TRANSITION-AGE YOUTH PILOT PROGRAM

As noted above, the landscape of juvenile sentencing and rehabilitation policy is progressively changing. In addition to juvenile brain development research, other research indicates that emerging adult offenders released from adult prison recidivate at a higher rate than similarly aged offenders released from a juvenile facility. There appears to be widespread interest in treating young adult offenders similar to juvenile offenders. In recognition of the changing philosophy related to the young adult population, the Legislature enacted Chapter 865, Statutes of 2016 (SB 1004), which authorized a five-county pilot program to house young adults aged 18 to 21 in juvenile halls rather than county jails.

These recent changes, including changes made to juvenile sentencing under Proposition 57, have led the Administration to establish a similar pilot program at the state level. The Budget includes $3.8 million General Fund to establish two housing units to support a Transition-Age Youth Pilot Program that would divert a limited number of young adults who have committed specified crimes from adult prison to a juvenile facility. This will allow program participants to benefit from specialized rehabilitative programming designed for young adults with the goal of reducing recidivism. The Department will develop criteria for placement in this program, initially targeting offenders committed to adult prisons between the ages of 18 and 21.

INMATE MEDICAL CARE AND MENTAL HEALTH SERVICES

The Budget continues the state's significant financial commitment to improve the Department's delivery of health care services to inmates. The Budget dedicates $3.2 billion General Fund to health care services programs, resulting in inmates having continued access to mental health, medical and dental care that is consistent with the standards and scope of services appropriate within a custodial environment.

FEDERAL RECEIVERSHIP OVERSEEING PRISON MEDICAL CARE

In 2005, a federal court established a receivership to oversee prison medical care. To date, the Receiver has transitioned oversight of 17 institutions back to the state. The Budget includes $2.3 billion General Fund for prison medical care. This amount reflects an augmentation of $118.6 million General Fund, including the following:

- Expansion of Hepatitis C Virus Treatment—$105.8 million annually for three years, beginning in 2018-19, to treat all of the approximately 22,000 inmates who are currently infected with Hepatitis C. This augmentation is a result of a new protocol implemented by the Receiver in December 2017 that provides treatment to all inmates in any stage of the Hepatitis C Virus.
- Electronic Health Records System—$8.3 million to complete the integration of an electronic health records system throughout the state's prison system.
- Automated Drug Cabinets—$4.5 million to lease automated drug cabinets for controlled substances and establish a correctional clinic model allowing non-patient-specific medications to be maintained at the clinics where they are distributed to patients.

INCREASES IN INPATIENT MENTAL HEALTH TREATMENT BED CAPACITY

The Budget includes $27.1 million General Fund to address mental health treatment bed capacity issues as well as resources needed to monitor health care data reporting and patient referrals. The Budget addresses mental health treatment bed capacity issues by adding capacity for females and leveraging and relocating existing male bed capacity to maximize flexibility. Specifically, the Budget includes:

- $8.7 million to convert two existing housing units that only provide one level of care to housing units that can transition between different levels of care to accommodate unexpected spikes in the inpatient mental health treatment populations.

- $6.8 million to add 15 Mental Health Crisis Beds and 5 Psychiatric Inpatient beds at the California Institute for Women to address the need for increased capacity.
- $2.4 million to improve patient movement in and out of inpatient treatment beds, and resources for the Department to assume responsibility for the mental health population projections from a court-required consultant.
- $1.2 million to perform utilization management reviews to maximize the use of the Department's inpatient mental health treatment bed capacity.
- $1 million to transfer 20 Mental Health Crisis Beds from Northern California to Southern California to help address the greater need for mental health treatment beds in Southern California.
- $7 million to complete design of 100 new licensed mental health crisis beds at two prisons in Southern California (50 beds at the California Institution for Men in Chino and 50 beds at Richard J. Donovan in San Diego).

In addition, the Budget includes $18.1 million General Fund for contract psychiatry services needed to meet a federal court order to fill at least 90 percent of the state prison system's psychiatry positions. This is one of many staffing efforts the Department has undertaken to increase its ability to fill psychiatry positions. Other efforts implemented in recent years include increasing use of tele-psychiatry, establishing an onboarding program and exit interviews, beginning the use of Medical Assistants to support psychiatry positions with non-clinical tasks, and expanding the use of a fellowship program.

LOCAL PUBLIC SAFETY

The Budget addresses the following local public safety issues.

LAW ENFORCEMENT TRAINING

The Budget includes $25 million General Fund on a one-time basis for the Commission on Peace Officer Standards and Training for law enforcement training. This amount includes $15 million for use of force and de-escalation training, $5 million for crisis mental health training, and $5 million for grants to support innovative training programs. The funding supports curriculum development and local assistance in the form of subsidies for law enforcement agencies to attend trainings.

The Budget also maintains critical law enforcement training programs, historically funded by the State Penalty Fund, at their 2017-18 funding levels. Specifically, the Commission on Peace Officer Standards and Training remains at $47.2 million, funded by the State Penalty Fund. Because State Penalty Fund revenues continue to decline, the Budget shifts the Standards and Training for Local Corrections program ($17.3 million), administered by the Board of State and Community Corrections, to the General Fund. While protecting law enforcement training, this expenditure shift also provides relief to the State Penalty Fund and avoids the need to further reduce victims programs that have also experienced significant State Penalty Fund expenditure reductions in recent years.

COMMUNITY CORRECTIONS PERFORMANCE INCENTIVE GRANT

The Community Corrections Performance Incentive Grant, Chapter 608, Statutes of 2009 (SB 678), was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. The Budget includes $109.3 million to continue this successful program.

POST-RELEASE COMMUNITY SUPERVISION

The Budget includes $28.2 million General Fund for county probation departments to supervise the temporary increase in the average daily population of offenders on Post-Release Community Supervision as a result of the implementation of Proposition 57.

PROPOSITION 47 SAVINGS

Voters passed Proposition 47 in November 2014, which requires misdemeanor rather than felony sentencing for certain property and drug crimes and permits inmates previously sentenced for these reclassified crimes to petition for resentencing. The Department of Finance currently estimates net savings of $64.6 million for Proposition 47 when comparing 2017-18 to 2013-14, an increase of $19 million over the estimated savings in 2016-17. These funds will be allocated according to the formula outlined in the initiative.

JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, courts of appeal, trial courts, and the Judicial Council. The trial courts are funded with a combination of funding from the General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund. The Budget includes total funding of $5.2 billion ($1.9 billion General Fund and $3.3 billion other funds) in 2018-19 for the Judicial Branch, of which $2.2 billion is provided to support trial court operations. The Judicial Council is responsible for managing the resources of the Judicial Branch.

Two important historical events led to the current trial court system. First, in 1998, California voters passed a constitutional amendment that provided for voluntary unification of the superior and municipal courts in each county into a single, countywide trial court system. By 2001, all 58 counties had voted to unify their municipal and superior court operations. Second, the Trial Court Funding Act of 1997 consolidated the costs of operating California's trial courts at the state level. The Act was based on the premise that state funding of court operations was necessary to provide more uniform standards and procedures, economies of scale, structural efficiency and access for the public.

TRIAL COURT FUNDING

During the recession, General Fund support for the Judicial Branch was reduced like every area of state government. The state mitigated the impact of the reductions on the Judicial Branch through increased user fees, the redirection of various special funds, and through the

expenditure of trial court reserves. During the fiscal crisis, some trial courts were forced to reduce service hours, furlough and lay off employees, and close courtrooms, while other courts were able to fully maintain operations and even provide salary increases.

The disparity in how trial courts handled the reductions highlighted the need for a comprehensive evaluation of the state's progress in achieving the goals outlined in the Trial Court Funding Act of 1997. A working group composed of Administration and Judicial Branch appointees made recommendations to better allocate existing resources. The Chief Justice and the Judicial Council, through a modification of the Workload Allocation Funding Model, have taken significant steps to promote equal access to justice by allocating funding more equitably to the trial courts.

TRIAL COURT TRUST FUND BACKFILL

Civil assessment revenues received by the trial courts have decreased, resulting in a decrease in funding for operations. To help address this decrease in revenue, the Administration has provided a General Fund backfill since 2014-15 based on the shortfall of fee revenue to the Trial Court Trust Fund anticipated in each fiscal year. Backfills have ranged from $31 million to $75 million annually since then. The Budget includes $64 million to backfill a continued reduction of fines and penalty revenue, which is an increase of $9 million compared to 2017-18.

TRIAL COURT EMPLOYEE HEALTH BENEFITS AND RETIREMENT

The state began consistently funding the increased benefit costs at the trial courts in 2014-15. When the trial courts made progress in implementing the Public Employees' Pension Reform Act of 2013 (PEPRA), the Administration committed to funding future increases related to existing health and retirement costs for trial court employees and retirees. The Budget includes an additional $25 million for trial court employee benefits, which brings the total funding provided by the state to approximately $128 million for these increased costs.

As shown in Figure JUD-01, after making various budget adjustments, 2018-19 trial court funding has increased approximately 19 percent above 2007-08.

Figure JUD-01
Judicial Branch Expenditures
Since 2007-08
(Dollars in Thousands)

Judicial Branch Expenditures by Program	2007-08 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Estimated	2018-19 Budget Act
Supreme Court	$44,397	$40,706	$42,678	$43,442	$43,363	$46,324	$44,741	$50,339	$50,708
Courts of Appeal	200,706	199,112	202,020	204,544	211,101	219,274	223,257	242,787	243,872
Judicial Council	130,396	120,601	134,775	132,965	134,104	137,335	126,818	145,487	152,015
Habeas Corpus Resource Center	12,553	12,425	12,617	12,586	12,819	14,525	14,748	16,569	16,641
Facility Program	(49,965)	(173,796)	(195,105)	(236,106)	(320,469)	(374,125)	(385,542)	(476,580)	(462,772)
Staff and OE&E [1]	*22,634*	*26,534*	*25,951*	*31,202*	*20,926*	*31,544*	*40,921*	65,448	22,650
Trial Court Facility Expenses	*27,331*	*147,262*	*169,154*	*235,569*	*299,543*	*342,581*	*344,621*	413,132	440,122
Trial Courts	3,288,873	2,680,140	2,237,495	2,437,488	2,537,897	2,674,738	2,727,333	2,741,786	2,964,417
Total	**$3,726,890**	**$3,226,780**	**$2,824,690**	**$3,097,796**	**$3,259,753**	**$3,466,321**	**$3,522,437**	**$3,675,548**	**$3,890,425**
Adjustments to Trial Courts	**$3,288,873**	**$2,680,140**	**$2,237,495**	**$2,437,488**	**$2,537,897**	**$2,674,738**	**$2,727,333**	**$2,741,786**	**$2,964,417**
Trial Court Facility Expenses	*$27,331*	*$147,262*	*$169,154*	*$235,569*	*$299,543*	*$342,581*	*$344,621*	$413,132	$440,122
Sub-total, Trial Courts	**$3,316,204**	**$2,827,402**	**$2,608,649**	**$2,873,057**	**$2,837,440**	**$3,017,319**	**$3,071,954**	**$3,154,918**	**$3,404,539**
Trial Court Security Costs [2]	*(444,901)*	*(496,400)*	*(496,400)*	*(496,400)*	*(496,400)*	*(496,400)*	*(496,400)*	*(496,400)*	*(496,400)*
Adjusted Total, Trial Courts	**$2,871,303**	**$2,827,402**	**$2,608,649**	**$2,873,057**	**$2,837,440**	**$3,017,319**	**$3,071,954**	**$3,154,918**	**$3,404,539**

[1] The 2016-19 decrease in Facility Program Staff and OE&E is due to a one-time deferred maintenance carryover in 2017-18.

[2] For comparison purposes, court security costs for 2007-08 are removed from trial court expenditure totals due to the realignment of court security costs in 2011-12 and ongoing.

INVESTMENTS IN CALIFORNIA'S COURT SYSTEM

A strong court system is a basic function and service of government. Investments in the trial courts complement efforts made by the Judicial Council to improve and modernize court operations, and increase access. In an effort to improve access to justice in California, the Administration has worked with the Judicial Council to improve and modernize services provided by the court system. Such services include expanding language access, self-help services, and case and document management systems to support digital technology in all courts.

The Budget includes the following significant General Fund augmentations:

- Trial Court Operations—In an effort to promote funding equity among the trial courts, the Budget includes $47.8 million to be allocated to trial courts that are below the statewide average percentage of funding compared to their overall need according to the Workload-Based Allocation and Funding Methodology. This augmentation is intended to equalize funding among courts by bringing all trial courts up to the statewide average funding level according to updated case weights.
- Discretionary Funding for Trial Courts—The Budget includes $75 million for allocation to trial courts statewide based on priorities set by the Judicial Council.
- Self-Help Services—The Budget includes $19.1 million to expand self-help services in trial courts to better prepare the increasing number of self-represented litigants, thereby reducing trial court workload by decreasing the amount of clerk time and continuances in these cases. Based on existing investments, this brings the total budget for self-help services to $30.3 million.
- Language Access—Language access is a broad service area for courts that includes many components, such as bilingual staff assistance at clerks' counters and self-help centers, court interpreters in the court room, court websites and forms, and signage throughout the courthouse. The Budget includes an additional $4 million to continue to expand the availability of interpreter services in all courts. The Budget also includes $4 million to advance the implementation of the Strategic Plan for Language Access in California Courts by providing funding for language access training for court interpreters, and for signage and materials in appropriate languages throughout the courts to enhance effective communication for those navigating courthouses.
- Court-Appointed Special Advocate Program—This Program provides grants to train and supervise volunteers assigned by a juvenile court judge to children or youth in foster care. The Budget includes $500,000 for this Program, which will leverage outside investments to directly serve approximately 2,200 additional foster youth.
- California Courts Protective Order Registry—The Registry serves as a central repository of restraining and protective orders which safeguards victims of violence and law enforcement officers in the field. The Budget includes $200,000 to expand the Registry to the remaining seven trial courts.
- Deferred Maintenance—The Budget includes $50 million for deferred maintenance projects at trial courts, as discussed in the Statewide Issues and Various Departments Chapter.

JUDGESHIPS

The 2017-18 Budget included the reallocation of four vacant superior court judgeships. Specifically, the Budget reallocated two vacant judgeships from Alameda County and two vacant judgeships from Santa Clara County to Riverside and San Bernardino Counties, respectively. This reallocation shifted judgeships to the areas of the state where workload is highest, but did not increase the overall number of judges.

In a continued effort to address judicial workload needs, the Budget authorizes two additional judgeships in Riverside County ($3.2 million General Fund) and one Justice in the Fourth Appellate District of the Court of Appeal in the San Bernardino/Riverside area ($1.2 million General Fund).

MODERNIZING CALIFORNIA'S COURT SYSTEM

Many courts have demonstrated the capacity to adapt and innovate, resulting in programs and practices that save money and better serve the public. The Administration has worked collaboratively with the Judicial Branch to improve access and modernize court operations through innovative approaches.

COURT INNOVATIONS GRANT PROGRAM

The 2016 Budget included $25 million General Fund for the Judicial Council to develop and administer a competitive grant program to encourage courts to develop new ways of doing business. The competitive grant program focused on innovations, modernization, and efficiencies in the courts. Grants were awarded to 28 trial courts and one appellate court for a total of 51 projects. Some of the projects include a homeless court program, reentry court, self-help kiosks, a cooperative parenting program, e-filing, and a one family/one judge pilot project. While the grant period is still ongoing, the Administration expects these innovative projects to improve court services and increase court efficiencies.

ONLINE ADJUDICATION OF TRAFFIC INFRACTIONS

One of the recommendations from the Chief Justice's Commission on the Future of California's Court System is to move toward the implementation of a civil model for adjudication of minor traffic infractions by simplifying some of the criminal procedures currently in traffic courts. The Budget includes $3.4 million General Fund for the Judicial Council to implement an eight-court pilot program to begin moving towards this model.

SELF-REPRESENTED LITIGANTS E-SERVICES WEB PORTAL

The Chief Justice's Commission also recommends increasing and improving assistance for self-represented litigants. The Budget includes $3.2 million General Fund to design, build, and maintain a web portal to enable those without legal representation to research, e-file, and track non-criminal cases online. The Budget also includes resources for the Judicial Council to support and maintain the statewide e-services web portal. This investment will enhance self-help services discussed earlier in this chapter.

TRIAL COURT CASE MANAGEMENT SYSTEMS

Initiatives to fully automate minute orders in all courtrooms and to better monitor workloads and productivity are challenging to advance due to the outdated case management systems at the courts. In recent years, a total of $16.5 million General Fund has been provided to the Judicial Branch to replace case management systems in various trial courts across the state. This funding enables these trial courts to establish a digital court foundation by implementing a modern and supportable case management system needed to efficiently deliver services to the public.

FINES AND PENALTIES

The court system and numerous other programs rely on funding generated by fines and penalties assessed on court filings and citations. These revenues have fallen dramatically in recent years. In the past, when state funds have faced shortfalls, the solution has often been to further increase fines and penalties. While this approach increases revenues generated by those who pay the amount owed, it places an undue burden on those who cannot afford to pay. This approach has led to an increasing amount of fines and penalties going uncollected. For example, uncollected debt was $5.5 billion in 2008-09 and grew to $10 billion in 2016-17, an 81-percent increase.

AMNESTY PROGRAM

The 2015 Budget included an 18-month amnesty program that authorized individuals with past due court-ordered debt owed prior to January 1, 2013, related to traffic infractions, to pay outstanding delinquent debt at a 50-percent reduction if the individual met specified eligibility criteria. The amnesty program allowed individuals whose drivers licenses had been suspended due to their failure to pay fines and penalties on traffic offenses to have their license reinstated so they can legally get to work and make their agreed upon payments to the court. According to the Judicial Council, the amnesty program resulted in the resolution of 255,306 amnesty cases, and the collection of $45 million in gross revenue.

REPEAL DRIVER'S LICENSE SUSPENSIONS

While the amnesty program was able to help some, more was needed to help those who cannot afford to pay fines and penalties. One of the collection methods the court can use to collect outstanding debt is to suspend driver's licenses for failure to pay. Often, the primary consequence of a driver's license suspension is the inability to legally drive to work or take one's children to school. Therefore, the 2017 Budget eliminated the statutory provisions related to suspending driver's licenses for failure to pay fines and penalties.

ABILITY TO PAY FINES AND PENALTIES

As referenced above, the Budget includes resources to pilot a program for online adjudication of minor traffic violations. The pilot also expands upon efforts to reduce the ongoing effects of fines and penalties on the lives of those who cannot afford to pay. Specifically, the pilot includes a tool which will recommend a reduction of 50 percent or more of the total amount due and monthly payments of no more than $25 for all defendants who have established their inability to pay through various mechanisms.

TRIAL COURT CONSTRUCTION

The Trial Court Facilities Act of 2002 (SB 1732) transferred responsibility and ownership of court facilities from counties to the state in addition to providing a mechanism and fee increases for funding the construction, maintenance, and repairs of these facilities. In addition, Chapter 311, Statutes of 2008 (SB 1407), was enacted to increase various fees, penalties, and assessments to support the construction, renovation, and operation of court facilities. However, the revenues that were anticipated as a result of SB 1732 and SB 1407 have not materialized in the amounts needed to renew and restore the state's court facilities. Consequently, in 2012, the Judicial Council was forced to halt 17 court construction projects.

Consistent with the transfer of responsibility for court facilities to the state, the Budget includes $32.2 million from the Immediate and Critical Needs Account to complete the design of three courthouse projects in Riverside/Mid-County, Sonoma and Stanislaus, and $1.3 billion in lease revenue bond funding to complete the construction of ten courthouse projects in Imperial, Riverside/Indio, Shasta, Siskiyou, Tuolumne, Glenn, Riverside/Mid-County, Sacramento, Sonoma, and Stanislaus Counties.

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LOCAL GOVERNMENT

REDEVELOPMENT AGENCIES

California's redevelopment agencies were created in 1945 so cities and counties could rehabilitate blighted areas and update their infrastructure to accommodate a surging growth in the state's population. Redevelopment agencies received the incremental growth in property tax revenue that otherwise would have gone to cities, counties, special districts, and K-14 schools within the boundaries of redevelopment project areas. Redevelopment agencies often used this revenue to finance bonds which paid for redevelopment activities.

When voters approved Proposition 13, which limited property tax rates to one percent of assessed value and capped the annual growth in assessed values at two percent, local agency revenues were dramatically reduced. To assist locals, the state provided additional property tax revenue to cities, counties, and special districts, redirected from K-14 schools. The state then backfilled the schools' property tax revenue with state General Fund. The state's financial responsibility for K-14 schools grew further as a result of Proposition 98, which established a minimum school funding guarantee met with a combination of property taxes and state General Fund. Any property tax shortfalls are backfilled with state General Fund.

The tax increment financing model that redevelopment agencies used for decades became increasingly unsustainable and by 2010, the redirection of property tax revenue from schools to redevelopment agencies was costing the state $1.8 billion per year. When the Governor assumed office in 2011, the state faced a budget deficit of over $26 billion. Closing the deficit required bold and sweeping decisions, including ending the state's indirect subsidies for

redevelopment agencies. Pursuant to Chapter 5, Statutes of 2011 (ABx1 26), and a California Supreme Court decision, the state's approximately 400 redevelopment agencies were dissolved in February 2012, and each was replaced with a locally organized successor agency tasked with retiring the former redevelopment agency's outstanding debts and other legal obligations.

The winding down of the state's former redevelopment agencies continues to be a priority. From 2011-12 through 2016-17, approximately $2.1 billion was returned to cities, $2.6 billion to counties, and $782 million to special districts. The Budget anticipates that cities will receive an additional $944 million in general purpose revenues in 2017-18 and 2018-19 combined, with counties receiving $868 million and special districts $328 million. This is a significant amount of unrestricted funding that can be used by local governments to fund police, fire, housing, and other public services. The Budget anticipates that cities, counties, and special districts will collectively receive more than $1.3 billion per year through 2021-22 in general purpose property tax revenue to continue funding local priorities.

Additionally, approximately $7.4 billion was returned to K-14 schools between 2011-12 and 2016-17, creating corresponding Proposition 98 General Fund savings. The Budget anticipates savings to be $1.5 billion in 2017-18 and $1.6 billion in 2018-19. Added together, the total savings to the state from the dissolution of redevelopment agencies is estimated to be $10.5 billion by the end of 2018-19.

STATE MANDATES

The Budget includes $254 million, plus interest, to repay local agencies for costs owed for three repealed mandates associated with mental health services for severely emotionally disturbed children (AB 3632). These costs were incurred by counties between 2004 and 2011. Local agencies are expected to use the repayment toward early intervention and prevention mental health services for youth, with an emphasis on teens.

These funds are part of a concerted effort to reduce the debt owed to local agencies for mandate-related costs. Previously, the 2014 Budget appropriated $863 million to pay mandate claims and interest that were owed to local agencies for mandated activities performed prior to 2004.

TRANSPORTATION

California has a vast state transportation infrastructure, that includes 50,000 lane miles of state and federal highways, 304,000 miles of locally owned roads, operation of three of the top five Amtrak intercity rail services in the nation (nearly 900 miles of track), and numerous transit systems operated by 180 local transit agencies. Efficient operation of this vast network is vital to the state's continued economic growth and also serves much of the country, with nearly 20 percent of the goods imported to the United States moving through California ports, highways, and railways. Bottlenecks in the state's trade corridors constrain economic growth and reduce quality of life when Californians spend hundreds of hours in traffic.

When the Governor took office in 2011, slowing transportation revenues, lack of federal funding, and eroding buying power led to several decades of underfunding repairs, leaving little funding available to strategically address the state's future transportation needs or explore transformative solutions that could meet the needs of all Californians. This resulted in roads so degraded that Californians were estimated to be spending an average of $762 annually on additional vehicle repair costs attributable to poor road conditions. The Administration began exploring how to achieve a robust and sustainable transportation infrastructure by advancing high-speed rail and creating new funding programs for transit, bicycling, and walking. However, the state faced ongoing funding challenges in the tens of billions of dollars for the maintenance and repair of core infrastructure—state highways, roads, and bridges. Of the nearly $11.5 billion in ongoing transportation revenues available at the time, about 70 percent was devoted to local streets and roads, transit, capacity expansions, and debt service. While Proposition 1B, The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, provided $20 billion in one-time funding, it largely focused on capacity, local streets and roads, and transit.

Repair and maintenance of the state highway system continued to be largely overlooked. As a result, not only did the state's highway system continue to deteriorate, but the one-time bond funding of capacity projects increased ongoing maintenance funding needs.

As the Administration evaluated the need, it began taking several steps:

- The 2012 Budget provided the first major appropriations of $5.8 billion in Proposition 1A bond funds and federal funds to begin construction of the backbone of the state's high-speed passenger rail service through the Central Valley, while also appropriating another $1.1 billion to fund improvements to both "bookends" of the shared system.
- In 2013-14, the Administration formed a stakeholder workgroup to reconsider how transportation expenditures are prioritized and to explore long-term pay-as-you-go revenue options.
- In 2014-15, the adopted Cap and Trade Expenditure Plan continuously appropriated 60 percent of annual revenues to address the state's transportation needs, with 25 percent for the state's high-speed rail project, 10 percent towards complementary state and local transit projects through the Transportation Agency's new Transit and Intercity Rail Capital Program, and 5 percent going to fund expanded local transit service, in addition to the 20 percent for the Strategic Growth Council's Sustainable Communities Program to facilitate transit compatible housing and development.
- In 2015-16, the Administration proposed a new transportation funding plan to provide increased, ongoing revenues to address the state's funding shortfall and better target its future commuter and freight needs. Subsequent partnership with the Legislature ultimately resulted in enactment of Chapter 5, Statues of 2017 (SB 1), the Road Repair and Accountability Act of 2017.

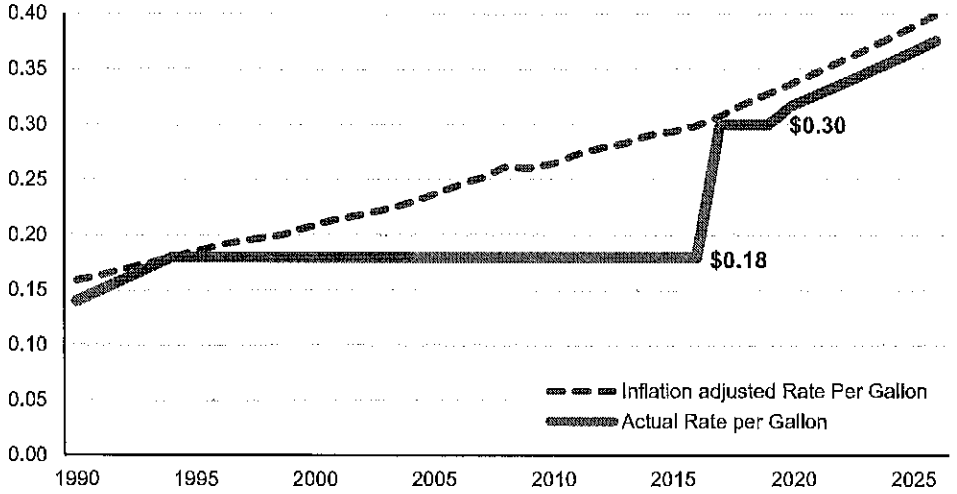
IMPLEMENTING THE ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017

The federal government has not raised the gas tax rate in nearly 25 years, leaving the federal Highway Trust Fund nearly insolvent and aging roads, bridges, and transit systems across the nation in poor condition.

In response to the growing need, the Administration and the Legislature enacted the Road Repair and Accountability Act of 2017 (SB 1), which provides stable, long-term funding for both state and local transportation infrastructure priorities. In doing this, California joined 25 other states that passed fuel taxes, vehicle fees, or other transportation-related fees since 2013 to fix

roads and bridges. Like these other states, California faced inflation that had significantly eroded its purchasing power since the state gas tax was last raised in 1994 (see Figure TRN-01). In addition to increased construction and repair costs, gas tax revenues had stagnated as vehicles became more fuel efficient. These factors and declining federal funding left states with a significant shortfall in the resources needed to maintain and improve state and local transportation systems.

Figure TRN-01
SB 1 Restored Lost Purchasing Power for the Gas Tax



SB 1 provides an average of $5.4 billion per year for a strategic mix of state and local transportation projects from a combination of new revenues and accelerated loan repayments. It also includes reforms and accountability measures, and constitutional protections. The new revenues are split evenly between state and local transportation priorities, with an emphasis on a "fix-it first" strategy to repair and maintain the existing transportation infrastructure while also investing significantly in public transit. Voters overwhelmingly passed Proposition 69 in June, which constitutionally protects SB 1 revenues for transportation. SB 1 also includes strong accountability and efficiency requirements so that funds provide the intended results, including the creation of a new independent transportation Inspector General.

This sustained investment over the course of the next decade and beyond will support hundreds of thousands of jobs in California. Over the next decade, the $54 billion transportation package will provide $15 billion for state highway repairs and maintenance, $4 billion in state bridge repairs, $3.3 billion for state trade corridors, and $2.5 billion for the state's most congested commute corridors. Local roads will receive more than $15 billion in new funding for maintenance and repairs and $2 billion in matching funds for local partnership projects. Transit and intercity rail will receive $7.7 billion in additional funding, and local governments will have access to $1 billion for active transportation projects.

The 2017 Budget provided $2.8 billion in new funding from SB 1 for transportation projects, and the Budget includes $4.6 billion in new SB 1 funding. These revenues will be distributed evenly between state and local transportation priorities. Locals will receive $2.3 billion in local project funding in 2018-19, growing to $3.5 billion by 2026-27 (see Figure TRN-02).

Figure TRN-02
Road Maintenance and Accountability Act Funding
(Dollars in Millions)

	Program	2017-18 Appropriation	2018-19 Appropriation
Local Allocations	Local Streets and Roads	$461	$1,202
	Transit and Intercity Rail Capital Program	$330	$330
	State Transit Assistance	$286	$405
	Local Partnership Program	$200	$200
	Active Transportation Program	$100	$100
	Commuter Rail and Intercity Rail	$26	$43
	Local Planning Grants	$25	$25
	Total:	**$1,427**	**$2,305**
State Allocations	SHOPP/Maintenance	$461	$1,219
	Bridges and Culverts	$400	$400
	Commuter Corridors	$250	$250
	Trade Corridor Enhancement	$158	$308
	Department of Parks and Recreation*	$53	$79
	Air Resources Board Clean Freight	$50	$0
	Freeway Service Patrol	$25	$25
	Department of Food and Agriculture*	$17	$26
	Transportation-related CSU and UC Research	$7	$7
	Transportation Workforce Development Board	$5	$5
	Total:	**$1,426**	**$2,319**
Administration	Department of Motor Vehicles	$4	$8
	Total:	$4	**$8**
Revenue	Transportation Improvement Fee	$737	$1,510
	Gasoline Excise Tax	$1,263	$1,867
	Diesel Excise Tax	$415	$678
	Diesel Sales Tax	$207	$343
	General Fund Loan Repayment	$235	$235
	Total:	**$2,858**	**$4,633**

*Revenue derived from fuel purchased for off-road vehicles.

Improvements funded from these new resources are being implemented immediately. To jump start delivery, the California Department of Transportation's (Caltrans) pavement maintenance funding has been increased by approximately $575 million per year. Caltrans has accelerated and programmed 210 highway repair and bicycle and pedestrian access projects to date. Caltrans is also working with the California Transportation Commission to program larger repair and rehabilitation projects. Similarly, cities and counties have submitted over 4,000 proposed

projects for which the $1.2 billion in SB 1 funds available in 2018-19, as well as SB 1 funds available in future years, can be used. The California Transportation Commission approved an initial allocation of these funds to cities and counties at its December 2017 meeting.

Over the next five years, SB 1 will increase the resources available for new state highway repair projects from $9 billion to $17 billion. The State Highway Operations and Protection Program (SHOPP), the state's long term highway repair plan, has been increased by $1.6 billion in project funding capacity through 2018-19, with another $7 billion in projects planned from 2019-20 through 2022-23.

PROGRESS IMPLEMENTING THE ROAD REPAIR AND ACCOUNTABILITY ACT

EFFICIENCIES

SB 1 requires Caltrans to implement efficiency measures with the goal of generating at least $100 million annually in savings, and report annually to present efficiency savings from the prior fiscal year to the California Transportation Commission no later than September 30 of each year. In January 2018, Caltrans presented an interim report outlining the efficiencies Caltrans identified for fiscal year 2017-18. Caltrans estimates that total savings from the efficiencies identified in its interim report will be between $146 million and $238 million. Caltrans will continue analyzing, evaluating, and monitoring the identified efficiencies throughout the year to determine the extent of monetary savings or cost avoidance. These efficiencies include:

- Expanding the use of the Construction Manager/General Contractor project delivery method.
- Utilizing the value analysis method on federal aid projects with a value of $50 million.
- Using new technology, such as high reflective materials for striping, mobile field devices in construction to streamline the resolution of claims, and replacing high-pressure sodium fixtures with LED lighting on highways statewide.

REFORMS AND ACCOUNTABILITY

SB 1 provides for increased reporting and oversight of transportation revenues:

- The California Transportation Commission reports on both Caltrans and the cities/counties receiving road repair and maintenance funding.

- Caltrans must include condition targets for certain assets (e.g., pavement, culverts, bridges) in its Transportation Asset Management Plan, and requires the California Transportation Commission to hold Caltrans accountable to achieving those targets through regular reporting.
- The Advance Mitigation program was created to accelerate project delivery while meeting applicable environmental requirements; the program is funded with an annual set aside of $30 million for the next four years.
- Office of the Inspector General—SB 1 established an Office of the Inspector General to provide verification and assurance that funds are being used optimally and as the Act intends. The Office also oversees the Department's compliance with the new contracting diversity goals in SB 1. The Governor has appointed the new Inspector General, and the 2017 Budget provided audit staff and funding to support the office's efforts.

PROGRESS ON SB 1 ALLOCATIONS

LOCAL STREETS AND ROADS

The 2017 Budget provided $461 million to all 479 cities and 58 counties for projects that begin addressing their highest repair needs on local streets and roads. Cities and counties began receiving their proportional share of the new revenues together with their base road maintenance funding in early February 2018. The Budget provides $1.2 billion in new SB 1 revenues to cities and counties to continue addressing the backlog of local road repairs (See Figure TRN-03). Cities and counties have identified more than 4,000 local priority projects to fund with these new revenues.

A complete list of city and county Local Streets and Roads program projects can be found at:

http://www.catc.ca.gov/programs/sb1/lsrp/docs/sb1-lsrp-proposed-city-projects-013118.pdf

http://www.catc.ca.gov/programs/sb1/lsrp/docs/sb1-lsrp-proposed-county-projects-013118.pdf

Figure TRN-03

Local Streets and Roads Program - SB 1 Funding

(Dollars in Millions)

County[1]	2018-19	10-Year	County[1]	2018-19	10-Year
ALAMEDA	$46	$578	ORANGE	$94	$1,190
ALPINE	$0	$4	PLACER	$13	$164
AMADOR	$2	$25	PLUMAS	$2	$26
BUTTE	$9	$110	RIVERSIDE	$68	$859
CALAVERAS	$3	$34	SACRAMENTO	$40	$502
COLUSA	$2	$29	SAN BENITO	$3	$33
CONTRA COSTA	$33	$418	SAN BERNARDINO	$64	$806
DEL NORTE	$1	$15	SAN DIEGO	$94	$1,191
EL DORADO	$6	$77	SAN FRANCISCO	$25	$311
FRESNO	$34	$426	SAN JOAQUIN	$23	$296
GLENN	$3	$35	SAN LUIS OBISPO	$10	$127
HUMBOLDT	$6	$76	SAN MATEO	$23	$296
IMPERIAL	$11	$141	SANTA BARBARA	$13	$161
INYO	$3	$39	SANTA CLARA	$57	$721
KERN	$28	$356	SANTA CRUZ	$7	$93
KINGS	$6	$75	SHASTA	$8	$96
LAKE	$3	$37	SIERRA	$1	$13
LASSEN	$3	$36	SISKIYOU	$4	$55
LOS ANGELES	$280	$3,533	SOLANO	$14	$182
MADERA	$7	$87	SONOMA	$17	$209
MARIN	$8	$98	STANISLAUS	$18	$226
MARIPOSA	$2	$21	SUTTER	$5	$56
MENDOCINO	$4	$56	TEHAMA	$4	$49
MERCED	$10	$131	TRINITY	$2	$24
MODOC	$3	$32	TULARE	$18	$228
MONO	$2	$25	TUOLUMNE	$3	$32
MONTEREY	$14	$178	VENTURA	$26	$323
NAPA	$5	$64	YOLO	$8	$98
NEVADA	$4	$46	YUBA	$3	$35
			Total	**$1,202**	**$15,181**

[1] Amount is split 50/50 between the county and the cities within the county

TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM

The upcoming five-year program from new SB 1 revenues and existing Cap and Trade auction proceeds will provide $2.4 billion in new transit project funding. The program was created to fund transformative projects such as the BART Silicon Valley extension and expanded Los Angeles Union Station capacity, growing ridership and reducing greenhouse gas emissions. The Agency adopted guidelines for the program in October 2017, with project applications received in January 2018, and awards made in April 2018. The Budget provides $330 million in SB 1 funds for these projects.

STATE TRANSIT ASSISTANCE

For 2017-18, in addition to the transit capital project funding, SB 1 provided $286 million for operations for local transit agencies along with the $457 million in other base annual funding. Funds began flowing to local transit agencies in early February 2018, permitting local agencies to improve service for transit riders. The Budget provides an additional $405 million from SB 1 for local transit operations, bringing the 2018-19 total to $834 million.

LOCAL PARTNERSHIP PROGRAM

SB 1 allocates $200 million per year to reward local entities that are making extra investments in transportation. These matching funds support the efforts of cities and counties with voter-approved or imposed fees or taxes dedicated solely to transportation. The California Transportation Commission previously approved the formula portion of the program, which provides $180.6 million for 63 projects. Subsequently, the California Transportation Commission programmed three years of projects (fiscal years 2017-18 through 2019-20) for the competitive program, providing an additional $309 million for 27 projects with a total value of more than $1.7 billion.

A complete list of projects can be found at:

http://catc.ca.gov/programs/sb1/lpp/docs/032118_LPP_Amended_Formulaic_Program.pdf

http://catc.ca.gov/programs/sb1/lpp/docs/2018_Adopted_CompetitiveLPP.pdf

ACTIVE TRANSPORTATION PROGRAM

SB 1 provides $100 million per year in addition to $123 million in base funding for bicycle and pedestrian projects. Following passage of SB 1, the California Transportation Commission augmented the 2017 Program by $192 million to advance existing projects and program new

projects. Some of these projects were already programmed in anticipation of when 2019-20 and 2020-21 funds would become available, and SB 1 allowed these projects to advance into 2017-18 and 2018-19. After advancing previously programmed projects, the California Transportation Commission programmed new projects with the additional SB 1 funds, making it possible for 121 new active transportation projects valued at over $437 million to receive funding.

Complete list of projects:

Final Adopted 2017 ATP Augmentation (Metropolitan Planning Organization Component): http://www.catc.ca.gov/programs/atp/2017/final-adopted-program/2017_ATP_MPO_Component-Adopted.pdf

Final Adopted 2017 ATP Augmentation (Statewide Component): http://www.catc.ca.gov/programs/atp/2017/docs/101817_Final-adopted-2017-ATP-Augmentation_Statewide-component.pdf

Final Adopted 2017 ATP Augmentation (Small Urban/Rural Component): http://www.catc.ca.gov/programs/atp/2017/docs/101817_Final-adopted-2017-ATP-Augmentation_Small-urban-rural-component.pdf

REPAIR AND MAINTENANCE OF THE STATE HIGHWAY SYSTEM

With the $461 million provided in the 2017 Budget, Caltrans was able to accelerate 117 projects with a value totaling $993 million. Maintenance efforts are projected to fix 67,000 potholes, 5,400 lane miles of cracking and 7,000 spalls along with 765,000 feet of guardrail and 32,000 miles of striping. These funds have been allocated to high priority highway repair projects such as 42 lane miles of rubberized pavement in Santa Barbara County, and 36 lane miles of pavement in Kings County. More highway repair projects are being added and accelerated as part of the 2018 State Highway Operation Protection Program, which was adopted in March 2018. The Budget provides $1.2 billion SB 1 funds to continue addressing the state's highest repair and maintenance needs.

- The California Transportation Commission has awarded, begun construction, or completed an additional 122 projects in the year since SB 1 passed, and has begun design and environmental clearance work on 156 more projects. Caltrans has improved two bridges on U.S. Highway 101 in Santa Barbara County, widened striping for increased visibility on 144 lane miles on State Route 99 in Stanislaus County, and repaired more than 350 lane miles of highway across the state.

- The California Transportation Commission approved Caltrans' new 2018-19 State Highway Operation and Protection Program (SHOPP) plan, the state's main program for highway rehabilitation, in March 2018. As a result of additional SB 1 funding, the $18 billion 4-year SHOPP plan includes 128 additional projects valued at $5.3 billion. Additionally, Caltrans has added 400 field positions to its Maintenance program. By the end of 2018-19, Caltrans is anticipated to have completed almost 100 fix-it-first projects on the state highway system, repairing more than 7,500 lane miles and 132 bridges.

BRIDGE AND CULVERT REPAIRS

SB 1 provides $400 million per year to fund repairs and maintenance on the state's bridge and culvert infrastructure, including such projects as the seismic retrofit of two bridges at the Santa Ana River in San Bernardino County, the Seismic Retrofit of the Salinas River Bridge in Monterey County, the Tower Bridge pier protection replacement in Yolo County, and the replacement of the Cache Creek Bridge in Kern County. It also allowed Caltrans to move forward quickly with projects like the culvert repair around Soda Springs and the sinkhole repair on Interstate 15 in San Diego. More bridge projects will be added and accelerated as part of the proposed 2018 State Highway Operation Protection Program adopted in March 2018.

COMMUTER CORRIDORS

SB 1 provides $250 million per year for projects to improve capacity and reduce congestion in the state's most congested commuter corridors in a manner that also improves air quality and provides more transportation choices. The California Transportation Commission completed guidelines for this revised program in December 2017, received proposals in February 2018, and selected projects in May. The California Transportation Commission programmed a total of $1 billion over four years (2017-18 through 2020-21) for nine projects with a total value of approximately $3.5 billion.

A complete list of projects can be found at:

http://www.catc.ca.gov/programs/sb1/sccp/docs/2018_Adopted_SCCPpdf

TRADE CORRIDOR ENHANCEMENTS

The 2017 Budget provided $208 million, with another $308 million in the Budget, for projects that address bottlenecks and improve throughput on the state's most economically important trade corridors. Of this amount, $50 million was appropriated to the Air Resources Board for its competitive Zero/Near-Zero Emission Warehouse Program, which will fund projects that reduce emissions from freight-related sources. For the remainder of these funds, the California

Transportation Commission completed guidelines for this revised program in October 2017, received project proposals in January 2018, and completed project selection in May. The California Transportation Commission programmed approximately $1.4 billion over three years (2017-18 through 2019-20) for 28 projects with a total value of more than $4 billion.

A complete list of projects can be found at:

http://www.catc.ca.gov/programs/sb1/tcep/docs/2018_Adopted_TCEP.pdf

FREEWAY SERVICE PATROLS

SB 1 provides $25 million per year on top of the existing $25 million in base funding for local transportation agencies to fund freeway service patrols that help clear incidents that cause temporary congestion, such as flat tires or vehicles that have run out of fuel. Studies have shown that disabled vehicles cause up to a third of the state's traffic delays.

CALIFORNIA TRANSPORTATION AGENCY

The Transportation Agency is responsible for developing and coordinating the policies and programs of the state's transportation entities to improve the mobility, safety, and environmental sustainability of California's transportation system.

Significant Adjustment:

- Intercity and Commuter Rail Program—$43 million Public Transportation Account from increased SB 1 diesel sales tax revenues to be allocated by the Agency for operations and capital improvements of intercity and commuter rail services.

HIGH-SPEED RAIL AUTHORITY

High-speed rail service is an essential element of the state's strategy to reduce greenhouse gas emissions while maintaining economic growth through improved mobility options for Californians. When fully operational, the high-speed rail system will avoid the releasing of harmful emissions into the environment, including a reduction in greenhouse gas emissions that is the equivalent of taking some 322,000 vehicles off the road every year.

When the Governor took office, the High Speed Rail Authority had a commitment of $9 billion in state bond funds and $2 billion in federal funds to develop and construct California's first high-speed passenger train service, an estimated $68 billion project. Today, with the commitment of Cap and Trade, bond funds and $3.5 billion in federal funds, the project has

broken ground on construction in the Central Valley, where 119 miles of construction is now underway, employing over 2,000 people on more than a dozen construction sites. These early investments in construction have helped the Central Valley economy rebound:

- The $3 billion invested to date in the Valley construction has resulted in $6 billion in economic output;
- 437 small businesses are now working on the project, most of which are California companies;
- In 2016 and 2017, Fresno County alone reported the creation of 9,400 jobs. High-speed rail investment supported 30 percent of the job creation in the county during that time, with 3,100 total jobs created (construction and non-construction).
- From 2006 through 2017, the project has resulted in approximately 28,500 job-years of employment statewide.

Even before project completion, the Authority is working to create the greenest infrastructure project in the nation, both in its construction and its operations. The construction equipment used to build the project is Tier 4 equipment—the cleanest equipment available for heavy construction work. To offset emissions during construction, the authority has committed to purchase clean local school buses and is planting trees in the region of the construction activity. Once complete, the system will be powered by 100-percent renewable energy.

In May 2018, the Authority approved its fourth bi-annual Business Plan, which projected costs to complete Phase 1 at $77.3 billion. The 2018 Business Plan also reflects a strategy to:

- Meet the state's commitments to federal partners by constructing the 119-mile Central Valley Segment and completing the environmental review for all project segments statewide (Merced/San Francisco-Los Angeles/Anaheim) by 2022.
- Invest funds in the Valley-to-Valley segments between Bakersfield and Madera and between Gilroy and San Francisco.
- Complete project development work to refine the design, scope and cost for the Pacheco Pass tunnels to allow operation of the Valley-to-Valley service between San Francisco and Bakersfield by 2029.
- Invest remaining Proposition 1A bookend funds in the Rosecrans/Marquardt Grade Separation Project and the Link Union Station project.
- Leverage state funding to pursue additional federal funding or financing and potential private financing to invest in the development of the high-speed rail system statewide.

The Budget anticipates expenditures of $1.1 billion, including $382.5 million from Proposition 1A (2008), and $749.5 million Greenhouse Gas Reduction Fund, and $750,000 High-Speed Rail Property Fund. Of this amount, $45.4 million is included in the Budget with the remainder provided by previous appropriations or the continuously appropriated Cap and Trade funds.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. Since 2011, the DMV has successfully transitioned operations to comply with major policy changes including implementation of the federal 2005 REAL ID Act, provision of drivers licenses to undocumented Californians under Chapter 524, Statutes of 2013 (AB 60), and the California New Motor Voter Program under Chapter 729, Statutes of 2015 (AB 1461).

- REAL ID—The DMV began offering a REAL ID driver license or identification card as an option to customers on January 22, 2018. The Federal Government set minimum standards for identity verification practices and security features that states must utilize prior to October 1, 2020 if their driver licenses and identification cards are to be accepted "for official purposes" such as accessing secure federal facilities and boarding federally regulated commercial aircraft. DMV has issued over 650,000 REAL ID compliant cards and has processed over a million REAL ID transactions. Over the next five years it is estimated that approximately 23 million Californians will request a REAL ID.
- AB 60—Since 2015, the DMV has been accepting driver license applications from undocumented persons who do not have a Social Security Number, but can instead provide other valid identification documents and proof of California residency as required under AB 60. In March 2018, the DMV issued its one millionth AB 60 Driver License and is currently issuing approximately 10,000 AB 60 licenses a month.
- Motor Voter—On April 23, 2018, the DMV implemented the California New Motor Voter Program which shifted the voter registration process at the DMV from a system where customers would opt-in to register to vote to a system where all eligible voters completing a driver license, identification card, or change of address transaction are automatically registered to vote unless they opt-out. DMV then electronically transmits to the Secretary of State specified information related to voter registration, including the applicant's name, date of birth, address, language preference, and other voter registration related information. In the first few months of implementation, DMV has provided over 450,000 new and

updated voter registration entries to the Secretary of State. As part of the implementation of AB 1461, DMV also incorporated a new electronic driver license and identification card application process to replace the paper application form.

Significant Adjustments:

- IT Software Replacement—$15 million Motor Vehicle Account for the first-year costs of the Front End Sustainability Project, the DMV's five-year $89 million effort to replace its software for registering vehicles and managing service fees and payments. Over the five-year project, the estimated costs include $38 million for the software system contract, $43 million for Department of Technology staff, data center usage, and associated equipment and facilities upgrades, and $8 million for 10 additional DMV staff
- IT Hardware Refresh—$3.1 million Motor Vehicle Account to replace high-priority equipment and hardware that has reached the end of its useful life. This equipment includes servers, as well as network and storage equipment that supports the ability of the DMV to provide reliable services to its customers.
- Clean Vehicle Decal Program—$1.4 million Motor Vehicle Account, including funding for three ongoing positions, for a new clean air vehicle decal program pursuant to Chapter 630, Statutes of 2017 (AB 544).

NATURAL RESOURCES AND CLIMATE CHANGE

Californians are now experiencing first-hand the damaging effects of climate change, with extreme weather events affecting every part of the state. In the past year, the most severe drought in California's recorded history was halted by one of the wettest seasons on record, causing significant flood-related damage. The summer months saw the highest average temperatures in California's recorded history. Between October and December, the combination of increased fuel-loading vegetation from the winter storms, millions of dead trees and extreme winds triggered the most destructive wildfires in the state's history.

These events devastated communities in Northern and Southern California, presenting new challenges and strengthening the state's resolve to combat climate change and design resilient communities.

COMBATING CLIMATE CHANGE

Over the past several years, the Administration and the Legislature have worked together to enact landmark legislation that establishes California as a global leader in the fight against climate change.

- Chapter 830, Statutes of 2012 (SB 535)—Established a requirement that at least 25 percent of Cap and Trade proceeds be invested in disadvantaged communities disproportionately impacted from environmental pollution.

- Chapter 547, Statutes of 2015 (SB 350)—Doubled the rate of energy efficiency savings in California buildings and requires 50 percent of the state's electricity be generated from renewable sources by 2030.
- Chapter 395, Statutes of 2016 (SB 1383)—Established statewide reduction targets for short-lived climate pollutants.
- Chapter 249, Statutes of 2016 (SB 32)—Established a statewide greenhouse gas (GHG) emission reduction target of 40 percent below 1990 levels by 2030.
- Chapter 545, Statutes of 2016 (SB 1386)—Established a statewide policy for the protection and management of natural and working lands as an important strategy in meeting the state's GHG reduction goals.
- Chapter 250, Statutes of 2016 (AB 197)—Prioritized direct emission reductions from large stationary and mobile sources.
- Chapter 135, Statutes of 2017 (AB 398)—Extended and improves the Cap and Trade Program, which will enable the state to meet its 2030 emission reduction goals in the most cost-effective manner.
- Chapter 136, Statutes of 2017 (AB 617)—Established a new program to reduce emissions from mobile and stationary sources at the neighborhood level in the communities most impacted by air pollutants.

The state's climate programs span all sectors—industrial, electricity, transportation, and natural and working lands. The Renewables Portfolio Standard, Low Carbon Fuel Standard, Cap and Trade Program, Advanced Clean Cars program, Short Lived Climate Pollutant Reduction Strategy, Sustainable Freight Action Plan, and the developing Natural and Working Lands Implementation Plan all serve as models for partners throughout the United States and the world. Throughout the implementation of these programs, the state's population and economy have continued to grow, yet GHG emissions have decreased and per capita electricity consumption remains flat.

California is on track to meet the 2020 goal of reducing GHG emissions to 1990 levels early, giving the state a head start on the 2030 goal. However, California represents only a small fraction of global GHG emissions. To catalyze action throughout the world, the state has partnered with numerous jurisdictions to establish joint agreements to take steps to reduce GHGs and other air pollutants. Over 200 jurisdictions have signed on to the Under 2 MOU, agreeing to take steps to limit temperature increases to less than two degrees Celsius by 2050, the warming threshold at which scientists predict that dangerous climate disruptions will occur. California is also a founding member of the Zero Emission Vehicle (ZEV) Alliance, a group of

14 jurisdictions seeking to collaborate with other governments to expand the global zero-emission vehicle market and enhance government cooperation on ZEV policies. These efforts will combat air pollution, limit global climate change, and reduce oil dependence by increasing ZEV deployment. Closer to home, California is leading the U.S. Climate Alliance's initiative to slash emissions of methane, hydrofluorocarbons, and black carbon. The Climate Alliance recently issued the Short-Lived Climate Pollutant Challenge, inviting all national and subnational jurisdictions, businesses, and other actors to take substantial and immediate action to reduce emissions of these super pollutants.

The Administration is building on these partnerships, hosting the Global Climate Action Summit in San Francisco this fall. The Summit's theme is "Take Ambition to the Next Level", and will bring together leaders from around the globe to launch deeper worldwide commitments and accelerated national action, supported by all sectors of society, to prevent dangerous climate change and achieve the goals of the historic Paris Agreement.

CAP AND TRADE EXPENDITURE PLAN

Since 2013, the state has appropriated $6.9 billion in auction proceeds to support transit and high-speed rail, affordable housing near jobs and services, forest and watershed improvements, healthy soils, recycling infrastructure and home energy efficiency upgrades. Further, the state has prioritized the expenditure of these funds in disadvantaged communities.

The Budget includes a $1.4 billion Cap and Trade Expenditure Plan that invests in programs that further reduce GHG emissions, support climate resiliency efforts, and benefit disadvantaged communities. (See Figure RES-01). This funding is consistent with the following expenditure priorities specified in AB 398:

- Air toxic and criteria air pollutants from stationary and mobile sources.
- Low and zero-carbon transportation alternatives.
- Sustainable agricultural practices.
- Healthy forests and urban greening.
- Short-lived climate pollutants.
- Climate adaptation and resiliency.
- Climate and clean energy research.

Figure RES-01

2018-19 Cap and Trade Expenditure Plan

(Dollars in Millions)

Investment Category	Department	Program	Amount
Air Toxic and Criteria Air Pollutants	Air Resources Board	AB 617 - Community Air Protection	$245
		AB 617 - Local Air District Implementation ($50 million total, including other funds)	$20
		Technical Assistance to Community Groups	$10
Low Carbon Transportation	Air Resources Board	Clean Vehicle Rebate Project	$175
		Clean Trucks, Buses, & Off-Road Freight Equipment	$180
		Enhanced Fleet Modernization Program, School Buses & Transportation Equity Projects	$100
	Energy Commission	Low Carbon Fuel Production	$12
Climate Smart Agriculture	Air Resources Board	Agricultural Diesel Engine Replacement & Upgrades ($132 million total, including other funds)	$112
	Energy Commission	Energy Efficiency	$64
	Department of Food and Agriculture	Healthy Soils	$5
	Energy Commission	Renewable Energy	$4
Healthy Forests	CAL FIRE	Healthy & Resilient Forests	$160
	CAL FIRE	Forest Carbon Plan: Prescribed Fire & Fuel Reduction	$30
	Natural Resources Agency	Forest Carbon Plan: Northern, Coastal, and Southern California Regional Forest Health Projects	$20
	CAL FIRE	Urban Forestry	$5
	CalOES	Local Fire Response	$25
Short-Lived Climate Pollutants	Department of Food and Agriculture	Methane Reduction	$99
	Air Resources Board	Woodstoves	$3
	CalRecycle	Waste Diversion	$25
Integrated Climate Action: Mitigation & Resilience	Strategic Growth Council	Transformative Climate Communities	$40
	Natural Resources Agency	Urban Greening	$20
	Multiple Departments	Coastal Resilience	$5
	Department of Fish and Wildlife	Wetlands Restoration	$5
	Community Services & Development	Low-Income Weatherization	$10
	California Conservation Corps	Energy Corps	$6
Climate and Clean Energy Research	Strategic Growth Council	California Climate Change Technology and Solutions Initiative & Technical Assistance	$20
	Total		**$1,400**

The Cap and Trade Expenditure Plan also supports the Administration's Forest Carbon Plan and Zero-Emission Vehicle Investment Initiative.

FOREST CARBON PLAN

California's 33 million acres of forestland and its urban forest canopy capture and clean the state's water supply, provide habitat for countless wildlife, cool cities, support local economies, and serve as cultural centers for indigenous and local communities across the state. Forested lands are also the largest land-based carbon sink with trees and underbrush drawing carbon from the atmosphere and storing it in their biomass and in forest soils. Growing evidence, however, suggests these lands will become a source of overall net GHG emissions if actions are not taken to enhance their health and resilience and reduce the threats they face from wildfire, insects, disease, and a changing climate.

Decades of fire suppression, coupled with drought and the effects of climate warming, have dramatically increased the size and intensity of wildfires, and exposed millions of urban and rural residents to unhealthy smoke-laden air. These conditions threaten progress toward meeting the state's long-term climate goals.

Recent wildfires have been the deadliest, most destructive, costliest, and largest in state history, and more than 129 million trees, primarily in the Sierra Nevada, have died from drought and insects since 2010. It is estimated that as many as 15 million acres of California forests need some form of restoration.

The Administration recently released the California Forest Carbon Plan, which serves as a scientific foundation and policy vision for improving the health and resiliency of California's forests against the worsening threats of fire and disease driven by climate change.
The Governor issued an executive order calling for an expansion of forest restoration and management activities in alignment with the Forest Carbon Plan. A Forest Management Task Force has been convened to coordinate these efforts.

The Budget provides $99.2 million to implement key recommendations of the Forest Carbon Plan.

Significant Adjustments:

- Prescribed Fire and Fuel Reduction—$30 million of Cap and Trade funding and 79 positions for CAL FIRE to complete additional fuel reduction projects through the operation of six year-round prescribed fire crews and implementation of a forest health research and monitoring program. This funding supports the Forest Carbon Plan's recommendation to increase the rate of prescribed fire and fuel reduction, allowing CAL FIRE to treat 60,000 acres per year.

- Sierra Regional Forest Health Projects—$30 million Proposition 68 for the Sierra Nevada Conservancy to expand the Watershed Improvement Program and fund Forest Carbon Plan recommended activities. This Program, guided by a Memorandum of Understanding between the Natural Resources Agency and the U.S. Forest Service, supports regional, landscape-level forest restoration projects in collaboration with federal and local agencies.
- Northern, Coastal and Southern California Regional Forest Health Projects—$20 million of Cap and Trade funding for the Natural Resources Agency to provide block grants to support regional implementation of landscape-level forest restoration projects that leverage non-state funding. This proposal will duplicate the Sierra Nevada Conservancy's Watershed Improvement Program by expanding the program model to the Northern, Coastal and Southern California regions.
- Legacy Forests at State Parks—$15 million Proposition 68 for the Department of Parks and Recreation to protect forests in state parks. This funding will support restoration efforts in state parks throughout the state, including coastal redwoods, central Sierra sequoias, coastal pines, and oak woodlands.
- Watershed Coordinator Grants—$1.9 million Environmental License Plate Fund for the Department of Conservation to provide grants to local entities to develop and implement watershed improvement plans.
- Markets for Wood Products—$2.3 million Timber Regulation and Forest Restoration Fund for multiple programs that will encourage markets for wood products, including (1) establishment of a Joint Institute for Wood Products Innovation, (2) financial support for mass timber and wood product manufacturing, and (3) grants for local jurisdictions to showcase the architectural design of mass timber buildings.

ZERO-EMISSION VEHICLE INVESTMENT INITIATIVE

The transportation sector is responsible for 50 percent of the state's GHG emissions and 80 percent of smog-forming oxides of nitrogen that contribute to the state's air quality challenges. To meet climate goals and clean air standards, California must dramatically reduce transportation sector pollution.

In January, the Governor issued Executive Order B-48-18, setting a new ZEV target of 5 million ZEVs in California by 2030. In addition, the Executive Order calls for the construction and installation of 200 hydrogen fueling stations and 250,000 zero-emission vehicle chargers, including 10,000 direct current fast chargers, by 2025.

The Budget includes $334.5 million for the Energy Commission and the Air Resources Board to begin the implementation of an eight-year initiative to accelerate sales of zero-emission vehicles through vehicle rebates and infrastructure investments. This new ZEV initiative envisions a total of $2.4 billion over eight years and, when combined with private investment, will meet and exceed the goal of 1.5 million ZEVs on California's roadways by 2025, and provide a solid foundation to achieve the 5 million ZEV goal by 2030.

Significant adjustments:

- Clean Vehicle Rebates—$200 million of Cap and Trade funding for the Air Board to provide rebates to California residents for the purchase or lease of new light-duty zero-emission vehicles and plug-in hybrids, including $25 million for incentives for low-income consumers. This annual funding of $200 million will continue through 2025, reflecting the state's commitment to achieve its ZEV target.
- Alternative Fuel Infrastructure—$134.5 million Alternative and Renewable Fuel and Vehicle Technology Fund for the Energy Commission to accelerate investments in the statewide network of ZEV infrastructure. This funding represents over a 300 percent increase in state infrastructure investments for the budget year, with a goal of providing a multi-year investment of $800 million for ZEV infrastructure through 2025.

CLIMATE RESILIENCY AND ADAPTATION

California has historically been susceptible to wildfires and hydrologic variability. However, climate change intensifies extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves. As GHG emissions continue to accumulate and climate disruption grows, such destructive events will become more frequent. The extreme natural events of 2017 and the cascading impacts to people, utility infrastructure and the natural environment underscore the necessity to prepare for and mitigate the effects of climate change. These issues are challenging and require state and local governments and private industry to come together to address land use and infrastructure improvements.

So far in 2018, several groundbreaking climate resiliency documents have been released to help better plan for and understand climate change. Together, they reflect the Administration's comprehensive cross-agency response to make California's communities, natural systems, and built environment resilient to climate change:

- California's Climate Adaptation Strategy—The 2018 Update to Safeguarding California catalogs thousands of actions 38 state agencies are taking to prepare for climate change and strategies that will increase resiliency for people, infrastructure and natural resources.
- Sea Level Rise—The Ocean Protection Council's State of California Sea-Level Rise Guidance: 2018 Update provides a methodology for state and local governments to analyze, assess, and plan for risks associated with sea level rise, underpinned by the latest sea-level rise projections.
- Protecting the State's Forests—The California Forest Carbon Plan serves as a scientific foundation and policy vision for increasing the health and resiliency of California's forests against the worsening threats of fire and disease driven by climate change.
- Basing Actions in Science—The State's 4th Climate Change Assessment consolidates the best available scientific understanding of how climate change is impacting the state. This body of science will serve as the foundation for how state agencies, local governments, and the public respond to forecasted climate change impacts.

The Budget provides significant additional funding to support implementation of these plans and scientific findings through a wide range of climate adaptation and resilience projects to enable local communities, state infrastructure and natural ecosystems to better withstand the impacts of climate change.

PROPOSITION 68—CALIFORNIA DROUGHT, WATER, PARKS, CLIMATE, COASTAL PROTECTION, AND OUTDOOR ACCESS FOR ALL

Approved by the voters in June, Proposition 68 authorizes $4 billion in general obligation bonds for California's parks, water and flood control infrastructure, ocean and coastal protection, safe drinking water, groundwater management and climate preparedness and resiliency.

The Budget provides $1.24 billion for the first year of implementation (see Figure RES-02). Of this amount, $210 million is dedicated to climate adaptation and resiliency programs, including coastal protection. Projects funded by the bond measure in 2018-19 are primarily prioritized to support existing programs, "shovel-ready" projects, and a phase-in approach for newly established programs.

Figure RES-02

California Drought, Water, Parks, Climate, Coastal Protection and Outdoor Access For All (Proposition 68)

(Dollars in Millions)

Investment Category	Department	Program	2018-19 Amount
State and Local Park Improvements	Department of Parks and Recreation & Natural Resources Agency	Local and Regional Grant Programs for Neighborhood Parks, Greenway Trails, and Enhancement of Natural and Cultural Resources	$503
	Department of Parks and Recreation	State Park System Enhancements	$4
	Department of Food and Agriculture	Deferred Maintenance for Fairs	$4
Ecosystem Restoration & Climate Resiliency	Multiple Departments & Conservancies	River Recreation, Creek, and Waterway Improvements	$78
	Natural Resources Agency	Salton Sea Restoration	$30
	Multiple Departments & Conservancies	Climate Adaptation & Resiliency	$157
	State Coastal Conservancy & Ocean Protection Council	Coastal Protection	$53
	Sierra Nevada Conservancy & Department of Parks and Recreation	Forest Carbon Plan Implementation	$45
	California Conservation Corps	CCC Restoration and Rehabilitation Projects & Grants to Local Community Conservation Corps	$10
Water Action Plan	State Water Board	Safe Drinking Water Projects	$93
	Department of Water Resources & Natural Resources Agency	Flood Management	$99
	Department of Water Resources & State Water Board	Sustainable Groundwater Management Act	$146
	Department of Food and Agriculture	State Water Efficiency and Enhancement Program	$18
	Total		**$1,239**

For additional information on Proposition 68 proposals for water and parks-related programs, see the California Water Action Plan and Department of Parks and Recreation sections of this chapter.

CALIFORNIA WATER ACTION PLAN

Released in January 2014, the Water Action Plan provides a blueprint for California to build more reliable and resilient water systems and restore important ecosystems. The Budget builds upon investments from previous years and continues prioritizing the ten actions of the Water Action Plan, including improving groundwater management, enhancing flood protection, providing safe drinking water, restoring important ecosystems and promoting water conservation.

GROUNDWATER SUSTAINABILITY

Climate change will affect the state's water supply reliability as a result of more frequent droughts and reduced Sierra snowpack. California's five-year drought from 2012 through 2016 included a record-setting period of the four consecutive driest years of statewide precipitation. Consequently, effective management of groundwater resources is an essential component of the state's future water management strategy.

In 2014, the Governor signed a package of groundwater management bills that directed cities, counties, and water districts to work together to prevent long-term over-pumping of groundwater basins. The underlying principle of the Sustainable Groundwater Management Act of 2014 (SGMA) is that groundwater is best managed locally. SGMA places significant responsibilities upon local agencies to organize, plan, and ultimately manage their groundwater resources to a sustainable level within a 20-year time horizon, along with fee authority to help cover costs. However, the state will intervene temporarily to protect groundwater basins when local agencies are unwilling or unable to adequately do so.

Local agencies have formed groundwater sustainability agencies covering over 99 percent of the state's high and medium priority groundwater basins. However, the major challenge for local agencies and the Department of Water Resources (DWR) remains the development and implementation of groundwater sustainability plans that serve as the foundation to achieving statewide goals and requirements under SGMA.

The Budget includes $146 million to continue SGMA implementation and groundwater treatment activities.

Significant Adjustments:

- SGMA Implementation—$61.8 million Proposition 68 for the DWR to support groundwater sustainability agencies through three key efforts: (1) providing technical assistance to aid in the development and evaluation of their plans, (2) supplementing existing planning grants to support a groundwater sustainability agency's responsibility to define a path to achieve sustainable groundwater management, and (3) providing grants directly supporting implementation of groundwater projects.
- Groundwater Treatment—$84 million Proposition 68 for the State Water Board to support regional groundwater treatment and remediation activities that prevent or reduce contamination of groundwater, including $10 million for technical assistance for drought and groundwater investments.

FLOOD CONTROL INFRASTRUCTURE

The 2017 update to the Central Valley Flood Protection Plan identified $17 billion to $21 billion in flood system investment needs over the next 30 years, including urban and non-urban projects, systemwide projects, operations and maintenance, and deferred maintenance. Of the total need, the Plan identifies approximately $88 million annually for operations and maintenance.

Over the past decade, voters have approved several General Obligation bonds that have provided approximately $5 billion in flood control improvements. In addition, the recently approved Proposition 68 includes $550 million for flood control programs.

In recognition of the impacts of climate change and the likelihood of more severe storms and extreme weather events in the coming decades, the Budget includes an additional $393 million, including $295 million General Fund, to enhance the state's resilience to catastrophic flooding. These funds provide strategic investments for flood control infrastructure to protect lives and property that also leverage local and federal funding and reduce potential state liability.

Significant Adjustments:

- Urban Flood Control Projects—$170 million General Fund on a one-time basis to support the state cost-share of U.S. Army Corps of Engineers' urban flood control projects that will contribute to a 200-year level of flood protection in urban areas of the Central Valley. This funding will strengthen the state's ability to leverage approximately $690 million in federal funding.

- Deferred Maintenance—$100 million General Fund on a one-time basis to address deferred maintenance projects on levees. These funds will be prioritized to address critical and serious sites, including repair and rehabilitation of damaged levees and infrastructure identified as a result of the 2017 storms.
- Multi-Benefit Flood Control Projects—$98.5 million Proposition 68 for flood control projects that achieve public safety and fish and wildlife improvements, as well as funding for a new Floodplain Management, Protection and Risk Awareness Program to protect California's alluvial fan, coastal, and riverine floodplains. This funding, along with previously appropriated Proposition 1 and 1E funds, supports an integrated systemwide approach to flood management and implementation of the Central Valley Flood Protection Plan.
- Operations and Maintenance—$25 million General Fund to support ongoing levee maintenance. These funds will provide incentives for cost-sharing with local maintaining agencies by (1) encouraging a regional governance model that will better allow local entities to assess local beneficiaries of the levee system and (2) updating assurance agreements with the state to clarify levee maintenance responsibilities. Funds will also be available for priority projects that reduce potential state liability.

SAFE AND AFFORDABLE DRINKING WATER

The Administration has worked with the Legislature to implement a number of reforms to improve access to safe drinking water, including (1) transferring the Drinking Water Program from the California Department of Public Health to the State Water Board to better align the state's drinking water and water quality programs, (2) establishing the Office of Sustainable Water Solutions within the State Water Board to provide technical and financial assistance for small, disadvantaged communities to promote permanent and sustainable solutions, (3) providing funding through Proposition 1 and the Drinking Water State Revolving Fund to assist public water systems with providing safe drinking water, (4) requiring testing of lead found in drinking water at public schools, and (5) authorizing the State Water Board to require the consolidation of local water systems or the use of a third-party administrator for public water systems that consistently fail to deliver safe drinking water.

Since 2010, the state has provided approximately $3 billion in assistance to help address safe and affordable drinking needs. This funding supported projects that:

- Addressed drinking water emergencies in 275 communities with a total population of over 400,000, most of which were disadvantaged. The projects included providing bottled water, hauled water, establishing emergency interconnections, and repairing/rehabilitating wells.

- Delivered technical assistance to over 550 communities with a total population of over 450,000. The assistance included community needs assessments, preparation of funding applications, and supporting improvements in the technical, managerial, and financial capacity of water systems in small communities.
- Supported repair, replacement, and improvement of old infrastructure and new treatment systems for over 600 projects to comply with the Safe Drinking Water Act.

Despite these efforts, many local water systems in the state, particularly those serving small disadvantaged communities, consistently fail to provide safe drinking water to their customers. The most significant remaining challenge is the lack of a stable funding source for long-term operation and maintenance of drinking water systems. This limits the ability to address the additional capital costs for hundreds of small systems and domestic wells that cannot be consolidated, cannot afford to maintain their own system, and are currently serving drinking water that does not meet public health standards.

The Administration remains committed to continuing discussions with the Legislature on a comprehensive package to address safe and affordable drinking water needs this summer. To this end, the Budget sets aside an additional $23.5 million General Fund to address safe drinking water needs as part of these continuing discussions.

Significant Adjustment:

- Safe Drinking Water Project—$93 million Proposition 68 for the State Water Board to provide grants to public water systems in disadvantaged communities for infrastructure improvements to meet safe and affordable drinking water standards, including both drinking water and wastewater treatment projects. Of this amount, $27 million is available to improve regional water supply within the San Joaquin River watershed and $30 million is available for the Pure Water San Diego program.

- Lead Testing for Child Care Centers—$5 million General Fund for the State Water Board to provide grants for lead testing in drinking water at licensed child care centers, remediation of lead in plumbing and drinking water fixtures, and technical assistance for licensed childcare providers, with a priority to centers that serve children up to five years of age.

MAKING WATER CONSERVATION A WAY OF LIFE

A key principle in the California Water Action Plan is to make water conservation a way of life. Improving water conservation is essential for a more reliable water supply and to make the state more resilient to future droughts, particularly given population increases and climate change.

After declaring an end to the drought emergency in 2017, the Governor directed the State Water Board to maintain urban water use reporting requirements and prohibitions on wasteful practices, such as hosing off sidewalks. At the same time, the DWR, Energy Commission, Public Utilities Commission, Department of Food and Agriculture, and the State Water Board issued a final report with recommendations to (1) use water more wisely, (2) eliminate water waste, (3) establish permanent water use and conservation reporting requirements, (4) strengthen local drought resilience, and (5) improve agricultural water use efficiency and drought planning.

Additionally, the Administration worked with the Legislature in enacting Chapter 14, Statutes of 2018 (SB 606), and Chapter 15, Statutes of 2018 (AB 1668), to permanently conserve water resources in the state. This legislation directs the DWR and the State Water Board to develop and adopt water use efficiency objectives for large urban water suppliers based on new standards for indoor use, outdoor use, and water system leaks; revises Agricultural Water Management Plans to include annual water budgets; and requires urban water suppliers to annually calculate water use objectives in an effort to better manage and conserve California's water resources. This will result in more detailed and comprehensive water planning at the local level, while also providing the State Water Board and the DWR better information to assist the state in managing limited water supplies. This level of detailed planning will become increasingly important as California continues to experience the effects of climate change.

The Budget builds on these efforts to encourage Californians to conserve water.

Significant Adjustments:

- State Water Efficiency and Enhancement Program—$18 million Proposition 68 for the Department of Food and Agriculture to provide financial incentives to farmers for the installation of water irrigation systems that reduce both water and energy use in agricultural operations.

- Save Our Water Campaign—$300,000 Environmental License Plate Fund for the DWR to support ongoing outreach and advertising to sustain the Save Our Water campaign as an effective tool to promote water conservation as a part of Californians' everyday lives.

RESTORING IMPORTANT ECOSYSTEMS—SALTON SEA

The Salton Sea is California's largest lake. Thirty-five miles long and fifteen miles wide, the desert lake extends from the Coachella Valley into the Imperial Valley. Though saltier than the ocean, the lake supports an abundance of fish, which serve as a food source for millions of migratory birds on the Pacific Flyway. Managing the sea's natural, agricultural, and municipal water inflows to maximize bird and fish habitat and minimize fine-particle air pollution will allow California to protect regional health, ecological wealth, and a stable water supply.

Led by the Natural Resources Agency, the Salton Sea Management Program guides immediate and long-term investment in habitat and air quality projects to manage increasing lakebed exposure resulting from declining water inflows. The Phase I plan identifies project areas and acreage milestones the state will construct to meet a combined goal of 29,800 acres of habitat and air quality projects by 2028. The State Water Board finalized a water rights order that adopted the policy goals and project milestones of the Phase I ten-year plan and will provide continued oversight of the program's achievement of those goals.

Significant Adjustment:

- Salton Sea Restoration—$30 million Proposition 68 for the Natural Resources Agency to construct water management infrastructure and habitat conservation and dust mitigation projects, consistent with the Phase I ten-year plan. This funding builds on existing appropriations from Propositions 1, 84, and 50 that will be used to meet the goals of the plan.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

CAL FIRE provides resource management and wildland fire protection services covering over 31 million acres. It operates 234 fire stations, and also staffs local fire departments when funded by local governments. CAL FIRE contracts with county agencies in six counties to provide wildland fire protection services. The Budget includes $2.5 billion ($1.5 billion General Fund) and 7,182.5 positions for CAL FIRE.

Climate change is ushering in extreme weather and a fire season that has become essentially year-round, with larger and more intense fires. Eleven of California's most destructive wildfires have occurred in the last ten years. Historically, CAL FIRE responds to over 5,600 wildfires annually. In recent years, wildfires have increased, reaching approximately 2,000 more than average in 2017.

In recognition of these conditions, the 2017 Budget included: (1) additional ongoing funding of $42.4 million to expand the state's firefighting capabilities and extend the fire season, and (2) $200 million of Cap and Trade funds to support healthy and fire resilient forests.

The Budget makes additional investments to enhance CAL FIRE's capacity to protect California residents.

Significant Adjustments:

- Helicopter Procurement—$101.2 million General Fund to support replacement of the CAL FIRE's fleet of Vietnam War-era helicopters. This funding will begin a multi-year effort to fully replace the Department's aging fleet with new modern helicopters. These new helicopters will have enhanced firefighting capabilities, including the ability to fly at night, which will improve CAL FIRE's ability to respond to the increasing number and severity of wildfires resulting from climate change.
- Climate Change Fire Severity—$10.9 million General Fund to provide heavy equipment mechanics, vehicle maintenance funding, and associated administrative support staff to address the nearly year-round fire season. These resources build on the funding provided for additional year-round fire engines and extended fire season staffing in the 2017 Budget and reflect continued efforts to meet the demands of longer, more severe fire seasons driven by climate change.
- McClellan Reload Base—$4 million General Fund for six permanent positions and 6.1 seasonal positions to staff and operate the McClellan Reload Base for the rapid deployment of large air tankers and the California National Guard Modular Airborne Fire Fighting Systems.
- Fire Training Center—$26.6 million General Fund for CAL FIRE, the California Department of Corrections and Rehabilitation, and the California Conservation Corps to operate the Firefighter Training and Certification Program for ex-offenders, as described in the Public Safety Chapter. The 18-month program will enable 80 ex-offenders, as well as 20 corpsmembers, to gain the training and experience needed to qualify for entry-level firefighting positions with local, state, and federal firefighting agencies.

DEPARTMENT OF FISH AND WILDLIFE

The Department of Fish and Wildlife manages California's diverse fish, wildlife, and plant resources, and the habitats upon which they depend for their ecological value and for their use and enjoyment by the public. While other state agencies' missions cover conservation, the Department is the state's trustee agency specifically charged with protecting and conserving fish and wildlife habitat. The Budget includes $604.4 million ($121.4 million General Fund) and 2,103.8 positions for the Department.

Since the California Fish and Wildlife Strategic Vision report was submitted to the Legislature in 2012, the Department has engaged closely with stakeholders on the establishment of a framework for sustainable funding to provide ongoing protection of fish and wildlife in California. These efforts produced a 2017 update to the Strategic Vision report, which identified numerous accomplishments in meeting the original goals identified in the 2012 report, as well as Supporting Healthy Fish and Wildlife Populations in California and Getting People Outdoors: An Expenditure Concept to Invest in Our Natural Heritage for All Californians, issued in November 2017.

Significant adjustment:

- Sustainable Funding for Fish and Wildlife—$31.6 million ($26.6 million General Fund and $5 million California Tire Recycling Management Fund) to (1) continue the current level of service for core fish and wildlife programs, (2) augment high-priority programs that are consistent with the priorities identified in the most recent update to the Strategic Vision report, and (3) initiate an independent service-based budget review and develop a tracking system to support an analysis of the Department's existing revenue structure and program activities. The service-based budget review, which will be completed by 2021, is based on a similar service-based budget review performed for the Department of Parks and Recreation and will provide an objective foundation for future budget decision-making.

BIODIVERSITY PRESERVATION

California has some of the world's most unique geographical areas that support plant and wildlife biodiversity. It is home to more species of plants and animals than any other state in the United States, which creates a complex and distinctive ecosystem.

Significant adjustment:

- California Biodiversity Initiative—$2.5 million General Fund on a one-time basis for the Department to improve understanding of the state's biological richness and preserve, manage and restore ecosystems, protecting the state's biodiversity from climate change. The Initiative will include partnerships with Tribes, educators and researchers, philanthropic organizations, the private sector, and landowners to preserve California's biodiversity.

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation protects and preserves the state's valued natural, cultural, and historical resources while providing recreational opportunities including hiking, camping, mountain biking, horseback riding, boating, and off-highway vehicle activities.

The Department achieves its mission through grant programs and a network of 280 parks, which include beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites. The Budget includes $1.5 billion ($285 million General Fund) and 2,306.2 positions for the Department.

FIX STATE PARKS

In recent years, there has been a concerted effort to improve Department management, responsiveness, and accountability. In February 2015, the Parks Forward Commission, a multidisciplinary advisory council created to independently assess the state parks system and make recommendations for potential improvements, provided recommendations to address financial, cultural, and operational challenges. By that time, the Administration had established the Transformation Team to develop specific initiatives. In May 2017, the Transformation Team completed its two-year term and released a final progress report. Although the work of the Transformation Team has ended, the Department has implemented these important reforms, as well as those suggested by the Legislature, and developed further innovations. These reforms include a new organizational structure, establishment of a new non-profit outside support organization as specified by Chapter 540, Statutes of 2016 (SB 1111), enhanced fiscal management tools developed from the Department's service-based-budgeting efforts, and modernized fee collection and technology.

Building upon these initiatives, the Budget includes ongoing funding of $80 million State Parks and Recreation Fund to enhance the State Park System.

Significant Adjustments:

- Fixing State Parks and Improving Access for All Californians—$42 million State Parks and Recreation Fund and 364 positions to increase services that emphasize those that directly benefit park visitors by improving access, and fixing and maintaining the aging infrastructure of the state parks system. The largest area of investment is facilities and maintenance, which will contribute to maintaining clean water supplies, clean restrooms, dynamic trail systems, stable historic structures, and safe roads. These additional resources will also help address more than $1 billion in deferred maintenance projects throughout the state parks system. The natural and cultural management funding will allow the Department to better understand, protect, and preserve California's biologically and culturally diverse places under its care. The interpretation and education augmentations will build upon the Department's recent focus on developing stronger relationships with the public. The public safety positions will focus on providing a safe visitor experience in complex park environments and protecting cultural and natural resources.
- Solving the Structural Imbalance and Establishing a Reserve—$26.6 million in permanent funding from the State Parks and Recreation Fund to address the structural imbalance. Since 2012, the Department has relied on one-time appropriations to maintain services across the park system. The Budget ends that pattern and provides sustainable ongoing funding, including $8.5 million to establish a prudent reserve balance in the Fund.
- Making Recruitment and Training Program Permanent—$1 million State Parks and Recreation Fund for the newly established recruitment and training program for hard-to-fill classifications, including an emphasis on diversity. The 2017 Budget included funding to initially establish the program.
- Supporting Off-Highway Vehicle Recreation—$1 million State Parks and Recreation Fund for increased law enforcement, environmental monitoring, and maintenance grants supporting federal off-highway vehicle recreation. While the Department manages nine State Vehicular Recreation Areas for off-highway vehicle recreation, nearly 80 percent of the state's off-highway vehicle recreation occurs on federal lands, supported through the grants program.
- Reducing Boating Hazards—$1 million State Parks and Recreation Fund for the Abandoned Watercraft Abatement grant program to remove abandoned watercraft from California's waterways. Submerged water vessels pose a hazard to boating recreation throughout the state.

IMPROVING AND INCREASING ACCESS TO LOCAL NEIGHBORHOOD PARKS

Proposition 68 includes over $1 billion for multiple programs that improve and rehabilitate local park facilities as well as expand access to neighborhood parks. The Budget includes $464 million to begin implementation of these local park programs:

- Safe Neighborhood Parks—$277 million Proposition 68 to provide grants for the creation of new parks and recreation facilities, as well as the rehabilitation of existing local parks, in critically underserved communities throughout California, consistent with the Statewide Park Development and Community Revitalization Program.
- Per Capita Grants—$186 million Proposition 68 to provide for the acquisition and development of neighborhood, community, and regional parks and recreation lands and facilities in urban and rural areas.

PROTECTING AND PRESERVING CALIFORNIA INDIAN HERITAGE

The Administration has strengthened the state's relationship with California's tribal communities by improving overall communication and enhancing transparency and government-to-government engagement with California Tribes. Executive Order B-10-11 established the Office of the Tribal Advisor to provide a direct link between Tribes and state agencies, allowing Tribes to actively participate in developing policies and priorities for tribal communities in partnership with the highest levels of state government. Under newly negotiated gaming compacts, Tribes are able to invest more gaming revenue into infrastructure and programs benefiting the tribal communities and promoting self-sufficiency.

The Budget builds on these efforts with additional state investments that will protect and preserve the rich history of the native peoples of California and memorialize the important contributions they have made to the state through the following investments:

- California Indian Heritage Center—$100 million General Fund for the Department to construct a new museum to protect and preserve the history of California's native peoples. The total cost of the project is estimated at $200 million. The Administration will work with stakeholders to raise the additional $100 million necessary to complete the project. This new museum would replace the current State Indian Museum, which was built in 1940 on the grounds of Sutter's Fort State Historic Park. The Department would operate the museum and work with tribal representatives in developing appropriate content for the interpretive program to engage visitors in celebrating the living cultures of California Tribes.

- Fort Ross State Historic Park: Cultural Trail—$852,000 Proposition 12 bond funds to design a new trail focusing on increasing the interpretive program at Fort Ross State Historic Park. The trail would complete a segment of the California Coastal Trail and a multimedia interpretive program encouraging park visitors to explore the complex history of the site. The interpretive program will be developed through a partnership with stakeholders including the native people of the area and UC Berkeley. Total project costs are estimated to be $3.4 million.

MUSEUM OF TOLERANCE

Located in Los Angeles, the Museum of Tolerance is the educational branch of the Simon Wiesenthal Center. The Museum is dedicated to educating visitors about the Holocaust in both historic and contemporary contexts and providing a voice for social justice and human rights in the world today. The Museum has welcomed over 7 million visitors since it opened in 1993, and more than 160,000 law enforcement professionals have participated in a diversity training program to enhance their skills in delivering more effective services to the communities they serve. In addition, 130,000 middle and high school students visit the Museum each year as part of their schools' curriculum. The Museum provides a unique immersive learning environment to advance anti-bias education and promote the creation of inclusive and equitable schools.

Significant Adjustment:

- Museum of Tolerance Renovation Project—$10 million General Fund on a one-time basis for the Department of Parks and Recreation to provide a grant for the Museum's renovation project. This funding will provide half of the estimated $20 million cost of the renovation to fund critical capital improvements.

CALIFORNIA CONSERVATION CORPS

Established in 1976 during Governor Brown's first term, the California Conservation Corps is modeled after the original Civilian Conservation Corps of the 1930s. More than 120,000 young adults have served in the Corps over its 40-year history.

The Corps provides young women and men the opportunity to gain critical work experience and contribute to the ecological well-being of the state by responding to fires, floods and other disasters; restoring threatened environments; and installing clean energy and energy conservation measures at public facilities. The Budget includes $154.9 million ($89.8 million General Fund) and 326.5 positions for the Corps.

Since 2011, the Corps has expanded by 15 percent to 1,591 corpsmembers today; when four future residential centers are completed, there will be capacity for a total of nearly 2,000 corpsmembers.

The Budget provides funding to enhance services and training opportunities for current corpsmembers.

Significant Adjustments:

- Expansion of Residential Facilities—$13 million General Fund to initiate four new residential facilities in Auberry, Los Pinos, Greenwood and Yountville and to rehabilitate two existing facilities in Ukiah and Fortuna. These projects are expected to add capacity for approximately 350 additional corpsmembers. Residential centers have higher rates of attendance and academic achievement, which are critical to corpsmember completion of the programs and improved outcomes.
- Fire Training Center—$3.5 million General Fund to facilitate corpsmember participation in the Firefighter Training and Certification Program for ex-offenders. For additional information on this proposal, see the Public Safety Chapter.
- CAL FIRE/Corps Fire Crews—$2.3 million General Fund to support five CAL FIRE/Corps fire crews for wildland fire suppression, emergency incident mitigation, and fire prevention and resource management work.
- Corpsmember Counseling, Case Management and Transition to College, Career, or Training—$1.1 million ($600,000 General Fund) to strengthen the career pathway of corpsmembers to college, career or advanced training by providing case management services.

STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

This Chapter describes items in the Budget that are statewide issues or related to various departments.

HOUSING AND HOMELESSNESS

For decades, California has faced a shortage of housing due to historical underproduction of adequate supply when compared to demand. Although the state has identified 180,000 units of housing needed annually to address the growing population, less than 100,000 units have been produced each year over the last eight years. In addition, only about 3 percent of homes and 11 percent of rental units in the state are affordable through legal restrictions for individuals of low to moderate income. This shortage of affordable housing units is one of the major contributing factors to the increasing homeless population in the state, which has risen to nearly 135,000 individuals, up 13.7 percent since 2016 according to data from the U.S. Department of Housing and Urban Development. Of this number, more than 91,000 are considered unsheltered—meaning their primary nighttime location was a public or private space not ordinarily used for sleeping, such as a park, vehicle, or on the street. California represents 25 percent of the nation's homeless population.

Housing and homelessness issues are fundamentally a local government responsibility. Although housing construction in one jurisdiction may affect housing costs regionally and statewide, housing entitlements and permits are determined locality by locality. Cities are

responsible for the zoning and siting of housing and counties are responsible for linking the homeless population to health and social services. Although many cities and counties have taken steps to address affordable housing and homelessness issues, efforts are often met with resistance, including community opposition, policies that increase development costs, delays in permit approvals, and challenges to financing housing for this population.

In recognition of California's pronounced housing shortage, in 2016, the Governor signed into law the No Place Like Home Program, which funds the construction of permanent supportive housing targeted to the chronically homeless and those at risk of chronic homelessness with mental health services needs. The program is funded with up to $2 billion in bonds secured by Mental Health Services Act (Proposition 63) revenues. The Budget places the program before the voters in the November 2018 election to accelerate the issuance of program funds.

In 2017, the Administration and Legislature developed a legislative package of 15 bills that collectively shorten the housing development approval process, provide incentives to streamline development, promote local accountability to adequately plan for needed housing, and invest in affordable housing production through dedicated real estate transaction fee revenues (estimated at $258 million annually) and an anticipated $4 billion voter-approved housing bond that will appear on the November 2018 ballot.

In recognition of the longer time frame that these recent investments and policies require to take effect, and the immediate homelessness challenges facing local jurisdictions, the Budget includes $609 million one-time General Fund and $64 million ongoing General Fund (see Figure SWE-01) to focus state homelessness funding on planning, prevention, and emergency aid.

Figure SWE-01
Homelessness Response in the 2018-19 Budget
(Dollars in Millions)

Department	Program	2018-19	Ongoing
Homeless Coordinating and Financing Council[1/]	Emergency Homeless Aid Block Grants	$500.0	-
	Council Administration	$0.5	$0.5
Department of Social Services	CalWORKs Housing Support Program	$24.2	$48.3
	CalWORKs Homeless Assistance Program	$8.1	$15.3
	Senior Home Safe Program	$15.0	-
Office of Emergency Services	Domestic Violence Shelters and Services	$10.0	-
	Homeless Youth and Exploitation Program	$1.0	-
Department of Health Care Services	Homeless and Mental Illness Program	$50.0	-
Total		**$608.8**	**$64.1**

[1/] Housed within the Business, Consumer Services, and Housing Agency.

PLANNING

Given the many state resources that will be available in the coming years, the Budget includes $500,000 ongoing to expand the Homeless Coordinating and Financing Council and move it to the Business, Consumer Services, and Housing Agency. The Council will provide statewide guidance on homelessness issues and develop a statewide plan to support the coordination of the various state homelessness investments.

EMERGENCY AID

To assist local governments in addressing immediate homeless needs until additional resources become available, the Budget provides:

- $500 million for a Homeless Emergency Aid program for bridge funding to assist local governments in addressing immediate homeless needs. This program provides flexible block grant funds to jurisdictions that declare a shelter crisis and commit to local coordination. Of these funds, $350 million will be distributed through Continuums of Care and $150 million will be distributed directly to cities with populations greater than 330,000.
- $50 million allocated by the Department of Health Care Services to counties to provide intensive outreach, treatment, and related services for homeless persons with mental health service needs.
- $11 million for the California Office of Emergency Services to fund programs focusing on homeless youth and victims of domestic violence.

PREVENTION

As explained in the Health and Human Services Chapter, the Budget includes $47 million in 2018-19 and $64 million ongoing to support the safety net programs operated by the Department of Social Services to prevent homelessness, including the CalWORKs housing support program, the CalWORKs Homelessness Assistance program, and $15 million one-time for a senior homelessness prevention program.

In addition to these efforts, the state continues to invest significant resources in housing and homelessness-related programs. The state addresses housing and homelessness challenges through a variety of targeted programs across multiple state departments, including the Department of Housing and Community Development. These programs provide grants and loans to construct affordable housing, assist moderate-income households through homebuyer and other assistance programs, and offer various supports for individuals and families experiencing homelessness.

The Budget includes $5.1 billion in state and federal funds to address housing and homelessness (see Figure SWE-02).

Figure SWE-02
2018-19 Affordable Housing and Homelessness Funding
(Dollars in Millions)

Department	Program	Amount
Department of Housing and Community Development	Veterans and Affordable Housing Bond Act Programs (SB 3)	$277
	No Place Like Home Program	$262
	Building Homes and Jobs Fund Programs (SB 2)	$255
	Federal Funds	$122
	Housing for Veterans Funds	$75
	Infill Infrastructure Grant Program Reappropriation	$51
	Multifamily Housing Program - Supportive Housing	$39
	Office of Migrant Services	$6
	Housing Related Parks Program Reappropriation	$2
	Various	$15
California Housing Finance Agency[1/]	Single Family 1st Mortgage Lending	$1,500
	Multifamily Conduit Lending	$300
	Multifamily Lending	$200
	Single Family Down Payment Assistance	$108
	Special Needs Housing Program	$30 [2/]
Homeless Coordinating and Financing Council	Emergency Homeless Aid Block Grants	$500
Strategic Growth Council[3/]	Affordable Housing and Sustainable Communities	$455
Tax Credit Allocation Committee	Low Income Housing Tax Credits (Federal)	$259 [4/]
	Low Income Housing Tax Credits (State)	$97
	Farmworker Housing Assistance Tax Credits	$3
Department of Veterans Affairs	CalVet Farm and Home Loan Program	$264
Department of Social Services	CalWORKS Housing Support Program	$71
	CalWORKS Homeless Assistance Program	$43
	Senior Home Safe Program	$15
	CalWORKS Family Stabilization, Housing Component	$3 [5/]
Department of Health Care Services	Homeless and Mental Illness Program	$50
	Whole-Person Care Pilot Program, Health Homes Program, Mental Health Services Act Community Services and Supports, California Community Transitions Program	N/A [6/]
Office of Emergency Services	Domestic Violence Housing First Program	$13
	Transitional Housing Program	$10
	Domestic Violence Shelters and Services	$10
	Specialized Emergency Housing	$5
	Homeless Youth and Exploitation Program	$2
Department of Public Health	Housing Opportunities for Persons with AIDS (HOPWA)	$3
	Housing Plus Program	$2
California Department of Corrections and Rehabilitation	Integrated Services for Mentally-Ill Parolees	$3
	Specialized Treatment of Optimized Programming, Parole Service Center, Day Reporting Center, Female Offender Treatment and Employment Program	N/A [6/]
Total		**$5,050**

[1/] Amounts are based on lending activities from 2017-18 trends.
[2/] This amount represents a voluntary allocation of Proposition 63 funds from 16 participating counties.
[3/] The Affordable Housing and Sustainable Communities program amount reflects 20 percent of projected Cap and Trade auction proceeds.
[4/] This amount represents the 9 percent tax credits allocated in 2018-19 and an estimated figure for 4 percent credit awards based on 2015-2017 averages. This figure does not include the approximately $4 billion of tax-exempt bond debt allocation that is available for award from the California Debt Limit Allocation Committee.
[5/] This amount represents an estimate of the portion of the program associated with housing and homelessness activities.
[6/] The state provides a number of wrap-around supportive services through these programs, including housing support and application assistance, which cannot be seperated from the Department of Health Care Services' and Department of Corrections and Rehabilitation's general budgets.

PAYING DOWN THE STATE'S LONG-TERM RETIREMENT COSTS

In the last ten years, the state's costs for state employee pension and health benefits have continuously grown. State health care benefits in particular remain one of the fastest growing areas of state government and have increased five-fold since the early 2000s. This far outpaces population and inflation growth during the same period. As a result of lower-than-expected investment returns and the adoption of more realistic assumptions related to future investment earnings and demographics, the state's retiree long-term costs, debts, and liabilities have risen to $287 billion. Prior to 2012, there was no comprehensive plan to address the state's long-term retirement liabilities. The Administration has implemented major strategies to help ensure the state's continuing ability to provide retirement benefits over the long term.

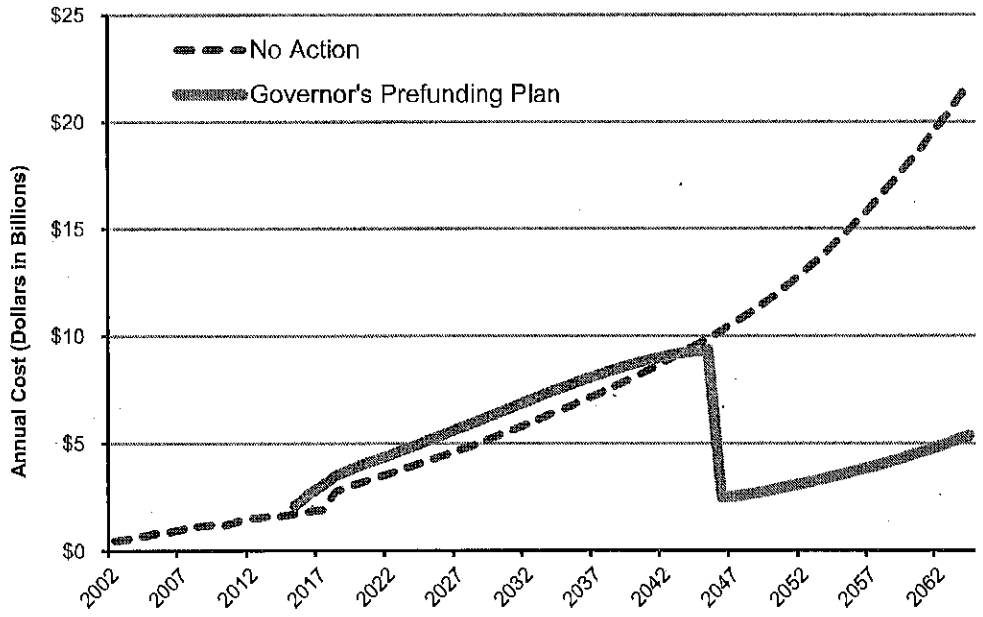
Significant actions taken over the past several years to lessen growth in state retirement costs include the following:

- Pursuant to Chapter 296, Statutes of 2012 (AB 340), the California Public Employees' Pension Reform Act (PEPRA) was enacted to save billions of taxpayer dollars by restructuring pension benefits government employers can more responsibly provide. Changes made include capping benefits, increasing the retirement age, and requiring employees to pay at least half of their normal costs (or the amount of money that must be set aside today to pay for the future pension benefits that accrued that year). The California Public Employees' Retirement System (CalPERS) has projected that the implementation of PEPRA will save government employers, including the state, an estimated $29 billion to $38 billion over the next 30 years.
- In 2014, the CalPERS Board of Administration adopted new actuarial assumptions to reflect longer life expectancy, earlier retirement ages, and higher-than-expected wage growth. The Administration requested that CalPERS recognize these demographic assumption changes in 2014-15, rather than in 2016-17 as recommended by CalPERS, saving the state approximately $3.7 billion ($1.8 billion General Fund) over a 20-year period.
- Chapter 47, Statutes of 2014 (AB 1469), created a funding strategy to address the unfunded liability of the California State Teachers' Retirement System (CalSTRS). The funding strategy, which includes predictable increased payments from school districts, teachers, and the state over a seven-year period, increases the sustainability of the system and is expected to fully fund the system's defined benefits by 2046. CalSTRS continues to report that the funding strategy is projected to achieve this goal. The Budget includes additional funding for the Local Control Funding Formula to support core programs and services and provides substantial resources to accommodate increasing costs, including rising employee benefit costs. Based on the Legislative Analyst's estimates, since the enactment of the CalSTRS

funding plan in 2014, CalSTRS and CalPERS contribution requirements for K-12 local educational agencies have increased by $4.1 billion. During the same period, funding for the Local Control Funding Formula has increased by $21 billion.

- The Administration initiated a comprehensive strategy in which the state and its employees began to share equally in the prefunding of retiree health benefits to eliminate a $72 billion unfunded liability over three decades. The strategy called for collective bargaining to reduce the state retiree contribution to equal the contribution level of most active employees and lengthening the number of years employees must work, or "vest," to receive retiree health benefits. Assets are accumulated in a trust fund until they are sufficient to fully fund employee benefits (see Figure SWE-03). As a result, more than $880 million is currently set aside in a prefunding trust fund to pay for future retiree health benefits. By the end of 2018-19, the trust fund balance will approach $1.6 billion in assets.

Figure SWE-03
Eliminating Unfunded Liability for Retiree Health Care



- The CalPERS and CalSTRS Boards of Administration voted to reduce the assumed rate of investment return to 7 percent in December 2016 and February 2017, respectively. The Administration encouraged these actions to reflect a more realistic return on its investments. The CalPERS Board reduced the assumed rate of return on its investments from 7.5 to 7 percent, to be phased in over three fiscal years (2017-18 through 2019-20), and the CalSTRS Board approved a reduction in its assumed rate of return on investments from 7.5 to 7 percent, to be phased in over two fiscal years (2017-18 and 2018-19). While decreasing the assumed investment return has decreased the funded status and increased

contributions for both systems in the short-term, this change will help sustain both systems in the long run.

- In 2017-18, the state made a one-time $6 billion supplemental pension payment to CalPERS, funded by a loan from the Surplus Money Investment Fund, to continue efforts to eliminate pension liabilities. This additional payment will reduce the state's unfunded liability by an estimated $4.8 billion and help lower and stabilize the required annual contributions through 2037-38.

While retirement liabilities have grown by $68.3 billion since 2011, a higher level of growth would have been experienced absent these collective efforts to strategically fund the state's long-term liabilities.

Figure SWE-04 provides a historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and health care benefits.

Figure SWE-04

State Retirement and Health Care Contributions [1]

(Dollars in Millions)

	CalPERS[2]	CSU CalPERS	CalSTRS	JRS	JRS II	LRS	Active Health & Dental[3]	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding[4]
2008-09	$3,063		$1,133	$189	$40		$2,146	$1,183		
2009-10	2,861		1,191	184	32		2,120	1,182		$3
2010-11	3,230		1,200	166	54		2,277	1,387		2
2011-12	3,174		1,259	195	58		2,439	1,505		0
2012-13	2,948 [5]	$449 [5]	1,303	160	51		2,567	1,365 [5]	$222 [5]	0
2013-14	3,269	474	1,360	188	52	$1	2,697	1,383	225	22
2014-15	4,042	543	1,486	179	63	1	2,797	1,462	256	38
2015-16	4,338	585	1,935	190	67	1	2,968	1,556	263	63
2016-17	4,754	621	2,473	202	68	1	3,104	1,623	272	342 [7]
2017-18	5,188	661	2,790	197	76	1	3,252	1,771	291	189
2018-19[6]	5,506	683	3,082	195	74	1	3,435	1,891	311	373

[1] The chart does not include contributions for University of California pension or retiree health care costs, and does not reflect the $6 billion supplemental pension payment in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84).

[2] In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

[3] These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and California State University (CSU).

[4] Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

[5] Beginning in 2012-13, CSU pension and health care costs are displayed separately.

[6] Estimated as of the 2018 Budget Act. 2018-19 General Fund costs are estimated to be $2,890 million for CalPERS, $683 million for CSU CalPERS, $1,613 million for Active Health and Dental, $2,198 million for Retiree Health & Dental (including CSU), and $194 million for OPEB Prefunding. The remaining totals are all General Fund.

[7] Amount includes a one-time prefunding contribution of $240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

Significant Adjustments:

- Proposition 2 Debt Payments—The Budget includes $623.5 million within the Proposition 2 debt payment requirement to pay down the General Fund's portion of the supplemental pension payment loan from the Surplus Money Investment Fund described above. The Budget also includes $195 million within the Proposition 2 debt payment requirement to pay down the General Fund's portion of the state's prefunding contribution for retiree health benefits.
- State Employees' Retirement Contributions—The Budget includes $6.2 billion ($3.6 billion General Fund) for state contributions to CalPERS for state pension costs. This includes $683.3 million General Fund for California State University retirement costs.
- Teachers' Retirement Contributions—The Budget includes $3.1 billion General Fund for state contributions to CalSTRS. This roughly $300 million year-over-year increase is due in part to an unanticipated increase in payroll growth and the lower assumed investment rate of return adopted by the CalSTRS Board in 2017. The budgeted amount also reflects the CalSTRS Board's decision to exercise its authority to increase state contributions by 0.5 percent of teacher payroll, consistent with the funding strategy signed into law in 2014.
- Sustaining State Health Care Benefits—In total, the state is projected to spend approximately $5.6 billion on health care benefits in 2018-19 for more than 850,000 state employees, retirees, and their family members. The Budget includes nearly $2.2 billion for retiree health care benefits for 2018-19. These payments are five times what the state paid in 2001 ($458 million) and now represent approximately 1.7 percent of the General Fund. Fifteen years ago, retiree health care benefits made up less than one half of one percent of the General Fund.

The state's retiree health care liability has now grown to $91 billion as a result of changes in reporting requirements. While this is a staggering amount, the funding plan put in place by the Administration mentioned above places the state on a sustainable path forward to pay down this long-term liability.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes $1.3 billion ($719 million General Fund) for increased employee compensation, health care costs for active state employees, and retiree health care prefunding for active employees. Included in these costs are collectively bargained salaries and benefit increases as a result of contract negotiations, including the recently negotiated contract with the California Correctional Peace Officers Association, and pay increases related to minimum

wage changes in Chapter 4, Statutes of 2016 (SB 3). Funding is also included for 2019 calendar year increases in health care premiums and enrollment.

The Administration will continue collective bargaining negotiations with three bargaining units whose contracts with the state expired in late June or will expire in early July 2018.

Additionally, the Budget sets aside $15 million General Fund for penalties the state may face under the federal Patient Protection and Affordable Care Act (ACA) associated with the Employer Shared Responsibility and Employer Reporting provisions of the ACA.

PREVENTING DISCRIMINATION AND HARASSMENT IN THE WORKPLACE

The Budget includes $4.4 million ($3.7 million General Fund) to expand the state's efforts to prevent discrimination and harassment in the workplace both within state government through the Department of Human Resources and outside of state government through the Department of Fair Employment and Housing, as follows:

- $1.4 million ($720,000 General Fund) for the Department of Human Resources to establish a tracking system to collect data regarding complaints, judgments, and settlements related to workplace discrimination and harassment across all state entities. A unit will be established within the Office of Civil Rights to identify and monitor trends and patterns of problematic behavior, prepare executive and legislative reports related to the data being tracked, and expand policies, procedures, and training related to preventing discrimination and harassment.
- $3 million General Fund for the Department of Fair Employment and Housing to expand education and outreach activities and more quickly process claims related to sexual harassment and other civil rights. The augmentation will fund a contract to develop outreach materials to educate private employers and employees of their rights. In addition, the funding will allow the department to hire additional staff to conduct outreach and address a backlog of claims to more quickly process complaints, including those involving sexual harassment.

PUBLIC EMPLOYMENT RELATIONS BOARD

The Public Employment Relations Board administers California's eight public sector collective bargaining statutes and provides a timely and cost-effective method through which employers, employee organizations, and employees can resolve labor relations disputes. To address the department's existing backlogs as well as to adjudicate and render more timely decisions, the Budget includes $1.5 million General Fund and seven permanent positions. Additionally, the Budget includes up to $900,000 General Fund to provide additional resources upon completion of the Department of Finance's Mission-Based Review.

WILDFIRE RESPONSE AND RECOVERY

California was faced with unprecedented and historic disasters in 2017—floods, wildfires and mudslides—leading to the loss of lives and homes. After estimating total Federal assistance, the Budget assumes a net General Fund cost of $384.8 million for various emergency response and recovery activities. The Budget includes additional investments for ongoing improvements to create a stronger emergency response system in California.

OFFICE OF EMERGENCY SERVICES

Public Safety Communications—$26.5 million State Emergency Telephone Number Account Fund (SETNA), including $11.5 million to implement a statewide Next Generation 9-1-1 system and $15 million to begin a five-year plan to upgrade the California Public Safety Microwave Network from an analog system to a digital system to enhance emergency response communications. Next Generation 9-1-1 provides various benefits compared to the legacy system, including faster call delivery, increased routing accuracy and functionality, call overflow and backup functionality, updated geographic information capability and wireless location data, and incoming text capability. The Network provides connectivity for public safety radio systems that link responders and dispatchers, provides redundancy and resiliency, and enhances disaster recovery and the ability to support the Next Generation 9-1-1 system. Combined, these proposals will improve public safety and significantly advance California's emergency response capabilities.

Recovery Program Workload—$2.8 million General Fund and $8.4 million Federal Trust Fund for three years to address increased workload related to disaster recovery activities, including working with impacted communities to implement and administer the California Disaster Assistance Act (CDAA) and federal disaster programs.

Disaster Service Worker Volunteer Program—$675,000 General Fund to provide sufficient and timely workers' compensation benefits to injured volunteers and eligible survivors, and to issue medical provider payments without incurring penalty and interest fees.

Emergency Response Operations—$1.6 million General Fund to increase staffing within the Office of Emergency Services' Homeland Security Branch and Regional Response and Readiness Branch. These branches support liaison efforts between federal, state, and local partners, and assist with responding to disasters and emergency management coordination.

Situational Awareness and Collaboration Tool—$353,000 General Fund and $325,000 reimbursements for the Office of Emergency Services to manage and train local agencies on the effective use of this tactical tool, which is deployed in the field to coordinate various disaster response efforts, including, but not limited to, evacuations, warnings, and shelters.

Hazard Mitigation Program—$3.2 million Federal Trust Fund to enhance hazard mitigation activities throughout the state. Mitigation programs provide funding for eligible activities that reduce disaster losses and protect life and property from future disaster damages.

Regional Hazardous Materials Response Program—$3.4 million General Fund on a three-year limited term basis for the Office of Emergency Services to provide regional and on-site support for planning, response, and mitigation capabilities in the event of a release of hazardous materials.

One-Time Mutual Aid System Enhancements—$25 million General Fund for the Office of Emergency Services to procure equipment and technology to improve the state's mutual aid system and response coordination.

California Earthquake Early Warning System—$15.8 million General Fund to complete the buildout of the California Earthquake Early Warning System and provide support to the California Earthquake Early Warning Program and Advisory Board.

CALIFORNIA DISASTER ASSISTANCE ACT

The Budget includes a one-time augmentation of $88.1 million General Fund to increase the amount of funding available through CDAA, which is used to repair, restore, or replace public real property damaged or destroyed by a disaster, and to reimburse local governments for costs associated with certain activities undertaken in response to a state of emergency. This augmentation increases total CDAA funding to $127.2 million in 2018-19.

CALIFORNIA DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

CalRecycle Debris Removal Assistance Program—$1.3 million Integrated Waste Management Fund for CalRecycle to lead a disaster response and recovery team that would become the subject matter experts for disaster recovery and debris removal. The team will respond to disaster events, train internal staff, support local agency requests for technical assistance, and assist with disaster response and debris removal plans.

DISASTER RESPONSE EMERGENCY OPERATIONS ACCOUNT

To address immediate response and recovery efforts for communities affected by wildfires and subsequent mudslides, the Director of Finance accessed over $300 million in 2017-18 from the Special Fund for Economic Uncertainties for various departments related to unexpected equipment, personnel, and other disaster assistance costs incurred under the Governor's State of Emergency Proclamations. The majority of these costs were associated with the removal of hazardous waste and debris that threatened public health and the environment if not immediately addressed. Resources were also made available to the Department of Social Services for the purchase and distribution of food to individuals affected by the Northern California fires, as well as rental/mortgage vouchers and utility assistance for those who would otherwise be ineligible to receive federal assistance.

The Budget includes statutory amendments to CDAA to remove the Disaster Response Emergency Operations Account's sunset date of January 1, 2019, and clarify that funds for the Account may be used for activities that commence within 120 days after a proclamation of emergency by the Governor, upon notification to the Legislature.

LOCAL PROPERTY TAX BACKFILL AND DEBRIS REMOVAL COST SHARE WAIVER

The Budget includes $32.8 million General Fund to backfill the property tax revenue losses that cities, counties, and special districts will incur in 2017-18 and 2018-19 due to the 2017 wildfires and resulting mudslides in Southern California. Of this amount, $21.8 million is for Northern California jurisdictions and $11 million is for Southern California jurisdictions. This funding level is based on information provided by the county assessors.

The wildfire-related property tax revenue losses incurred by K-14 schools are generally backfilled within Proposition 98 school funding. Without the backfill, the Budget estimates K-14 schools would have incurred $22.6 million in cumulative property tax revenue losses in 2017-18 and 2018-19 due to the Northern California wildfires and $14.5 million due to the Southern California disasters.

Additionally, the Budget includes $34.6 million General Fund to waive the local match for Northern California and Southern California counties' costs of debris removal, $29.1 million and $5.5 million, respectively.

FEDERAL SUPPLEMENTAL APPROPRIATIONS BILL FOR 2017 DISASTERS

The Governor declared emergencies in all of the disasters discussed above and secured a Presidential Major Disaster Declaration for the Northern and Southern California wildfires, and subsequent Southern California mudslides, providing direct federal aid for residents of those counties who suffered related losses. Workers in these counties who have lost jobs or had work hours substantially reduced as a result of the fires are also now eligible for federal Disaster Unemployment Assistance benefits.

In addition to investments made by California, Congress passed a supplemental disaster-related appropriations bill totaling $4.4 billion to support the state's recovery efforts associated with these disasters. The Administration, through the Office of Emergency Services, is working closely with local officials to provide technical assistance and guidance to enable local governments to access these funds to support local recovery efforts that will boost the economy as well as reinstate essential services.

In April, California was awarded $14.4 million Federal Trust Fund from the federal Immediate Aid to Restart School Operations Program. This funding is to be used to provide assistance or services to local educational agencies, including charter schools and private schools, to help defray expenses related to the restart of operations, reopening, and reenrolling students in elementary and secondary schools that serve an area affected by a covered disaster or emergency.

MEDICINAL AND ADULT-USE CANNABIS

The Medical Marijuana Regulation and Safety Act enacted in 2015 created a regulatory framework for medical cannabis in California, and distributed the responsibility for state licensing between three state entities—the Department of Food and Agriculture, the Department of Public Health, and the Bureau of Cannabis Control. In November 2016, voters approved Proposition 64, the Adult Use of Marijuana Act, which legalized the recreational sale and use of cannabis to people over the age of 21 and levied new excise taxes on the cultivation and retail sale of all state-regulated cannabis. Chapter 27, Statutes of 2017 (SB 94), integrated medical and adult use regulations to create the Medicinal and Adult-Use Cannabis Regulation and Safety Act, establishing a single regulatory system to govern the cannabis industry in California.

In 2015, the state began providing General Fund loans to support the cannabis regulatory system—the total loans now equal $120 million.

The cannabis excise tax is forecast to generate $630 million in 2018-19. While the forecast assumes revenue will be phased in over time, preliminary data indicates revenue receipts are slower than expected. Cannabis revenue projections are subject to great uncertainty.

Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are not subject to appropriation by the Legislature. Pursuant to Proposition 64, expenditures are prioritized as follows:

- Regulatory and administrative costs necessary to implement, administer, and enforce the Cannabis Act. The Administration will use the initial revenues into the tax fund to repay the General Fund loans totaling $120 million used to support these activities while cannabis tax proceeds were unavailable.
- Research and activities related to the legalization of cannabis, and the past effects of its criminalization.
- Programs to support substance use disorder treatment, environmental impacts of cannabis cultivation, and public safety.

The Budget includes approximately $130 million to fund cannabis-related activities, which are largely authorized for a two-year limited-term basis and include the following:

- Licensing and Enforcement—Continues implementation of licensing and enforcement programs for the cultivation, manufacturing, testing, distribution, and retail sale of recreational and medicinal cannabis, including support for the Cannabis Track and Trace system to report the movement of cannabis through the distribution chain, the establishment of regional offices for licensing and cash collection, and a public awareness campaign of the benefits of the legalized market. Specifically, funding is authorized for the following entities: California Department of Food and Agriculture ($28.3 million), California Department of Public Health ($10.6 million), Department of Consumer Affairs ($33.9 million), and the Department of Finance ($440,000). Also, the Budget includes a General Fund loan of up to $59 million to the Cannabis Control Fund to provide sufficient cash for 2018-19.
- Tax Collection and Business Filings—Supports ongoing tax collection activities, including collection of cash payments and establishment of a California Department of Tax and Fee Administration (CDTFA) cash collection office in Orange County, information technology system enhancements, and security upgrades at state offices, as well as the Secretary of

State's ability to process cannabis-related business and trademark filings. Specifically, funding is authorized for the following entities: Employment Development Department ($3.7 million), CDTFA ($2.4 million), and Secretary of State ($440,000 Business Fees Fund).

- Hearings and Appeals—Provides funding for the Cannabis Control Appeals Panel ($1.4 million) and the Department of General Services ($13 million Service Revolving Fund) to conduct administrative hearings and appeals that result from denying, transferring, conditioning, suspending, or revoking issued licenses.
- Local Equity Programs—Provides $10 million General Fund on a one-time basis, subject to the enactment of specified legislation, for the Bureau of Cannabis Control to provide grants to local equity programs and $483,000 Cannabis Control Fund to provide technical assistance regarding the state licensing process to local equity applicants and licensees.

The Budget also includes funding for the following programs, as specified in Proposition 64:

- Community Engagement—$10 million for the Governor's Office of Business and Economic Development to support the Community Reinvestment Grants Program that will be awarded on a competitive basis to local health departments and qualified community-based non-profit organizations to support substance use disorder treatment, job placement, legal services, and other cannabis use-related programs.
- Research—$2 million for the University of California San Diego's Center for Medicinal Cannabis Research to further the objectives of the Center, including the enhanced understanding of the efficacy and adverse effects of cannabis as a pharmacological agent; and $10 million to a public university or universities chosen by the Bureau of Cannabis Control to research and evaluate the implementation and effect of Proposition 64, and make recommendations to the Legislature and Governor regarding possible amendments to the Act.
- Drug Recognition—$3 million for the California Highway Patrol to establish and adopt protocols to determine whether a driver is operating a vehicle while impaired, including best practices to assist law enforcement agencies.

Based on estimated tax revenues and pursuant to Proposition 64, the remaining programs will not receive funding until 2019-20 and will be based on collections received in 2018-19. Once funding is available beginning in 2019-20, Proposition 64 allocates resources for the following activities: (1) education, prevention, and treatment of substance use disorders; (2) clean-up, remediation and enforcement of environmental impacts created by cannabis cultivation; and (3) various public safety programs.

FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

The Financial Information System for California (FI$Cal) is one of the largest IT projects successfully developed in the nation. The implementation of FI$Cal brings together four partner agencies, the Department of Finance (Finance), the State Controller's Office (SCO), the State Treasurer's Office (STO), and the Department of General Services (DGS), to build a single integrated system encompassing budget, accounting, cash management, and procurement responsibilities. Rather than replace the isolated systems used by each, these agencies envisioned one system capable of expanding to meet future financial needs.

Prior to FI$Cal, the state used a combination of 2,500 legacy systems—ranging from custom applications to commonly used desktop spreadsheet applications—which were generally not interoperable or transparent. From 2006 to 2012, Finance, DGS, SCO, and STO worked with FI$Cal project staff to plan for the future system and in 2012, a vendor was brought on board to begin developing it.

In 2014, FI$Cal produced the state's first budget and became the state's budget system of record. Since then, FI$Cal has produced all subsequent budgets and any changes to budgets have been tracked and processed in FI$Cal. In 2015, FI$Cal implemented its procurement functionality (Cal eProcure) and became the state's procurement system of record. Cal eProcure now manages the acquisition of services from a vendor community that includes 58,000 active suppliers and 15,000 registered bidders. The Cal eProcure website also reports the state's procurement spending and allows the public to view individual procurement details.

Accounting functionality in FI$Cal began in 2014 with 9 state entities, and has now been implemented at 88 state entities as part of a phased release plan. The final release in July 2018 will bring FI$Cal's accounting functionality to 150 entities and will support approximately 20,000 users. Once accounting functionality is implemented statewide, approximately 40 million individual transactions will be processed in the system each year.

Currently, FI$Cal staff are developing and implementing the cash management functionality that constitutes the project's last major release. Once fully implemented in July 2019, all of the state's expenditures will be documented and viewable in FI$Cal, and the state's treasury and cash management functionality will be fully integrated within the system. This functionality will replace the SCO's and STO's legacy systems.

Notably, the Department of FI$Cal was established in 2016 to maintain the system and address the needs of its user departments. After full system implementation, FI$Cal staff will maintain the system while adding both department and statewide functionality as required. The Budget includes $88.8 million ($52.2 million General Fund) for the continued implementation of FI$Cal and ongoing support of the Department of FI$Cal.

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

The California Department of Food and Agriculture protects and promotes California's agricultural industry by ensuring a safe and healthy food supply for consumers and enhancing local and global agricultural trade. Over the past several years, the Administration has added over $10 million in ongoing funding to strengthen the state's pest prevention system. These additional resources provide $3.1 million for border protection stations, $4.5 million to fortify the state's pest prevention system infrastructure, and $5 million for the Citrus Pest and Disease Prevention Program. Further, a number of one-time augmentations have, in the aggregate, resulted in more than $30 million General Fund being provided for the support of various pest prevention activities since 2013-14.

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

The Governor's Office of Business and Economic Development (GO-Biz) serves as the lead state entity for economic strategy and marketing efforts designed to improve California's business development, private sector investment, and economic growth. As part of the Administration's ongoing efforts to achieve those goals, the Budget includes $20 million General Fund in each of the next five years to provide statewide services to small businesses. This plan provides:

- $17 million annually to establish a Small Business Development Technical Assistance Expansion Program to augment existing small business services such as free or low-cost one-on-one consulting and low-cost training. This funding will be provided through a competitive grant process to federal small business technical assistance centers with a focus on services to underserved business groups, including women, minority, and veteran-owned businesses, and businesses in low-wealth, rural, and disaster-impacted communities.

- $3 million annually will go to federal Small Business Development Centers to help draw down federal funds that assist small businesses through consulting and training services.

In addition, the Budget extends the California Competes program for another five years through the 2022-23 fiscal year at $180 million in credit allocations per year. The California Competes Credit program was created as part of the Governor's 2013 Economic Development Initiative which eliminated Enterprise Zones. The program has been successful at attracting new and expanded economic activity to California. Through the end of the 2017-18 fiscal year, the California Competes Credit program has awarded over three-quarters of a billion dollars of credits to businesses committing to create over 90,000 jobs and invest over $17 billion in California. In addition, the Budget makes several important improvements to the program including eliminating the small business carve-out from the program and instead investing $20 million in small business as described above, and giving GO-Biz greater flexibility to consider important business attributes when recommending credit awards.

EARNED INCOME TAX CREDIT

In 2015, the state enacted its first-ever Earned Income Tax Credit to help the poorest working families in California, which has been further expanded to include (1) self-employment income, (2) income ranges equivalent to full-time employment at the minimum wage, and (3) working individuals who are ages 18 to 24 or over age 65. The Earned Income Tax credit is expected to provide $420 million in tax credits to over 2 million households in 2018-19.

SECRETARY OF STATE

The vast majority of voting technology used in California is from the late 1990s or early 2000s. Much of the equipment has reached the end of its useful life. The age and lack of replacement parts decreases the reliability and security of the equipment.

The Budget includes a one-time augmentation of $134.3 million General Fund that will be distributed amongst all 58 counties to support the research and development, purchase, or lease of necessary hardware, software, and initial licensing for the replacement of voting systems and technology. This funding will provide reimbursement to counties by matching county funds spent on voting system replacement activities on a dollar-for-dollar basis, up to the maximum amount of funds allocated for this purpose.

2020 CENSUS

California has the largest number of hard-to-count residents—putting its population at risk of being underreported. The Legislative Analyst's Office estimated that California's population was undercounted by 2.7 percent in the 1990 decennial census. The Budget includes $90.3 million for statewide outreach and other efforts related to increasing the participation rate of Californians in the decennial census. Outreach will be conducted at the local level by networks of community organizations that are trusted by these hard-to-count populations. This effort will span multiple years, be conducted in multiple languages, and implement specific strategies to obtain a complete and accurate count of all California residents. California's Complete Count Census will keep the Legislature informed of statewide Census efforts and expenditures for the duration of the enumeration process through one-time and quarterly reporting to the Joint Legislative Budget Committee, the Assembly Select Committee on the Census, and the Senate Select Committee on the 2020 United States Census. The data collected by the decennial census determines the number of seats California has in the U.S. House of Representatives and is also used to determine federal funding levels for local communities.

INFRASTRUCTURE

The Budget continues the revitalization and expansion of state-owned office space in Sacramento. The Budget provides a $630 million General Fund transfer to the State Project Infrastructure Fund, bringing the balance of the fund to approximately $725 million. These funds will be used for the design and construction of a new State Capitol Annex and related projects, as well as design of a new office building that will initially serve as a temporary home for the Legislature as the new Annex is constructed. The Budget also provides $422.6 million lease revenue bond authority for the construction of the new office building and, in the event there is insufficient cash for the Annex projects, up to $755.6 million lease-revenue bonds for the annex projects. The Budget also includes $30.4 million General Fund for design activities related to the renovation of the Gregory Bateson and Jesse Unruh buildings, demolition of the existing State Printing Plant, and development of a new office complex at the State Printing Plant site.

Building on significant investments of approximately $960 million in the 2015 and 2016 Budgets, the Budget provides one-time resources of $333.5 million ($305 million General Fund and $28.5 million Proposition 98 General Fund) to address critical deferred maintenance needs, as follows:

- Department of Water Resources: $100 million
- Judicial Branch: $50 million
- California State University: $35 million
- University of California: $35 million
- California Community Colleges: $28.5 million (Proposition 98 General Fund)
- California Exposition and Fair: $15 million
- Department of State Hospitals: $10 million
- Department of Developmental Services, Porterville: $10 million
- Department of General Services: $10 million
- Department of Corrections and Rehabilitation: $9 million
- Exposition Park: California African American Museum: $7 million
- California Military Department: $4 million
- Department of Veterans Affairs: $4 million
- State Special Schools: $4 million
- Office of Emergency Services: $4 million
- Network of California Fairs: $3 million
- Department of Forestry and Fire Protection: $2 million
- Department of Food and Agriculture: $1 million
- Employment Development Department: $1 million
- California Conservation Corps: $500,000
- Hastings College of the Law: $500,000

Budget challenges in the early 2000s resulted in a greater reliance on debt financing, rather than pay-as-you-go spending. From 1974 to 1999, California voters authorized $38.4 billion of general obligation bonds. From 2000 to 2010, voters expanded the types of programs funded by bonds and authorized approximately $111.9 billion of general obligation bonds.
The Administration has greatly tempered the use of debt, supporting $24.1 billion of new general obligation bonds from 2011 to 2018—including $4 billion on the ballot for housing in November—and strengthening oversight of bond spending for educational facility bonds

enacted through initiative. Of all previously issued infrastructure bonds, debt obligations of $74.2 billion in general obligation bonds and $9.2 billion in lease revenue bonds remain outstanding. Additionally there are $37.1 billion of general obligation bonds and lease revenue bonds ($33 billion and $4.1 billion, respectively) that are authorized but not yet issued. The bonds will be issued when projects are approved and ready for construction.

When the state borrows to pay for infrastructure, roughly one out of every two dollars spent on infrastructure investments pays interest costs, rather than construction costs. The amount of funds required to service the debt had increased steadily over past years, but that growth has slowed during this Administration. Annual expenditures on debt service grew from $2.9 billion in 2000-01 to $6.4 billion in 2010-11—an average annual growth of 9.2 percent. Since that time, debt service grew more slowly to $7.3 billion in 2017-18—an average annual growth rate of only 1.7 percent. Additionally, the Administration has focused on not selling bonds until cash is actually needed for projects—bringing the balance of bond cash on-hand to $3 billion in May 2018 (including $1.2 billion recently sold bonds for anticipated cash flows this calendar year) from a high of $9.7 billion in December 2011.

The Budget also includes a framework for how infrastructure spending required by Proposition 2—estimated to be approximately $1 billion—will be allocated for the 2019-20, 2020-21, and 2021-22 fiscal years. The first $415 million will offset planned General Fund spending on state infrastructure, while any amounts over that will be evenly distributed between affordable housing projects and high-priority rail investments.

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EXHIBIT C

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0511 Secretary for Government Operations Agency

The Government Operations Agency is responsible for coordinating state operations, including procurement, information technology, and human resources. The mission of the Government Operations Agency is to improve management and accountability of government programs, increase efficiency, and promote better and more coordinated operations decisions. The Government Operations Agency oversees the Department of General Services, Department of Human Resources, Department of Technology, Department of Tax and Fee Administration, Franchise Tax Board, State Personnel Board, Victim Compensation Board, Office of Administrative Law, California Public Employees' Retirement System, and California State Teachers' Retirement System.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
0250	Administration of Government Operations Agency	15.9	14.6	16.6	$3,134	$3,760	$4,585
0255	State Planning and Policy Development	-	-	22.0	-	-	90,300
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**15.9**	**14.6**	**38.6**	**$3,134**	**$3,760**	**$94,885**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$1,222	$1,404	$91,705
0995	Reimbursements	1,912	2,356	2,680
3212	Timber Regulation and Forest Restoration Fund	-	-	500
TOTALS, EXPENDITURES, ALL FUNDS		**$3,134**	**$3,760**	**$94,885**

LEGAL CITATIONS AND AUTHORITY

Government Code section 12803.2.

MAJOR PROGRAM CHANGES

- State Census - The Budget includes $90.3 million General Fund to support the California Complete Count effort, which was established within the Government Operations Agency to perform outreach focusing on hard-to-count populations for the decennial census.
- Forest Carbon Plan - The Budget includes $500,000 from the Timber Regulation and Forest Restoration Fund to administer the California Mass Timber Building Competition.

DETAILED BUDGET ADJUSTMENTS

	2017-18*			2018-19*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments						
Workload Budget Change Proposals						
• State Census	$-	$-	-	$90,300	$-	22.0
• Forest Carbon Plan: California Mass Timber Building Competition	-	-	-	-	500	-
• Increased Legal and Administrative Workload	-	-	-	-	323	2.0
Totals, Workload Budget Change Proposals	**$-**	**$-**	**-**	**$90,300**	**$823**	**24.0**
Other Workload Budget Adjustments						
• Expenditure by Category Redistribution	-299	-	-	-317	-	-
• Budget Position Transparency	299	-	2.0	317	-	2.0
• Salary Adjustments	34	52	-	34	52	-
• Retirement Rate Adjustments	14	21	-	14	21	-
• Benefit Adjustments	12	19	-	13	20	-
Totals, Other Workload Budget Adjustments	**$60**	**$92**	**2.0**	**$61**	**$93**	**2.0**

*** Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.**

0511 Secretary for Government Operations Agency - Continued

Totals, Workload Budget Adjustments	**$60**	**$92**	**2.0**	**$90,361**	**$916**	**26.0**
Totals, Budget Adjustments	**$60**	**$92**	**2.0**	**$90,361**	**$916**	**26.0**

DETAILED EXPENDITURES BY PROGRAM

		2016-17*	2017-18*	2018-19*
	PROGRAM REQUIREMENTS			
0250	**ADMINISTRATION OF GOVERNMENT OPERATIONS AGENCY**			
	State Operations:			
0001	General Fund	$1,222	$1,404	$1,405
0995	Reimbursements	1,912	2,356	2,680
3212	Timber Regulation and Forest Restoration Fund	-	-	500
	Totals, State Operations	**$3,134**	**$3,760**	**$4,585**
	PROGRAM REQUIREMENTS			
0255	**STATE PLANNING AND POLICY DEVELOPMENT**			
	State Operations:			
0001	General Fund	$-	$-	$90,300
	Totals, State Operations	**$-**	**$-**	**$90,300**
	TOTALS, EXPENDITURES			
	State Operations	3,134	3,760	94,885
	Totals, Expenditures	**$3,134**	**$3,760**	**$94,885**

EXPENDITURES BY CATEGORY

1 State Operations	**Positions**			**Expenditures**		
	2016-17	**2017-18**	**2018-19**	**2016-17***	**2017-18***	**2018-19***
PERSONAL SERVICES						
Baseline Positions	11.6	12.6	12.6	$1,227	$1,335	$1,335
Budget Position Transparency	-	2.0	2.0	-	299	317
Other Adjustments	4.3	-	2.0	567	86	3,173
Net Totals, Salaries and Wages	**15.9**	**14.6**	**38.6**	**$1,794**	**$1,720**	**$4,825**
Staff Benefits	-	-	-	760	1,016	2,434
Totals, Personal Services	**15.9**	**14.6**	**38.6**	**$2,554**	**$2,736**	**$7,259**
OPERATING EXPENSES AND EQUIPMENT				$580	$1,024	$37,626
SPECIAL ITEMS OF EXPENSES				-	-	50,000
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				**$3,134**	**$3,760**	**$94,885**

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	**2016-17***	**2017-18***	**2018-19***
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation	$1,329	$1,344	$91,705
Allocation for Employee Compensation	-	34	-
Allocation for Staff Benefits	-	12	-
Budget Position Transparency	-	299	-
Expenditure by Category Redistribution	-	-299	-
Section 3.60 Pension Contribution Adjustment	-	14	-

*** Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.**

0511 Secretary for Government Operations Agency - Continued

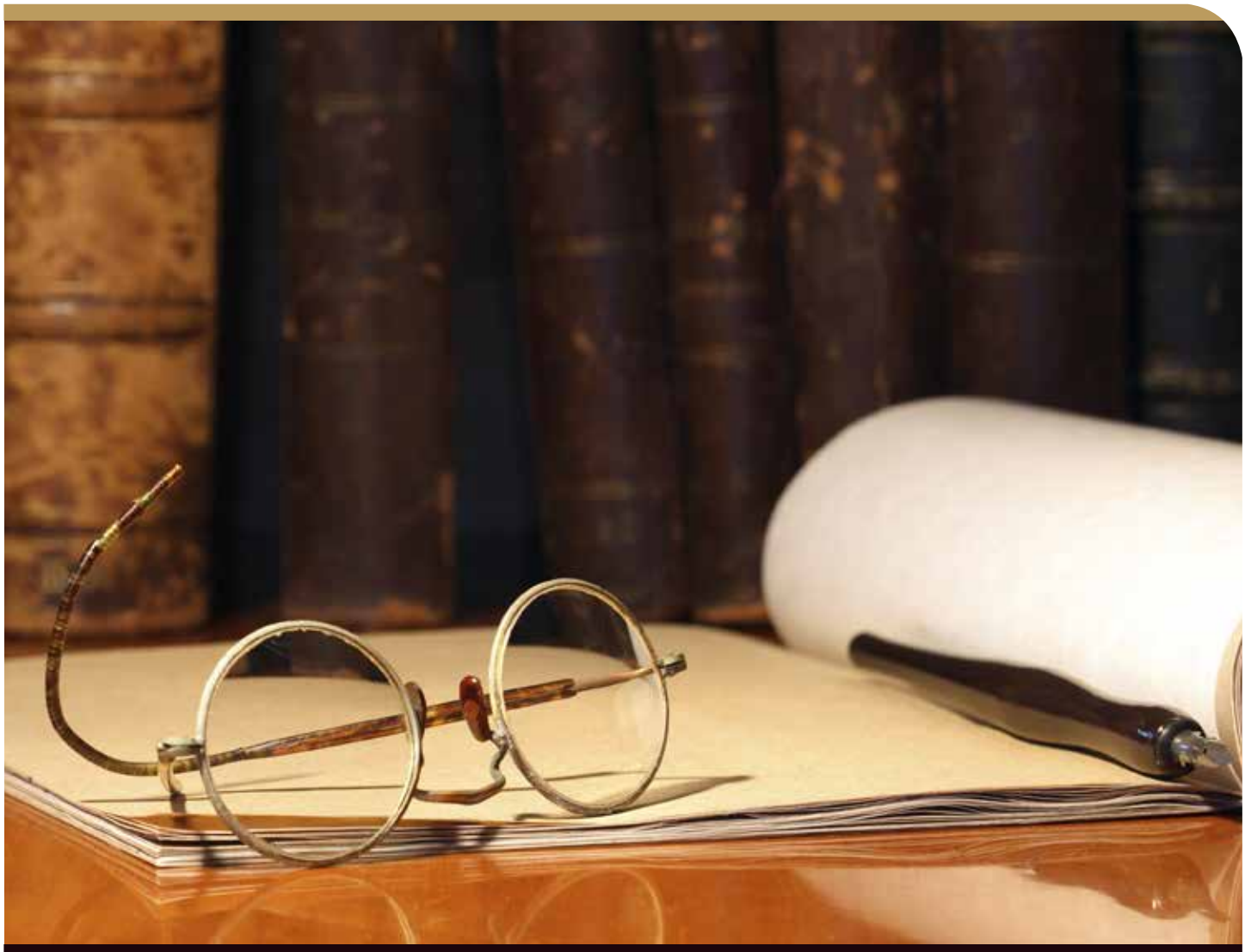
Totals Available	**$1,329**	**$1,404**	**$91,705**
Unexpended balance, estimated savings	-107	-	-
TOTALS, EXPENDITURES	**$1,222**	**$1,404**	**$91,705**
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	$1,912	$2,356	$2,680
TOTALS, EXPENDITURES	**$1,912**	**$2,356**	**$2,680**
3212 Timber Regulation and Forest Restoration Fund			
APPROPRIATIONS			
001 Budget Act appropriation	-	-	$500
TOTALS, EXPENDITURES	**-**	**-**	**$500**
Total Expenditures, All Funds, (State Operations)	**$3,134**	**$3,760**	**$94,885**

CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2016-17	**2017-18**	**2018-19**	**2016-17***	**2017-18***	**2018-19***
Baseline Positions	11.6	12.6	12.6	$1,227	$1,335	$1,335
Budget Position Transparency	-	2.0	2.0	-	299	317
Salary and Other Adjustments	4.3	-	-	567	86	2975
Workload and Administrative Adjustments						
Increased Legal and Administrative Workload						
Administrative Asst	-	-	1.0	-	-	58
Asst Gen Counsel	-	-	1.0	-	-	140
State Census						
Various	-	-	22.0	-	-	-
TOTALS, WORKLOAD AND ADMINISTRATIVE ADJUSTMENTS	**-**	**-**	**24.0**	**$-**	**$-**	**$198**
Totals, Adjustments	**4.3**	**2.0**	**26.0**	**$567**	**$385**	**$3,490**
TOTALS, SALARIES AND WAGES	**15.9**	**14.6**	**38.6**	**$1,794**	**$1,720**	**$4,825**

*** Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.**

EXHIBIT D



The 2018-19 Budget:

California Spending Plan

MAC TAYLOR
LEGISLATIVE ANALYST
OCTOBER 2, 2018

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Chapter 1:

Key Features of the 2018-19 Budget Package

Each year, our office publishes the *California Spending Plan* to summarize the annual state budget. This publication discusses the *2018-19 Budget Act* and other major budget actions approved in 2018. In general, it reflects budgetary legislation that the Governor has signed through June 30, 2018. In some cases, as noted, we discuss budget actions approved by the Legislature after June 2018.

BUDGET OVERVIEW

Spending

Overall Spending. **Figure 1** displays the administration's June 2018 estimates of total state and federal spending in the 2018-19 budget package. As the figure shows, the budget assumes total state spending of $197.2 billion (excluding federal and bond funds), an increase of 7 percent over the revised 2017-18 level. General Fund spending in the budget package is $138.7 billion—an increase of $11.6 billion, or 9 percent, over the revised 2017-18 level. Special fund spending increased $1.3 billion, or 2 percent, over the revised 2017-18 level.

Figure 1

Total State and Federal Expenditures

(Dollars in Millions)

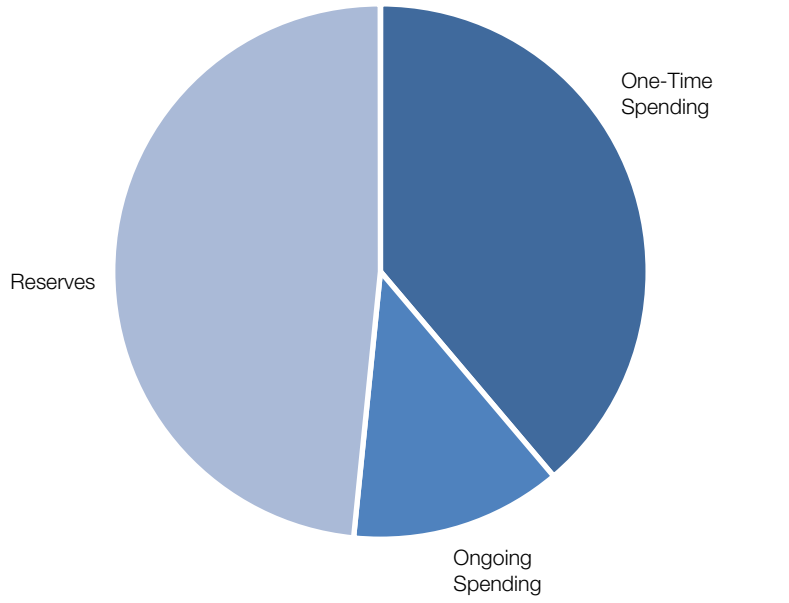
	Revised		Enacted	Change From 2017-18	
	2016-17	2017-18	2018-19	Amount	Percent
General Fund	$119,291	$127,045	$138,688	$11,643	9%
Special funds	44,249	57,169	58,512	1,343	2
Budget Totals	**$163,540**	**$184,214**	**$197,199**	**$12,986**	**7%**
Bond funds	2,340	6,309	4,173	-2,135	-34
Federal funds	95,337	98,107	107,455	9,347	10

Note: Reflects administration estimates of budgetary actions through June 2018.

Discretionary General Fund Spending. In constructing the budget, the Legislature was faced with decisions over how to allocate $10 billion in discretionary General Fund resources. ("Discretionary" in this context excludes billions of dollars controlled by constitutional funding requirements, such as Proposition 98 [1988] and Proposition 2 [2014], and added costs to maintain existing policies and programs.) **Figure 2** (see next page) shows how the June 2018 budget package allocated these discretionary resources among reserves, one-time spending, and ongoing spending. As the figure shows, the budget allocates the vast majority of discretionary resources to reserves and one-time spending. This allocation includes proposals made by the Governor in January and May, which were later approved by the Legislature, as well as legislative choices made in putting together the final budget package. As discussed later in this publication, the largest one-time spending actions in the budget include: nearly $700 million in additional discretionary funding for the universities, $630 million to

Figure 2

How the Budget Allocates Nearly $10 Billion in Discretionary General Fund Resources



Note: Reflects administration estimates of budget actions taken through June 2018.

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replace the State Capitol Annex, $500 million for emergency homeless aid block grants, and nearly $300 million to repay local government mandates related to children's mental health.

Budget Commits About $1.5 Billion in Ongoing Spending. While the budget package emphasizes building more reserves and one-time spending, it does make some ongoing spending commitments. These ongoing commitments carry a cost of about $1.2 billion in 2018-19, growing to $1.5 billion annually thereafter. The largest out-year increase is for CalWORKs cash grants. The budget dedicates $90 million in 2018-19 to increase these grants beginning in April 2019, but the full-year cost of these increases is $360 million. The budget also dedicates about $348 million to the universities on an ongoing basis and $139 million to increase salaries for correctional officers.

Revenues

Figure 3 displays the administration's revenue projections as incorporated into the June 2018 budget package. The administration projects the state will collect $133 billion in General Fund revenues and transfers in 2018-19, a 3 percent increase over revised 2017-18 estimates. The state's largest three General Fund taxes—the personal income tax, sales and use tax, and corporation tax—are projected to increase 4 percent.

Reserves

Figure 4 summarizes the condition of the General Fund under the revenue and spending assumptions in the budget package, as estimated by the Department of Finance (DOF). This shows that estimated state General Fund available resources ($141.8 billion) exceed total General Fund expenditures ($138.7 billion).

Budget Package Assumes 2018-19 Ends With Nearly $16 Billion in Reserves. Figure 4 shows the budget package assumes that 2018-19 will end with $15.9 billion in total reserves. Under current revenue estimates, the budget package deposits enough money into the Budget Stabilization Account (BSA), the state's constitutional rainy day fund, so that it reaches its maximum level of $13.8 billion (10 percent of General Fund tax revenues). To reach this maximum level, the budget includes a $2.6 billion optional deposit in addition to the deposit required under the Constitution.

Budget Creates Two New Reserve Accounts. The budget package also creates two new reserves:

- ***Safety Net Reserve.*** The budget creates the Safety Net Reserve, which aims to save money specifically for the future expenditures of two programs: CalWORKs and Medi-Cal. (During a recession, these programs typically have increased expenditures as caseload increases.) To that end, the Safety Net Reserve has two subaccounts, one for each of these programs. The 2018-19 budget plan deposits $200 million in the CalWORKs

Figure 3

General Fund Revenue Estimates

(Dollars in Millions)

	Revised		Enacted	Change From 2017-18	
	2016-17	2017-18	2018-19	Amount	Percent
Personal income tax	$83,264	$91,971	$95,011	$3,040	3%
Sales and use tax	24,874	25,384	26,674	1,289	5
Corporation tax	11,020	11,246	12,259	1,013	9
Subtotals	($119,158)	($128,601)	($133,944)	($5,343)	(4%)
Insurance tax	$2,422	$2,514	$2,576	$62	2%
Other revenues	1,842	1,711	1,810	99	6
Transfer to BSA[a]	-3,014	-2,697	-4,358	-1,661	—
Other transfers and loans	-427	-305	-640	-335	—
Totals, Revenues and Transfers	**$119,982**	**$129,825**	**$133,332**	**$3,507**	**3%**

[a] In 2018-19, includes the temporary transfer to the Budget Deficit Savings Account.
Note: Reflects administration estimates of budgetary actions through June 2018.
BSA = Budget Stabilization Account.

subaccount. It also directs DOF to develop a methodology to calculate caseload savings in these programs (that materialize from year-over-year caseload declines) for determining deposits in future years.

- ***Budget Deficit Savings Account (BDSA).*** The budget also creates the BDSA, which for 2018-19 will temporarily hold the estimated $2.6 billion optional BSA deposit until May of 2019. In May, DOF will adjust this optional deposit, as needed, to reflect updated estimates of revenues. For example, if General Fund tax revenues are lower than current projections, DOF will transfer a lower optional deposit to the BSA.

Figure 4

General Fund Summary

(In Millions)

	2017-18 Revised	2018-19 Enacted
Prior-year fund balance	$5,702	$8,483
Revenues and transfers	129,825	133,332
Expenditures	127,045	138,688
Ending fund balance	$8,483	$3,127
Encumbrances	$1,165	$1,165
SFEU balance	7,318	1,962
Reserves		
BSA balance[a]	$9,410	$13,768
SFEU balance	7,318	1,962
Safety Net Reserve	—	200
Total Reserves	**$16,728**	**$15,930**

[a] Includes the $2.6 billion supplemental deposit which will be held in the BDSA until May 31, 2019.
BSA = Budget Stabilization Account; SFEU = Special Fund for Economic Uncertainties; and BDSA = Budget Deficit Savings Account.

MAJOR FEATURES OF THE 2018-19 SPENDING PLAN

The major General Fund and special fund spending actions in the 2018-19 budget package are shown in **Figure 5** (see next page) and briefly described below. We discuss these and other actions in more detail in "Chapter 2."

Considerable New Spending on Education. The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For both the California State University and the University of California, the budget supports higher ongoing spending (intended largely for employee compensation and some enrollment growth) as well as considerable one-time spending. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities. For community colleges, the budget provides an augmentation to support an overhaul of the apportionment formula—moving from an entirely enrollment-based formula to one that has a performance component. Receiving the most discussion of any education proposal this year, the budget package also establishes a statewide online college intended to help working adults improve their career technical skills.

Healthcare and Mental Health. The budget package provides funding for some healthcare and mental health programs. Most notably, the budget allocates $1.3 billion in Proposition 56 taxes on tobacco products to three major purposes: (1) to increase payments to Medi-Cal providers ($821 million), (2) to establish a student loan

Figure 5

Major General Fund and Special Fund Spending Actions

Education
Provides $3.7 billion ongoing augmentation for the Local Control Funding Formula, surpassing the funding targets.
Provides $1.1 billion for one-time K-12 discretionary grants.
Increases funding for public universities ($348 million ongoing, $412 million one time).
Increases ongoing support for early education programs by $474 million.[a]
Provides $408 million in additional ongoing apportionment funding for community colleges.
Provides a total of $314 million ongoing for two main high school career technical education programs.
Provides $300 million for one-time grants to improve the academic performance of certain low-performing students.
Creates an online community college ($20 million ongoing, $100 million one time).

Healthcare and Mental Health
Allocates $1.3 billion in Proposition 56 revenues to Medi-Cal, largely for provider payment increases.
Reduces the state's mandate backlog, related to county mental health services for children ($281 million one time).
Provides $131 million for Hepatitis C treatment across various departments.
Provides $100 million (one time) for an incompetent to stand trial diversion program.

Homelessness[b]
Provides $500 million (one time) for emergency homelessness aid block grants.
Provides $50 million (one time) to counties to aid homeless individuals with mental illnesses.
Augments housing assistance and support programs for CalWORKs families by $32 million (ongoing cost of $63 million).
Provides other homelessness assistance funding for seniors, youth, and victims of domestic violence (total $26 million one time).

Poverty
Increases cash assistance grants beginning in April 2019 ($90 million in 2018-19, $360 million ongoing).
Provides $220 million (one time) to reverse the CalFresh cash out policy for SSI/SSP.

Infrastructure and Equipment
Sets aside $630 million (one time) to replace the Capitol Annex.
Sets aside $333 million (one time) for deferred maintenance projects across various departments.
Provides $195 million ($25 million ongoing) for flood control infrastructure.
Allocates $134 million to counties to purchase new voting systems.
Provides $130 million for infrastructure and equipment at correctional facilities.
Sets aside $100 million (one time) to construct a new California Indian Heritage Center.
Provides $98 million (limited term) to purchase four CalFire helicopters.

Other
Approves a new labor agreement with the California Correctional Peace Officers Association ($192 million all funds, ongoing).
Provides $90 million (one time) for 2020 Census outreach.

[a] The budget package also includes $185 million in additional federal funds for early education programs.
[b] Bond-related housing programs are shown in Figure 6.

repayment program for Medi-Cal physicians and dentists, and (3) to offset General Fund spending in Medi-Cal. The budget plan also uses General Fund resources to (1) reduce the state's mandate backlog related to county mental health services for children and (2) increase the availability of Hepatitis C treatment for those receiving care through Medi-Cal and at the state's correctional and state hospital facilities.

Homelessness. The budget provides about $600 million in General Fund increases for homelessness initiatives in 2018-19. There is a one-time allocation of $500 million for block grants to local governments, which will fund services such as shelters, rental assistance, outreach, and construction of affordable housing. The spending plan provides $50 million in one-time General Fund grants to counties to fund outreach, treatment, and related services for homeless persons with mental illness. The budget also provides funding for CalWORKs families who are homeless or at risk of becoming homeless to find and move into permanent housing, and increases the daily maximum voucher amount for the Homeless Assistance Program. The budget package also places on the November ballot a program—No Place Like Home—to construct and rehabilitate permanent supportive housing for those with mental illness and are homeless.

Poverty. The budget package takes two major actions to increase cash assistance, both with the aim of reducing poverty. First, the budget plan includes $90 million General Fund in 2018-19 to support a 10 percent across-the-board increase to CalWORKs maximum grant levels, beginning April 1, 2019. (As a result, the 2018-19 cost of this change is $90 million, but the administration anticipates the full-year, ongoing cost will be $360 million.) Second, the budget includes legislation that would eliminate the Supplemental Security Income (SSI) cash-out policy, which made SSI/State Supplementary Payment (SSP) recipients ineligible for CalFresh food benefits, and provides $220 million to implement the change.

Infrastructure and Equipment. The 2018-19 budget package sets aside over $1.5 billion to fund various infrastructure projects and to purchase equipment. This includes $630 million to replace the Capitol Annex and $333 million for deferred maintenance projects across various departments, which the administration will have the authority to allocate in future years. The budget also provides funds for flood control, including levee maintenance and various urban flood control projects; counties to purchase new voting systems; and infrastructure and equipment at correctional facilities, including replacing the roofs at three facilities.

Other Major Features. In addition to General Fund and special fund spending, the 2018 budget package allocated bond funding, took actions with respect to authorizing new bonds, and made some other notable policy choices. **Figure 6** summarizes some of these actions.

Figure 6

Other Major Features

Bonds and Bond Funding

Allocates $1.3 billion in bond funds to begin implementing projects authorized under Proposition 68 (2018).
Puts the No Place Like Home program on the ballot for approval by voters.
Authorizes $1.3 billion in lease revenue bond authority to construct ten trial court courthouses.

Other Major Changes

Creates two new reserve accounts: the Budget Deficit Savings Account and the Safety Net Reserve.
Allocates future required Proposition 2 infrastructure spending (beginning in 2019-20).
Creates a new certification and true-up process for Proposition 98.
Establishes statutory cost-of-living adjustment for the Local Control Funding Formula (the costliest existing K-12 program).
Establishes a new community college apportionment formula that links funding to enrollment, low-income student counts, and student outcomes.
Shifts power for taking over fiscally distressed school districts from the State Superintendent of Public Instruction to the applicable county Superintendent of Schools.

EVOLUTION OF THE BUDGET

January Budget Proposed Nearly $16 Billion in Total Reserves. The Governor's 2018-19 January budget proposed a total reserve level of $15.7 billion. In particular, the Governor proposed an optional deposit into the state's rainy day fund to fill it to its constitutional maximum level. After fulfilling constitutional obligations for spending on schools and debt, the Governor also allocated about $1 billion in discretionary resources to other spending proposals, mostly one time in nature.

May Revision: Higher Revenues, More One-Time Spending. Relative to January, the administration had about $4 billion more in discretionary resources to allocate in the budget (largely reflecting higher revenues, which were partially offset by higher constitutional and caseload-driven spending). The Governor's May Revision proposals dedicated most of these resources to new spending, virtually all for one-time purposes. These spending proposals focused on the areas of infrastructure, mental health, and homelessness. The Governor also proposed increasing reserves by more than $1 billion, resulting in a total proposed reserve level of $17 billion.

Final Budget Package Includes $15.9 Billion in Total Reserves. The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by $700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others.

Budget Package Signed by Governor. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills between June and September 2018. These bills are detailed in **Figure 7**. The Governor did not veto any appropriations in the *2018-19 Budget Act*.

Figure 7

Budget-Related Legislation

Bill Number	Chapter	Subject
Signed in June 2018		
SB 840	29	*2018-19 Budget Act*
AB 1808	32	Education
AB 1809	33	Higher education
AB 1810	34	Health
AB 1811	35	Human services
AB 1812	36	Public safety
AB 1817	37	State government
AB 1824	38	State government
AB 1825	39	Proposition 98 Certification
AB 1826	40	State Capitol Building Annex
AB 1827	41	No Place Like Home Act of 2018
AB 1830	42	Reserve accounts
AB 1831	43	State government
AB 1834	44	Corrections
AB 1838	61	Local government taxation
SB 841	31	*2017-18 Budget Act*: Augmentation
SB 847	45	Courts
SB 848	46	Transportation
SB 849	47	Medi-Cal
SB 850	48	Housing
SB 852	49	State Bargaining Unit 6 MOU
SB 853	50	Developmental services
SB 854	51	Public resources
SB 855	52	Taxation
SB 856	30	Amendments to the *2017-18 Budget Act*
SB 866	53	Employment
SB 871	54	Motion picture tax credits
Signed After June 2018		
AB 1840	426	Education
SB 846	142	Employment
SB 857	87	In-Home Supportive Services
SB 861	331	National Mortgage Settlement Fund: allocations
SB 862	449	Amendments to the *2018-19 Budget Act*
SB 867	450	Legislative Counsel: Workplace conduct services
SB 869	451	Local elections
SB 873	452	State Bargaining Units 9 and 10 MOU
SB 875	453	Public resources
SB 876	454	Human services
SB 877	455	State government
SB 878	456	Motion picture tax credits
SB 879	457	Public safety

MOU = Memorandum of Understanding.

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Chapter 2:

Spending by Program Area

PROPOSITION 98

Annual school and community college spending levels are based primarily on Proposition 98 (1988), which established certain constitutional minimum requirements. In this section, we provide an overview of Proposition 98 spending under the enacted budget package and describe the new process the state adopted for finalizing the Proposition 98 calculations. We then highlight Proposition 98 spending changes specifically for K-12 education, adult education, and community colleges. On the "EdBudget" portion of our website, we post many tables containing additional detail about the Proposition 98 budget (as well as the child care and higher education budgets).

Overview

Proposition 98 Establishes Minimum Spending Level. This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18. Figure 1 shows how Proposition 98 spending has changed in 2016-17 and 2017-18 compared to the *2017-18 Budget Act*. From the June 2017 budget plan to the June 2018 budget plan, spending increased $252 million in 2016-17 and $1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of $789 million (on top of a previous $536 million payment). After making the $1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and

Figure 1

Proposition 98 Spending Revised Upward in 2016-17 and 2017-18

(In Millions)

	2016-17			2017-18		
	June 2017	June 2018	Change	June 2017	June 2018	Change
Proposition 98 Spending	**$71,390**	**$71,642**	**$252**	**$74,523**	**$75,618**	**$1,094**
State General Fund	50,488	50,234	-254	52,631	53,381	750
Local property tax	20,902	21,407	506	21,892	22,236	344

2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending Up Notably Over Revised 2017-18 Level. For 2018-19, total Proposition 98 spending across all segments is $78.4 billion, an increase of $2.8 billion (3.7 percent) from the revised 2017-18 level (see **Figure 2**). Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67 percent increase in per capita personal income. Though the administration projects a 0.29 percent decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

About 40 Percent of Increase Covered With Higher Property Tax Revenue. Of total Proposition 98 spending in 2018-19, $54.9 billion is state General Fund and $23.5 billion is local property tax revenue. From 2017-18 to 2018-19, General Fund spending increases $1.5 billion (accounting for about 60 percent of the $2.8 billion increase in spending) and property tax revenue increases $1.3 billion (accounting for the remaining 40 percent). The primary factor accounting for the growth in property tax revenue is an assumed 6.4 percent growth in assessed property values.

Spending Package Includes Settle-Up Funding. In addition to the increases associated with 2016-17 through 2018-19, the budget plan provides a $100 million payment related to meeting the 2009-10 minimum guarantee. Of this amount, $89 million is for K-12 discretionary grants and $11 million is for community college deferred maintenance. This payment reduces the state's outstanding settle-up obligation from $440 million to $340 million. The budget scores all of the settle-up payment as a Proposition 2 debt payment.

Budget Package Enacts New Proposition 98 Certification Process. Certification is the process of finalizing the calculation of the minimum

Figure 2

Proposition 98 Spending by Segment and Source

(Dollars in Millions)

	2016-17 Revised	2017-18 Revised	2018-19 Enacted	Change From 2017-18 Amount	Change From 2017-18 Percent
Preschool[a]	$975	$1,290[b]	$1,215	-$74	-5.8%
K-12 Education					
General Fund	$43,701	$46,240	$47,507	$1,267	2.7%
Local property tax	18,582	19,295	20,414	1,118	5.8
Subtotals	($62,283)	($65,535)	($67,920)	($2,385)	(3.6%)
California Community Colleges					
General Fund	$5,473	$5,757	$6,063[c]	$306	5.3%
Local property tax	2,825	2,941	3,110	168	5.7
Subtotals	($8,299)	($8,698)	($9,173)[c]	($474)	(5.5%)
Other Agencies[a]	$85	$95	$85	-$10	-10.7%
Totals	**$71,642**	**$75,618**	**$78,393**	**$2,775**	**3.7%**
General Fund	$50,234	$53,381	$54,870	$1,488	2.8%
Local property tax	21,407	22,236	23,523	1,287	5.8

[a] Consists entirely of General Fund.
[b] Includes $167 million for one-time grants to fund the expansion of early education programs, including preschool. Excluding this amount, the preschool increase from 2017-18 to 2018-19 is $93 million (8.3 percent).
[c] Includes $164 million for the new K-12 component of the Strong Workforce Program. Excluding this amount, the increase from 2017-18 to 2018-19 is $142 million (2.5 percent) for General Fund spending and $310 million (3.6 percent) for total community college spending.

guarantee after the fiscal year is over. State law previously required the Director of Finance, State Superintendent of Public Instruction, and Chancellor of the California Community Colleges to agree upon a final calculation nine months after the end of the fiscal year. Though intended to be an annual process, disputes among these three often delayed certification for many years. Chapter 39 of 2018 (AB 1825, Committee on Budget) revamps the certification process. Most notably, it assigns a lead role to the Director of Finance in making the Proposition 98 calculations; creates review periods for the Legislature, state agencies, and public to examine the Department of Finance's (DOF) calculations; and creates a defined period for legal challenges. The new process is set to begin with certification of the 2017-18 minimum guarantee in May 2019.

Package Also Includes a New Process to True-Up Proposition 98 Spending. In addition to the new process for certifying the guarantee, Chapter 39 creates a companion process for adjusting school spending when the guarantee increases or decreases as a result of final calculations. For those years in which the guarantee ends up *lower* than previously estimated, the state is to credit spending above the minimum guarantee toward a new true-up account called the "Proposition 98 Cost Allocation Schedule." For years in which the guarantee ends up *higher* than previously estimated, the state is to apply any credits in the account toward the spending required to meet higher minimum guarantee. If the credits are insufficient to meet the higher guarantee, the state is required to make a settle-up payment to schools and community colleges for the remaining difference. The State Controller is to distribute this payment automatically on a per-pupil basis using a DOF-developed schedule unless the Legislature adopts an alternative payment plan as part of the regular state budget process.

Parallel Process Established to Close the Books on 2009-10 Through 2016-17. Due to delays in past certifications, the state has not certified the minimum guarantee for any fiscal year since 2008-09. To close the books on 2009-10 through 2016-17, the budget package establishes a process that parallels the one described above but runs on a modified timeline. The modified process is set to begin with the Director of Finance publishing a preliminary calculation for all uncertified years by July 11, 2018. Upon this publication, a review and public comment period follows, with final certification for those years completed by September 15, 2018. Final certification is followed by a 90-day legal challenge period (the same time frame as used for future fiscal years).

K-12 EDUCATION

$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19. The enacted 2018-19 level is $2.4 billion (3.6 percent) more than the revised 2017-18 level and $3.2 billion (4.9 percent) more than the *2017-18 Budget Act* level. The budget increases spending per student by $579 (5.2 percent) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to $11,645.

Package Includes Mix of Ongoing and One-Time Spending. As **Figure 3** shows (see next page), the budget includes $5.8 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the $5.8 billion, $4 billion (70 percent) is ongoing and $1.8 billion (30 percent) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $594 million in Proposition 51 bond authority for school facility projects and $100 million in non-Proposition 98 funding for kindergarten school facilities. We describe major K-12 changes below.

Core Program

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates. In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71 percent

cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7 percent COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is $3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to $61.1 billion, a 6.4 percent increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Figure 3

$5.8 Billion New Proposition 98 Spending for K-12 Education

2016-17 Through 2018-19 (In Millions)

Ongoing	
Local Control Funding Formula	$3,666
Career Technical Education Incentive Grants	150
Cost-of-living adjustment for select categorical programs[a]	114
County and regional support for low-performing districts	68
Charter School Facility Grant Program	25
California Collaborative for Educational Excellence	12
Online educational resources	1
Additional support for districts in fiscal distress	1
District reimbursements related to teacher dismissals[b]	—
Subtotal	($4,036)
One Time	
Discretionary grants	$1,091
Supplemental grants to support certain low-performing students[c]	300
Teacher residency programs	75
Grants for addressing certain teacher shortages	50
Matching support for classified employees during summer	50
Professional development for classified employees	45
Computer-based ELPAC	21
Charter School Facility Grant Program backfill	21
After-School instruction in computer coding	15
School climate initiative	15
Grants to support community engagement	13
California School Information Services	7
Alternative ELPAC for students with disabilities	6
California Collaborative for Educational Excellence	6
Southern California Regional Occupational Center	3
Suicide-prevention training	2
Backfill for fire-related property tax decline in basic aid districts	1
California-Grown School Meals Program	1
Additional materials for genocide awareness education	1
Other[d]	1
Subtotal	($1,723)
Total	**$5,760**

[a] Applies to special education, child nutrition, mandates block grant, services for foster youth, adults in correctional facilities, and American Indian education. Rate is 2.71 percent.
[b] Budget provides $60,000 ongoing for this purpose.
[c] Based on count of students who did not meet statewide standards on assessments of reading and math and are not foster youth, low-income students, English learners, or students with disabilities.
[d] Consists of $339,000 for paying down a backlog of district claims relating to teacher dismissals, $250,000 for homeless student services in San Diego Unified School District, $200,000 for improving the Local Control and Accountability Plan template, and $200,000 for developing a parent-friendly district budget summary.
ELPAC = English Language Proficiency Assessments for California.

Makes Two Related Changes to School Planning. In addition to the LCFF augmentation, Chapter 426 of 2018 (AB 1840, Committee on Budget) appropriates $200,000 one time to the California Department of Education (CDE) for redesigning the Local Control and Accountability Plan (LCAP) template to make its content more accessible to parents and other community members. Chapter 32 of 2018 (AB 1808, Committee on Budget) provides $200,000 one time to CDE for developing a budget overview template—also specially designed for parents. The department is to pass through these funds to the San Joaquin County Office of Education (COE), which in turn is required to complete the two template-related tasks.

Funds One-Time Discretionary Grants. The largest one-time spending initiative for K-12 education is $1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated $183 per average daily attendance). If an LEA owes any funding to the federal

government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total $145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, we estimate that only $202 million of the funding provided will count toward the K-12 mandates backlog. We estimate that the total remaining mandate backlog at the end of 2018-19 will be $668 million.

Provides COLA for COE Funding Formula. The budget provides $6.4 million to cover a 2.71 percent COLA for the 24 (out of 58) COEs that have LCFF allocations equal to their LCFF targets. Those COEs funded above their LCFF targets do not receive this COLA. In total, the 2018-19 budget provides COEs with $1 billion in LCFF funding. Of this amount, $466 million is intended for district support (excluding the new district support add-ons described below), $258 million is for alternative education, and $315 million is for existing add-ons (effectively four LCFF hold harmless provisions).

Support for District and School Improvement

Increases COE Funding for Supporting Low-Performing Districts. The budget includes $54 million ongoing for COEs (on top of the district support funding mentioned above) to provide low-performing districts with technical assistance. Each COE will receive a $200,000 base amount, with remaining funding distributed based on the number and size of low-performing districts identified within the county. For each identified district within the county, a COE will receive $100,000 for districts with less than 2,500 students, $200,000 for districts serving between 2,500 and 10,000 students, and $300,000 for districts with more than 10,000 students. Chapter 32 requires that COE technical assistance be focused on building district capacity to develop and implement improvement strategies. COE technical assistance may include helping a district to identify its weaknesses and select strategies to address those weakness. Alternatively, technical assistance may include helping a district to connect with another academic, fiscal, or programmatic expert, who, in turn, performs those functions. COEs also may request that a regional lead agency (described below) or the California Collaborative for Educational Excellence (the Collaborative) assist the school district directly. Though COEs must ensure that districts obtain support, COEs do not need to provide that support themselves.

Creates New Regional Support Network. The budget includes $14 million ongoing primarily to support COEs as they go about assisting low-performing districts. Of the $14 million, $10 million is for up to ten Special Education Local Plan Areas (SELPAs) to serve as special education resource leads to assist COEs. The remaining $4 million is for six to ten COEs to serve as geographic lead agencies to assist other COEs.

Starts Giving the Collaborative Ongoing Funding. The budget also includes $12 million ongoing for the Collaborative to assist primarily the regional lead agencies and COEs. To this end, the Collaborative is to provide various statewide trainings. In prior years, the Collaborative was funded with one-time Proposition 98 appropriations. The budget reappropriates $5.6 million from these prior-year allocations. The Collaborative is to use these reappropriated funds for additional statewide trainings and technical assistance.

Provides One-Time Funding to Districts Serving Certain Low-Performing Students. The budget includes $300 million one time for districts to help certain low-performing students. Specifically, the funds are allocated to districts based on the count of students who (1) did not meet achievement standards based on the latest results of statewide assessments of reading and math and (2) are not foster youth, low-income students, English learners, or students with disabilities. Prior to receiving these funds, districts must develop a plan for how these funds will be used to improve the performance of qualifying students. By November 1, 2021, districts are required to report to CDE how funds were spent and the extent to which they impacted student outcomes. By February 1, 2022, CDE is to submit

an aggregated report to the Legislature on the outcomes of the initiative.

Supports Low-Performing Schools Identified Under Federal Accountability System. The federal Every Student Succeeds Act (ESSA) requires states beginning in 2018-19 to set aside 7 percent of Title I funds to assist low-performing schools in improving student performance. California has decided to identify low-performing schools using the performance measures included in the California School Dashboard. In 2018-19, the 7 percent requirement equates to $135 million. Of this amount, the budget allocates $125 million to low-performing schools and $10 million to COEs. CDE is to develop formulas for distributing these funds. For the COE formula, CDE is to consider the number of low-performing schools identified within the county. The funding provided to COEs essentially replaces $10 million Title I funding provided in previous years for the Regional System of District and School Support. These funds supported 11 COE leads—one in each of the regions set by the California County Superintendents Educational Services Association—to assist districts and schools in their improvement efforts.

Funds Pilot Project to Address School Climate Issues. The budget gives a total of $15 million to the Orange COE and Butte COE to evaluate new support strategies for addressing issues such as bullying and student trauma. Chapter 32 requires these two COEs—in partnership with a California institution of higher learning—to submit to the Legislature a plan how they will use these funds by December 1, 2018. In recent years, these two COEs received a total of $30 million (one-time Proposition 98) to develop a set of multi-tiered support strategies aligned with students' academic and behavioral challenges and provide subgrants to schools interested in implementing those strategies.

Expands Role of the Fiscal Crisis and Management Assistance Team (FCMAT). The budget provides an ongoing augmentation of $972,000 for FCMAT to (1) provide additional assistance for fiscally distressed school districts and (2) provide additional training for COEs regarding fiscal oversight of school districts. This is the first increase in ongoing funding for FCMAT since 2014-15.

Career Technical Education

Makes Career Technical Education (CTE) Incentive Grants Ongoing. The budget provides $150 million ongoing to extend the CTE Incentive Grant program indefinitely. This program was first established as part of the 2015-16 budget package to provide a three-year bridge until the LCFF funding targets were reached. Moving forward, school districts, COEs, charter schools, and Regional Occupational Centers and Programs may apply for the Incentive Grants. The program reserves separate pools of grant funding for large-, medium-, and small-sized applicants. Recipients must provide a local match of $2 for every $1 of CTE Incentive Grant funding

Begins Funding High School CTE Also Through California Community Colleges' (CCC) Strong Workforce Program. In addition to funding the CTE Incentive Grant program, the budget provides $150 million ongoing to support high school CTE through the CCC Strong Workforce Program. These funds are to be allocated to eight regional consortia based on a formula that considers both regional employment conditions as well as grades 7-12 average daily attendance. Each consortium is to distribute funds to schools within its region on a competitive basis. As with the CTE Incentive Grant program, recipients must provide two local dollars for every one Strong Workforce dollar. The budget also provides $14 million ongoing to support administrative costs associated with the Strong Workforce program. Of this amount, a total of $12 million is for 72 high school Workforce Pathway coordinators—one for each community college district. Each coordinator would work with high schools in the area to coordinate their CTE programs with the region's Strong Workforce plan. The remaining $2 million would support the community colleges' costs in managing these high school coordinators.

Continues Direct Funding for Southern California Regional Occupational Center (SCROC). The budget provides SCROC $3 million for the second of four installments totaling $10 million over four years ($4 million in 2017-18,

$3 million in 2018-19, $2 million in 2019-20, and $1 million in 2020-21). The state funds are intended to support SCROC's general operations.

Teacher Workforce

Provides One-Time Grants for Teacher Residency Slots. The budget includes $75 million to start new or expand existing teacher residency programs. Of the $75 million, $50 million is earmarked for special education teachers, with the remaining $25 million for bilingual education teachers and science, technology, engineering, and math (STEM) teachers. CTC is to award competitive grants to schools over several years. Schools can qualify for up to $20,000 per teacher candidate, with a dollar-for-dollar local match required. The funds can be used in a variety of ways, including providing stipends for teacher candidates and teacher mentors.

Provides One-Time Local Solutions Grants. This $50 million initiative is intended to fund new or existing local efforts to recruit and retain special education teachers. As with the teacher residency grants, CTC is to award competitive grants to schools. Successful schools can receive up to $20,000 per teacher, with a dollar-for-dollar local match required. Chapter 32 gives districts broad discretion in how schools may use the grant funds.

Funds Two One-Time Initiatives for Classified Employees. The budget includes a total of $95 million for these initiatives. Of this amount, $50 million is for a new Classified School Employee Summer Assistance Program. This program allows classified employees to deposit a portion of their income earned during the 2019-20 school year into a fund that would be supplemented by state dollars and paid out in one or two installments during the summer months. The state matching dollars would be spread proportionally among participating employees. The remaining $45 million is for employee training. CDE is to distribute this funding among LEAs based on the number of classified school employees they employ. LEAs may use the funds for a wide range of possible training activities but must give highest priority to training activities relating to the implementation of school safety plans.

Information Technology

The 2018-19 budget package makes three information technology-related appropriations, described below.

Continues to Rely on Mix of Fund Sources to Support K-12 High Speed Network (HSN). The budget authorizes HSN to spend $21 million, an increase of $1.1 million over the prior year. Of that amount, $11.2 million comes from federal E-Rate and state Teleconnect subsidies (down $700,000 over the prior year) and $9.8 million comes from the Proposition 98 Broadband Infrastructure Improvement Grant Program (up $1.8 million over the prior year). The administration's expectation is that HSN operate without a deficit in 2018-19 and not fund additional network upgrade projects beyond those DOF informally approved in May.

Provides More Ongoing Funding for Student Friendly Services. The budget provides an ongoing augmentation of $1 million (bringing total Proposition 98 funding to $3.5 million), primarily to support additional workload generated by greater usage of the college planning website. The website is operated by the California College Guidance Initiative, a non-profit entity housed within the Foundation for California Community Colleges, which is located in Sacramento.

Funds Higher First-Year Costs to Upgrade School District Financial Reporting System. The budget provides a one-time allocation of $716,000 from the Educational Telecommunication Fund (on top of $3 million in one-time Proposition 98 funds previously approved in the 2016-17 budget plan) to fund the first-year costs of the Standardized Account Code Structure (SACS) replacement project. The entire project is estimated to take three years and cost $11.5 million.

Student Assessments

Provides $21.4 Million to Develop Computer-Based Version of the English Language Proficiency Assessments for California (ELPAC). The ELPAC assesses whether students from non-English speaking households require special support to learn English. The pencil-and-paper version of the ELPAC was

rolled out in spring 2018. The ELPAC replaces the California English Language Development Test (CELDT), which is no longer aligned with state academic content standards. With the $21.4 million, CDE is to contract with a vendor, who in turn is to convert the assessment from pencil and paper to computer based.

Provides $5.9 Million to Develop Alternative ELPAC for Students With Disabilities. Some students with severe cognitive disabilities cannot be accurately assessed using the recently developed ELPAC. Under existing state law, these students' Individualized Education Program (IEP) teams are tasked with identifying appropriate alternative assessments on a case-by-case basis. With the $5.9 million, CDE is to contract with a vendor to develop a single, statewide alternative assessment that would replace the case-by-case method of selecting alternatives.

Other Changes

Provides One-Time Federal Funds for Academic Enrichment. The budget includes $165 million one-time federal ESSA Title IV funding for academic enrichment. Specifically, LEAs may use the funding to improve (1) educational opportunities outside of core instructional areas, (2) school conditions for student learning, and (3) use of technology in schools. Of the $165 million, $121 million is to be distributed to LEAs based on their share of existing Title I funding, with the remainder distributed competitively. CDE will prioritize the competitive awards to LEAs that plan to use funds for visual and performing arts education or expanding access to physical and mental health care.

Makes Various Other Adjustments. The budget also funds the following:

- ***After School Coding Grant.*** The budget includes $15 million one time to create the After School Kids Code Grant Pilot Program. The funding will be distributed competitively to LEAs participating in the After School Education and Safety Program. Grant recipients are to include computer coding in their after school curriculum.
- ***Community Engagement Professional Learning Network.*** The budget includes $13 million one time for the Collaborative and a lead COE to jointly administer professional learning networks focused on community engagement. Funding would be used to operate the professional learning networks over the next six years.
- ***Fresh School Meals.*** The budget includes $1 million one time to the California-Grown Fresh School Meals Grant Program. The program will provide grants to at least eight LEAs. Chapter 32 requires CDE to give grant priority to LEAs with high shares of low-income students and English learners.
- ***California School Dashboard.*** The budget includes $300,000 one-time Proposition 98 funding to the San Joaquin COE to improve the California School Dashboard website, which provides information on school and district performance.

State Operations

Supports New CDE Workload. The budget includes a $7.3 million augmentation for new CDE workload ($4.2 million non-Proposition 98 General Fund and $3.1 million federal funds). Of the $7.3 million, 56 percent is ongoing and 44 percent is one time. Of the changes, three relate to legislation enacted in 2017, whereas most of the others relate to new initiatives. Among the most notable changes to CDE ongoing workload are additional monitoring of adult education programs receiving federal adult literacy grants, establishing a new unit to respond to special education litigation, and providing more technical assistance to LEAs for their sexual health education courses. Additionally, CDE received ongoing augmentations to help administer the new statewide system of support for low-performing districts, to respond to recent expansion of the State Preschool program, and to address internal data security and privacy issues. Among the most notable changes to one-time workload are supporting curriculum revisions for several academic subjects, paying certain legal fees, and administering new federal grants for schools affected by recent wildfires.

Directs CDE to Standardize Process for Reclassifying English Learners. Another notable one-time increase in CDE workload is developing a standard reclassification process. Of the $7.3 million workload-related augmentation, $437,000 is federal funding provided for this purpose. Currently, state law gives districts broad discretion to determine when students initially identified as English learners no longer require language-specific instructional support. Chapter 32 seeks to standardize this process by requiring CDE to develop a uniform protocol for reclassifying English learners by June 30, 2020.

School Facilities

Provides Second Installment of Proposition 51 (2016) Bond Funding for School Facilities. Proposition 51 authorizes the state to sell $7 billion in general obligation bonds for school facilities. The state plans to issue $594 million of these bonds in 2018-19. This is about the same amount of Proposition 51 school bonds issued in 2017-18 ($592 million). As of May 31, 2018, the Office of Public School Construction had received school facility requests totaling $3.8 billion in state bond funding. The state generally funds school facility requests on a first-come, first-serve basis.

Kindergarten Facilities. The budget includes $100 million one-time non-Proposition 98 General Fund to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs. About one-third of school districts currently offer part-day programs. Funds can be used to construct additional classrooms or renovate existing space. Funding is to be distributed by the State Allocation Board, with local matching requirements similar to those of the School Facilities Program (SFP). Under SFP, the state typically covers 50 percent of new construction costs and 60 percent of renovation costs, with districts required to cover remaining costs. For both types of projects, the state can contribute up to 100 percent of project costs if a district faces exceptional challenges in raising its local share. Priority for grants will be given to districts with high proportions of low-income students and districts that face challenges in raising their local shares.

Funds Shortfall in Charter School Facility Grant Program. This program helps certain charter schools occupying privately leased facilities cover their rent and other facilities costs. The budget includes $21 million one-time Proposition 98 funding to fully cover an estimated shortfall in 2017-18. (Beginning in 2017-18, the state increased the maximum per-student facility grant amount from $750 to $1,117. The per-student grant had not been increased since the program was created in 2001.) In addition, retroactively beginning in 2017-18, Chapter 32 limits the lease costs applicants can claim to their 2016-17 lease costs plus the statewide K-12 COLA rate. Absent the backfill and lease cap, the administration estimated the California School Finance Authority (which administers the program) would pro-rate 2017-18 awards downward by about 20 percent.

Increases Ongoing Funding for Charter School Facility Grant Program. In addition to funding the 2017-18 shortfall, the budget includes a $25 million ongoing augmentation for the program in 2018-19. Chapter 32 also makes the following three programmatic changes effective with the 2018-19 grant year: (1) it eliminates an automatic backfill for prorated awards, (2) requires new applicants to receive an independent appraisal affirming their lease is either at or below market rates, and (3) requires the California School Finance Authority to first cover applicants' lease costs before funding their other facilities costs in years when awards are prorated.

Provides $4 Million for Deferred Maintenance at the State Special Schools (SSS). This appropriation is in addition to a total of $7 million in one-time funding provided for deferred maintenance at SSS in the 2015-16 and 2016-17 budgets. In addition, provisional language included in the annual state budget acts the past three years has required SSS to spend a total of $5.4 million from its operating budget on deferred maintenance projects. (Despite a total of $12.4 million in associated expenditures over the past three years, the administration reports the maintenance backlog at SSS decreased from $25.6 million in 2015-16 to $21.3 million as of June 2018.)

Districts in Fiscal Distress

Gives Counties Greater Role in Taking Control of Fiscally Distressed Districts. In 1991, the state created a system to oversee district budgets and promote fiscal health. In the final few weeks of the 2018 legislative session, the state significantly changed the system by shifting primary responsibility for district takeovers from the SPI to the county superintendent of schools. Under the former system, COEs and county superintendents of schools were tasked with reviewing district budgets quarterly, disapproving unsound budgets, and supporting districts as they built fiscal recovery plans. If these efforts failed and a district needed an emergency state loan, then the state intervened, with the SPI appointing an administrator who assumed responsibility for the district. Chapter 426 gives control of the district instead to the county superintendent of schools, with concurrence from the SPI and the president of the State Board of Education.

Authorizes Special Appropriations for Two Fiscally Distressed Districts. Chapter 426 contains several provisions that depart from the regular emergency loan process and apply only to the Oakland Unified School District and the Inglewood Unified School District. For both districts, Chapter 426 specifies that the state is to provide budget appropriations covering up to 75 percent of their operating deficits in 2019-20, 50 percent of their deficits in 2020-21, and 25 percent of their deficits in 2021-22. The size of the two districts' operating deficits are to be determined by FCMAT, with the concurrence of DOF. Though the specific planning requirements vary, both districts are to update their operational and facility plans in 2018-19. By March 1 of each year through 2021, FCMAT, with concurrence from the applicable county superintendent of schools, is to report to the Legislature and DOF on progress the districts have made to improve their budget conditions.

Creates Special Facility Rules for All Four Fiscally Distressed Districts. In addition to Oakland and Inglewood, two other districts—Vallejo City Unified School District and a high school district in Monterey County—currently are paying off emergency state loans. Chapter 426 allows these four districts to use proceeds from the sale or lease of their surplus property for helping to make their emergency loan repayments. Chapter 426 also specifies that using proceeds in this way does not affect the four districts' eligibility for state facility funding. By comparison, state law generally requires districts to reinvest facility-related proceeds into facility projects and counts such proceeds against eligibility to receive state facility funding.

ADULT EDUCATION

$527 Million Proposition 98 Spending on Adult Education. The budget package increases funding for the Adult Education Block Grant (AEBG) from $500 million to $527 million. Most of the increase ($22 million) is attributable to the program receiving a 4.3 percent COLA. The higher rate is in recognition that the program did not receive a COLA the past few years. Specifically, the 4.3 percent equates to a 2.7 percent COLA associated with 2018-19 and a 1.6 percent COLA associated with 2017-18.

Additional Support for Tracking Student Outcomes. The budget also provides $5 million ongoing for the CCC Chancellor's Office to undertake several data-related projects. Most notably, the Chancellor's Office is to enhance a data sharing platform intended to track student outcomes across providers and into the workforce. Provisional language requires the Chancellor's Office to use up to $500,000 of the appropriation on a one-time basis to contract with an outside entity to survey adult schools about their budgets.

Other Changes. In addition, the budget package (1) renames AEBG the "Adult Education Program," (2) moves the deadline for regional consortia to adopt three-year plans from 2018-19 to 2019-20, (3) requires all providers receiving state or federal adult education funding (including libraries and community-based organizations) to participate in their regional consortium's planning activities, and (4) places a cap on the amount school districts and community college districts may charge their adult education consortium for administrative costs.

CALIFORNIA COMMUNITY COLLEGES

$9 Billion Proposition 98 Funding for CCC in 2018-19. The enacted 2018-19 level is $479 million (5.5 percent) more than the revised 2017-18 level and $612 million (7.1 percent) more than the *2017-18 Budget Act* level. The budget increases funding per full-time equivalent (FTE) student by $635 (8.6 percent) over the *2017-18 Budget Act* level, bringing Proposition 98 funding per FTE student up to $8,051.

Package Includes Mix of Ongoing and One-Time Spending. As Figure 4 shows, the budget includes $1.2 billion in Proposition 98 augmentations for community colleges across the three-year period. Of the $1.2 billion, $797 million (67 percent) is ongoing and $398 million (33 percent) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $64 million in bond authority for community college facility projects. We describe major CCC changes below.

Figure 4

$1.2 Billion in New Proposition 98 Spending for California Community Colleges

2016-17 Through 2018-19 (In Millions)

Ongoing	
New apportionments funding formula	$175
New high school CTE through Strong Workforce Program	164
COLA for apportionments	173
1 percent enrollment growth	60
Full-time faculty	50
AB 19 fee waivers for first-time full-time students	46
Consolidated financial aid program for full-time students	41
COLA for Adult Education Block Grant	22
New online college	20
Apprenticeships	19
COLA for select student support programs	13
Adult education data system	5
NextUp program for foster youth	5
Financial aid management system upgrades	5
Common course numbering system	1
Academic Senate	—[a]
Subtotal	($797)
One Time	
New online college	$100
Part-time faculty office hours	50
Apprenticeship prior-year shortfalls	36
Minimum 2.71 percent increase to each college's apportionment	35
Competitive grants to increase online course offerings	35
Deferred maintenance and instructional equipment	28
Financial aid management system upgrades	14
Reappropriations	10
New public safety training center at El Camino College	10
Legal services for undocumented students	10
Student mental health services	10
California STEM Pathways Program	10
Hunger-free campus grants	10
Veteran resource centers	8
Open educational resources	6
Professional development for classified employees	5
Re-entry programs for formerly incarcerated students	5
CTE programs for refugee students	5
New Early Childhood Education Center at Norco College	5
Certified nursing assistant program	2
Fire-related property tax backfill	2
Los Angeles Valley College Family Resource Center capital improvements	1
Subtotal	($398)
Total	**$1,195**

[a] Budget provides $232,000 for this purpose.

CTE = career technical education; COLA = cost-of-living adjustment; and STEM = science, technology, engineering, and mathematics.

Apportionments

Creates New Credit Apportionment Funding Formula. The 2018-19 budget package includes $175 million ongoing and $35 million one time to transition to the new formula. The formula includes three main components, described below. In future years,

a COLA is to be applied to the funding rates underlying each of the three components.

Base Allocation Is Largest Component of New Formula. In 2018-19, the new formula provides $3,727 per credit FTE student. A district's FTE student count is calculated using its three-year rolling average. The base allocation also includes an amount linked to the number of colleges and state-approved centers in the district. In 2018-19, roughly 70 percent of the formula appropriation is distributed through the base allocation. Chapter 33 of 2018 (AB 1809, Committee on Budget) reduces base rates over the subsequent two years, such that roughly 60 percent of formula funding will be distributed through the base allocation in 2020-21.

Supplemental Allocation Designed Primarily to Benefit Low-Income Students. The formula provides an additional $919 for every student who receives a Pell Grant, a need-based fee waiver, or is undocumented and qualifies for resident tuition. Student counts are "duplicated," such that districts receive twice as much supplemental funding ($1,838) for a student who is included in two of these categories (for example, receiving both a Pell Grant and a need-based fee waiver). The allocation is based on student counts from the prior year. Roughly 20 percent of the formula appropriation is distributed through the supplemental allocation.

Student Success Allocation Linked to Colleges' Performance. This component of the formula provides colleges with funding based on specified student outcomes—obtaining various degrees and certificates, completing transfer-level math and English within a student's first year, and having students obtain a regional living wage within a year of completing community college (see Figure 5). Districts receive additional funding for the outcomes of students who receive a Pell Grant or need-based fee waiver, with somewhat greater amounts for the outcomes of Pell Grant recipients. In 2018-19, roughly 10 percent of the formula appropriation is distributed based on the student success allocation. Chapter 33 increases award amounts over the subsequent two years, such that roughly 20 percent of the formula will be distributed based on performance in 2020-21.

Includes Several Provisions Easing Transition to New Formula. Chapter 33 includes hold harmless provisions for community college districts that would have received more funding under the former apportionment formula than the new formula. For 2018-19, 2019-20, and 2020-21, these community college districts are to receive their *total* apportionment amount in 2017-18, adjusted for COLA each year of the period. Beginning in 2020-21, districts are to receive no less than the per-student rate they generated in

Figure 5

Student Success Allocation: Amounts by Student Outcome Measure and Student Type

2018-19

Outcome Measure	All Students	Additional Funding for Each: Pell Grant Recipient	Additional Funding for Each: Need-Based Fee Waiver Recipient
Associate degree for transfer	$1,760	$666	$444
Associate degree	1,320	500	333
Credit certificate requiring 18 or more units	880	333	222
Transfer-level math and English courses completed within the student's first academic year of enrollment	880	333	222
Transfer to a four-year university	660	250	167
9 or more career technical education units completed	440	167	111
Regional living wage obtained within one year of community college completion	440	167	111

Note: Chapter 33 of 2018 (AB 1809, Committee on Budget) increases the award amounts in future years. In 2019-20, funding amounts are to increase by 50 percent. In 2020-21, funding amounts are to be double the 2018-19 levels.

2017-18 under the former apportionment formula multiplied by their current FTE student count. (In adopting the new funding formula, the state also retained its longstanding one-year hold harmless provision that allows districts to receive the greater of their calculated current- or prior-year allotments. This provision is designed to help districts with declining enrollment.)

Assigns Certain Monitoring and Oversight Responsibilities to Chancellor's Office. Chapter 33 requires the Chancellor's Office to develop processes for monitoring implementation of the funding formula. Most notably, the Chancellor's Office is required to develop minimum standards for the types of certificates and awards that count towards the student success allocation. The primary objective is to monitor if any erosion in the quality of awards occurs because of the new fiscal incentives.

Creates Formula Oversight Committee. Chapter 426 creates a 12-member oversight committee, with the Assembly, Senate, and Governor each responsible for choosing four members. The committee is tasked with reviewing and evaluating initial implementation of the new funding formula. It also is tasked with examining possible changes to the formula over the next few years. Specifically, by January 1, 2020, the committee is to make recommendations to the Legislature and Governor for including first-generation college student data and incoming academic proficiency data into the supplemental allocation component of the formula. Then, by June 30, 2021, the committee is to make recommendations relating to including noncredit instruction into the base and supplement allocation components of the formula. The committee is scheduled to sunset on January 1, 2022. Chapter 426 requires the Chancellor's Office to contract with a third party to staff the committee for its duration. The Chancellor's Office is expected to absorb these contract costs within its existing budget.

Funds 1 Percent Enrollment Growth. The budget provides $60 million for 1 percent systemwide enrollment growth. This funding amount is based upon 2017-18 apportionment rates (rather than upon the new formula's base allocation). In addition to funding systemwide growth, the budget adjusts for enrollment declines that districts experienced in 2017-18 and anticipated enrollment restoration in 2018-19. After adjusting for declining enrollment (-3.2 percent) and restoration (2.3 percent), the 2018-19 budget supports net enrollment growth of 0.1 percent, representing about 1,000 FTE students.

Funds 2.71 Percent COLA. The budget also provides colleges a total of $173 million to provide the statutory 2.71 percent COLA for apportionments. Additionally, the budget includes a total of $12 million to provide COLA for four categorical programs: (1) Extended Opportunity Programs and Services, (2) Disabled Students Programs and Services, (3) CalWORKs Student Services, and (4) the Child Care Tax Bailout (which supports campus child care centers that serve as teaching labs for college students interested in early education).

Online College

Creates New Online Community College. Chapter 33 creates a new online community college to be administered by the CCC Board of Governors. The Board of Governors is to choose the chief executive of the college. The chief executive is required to establish an advisory council consisting of local trustees from other community colleges as well as employees of the online college.

Provides $100 Million for Startup and $20 Million for Ongoing Operations. The startup funding may be spread over a seven-year period and used for technology, building space, and business plan development, among other things. The funding for ongoing operations is intended for the salaries and benefits of staff, staff training, and technology licensing and maintenance. When the college begins enrolling students, it is to receive apportionment funding similar to all other community college districts, with the apportionment funding coming on top of the college's base $20 million ongoing allocation.

College Intended to Focus on Short-Term Pathways. Initially, the online college is intended to focus on short-term programs for working adults who have no postsecondary credentials. Over the

next three years, the college is required to develop at least three short-term program pathways linked with industry needs. These pathways may not be duplicative of programs offered at existing community colleges. In addition, for every 10 pathways offered by the online college, at least one pathway must be developed in collaboration with an existing community college. The online college also is to use existing industry certifications, competency-based learning, and prior learning assessments to reduce the amount of additional courses students need to complete their pathway.

Several Milestones and Reporting Requirements for College. Chapter 33 requires the new college to meet certain program, administrative, and accreditation milestones within the first seven years. Most notably, the online community college must begin enrolling students by the last quarter of calendar year 2019; design and validate at least 13 program pathways by July 1, 2023; and obtain full accreditation by April 1, 2025.

College Exempt From a Few Requirements Applying to Other Colleges. Most notably, the new online college has flexibility with regard to setting its academic calendar and establishing its student fee structure. The new college, however, is subject to most other rules and regulations that apply to existing community colleges. The college, for example, is required to spend at least 50 percent of its general operating budget on salaries and benefits of faculty and instructional aides engaged in direct instruction. As with other colleges, it also is required to have its programs and courses reviewed and approved by the Chancellor's Office.

Provides Competitive Grants for Existing Colleges to Develop New Online Programs. The budget provides $35 million one time for existing community college districts to develop online programs and courses that (1) lead to short-term industry-valued credentials or (2) enable a student who completed a program at the new online community college to continue his or her education at an existing community college. The Online Education Initiative, administered by Foothill-De Anza Community College District, is to award these grants.

Requires Chancellor's Office to Make Recommendations for Providing Existing Colleges More Flexibility. Chapter 33 requires the Chancellor's Office, by January 1, 2019, to recommend to the Board of Governors ways of making online and competency-based programs easier and more attractive for colleges to develop and operate. The Chancellor's Office recommendations must include ways to streamline the processes for (1) funding noncredit competency-based programs and (2) offering online courses under a flexible calendar.

Faculty

Funds More Full-Time Faculty. The budget provides $50 million ongoing for colleges to hire more full-time faculty. As a condition of receiving funding, districts must increase the percentage of their instruction taught by full-time faculty.

Funds More Part-Time Faculty Office Hours. The budget provides $50 million one time for part-time faculty office hours. The program reimburses districts that compensate part-time faculty members for office hours related to their teaching assignments. Districts must provide a one-to-one match for state funds.

Apprenticeships

Provides $37 Million One Time to Make Up for Pro-Rata Reductions in Prior Years. These funds are intended to backfill apprenticeship sponsors (such as labor unions and businesses) for pro-rata funding reductions that occurred from 2013-14 through 2017-18. Though Apprenticeship funding increased from $23 million in 2013-14 to $40 million in 2017-18 and the underlying statutory hourly reimbursement rate increased from $5.04 to $5.90, the number of apprenticeship instructional hours provided each year of the period notably exceeded budget assumptions. As a result, the state applied pro-rata reductions to the program's reimbursement rates throughout the period. Of the $37 million being provided to backfill these pro-rata reductions, $27 million goes to programs affiliated with school districts and $10 million goes to programs affiliated with community college districts. Historically, programs for firefighting and the

construction trades have been among the largest apprenticeship programs.

Provides $23 Million Ongoing Augmentation for Apprenticeships in 2018-19. Of this amount, $19 million is associated with the number of instructional hours funded. Specifically, the budget funds the same level of instructional hours in 2018-19 as the estimated level in 2017-18 (nearly 10 million instructional hours)—about 3 million more hours than originally budgeted for 2017-18. The remaining $4 million is associated with increasing the hourly instructional reimbursement rate from $5.90 to $6.26.

Authorizes Community Colleges to Earn Credit Funding Rate Under Certain Circumstances. Chapter 33 authorizes community colleges to generate the credit funding rate rather than the apprenticeship rate for instruction that (1) is offered on a credit basis and (2) is taught by a community college instructor (as opposed to an instructor employed by a sponsor, which currently is the most common staffing practice). The 2018-19 credit rate equates to an hourly rate of $7.10 per student—13 percent higher than the hourly apprenticeship rate. Moving forward, apprenticeship programs will need to begin reporting how much instruction is funded through each of the two rate options.

Financial Aid

Funds Expanded Eligibility for Fee Waivers. The budget provides $46 million for the expansion of the California College Promise Grant program. Chapter 735 of 2017 (AB 19, Santiago) expanded the fee waiver program to students who do not demonstrate financial need. Specifically, it authorizes fee waivers for all resident first-time, full-time students during their first year of college. (Though the cost of the expanded program is calculated assuming all these students obtain fee waivers, the authorizing legislation allows colleges to use their program allotments for other purposes, such as providing more student support services.) To receive funding, colleges must meet various requirements, such as participating in the Guided Pathways initiative.

Restructures Some Financial Aid for Students' Living Costs. Chapter 33 replaces the Full-Time Student Success Grant and the Community College Completion Grant with a new program that has slightly different underlying rules. The new program—the Community Colleges Student Success Completion Grant—provides a $649 per semester grant for financially needy students enrolled in 12, 13, or 14 units and $2,000 for students enrolled in 15 or more units. The budget provides $132 million for the new program, an increase of $41 million over the combined cost of the two prior programs in 2017-18. As with the prior programs, the new program is intended to help financially needy community college students with their living costs.

Provides Funding to Upgrade Financial Aid Management Systems. The budget provides $14 million one time and $5 million ongoing for colleges to upgrade these systems. The core associated objective is to process state and federal financial aid grants more efficiently, thereby reducing the staff time required to process aid applications and increasing the staff time available for student outreach and guidance.

Other Ongoing Programmatic Increases

Consolidates Large Student Support Programs Into Block Grant. Chapter 33 combines the Student Success and Support Program, including funding for student equity plans, and the Student Success for Basic Skills program into a block grant named the Student Equity and Achievement Program. As a condition of receiving funds, districts are required to develop student equity plans, deliver student matriculation services (such as orientation, counseling, and advising), and adopt assessment and placement policies, as specified under current law. Funding for the new program ($475 million statewide) is based on districts' 2017-18 allocations for the consolidated categorical programs. Chapter 426 additionally requires districts and the Chancellor's Office to report annually on how block grant funds were spent and their effectiveness in advancing student outcomes.

Augments NextUp Program for Foster Youth by $5 Million. This program provides support services for current and former foster youth enrolled

in the community colleges. The program—also known as the Cooperating Agencies Foster Youth Educational Support Program—initially received $15 million in 2015-16 and was authorized to operate at up to ten community college districts. Chapter 722 of 2017 (SB 12, Beall) authorized up to 20 districts to participate in the program, but it did not provide additional funding to support the expansion. The additional $5 million provided in 2018-19 is intended to support some expansion.

Provides Ongoing Funding for Course Identification (C-ID) Numbering System. The budget provides $685,000 to the CCC Academic Senate in support of the C-ID system. This system, which was created in 2007, is intended to promote common numbering of comparable courses offered by college campuses. The Academic Senate had previously received one-time funding for the C-ID system.

Increase for CCC Academic Senate. The budget increases ongoing funding for the CCC Academic Senate by $232,000, bringing total ongoing funding to $1 million.

Other One-Time Initiatives

Funds Various Student Services. The budget includes several one-time allocations for colleges to help students with various issues outside of core academic instruction. Specifically, the budget includes $10 million to provide mental health services to students, $10 million to address student hunger at community college campuses, and $10 million to provide legal services to undocumented students on community college campuses.

Funds Three College-Specific Projects. Specifically, the budget provides $10 million for a new public safety training center at El Camino College, $5 million for a new early childhood education center at Norco College, and $800,000 for capital improvements at the Los Angeles Valley College Family Resource Center.

Creates New STEM Pathways Program. The budget includes $10 million for competitive grants to encourage schools and community colleges to work together with industry to develop workforce training programs spanning grades 9 through 14. The programs are to culminate in an associate in science degree in a high-tech field or an associate degree for transfer in science, technology, engineering, or mathematics (STEM). Participating businesses must provide students with on-the-job experience and agree to give students who complete the program first priority for available full-time jobs. The grants are to be spent over a six-year period.

Other Augmentations. The budget also provides:

- $6 million one time for the CCC Academic Senate to develop and expand the use of open educational resources.
- $5 million one time to expand or create new veteran resource centers on community college campuses.
- $5 million one time for a competitive grant program intended to help colleges improve their support services for currently and formerly incarcerated students. Participating colleges must provide at least $50,000 in matching funds and develop a long-term plan that describes how the college will ensure the services funded by the grant are sustainable in the long run.
- $5 million one time to support career pathways for refugees through the Strong Workforce Program. Grant recipients are to partner with nonprofit organizations to provide related social services.
- $5 million one time for training classified community college employees. Districts are required to consult with classified union staff in determining what type of training to provide.
- $2 million one time through the Strong Workforce Program to expand enrollment in CNA training programs.
- $1.9 million one time to backfill community college districts for losses in property tax revenue in 2017-18 due to wildfires.

State Operations

Increases Chancellor's Office Staffing. The budget provides a $2 million non-Proposition 98 General Fund augmentation for the Chancellor's Office, bringing total non-Proposition 98 support

up to $17 million. The budget package does not specify the number of new associated positions or the specific workload to be supported with the additional funds. Based upon information provided by DOF and the Chancellor's Office, the funds are intended to cover workload associated with various recent initiatives—such as the Guided Pathways initiative and changes to student remediation and placement—as well as new initiatives adopted as part of the 2018-19 budget package—such as the new funding formula and online community college.

Facilities

Provides Maintenance and Equipment Funding. The budget provides $28 million one-time Proposition 98 funding that districts may use for scheduled maintenance, special repairs, hazardous substances abatement, architectural barrier removal, certain seismic retrofit projects, water conservation projects, and replacement of instructional equipment and library materials. The funds are allocated to districts based on their FTE enrollment (counting both credit and noncredit instruction).

Funds Six New Capital Outlay Projects. The budget authorizes $10 million Proposition 51 (2016) bond funding for six new capital outlay projects. The budget funds preliminary plans for all six projects and working drawings for five of the six projects. Three of the projects entail constructing new facilities whereas the other three projects involve renovating or replacing existing buildings. A list of all these projects is on our EdBudget website. The six projects were among the 15 projects approved by the Chancellor's Office in fall 2017 and recommended for inclusion in the 2018-19 budget. The state did not approve the remaining nine projects this year.

Funds Second Phase of Projects Approved Last Year. The budget also allocates $40 million in Proposition 51 bond funds for subsequent phases of 15 projects approved last year. For 14 projects, the budget includes funding for working drawings. For one project using a design-build process, the budget includes funding for both design and construction. A list of all these projects also is on our EdBudget website.

Funds Construction Phase of One Previously Approved Project. The budget provides $14 million in Proposition 1D (2006) funds to replace an instructional building at Compton College. The state originally provided funding 2015-16, but funding was not spent due to project delays.

EARLY EDUCATION

$4.7 Billion Total Spending on Early Education Programs. Of this amount, $2.3 billion is for preschool programs, $2.3 billion is for other child development programs, and $144 million is for support programs. As **Figure 6** shows (see next page), the *2018-19 Budget Act* augments these programs by a total of $655 million (16 percent) from the revised 2017-18 level. Non-Proposition 98 General Fund covers about half of this increase ($324 million), with Proposition 98 General Fund ($148 million) and federal funds ($183 million) comprising the rest of the increase.

Higher Spending Due to Slot and Rate Increases. As **Figure 7** shows (see page 25), more slots and higher reimbursement rates account for the vast majority of the year-over-year funding increase, with various other adjustments comprising the remainder of the increase. We describe these augmentations below.

Slots

Funds Additional Alternative Payment Slots. The budget provides $205 million federal funds for 11,307 new Alternative Payment slots starting July 1, 2018. This funding is tied to an increase in the amount of available federal funds. To address some uncertainty regarding whether the increase in the federal grant will be ongoing, the funds are to be spent over a two-year period (through June 30, 2020). Despite some uncertainty, the state expects to receive the same increase in federal funds in 2019-20. If California receives this additional federal

funding, the Legislature and Governor intend to use it to sustain the 11,307 slots for another two years (2020-21 and 2021-22). The budget also provides $16 million ongoing non-Proposition 98 General Fund for 2,100 new Alternative Payment slots starting September 1, 2018.

Funds Additional State Preschool Slots. The budget provides $19 million to annualize the cost of 2,959 preschool slots added April 1, 2018. The budget also provides $8 million for 2,959 new full-day State Preschool slots at LEAs starting April 1, 2019. This increase represents the third of three equal batches of State Preschool slots that the Legislature and Governor agreed to add as part of a 2016-17 multiyear budget agreement.

Reimbursement Rates

Increases Standard Reimbursement Rates (SRR). The state funds State Preschool, General Child Care, a portion of Migrant Child Care, and Care for Children with Severe Disabilities based on the SRR. The 2018-19 budget provides $48 million General Fund ($32 million Proposition 98 and $16 million non-Proposition 98) to increase the SRR by 2.8 percent. The new rate for a full-day, center-based State Preschool slot is

Figure 6

Early Education Budget

(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Enacted[a]	Change From 2017-18 Amount	Change From 2017-18 Percent
Expenditures					
CalWORKs Child Care					
Stage 1	$418	$323	$331	$7	2.3%
Stage 2	445	508	560	52	10.2
Stage 3	284	348	399	51	14.7
Subtotals	($1,147)	($1,179)	($1,289)	($110)	(9.4%)
Non-CalWORKs Child Care					
Alternative Payment Program	$283	$292	$530	$237	81.2%
General Child Care	308	340	412	72	21.0
Bridge program for foster children	—	20	41	21	103.3
Migrant Child Care	31	35	40	6	15.9
Care for Children With Severe Disabilities	2	2	2	—[b]	5.3
Subtotals	($623)	($689)	($1,024)	($335)	(48.6%)
Preschool Programs					
Transitional Kindergarten	$789	$811	$865	$55	6.8%
State Preschool—full day	627	738	804	66	9.0
State Preschool—part day	447	503	538	35	7.0
Preschool QRIS Grant	50	50	50	—	—
Subtotals	($1,913)	($2,101)	($2,257)	($156)	(7.4%)
Support Programs	$89	$91	$144	$53	58.3%
Totals	**$3,772**	**$4,060**	**$4,715**	**$655**	**16.1%**
Funding					
Proposition 98 General Fund	$1,764	$1,933	$2,081	$148	7.6%
Non-Proposition 98 General Fund	984	1,099	1,423	324	29.5
Federal CCDF	639	635	857	222	35.0
Federal TANF	385	388	344	-44	-11.3
Federal Title IV-E	—	5	10	5	104.0

[a] The 2018-19 budget plan also funds Inclusive Early Education Expansion Program ($167 million) using 2017-18 Proposition 98 General Fund. Funding for this proposal is not included in this table.
[b] Less than $500,000.
QRIS = Quality Rating and Improvement System; CCDF = Child Care and Development Fund; and TANF = Temporary Assistance for Needy Families.

$12,070 per year, whereas the new rate for a full-day, center-based General Child Care slot for a preschool-aged child is $11,995 per year. The 2.8 percent increase applies to rates for centers, family child care homes, and all age groups.

Increases Certain Adjustment Factors. The state adjusts the SRR for certain higher-cost groups of children, including infants, toddlers, children with exceptional needs, and children with severe disabilities. The state also adjusts regional market rates (RMR) for these latter two groups of children. The budget provides $40 million non-Proposition 98 General Fund to increase the adjustment factors listed below in the following ways, beginning January 1, 2019:

- Infants: from 1.7 to 2.44.
- Toddlers: from 1.4 to 1.8.
- Children with exceptional needs: from 1.2 to 1.54.
- Children with severe disabilities: from 1.5 to 1.93.

(An adjustment factor of 1.5 reimburses providers at 1.5 times the rate for other children. The infant and toddler adjustments are relative to the base SRR used for General Child Care programs.)

Permanently Extends Regional Market Rate (RMR) Hold Harmless Provision. The budget provides $14 million ($13 million non-Proposition 98 General Fund and $1 million federal funds) to permanently extend the RMR hold harmless

Figure 7

2018-19 Early Education Changes

(In Millions)

Change	General Fund Prop. 98[a]	General Fund Non-Prop. 98	Federal Funds	Total
Slots				
Provides 11,307 Alternative Payment slots available until June 30, 2020	—	—	$205	$205
Annualizes cost of State Preschool slots initiated April 1, 2018	$19	—	—	19
Provides 2,100 Alternative Payment slots starting September 1, 2018	—	$16	—	16
Provides 2,959 full-day State Preschool slots at LEAs starting April 1, 2019	8	—	—	8
Subtotals	($28)	($16)	($205)	($248)
Reimbursement Rates				
Provides 2.71 percent COLA to certain child care and preschool programs	$30	$24	—	$54
Increases Standard Reimbursement Rates 2.8 percent starting July 1, 2018	32	16	—	48
Provides increase to certain adjustment factors starting January 1, 2019	—	40	—	40
Annualizes Regional Market Rate (RMR) increase initiated January 1, 2018	—	20	$4	24
Permanently extends RMR hold harmless provision[b]	—	13	1	14
Subtotals	($62)	($113)	($5)	($180)
Other				
Makes CalWORKs caseload and average cost of care adjustments	—	$108	-$7	$101
Adjusts Transitional Kindergarten for increases in attendance and LCFF funding rate	$55	—	—	55
Provides one-time increase to quality support programs	—	—	26	26
Provides funds to annually inspect licensed child care providers	—	—	26	26
Annualizes funding for bridge program for foster children initiated January 1, 2018	—	16	5	21
Reduces non-CalWORKs slots by 0.48 percent[c]	-5	-4	—	-9
Makes other technical adjustments	9	-2	—	7
Replaces federal funds with state funds (accounting adjustment)	—	77	-77	—
Subtotals	($59)	($195)	(-$27)	($227)
Totals	**$148**	**$324**	**$183**	**$655**

[a] Enacted budget also funds Inclusive Early Education Expansion Program ($167 million one time) using 2017-18 Proposition 98 General Fund.
[b] The RMR hold harmless provision was set to expire December 31, 2018.
[c] Reflects statutory adjustment based on the projected decrease in the birth-through-four population.
COLA = cost-of-living-adjustment; LEA = local education agency; and LCFF = Local Control Funding Formula.

provision so that no provider moving forward receives less than it received on January 1, 2018. (The hold harmless provision was set to expire December 30, 2018.) The budget also includes $24 million to annualize the RMR rate increase initiated January 1, 2018.

Quality Support Programs

Funds Inclusive Early Education Expansion Grants. The budget provides $167 million Proposition 98 General Fund for one-time competitive grants to school districts and other child care and preschool providers for the purpose of increasing access to inclusive early education programs. Grants could be used for a variety of one-time expenses, including training, facility renovations, and equipment. Grant recipients must provide $1 in local funds for every $2 received through the grant. Grant recipients also must commit to provide program data and participate in an evaluation.

Funds Annual Inspections of Licensed Child Care Providers. The budget provides $26 million federal funds to inspect licensed child care providers more frequently. Currently, Community Care Licensing (CCL), a division of the Department of Social Services, typically inspects licensed child care providers once every three years. Federal law requires states to inspect licensed child care providers annually. California currently has a waiver from this requirement that is set to expire October 2018.

Funds Other Quality Improvement Activities. The budget provides $26 million one-time federal funds for various quality improvement initiatives:

- $10 million for a three-year pilot program focused on including children with exceptional needs in mainstream early education settings.
- $6 million to be spent at the discretion of CDE, with first call for ensuring state compliance with federal consumer education requirements, including making basic information on child care providers available to parents.
- $5 million for the Child Care Initiative Project, which recruits and trains existing license-exempt providers to help them become licensed providers.
- $5 million for professional development for licensed child care teachers.

Other Changes

Makes Adjustments to CalWORKs Child Care. The budget adjusts CalWORKs child care spending up by $101 million compared to the revised 2017-18 level. The bulk of the year-over-year increase is due to major policy changes enacted last year costing much more than anticipated. Specifically, the 2017-18 budget substantially increased the exit income threshold and allowed families to demonstrate eligibility only once a year (rather than having to maintain eligibility throughout the year). These eligibility changes allow families to remain in the program longer and reduce the rates of fluctuation in and out of the program. The budget also accounts for changes in average cost of care based on families using different types of providers, serving children of different ages, or providing more average hours of care per day.

Makes Statutory Adjustments to Non-CalWORKs Child Care and Preschool Programs. The budget provides $54 million to fund a 2.71 percent COLA for non-CalWORKs child care programs and the State Preschool program. For the programs that receive the SRR, the COLA augments the rate that providers receive. In the Alternative Payment program, the COLA effectively creates extra child care slots. The budget also makes a $9 million downward adjustment to these programs reflecting an estimated 0.48 percent decrease in the birth-through-four population in California.

Augments Transitional Kindergarten (TK). The budget adds $55 million for TK. This increase is due to a 6.1 percent increase in LCFF funding, offset by a slight expected decrease in TK average daily attendance.

Clarifies Licensing Standards for LEA-Run State Preschool Programs. The 2017-18 budget plan exempts State Preschool programs run by LEAs from certain health and safety standards, known as Title 22 standards, beginning July 1, 2019. The 2018-19 budget includes several

provisions to clarify rules for these programs once the exemption takes effect. Specifically, Chapter 32 clarifies that the exemption from Title 22 standards applies to any classroom serving at least one State Preschool student. The legislation also requires CDE to add certain health and safety requirements to Title 5 regulations, which govern all State Preschool programs. In addition, Chapter 32 requires LEA-run State Preschool programs to use CDE's uniform complaint procedures for addressing health and safety complaints and to use expedited response timelines that currently apply to school facility health and safety issues.

Clarifies That an LEA Can Serve Both State Preschool and TK Students in a Single Classroom. In addition, Chapter 32 specifies the requirements that apply when State Preschool and TK students are served in a single classroom and program requirements conflict. Most notably, Chapter 32 requires mixed classrooms be taught by a teacher with a multiple subject teaching credential (the current TK requirement) and have a staffing ratio of one adult per 8 children (the current State Preschool requirement). In addition, Chapter 32 requires all students in a mixed classroom be evaluated with the Desired Results Developmental Profile (typically only required for State Preschool students).

HIGHER EDUCATION

In this section, we discuss notable budget changes for the California State University, University of California, Hastings College of the Law, California Student Aid Commission, and the California State Library.

California State University

$7.4 Billion Total Spending on CSU's Core Program in 2018-19. As Figure 8 shows, $4.1 billion (56 percent) is state General Fund, $3.2 billion (43 percent) is student tuition and fee revenue, and $53 million (0.7 percent) is other state funding (primarily lottery revenue). Core spending increases by $377 million (5.4 percent) over 2017-18. The increase consists mostly of higher General Fund support, with a small increase in tuition revenue due to enrollment growth. Tuition levels are intended to remain flat from 2017-18 to 2018-19.

Reduces General Fund Support if CSU Raises Tuition in 2018-19. The budget includes provisional language that allows the Director of Finance to reduce CSU's General Fund appropriation were CSU to increase tuition levels. The amount of any such reduction would equal the amount of estimated state cost increases to the Cal Grant and the Middle Class Scholarship programs resulting from a tuition increase. The provisional language requires the Director of Finance to notify the Joint Legislative Budget Committee at least 30 days before making any such reduction.

Figure 8

California State University Core Funding by Source

(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Enacted	Change From 2017-18 Amount	Change From 2017-18 Percent
Core Funds					
General Fund					
Ongoing[a]	$3,454	$3,719	$3,959	$240	6.5%
One time	110	47	163[b]	117	250.7
Subtotals	($3,564)	($3,765)	($4,122)	($357)	(9.5%)
Tuition and fees[c]	$3,077	$3,168	$3,188	$20	0.6%
Other state funds[d]	50	53	53	—	—
Totals	**$6,691**	**$6,986**	**$7,362[b]**	**$377**	**5.4%**

[a] Includes funding for pensions and retiree health benefits.
[b] In addition, the budget appropriates $7 million one-time General Fund to the Department of Social Services for provision of legal services to undocumented students and immigrants at CSU campuses.
[c] Includes funds that CSU uses to provide tuition discounts and waivers to certain students. In 2018-19, CSU plans to provide $702 million in such aid.
[d] Includes lottery funds and, beginning in 2017-18, $2 million ongoing from the State Transportation Fund for transportation research.

Provides $240 Million (6.5 Percent) Ongoing General Fund Increase. As Figure 9 shows, $122 million is an unrestricted augmentation, which CSU intends to use primarily for implementing collective bargaining agreements ratified by the Board of Trustees in 2018-19 and covering other employee-related cost increases, including higher health premiums for active employees. The remaining $118 million in ongoing funding is for various other costs, including providing additional instruction and support services as part of the Graduation Initiative and covering higher pension costs and retiree health care costs. The budget includes provisional language requiring CSU to earmark at least $25 million of its base funding to increase the number of tenure-track faculty above the 2017-18 level.

Designates $163 Million General Fund for Various One-Time Purposes. The largest increase is $120 million for enrollment growth of 3,641 full-time equivalent (FTE) undergraduate students (1 percent over the 2017-18 level). Provisional language permits CSU to spend these funds over a four-year period to support the student cohort. Prior to spending these funds, CSU must notify the Legislature and DOF on how it will distribute these enrollment growth slots among its campuses and how much of the total it expects to spend each year. The remaining $43 million in one-time funding is associated with six initiatives. The largest of these is $35 million for deferred maintenance. This deferred maintenance spending is part of a larger package of spending across numerous agencies discussed later in this report. Outside of CSU's main appropriation item, the budget appropriates $7 million one-time General Fund to the Department of Social Services for contracting with an external group to provide legal services to undocumented and immigrant students, faculty, and staff at CSU campuses.

Authorizes CSU to Fund Five Facility Projects. The 2018-19 state cost of these projects totals $109 million. The associated annual debt service is estimated to be about $7 million. CSU indicates it will support debt service using existing funds. The projects range from a new academic building at the San Luis Obispo campus to equipment at the Pomona campus. A list of all authorized projects is on our EdBudget website. Though CSU and DOF originally proposed funding 27 projects, serious concerns over the quality of the proposals led to the Legislature and administration scaling back project approvals this year.

Figure 9

California State University General Fund Changes

(In Millions)

2017-18 Revised Spending	**$3,765.4**
Ongoing	
Unrestricted increase	$122.1
Graduation Initiative	75.0
Pension adjustment	22.5
Retiree health benefits adjustment	20.3
Center for California Studies[a]	0.2
Subtotal	($240.1)
One Time	
Enrollment growth[b]	$120.0
Deferred maintenance	35.0
Shark research at the Long Beach campus	3.8
Open educational resources[c]	1.7
Student hunger and basic needs	1.5
Mervyn M. Dymally Institute at the Dominguez Hills campus	1.0
Science and Technology Policy Fellows Program	0.4
Remove one-time funding provided in prior years	-46.6
Subtotal	($116.7)[d]
Total	**$356.8**
2018-19 Enacted Spending	**$4,122.3[d]**

[a] Reflects $100,000 for the Education Policy Fellowship Program, $86,000 for a cost-of-living adjustment for the Capital Fellows Program, and $24,000 for the Sacramento Semester Program.
[b] Intended to fund a cohort of 3,641 full-time equivalent students over a four-year period.
[c] Funding authorized pursuant to Chapter 633 of 2015 (AB 798, Bonilla).
[d] In addition, the budget appropriates $7 million one-time General Fund to the Department of Social Services for provision of legal services to undocumented students and immigrants at CSU campuses.

University of California

$9.1 Billion Total Spending on UC's Core Program in 2018-19. As Figure 10 shows, $3.8 billion (41 percent) is state General Fund, $4.9 billion (54 percent) is student tuition and fees, and $437 million (5 percent) is from other revenue sources (including overhead on state and federal research grants and lottery funds) that UC allocates for its education programs. Core funding increases $316 million (3.6 percent) over 2017-18. The increase consists of higher General Fund support, additional support from nonresident tuition increases, and a small increase in tuition revenue due to enrollment growth. As with CSU, systemwide tuition and fee levels are intended to remain flat from 2017-18 to 2018-19, and the budget package contains provisional language reducing General Fund support were UC to raise tuition. As with CSU, the specific reduction is connected to the associated increase in Cal Grant and Middle Class Scholarship costs for UC students. (The language does not apply to increases in the Student Services Fee.)

Figure 10

University of California Core Funding by Source

(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Enacted	Change From 2017-18 Amount	Change From 2017-18 Percent
General Fund					
Ongoing	$3,279	$3,367	$3,475	$108	3.2%
One time	262	177	249	72	40.9
Carryover[a]	-45	5	39	34	639.0
Subtotals	($3,496)	($3,549)	($3,764)	($214)	(6.0%)
Tuition and fees[b]	$4,507	$4,816	$4,928	$112	2.3%
Lottery	38	42	42	—[c]	-0.1
Other core funds[d]	353	405	395	-10	-2.5
Totals	**$8,394**	**$8,813**	**$9,129**	**$316**	**3.6%**

[a] Of the $262 million one time provided in 2016-17, $45 million was unspent. UC plans to spend $5 million of the carryover in 2017-18 and the remainder in 2018-19.

[b] Includes funds that UC uses to provide tuition discounts and waivers to certain students. In 2018-19, UC plans to provide $1 billion in such aid.

[c] Less than $500,000.

[d] Includes a portion of overhead funding on federal and state grants, a portion of patent royalty income, and Proposition 56 funding designated for graduate medical education.

Provides 3 Percent Ongoing General Fund Increase. As Figure 11 shows (see next page), the budget provides UC with a $92 million increase in unrestricted ongoing General Fund support. The university likely will use this amount to cover salary increases, employee benefit cost increases, pension cost increases, and other operating cost increases over the coming year. The budget also includes $10 million ongoing General Fund support to backfill one-time Proposition 56 monies provided to UC in 2017-18.

Supports 1.1 Percent Enrollment Growth. The budget provides $20 million to support 2,000 additional resident undergraduate students in 2018-19 compared to 2017-18, with the goal of admitting at least one transfer student for every two freshman students. The enrollment is supported with a mix of General Fund and redirected funds. Specifically, the budget provides $5 million General Fund and redirects $15 million from within UC's budget. The redirections implement a *2017-18 Budget Act* provision requiring the university to identify existing programs from which funds could be redirected. Our EdBudget website includes a table listing all the identified programs, along with the amount redirected from each program for enrollment growth. If UC enrolls fewer than the expected 2,000 students, the *2018-19 Budget Act* contains a provision reducing General Fund support by $10,000 for each student below the enrollment target.

Provides $105 Million One-Time Unrestricted Increase. This funding is designated for "general university needs." Though the budget does not specify the exact use of the funds, provisional language states legislative intent that the funds be used to enroll more resident undergraduate students and augment services and programs that improve student outcomes.

Provides $56 Million One Time for Three Physician Training Programs. These funds are allocated as follows:

- ***Primary and Emergency Care Residency Slots ($40 Million).*** Budget documents indicate these General Fund monies are intended to be used to supplement

Proposition 56 (2016) funds for physician residency slots primarily in the areas of primary care and emergency care. UC has discretion in how it distributes these funds amongst hospitals.

- ***UC Riverside School of Medicine Residency Slots ($15 Million).*** Provisional language specifies that these General Fund monies are for accredited psychiatry programs that use telemedicine. The budget directs UC to report to the Legislature annually on the use of the funds. UC has until June 30, 2023 to spend the funds.
- ***UC Davis and UC Irvine Psychiatry Scholarships ($1 Million).*** Provisional language specifies that these Mental Health Services Act monies (passed through the Office of Statewide Health Planning and Development) are for scholarships for physicians enrolling in these two programs. The programs are one year in duration and provide advanced training on primary care psychiatry.

Provides $16 Million One Time for Three Research Initiatives Involving UC. Specifically, the budget provides $12 million to the UC Davis Institute for Regenerative Cures to research "Jordan's Syndrome"—a rare disorder resulting from a genetic mutation that is thought to cause autism and other neurological disorders. The budget also provides $3 million directly to UC for research on Valley Fever—an infectious disease caused by a fungus that lives in the soil and is acquired by inhaling contaminated dust. (In addition, the budget passes $3 million through the California Department of Public Health for similar research at Kern Medical Center, a nonprofit teaching hospital located in Bakersfield.) The budget also provides $500,000 for the California Vector-Borne Disease Surveillance Gateway (CalSurv), located at UC Davis, which compiles data on mosquitos and mosquito-borne health threats.

Provides $74 Million One Time for Other Priorities. These priorities include $35 million for deferred maintenance, also part of the state's larger deferred maintenance package. It includes $25 million to help UC Berkeley address its budget deficit. The budget conditions these funds on the campus submitting a plan by December 1, 2018 to eliminate its

Figure 11

University of California General Fund Changes

(In Millions)

2017-18 Revised Spending	**$3,549.4**
Ongoing	
Unrestricted increase (3 percent)	$92.1
Replace one-time Proposition 56 funds with General Fund	10.0
Resident undergraduate enrollment growth (2,000 students)[a]	5.0
Center for Global Conflict and Cooperation	1.0
Subtotal	($108.1)
One time	
General university needs[b]	$105.0
Primary and emergency care residency slots	40.0
Carryover reappropriated for original purposes	39.5
Deferred maintenance	35.0
UC Berkeley operating deficit	25.0
Psychiatry residency slots	15.0
Jordan's Syndrome research	12.0
Legal services for undocumented and immigrant students and employees	4.0
Valley fever research	3.0
UC Davis Aggie Square project planning	2.8
Equal employment opportunity activities[c]	2.0
Ralphe J. Bunche Center for African American Studies	1.8
Student hunger and basic needs[d]	1.5
Anti-bias training	1.2
Mosquito surveillance	0.5
Remove prior-year one-time funding	-181.9
Subtotal	($106.3)
Total	**$214.4**
2018-19 Enacted Spending	**$3,763.8**

[a] Another $15 million is redirected from within UC's budget, for total support of $20 million.
[b] The budget states legislative intent that the funds be used for enrollment growth and services and programs that improve student outcomes.
[c] Reflects third consecutive year of one-time funding.
[d] Reflects second consecutive year of one-time funding.

deficit. The remaining $14 million is spread across six other initiatives involving certain staff training activities and certain student services. In addition to these initiatives, the budget provides $150,000 General Fund one time to the Underground Scholars Initiative at UC Berkeley, with the funds passed through the Board of State and Community Corrections.

Authorizes UC to Undertake Nine Capital Outlay Projects. The 2018-19 state cost of these projects totals $301 million. Four of the projects (totaling $153 million in state funding) involve constructing new academic space and one entails constructing an addition to the Northern Regional Library Facility, located in Richmond. The other projects focus on correcting various seismic and life-safety deficiencies. All of projects UC originally proposed this year ended up being authorized by the state. A list of all these projects is on our EdBudget website. To finance the projects, UC will sell university bonds and pay the associated debt service using its state General Fund appropriation. UC estimates the annual debt service for these projects to be $22 million.

Adjusts Budgeting of UCOP. Prior to 2017-18, UC allocated all General Fund support directly to the campuses. To fund UCOP's core operations and programs, the central office assessed each campus a charge. In an effort to improve transparency and oversight over UCOP's budget, the state in 2017-18 changed this arrangement. Specifically, the state budget itemized $349 million of UC's General Fund appropriation for UCOP and directed UC to eliminate the campus charges. Of this amount, $296 million was designated for UCOP's operations and $52 million for the UCPath project. UCPath is a payroll and human resource service center ultimately intended to be used by all UC campuses. The 2018-19 budget makes the following three adjustments to these line items:

- ***Reduces UCOP Budget.*** The budget designates $288 million for UCOP operations, an $8.6 million (2.9 percent) reduction from the 2017-18 level. The budget redirects this $8.6 million to support enrollment growth in 2018-19, as part of the $20 million funding arrangement described earlier. Of the $8.6 million, $6 million comes from UCOP's administrative budget, $2 million comes from various initiatives established by the UC President, and $551,000 comes from three other small programs eliminated from UCOP's budget.
- ***Specifies Amount Used for Agriculture and Natural Resources (ANR) Division.*** The ANR Division oversees several agricultural research and outreach programs in partnership with federal and local agencies. Within the $288 million provided for UCOP's operations, the budget designates $73 million for this division. The earmarked amount reflects the same level of support as provided to the ANR Division in 2017-18. The earmarking is intended to lend greater transparency to UCOP's budget.
- ***Augments Funding for UCPath With Campus Charges.*** The budget continues to designate $52 million General Fund for the UCPath project but authorizes UC to assess up to $15 million in campus charges to support the project. UC indicates that the augmentation from the campus charges would fund the first year of a two-year plan to deploy the UCPath center at all campuses.

Office of Planning and Research

Provides $10 Million Ongoing General Fund for New Online Learning Lab. The purpose of the new California Education Learning Laboratory is to expand lower-division online and hybrid courses at the state's three public higher education segments. (This is a separate program from the online initiatives the state already funds at the three segments.) At least for the first three years, the program will focus exclusively on STEM courses. After three years, the program is permitted to add online and hybrid courses in other disciplines. The program is to be administered by the Office of Planning and Research (OPR), which is charged with awarding competitive grants to intersegmental teams of faculty. Trailer language allows OPR, however, to contract with another entity, such as a nonprofit organization, to administer the program.

Provides $30 Million One Time General Fund for Precision Medicine. The amount represents the fourth year of funding for research on precision medicine, which aims to improve health care through better use of advanced computing, technology, and data. Funds in previous years generally have supported projects researching new technologies and data tools to monitor and diagnose certain health issues. In addition, a portion of past funding has been used to develop a database of precision medicine research activities in the state and available government and private fund sources to support research projects. The administration indicates that funds in 2018-19 would support similar projects.

Hastings College of the Law

$65 Million Total Funding for Hastings in 2018-19. Of this amount, $43 million (66 percent) is tuition and fee revenue, $20 million (31 percent) is state General Fund, and $1.7 million (3 percent) is other funding, such as investment income, that the college allocates for its education programs. (The General Fund amount does not include general obligation bond debt service on Hastings projects, which is estimated to be $795,000 in 2018-19.) After accounting for all changes, core funding increases $7.9 million (13.8 percent) over 2017-18.

General Fund Increases by $7.6 Million. Of this amount, $1.1 million is ongoing and $6.5 million is for three one-time initiatives. Virtually all of the school's ongoing increase is unrestricted, with Hastings indicating it likely will use this funding primarily for employee compensation increases. Of the one-time funds:

- $4.5 million is for a new diversity pipeline initiative.
- $1.5 million is for consultants and various activities intended to assist the school in aligning its administrative processes with the new UCPath system by 2019-20.
- $500,000 is for deferred maintenance projects at the law school, also part of the state's larger package of projects.

School Has $2 Million Operating Deficit in 2018-19. Though Hastings is receiving $65 million in core revenue, it plans to spend $67 million in 2018-19—reflecting a $2 million operating deficit. The school intends to cover the deficit by drawing down its reserves. The school projects it will end 2018-19 with general purpose reserves of $11 million—significantly lower than its reserve of $26 million at the end of 2015-16. The 2018-19 academic year represents the start of an internal, multiyear plan to eliminate Hastings operating deficit. The plan relies primarily on decreases in financial aid awards (beginning in 2018-19) and increases in tuition revenue (beginning in 2019-20). Under the budget plan, Hastings' operating deficit would be eliminated by 2021-22.

Student Financial Aid

$2.4 Billion Total Spending on Student Aid Commission-Run Financial Aid Programs in 2018-19. As Figure 12 shows, $1.3 billion (54 percent) is state General Fund, $1.1 billion (45 percent) is federal Temporary Assistance for Needy Families (TANF) funding, and $27 million (1 percent) is state special funds and reimbursements. Financial aid spending from these sources increases a net of $72 million (3.1 percent) from the revised 2017-18 level. Ongoing spending increases $70 million and one-time spending increases $5.5 million. These increases are offset by $3.5 million in reductions to state operations due to backing out prior-year one-time funding. Year over year, General Fund increases by $46 million, TANF funds increases by $23 million, and special funds and reimbursements increase by $4.2 million.

Covers Higher Cal Grant Costs. The budget increases Cal Grant funding by $66 million in 2018-19. Of this increase, $57 million is for changes in Cal Grant participation. Another $5.2 million is for expanded Cal Grant B eligibility for foster youth, as described below. The budget also assumes UC increases the Student Services Fee by 4.8 percent and provides $4.2 million to cover the higher associated Cal Grant costs. (Following budget enactment, the UC Board of Regents decided not to raise the fee for 2018-19.)

Expands Cal Grant B Eligibility for Foster Youth. The Cal Grant B provides $1,672 per recipient in aid for living expenses. It also provides tuition coverage at most institutions after the first year of study. Chapter 33 of 2018 (AB 1809,

Committee on Budget) makes three Cal Grant B changes for foster youth students. It (1) entitles foster youth to receive a Cal Grant B until they are 26 years of age regardless of when they graduated from high school, (2) increases the amount of time foster youth recipients can renew their grants from four years to eight years of full-time study, and (3) extends the deadline to apply for a Cal Grant B from March 2 to September 2 for foster youth attending CCC.

Also Expands Chafee Eligibility for Foster Youth. The Chafee program provides foster youth up to $5,000 in aid generally for living expenses. The program is funded from a mix of state and federal funds. Both state and federal funds flow from the Department of Social Services to the California Student Aid Commission (CSAC) through an interagency agreement. Chapter 33 also expands the eligible age a foster youth can receive a Chafee grant to 26 years old. The budget provides the Department of Social Services $4 million General Fund for covering the associated cost. Although the Chafee program is not an entitlement program, staff at CSAC indicate that the intent of the augmentation is to cover all eligible foster youth.

Maintains Cal Grant Award Amount for Nonprofit Schools, With Conditions. The 2012-13 budget amended state law to lower the Cal Grant from $9,084 to $8,056 starting in 2014-15 for students attending nonprofit schools, as well as for students attending for-profit institutions accredited by the Western Association of Schools and Colleges (WASC). Subsequent budget actions have postponed the scheduled reduction. Chapter 33 repeals the scheduled reduction for the nonprofit sector but ties the $1,028 award differential to the sector admitting a specified number of students with an associate degree for transfer each year. If the sector fails to admit the specified number of students each year, the Cal Grant is to be reduced to $8,056 for students attending that sector. In contrast to awards at the nonprofit sector, the budget

Figure 12

California Student Aid Commission

(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Enacted	Change From 2017-18 Amount	Change From 2017-18 Percent
Spending					
Local assistance					
Cal Grants	$1,947	$2,172	$2,238	$66	3.1%
Middle Class Scholarships	71	100	101	2	1.6
Chafee Foster Youth Program	13	14	19	4	29.9
Student Opportunity and Access Program	8	8	8	—[a]	2.3
Assumption Program of Loans for Education	10	7	5	-2	-27.0
National Guard Education Assistance Awards	2	2	2	—	—
Other programs[b]	1	4	1	-3	-80.1
Subtotals	($2,053)	($2,307)	($2,374)	($67)	(2.9%)
State operations	$16	$16	$21	$5	31.2%
Totals	**$2,069**	**$2,323**	**$2,395**	**$72**	**3.1%**
Funding					
General Fund	$1,122	$1,256	$1,302	$46	3.6%
Federal TANF	926	1,043	1,066	23	2.2
Other federal funds and reimbursements	17	18	22	4	23.3
College Access Tax Credit Fund	4	6	6	—[a]	1.5

[a] Less than $500,000.

[b] Includes Cash for College, Child Development Teacher/Supervisor Grants, Graduate Assumption Program of Loans for Education, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, and State Nursing Assumption Program of Loans for Education For Nursing Faculty.

TANF = Temporary Assistance for Needy Families.

implements the scheduled reduction for students attending WASC-accredited for-profit schools, thereby lowering the award for these students to $8,056.

Covers Slightly Higher Costs for Middle Class Scholarships. The state first funded the Middle Class Scholarship program in 2014-15. The program covers a portion of systemwide tuition and fees for students who do not qualify for Cal Grants but have household incomes and assets each under $171,000. State law specifies the amount of funding for the program each year, eventually capping total funding for the program at $117 million in 2019-20. Chapter 33 adjusts the statutory spending levels to reflect updated participation and cost data. Specifically, Chapter 33 authorizes $71.2 million for the program in 2016-17, $99.8 million in 2017-18, and $101.4 million in 2018-19. The slight increase in 2018-19 spending is due primarily to an increase in projected number of awards and the assumed increase to the UC Student Services Fee.

Increases CSAC State Operations Funding. The budget includes $5.5 million one time for CSAC to continue working on replacing its online grant delivery system. CSAC uses this system to process financial aid applications, make offers, and process payments. The project is in the fourth of the four review stages of the state's Project Approval Lifecycle. CSAC plans to select a vendor in 2018-19 to accomplish the first of two phases entailed in building the new system.

California State Library

Provides $63 Million in Total Funding for State Library. Of this amount, $42 million (66 percent) is state General Fund, $18 million (29 percent) is federal funds, and $3 million (4 percent) is special funds. Of state General Fund, $27 million is for assistance to local libraries and $15 million is for state operations and facilities. The budget includes $16 million in new General Fund spending—$14 million for local library assistance and $2 million for state operations. Of the $16 million, about one-quarter is for ongoing purposes, with three-quarters for one-time purposes. Our EdBudget website has a summary of all these augmentations.

HEALTH

Overview of Spending

The spending plan provides $25.4 billion General Fund for health programs. This is an increase of about $2.9 billion, or 13 percent, compared to the revised 2017-18 spending level, as shown in **Figure 13**. This year-over-year net increase is primarily due to significant growth in projected General Fund spending in Medi-Cal. To a significant degree, increased projected General Fund spending in Medi-Cal in 2018-19 reflects a shift in costs to the General Fund from other state and federal fund sources, rather than an overall increase in program costs. In addition, and as shown in **Figure 14** (see page 36), year-over-year growth in health program spending reflects a number of policy actions adopted by the Legislature as part of the 2018-19 spending plan. We discuss these policy actions in greater detail below.

Department of Health Care Services (DHCS)—Medi-Cal

Overview. The spending plan provides $23 billion from the General Fund for Medi-Cal local assistance expenditures through DHCS. This is an increase of $2.6 billion (13 percent) compared to the revised estimates of 2017-18 spending levels. Revised 2017-18 spending is $830 million (4 percent) above the *2017-18 Budget Act* appropriation, reflecting various technical adjustments that both increase and decrease spending. Of note, spending in 2017-18 is higher by $680 million General Fund to backfill claims for federal Medi-Cal funding that the federal government now disputes. We provide more information on General Fund costs associated with these disputed claims below. Growth in Medi-Cal funding in 2018-19 over revised 2017-18 levels

Figure 13

Major Health Programs and Departments—Spending Trends

General Fund (Dollars in Millions)

	2017-18	2018-19	Change From 2017-18 to 2018-19 Amount	Percent
Medi-Cal—local assistance	$20,344	$22,965	$2,620	13%
Department of State Hospitals	1,541	1,733	192	12
DHCS—state administration	219	236	17	8
Other DHCS programs	217	207	-11	-5
Department of Public Health	149	174	25	17
Office of Statewide Health Planning and Development	33	93	60	180
Emergency Medical Services Authority	8	9	—	3
Health and Human Services Agency	4	10	6	157
Totals	**$22,519**	**$25,430**	**$2,910**	**13%**

DHCS = Department of Health Care Services.

primarily reflects (1) reductions in the amount of other state funds available to offset General Fund spending, including funding provided through Proposition 56 (2016); (2) various technical adjustments—largely one time in nature—as a result of reduced federal funding, requiring a General Fund backfill; and (3) regular growth in program costs. We discuss some of the major Medi-Cal components of the 2018-19 budget package below.

Proposition 56 Spending Package. Proposition 56, approved by voters in 2016, raised state taxes on tobacco products and dedicates the majority of its associated revenues to Medi-Cal. The spending plan allocates up to $1.26 billion in Proposition 56 revenues to be spent in Medi-Cal in 2018-19 on the following purposes:

- ***Up to $821 Million for Provider Payment Increases.*** On a one-time basis, the spending plan extends the 2017-18 provider payment increases into 2018-19 and provides for additional provider payment increases. Budget language directs DHCS to develop the structure for the new 2018-19 provider payment increases before October 2018 and authorizes DHCS to make 2018-19 payments available while federal approval of federal funding for the payments is pending (provided that any payments not approved by the federal government can be recouped from providers). Figure 15 (see page 37) summarizes the Proposition 56-funded provider payment increases included in the spending plan.
- ***$220 Million to Establish the Proposition 56 Medi-Cal Physicians and Dentists Loan Repayment Program.*** On a one-time basis, the spending plan allocates $220 million in unspent 2017-18 Proposition 56 funding for Medi-Cal to establish a loan repayment program for physicians and dentists who participate in Medi-Cal. We provide additional detail on this program in the "Health Care Workforce" section of this report.
- ***$218 Million to Offset General Fund Spending on Medi-Cal Cost Growth.*** The spending plan dedicates $218 million in Proposition 56 revenue to offset General Fund spending in Medi-Cal. This represents a decrease from the $711 million in Proposition 56 revenue that offset General Fund spending in Medi-Cal in 2017-18. The reduced Proposition 56 General Fund offset accounts for nearly $500 million of the year-over-year $2.6 billion increase in General Fund Medi-Cal spending between 2017-18 and 2018-19.

Repayment of Federal Funds Received for Potentially Disallowed Claims. The spending plan

includes $754 million General Fund in 2017-18 and $675 million General Fund in 2018-19—a total of $1.4 billion over the two years—to replace a projected loss in federal funds related to an increased amount of claims the federal government now disputes. Until such disputes are resolved, the federal government requires the state to return previously claimed federal funds. To ensure Medi-Cal is fully funded, the state must backfill the lost federal funds with General Fund. The state will likely be able to eventually recover a significant portion of this funding (resulting in General Fund savings) by submitting required supporting documentation for the disputed claims, but the amount and timing for recovering funds is unknown.

Federal Reauthorization of Funding for the Children's Health Insurance Program (CHIP). The spending plan reflects $600 million less General Fund support for Medi-Cal in 2018-19 relative to the Governor's January budget as a result of

Figure 14

Major Actions—State Health Programs

2018-19 General Fund Effect (In Millions)

Program	Amount
Department of Health Care Services	
Uses Proposition 56 funding to offset General Fund spending on cost growth in Medi-Cal	-$217.7
Establishes homeless mentally ill outreach and treatment grant program (one time)	50.0
Provides COLA for county Medi-Cal administrative funding	28.3
Expands availability of Hepatitis C prescription drug treatments in Medi-Cal	21.8
Removes treatment limits in Breast and Cervical Cancer Treatment Program	8.4
Provides funding for Health Information Exchanges (one time)	5.0
Provide funding for additional data collection on children and LTSS in the CHIS (one time)	3.8
Creates Whole Genome Sequencing Pilot Project (one time)	2.0
Extends pediatric mobile optometry services pilot program funding for a half year (one time)	1.0
Office of Statewide Health Planning and Development	
Provides funding to establish all-payer health care cost and utilization database (one time)	$60.0
Department of Public Health	
Provides one-time funding for ALS wrap-around services	$9.0
Expands Black Infant Health Program	8.0
Provides one-time augmentations for HIV and STD prevention	7.0
Provides one-time funding for valley fever research, outreach, and awareness	5.0
Provides one time capital outlay for Richmond Laboratory upgrade	4.9
Increases funding for Alzheimer's Disease Program research grants	3.1
Provides one-time funding for diabetes prevention awareness	2.5
Provides funding to develop contaminant testing guidelines at public beaches (one time, decreasing amounts each year through 2022-23)	0.4
Backfills loss of federal funding for border health efforts	0.3
Department of State Hospitals	
Provides one-time funding to counties to establish IST diversion programs	$99.5
Expands IST patient treatment capacity	51.2
Activates additional beds at Coaling State Hospital	11.5
Provides funding to upgrade the Patton State Hospital's fire alarm system (one time)	9.4
Expands availability of Hepatitis C prescription drug treatments	3.3
Health and Human Services Agency	
Creates Council on Health Care Delivery Systems to develop reform options (one time)	$5.0
State Controller's Office	
Repays counties for outstanding state mandates related to children's mental health (one time)	$280.5

COLA = Cost-of-Living Adjustment; LTSS = Long-Term Services and Supports; CHIS = Children's Health Interview Survey; ALS = amyotrophic lateral sclerosis; and IST = Incompetent to Stand Trial.

the federal reauthorization of funding for CHIP. In January, the Governor's budget assumed federal funding for CHIP would be reauthorized at a 65 percent federal share of cost—a lower share of cost than the 88 percent federal share of cost the state had previously been receiving. (A lower federal share of cost corresponds to higher General Fund costs for CHIP.) The February 2018 federal reauthorization of CHIP funding temporarily maintains the federal share of cost at 88 percent through state fiscal year 2018-19, reducing projected state spending compared to the Governor's proposed January budget. For more information on the impact of the federal reauthorization of CHIP on state Medi-Cal spending, please see our Budget and Policy Post: *Recent Congressional Action on the Children's Health Insurance Program (CHIP).*

Figure 15

Use of Proposition 56 Funding in Medi-Cal

(In Millions)

	2017-18	2018-19
Provider Payment Increases:		
Physician services	$111	$500[a]
Dental services	86	210[a]
Women's health[b]	43	49
Intermediate Care Facilities for the Developmentally Disabled[b]	10	12
AIDS Medi-Cal Waiver Program[b]	3	3
Home health services[b, c]	—	28
Pediatric day health care facilities[b, c]	—	7
Freestanding pediatric subacute care facilities	—	4
Program for All-Inclusive Care for the Elderly[d]	—	6[a]
Community-Based Adult Services programs[d]	—	2[a]
Subtotals	($253)	($821)
Medi-Cal Physicians and Dentists Loan Repayment Program	—	$220[e]
Offset to General Fund Spending in Medi-Cal	$711	$218
Totals	**$964**	**$1,259**

[a] The spending plan provides up to the listed dollar amounts.
[b] Payment increases are intended to be ongoing, though the funding source may differ in future years. All other funding items are intended to be reevaluated after 2018-19.
[c] Payment increases take the form of a rate increase as opposed to a supplemental payment or a direct allocation to qualifying providers.
[d] Payment increases take the form of a direct allocation to qualifying providers.
[e] $190 million is dedicated to physician loan repayment and $30 million is dedicated to dentist loan repayment.

Provides for a Cost-of-Living Adjustment (COLA) for County Administrative Funding. The budget includes $28 million General Fund ($56 million total funds) to provide a COLA to county funding for Medi-Cal eligibility determination activities. The budget also assumes the continuation of county administrative funding augmentations that began in 2013-14 and grew in subsequent years to reflect increased Medi-Cal caseloads following the implementation of the Patient Protection and Affordable Care Act.

Expands Availability of Hepatitis C Treatment. The spending plan provides $22 million in General Fund to expand the availability of potentially curative Hepatitis C prescription drugs to almost all Medi-Cal enrollees with the disease. Until 2018-19, only Medi-Cal enrollees with a relatively advanced stage of Hepatitis C, as well as enrollees with certain related conditions, generally qualified to receive the curative prescription drug treatments. A full course of these treatments costs tens of thousands of dollars, though the cost of the drug treatments has declined in recent years. As a part of the May budget proposal, the Governor proposed, and the Legislature approved, expanding the availability of these drug treatments across multiple state-funded health care programs, including Medi-Cal, Correctional Health Care Services, and the Department of State Hospitals. With the augmentation, DHCS will update its clinical guidelines for Medi-Cal to make the drug treatments available to all patients age 13 and above with Hepatitis C, except for those with life expectancy of less than 12 months.

Establishes San Mateo Dental Integration Pilot Program. Budget-related legislation grants DHCS the authority to establish a dental integration pilot program in San Mateo County no sooner than July 2019, provided the Legislature appropriates funding at a future time. Currently,

Denti-Cal—Medi-Cal's dental program—is provided on a fee-for-service basis in San Mateo as well as throughout most of the state. Under the pilot program, the Health Plan of San Mateo would become responsible for the delivery and financing of Denti-Cal services. This pilot program would represent the first time a Medi-Cal managed care plan that oversees the broader physical health of Medi-Cal enrollees is made responsible for its members' dental care.

Removes Limits on Treatment Length in the Breast and Cervical Cancer Treatment Program (BCCTP). The BCCTP provides breast and cervical cancer treatment for individuals with incomes below 200 percent of the federal poverty line who do not have alternative low-cost treatment coverage. For certain individuals in BCCTP that do not qualify for full-scope no-cost Medi-Cal coverage, prior law limited treatment to between 18 months (for breast cancer) and 24 months (for cervical cancer). Legislation adopted as part of the budget package eliminates these limits on treatment length. The budget provides $8.4 million from the General Fund in 2018-19 for this change.

Provides Funding for the Development of Health Information Exchanges (HIEs). The 2018-19 budget includes $5 million General Fund (one time) to expand the use of HIEs among safety net health care providers. HIEs serve as platforms for providers and health care plans to access and share their patients' and members' electronic health records. This state funding is expected to leverage $45 million in federal American Recovery and Reinvestment Act funds. The spending plan gives DHCS broad flexibility to determine how to administer this funding.

Establishes Whole Genome Sequencing Pilot Project. The 2018-19 spending plan provides $2 million General Fund to establish a Medi-Cal Whole Genome Sequencing Pilot Project. The funding will be allocated through a grant to a nonprofit organization in the state, yet to be determined, which will use the funding to investigate the potential value of using whole genome sequencing to help in the diagnosis and treatment of Medi-Cal patients, especially children with complex medical needs.

Provides Funding for Additional Data Collection Through California Health Interview Survey (CHIS). The budget includes $3.8 million General Fund ($7.5 million total funds) on a one-time basis to collect additional information through CHIS, a statewide health survey administered by the University of California (UC) Los Angeles. Specifically, the budget includes $3 million General Fund ($6 million total funds) to add questions to CHIS related to the demand for long-term services and supports among seniors and persons with disabilities in the state. The remaining $750,000 General Fund ($1.5 million total funds) augmentation is to test new ways of collecting health information from children and youth.

Extends Pediatric Mobile Optometry Services Funding for a Half Year. The spending plan provides up to $1 million General Fund to extend state funding for a pilot program that provides mobile optometry services to school children in Los Angeles County. Under this program, optometry services, including vision examinations and the providing of eyeglasses, are provided onsite at schools. This funding will extend payments for these services for the period from July 1, 2018 to December 31, 2018, after which the program will sunset.

Health Care Workforce

The spending plan provides significant one-time funding to expand the state's health care workforce and improve its geographic distribution across the state. Below, we describe the health care workforce augmentations in the 2018-19 spending plan.

Establishes the Proposition 56 Medi-Cal Physicians and Dentists Loan Repayment Program. As previously noted, the spending plan dedicates $220 million in one-time Proposition 56 Medi-Cal funding to establish a medical and dental school student loan repayment program for recent graduate physicians and dentists that participate in Medi-Cal. This funding, with $190 million to physicians and $30 million to dentists, will be available for expenditure through 2024-25. Budget legislation establishing the program directs DHCS to develop the criteria governing who can receive funding through the loan repayment program as well as the award amounts. The legislation directs

DHCS to prioritize ensuring timely access, limiting geographic shortages of services, and ensuring quality care in Medi-Cal in the design of the program.

Augments UC Graduate Medical Education (GME) Programs. The spending plan dedicates $55 million General Fund (one time) to UC for GME programs. Of this funding, $40 million will support residency programs for primary care, emergency, and potentially specialist physicians. The remaining $15 million is for the UC Riverside School of Medicine for psychiatric residency programs which currently incorporate telemedicine into their practice or plan do to so in the future. This $15 million in funding is available for expenditure until June 30, 2023.

Dedicates State Mental Health Services Act Funding to Mental Health Workforce Programs. The spending plan includes $11 million (one time) from the Mental Health Service Fund (MHSF) to expand the state's mental health workforce. Of this funding, $10 million will provide additional funding to the Office of Statewide Health Planning and Development (OSHPD) for the mental health Workforce Education and Training (WET) program. State funding for WET had largely been set to expire at the end of 2017-18. The remaining $1 million, also through OSHPD, will fund scholarships for primary care and emergency physicians participating in psychiatry fellowships at either the UC Davis Medical School or the UC Irvine Medical School.

Provides Funding to Increase the Number of Certified Nursing Assistants (CNAs). The spending plan provides $2 million from the General Fund (about $5 million in total funds) in response to new staffing requirements at skilled nursing facilities (SNFs). Absent any action to increase the number of CNAs in the state, the administration estimated a shortfall of about 1,400 CNAs by July 1, 2018, when the new rules take effect.

Health Care Coverage and Affordability

Through the development of the 2018-19 budget package, the Legislature considered a variety of proposals to expand health care coverage and improve the affordability of coverage. The 2018-19 budget package includes the following actions related to these issues:

- ***Establishes an All-Payer Health Care Cost and Utilization Database.*** The budget provides $60 million General Fund on a one-time basis to OSHPD to establish a database that would collect information on public and private health care costs and utilization in the state. The database is intended to be used to increase the transparency of health care pricing and inform state policy decisions. Budget legislation directs the creation of a stakeholder committee to advise on the establishment and ongoing maintenance of the database, and outlines the intent of the Legislature that the database be completed by July 2023.
- ***Creates a Council on Health Care Delivery Systems.*** The spending plan provides $5 million in General Fund for the Health and Human Services Agency to establish a task force whose goal is to develop options for accomplishing universal health care coverage and reducing health care costs. The council will be composed of appointees of the Governor, Senate, and Assembly, and will submit a report to the Legislature on available options by October 1, 2021.
- ***Directs California Health Benefit Exchange to Produce a Report on Improving Individual Market Affordability.*** Budget legislation directs the state's health benefits exchange, known as Covered California, to develop options for providing additional financial assistance to low- and middle-income residents to promote access to health insurance coverage. The legislation requires Covered California to report to the Legislature, Governor, and Council on Health Care Delivery Systems, regarding these options no later than February 2019.

Behavioral Health

Repays Counties for Outstanding State Mandates Related to Children's Mental Health Services. The spending plan includes $281 million from the General Fund to repay counties, with

interest, for costs incurred for state mandates related to services for children with mental illness. Counties incurred these costs to implement AB 3632 mandates, which assigned responsibility for mental health services for special education students to county mental health agencies. The county mandates were repealed when Chapter 43 of 2011 (AB 114, Committee on Budget and Finance) transferred this responsibility to schools.

Establishes One-Time Homeless Mentally Ill Outreach and Treatment Grant Program. The spending plan provides $50 million on a one-time basis from the General Fund for DHCS to distribute grants to counties to fund multidisciplinary teams providing outreach, treatment, and related services for homeless persons with mental illness. Grant determinations will be made by DHCS in consultation with the Department of Finance (DOF) and the California State Association of Counties based on a county's number of homeless persons with mental illness and its overall population. Counties receiving grants are required to report the use of funds, services provided, and the number of individuals served to DHCS. The funds will be available through 2019-20 and are intended to provide bridge funding prior to the implementation of other programs targeted at homeless persons with mental illness, such as the No Place Like Home program.

Funds All Children Thrive Pilot Program. The spending plan provides $10 million one time, available over three years, for DPH from the MHSF for a three-year pilot program to study and report on childhood trauma and associated local interventions, with particular attention to racial equity and community involvement and resilience within high need cities and counties.

Provides Ongoing Funding for Suicide Hotlines. The spending plan includes $4.3 million in ongoing MHSF funding to allow the state's 11 crisis call centers that answer calls through the National Suicide Prevention Lifeline to maintain services that were originally funded with discretionary county MHSF funds. The ongoing funding resolves a recurring suicide hotline funding shortfall that in previous years was addressed with one-time MHSF state administrative funding.

Reduces Ongoing Funding for Mental Health Crisis Response Personnel Grants. In 2013-14, the Legislature established a grant program administered by the Mental Health Services Oversight and Accountability Commission (MHSOAC) that provides counties with funding to hire "triage" personnel to assist with mental health crisis response, stabilization, and treatment. The Legislature has appropriated $32 million in MHSF annually for the program since its inception. After several consecutive years in which funding for the program was not fully expended, the spending plan reduces ongoing funding for this program to $20 million annually. To provide funding in 2018-19, the spending plan reappropriates $20 million in unspent funding for triage grants from 2017-18.

Expands Consumer Advocacy Contracts to Include Immigrant and Refugee Populations. The spending plan includes $670,000 ongoing MHSF funding for the MHSOAC to develop consumer advocacy contracts with non-profit organizations that do outreach, education and training, and advocacy related to mental health outcomes among immigrants and refugees. This augmentation doubles funding for MHSOAC advocacy, which currently has programs supporting organizations that work with various other targeted populations, including: children; veterans; and lesbian, gay, bisexual, transgender, and queer communities, among others. The augmentation is designed to address concerns about access to mental health care services by immigrant and refugee communities.

Department of Public Health (DPH)

The spending plan provides $3.21 billion from all fund sources for DPH programs, up 2 percent from $3.16 billion in 2017-18. Of the total, General Fund spending accounts for $175 million, an increase of 17 percent from $150 million in 2017-18. Most of the year-over-year increase in General Fund spending results from augmentations by the Legislature. As detailed below, some of the increases fund programs and services, while others support research and outreach. (In the "Other Provisions" section of this report, we describe augmentations related to cannabis regulation, including an increase of $10.6 million from the

Cannabis Control Fund for DPH's role in licensing and regulating cannabis manufacturers.)

Public Health Programs and Services. The spending plan provides about $25 million from the General Fund for the following programs:

- ***Amyotrophic Lateral Sclerosis (ALS) System of Care.*** $9 million one-time General Fund, available over three years, to support wrap-around services for individuals with ALS.
- ***Black Infant Health Program.*** $8 million ongoing General Fund to expand the Black Infant Health Program, which seeks to reduce black-white disparities in infant and maternal health, by providing funding to 15 counties to establish local grant programs. These programs will promote the development of Community Centers of Excellence in perinatal health and promote evidence-based or evidence-informed prenatal care, family planning, and fatherhood initiatives.
- ***HIV/AIDS and Sexually Transmitted Disease (STD) Services and Prevention.*** $5 million one-time General Fund augmentation for comprehensive HIV prevention services including pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP), and a $2 million one-time General Fund augmentation for STD prevention. (The spending plan also provides $2.7 million ongoing from the AIDS Drug Assistance Program [ADAP] Rebate Fund to expand DPH's Office of AIDS eligibility and enrollment activities and $2 million ongoing from the ADAP Rebate Fund to expand eligibility for PrEP and PEP.)
- ***Contaminant Testing Guidelines at Public Beaches.*** $354,000 in 2018-19 from the General Fund to finalize implementation of contaminant testing guidelines at public beaches. (The General Fund will also provide decreasing amounts for this purpose through 2022-23.) Funding will allow DPH to complete development of rapid testing protocols and finalize guidelines pursuant to Chapter 928 of 2014 (SB 1395, Block).
- ***Border Health Efforts.*** $300,000 ongoing General Fund to backfill the loss of federal funds for health-related efforts in border communities near Mexico.

Public Health Research and Outreach. The spending plan provides $10.6 million General Fund for public health-related research and outreach. (It also provides $10 million one time from the Mental Health Services Fund for the "All Children Thrive" pilot program to study local interventions to prevent and treat childhood trauma, as noted in the "Health" section of this report.) The funds will support:

- ***Valley Fever Research and Outreach***. $2 million one-time General Fund, available over two years, for education and outreach on valley fever and $3 million General Fund one time for valley fever research at Kern Medical Center in Bakersfield. (In addition, the spending plan includes $3 million one-time General Fund for valley fever research at the University of California.)
- ***Alzheimer's Disease Program Grant Awards.*** $3.1 million ongoing General Fund (and $104,000 one time from the California Alzheimer's Disease and Related Disorders Research Fund) to provide grants for Alzheimer's research.
- ***Diabetes Outreach Awareness Campaign.*** $2.5 million one-time General Fund, available over two years, to implement a diabetes prevention and treatment awareness campaign.

Capital Outlay at Richmond Lab. The spending plan provides $4.9 million from the General Fund for the Richmond Viral and Rickettsial Diseases Laboratory Bio-Safety Level 3 upgrade. Funding will allow DPH to complete working drawings and construction costs of the upgrade.

Proposition 56 Revenues. The spending plan provides $165.5 million from Proposition 56 tobacco tax revenues for three DPH programs, as specified by the language of Proposition 56:

- $129.5 million for the Tobacco Control Branch for its tobacco prevention efforts.
- $30 million for the state dental program.
- $6 million for tobacco law enforcement efforts, specifically DPH's Stop Tobacco Access to Kids Enforcement Program.

Special Fund Augmentations. In addition to the General Fund augmentations described above, the spending plan also provides $35.4 million in increased expenditure authority from special funds for DPH. Major augmentations include one-time funding for the licensing and regulation of cannabis manufacturers ($10.6 million) and a pilot project related to childhood trauma ($10 million).

Department of State Hospitals (DSH)

Under the budget plan, General Fund spending for DSH will be about $1.7 billion in 2018-19, an increase of $192 million, or 12 percent, from the revised 2017-18 level. The year-over-year net increase is largely due to the establishment of Incompetent to Stand Trial (IST) diversion programs and activation of additional treatment capacity, as discussed below.

IST Diversion Programs. The budget provides a one-time $99.5 million General Fund augmentation for DSH to contract with counties to establish IST diversion programs. The budget package includes legislation to authorize trial court judges to refer certain individuals who are likely to be found IST or have been found IST into treatment programs supported by these funds rather than referring them to a state hospital. If such individuals successfully complete these programs, judges could drop or reduce the charges against the individuals. In order to receive funding, counties must submit program plans to DSH and the Council on Criminal Justice and Behavioral Health for review and approval. Large counties are required to contribute 20 percent towards the cost of operating a diversion program, while small counties are required to contribute 10 percent.

Additional IST Treatment Capacity. The budget provides an $51.2 million General Fund augmentation to expand IST patient treatment capacity. This includes (1) $28.5 million (increasing to $72.6 million annually by 2021–22) to activate and staff 236 beds at DSH-Metropolitan, (2) $13.1 million to establish a community-based IST treatment program in Los Angeles County, and (3) $9.6 million to establish additional county jail-based competency treatment program beds.

Other Adjustments. The budget also provides $11.5 million (General Fund) for the activation of 80 beds for mentally disordered offenders at DSH-Coalinga. In addition, the budget includes $9.4 million for the construction phase of a project to upgrade the DSH-Patton Fire alarm system and $3.3 million to treat additional patients with Hepatitis C.

HUMAN SERVICES

Overview of Spending

The 2018-19 spending plan provides nearly $14 billion from the General Fund for human services programs. This is an increase of $858 million, or 6.6 percent, compared to the revised prior-year spending level, as shown in **Figure 16**. This is primarily the result of higher spending in the Department of Developmental Services (DDS) and the In-Home Supportive Services (IHSS) program, largely reflecting new program augmentations in DDS and increasing caseloads, costs per consumer, and labor costs for both programs. **Figure 17** (see page 44) shows the major policy changes adopted by the Legislature as part of the 2018-19 spending plan. These changes are discussed in more detail below.

CalWORKs

The spending plan provides a total of $5 billion (all funds) to support the California Work Opportunity and Responsibility to Kids (CalWORKs) program in 2018-19, an increase of $30 million (less than 1 percent) relative to estimated spending in 2017-18. The year-over-year increase primarily reflects the net effect of roughly $280 million in new programs (and augmentations to existing programs), which is offset by roughly $250 million in savings that result from declining caseloads. Within the total funding amount, the spending plan provides $373 million from the state General

Fund for CalWORKs in 2018-19, a decrease of $65 million (15 percent) relative to 2017-18. The decrease in General Fund support for the CalWORKs program results largely from the availability of additional county realignment funds that are dedicated to paying a portion of the cost of CalWORKs grants. Major changes in CalWORKs funding and policy included in the 2018-19 spending package are described below.

Monthly CalWORKs Grants Increased 10 Percent. The budget plan includes $90 million General Fund in 2018-19 to support a 10 percent across-the-board increase to CalWORKs maximum grant levels, beginning April 1, 2019. (The budgeted amount corresponds to one quarter of the full-year cost of the grant increase.) As displayed in Figure 18 (see page 45), the proposal will increase the maximum grant amount for a family of three with no other income by $71 per month, from $714 to $785. The administration anticipates that the full-year costs of this proposal will be about $360 million General Fund annually beginning in 2019-20. In addition to the 10 percent grant increase, the 2018-19 spending plan includes budget-related legislation with intent language to increase grant levels to achieve at least 50 percent of the federal poverty level for all CalWORKs families by 2021-22 (including those families with an adult member who is not eligible to receive assistance).

Future Cost-Of-Living Adjustments May Be Provided. The budget includes language that would adjust the CalWORKs grant based on annual changes to the cost of living, as measured by the California Necessities Index, beginning July 1, 2022. These adjustments would be subject to appropriation in future budget acts.

New Home Visiting Program. The spending plan includes $27 million federal Temporary Assistance for Needy Families (TANF) funds in 2018-19 to begin a new home visitation program within the CalWORKs program. The spending plan also sets aside an additional $131 million in TANF funding to support annual costs of the home visiting program in future years. Under the new program, CalWORKs families with a child under two years old will be eligible to receive regular visits from a nurse, parent educator, or early childhood specialist who works with the family to improve maternal health, parenting skills, and child cognitive development. Counties will prioritize limited home visiting funding to provide home visits for first-time parents under the age of 25. (Counties could also serve other families, but only insofar as funds are available.) Families could receive home visits for up to two years. As a condition of receiving program funding, county human services agencies that elect

Figure 16

Major Human Services Programs and Departments—Spending Trends

General Fund (Dollars in Millions)

			Change From 2017-18 to 2018-19	
	2017-18	2018-19	Amount	Percent
Department of Developmental Services	$4,152.7	$4,502.4	$349.7	8.4%
In-Home Supportive Services	3,443.7	3,812.6	369.0	10.7
SSI/SSP	2,840.0	2,792.8	-47.2	-1.7
County Administration/Automation	773.5	823.2	49.7	6.4
Child welfare services	500.1	512.9	12.8	2.6
CalWORKs	437.5	372.6	-64.9	-14.8
Department of Child Support Services	315.6	318.6	3.1	1.0
Department of Rehabilitation	64.6	64.6	—	0.1
Department of Aging	34.0	36.3	2.3	6.8
All other social services (including state support)	525.6	709.6	184.0	35.0
Totals	**$13,087.2**	**$13,945.6**	**$858.4**	**6.6%**

to participate in the program will be required to submit plans to the Department of Social Services (DSS) that detail how they intend to operate the county home visiting program. Participating families would be eligible to receive a one-time stipend to purchase household items related to child safety.

Figure 17

Major Actions—Human Services Programs

2018-19 General Fund Effect (In Millions)

Program	Amount
CalWORKs	
Creates new Safety Net Reserve and makes initial deposit for the CalWORKs program	$200.0[a]
Increases monthly cash grants by 10 percent, beginning April 1, 2019	90.0
Provides three-year funding for new CalWORKs Home Visiting Initiative	158.0
Augments existing housing and homelessness programs within CalWORKs	31.6
Provides one-time funding for county "single allocation" funding for employment services	23.5
In-Home Supportive Services (IHSS)	
Augments funding on a one-time basis for IHSS administrative costs	15.4
Provides temporary funding to support planning for the federally mandated electronic visit verification system	0.6[b]
SSI/SSP	
Provides one-time funding to eliminate the SSI cash-out policy and establish a hold harmless program	220.0
Child Welfare Services	
Provides additional resources for Continuum of Care Reform-related county administrative activities	11.1
Expands eligibility for Chafee higher education grants for former foster youth up to age 26	4.0
Funds one-time training and services to reduce foster youth interaction with law enforcement	4.0
Immigration	
Augments existing immigration services funding	10.0
Funds immigration legal aid services at California State University campuses	7.0[c]
Food Assistance	
Funds CalFresh fruits and vegetables pilot program	9.0
Provides one-time grant funds for food bank infrastructure	5.5
Funds one-time grants to food banks to operate diaper banks	10.0
Other Department of Social Services	
Provides one-time grant funds for services for Holocaust survivors	3.6
Provides one-time grant funds for youth citizenship and engagement programming	2.0
Provides one-time funding for Senior Home Safe program	15.0
Department of Child Support	
Augments existing funds for local child support agencies	3.0
Department of Aging	
Augments existing long-term care ombudsman funding	2.3
Developmental Services	
Delays enforcement of "Uniform Holiday Schedule" by one year	29.3
Augments funding on a one-time basis for consumer transitions from DCs to the community	26.0
Provides one-time "bridge funding" for service providers' direct services staff	25.0
Increases rates for certain health-related service providers to match Medi-Cal rates	17.7
Funds deferred maintenance projects at Porterville DC	10.0[d]
Provides augmentations for various DDS headquarters activities	3.7
Provides one-time funding for Best Buddies Program	1.5

[a] This funding is in a reserve and is therefore not reflected in the 2018-19 budget for CalWORKs.
[b] Reflects total General Fund support provided to the Department of Social Services, Department of Developmental Services, Office of Systems Integration, and Department of Health Care Services to support planning for the federally mandated electronic visit verification system.
[c] Additional campus legal aid services funding provided as part of the University of California and the community colleges budgets.
[d] Funding for deferred maintenance is budgeted through Control Section 6.10.
DC = Developmental Center and SSI/SSP= Supplemental Security Income/State Supplementary Payment.

New Safety Net Reserve With $200 Million Initial Deposit. The budget creates the Safety Net Reserve, which aims to set aside funds for the future expenditures of two programs: CalWORKs and Medi-Cal. (These are programs that, during a recession, typically have increased expenditures as caseload increases.) The 2018-19 budget plan deposits an initial $200 million in the CalWORKs subaccount and directs the Department of Finance to develop a methodology to calculate caseload savings in these programs and deposit a portion of these savings into the reserve in future years.

Figure 18

Maximum Monthly CalWORKs Grant

Family of Three in a High-Cost County With No Other Income

	Without Grant Increase	With Grant Increase[a]	Amount	Percent
Grant	**$714**	**$785**	**$71**	**10%**
Grant as a percent of FPL[b]	40%	44%		

[a] Budget legislation provides a 10 percent grant increase effective April 1, 2019.
[b] Anticipated 2019 federal poverty level (FPL) based on LAO estimate.

Updated Budget Methodology Results in Additional Funding for County Operations. Recent caseload-driven reductions to county funding for CalWORKs administration and services—referred to as the "single allocation"—raised concerns that additional reductions for administration and services might lead counties to eliminate staff positions, reassign staff, or reduce some services. In light of these concerns, the 2017-18 budget package required the administration to revisit the single allocation budget methodology. The spending plan is based on this new methodology to calculate the *eligibility and administration* component of the single allocation. (The administration plans to update the *employment services* component in the coming year.) The updated *eligibility and administration* component, which was proposed as part of the May Revision, is $593 million—$55.6 million above what was proposed in the Governor's January budget.

The new methodology allocates to counties a base funding amount that does not change each year and a caseload funding amount that increases or decreases in years when the caseload increases or decreases by more than 5 percent. The base funding amount is set at 40 percent of average historical funding for the single allocation and will not change from one year to the next. Additionally, caseload funding cannot increase or decrease by a step of more than 5 percent each year, even if the caseload increases or decreases by more than 5 percent. Caseload funding will not change in years when the caseload is steady and does not increase or decrease by more than 5 percent. This new methodology is intended to have the effect of reducing year-over-year fluctuations in this component of the single allocation.

The spending plan also includes a one-time $23.5 million augmentation to the *employment services* component of the single allocation. This has the effect of maintaining funding for this component at the amount provided in 2017-18.

Expanded Funding to Support Programs for Homeless CalWORKs Families. The spending plan includes two actions related to assistance for homeless CalWORKs families. First, the spending plan augments existing funding for the Housing Support Program (HSP) by $24 million in 2018-19 and by an additional $24 million General Fund in 2019-20. Under the plan, overall funding for HSP will be $95 million General Fund in 2019-20 and thereafter. Through HSP, participating county human services agencies help CalWORKs families who are homeless or at-risk of becoming homeless find and move in to permanent housing. Currently, 49 counties participate in the program.

Second, the spending plan provides $7.6 million General Fund to increase the daily maximum voucher amount for the Homeless Assistance Program (HAP) payments from $65 to $85. The HAP provides daily housing payments to homeless (or at-risk of becoming homeless) CalWORKs families that are used to purchase nightly housing accommodations (for example, in a hotel). Temporary housing assistance is available for up to 16 consecutive days each year. Payments are intended to serve as temporary assistance for

families as they search for permanent housing. The daily rate was last increased in 2006 (from $40 per day to $65 per day).

Fingerprinting Requirement Discontinued. As part of legislation associated with the *2017-18 Budget Act*, the administration discontinued the use of the Statewide Fingerprint Imaging System (SFIS) as a requirement for issuing CalWORKs benefits, effective July 1, 2018. Prior to the discontinuance of SFIS, in addition to the standard use of a photo ID to verify identity, adults applying for CalWORKs were required to have their fingerprints taken and matched against other applicants in order to prevent individuals from receiving duplicate cash aid. Going forward, the state will continue the existing process for verification, except without the use of fingerprint imaging. This means that adult applicants will continue the standard practice of providing a photo ID to initiate the application and eligibility determination process. The 2018-19 spending plan provides $2.4 million to decommission SFIS.

In-Home Supportive Services (IHSS)

The 2018-19 spending plan includes $3.8 billion General Fund for IHSS, a net increase of about $370 million (10.7 percent) over revised estimates of 2017-18 costs. The year-over-year net increase in estimated IHSS General Fund costs is primarily due to caseload growth and increased state minimum wage costs, which are partially offset by the scheduled decrease in General Fund assistance provided to counties. The major changes to the IHSS program include (1) a one-time funding increase for IHSS administrative costs and (2) funding to support the planning and implementation of an electronic verification system in IHSS and other Medicaid-funded programs.

IHSS Administrative Costs. The 2017-18 budget included language that required the administration, in consultation with counties, to update the budgeting assumptions used to estimate IHSS administrative costs. Although the administration proposed a new budgeting methodology as part of the January budget proposal, counties raised concerns that IHSS county staffing costs may not have been fully captured. The spending plan provides an additional $15.4 million General Fund on a one-time basis for IHSS administrative costs, totaling $268 million General Fund ($733 million total funds) for IHSS administration in 2018-19. We note that the administration will reexamine the revised budgeting methodology for IHSS administrative cost as a part of the 2020-21 budget process.

Electronic Visit Verification (EVV). Federal law enacted in 2016 initially required states to use an EVV system for Medicaid-funded personal care services by January 1, 2019 and home health care services by January 1, 2023. In July 2018, the federal government extended the implementation date for Medicaid-funded personal care services to January 1, 2020. Required functions of the EVV system include electronically collecting and verifying date of service, start and end time, and type of services provided—functions that the current systems in California are not fully equipped to do. Failure to comply with EVV will result in an escalating reduction of Medicaid federal funds for those services affected by EVV. While the administration is working with the federal government to request a "good faith effort" time extension (until January 1, 2021) to implement EVV in order to avoid the out-year penalties for failure to comply with the set deadlines, the 2018-19 spending plan provides resources for the planning and subsequent implementation of EVV across various departments.

Specifically, the 2018-19 spending plan provides $949,000 ($559,000 General Fund) to support planning for the EVV system across the Department of Social Services, Department of Health Care Services, Department of Developmental Services, and Office of Systems Integration. The spending plan also includes budget bill language that (1) authorizes the Department of Finance to increase DSS's state operations and local assistance resources by up to $1 million General Fund in 2018-19 to develop and implement an EVV solution, (2) temporarily exempts the administration from creating regulations for the implementation of EVV—allowing it to instead implement EVV through all-county letters in 2018-19, and (3) proposes general principles to which the administration shall adhere to when implementing EVV.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

The 2018-19 budget includes $2.8 billion General Fund for SSI/SSP, which is slightly—about 2 percent—lower than the revised estimates for 2017-18. The decrease is primarily due to the expiration of one-time funding for augmentations provided in prior years. We note that the 2018-19 SSI/SSP General Fund budget does not include $220 million in one-time General Fund provided to eliminate the SSI cash-out and create a hold harmless program for households negatively affected by the policy change. (These funds are mainly displayed in the state budget for food assistance programs and county administration and automation, and are available to be used over multiple years.) The 2018-19 spending plan includes budget-related legislation potentially providing future cost-of-living adjustments (COLAs) to SSP grant levels.

Ending The SSI Cash-Out Policy. The budget includes legislation that eliminates the SSI cash-out policy—effectively making SSI/SSP recipients eligible for CalFresh food benefits. The implementation date is scheduled to be June 1, 2019. We note that trailer bill legislation allows for a delayed implementation date (no later than August 1, 2019) if the necessary automation changes are not completed by June 1, 2019. The administration expects that the majority of affected households would benefit from ending the SSI cash-out. However, some households currently receiving federal food benefits are expected to experience a reduction in those benefits. As a result, the budget includes language that would establish a hold harmless program in the form of a state-funded food benefit program for these households.

As previously mentioned, the spending plan provides $220 million one-time General Fund (to be used over multiple years) for the necessary programmatic and automation changes to end the SSI cash-out and implement the hold harmless policy. The budget includes intent language focused on the continuation of the hold harmless policy once the initial funds are fully used. We note that roughly $3 million of the $220 million allocated to end the SSI cash-out will be used on an annual basis to increase Cash Assistance Program for Immigrants (CAPI) grant levels to SSI/SSP grants levels—an increase of $10 for individual CAPI grants and $20 dollars for couple CAPI grants—upon the elimination of the SSI cash-out (expected to be June 1, 2019).

Future COLAs May Be Provided. The 2018-19 budget includes language that would adjust the SSP portion of the grant based on annual changes to the cost of living, as measured by the California Necessities Index, beginning July 1, 2022. These COLAs to SSP grant levels would be subject to appropriation in future budget acts.

Department of Aging

The budget provides $36 million General Fund for the Department of Aging in 2018-19, an increase of $2.3 million (6.8 percent) above 2017-18. This increase represents an ongoing augmentation for the Long-Term Care Ombudsman program—from $1 million General Fund in 2017-18 to $3.7 million General Fund in 2018-19. These additional funds would increase the base funding levels for all local ombudsman programs from at least $35,000 to at least $100,000 per fiscal year.

Adult Protective Services Housing Program

State law requires that each county have an adult protective services (APS) program to investigate reports of abuse and neglect of elders and dependent adults who live in private settings. County APS offices typically coordinate services such as counseling, money management, and out-of-home placement for the abused or neglected adult. The state is responsible for program oversight for APS, including statewide training of APS workers to ensure consistency. In 2011, the main programmatic and fiscal responsibility for APS was realigned to counties. APS is funded through a combination of state, county, federal, and 2011 realignment funds.

Establishes Limited-Term State Matching Funds for County Senior Home Safe Program.

The spending plan provides $15 million General Fund in 2018-19 on a one-time basis—available to be spent over three years—to establish the Senior Home Safe Program. Under this pilot program, state funding will be awarded to counties or tribes to provide housing-related supports to seniors experiencing homelessness or at risk of homelessness primarily due to elder or dependent abuse, neglect, self-neglect, or financial exploitation. Participating counties and tribes are required to provide a dollar-for-dollar match to receive state funds. Budget-related legislation also requires an independent evaluation of the impacts of the program.

Child Welfare Services

Continues Funding for the Continuum of Care Reform (CCR). The 2018-19 spending plan provides $205 million in General Fund to continue the state's CCR efforts. Although this reflects a decrease of $44 million compared to revised spending in 2017-18, it is higher than prior projections of 2018-19 CCR spending. This higher funding level relative to previous projections, largely reflects lower projected CCR-related saving rather than policy changes that result in higher CCR costs. For example, the spending plan assumes slower movement of foster children out of group homes and into lower cost, home-based family settings than had previously been projected, which has the effect of increasing projected CCR spending.

New Policy Changes in CCR. The spending plan includes several major CCR-related policy changes, which we describe below:

- ***Ensures Funding at the Time of Placement for Emergency Foster Caregivers.*** Foster children can be placed with relative caregivers on an emergency basis before full foster caregiver approval is granted. (We note that children may also be placed on an emergency basis with unrelated adults with a close connection to the child.) When a child is placed on an emergency basis, the caregiver generally does not receive foster care assistance payments while the caregiver approval process is pending. CCR's new foster caregiver approval process, Resource Family Approval (RFA), has taken longer than expected and delayed when emergency caregivers begin to receive foster care assistance payments. In response, in March, the Legislature passed and the Governor signed Chapter 8 of 2018 (AB 110, Committee on Budget), which authorized funding for foster care assistance payments at the time of placement on a temporary basis in 2017-18. The spending plan includes a long-term solution that provides funding for foster care payments at the time of placement on an ongoing basis starting in 2018-19. The state will primarily utilize federal Emergency Assistance (EA) funding available through the Temporary Aid for Needy Families block grant to pay for these temporary payments. EA funding for these payments will generally expire after whichever comes first: (1) the foster caregiver completes the RFA process and begins receiving standard foster care assistance payments or (2) after six months in 2018-19 and three months in 2019-20 and beyond. In general, for emergency caregivers whose RFA remains pending after the specified time periods have lapsed, counties will be able, but not required, to use county funding for temporary foster care assistance payments until RFA is completed. The shorter time period in which funding is available after 2018-19 reflects the state's expectation that counties eventually will be able to reduce the time it takes to complete the RFA process.
- ***Provides Additional Funding for County Administration.*** For 2018-19, the spending plan provides $123 million in General Fund for county administrative activities related to CCR. Of the total, $11 million reflects an augmentation over the Governor's May budget proposal, which will assist counties in (1) clearing an accumulated backlog of RFA applications that remain unapproved and (2) carrying out the new level-of-care assessment tool that will be used under CCR to determine foster care payment levels. The funding for the assessment tool will

be ongoing, while the funding for the RFA backlog is expected to be one time.

- ***Extends Group Homes as an Allowable Placement Option Beyond 2018.*** Under existing state law, group homes would no longer be an allowable foster care placement option after December 31, 2018 for most foster children. Instead, foster children could either be placed in a short-term residential treatment program (the new congregate care placement option under CCR) or in a home-based family setting. The spending plan temporarily extends group homes as an allowable placement option for foster children beyond December 31, 2018 for up to one year.

Expands Eligibility for Chafee Higher Education Grants. The Chafee Education and Training Vouchers Program provides grants of up to $5,000 a year for individuals who (1) were in foster care at some point between the ages of 16 and 18, (2) are less than 22 years old as of July 1st of the award year, (3) have a financial need, and (4) are attending qualifying career and technical training or college. This federal- and state-funded program was established by federal law in 1999 and is administered in California by the Student Aid Commission through an interagency agreement with DSS. The program is intended to address the large disparity between foster youth higher education attainment rates compared with that of the general population. However, many former foster youth are unable to take full advantage of the program due to delayed college enrollment after high school or delayed training or degree program completion beyond the age cap. The spending plan provides the program with an ongoing $4 million augmentation from the General Fund to increase the maximum eligible age to receive Chafee Foster Youth Grants to 26 years old beginning in the 2018-19 award year.

Establishes Programs to Reduce Foster Youth Interaction With Law Enforcement. Currently, law enforcement officers are called in response to behavioral incidents involving foster youth residing in many congregate care settings. A concern is that some of these calls are for relatively minor incidents that may not have resulted in such an intervention for youth who were not in congregate care. The involvement of law enforcement in these situations exposes foster children to the criminal justice system, which can lead to adverse outcomes for the youth involved. The spending plan requires congregate care facilities to develop protocols specifying the circumstances under which law enforcement may be contacted in response to behavior exhibited by resident children. These protocols must state that contacting law enforcement can only be done as a last resort and only upon approval of a staff supervisor. In addition, the spending plan includes $4 million one time from the General Fund for DSS to provide training for congregate care staff, law enforcement, and county personnel in order to reduce the frequency of foster youth involvement with law enforcement. The funding will also support community-based services for foster youth in congregate care, including mentoring, educational enrichment, and self-awareness and health programming among others.

Immigration Assistance

As shown in **Figure 19** (see next page), the budget plan includes a total of $31 million General Fund for new one-time grant programs that provide legal services for immigrants. These programs are in addition to ongoing funding of $48 million for existing immigration services, administered by DSS. This total amount—$79 million—is $11 million greater than the one-time and ongoing funding provided in 2017-18. Below, we describe the new one-time funding provided for immigration services as part of the 2018-19 spending plan.

Immigration Services Augmented on One-Time Basis. The Immigration Services Funding program within DSS provides grants to nonprofit legal aid organizations to provide various legal services. These services include (1) assisting individuals applying for naturalization, deferred action, and other immigration remedies; (2) conducting outreach and education in immigrant communities; and (3) providing legal defense for individuals subject to deportation proceedings. A total of $65 million General Fund was provided for these services ($45 million ongoing) as part of the

Figure 19

New One-Time Funding for Immigration Assistance and Legal Services[a]

2018-19 Budget Act, *General Fund (In Millions)*

Program	Description	Amount
Legal services for TPS recipients	Grants to nonprofit legal aid organizations to advise and represent current or former TPS holders.	$10
Legal services at CCC[b]	Administered by DSS, legal aid services for undocumented community college students and employees.	10
Legal services at CSU	Administered by DSS, legal aid services for undocumented community college students and employees.	7
Legal services at UC	Potentially administered by the UC law schools. Legal services for undocumented students and employees.	4
Total		**$31**

[a] New one-time funding is in addition to $48 million ongoing for immigration legal services at DSS.
[b] Counts towards state's Proposition 98 minimum education funding requirement.
TPS = Temporary Protected Status and DSS = Department of Social Services.

2017-18 budget. (An additional $3 million has been provided in recent years for legal representation of unaccompanied undocumented minors.) The spending plan includes a one-time augmentation of $10 million for immigration services specifically to be used to provide services to unaccompanied undocumented minors and for recipients of Temporary Protected Status (TPS). Under TPS, the federal government provides temporary refugee status to immigrants of certain countries that have experienced armed conflict, a natural disaster, or other extraordinary circumstances.

Immigration Services for College and University Students. The spending plan designates new, one-time funding of $21 million General Fund to provide immigration services for students, staff, and faculty at the state's higher education segments—the community colleges ($10 million), California State University (CSU) ($7 million), and the University of California (UC) ($4 million). The community colleges and CSU are to provide these services to students, staff, and faculty via an existing immigration services grant program at DSS. Specifically, DSS would use these monies to contract with several dozen nonprofit organizations that provide legal aid services under the state's existing Immigration Services Funding program. As discussed above, grant funds would be used to provide legal consultations and legal representation. Regarding the UC portion, at the time of budget enactment, the UC had not yet determined whether they would provide legal aid services through their law schools or if they would also provide these services via DSS' existing grant program.

Food Assistance

CalFresh Fruits and Vegetables Pilot Program. The spending plan provides $9 million General Fund to conduct a three-year pilot project in which CalFresh food assistance recipients will be eligible to receive one dollar in additional food benefits (that could be used for any CalFresh-eligible food item) for each one dollar purchase of California-grown fruits and vegetables. The pilot will be tested in at least three locations statewide. Additional food benefits generated from the purchase of fruits and vegetables would be automatically added to the individual's electronic benefit transfer card.

Food Bank Infrastructure Grants. The spending plan includes $5.5 million General Fund on a one-time basis for grants for community food banks to make infrastructure improvements, such as the purchase of refrigerated storage, vehicles used for food distribution, warehouse equipment, and technology systems used for inventory management.

Providing Diapers to Low-Income Families. The spending plan includes $10 million General Fund to provide one-time grants to four large food

banks to operate a temporary program to supply low-income parents with diapers.

Department of Child Support Services

Funding for Child Support Services. The 2018-19 spending plan provides the Department of Child Support Services (DCSS) with $319 million General Fund, an increase of $3 million (1 percent) relative to revised estimates for 2017-18. This increase is due to a $3 million ongoing General Fund augmentation to local child support agencies. Budget language requires that DCSS work with the Child Support Directors Association of California (CSDA) to determine an allocation schedule for the augmentation. Counties that receive these additional funds are required to report annually on child-to-staff ratios, total collections, cost avoidance benefits, and number of families served. In addition, the 2018-19 spending plan includes budget-related legislation requiring DCSS, in collaboration with CSDA, to submit a report to the Legislature by July 1, 2019 on programwide operational efficiencies and proposed refinements to the current budgeting methodology for the child support program.

Department of Developmental Services (DDS)

The spending plan provides $4.5 billion from the General Fund ($7.4 billion total funds) to support DDS in 2018-19, an increase of 8 percent from $4.2 billion General Fund ($6.9 billion total funds) in 2017-18. The year-over-year increase is largely the result of caseload increases, changes in service utilization, and costs associated with scheduled increases to the state minimum wage. The spending plan also provides several policy augmentations that together comprise around $100 million in new General Fund spending.

Delays Enforcement of 14-Day Uniform Holiday Schedule. The spending plan provides $29.3 million from the General Fund ($48.3 million total funds) to delay enforcement of the 14-day "uniform holiday schedule" by one year. This policy—first enacted in 2009 as a recessionary budget solution—prohibits service providers from billing for services on 14 predetermined days each year. This means that providers either do not provide services on those days or absorb the cost of doing so—resulting in General Fund savings. The 14-day policy has not been enforced since 2015 due to litigation brought by service provider associations. Because a 2016 court ruling ultimately upheld the state's policy, the Governor proposed to start enforcing it again as of July 1, 2018. A legislative compromise was reached with the Governor, however, to delay enforcement for one year, meaning that for 2018-19, the state will not prescribe a set holiday schedule.

Augments Funding for Consumer Transitions From Developmental Centers (DCs) to the Community. DDS is in the process of completing the final phase of a decades-long transition from an institution-based system of service delivery to a more integrated community-based system. In December 2018, it will close Sonoma DC, which opened more than 125 years ago. The department will also close Fairview DC and the general treatment area of Porterville DC by December 2021, at the latest. The secure treatment program at Porterville DC will remain open indefinitely. Although the state is expected ultimately to save money by closing DCs and serving individuals in the community, it has incurred significant costs during the transition. These costs include (1) developing resources in the community to serve former DC residents, (2) creating a community-based safety net to replace DC-based safety net services, (3) covering the transition costs of moving residents into the community, (4) facilitating closure of DC facilities, (5) providing bonus incentives to retain DC staff who care for the remaining DC residents, and (6) offsetting the loss of federal funding at the DCs. The spending plan provides $26 million one-time General Fund ($30.6 million total funds) to support the transition costs of consumers expected to move from Sonoma, Fairview, and Porterville DCs in 2018-19. This is in addition to $43.9 million General Fund ($67.9 million total funds) in "base" community placement plan funding that has historically been provided each year.

Provides "Bridge Funding" for Service Providers. The spending plan provides $25 million from the General Fund ($40.2 million total funds), available over two years and conditional on receiving federal approval for matching funds, for

the wages and benefits of service provider staff that provide direct services to consumers. The bridge funding is one-time as DDS and the Legislature await findings and recommendations from a three-year rate study scheduled to be completed by March 2019. It is meant to increase funding for service providers until any recommendations from the rate study can be implemented. Budget bill language gives DDS and the Department of Finance flexibility in how to implement and allocate funding.

Increases Rates for Certain Health-Related Service Providers. The spending plan provides $17.7 million from the General Fund ($30.1 million total funds) in 2018-19 to increase certain service provider rates to match rate increases in the Medi-Cal system. Of the total General Fund increase, $17.1 million is for home health providers, while $351,000 is for pediatric day health care providers and $202,000 is for providers at intermediate care facilities-developmentally disabled (ICF-DDs). Within the DDS system, certain rates are determined by the "schedule of maximum allowances," which are Medi-Cal-set rates. Because the rates for these three services were increased in the Medi-Cal system, the spending plan provides funding to increase the rates DDS pays for these services.

Provides Funding for Deferred Maintenance at Porterville DC. The spending plan includes one-time funding of $10 million from the General Fund, available over three years, for deferred maintenance projects at Porterville DC. Although the final selection of projects is yet to be made, DDS will focus on the areas of Porterville DC that serve the secure treatment program, since it will remain open indefinitely. (The $10 million for DDS is part of a one-time General Fund allocation of $305 million for deferred maintenance projects at 20 state departments. For more details on this allocation, please see the "Other Provisions" section of this report.)

Adds Language Related to Self-Determination Program (SDP). One of the more significant policy changes in DDS that will occur in 2018-19 is implementation of SDP. Chapter 683 of 2013 (SB 468, Emmerson) authorized SDP, with an initial three-year phase-in period, but made implementation contingent on approval of federal matching funds. The state just received federal approval on June 6 and the spending plan contains both budget and trailer bill language related to the rollout of SDP. Budget bill language allows DDS to shift up to $2.8 million General Fund from the Regional Center (RC) budget to DDS state operations for the administration of SDP. Trailer bill language specifies how some of the federal matching funds generated by SDP should be prioritized for participant training and person-centered planning.

SDP represents a fundamental shift in how consumers receive services and supports through the DDS system. It allows consumers and their families to decide which services and supports they need and prefer by allowing them to direct the process by which such decisions are made. Statute stipulates that SDP must cost the same or less for each participating consumer than what is currently spent through the traditional services/supports delivery system. RCs will still be involved in determining the total amount of money available to each consumer, ensuring that consumers work with an approved financial management service to manage their money, and ensuring that consumers are only authorized to purchase allowable services and supports (for example, services and supports that are eligible for federal matching funds). SDP will ultimately be offered to anyone in the DDS system, but it will first be phased in over three years with up to 2,500 consumers representing all 21 RCs.

HOMELESSNESS

Emergency Aid Block Grants for Homelessness. The budget includes a one-time allocation of $500 million for block grants to local governments to fund a variety of homelessness services—such as shelter services, rental assistance, outreach, and construction of

affordable housing. $150 million of the grants is divided among the state's 11 most populous cities based on their homeless populations. The remainder is divided among Continuums of Care—local entities that administer housing assistance programs with a particular area, often covering a county or group of counties—roughly based on their homeless populations.

No Place Like Home. The budget package places the No Place Like Home (NPLH) program before the voters for their approval at the November 2018 election. In 2016, the Legislature created the NPLH program to construct and rehabilitate permanent supportive housing for those with mental illness who are homeless. The program authorizes the issuance of bonds backed by personal income tax revenues raised under the Mental Health Services Act (Proposition 63 of 2004). Before these bonds can be issued, the state must complete a validation process whereby the courts determine whether issuance of the bonds is legal. The validation action is pending. If NPLH is approved by voters, the state would be able to issue the bonds without going through the validation process.

Other Funding for Homelessness. The budget also includes a collection of homelessness-related funding augmentations for outreach, mental health services, and assistance targeted to CalWORKs families, seniors, youth, and victims of domestic violence. These augmentations total $109 million in 2018-19. More detail on these augmentations can be found in the "Health and Human Services" sections of this report.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

The budget package provides a total of $11.7 billion from various fund sources—the General Fund, bond funds, and various special funds—for programs administered by the California Natural Resources and Environmental Protection Agencies. This is a net decrease of about $3.5 billion (23 percent) compared to 2017-18 estimated expenditures. This reduction primarily is related to a $2.6 billion decrease in the amount of bond funds budgeted. (We note that estimated bond expenditures for 2017-18 are somewhat inflated because of how prior-year bond appropriations are reflected in budget documents, making year-over-year comparisons of bond spending difficult.) **Figures 20 and 21** (see next page) display total funding provided for major departments overseen by the natural resources and environmental protection agencies, respectively.

Cap-and-Trade Expenditures

State cap-and-trade auction revenue is deposited in the Greenhouse Gas Reduction Fund (GGRF). As shown in **Figure 22** (see page 55), the spending plan allocates $3.1 billion from the GGRF for various programs. This plan includes: (1) $1.5 billion in continuous appropriations, (2) $166 million in other existing spending commitments, and (3) $1.4 billion in discretionary spending. The plan assumes at least $2.6 billion in auction revenue in 2018-19, more than $400 million carried over from the end of 2017-18, and $50 million in interest income accrued to the fund. We discuss the major parts of this expenditure plan in more detail below.

Continuous Appropriations ($1.5 Billion). Under legislation passed in 2014, about 60 percent of annual auction revenue (less certain other existing spending commitments) is continuously appropriated to high-speed rail (25 percent), affordable housing and sustainable communities (20 percent), transit and intercity rail capital (10 percent), and low carbon transit operations (5 percent).

Other Existing Spending Commitments ($166 Million). The spending plan includes $166 million for spending commitments made in prior years. Similar to the current year, some of these allocations—specifically backfilling the State Responsibility Area (SRA) fee suspension ($28 million) and the expanded manufacturing sales

Figure 20

Natural Resources Budget Summary

(Dollars in Millions)

Expenditures	2016-17 Actual	2017-18 Estimated	2018-19 Budgeted	Change From 2017-18 Amount	Change From 2017-18 Percent
Totals	**$5,039**	**$8,767**	**$7,212**	**-$1,554**	**-18%**
By Department					
Forestry and Fire Protection	$1,305	$2,179	$1,844	-$335	-15%
Parks and Recreation	480	806	1,304	497	62
General obligation bond debt service	1,025	951	1,026	76	8
Water Resources	548	2,003	716	-1,287	-64
Energy Commission	396	683	533	-150	-22
Fish and Wildlife	431	520	524	4	1
Natural Resources Agency	312	333	293	-40	-12
Wildlife Conservation Board	94	496	196	-300	-60
Conservation Corps	94	109	157	48	44
Conservation	124	171	131	-40	-23
State Lands Commission	32	45	99	54	119
Other resources programs[a]	199	470	389	-81	-17
By Fund Source					
General Fund	$2,726	$3,512	$3,622	$110	3%
Special funds	1,271	2,145	1,777	-368	-17
Bond funds	885	2,740	1,521	-1,219	-44
Federal funds	157	369	293	-76	-21
By Purpose					
State operations	$4,174	$5,661	$4,913	-$747	-13%
Local assistance	556	2,146	1,734	-412	-19
Capital outlay	309	960	566	-394	-41

[a] Includes state conservancies, Coastal Commission, and other departments.

Figure 21

Environmental Protection Budget Summary

(Dollars in Millions)

Expenditures	2016-17 Actual	2017-18 Estimated	2018-19 Budgeted	Change From 2017-18 Amount	Change From 2017-18 Percent
Totals	**$3,714**	**$6,436**	**$4,544**	**-$1,893**	**-29%**
By Department					
Resources Recycling and Recovery	$1,500	$1,743	$1,568	-$175	-10%
Air Resources Board	700	1,705	1,386	-319	-19
Water Resources Control Board	1,137	2,578	1,137	-1,441	-56
Toxic Substances Control	247	263	303	40	15
Pesticide Regulation	94	104	105	1	1
Other departments[a]	37	44	44	1	2
By Fund Source					
General Fund	$96	$217	$130	-$88	-40%
Special funds	2,905	4,286	3,842	-443	-10
Bond funds	427	1,564	202	-1,362	-87
Federal funds	286	370	370	—	—
By Purpose					
State operations	$1,247	$1,753	$1,638	-$115	-7%
Local assistance	2,467	4,530	2,906	-1,624	-36
Capital outlay	—	154	—	-154	

[a] Includes the Environmental Protection Agency, Office of Environmental Health Hazard Assessment, and general obligation bond debt service.

Figure 22

2018-19 Cap-and-Trade Expenditure Plan

(In Millions)

Program	Department	Amount
Continuous Appropriations[a]		**$1,490**
High-speed rail	High-Speed Rail Authority	$621
Affordable housing and sustainable communities	Strategic Growth Council	497
Transit and intercity rail capital	Transportation Agency	248
Transit operations	Caltrans	124
Other Existing Spending Commitments		**$166**
Manufacturing sales tax exemption backfill	N/A	$89
State administrative costs	Various	49
SRA fee backfill	CalFire/Conservation Corps	28
Discretionary Spending		**$1,401**
Mobile Source Emissions		
Heavy duty vehicle and off-road equipment programs	Air Resources Board	$180
Clean Vehicle Rebate Project	Air Resources Board	175
Low-income light duty vehicles and school buses	Air Resources Board	100
Low-carbon fuel production	Energy Commission	13
Local Air Pollution Reduction		
Local air district programs to reduce air pollution	Air Resources Board	245
Local air district administrative costs	Air Resources Board	20
Technical assistance to community groups	Air Resources Board	10
Agriculture		
Agricultural diesel engine replacements	Air Resources Board	112
Methane reductions from dairies	Food and Agriculture	99
Incentives for food processors	Energy Commission	64
Healthy Soils	Food and Agriculture	5
Agricultural renewable energy	Energy Commission	4
Forestry		
Forest health and fire prevention	CalFire	160
Prescribed fire and fuel reduction	CalFire	30
Local fire response	Office of Emergency Services	25
Regional forest restoration projects	Natural Resources Agency	20
Urban forestry	CalFire	5
Other programs		
Transformative Climate Communities	Strategic Growth Council	40
Waste diversion	CalRecycle	25
Urban greening	Natural Resources Agency	20
Climate and energy research	Strategic Growth Council	18
Low-income weatherization	Community Services and Development	10
Energy Corps	Conservation Corps	6
Wetland restoration	Fish and Wildlife	5
Coastal adaptation	Various	5
Woodstove replacements	Air Resources Board	3
Technical assistance for disadvantaged communities	Strategic Growth Council	2
Total		**$3,056**

[a] Continuous appropriations based on revenue assumption of $2.6 billion in 2018-19.

CalTrans = California Department of Transportation; SRA = State Responsibility Area; CalFire = California Department of Forestry and Fire Protection; and CalRecyle = California Department of Resources Recycling and Recovery.

tax exemption ($89 million)—are "taken off the top" before determining continuous appropriations.

Discretionary Spending ($1.4 Billion). Revenue that is not continuously appropriated—sometimes referred to as discretionary revenue—is available to be allocated through the annual budget act or other legislation. The budget includes $1.4 billion in discretionary GGRF spending for various programs. Most of the programs received GGRF in prior years as well. Some of the notable changes to the allocations in 2018-19 include:

- ***Prescribed Fire and Regional Forestry.*** The spending plan provides $30 million for prescribed burning and fuel reduction in forests and $20 million for regional forest restoration projects. This funding is part of the administration's proposal to implement the Forest Carbon Plan. Up to $7 million of this funding may be allocated to the California Air Resources Board (CARB) for monitoring air pollutant emissions related to prescribed burning. (In addition, the spending plan continues cap-and-trade funding for forest health and fire prevention activities, funded at $160 million in 2018-19.)
- ***Local Air Districts.*** The spending plan includes $20 million for two years to pay for local air district costs of implementing Chapter 136 of 2017 (AB 617, C. Garcia). Local air district costs include purchasing and maintaining air monitoring equipment and developing community air protection plans. The budget also includes $30 million over two years from the Air Pollution Control Fund for these activities, providing a total of $50 million for these purposes.
- ***Low-Carbon Fuel Production.*** The spending plan provides $12.5 million to the California Energy Commission (CEC) for grants to low-carbon fuel production facilities. This allocation backfills a portion of the $23 million that was provided for this purpose in 2017-18 from the Alternative and Renewable Fuel Vehicle Technology Fund (ARFVTF). The budget plan redirects these ARFVTF dollars to pay for an expansion of zero-emission vehicles (ZEV) fueling infrastructure in 2018-19. (We discuss this change in the ZEV section below.)

Multiyear Commitments for Certain Programs. Most of the new spending is one time, but some programs would receive multiyear funding. These multiyear programs are: (1) $200 million annually over eight years to continue light-duty ZEV rebates, including $175 million for the Clean Vehicle Rebate Project and $25 million for incentives for light-duty vehicles for low-income consumers; (2) $30 million ongoing for prescribed fire and fuel reduction; (3) the two-year $20 million allocation for AB 617 implementation; and (4) $6 million ongoing to the California Conservation Corps for energy efficiency activities in the Energy Corps program. In addition, Chapter 626 of 2018 (SB 901, Dodd) directs $200 million annually from 2019-20 through 2023-24 to forest health, prescribed fire, and fuel reduction projects.

Strategy to Ensure Fund Solvency. The budget prohibits most departments and agencies from spending more than 75 percent of their GGRF allocations before the final quarterly auction of the fiscal year (scheduled for May 2019). Once the final auction is complete and the total amount of 2018-19 revenue is determined, the Department of Finance (DOF) will determine how much of the revenue is available to fund the discretionary programs specified in the expenditure plan. DOF must then notify the Joint Legislative Budget Committee of its determination within 30 days. This strategy is meant to ensure fund solvency if actual revenue is lower than $2.6 billion. Certain programs—most notably $200 million to CARB for light-duty ZEV rebates—are not be subject to the 75 percent restriction.

Proposition 68 Resources Bond

California voters approved Proposition 68 in June 2018. This measure authorizes the state to sell a total of $4.1 billion in general obligation bonds for resources-related purposes, including parks, habitat restoration, and water projects. The *2018-19 Budget Act* appropriates over one-quarter of the bond. Specifically, this includes $1.3 billion for 20 departments. **Figure 23** shows expenditures

for each department and program proposed for Proposition 68 funding in 2018-19.

Environmental License Plate Fund

The Environmental License Plate Fund (ELPF) supports various resources and environmental protection programs. The fund is primarily supported from the sale and renewal of personalized motor vehicle license plates, as well as a portion of fees on the sale and renewal of certain specialty license plates. The Department of Motor Vehicles recently began offering "legacy license plates," which has increased revenues in recent years. The fund is estimated to receive $55 million in revenues in 2018-19. As displayed in Figure 24 (see next page), the budget includes several new ELPF expenditures. Most of this funding is provided on a one-time or limited-term basis.

Department of Fish and Wildlife (DFW)

The budget includes $524 million from various sources for DFW. This is roughly equivalent to the amount provided in 2017-18.

Funding Augmentations. The budget provides $39.1 million ($34.1 million General Fund and $5 million Tire Recycling Management Fund) in augmentations for DFW. Of this amount, $29.6 million is authorized for three years and $9.5 million is provided on a one-time basis. The new funding is provided for the following purposes:

- ***Address Operating Shortfall***—$19.6 million for three years to address an operating shortfall in the Fish and Game Preservation Fund and allow DFW to continue its existing activities.
- ***Expand Activities***—$10 million for three years (including $5 million from the Tire Recycling Management Fund) to expand DFW's current

Figure 23

2018-19 Funding From Proposition 68 Resources Bond

(In Millions)

Department	Primary Uses	Amount
Parks and Recreation	Local and state parks	$482.6
Water Resources Control Board	Groundwater cleanup and management, safe drinking water	177.3
Water Resources	Flood protection, groundwater recharge	160.8
Natural Resources Agency	Salton Sea, river and parkway recreation, green infrastructure	126.2
Wildlife Conservation Board	Habitat conservation	71.9
Coastal Conservancy	San Francisco Bay restoration, coastal forests	53.7
Sierra Nevada Conservancy	Watershed Improvement Program, habitat restoration	36.3
Santa Monica Mountains Conservancy	Habitat restoration, LA River restoration	34.0
Food and Agriculture	Water efficiency, healthy soils	31.0
Fish and Wildlife	River and wetland restoration	23.6
Ocean Protection Council	Marine wildlife, assisting coastal communities	20.3
Forestry and Fire Protection	Urban forestry	14.6
Conservation Corps	Parkway restoration, grants to local corps	9.8
San Gabriel Mountains and LA River Conservancy	LA River restoration	8.7
Tahoe Conservancy	Upper Truckee River and Marsh restoration	3.2
Conservation	Agricultural conservation	2.2
Baldwin Hills Conservancy	Habitat restoration	1.2
Sacramento-San Joaquin Delta Conservancy	Economic development	1.1
Coachella Valley Mountains Conservancy	Habitat restoration	0.2
San Diego River Conservancy	San Diego River restoration	0.1
Various	Statewide bond administration	1.4
Total		**$1,260.0**

LA = Los Angeles.

Figure 24

Major New ELPF Expenditures in the 2018-19 Budget

(In Millions)

Department	Purpose	Amount
CNRA	Ocean Resiliency Program to address threats of climate change on coastal and marine ecosystems	$15.0
TRPA/SWRCB	Backfill General Fund monies redirected to DFW	6.6
CalFire	Fireworks stewardship program for seized illegal fireworks	3.6
SLC	Boca Chica Lowlands Restoration Project	2.0
Delta Stewardship Council	Delta Science Program	2.0
General Services	Backfill Energy Resources Programs Account funding	1.9
Conservation	Watershed coordinator grants	1.8
Coastal Conservancy	Backfill bond funds for ongoing operations	1.0
CNRA	Establish project monitoring unit	0.7

ELPF = Environmental License Plate Fund; CNRA = California Natural Resources Agency; TRPA = Tahoe Regional Planning Agency; SWRCB = State Water Resources Control Board; DFW = Department of Fish and Wildlife; CalFire = California Department of Forestry and Fire Protection; SLC = State Lands Commission; and DWR = Department of Water Resources.

service levels and authority for 30 new positions.

- ***Expand California Waterfowl Habitat Program***—$5 million one time to expand this program—which provides grants to landowners for improving waterfowl habitat conditions on their private lands—to working agricultural rice fields.
- ***Launch California Biodiversity Initiative***—$2.5 million one time for a new effort to improve understanding of and preserve the state's biodiversity.
- ***Conduct Budget Review and Develop Tracking System***—$2 million one time for DFW to contract with an independent entity to conduct a service-based budget review and develop a new budget tracking system by January 2021. DFW can also use a portion of these funds to support associated staff work. The budget package includes budget trailer legislation (1) specifying the scope and interim deadlines for these activities and (2) authorizing DFW to accept private funds to help support the review and system.

California Energy Commission

The budget provides $533 million for CEC in 2018-19, a net decrease of $150 million (22 percent) compared to estimated prior-year expenditures. The net decrease largely reflects a technical issue related to unspent 2016-17 funds that were carried over into 2017-18. This decrease is partially offset by an increase in spending for ZEV fueling infrastructure, discussed below.

ZEV Fueling Infrastructure. The budget includes $134.5 million ARFVTF for ZEV fueling infrastructure, including $114.5 million for electric vehicle charging stations and $20 million for hydrogen fueling stations. These funds will be administered through the existing Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP). The $114.5 million for electric vehicle charging stations is $99 million more than the 2017-18 funding level. This increase reflects (1) a $43 million one-time allocation from the ARFVTF fund balance, (2) a $15 million one-time transfer from the Air Quality Improvement Fund, and (3) redirecting $41 million from other ARFVTP activities, such as grants for low-carbon fuel production facilities. (As discussed earlier in the cap-and-trade section of this report, $12.5 million GGRF is being used to backfill a portion of funding for low-carbon fuel production.) The administration intends to allocate all ARFVTP funding (about $95 million annually) to ZEV fueling infrastructure over the next several years.

Department of Water Resources

The budget includes $716 million for DWR, which represents a $1.3 billion decrease compared to the prior year. (These totals do not include the roughly $1.7 billion in annual payments from water contractors for DWR's work on the State Water Project, as those funds are not appropriated through the annual budget act.) This year-to-year decrease is primarily due to the way bond funds are accounted for in the annual budget. Specifically, DWR had $1.7 billion in 2017-18 spending authority from bond funds appropriated over the past several years, compared to the roughly $350 million appropriated in the *2018-19 Budget Act*.

Flood Management. The budget provides $195 million from the General Fund for flood management projects—primarily levee improvements—in the Central Valley. This funding falls into two categories:

- First, the budget includes $170 million one time for six specific urban levee improvement projects—identified in the budget act—that have already been authorized by the U.S. Army Corps of Engineers and funded by Congress. These monies would meet federal requirements for the state's share of funding those projects and be used in combination with local and federal funds.
- Second, the budget provides $25 million on an ongoing basis to perform regular maintenance and repairs on the levees for which the state holds special responsibility and liability. DWR will perform some of these activities and allocate some funding to local agencies that have contracted with DWR to maintain the state's levees. Additionally, from this ongoing amount, the budget sets aside $1.3 million in 2018-19 to study the feasibility of levying an assessment to support flood management activities within the Sacramento-San Joaquin Drainage District.

In addition to these funds, the budget includes $96.5 million for various flood management activities from Proposition 68 (as mentioned earlier) and $100 million from the General Fund to address deferred maintenance and repairs on levees in the Central Valley (described in the "Other Provisions" section of this report).

CalFire

The budget includes $1.8 billion from various fund sources to support the California Department of Forestry and Fire Protection (CalFire), a net decrease of $335 million, or 15 percent, from the estimated 2017-18 level. This decrease is primarily due additional one-time fire-fighting costs provided in 2017-18, particularly for the large fires that occurred in Sonoma and Napa Counties in October 2017 and in Ventura County in December 2017.

Helicopter Fleet Replacement. The budget includes $101 million from the General Fund in 2018-19 for the procurement of four new helicopters as part of CalFire's helicopter fleet replacement plan. Funding for procurement of the first helicopter was provided in the 2017-18 budget. Under the plan, all 12 of CalFire's helicopters would be replaced by 2020-21. The one-time cost of fleet replacement, including ancillary costs and capital outlay, is currently estimated at $315 million. The administration estimates ongoing support costs will grow to about $14 million annually for increased staffing and maintenance needs.

Fire Protection. The budget provides an increase of about $50 million from the General Fund to support CalFire's firefighting capabilities. This includes $11 million for increased staffing and vehicle maintenance, $9.4 million for additional dispatchers at Emergency Command Centers, $7.3 million for additional California Conservation Corps (CCC) fire crews, and $4 million to lengthen the season that McClellan Reload Air Base is staffed. (The budget also provides funding for a new firefighter training program for parolees at the Ventura Training Center, which is discussed in the "Judiciary and Criminal Justice" section of this report.)

California Conservation Corps

The budget includes a total of about $157 million ($90 million General Fund) for CCC, a net increase of about $48 million, or 44 percent, above estimated 2017-18 expenditures. This year-over-year change primarily reflects an increase of almost $36 million in General Fund

spending for capital outlay projects. These projects mainly consist of $24 million for the planning and construction costs of a kitchen, multipurpose room, and dorm replacement at the Auburn residential center, as well as funding for the acquisition and planning phase to build new residential centers (as discussed below).

Expansion and Replacement of Residential Center Facilities. The budget includes $9 million from the General Fund for the acquisition and planning phases of new residential centers in Auberry ($4.3 million), Los Pinos ($1.4 million), and Greenwood ($3.2 million), as well as the study phase in Yountville ($200,000). This funding begins the implementation of a major expansion of residential centers over the next five years. The first two of these facilities will provide services in new locations. The center at Greenwood will replace an existing residential center that is no longer serviceable, and the new center at Yountville will replace an existing nonresidential center in Napa. The projects are estimated to cost a combined total of $163 million (General Fund and lease revenue bonds) to complete.

Department of Parks and Recreation (DPR)

The budget includes $1.3 billion from various fund sources to support DPR, a net increase of $497 million, or 62 percent, from the estimated 2017-18 level. This is primarily due to $483 in one-time Proposition 68 funding (discussed above).

Parks Funding Augmentation. The budget assumes that $79 million of fuel tax revenue will be transferred to the State Parks and Recreation Fund (SPRF) in 2018-19 as a result of Chapter 5 of 2017 (SB 1, Beall). This is an increase of $25 million from the amount transferred in 2017-18, which primarily reflects the full implementation of the fuel tax increases established in SB 1. Of the transferred amount, the budget provides (1) $26.6 million to address a historical budget shortfall in SPRF and $7.7 million to build up the fund's year-end reserve; (2) $3 million to continue support that was initiated in 2017–18 for recruitment and training, off-highway vehicle grants, and abandoned watercraft abatement grants; and (3) $41.9 million ongoing and 361 positions to expand service levels throughout the state park system. The department utilized its newly implemented accounting system—known as Service-Based Budgeting or SBB—to inform its proposed allocation of additional resources and positions across the state parks. The largest funding increases are for facilities and maintenance, natural resource management, and local engagement.

California Indian Heritage Center. The budget authorizes $200 million—$100 million from the General Fund and up to $100 million in donations—for the planning and construction of a California Indian Heritage Center in West Sacramento. The center is intended to replace the State Indian Museum at Sutter's Fort State Historic Park in Sacramento. The new center would be managed by the department in collaboration with tribal representatives. The final project is expected to include up to 120,000 square feet of building space, outdoor plazas and venues, and educational trails to the Sacramento River. It is expected to be completed by the end of 2022.

State Lands Commission (SLC)

The *budget provides* $99 million for SLC, which is more than double the current-year level of $45 million. The significant funding increase is to plug offshore oil and gas wells, as described below.

Abandoned Oil and Gas Wells. The budget provides $58 million in 2018-19 for SLC to plug and secure two offshore oil and gas sites near Santa Barbara. Specifically, the budget provides $38 million for Platform Holly and $20 million for Rincon Island as proposed by the administration. Under the administration's plan, $20 million would be provided for each site in 2019-20, and an additional $10.5 million for Rincon Island in 2020-21. SLC assumed control and responsibility for the facilities at these sites after the lessees declared fiscal insolvency and relinquished the leases they had held with the state. These wells and facilities are on state lands and will continue to pose risks to the environment and public health until they are fully plugged and secured. The ultimate cost to the state is likely to be less than the $109 million that the Legislature approved, however, as the state is in active negotiations for a prior lessee to pay some of the costs. Any funds

that the state ultimately receives will reimburse the General Fund for these upfront appropriations. The Legislature also approved supplemental reporting language requiring SLC to submit a status update regarding funding, work, costs, and the terms of other offshore leases by January 10, 2019.

State Water Resources Control Board (SWRCB)

The budget includes a total of about $1.1 billion ($72 million General Fund) for SWRCB in 2018-19. This is a net reduction of $1.4 billion, or 56 percent, below 2017-18 expenditures. The decrease is due mainly to an almost $1.5 billion reduction in bond funding from Proposition 1 (2014).

Safe Drinking Water. As part of the January 10 budget package, the administration proposed budget trailer legislation to impose new charges on water system customers and certain agricultural entities. The revenues, in turn, would have been used to implement a financial assistance program to address unsafe drinking water. The Legislature did not adopt the Governor's proposal. However, the Legislature approved $20 million from the General Fund on a one-time basis for SWRCB, mainly to ensure safe drinking water in schools and provide emergency relief grants to households. (The budget also includes $3.5 million from the General Fund for the Office of Emergency Services to provide emergency water tanks.)

TRANSPORTATION

The spending plan provides $23.2 billion from all fund sources for transportation programs. As shown in **Figure 25**, this is a net increase of $4.7 billion, or 25 percent, when compared to the revised level of spending in 2017-18. This largely reflects increased spending resulting from the recent transportation funding package contained in Chapter 5 of 2017 (SB 1, Beall). The spending plan also includes other augmentations for the California Department of Transportation (Caltrans), the California Highway Patrol (CHP), and the Department of Motor Vehicles (DMV).

Senate Bill 1 Funding

Senate Bill 1 increased fuel taxes and vehicle charges to support existing and new transportation programs. It also repays monies loaned in the past to the General Fund from various transportation accounts. In total, the spending plan assumes SB 1 provides $4.6 billion in 2018-19—a $1.8 billion (62 percent) increase from the revised level of spending in 2017-18. (The main reason for the year-to-year increase is that the increased taxes and charges authorized by SB 1 were in effect for

Figure 25

Transportation Program Expenditures[a]

(Dollars in Millions)

Program/Department	2016-17	2017-18	2018-19	Change From 2017-18 Amount	Change From 2017-18 Percent
Department of Transportation	$9,151	$11,417	$14,218	$2,802	25%
California Highway Patrol	2,344	2,416	2,601	185	8
Shared revenues (local streets/roads)	1,277	1,882	2,587	705	37
Department of Motor Vehicles	1,059	1,124	1,184	60	5
High-Speed Rail Authority	733	305	1,177	872	286
State transit assistance	339	726	983	257	35
Other transportation programs[b]	334	649	428	-221	-34
Totals	**$15,238**	**$18,518**	**$23,179**	**$4,661**	**25%**

[a] Includes state General Fund, state special funds, state bond funds, federal funds, and reimbursements.
[b] Includes California State Transportation Agency, California Transportation Commission, and Board of Pilot Commissioners.

only part of 2017-18.) The $4.6 billion in spending includes:

- $1.6 billion for state highways.
- $1.2 billion for local streets and roads.
- $778 million for transit.
- $758 million for programs supporting multiple types of transportation.
- $170 million for other transportation programs (such as for active transportation).
- $105 million for state parks and agricultural programs (from the fuel tax revenues associated with off-highway vehicles).

The budget package also amends SB 1 to allow local governments to fund projects upfront and later reimburse themselves with funds they receive in future years through SB 1.

Caltrans

The budget plan for Caltrans includes total expenditures of $14.2 billion from all fund sources, an increase of $2.8 billion (or 25 percent) from the revised 2017-18 level of expenditures. The increase from 2017-18 to 2018-19 primarily reflects new funding provided from SB 1 for highway maintenance and rehabilitation. As discussed below, the budget also augments Caltrans' capital outlay support program, provides increases for Caltrans' compensation costs and various other purposes, and places a limit on Caltrans' indirect cost recovery charges for certain local governments.

Highway Maintenance and Rehabilitation. The budget increases highway maintenance spending from the Road Maintenance and Rehabilitation Account (RMRA) established by SB 1 from $421 million to $576 million—a $154 million increase. The increase consists of (1) $100 million for major maintenance contracts (specifically for bridges and culverts) and (2) $53.6 million to support 400 new positions. Of the new positions, 300 are to perform routine maintenance, while the remaining 100 are to oversee construction contracts for major maintenance. Additionally, the budget increases spending from the RMRA on highway rehabilitation projects included in the State Highway Operations and Protection Program (SHOPP) from $424 million to $994 million—a $570 million increase.

Capital Outlay Support. The budget increases spending from various funds on Caltrans' capital outlay support program to deliver new projects through the SHOPP and other programs from $1.9 billion to $2 billion—a $168 million increase. The increase consists of (1) $137 million for 785 state staff and overtime equivalent positions, (2) $22 million for 87 external consultant equivalent positions, (3) $3.3 million for project permits, (4) $2 million (one time) for construction arbitration costs, (5) $1.2 million (one time) for a Caltrans' facility needs study to be conducted by the Department of General Services, and (6) $1 million for training. Further, provisional language allows the Department of Finance (DOF) (after notification to the Joint Legislative Budget Committee [JLBC]) to increase or decrease spending for additional state staff or external consultants to meet project delivery needs. Under the language, DOF can increase spending by up to $36 million at any point in the fiscal year and can increase or decrease spending by up to $13.3 million on or after January 1, 2019.

Compensation Cost Adjustment. The budget provides a $58 million increase from the State Highway Account (SHA) to address what Caltrans characterizes as insufficient funding for its existing positions. The augmentation is spread across Caltrans' programs based on their historical compensation expenditures and position history, with most of the increase going to highway maintenance ($20.5 million) and administration ($16.1 million). Caltrans indicates that this augmentation will alleviate the need for new position requests for most of its programs over the next few years.

Indirect Cost Recovery Rate Limit for Self-Help Counties. When Caltrans performs work for a local government, it charges the local government for associated indirect costs, such as for accounting. The budget package includes trailer bill language to limit Caltrans to charging no more than 10 percent for administrative indirect cost recovery to self-help counties (counties with sales tax measures dedicated to transportation improvements) until July 1, 2021. The budget provides Caltrans with $10 million (SHA) to fully make up for the resulting decrease in its indirect cost recovery revenues.

California Highway Patrol

The budget provides $2.6 billion to fund CHP operations. This is an increase of $185 million, or 7.8 percent—mainly due to increases in funding for capital outlay projects—compared to the revised level of spending in 2017-18. Nearly all of this funding is from the Motor Vehicle Account (MVA), which derives the majority of its revenue from vehicle registration fees and driver license fees.

Field Office Replacement Projects. The budget includes a total of $169 million from the MVA to fund replacement CHP offices. This total includes (1) $3.7 million for the performance criteria phase in Santa Fe Springs and Baldwin Park; and (2) $165 million for the design-build phase in Quincy ($37 million), El Centro ($40 million), Hayward, ($48 million), and San Bernardino ($40 million). This funding is part of the administration's ongoing plan to replace deficient CHP area offices.

Radio Console Replacement Project. The budget provides $3.9 million from the MVA in 2018-19 to begin the replacement of the remaining antiquated dispatch consoles in all communication centers statewide over the next four years. The CHP estimates future expenditures from the MVA of $4.5 million in 2019-20, $4.9 million in 2020-21, and $509,000 in 2021-22 in order to complete the replacement project.

Vehicle Fleet Replacement. The budget includes an ongoing augmentation of $4.5 million from the MVA for the replacement of CHP vehicles that exceed the Department of General Services' recommended vehicle replacement mileage threshold of 100,000 miles. The CHP expects to replace a total of 1,105 vehicles in 2018-19.

Department of Motor Vehicles

The budget provides $1.2 billion for DMV operations, an increase of $60 million (or 5 percent) from the revised level of 2017-18 expenditures. Nearly all of this funding is from the MVA.

Driver License and Identification (ID) Card Processing. The 2018-19 budget includes $351 million for DMV to process driver licenses and ID cards. This is an increase of $21 million from the 2017-18 level due to workload related to the issuance of new driver licenses and ID cards that comply with federal standards—commonly referred to as "REAL IDs." The budget authorizes the Director of Finance to further augment the level of funding for driver license and ID card processing by $16.6 million to alleviate customer wait times at DMV field offices, following a 30-day notification to the JLBC. The Director of Finance is authorized to approve additional resources above $16.6 million to the extent DMV is able to justify the resources and provide an update on how the $16.6 million is to be used and its impact on wait times. (The Director of Finance has already authorized a total increase of $16.6 million and the Legislature has concurred with the request.)

Front-End Sustainability (FES) Project. In 2013, the DMV initiated the FES project to complete the upgrade of its vehicle registration and fee collection system, which currently depend on 45-year old technology. The budget package provides an increase of $15 million in 2018-19 to support the implementation of the FES project. The budget package also includes trailer legislation to increase by $1 per-transaction fee (from $3 to $4) charged to private entities (such as car dealerships) that utilize the system to collect vehicle registration fees on the department's behalf, in order to help offset the project's implementation costs. The FES project is expected to be completed in 2022-23 at a total cost of $89 million, with the above fee increase expiring in 2023.

Field Office Replacement and Renovation Projects. The budget includes $7.9 million in 2018-19 to continue the replacement and renovation of the Oxnard and Reedley DMV field offices, as well as to construct perimeter fencing at 13 existing field offices. The budget also includes $200,000 to begin advanced planning for two future renovation projects proposed for 2021-22.

Other Budget Augmentations. The budget also includes (1) $3.1 million for the replacement of IT equipment that has reached the end of its useful life and (2) $1.4 million to extend the state's clean air vehicle decal program as authorized by Chapter 630 of 2017 (AB 544, Bloom). This program permits certain low- and zero-emission vehicles to operate in the state's carpool lanes regardless of the vehicle's occupancy level.

JUDICIARY AND CRIMINAL JUSTICE

The 2018-19 budget provides $14.3 billion from the General Fund for judicial and criminal justice programs, including support for program operations and capital outlay projects, as shown in Figure 26. This is an increase of $616 million, or 4.5 percent, above the revised 2017-18 General Fund spending level.

Judicial Branch

The budget provides $3.8 billion for support of the judicial branch—an increase of $247 million (or 7 percent) from the revised 2017-18 level. This amount includes $1.9 billion from the General Fund and $499 million from the counties, with most of the remaining balance from fine, penalty, and court fee revenues. The General Fund amount is a net increase of $161 million, or 9 percent, from the revised 2017-18 amount. Funding for trial court operations is the single largest component of the judicial branch budget, accounting for around four-fifths of total spending.

Trial Court Operations. The budget includes various General Fund augmentations for trial court operations, including the following:

- ***General Purpose Funding ($122.8 Million).*** The budget includes $122.8 million in general purpose trial court operations funding. Of this amount, $75 million will be allocated by Judicial Council to trial courts based on its priorities. The remaining $47.8 million is to be allocated to trial courts with below average funding levels.
- ***Self-Help Services ($35.6 Million).*** The budget provides $19.1 million in limited-term funding for self-help centers and $16.5 million on a one-time basis to support county law libraries. The budget package also requires the Judicial Council to conduct a cost-benefit analysis of self-help services by November 2020. (We note that the budget package also makes ongoing a $10 million augmentation to the Equal Access Fund Program to provide legal services and assistance to indigent individuals in civil cases that was set to end after 2018-19.)
- ***Health Benefits and Retirement Costs ($24.9 Million).*** The budget provides $24.9 million for increased trial court health benefit and retirement costs.
- ***Fine and Fee Backfill ($9.3 Million).*** The budget provides $9.3 million to backfill a further decline in 2018-19 fine and fee revenue collected to support trial court operations, for a total General Fund backfill of $64.3 million in 2018-19.
- ***Language Access ($8 Million).*** The budget package provides $4 million to Judicial Council for trial court signage,

Figure 26

Judicial and Criminal Justice Budget Summary

General Fund (Dollars in Millions)

				Change From 2017-18	
	2016-17	2017-18	2018-19	Amount	Percent
Department of Corrections and Rehabilitation	$10,675	$11,603	$11,874	$271	2.3%
Judicial branch	1,702	1,748	1,909	161	9.2
Department of Justice	219	238	282	44	18.6
Board of State and Community Corrections	108	67	181	114	169.1
Other departments[a]	78	71	98	27	37.6
Totals, All Departments	**$12,782**	**$13,727**	**$14,344**	**$616**	**4.5%**

[a] Includes Office of the Inspector General, Commission on Judicial Performance, Victim Compensation Board, Commission on Peace Officer Standards and Training, State Public Defender, funds provided for trial court security, and debt service on general obligation bonds.
Detail may not total due to rounding.

court interpreter equipment, and other language-access-related activities at trial courts, as well as $4 million (one-time) to support trial court interpreter services.

- ***Online Traffic Pilot ($3.4 Million).*** The budget provides $3.4 million to Judicial Council to develop and test different activities related to the online adjudication of certain traffic infractions at a minimum of eight trial courts.

In addition, the budget includes a $48.2 million reduction in General Fund support for trial court operations in 2018-19 in order to reflect the availability of property tax revenue in accordance with Control Section 15.45 and Section 2578 of the Education Code. Such funds are remitted to the state by counties that collect more property tax than state law allows them to spend on education.

The budget also appropriates $15 million from the Trial Court Trust Fund on a one-time basis to support start-up costs associated with the implementation of the state's new pretrial process as required by Chapter 244 of 2018 (SB 10, Hertzberg). The budget specifies that the funds will be reimbursed by the General Fund in 2019-20.

Capital Outlay. The budget provides $1.3 billion for various trial court construction projects. This amount includes $32.2 million from the Immediate and Critical Needs Account (ICNA) for the pre-construction design activities for three projects. The budget also provides $1.3 billion in lease revenue bond authority for the construction of ten projects, as shown in Figure 27. The annual debt service on these bonds will be paid from the General Fund instead of ICNA. (ICNA receives revenue from certain court fee and fine increases to fund trial court facility projects.) The budget package also requires Judicial Council to reassess its trial court facility needs by December 31, 2019.

Corrections and Rehabilitation

The budget act provides $11.9 billion from the General Fund for support of the California Department of Corrections and Rehabilitation (CDCR). This is a net increase of $271 million, or 2 percent, above the revised 2017-18 level of spending. This increase primarily reflects additional costs related to (1) Hepatitis C treatment for inmates, (2) the replacement of radio equipment in CDCR facilities and vehicles, and (3) prison roof replacements and mold remediation. This additional spending is partially offset by various spending reductions, including reduced spending for contract beds due to a decline in the inmate population.

Adult Correctional Population. Figure 28 (see next page) shows the recent and projected changes in the inmate and parolee populations. As shown in the figure, the prison population is projected to decline slightly from about 128,500 inmates at the end of 2017-18 to about 126,300 inmates by the end of 2018-19. The parole population is projected to increase slightly from about 47,500 to about 49,200 parolees by the end of 2018-19. These trends are primarily due to the estimated impact of Proposition 57 (2016), which made all nonviolent offenders eligible for release consideration, expanded CDCR's authority to award sentencing credits to inmates, and requires that judges decide

Figure 27

Lease Revenue Bonds Backed by General Fund Authorized for Court Construction

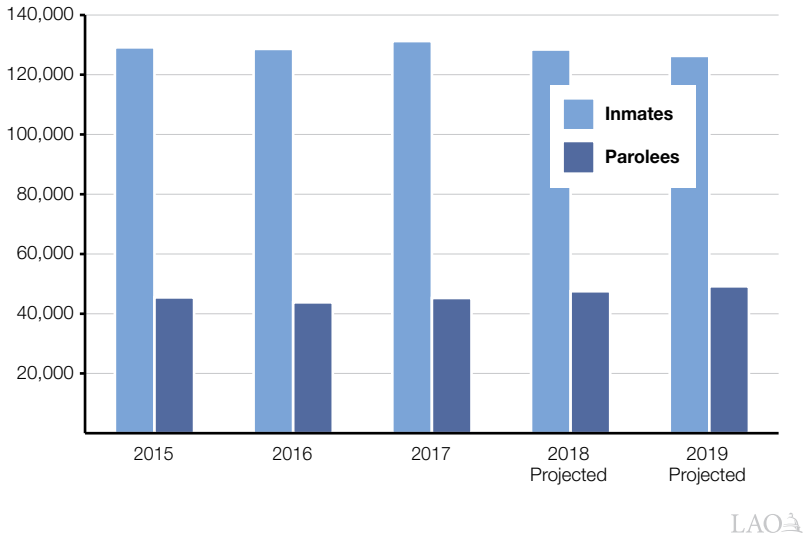
(In Millions)

County/Courthouse Project	Construction Cost
Glenn—renovation and addition to Willows Courthouse	$38.3
Imperial—New El Centro Courthouse	41.9
Riverside—New Indio Juvenile and Family Courthouse	45.3
Riverside—New Mid-County Civil Courthouse	75.8
Sacramento—New Sacramento County Courthouse	459.8
Shasta—New Redding Courthouse	138.8
Siskiyou—New Yreka Courthouse	59.2
Sonoma—New Santa Rosa Criminal Courthouse	160.7
Stanislaus—New Modesto Courthouse	237.2
Tuolumne—New Sonora Courthouse	57.7
Totals	**$1,314.8**

Figure 28

Adult Inmate and Parolee Populations Projected to Change Slightly

As of June 30 Each Year



in all cases whether juveniles should be tried in adult court.

Inmate Health Care. The budget includes $3.2 billion from the General Fund for inmate health care. This includes the following augmentations: (1) $105.8 million on a limited-term basis to increase the number of inmates with Hepatitis C that receive treatment, (2) $20.1 million to implement various strategies intended to improve how the department manages mental health beds, (3) $18.1 million on a limited-term basis to increase payments to contract psychiatrists who provide services when civil servants are unavailable, (4) $10.8 million to provide health care services in reentry facilities, and (5) $8.3 million for additional costs to implement the Electronic Health Record System.

Equipment and Roof Repairs. The budget includes various General Fund augmentations to purchase equipment and repair roofs. This includes $72.3 million to replace roofs as well as to address mold damage at various institutions. The budget also includes $32.9 million for CDCR to replace public safety radio system infrastructure used at several institutions and by the statewide inmate transportation unit. In addition, the budget includes $17.5 million to purchase vehicles that are primarily used to transport inmates to receive health care.

Rehabilitation Programs. The budget provides $16.8 million in additional support for rehabilitation programs. This includes (1) $8.3 million (General Fund) to increase the availability of career technical education programs and (2) $4 million (Inmate Welfare Fund) to support innovative programming grants on an ongoing basis. The budget also provides $2.1 million from the General Fund for CDCR to establish the Ventura Training Facility, which will provide firefighter training and certification for about 80 parolees. The budget also provides $2 million to the Department of Forestry and Fire Protection and $3.5 million to the California Conservation Corps to support the training center.

Division of Juvenile Justice (DJJ). Legislation approved as part of the budget package allows DJJ to house more juvenile and adult court youth in order to reduce the number of such youth housed in adult prison. For example, the legislation authorizes DJJ to operate a seven-year pilot program to house certain adult court youth who can serve their entire sentences in DJJ if they are able to complete them before turning age 25. The budget includes $2.1 million from the General Fund to support this new workload.

Other Budget Adjustments. The budget includes various other augmentations from the General Fund to support CDCR operations. These include (1) $16.5 million to pay for overtime worked by custody staff, (2) $13.5 million to reduce the inmate caseload for Correctional Counselors, (3) $12.9 million to expand training for employees, (4) $10.3 million to increase custody staffing primarily related to medical guarding and transportation, (5) $9.1 million to implement a two-year contraband interdiction pilot program, and (6) $8.2 million for additional costs to provide

janitorial services at the Correctional Health Care Facility in Stockton.

Capital Outlay. The budget provides an additional $39.1 million from the General Fund to support various capital outlay projects in state prisons. Some of the most significant projects are to: (1) construct a kitchen at the California Correctional Center in Susanville ($19.7 million), (2) develop working drawings to construct mental health crisis bed facilities at two state prisons ($7.1 million), and (3) develop preliminary plans to construct additional medication distribution rooms at various state prisons ($3.3 million). The budget also provides $43 million in increased lease revenue bond authority to improve prison health care facilities.

Department of Justice (DOJ)

The budget provides $683 million for support of DOJ in 2018-19—an increase of $36 million, or 5.5 percent, from the revised 2017-18 level of spending. This amount includes $282 million from the General Fund—a net increase of $44 million, or 19 percent, from the revised 2017-18 level of spending. (This increase does not include employee compensation increases.)

Forensics Workload. The budget includes a total of $18.9 million in one-time General Fund support for various forensics-related workload. First, the budget provides $6 million to backfill an additional decline in criminal fine and fee revenue available to support DOJ's Bureau of Forensics Services (BFS) and $5.4 million to replace BFS laboratory equipment. Second, the budget provides $6.5 million to help counties and cities address the backlog of unprocessed sexual assault evidence and $1 million to inventory the total amount of unprocessed evidence in the state.

Other Budget Adjustments. The budget includes (1) $11.1 million (Ammunition and Safety Enforcement Special Fund) for the regulation of ammunition and firearms and (2) $10 million one time (General Fund) to implement a tier-based sex offender registry as required by Chapter 541 of 2017 (SB 384, Wiener and Anderson).

Other Criminal Justice Programs

Board of State and Community Corrections (BSCC). The budget includes various one-time General Fund augmentations for new grant programs to be administered by BSCC. This includes (1) $50 million for community-based organizations that provide housing services to formerly incarcerated individuals, (2) $37.3 million to provide services to youth in lieu of punishment such as jail (commonly referred to as "diversion programs"), and (3) $28.2 million to assist counties with a temporary increase in the population supervised by county probation departments due to the release of prison inmates as a result of Proposition 57.

Commission on Peace Officer Standards and Training (POST). The budget includes a one-time $25 million General Fund augmentation to POST for law enforcement training activities: (1) $15 million for use of force and de-escalation training, (2) $5 million for crisis mental health training, and (3) $5 million to provide competitive grants for innovative trainings or procedures that could reduce officer-involved shootings.

OTHER PROVISIONS

Proposition 2 Infrastructure

Proposition 2 Requires Infrastructure Spending After BSA Reaches Maximum Level. Under Proposition 2, the state is required each year to set aside funds for reserves, debt payments, and—potentially—infrastructure. In particular, the state must deposit funds into the rainy day fund—the BSA—until it reaches its maximum level of 10 percent of General Fund tax revenue. (The state can suspend or withdraw these deposits when facing a budget emergency.) Once the BSA reaches this maximum, required deposits that would bring the fund above 10 percent of General Fund taxes instead must be spent on infrastructure. Under the budget plan's revenue assumptions, the maximum

BSA level is $13.8 billion. With both a required and optional deposit, the budget package sets aside enough funds so that the BSA reaches its maximum level at the end of 2018-19.

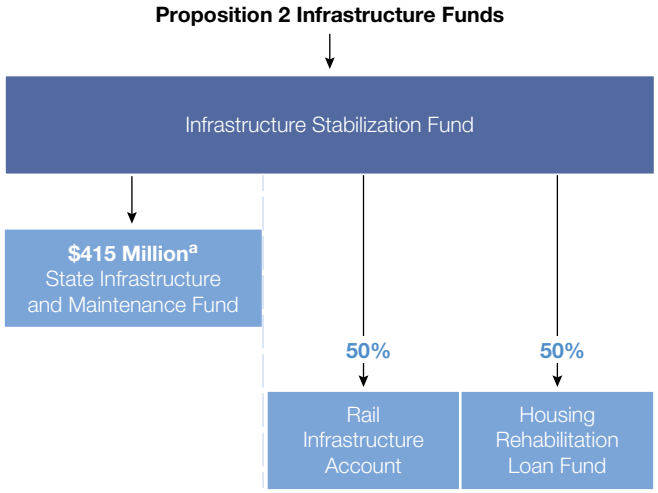
Proposition 2 Infrastructure Spending to Begin in 2019-20 if Economy Continues to Grow. Each year that General Fund tax revenues increase, the maximum level of the BSA also increases (typically by several hundred millions of dollars). Beginning in 2019-20, any Proposition 2 requirement in excess of the amount needed to max out the reserve must be dedicated to infrastructure. For example, if the 2019-20 Proposition 2 requirement is $1.5 billion, around $1 billion would be allocated to infrastructure projects.

Trailer Bill Appropriates These Funds to Three Uses. Chapter 43 (AB 1831) appropriates future available Proposition 2 infrastructure funds to the Infrastructure Stabilization Fund (from 2019-20 through 2021-22). As shown in **Figure 29**, the legislation distributes these funds to the following three uses:

- ***State Infrastructure and Maintenance Fund.*** The first $415 million available is dedicated to fund state capital outlay, lease payments related to state capital outlay, and deferred maintenance. The Legislature will appropriate these funds for these dedicated purposes in future annual budget bills.
- ***Rail Infrastructure Account.*** After dedicating $415 million to state infrastructure, Chapter 43 continuously appropriates half of the remaining funds to the Transportation Agency for the newly established Rail Modernization Improvement Program. The Secretary of Transportation will allocate the funds to high-priority rail projects, including those that benefit shared use corridors and station areas.
- ***Housing Rehabilitation Loan Fund.*** Chapter 43 continuously appropriates the other half of the remaining Proposition 2 infrastructure funds to the Multifamily Housing Program, administered by the California Department of Housing and Community Development. This program funds the construction and rehabilitation of affordable rental housing for lower-income households.

Figure 29

Trailer Bill Legislation Appropriates Proposition 2 Infrastructure Funds Beginning in 2019-20



[a] If amount in the Infrastructure Stabilization Fund is less than $415 billion, the entire amount is deposited into the State Infrastructure and Maintenance Fund.

LAO

Deferred Maintenance and Other Infrastructure

Deferred Maintenance. As summarized in **Figure 30**, the budget includes $305 million on a one-time basis from the General Fund (non-Proposition 98) for deferred maintenance projects at 20 state departments in 2018-19. The departments have up to three years to expend these funds. (The budget also includes $28 million in Proposition 98 General Fund for community college projects.) The budget includes a provision that allows departments to use up to 10 percent of their allocations—up to $5 million—to conduct assessments of department infrastructure.

Because the administration has not identified all of the specific projects that departments will undertake with the funding, the budget requires DOF to provide a list of projects to the Joint Legislative Budget Committee (JLBC) 30 days prior to allocating funds to a department. Subsequent to the allocation of funds, departments may change their list of projects subject to approval by DOF. DOF must notify the JLBC of any projects added with estimated costs of greater than $1 million, as well as provide a quarterly report of all changes to the list of projects. The budget also requires DOF to provide the JLBC with an annual report on the status of funded projects.

Capitol Annex. The budget sets aside $630 million from the General Fund into the State Project Infrastructure Fund (SPIF) for the renovation of the State Capitol Annex, originally constructed in 1952. Budget trailer legislation authorizes the use of lease revenue bonds of up to $756 million for the renovation in the event that total funding in SPIF (including $128 million of previously available fund balance) is not sufficient to cover project costs. The legislation also authorizes lease revenue bonds of $423 million to construct a new office building near the State Capitol to be used as "swing space" for legislators and staff during the renovation of the Annex.

Sacramento Area State Office Buildings. The budget includes $29.6 million from the General Fund for the initial planning phase—known as the performance criteria phase—for three state office building projects in the Sacramento area. These capital outlay projects are:

- ***Construction of Richards Boulevard Building ($18.1 Million).*** The budget provides funding for the performance criteria phase of a project to construct a complex of four buildings with a total of 1 million net usable square feet at the former site of the state printing plant. The total estimated cost of this project is about $1 billion. The facility is expected to house the California Department of Tax and Fee Administration; the Board of Equalization; and various departments within the Business, Consumer Services, and Housing Agency.
- ***Renovation of the Bateson Building ($5.2 Million).*** This project will involve the renovation of the 215,000 net usable square foot building constructed in 1981. The total cost of the project is estimated at $161 million. The building is expected to house various departments currently in leased space, such as the Department of Parks and Recreation, Department of Water Resources, and Department of Forestry and Fire Protection.
- ***Renovation of the Unruh Building ($6.3 Million).*** This building was constructed in 1929 and has 125,000 net usable square feet. The total cost of the project is estimated at $90 million. The State Treasurer's Office—the building's major tenant—is expected to

Figure 30

Deferred Maintenance

2018, Non-Proposition 98 General Fund (In Millions)

Department	Amount
Water Resources	$100
Judicial Branch	50
California State University	35
University of California	35
California Exposition and State Fair	15
Developmental Services	10
General Services	10
State Hospitals	10
Corrections and Rehabilitation	9
Science Center and African American Museum	7
Military	4
Office of Emergency Services	4
State Special Schools	4
Veterans Affairs	4
California Fairs	3
Forestry and Fire Protection	2
Employment Development	1
Food and Agriculture	1
Conservation Corps	0.5
Hastings College of Law	0.5
Total	**$305**

relocate back to the Unruh Building after completion of the renovation.

Debt Service. The budget provides $7.6 billion from various funds for debt service payments in 2018-19. This represents an increase of 6 percent from 2017-18. This total includes $6.5 billion for general obligation bonds ($5 billion from the General Fund), and $1 billion for lease revenue bonds ($623 million from the General Fund).

Employee Compensation

Labor Agreements Increase State Annual Costs. Assuming union members ratify agreements with Bargaining Units 9 and 10, the state has active memoranda of understanding (MOU) with 20 of the 21 state rank-and-file employee bargaining units. (The MOU with Bargaining Unit 5 [Highway Patrol] expired in July 2018.) In 2018-19, the budget assumes that state costs to pay for salary and benefits (excluding retirement benefits) for rank-and-file employees and their managers will increase by $1.4 billion ($725 million from the General Fund). In addition, various provisions in MOUs will significantly increase state annual costs for years to come. These include scheduled salary increases, funding state contributions to prefund retiree health benefits, increases in health care costs, and increases in other benefit costs.

Retirement Costs Continue to Grow. The state's costs to pay for pension and retiree health benefits continue to grow. The budget assumes that the state's costs to pay for active and retired state employees' pension benefits will increase by $340.5 million ($189 million General Fund) in 2018-19 to a total contribution of $6.2 billion ($3.6 billion from the General Fund). State pension costs are expected to grow for the foreseeable future due to CalPERS phasing in the effects of actuarial assumption changes and salary growth. In addition, the budget assumes that the state's costs to pay for health benefits received by retired state employees will increase by about $170 million to a total of $2.2 billion in 2018-19. These costs also are expected to grow for the foreseeable future due to increases in health premiums and the number of retired state employees and eligible dependents receiving the benefit.

Financial Information System for California (FI$Cal)

An Integrated Financial Management System. For the last several years, the administration has been engaged in the design, development, and implementation of the FI$Cal project. This information technology (IT) project will replace the state's aging and decentralized IT financial systems with a new system integrating state government processes in the areas of budgeting, accounting, cash management, and procurement. Since the project began, it has changed considerably in scope, schedule, and cost from what was initially anticipated. These changes have been documented in special project reports (SPRs). In February 2018, the California Department of Technology approved the seventh SPR for FI$Cal.

New Project Plan. The new project plan—SPR 7—changes the scope of the FI$Cal project in two significant ways. First, it ends the project before the State Controller's Office's (SCO's) accounting functions fully transition onto FI$Cal. Second, it changes the "onboarding" approach so that not all departments that were previously anticipated to transition to FI$Cal will actually transition. Although SPR 7 makes significant changes to the scope of the FI$Cal project, it only reflects very minor changes in overall project costs. Based on SPR 7, the total estimated cost for the project is $918 million ($493 million General Fund) and is estimated to be completed in July 2019. The 2018-19 spending plan provides $53.5 million ($52.2 million General Fund) to continue with the FI$Cal project and maintain and operate the FI$Cal system.

SCO's Integrated Solution. In light of persistent challenges, SPR 7 establishes a new approach for deploying the accounting functions related to SCO. Rather than transitioning fully to FI$Cal, as prior SPRs planned, SPR 7 introduced the Integrated Solution. Under the Integrated Solution, SCO will run the FI$Cal system and its existing legacy accounting systems in tandem. The Integrated Solution develops interfaces between both FI$Cal and SCO's legacy systems so that data is entered only once (in either system) but then both systems share the data. This way each system can perform

the accounting and cash management functions for the state. The administration proposed this approach because of SCO's continued concern regarding the performance and accuracy of the FI$Cal system. The Integrated Solution allows additional time for testing and validating the FI$Cal system using reports produced by SCO's legacy systems before SCO fully transitions.

The cost of the Integrated Solution is not reflected as a project cost in SPR 7. Instead the 2018-19 spending plan provides SCO $5.4 million ($3.1 million General Fund) to support the Integrated Solution. In total, SCO anticipates it will cost $25.6 million (all funds) through 2021-22 to (1) develop and test the new accounting and cash management functions in FI$Cal, (2) develop the Integrated Solution, and (3) support the maintenance and operations of the FI$Cal project once the legacy systems are decommissioned. None of these costs are reflected in the total FI$Cal project cost. However, as a means of tracking project costs, the Legislature adopted supplemental reporting language as part of the 2018-19 budget that requires the Department of Finance to provide a list of enacted budget proposals related to the Integrated Solution by January 1, 2020.

Cannabis Regulation and Enforcement

As summarized in **Figure 31**, the budget includes an increase of $129 million (primarily from the Cannabis Control Fund and Cannabis Tax Fund) for several departments to regulate cannabis businesses. This amount roughly doubles the amount provided in 2017-18. The funding is provided on a two-year limited-term basis. A majority of the funding supports the departments responsible for licensing and compliance oversight of cannabis businesses, including retailers, cultivators, and manufacturers. Other activities supported by the funding include administrative hearings of appeals filed by licensees, tax collection, and implementation of an information technology system (IT) to track cannabis products from cultivation through retail. The budget act allows the amounts provided from the Cannabis Control Fund for the Bureau of Cannabis Control, Department of Public Health, and Department of Food and Agriculture to be augmented by

Figure 31

Summary of Funding Increases for Cannabis Regulation and Enforcement

2018-19 (In Millions)

Department	Primary Purposes	Amount
Bureau of Cannabis Control	Licensing and enforcement of retailers, distributors, and other licensees; grants to equity applicants	$54.3
Food and Agriculture	Licensing and enforcement of cultivators	28.3
General Services	Administrative hearings on behalf of licensing departments	13.0
Public Health	Licensing and enforcement of manufacturers	10.6
GO-Biz	Grants for substance abuse treatment and other services	10.0
Employment Development	Administration of employment tax program	3.7
Highway Patrol	Develop protocols for determining when drivers are under the influence of cannabis	3.0
Tax and Fee Administration	Administration of cultivation and retail excise taxes	2.3
University of California	Research on effects of cannabis	2.0
Cannabis Control Appeals Panel	Hearing appeals of decisions made by cannabis licensing departments	1.4
Secretary of State	Business filings and trademark registration	0.4
Finance	Audit of Bureau of Cannabis Control	0.4
Total		**$129.4**

GO-Biz = Governor's Office of Business and Economic Development.

the Department of Finance (DOF) for additional resources needed to implement IT, licensing, and enforcement activities. The budget also authorizes a $59 million loan from the General Fund to the Cannabis Control Fund in case licensing revenues are not sufficient to cover costs.

Voting Equipment

Reimbursement to Counties for Voting Equipment. The budget includes up to $134.4 million General Fund for the state to reimburse counties for costs counties incur to replace voting systems. Counties may seek reimbursement for costs to replace voting systems incurred after April 29, 2015. The Secretary of State will determine the maximum amount of state funding available to each county based on the size of the county, the number of voters registered in the county, and the Secretary of State's estimate of need for county voting equipment.

Census

Over $90 Million for Census Outreach. The budget provides $90 million to the Government Operations Agency for outreach activities related to the decennial census through 2020-21. Outreach will be led by the Complete Count Census (a committee established for the purpose of ensuring California has a complete and accurate census count). The budget package requires the Complete Count Census to report on various elements of census preparation—including the media campaign and funding allocations for local, targeted outreach—over the next three years. These reports are due to the Joint Legislative Budget Committee, the Assembly Select Committee on the Census, and the Senate Select Committee on the 2020 United States Census various progress.

Office of Emergency Services (OES)

The budget provides OES with $1.5 billion (more than two-thirds from federal funds) in 2018-19. This is a net increase of $38 million, or about 3 percent, compared to the estimated spending level in 2017-18. In addition to the augmentations described below, the budget includes $10 million from the General Fund to support local domestic violence shelters (discussed in the "Homelessness" section of this report).

California Disaster Assistance Act (CDAA). The budget includes an increase of $88.1 million in 2018-19 and $23.5 million ongoing from the General Fund for CDAA (for a total of $127.2 million in 2018-19 and $62.6 million ongoing for CDAA). Most of the increase in 2018-19 is expected to be used to provide reimbursements to local governments related to damage to local infrastructure caused by storms in early 2017 and fires in late 2017. The ongoing funding represents the average of spending on CDAA in recent years.

California Earthquake Early Warning (CEEW) System. The budget includes $15.8 million from the General Fund in 2018-19 and $750,000 from the General Fund annually thereafter to support the CEEW system. Of the total in 2018-19, $15 million is to complete the build-out of 283 remaining planned sensor stations required for the system.

Military Department

The budget provides $231 million for the California Military Department (CMD), including $104 million from the General Fund and $125 million from federal funds. This total is an increase of $16 million, or 7 percent, from 2017-18 estimated expenditures.

California Cadet Corps. The budget provides an additional $7.2 million in General Fund support in 2018-19 (increasing to over $8 million annually in future years) to more than triple the size of the cadet corps program from its current level of 51 schools and 6,000 cadets to 175 schools and 21,875 cadets by 2022-23. This increase in support will fund a greater share of program costs that are currently paid for by schools in areas such as commandant training, supplies, and activities. It will also fund uniforms and state-level activities for these additional participating schools. Finally, it will fund curriculum updates, improved facilities for CMD staff, and a larger state-level staff (12 additional positions in 2018-19 and 11 thereafter).

Military Academies. The budget includes $3.6 million from the General Fund in 2018-19 ($3.3 million ongoing) to enable CMD to support activities at both the California Military Institute (CMI) and Porterville Military Institute (PMI). Most of

this funding is to support 21 military personnel to run the military program component of the schools, similar to the support currently provided at the Oakland Military Institute (OMI).

Labor Programs

New Statewide Prison to Employment Initiative. The spending plan includes $36 million General Fund over two years ($16 million in 2018-19 and $20 million in 2019-20) for the California Workforce Development Board (State Board) to distribute grants to local workforce boards to fund employment training opportunities for at least 1,000 ex-offenders and to integrate local employment training with programs offered by parole and probation departments. Funds could be used for a variety of services, including English language learning, basic skills and adult education, training stipends, industry-approved certification programs, pre-apprenticeship, and on-the-job training, among others. In addition to direct employment services, the spending plan funds supportive services for ex-offenders who participate in job training. Supportive services are services that an ex-offender may require in order to attend job training and commonly include bus passes, childcare vouchers, and housing assistance. Ex-offenders who participate in employment services would be eligible for up to $5,000 each in supportive services. Funding would also be provided to support the creation of regional partnerships between the local boards, California Department of Corrections and Rehabilitation, parole centers and county probation departments, and community-based reentry service providers. These funds would be used to facilitate collaboration among the partner organizations in order to customize job placement based on each ex-offender's training history, education needs, and work experience. The State Board will perform a study of the initiative in 2021-22, evaluating the degree to which individuals who receive services under the initiative are able to successfully complete workforce training programs and successfully transition into the labor market and broader workforce education system.

Funds the Breaking Barriers to Employment Initiative. The spending plan includes $15 million General Fund to provide workforce training support grants pursuant to Chapter 824 of 2017 (AB 1111, E. Garcia), known as the Breaking Barriers to Employment grant program. Grant funds will supplement workforce development services for individuals with barriers to employment in order for them to successfully enter, participate in, and complete existing training programs. Eligible individuals include, among others, out-of-school youth, the long-term unemployed, English language learners, the California Work Opportunity and Responsibility to Kids (CalWORKs) participants, seasonal farmworkers, and persons with disabilities.

Expanded Funding for Apprenticeship Consultants. The 2018-19 spending plan includes $3.5 million special funds to support 22 new apprenticeship consultant staff positions at the Division of Apprenticeship Standards within the Department of Industrial Relations. These staff will support new apprenticeship training programs in nontraditional industries, including certain state civil service classifications, information technology, and healthcare services. The budget plan includes ongoing funding of $5.6 million special funds to support a total of 42 apprenticeship consultants by 2021-22. These positions will be funded out of the Employment Training Fund, which consists of revenue from an existing payroll tax on employers. Typically, these funds are used by the Employment Training Panel to distribute workforce training grants to businesses.

Department of Veterans Affairs

The spending plan for California Department of Veterans Affairs (CalVet) includes $414 million General Fund in 2018-19, an increase of $9.2 million (2.3 percent) over revised estimates for 2017-18. This amount is expected to be offset by $76 million from federal reimbursements for Veterans Homes.

Additional Reporting Requirements for Veterans Homes Master Plan. The 2017-18 budget included language that requires CalVet to develop a systemwide master plan for the veterans homes by July 1, 2019. Key components of the master plan include (1) an assessment of current demand for services, (2) projecting future

long-term care needs among California's veterans, and (3) determining how to align the veterans homes system to meet current and future demand across all levels of care.

The 2018-19 budget extends the deadline for the master plan to December 31, 2019 and requires that the master plan be updated every five years. Additionally, CalVet is required to include additional information in the master plan about (1) potential location of future veterans homes, (2) the possible provision of services through a community-based model, and (3) the local cost of living for employees. The 2018-19 spending plan provides $241,000 General Fund for two permanent positions beginning 2019-20 (once the limited-term resources provided in 2017-18 expire) to support the future development of the master plan.

Capital Outlay. The 2018-19 budget includes funding for two capital outlay projects:

- ***Veterans Home of California, Yountville Skilled Nursing Facility.*** The plan provides about $7 million General Fund for the beginning phase to construct a new skilled nursing and memory care facility at the Veterans Homes of California in Yountville. The new facility, which is estimated to cost a total of $293 million, would largely replace the existing skilled nursing facility and memory care unit at Yountville.
- ***California Central Coast Veterans Cemetery (CCCVC).*** The plan includes $571,000 from private donations to complete the working drawings for the expansion of the CCCVC. The expansion is estimated to result in about 3,700 in-ground burial sites. The total cost of the project is estimated to be $9.2 million and will be covered by a combination of federal, state, and private funds.

Earned Income Tax Credit (EITC)

State EITC Adopted in 2015. The EITC is a personal income tax credit that is intended to reduce poverty among California's poorest working families by increasing their after-tax income. California adopted the state EITC in 2015. The state EITC builds on the similarly structured federal EITC. (For more information on the federal EITC and the prior state EITC, see our *2015-16 State Spending Plan*.) The budget package modifies the existing EITC in two ways.

Closes Age Gaps. By building on the federal EITC, the state EITC inherited certain eligibility restrictions. Specifically, under the federal EITC, eligible filers without a qualified dependent child must be at least age 25 and younger than age 65. The 2018-19 budget plan expands the state EITC to working individuals without children who are between the ages of 18 and 25, as well as to those over age 65. The administration estimates this change will allow up to 500,000 previously ineligible filers to claim the state EITC.

Expanded to Higher Income Families. The 2018-19 budget plan expands income eligibility to $16,800 for filers with no children and $24,960 for filers with one or more qualifying children. The higher income thresholds account for the rising minimum wage. For instance, $24,960 reflects the annual earnings of one person working fulltime at the 2019 minimum wage of $12 per hour. These changes will allow about 220,000 additional households to claim the credit. In addition, because of the higher income thresholds, the credit phases out more slowly for those eligible tax filers with higher incomes. As a result, the amount of the credit will be somewhat higher—by tens of dollars—for a filer near the high end of current qualifying range.

Increased Spending on EITC Education, Outreach, and Tax Preparation. The 2018-19 budget provides $10 million for grants to various organizations to expand awareness of the EITC.

Business Tax Credits

Extends Film Tax Credit by Five Years. The budget package extends the motion picture tax credit through the 2024-25 fiscal year. The California Film Commission competitively awards up to $330 million per year in tax credits to motion picture production companies. The credit amount is 20 percent of certain production expenses, such as crew wages and post-production costs. (The credit

is higher—25 percent—for independent films and relocating television productions.)

Extends California Competes and Provides $20 Million for Small Business Assistance. The budget package extends the California Competes program by five years. This program allows the administration to negotiate tax credit agreements under which selected businesses may qualify for tax credits by meeting hiring and investment targets. The budget package reduces the annual limit on available credits from $200 million to $180 million. The budget also provides $20 million per year for five years for grants to organizations that offer technical assistance services to small businesses and entrepreneurs.

Extends New Employment Credit. The budget package extends the New Employment Credit by five years. This credit is intended to provide an incentive for businesses to hire individuals who, because of their personal history, may have difficulty entering the workforce or developing employment skills. Businesses operating in specified areas of the state may claim a credit if they hire an eligible individual, pay the new employee at least 150 percent of the state minimum wage ($16.50 per hour in 2018), and comply with certain reporting requirements. The annual amount of credits allowed varies and is unrestricted. Eligible businesses claimed about $1.4 million in credits for 2016.

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EXHIBIT E

Progress Report on the Census Infrastructure

A Report to the Joint Legislative Budget Committee, the Assembly Select Committee on the Census, and the Senate Select Committee on the 2020 United States Census

Prepared by: California Complete Count Census 2020

October 1, 2018

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I. INTRODUCTION

This initial report details progress to date to establish the State of California's (State) infrastructure for the 2020 United States Census (2020 Census). It is provided in response to the requirements of Subdivision (a) of Section 45, Chapter 53, Statutes of 2018 (Senate Bill 866).

This document describes major program elements of the State's 2020 Census effort, the status of work underway, and findings from statewide readiness and needs assessment convenings held in spring and summer 2018. It outlines the California Complete Count Office (Office) budget and allocations to date.

This initial report will be succeeded, beginning January 1, 2019, by quarterly reports on California's 2020 Census-related overall budget, expenditures, and allocation of funds to organizations. Also by the start of 2019, the Office will submit reports on four programmatic topics of specific interest to the Legislature: 1) school curriculum pilots, 2) staffing and hiring, 3) an online platform tool for outreach, and 4) 2018 regional convenings.

California's Approach to the Census

Launched in the 2017-18 fiscal year as a three-year program, California's Complete Count effort will be an extensive statewide outreach and awareness campaign designed to encourage and support full participation by all Californians in the upcoming 2020 Census.

The State is devoting significant resources to this campaign because California, home to extraordinarily diverse populations that risk being undercounted, faces the greatest barriers in the nation to ensure an accurate count and thus receive a fair share of federal funding and Congressional representation. This comprehensive campaign will seek to reach the more than 13.5 million total households in California to raise awareness of the 2020 Census and motivate the hardest to count residents to respond.

A Focus on the Hard to Count

The State will focus its communication and outreach efforts on the area of greatest need: those communities historically undercounted in the Census. These populations, called "hard to count" or HTC, are least likely to respond to the Census questionnaire without specialized outreach and assistance. The bulk of messaging and outreach will be targeted and tailored to the variety of unique HTC communities around the state. The State aims to meet or exceed the U.S. Census Bureau's nationwide target to achieve a 60.5% self-response rate from people in all communities.

HTC census tracts are defined by the U.S. Census Bureau based on a range of housing, demographic, and socioeconomic variables that correlate with undercounts. They include population density, and percentage of:

- Immigrants and foreign born
- Linguistically isolated individuals (non-English speaking individuals over 14 years of age within households)
- Non-two parent households
- Persons who are not high school graduates
- Persons who are unemployed
- Number of vacant housing units in an area
- Specific ethnic and minority populations
- Renters and children
- Densely populated communities with multi-unit housing, public assistance characteristics
- Native Americans living on tribal lands

HTC communities will encompass many communities of color, low-income households, veterans, young children, the elderly, renters, those experiencing homelessness, displacement or housing insecurity, and immigrants or those who speak limited English.

Overarching Principles

Four overarching principles will frame and inform the Office's work: messaging to Californians in linguistically competent and culturally appropriate ways; leveraging existing networks and community trust through partnerships; ensuring accountability; and operating transparently.

- *Messaging:* The Office is dedicated to communicating a language-appropriate "You Count!" message to 100% of California's HTC populations. With more than 200 languages spoken across California and approximately 18% of the State's population speaking limited English, language access will be critical to the success of a high-quality and comprehensive Census campaign. In-language assistance will be the main tactic to achieve the outreach goal among these different linguistic populations. The Office will invest in messaging that is locally created and tested in order to reach these distinct, diverse, numerous and geographically dispersed populations.

- *Partnerships:* Partnerships with organizations ranging from Local Complete Count Committees (LCCC) and schools, to foundations and other State and local government agencies, allow the Office to significantly expand its reach. These partnerships connect the State with extended networks that foundations and key convening organizations have developed. The State's collaboration with its many partners reduces duplication of efforts.

- *Accountability:* The Office will hold itself and all entities with which it partners financially accountable and accountable for delivering results. Rather than utilizing grants, the Office will contract with partners – including community-based organizations (CBOs), local governments, and media organizations – to ensure greater accountability for delivery of services, and greater transparency of

commitments and expectations. Contracts will enable the State to ensure prudent expenditures and quantifiable outcomes. A structured audit system will promptly identify any need for change.

- *Transparency:* State leaders have dedicated significant resources to the Office to encourage full participation among State residents in the 2020 Census. Complete transparency of how State money creates a highly accountable government, which in turn produces beneficial outcomes. The Office will report quarterly to the State Legislature on expenditures and accomplishments and regularly post materials to the census.ca.gov website.

The Office will also work to make sure its operations and expenditures are trusted and understood, so spending can be tracked and public dollars can be used most efficiently. The Office's focus for 2020 Census outreach is to achieve comprehensive access to the State's HTC populations to complete 2020 Census forms and ensure a complete count for the State.

Currently, the Office is transitioning from an initial Phase 1 assessment stage of convening partnerships, establishing infrastructure, and staffing up to begin core outreach, education and communication work. The plan is to combine and build on approaches successfully used in 2000 and 2010 as a starting place to maximize early participation. Conceptually, this is a phased approach summarized as:

- Phase 1: Convene, Collaborate, Capacity Build
- Phase 2: Educate, Motivate, Activate
- Phase 3: Count (Deploy, Count, Assess)

II. COMMUNICATIONS AND OUTREACH

Central to the success of the 2020 Census effort is a robust, targeted communications and outreach strategy, based on data and effective methods to reach undercounted and HTC populations, while also being adaptive and responsive to unforeseen needs and changing political and media environments. The State will adapt messaging and outreach strategies in response to continually changing political and social circumstances and incoming data on Census non-participation. To avoid duplication of efforts, all of the Office's outreach efforts will support the U.S. Census Bureau's survey and enumeration operations, and complement and supplement U.S. Census Bureau outreach activities.

Key aspects of the Office's approach are:

- Messaging that is multi-lingual and culturally and linguistically competent to access the State's foreign language speakers;
- Educating youth on the Census;
- Using technology to support partner communications;

- Establishing or leveraging a broad range of collaborations, partnerships, outreach links and networks; and
- Relying on existing, trusted community leaders and outlets, including trusted messengers and ethnic and local media.

These elements of the Office's 2020 Census communication and outreach approach are detailed further in the following sections.

Messaging Campaign

The intent of the Office's media and marketing campaign is to increase awareness and knowledge of the 2020 Census and thereby increase the likelihood that individuals from HTC communities will respond and be counted. Modeled after successful Census outreach efforts in 2000 and 2010, the State's 2020 Census team and contractor/s will create targeted multi-media, multi-lingual messaging. The campaign will deliver focused, tailored messages to HTC populations concentrated in the Census tracts most likely to be undercounted, with the goal of addressing those barriers that prevent HTC groups from completing and returning their forms. Ethnic and local media with knowledge of HTC populations will be involved in outreaching to communities.

The Office will leverage partners already engaged with message testing and research to inform the media plan. Lessons learned from the U.S. Census Bureau's national communications campaign show that State and local entities are better suited to create local content that resonates with their specific residents. Further information on the media campaign is in the *RFI Media* section below.

Language and Communication Access

Estimates show that California's population has grown by more than two million since the 2010 Census, with 44% of residents speaking a language other than English at home. As previously noted, Californians speak more than 200 non-English languages. Per the U.S. Department of Justice, language access allows persons who do not speak English as their primary language, and who may have a limited ability to read, write, speak, or understand English, to access services that might otherwise inadvertently exclude them. The State also considers language access to be of critical importance to persons with communication-related disabilities, such as persons who are visually impaired, hard of hearing, or deaf, or persons who have limited language proficiency or are illiterate.

According to the latest Census Operational Plan draft in the Federal Register, the U.S. Census Bureau will provide the online Census form and telephone/electronic Census assistance in 12 languages other than English. The paper form will be in English and Spanish only, a departure from the six languages included in 2010. Further, the Bureau will limit the language assistance provided for online and telephone questionnaires. Language guides and glossaries will be provided for 59 languages. This poses a challenge to effectively message and connect to the State's many HTC residents unlikely to be accessed by the federal efforts. The State will therefore build a language access plan and develop materials to complement and supplement the U.S. Census Bureau's efforts.

The Office will hire a full-time Language and Communication Access Manager dedicated to address and support access to 2020 Census materials, and ensure all residents can complete the Census form in a fashion that is most comprehensible to them. As described below in the section on Requests for Information, contracts with CBOs and media agencies will address language and communication access by region (e.g. cities, identified rural communities, etc.).

Schools

Grade school students and young adults can be powerful communication links to a variety of HTC communities. Students from kindergarten to 12th grade (K-12) serve as trusted messengers to family members and will be an important source of information about the Census, especially in immigrant and other limited English-speaking families.

As an early step to prepare and educate youth about the Census, the State, in partnership with the Sacramento, Los Angeles, and Fresno County Offices of Education, is funding development of a school-based curriculum pilot that provides modules and lesson plans for 5th, 8th, 11th, and 12th grade students. The pilot effort includes educating both students and teachers, and providing them with resources and support to advocate for increased Census participation among family and community. Implementation of the pilot will begin in Fresno County in 2019.

In other schools-related activities, the Office staff will include a Sector and Schools Outreach Coordinator who will focus on outreach to students at the K-12 and higher education levels.

The Office will outreach to school districts to identify schools, teachers, and programs to work with and develop additional innovative approaches, such as engaging students through the visual and performing arts. The State outreach effort plans to locate some of its regional offices on community college campuses, to establish a campus presence for grassroots-level engagement with higher education students, who are often undercounted.

Statewide Outreach and Rapid Deployment (SwORD) Online Platform

A key finding from California's 2010 Census effort was a need for greater coordination and information-sharing between the State and other outreach and messaging partners. In response, the Office has contracted with ESRI, a GIS mapping and spatial data analytics company, to develop and launch an interactive online platform for Statewide Outreach and Rapid Deployment (SwORD).

SwORD will serve as the backbone of the Office's efforts to increase participation by enabling the rapid sharing of information between the State and its many local government and strategic partners. It will support collaboration and coordination on outreach. It will be the State's primary database for a wide range of resources and assets, including mapped data, and will house key HTC data.

Leading up to the Census count in 2020, SwORD will support decision-making for Census outreach planning and resource allocation and serve as a toolbox for data collection and analysis. During the Phase 3 deployment period in 2020, SwORD will support real-time outreach activities and monitoring for rapid response and deployment to achieve a complete count.

SwORD will also play a role to track and ensure accountability, as the Office will require that contracted partners use the platform to develop their State-funded outreach plans and submit reports.

The SwORD tool will be rolled out in iterative phases as the State builds capacity through the allocation of resources to key stakeholders such as counties, CBOs, and other partners. The design process has included stakeholder/end user input into the functionalities and data needed to plan, outreach, deploy, and monitor. The SwORD platform is currently in development and beta testing by State staff with input from an ad hoc design advisory team made up of local governments and statewide partners.

Links with Critical Partnerships

Even with significant State funding, it will take enormous resources and innovative approaches to reach households statewide and motivate HTC residents to respond. Partnerships with HTC communities' trusted messengers will be the most effective way to increase the likelihood of self-response.

California's strategy to reach HTC populations is based on the formation and support of strategic, local partnerships. Foundations, CBOs, non-governmental organizations (NGOs), non-profits, local government agencies, Tribal governments and local elected officials are critical to leverage existing networks, resources, and expertise. This relational, grassroots approach will provide valuable infrastructure to dynamically adapt messaging and outreach strategies in real time. State and foundation funding will enhance the resources and reach of these partner organizations during the 2020 Census.

- Outreach Partnership with Community Based Organizations: The heart of the State Census campaign is taking the complete count message to communities via grassroots outreach. The Office will partner with CBOs to provide "people to people" outreach, the most effective method to reach HTC communities. Outreach work will be two-pronged. Geographically, on a regional and/or local level, the Office will contract directly with individual CBOs or via regional general contracts. Demographically, on a statewide level, the Office will contract with CBOs that have expertise to reach specific HTC populations. The approach to contracting is described in more detail below. Regional program managers in State outreach offices will work with CBOs to provide technical assistance and coordinate efforts with multiple additional stakeholders, including LCCC's, cities, counties and local offices of elected officials.

- Sector Outreach: Following the 2010 Census, the State Census team at the time recommended that staff in 2020 expand their efforts at sector outreach, using pathways to HTC populations that exist internal and external to State government. It will be critical to solidify these collaborations in order to execute effective and well-coordinated outreach strategies and tactics. This statewide outreach effort will focus on sectors that intersect most with targeted HTC populations, including:
    - State agencies (through a State Agency Working Group)
    - Regional and local government agencies
    - Elected officials
    - K-12 schools
    - Higher education, including community colleges and universities (public and private)
    - Private sector businesses and large employers, including chambers of commerce
    - Unions, including organizations of farm workers and service employees
    - Corporations, including technology companies
    - Early education (0-5 years) advocates and service providers
    - Faith-based organizations and associations
    - Ethnic-oriented organizations and associations
    - Disabled individuals' advocates, service providers and organizations
    - Homeless individuals' advocates, service providers and organizations

- Working with Counties: A significant part of California's outreach strategy to reach HTC populations involves partnerships with local governments. Local counties and cities play a significant role to ensure their populations are aware of the Census and are ready to be counted. Counties that receive funding from the state will be required to submit plans including budgets outlining spending strategies. Counties' involvement in 2020 Census activity may include working with CBOs to canvas neighborhoods for unconventional housing and similar conditions that might otherwise result in a local undercount, if not accessed by Census staff; and funding and supporting Local Government Complete Count Committees (LCCCs) that conduct focused outreach and increase the count using local knowledge and resources to inform and promote targeted outreach efforts. These LCCCs can provide a nexus between local governments and the State and provide better organization and preparedness to avoid duplicating efforts.

- Consultation with Native American Tribal Governments: The State is initiating government-to-government consultation with California Native American Tribes (both federally-recognized and non-federally recognized) to explore opportunities to partner for outreach and communication to all Native Americans in California. There is a similar need to outreach and engage with Native Americans in California that do not live on tribal lands. This may include California natives as

well as Native Americans that work or live in California native communities, but whose tribes are located elsewhere in the U.S.

- California Complete Count Committee: To assist with informing and implementing a statewide communications and outreach plan, a California Complete Count Committee (CCCC or Committee) was formed in April 2018 and tasked with providing strategic recommendations to the State and extending pathways to reach HTC populations. The Committee brings together public and private partners from across the State to increase awareness about the Census, to encourage all Californians to participate, and to lend its expertise on outreach, communication and access issues. Its members work with their networks and communities to spread awareness of the Census and to collaborate with partners to support Census outreach. The Committee submitted a report with initial concerns and recommendations to the Governor's Office on October 1, 2018. These recommendations will continue to be developed and implemented during the preparation for and execution of the 2020 Census count.

- Regional Convenings of Strategic Partners: In spring and summer 2018, the State held 24 regional convenings across California to activate local partners and support the strengthening of regional collaborative networks around Census outreach and messaging. More than 1,500 local leaders from HTC communities were convened by region to assess and strengthen their readiness to engage in outreach with local communities. Attendees – including representatives from CBOs and NGOs, local government, community foundations, unions, the education, health and social service sectors, faith-based groups, as well as social service organizations. Attendees learned about State and U.S. Census Bureau 2020 efforts, the geography of HTC and distribution of primary languages spoken across communities, and shared lessons learned from the last Census. Participants identified HTC communities, ethnic and community media, and trusted messengers. Attendees were encouraged to form partnerships, identify necessary resources, and begin developing effective strategies to achieve a local complete count.

Key Convening Findings

Common themes emerged as attendees discussed major challenges and opportunities to achieve a complete count, and offered recommendations for strategies and tools to support the process.

Challenges

Participants identified the most significant barrier to achieving a complete count to be the Census citizenship question and the current political environment regarding immigrants. They expressed concern that the question could increase fear and distrust and thereby greatly depress the count of non-citizen residents. There was uncertainty among convening attendees about the most effective strategies to address this issue.

A related issue is the rising distrust of government and other major social institutions by many sectors of society, and the various reasons for this, including previous negative and/or traumatic experiences with government by refugees in their countries of origin. This distrust may depress participation and make it difficult for enumerators to reach residents.

The transition to a predominantly online Census form has the potential to greatly depress the count for the elderly, rural residents, and others with limited access or digital literacy. Attendees also identified growing concerns about data confidentiality, with rising public awareness of hacking and theft or misuse of data.

Language barriers and language access issues were of great concern to participants, in general Census outreach and information, in the Census form itself, and in federal door-to-door follow-up efforts. There was concern that many individuals with limited English proficiency would face further barriers to census participation with the paper Census form available only in English and Spanish.

California's housing crisis and the associated issues of gentrification, displacement and dramatically increasing homelessness will create challenges to reach and count people as they move or take refuge in unconventional housing arrangements, such as vehicles, garages, or the couches or spare rooms of friends and family.

Attendees highlighted the undercount of young children under 6 years, whether through lack of knowledge, distrust, housing or immigration status, or other circumstances. There is significant concern about achieving an accurate count for young children in families facing mixed immigration status or other uncertainties related to citizenship or legal residency.

Recommended Strategic Approaches & Opportunities

Attendees highlighted the need to personalize the message about why the Census is important and how it affects people's lives. This could include highlighting the services people use and depend on, and connecting the Census to other issues people care about, such as education and safety.

Culturally relevant and appropriate messages in language are critical, as is ensuring that the most effective trusted messengers are involved in outreach, including faith-based institutions and organizations, trusted community leaders, and service providers who can reach out to existing clients and caseloads. Census outreach should reach people where they are and where they feel comfortable, in locations perceived as safe and trusted, such as churches, libraries, schools, and parks.

Attendees suggested a variety of outreach strategies and approaches to engage California's HTC residents – key themes were to build upon known approaches that work *and* get creative and innovative. Many noted the importance of hiring

HTC community members and working to ensure the U.S. Census Bureau hires enumerators who are from HTC populations, and/or have expertise in or relationships with HTC communities. Other ideas shared included:

- Establish, utilize or build upon peer-to-peer outreach efforts, such as the "Promotores" model pioneered in Latino communities to provide basic health education in the community.
- Apply lessons learned from the successful *Covered California* outreach effort.
- Expand mobile Census assistance capacity by making laptops/tablets available (via State surplus property or donations from the high-tech sector).
- Establish mobile Census assistance centers, such as vehicles with internet connectivity (analogous to bookmobiles, blood banks, or other mobile services).
- Integrate Census outreach with existing outreach or community-focused campaigns, and make outreach events fun (e.g., festivals, parades, parties or sports events).
- Employ micro-targeting to reach specific HTC populations (e.g., barber shops, food trucks, and ethnic markets).
- Utilize themed giveaways, such as tote bags, refrigerator magnets, pens, etc., and offer incentives such as free gift cards to markets.
- Work with employers of HTC populations to allow time off to fill out the Census form or provide access to forms at places of employment.

Critical Resources and Tools for Outreach

The following provides examples of the resources and tools attendees identified that the State, local governments, foundations or NGOs might offer for effective outreach.

Messaging

- Toolkits with easily shareable images/flyers/language for sharing on electronic, written and spoken platforms, with consistent messaging and templates that can be customized;
- Informational materials such as flyers that are multilingual, culturally sensitive and relevant to target community values, and accessible to people with disabilities, including specific information on benefits of being counted that will resonate with various communities;
- Talking points on key Census issues, including public benefits, data security, confidentiality of information, and risks, consequences, and options; and
- Official statements from governmental authorities at different levels indicating support, or sharing information about data security and confidentiality;

Skills/Expertise

- Expertise in social media, Information Technology/web design, marketing, translation/language assistance, and field canvassing;

Partner Support

- Best practice guidelines/manual with pictures and graphics;
- Training/technical assistance for partners covering best practices, train-the-trainer approaches, and increasing computer literacy in HTC communities;
- Specific information for partners on volunteer development;
- Information on ways to stay updated on the latest information, issues, and available resources;
- Online information on how to apply for grants or state contract funding, including deadlines and contacts;

Data

- Mapping information that is easily accessible and digestible;
- Real-time mapping and monitoring of response;
- Technical support and training for mapping tools;

HTC Community Support

- Paper Census questionnaires in additional languages as guides;
- Cheat sheets and audio/visual tools on how to fill out the form and how to self-identify in response to race, ethnicity and gender questions; and
- An information hotline offering technical support, help in filling out the Census, and answers to key questions.

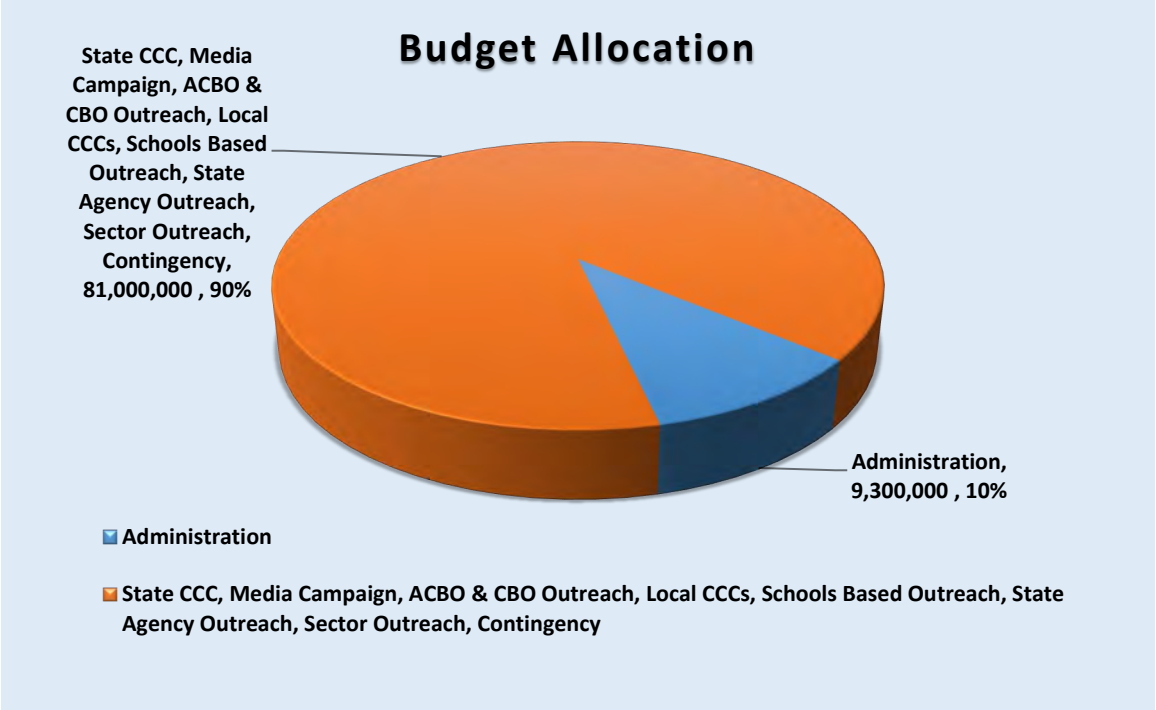
III. BUDGET

Overview

As referenced above, State leaders have made a sizeable commitment to the 2020 Census by investing approximately $100 million towards strategies and other tasks that will help ensure an accurate and successful count of all Californians. The 2017 Budget Act launched this pledge by appropriating $3 million for initial planning activities to the Governor's Office of Planning and Research (OPR) and $7 million to the Department of Finance (DOF) for its Local Update of Census Address Operation (LUCA) incentive program. Building on those initial investments, the 2018 Budget Act includes an additional $90.3 million for statewide outreach and strategies that aim to increase the participation rate of California's HTC populations in the 2020 Census. The table below shows the total amount of State resources provided to date and available funding amounts remaining:

	Appropriation Amount	Expended*	Encumbered	Remaining Balance**
2017 Budget Act - LUCA	$ 7,000,000	$ 5,200,000	$ 802,000	***$ 998,000***
2017 Budget Act - OPR	$ 3,000,000	$ 763,052	$ 1,464,042	***$ 772,906***
2018 Budget Act - Agency	$ 90,300,000	$ 713,030	$ 17,009	$ 89,570,000

*Includes $350,000 for Department of Finance Administrative Costs.
**There are approximately 50 California cities/counties that have not submitted their LUCA package. If they were to do so, the total value of any awards for those jurisdictions would be approximately $500,000.



The bulk of all expenditures to date were primarily related to initial planning activities that allowed the State to operate the LUCA incentive program and start up the Office. These expenditures are described below.

- Local Update of Census Addresses: Currently, $4.85 million of the LUCA funds have been paid to local jurisdictions (see Appendix A for detailed breakdown by jurisdiction). The latest LUCA submission report from the U.S. Census Bureau shows 79 local governments in California are eligible to request the incentive award for a total of $802,500. The 79 local governments mentioned above have submitted their LUCA materials but have not yet requested incentive funds. An additional 50 local governments in California have not submitted their LUCA package (a total incentive value of about $500,000), although some of these packages may have arrived recently to the U.S. Census Bureau. Some cities and counties have filed for and received extensions, but the deadline is drawing near for all LUCA submittals. At this point, it is assumed that almost all of those additional 79 cities and counties will ask for their incentive funds, which would move the total paid to local jurisdictions to $5.65 million. We will know the final award amounts for all local governments in California by the end of October.

- Initial Planning and Research: The $3 million in resources provided to OPR was used to conduct the initial needs assessment, collaborate with interested stakeholders, launch the California's Complete Count Committee (CCCC), initiate consultation with federally recognized and non-recognized tribes, and establish informational convenings throughout the State. In essence this was a key part of Phase 1 of the State's capacity-building efforts. Furthermore, this funding was

utilized for the initial hiring of staff for the Office, and to enter into various contracts to assist with statewide coordination, information gathering, assessments, and report writing.

- Statewide Outreach and Communication Plan and Operational Plan: The $90.3 million is primarily being utilized to finish staffing the Office, educate, motivate, and activate all levels of California governments, establish contracts with our community-based and local government partners, and implement a media strategy. It also is being used to assist with enumeration related activities, including monitoring work completed by local governments, Tribal governments, and CBOs, and assessing their needs in real time. While initial planning activities were started within OPR, the 2018 Budget Act realigned the operations under the oversight of the Government Operations Agency (Agency). The Office operates as a program within the Agency. The Agency provides oversight to ensure effective and efficient Office operations and legislative updates. This includes appropriate allocation of funds including funding methodologies and strategies incorporating input from the advisory CCCC.

Funding Allocations

After accounting for 10% administrative costs of the $90.3 million appropriation, 90% remains available for distribution to the various strategic programs. This includes program costs at the State level as well as contract costs for various services. It is anticipated that most of the funding will go towards the following two efforts:

- Outreach
- Media Campaigns

Within outreach efforts, the focus will be on Administrative Community Based Organizations (ACBOs) and CBOs, State Agencies, Governments to include Local Complete Count Committees, and Tribal communities. An amount will be set aside for contingencies and emergency actions that may need to be implemented as operational events unfold on the ground.

The final allocation has yet to be determined. The Agency and Office continue to collect data and information on how best to disburse the funding among the various strategies and avoid duplication of efforts. It is anticipated that the allocation of funding for the various strategies will be available in mid to late October 2018, with the goal of providing initial funding to ACBOs/CBOs and Local Governments in early January 2019.

Future iterations of this report will include updated information regarding awardees, amounts of each award, and the funding process.

Administration (Operations)

Given that the Office's 2020 Census effort spans multiple years, the $90.3 million appropriation for statewide outreach and coordination included language for funding to be spent and encumbered over the next three fiscal years. As part of staffing the Office's 2020 Census operation, the Agency established a preliminary administrative

budget unique in nature for this three-year operation. The table below shows the 10% estimated administrative costs of the Office's 2020 Census operation:

	FY 18-19	FY 19-20	FY 20-21	3-Year Totals
Admin Staffing:	$ 1,620,000	$ 1,810,000	$ 1,776,000	$ 5,206,000
Admin OE&E	$ 1,260,000	$ 1,350,000	$ 1,484,000	$ 4,094,000
Total Admin Costs:	***$ 2,880,000***	***$ 3,160,000***	***$ 3,260,000***	***$ 9,300,000***

Future reports will refine this number as staff hiring is completed and leased office space is acquired in Los Angeles, San Diego, Fresno, and the Bay Area for the Regional Program Managers. Changes in these areas are not expected to result in large deviations from the numbers above.

Staffing and Organizational Structure

The Office has been aggressively recruiting and hiring. We continue to advertise our positions on the Governor's Appointments, California Human Resources and Census websites as well as on LinkedIn.

The 2020 Census hiring plan is to onboard staff in phases. The plan includes providing necessary time to secure State 2020 Census offices in various regions throughout the state prior to hiring staff to occupy these offices. The Office originally received approval to hire 22 appointed positions.

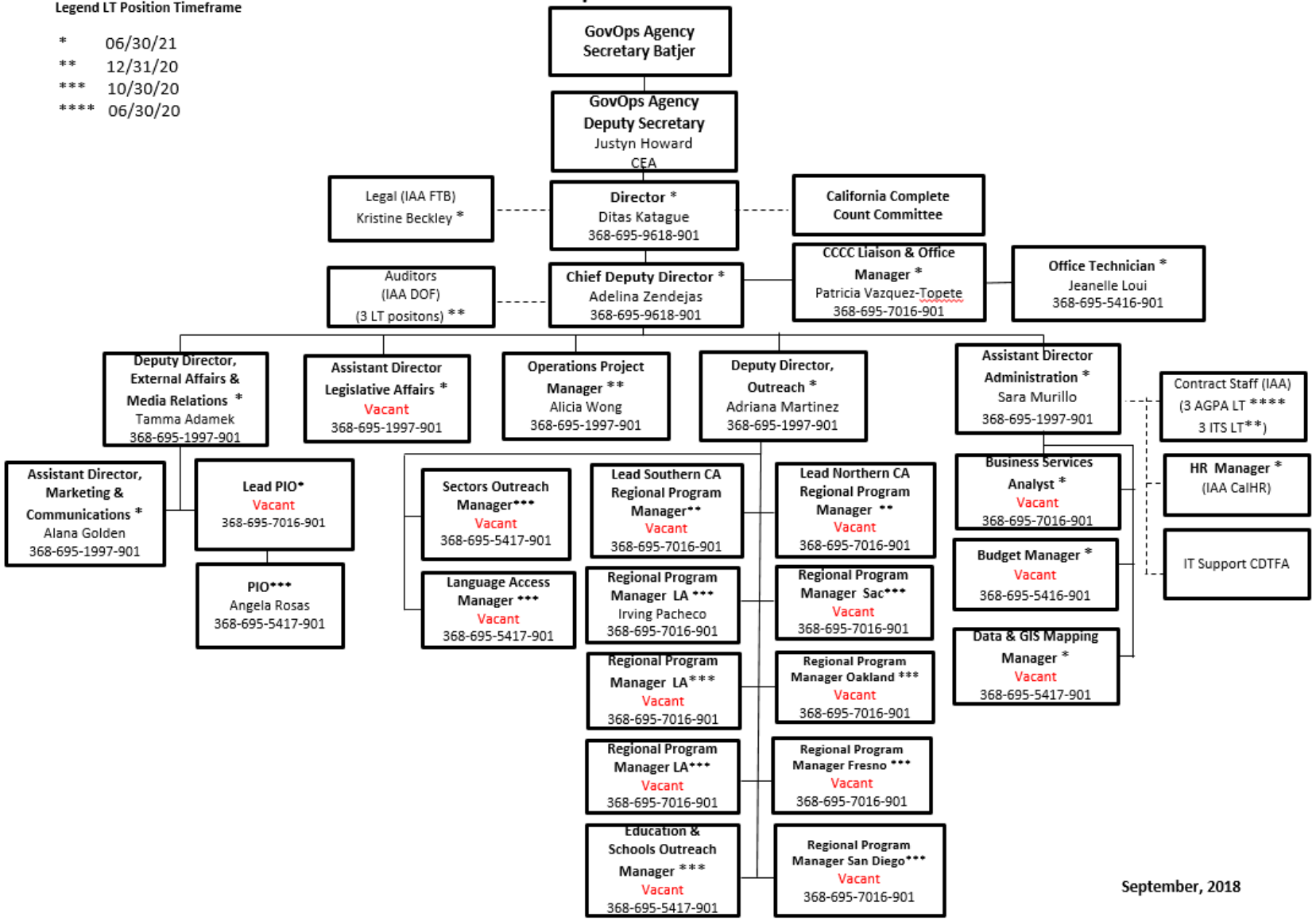
After the recent reorganization shifting reporting and oversight of the Office from OPR to the Agency, a reevaluation of staffing levels found that five additional positions were needed to effectively complete the 2020 Census mission, for a total of 27 positions. The organizational chart on the following page shows the currently approved composition for the Office.

To date, the Office has hired 11 staff, and is on target to hire the remaining 16 positions by December 2018. The Office has recently made tentative offers to applicants for the following positions: Northern and Southern RPM Leads, one Southern California RPM, Lead Public Information Officer, and Budget Manager.

Organization Chart
California Complete Count - Census 2020

Legend LT Position Timeframe

*	06/30/21
**	12/31/20
***	10/30/20
****	06/30/20



September, 2018

Current Contracting Efforts

The Office has taken numerous steps towards the anticipated robust contracting activity that will occur over the next several months. Below are the first contracts executed by the Office during Phase 1 initial planning:

- Sacramento County Office of Education (SCOE), $250,000: Develop and pilot educational and support materials for students and teachers about the U.S. Census. SCOE will serve as the lead agency responsible for collaborating with the Los Angeles County Office of Education (LACOE) to develop materials and resources, and the Fresno County Office of Education (FCOE) to pilot and disseminate materials for the 2020 Census campaign.

- California State University, Sacramento, Center for Collaborative Policy [now Consensus and Collaboration Program, College of Continuing College] (CCP), $749,999.89: CCP provides neutral facilitation for stakeholder engagement, readiness assessments / regional convenings, and governance / facilitation support for the CCCC. As a neutral third party, CCCP assists and supports the State in its efforts to ensure all Californians are counted and to ensure fair and complete funding and representation.

- Environmental Systems Research Institute, Inc. (ESRI), $658,814: The contract with this GIS mapping and spatial data analytics company involves planning, designing and deploying a Statewide Outreach and Rapid Deployment (SwORD) interactive mapping site. It will support sharing of information between the State and its partners, while providing the ability to closely monitor user activity.

- Stantec Consulting Services, Inc., $33,130.97: Stantec facilitated a meeting of the Governor's Office and State departmental representatives to initiate State plans for its 2020 Census operations and is assisting with development of the State's 2020 Census Operations Plan

In general, contracts are awarded by following the formal and competitive process outlined in the State Contracting Manual, Volume 1. Additional contracting methods include inter-agency agreements with State agencies, departments and universities that have internal resources and extensive reach into the populations they serve.

Requests for Information

In addition to the executed contracts described above, the Office has recently issued two Requests for Information (RFIs) to help inform the process for issuing future funding via contracts with CBOs and media campaign organizations. The RFI are designed to gather new and innovative ideas beyond those approaches traditionally used to reach HTC populations, especially in light of the U.S. Census Bureau's use of an online, self-response tool and its limited resources. In addition, Office staff expect the RFI process will help the State contract in a way that avoids duplicating time or funding. These RFI are available on the State's census.ca.gov website and e-procure website. The Office

plans to utilize the resulting submissions to inform decision-making and drafting of future agreements. In future iterations of this report, more detail will be provided on submissions and the development of the Office's planned contract templates. Currently, the RFIs focus on the following areas:

RFI - Community Based Organization Innovative Ideas

This RFI, for information-gathering purposes only, will solicit new and innovative ideas from CBOs to reach HTC populations. After evaluating the information received, the Office may issue a solicitation to select qualified organizations to provide assistance.

RFI responses may include, but are not limited to, the following ideas:

- Potential strategies to overcome roadblocks to 2020 Census participation;
- Unique collaborations and/or coalitions that would add value to the State 2020 Census campaign;
- Methods to form partnerships for outreach to HTC populations;
- Ideas for partnerships to provide diverse, collaborative Census outreach effort;
- Innovative ideas to reach HTC communities; and
- Methods to help HTC populations complete an online Census form.

The RFI pertaining to *CBO Innovative Ideas* was released August 30, 2018, with a submittal deadline of September 14, 2018. The State received 84 responses, which will be used to draft the statement of work (SOW) for a future solicitation.

RFI - Media Services Information and Capabilities

The Office's 2020 Census media and marketing campaign will increase Census awareness and knowledge through multi-lingual and culturally appropriate messaging. The Office seeks a campaign strategy that is:

- Focused, timely, and cost-effective;
- Responsive to a rapidly changing climate; and
- Complements advertising and marketing campaigns by the U.S. Census Bureau and a network of CBOs, local governments and philanthropic entities.

The RFI for Media Services Information and Capabilities will gather innovative ideas from advertising, media and public relations agencies to reach and motivate HTC populations. The Office plans to award one or more contracts to help plan, design, produce, integrate, implement, and monitor a California 2020 Census communications program.

The selected contractor or contractors will be responsible for providing services in multiple communications areas, including but not limited to:

- Research and analytics, including message testing of HTC communities;
- Planning, development, and integration of a statewide multilingual advertising and marketing campaign;
- Project management;
- Traditional advertising and media buying;

- Digital advertising and other communications technologies;
- Social media and similar digital-based social engagement;
- Public relations; and
- Communications planning and materials for partnerships (LCCCs, CBOs, etc.).

The RFI pertaining to Media Services Information and Capabilities was released September 11, 2018, with a submittal deadline of September 26, 2018. The State received 19 responses, which will be used to draft the statement of work (SOW) for a future solicitation.

IV. NEXT STEPS

As described in earlier sections, the Office has completed a significant amount of work to date, including but not limited to: 1) Establishing an effective and responsive organizational structure; 2) identifying preliminary administrative costs; 3) hiring various administrative and program staff and acquiring necessary space in key locations; 4) initiating contracts for various program-related activities; 5) developing preliminary contract requirements for funding agreements; 6) completing numerous stakeholder convenings; 7) conducting outreach to our County, Tribal, and ACBO/CBO partners; 8) overseeing the development and implementation of the school-based pilot; 9) creating the SwORD online tool, and 10) standing up the CCCC.

Building on these accomplishments, by January 1, 2019 the Office will submit its follow-up report to the Joint Legislative Budget Committee, the Assembly Select Committee on the Census, and the Senate Select Committee on the Census. The report will detail the Office's actions during the last quarter of the calendar year and is expected to include the following key deliverables information:

- Identification of the funding allocations for the various programmatic areas. This area will include:
    - Maps identifying the various state regions.
    - Statewide and regional funding allocations for ACBOs/CBOs.
    - Statewide allocations for Local Complete Count Committees by County and Tribal government groupings.
    - Media Campaign Funding amounts.
    - Structure for the flow of funding pursuant to executed agreements.
- Finalization of the Office's administrative budget and updated staff hiring and space acquisition information.
- Updated year-to-date Office expenditures and encumbrances and final LUCA award information.
- Preliminary post-enumeration survey plan.

The next updated report will be provided along with the four programmatic one-time reports required pursuant to Subdivision (b) of Section 45, Chapter 53, Statutes of 2018 (Senate Bill 866).

APPENDIX A: Summary of Local Update of Census Addresses (LUCA) Incentive Program

SUMMARY OF LUCA PROGRAM: Updated 2018				
County	City	Population (Jan 2018)	Incentive Award	Incentive Approved Date
Alameda	Balance of County (Pop only)	148,895	$ 7,500	
Alameda	Alameda	78,863	$ 7,500	8/15/18
Alameda	Albany	19,053	$ 7,500	
Alameda	Berkeley	121,874	$ 15,000	7/10/18
Alameda	Dublin	63,241	$ 75,000	9/6/18
Alameda	Emeryville	11,994	$ 7,500	7/25/18
Alameda	Fremont	235,439	$ 15,000	
Alameda	Hayward	162,030	$ 15,000	9/6/18
Alameda	Livermore	91,411	$ 15,000	7/25/18
Alameda	Newark	47,467	$ 7,500	
Alameda	Oakland	428,827	$ 15,000	8/15/18
Alameda	Piedmont	11,318	$ 7,500	
Alameda	Pleasanton	79,201	$ 15,000	8/15/18
Alameda	San Leandro	87,598	$ 7,500	8/15/18
Alameda	Union City	72,991	$ 7,500	8/15/18
Alpine	Balance of County (Pop only)	1,154	$ 7,500	
Amador	Balance of County (Pop only)	21,690	$ 7,500	7/25/18
Amador	Amador	186	$ 7,500	7/25/18
Amador	Ione	8,058	$ 7,500	7/25/18
Amador	Jackson	4,679	$ 7,500	7/25/18
Amador	Plymouth	1,002	$ 7,500	7/25/18
Amador	Sutter Creek	2,479	$ 7,500	7/25/18
Butte	Balance of County (Pop only)	81,707	$ 15,000	7/25/18
Butte	Biggs	1,913	$ 7,500	
Butte	Chico	92,348	$ 45,000	
Butte	Gridley	6,937	$ 7,500	
Butte	Oroville	18,144	$ 15,000	8/15/18
Butte	Paradise	26,572	$ 7,500	8/15/18
Calaveras	Balance of County (Pop only)	41,036	$ 15,000	
Calaveras	Angels City	4,121	$ 7,500	5/16/18
Colusa	Balance of County (Pop only)	10,392	$ 7,500	
Colusa	Colusa	6,241	$ 7,500	
Colusa	Williams	5,465	$ 7,500	
Contra Costa	Balance of County (Pop only)	172,513	$ 45,000	8/15/18
Contra Costa	Antioch	113,061	$ 15,000	8/15/18
Contra Costa	Brentwood	63,042	$ 15,000	8/15/18
Contra Costa	Clayton	11,431	$ 7,500	8/15/18
Contra Costa	Concord	129,159	$ 7,500	8/15/18
Contra Costa	Danville	44,396	$ 7,500	8/15/18
Contra Costa	El Cerrito	24,939	$ 7,500	7/10/18

Contra Costa	Hercules	26,317	$	7,500	8/15/18
Contra Costa	Lafayette	25,655	$	7,500	8/15/18
Contra Costa	Martinez	38,097	$	7,500	8/15/18
Contra Costa	Moraga	16,991	$	7,500	8/15/18
Contra Costa	Oakley	41,742	$	15,000	8/15/18
Contra Costa	Orinda	19,199	$	7,500	8/15/18
Contra Costa	Pinole	19,236	$	7,500	8/15/18
Contra Costa	Pittsburg	72,647	$	15,000	
Contra Costa	Pleasant Hill	35,068	$	7,500	8/15/18
Contra Costa	Richmond	110,967	$	7,500	
Contra Costa	San Pablo	31,593	$	7,500	8/15/18
Contra Costa	San Ramon	82,643	$	15,000	
Contra Costa	Walnut Creek	70,667	$	15,000	8/15/18
Del Norte	Balance of County (Pop only)	20,631	$	7,500	5/16/18
Del Norte	Crescent City	6,590	$	7,500	
El Dorado	Balance of County (Pop only)	155,865	$	15,000	
El Dorado	Placerville	10,642	$	7,500	7/25/18
El Dorado	South Lake Tahoe	21,892	$	7,500	
Fresno	Balance of County (Pop only)	170,183	$	15,000	7/10/18
Fresno	Clovis	113,883	$	45,000	5/9/18
Fresno	Coalinga	16,791	$	7,500	
Fresno	Firebaugh	8,112	$	7,500	
Fresno	Fowler	6,241	$	7,500	
Fresno	Fresno	538,330	$	75,000	8/15/18
Fresno	Huron	7,302	$	7,500	
Fresno	Kerman	15,083	$	7,500	
Fresno	Kingsburg	12,392	$	7,500	
Fresno	Mendota	12,051	$	7,500	7/25/18
Fresno	Orange Cove	9,469	$	7,500	
Fresno	Parlier	15,493	$	7,500	
Fresno	Reedley	26,390	$	7,500	5/9/18
Fresno	Sanger	26,648	$	7,500	
Fresno	San Joaquin	4,119	$	7,500	
Fresno	Selma	24,742	$	7,500	
Glenn	Balance of County (Pop only)	148,895	$	7,500	
Glenn	Orland	7,932	$	7,500	
Glenn	Willows	6,064	$	7,500	
Humboldt	Balance of County (Pop only)	72,865	$	15,000	8/15/18
Humboldt	Arcata	18,398	$	7,500	
Humboldt	Blue Lake	1,280	$	7,500	
Humboldt	Eureka	26,362	$	7,500	
Humboldt	Ferndale	1,367	$	7,500	7/25/18
Humboldt	Fortuna	12,042	$	7,500	
Humboldt	Rio Dell	3,348	$	7,500	
Humboldt	Trinidad	340	$	7,500	
Imperial	Balance of County (Pop only)	40,007	$	7,500	7/25/18

Imperial	Brawley	27,417	$	7,500	
Imperial	Calexico	41,199	$	7,500	
Imperial	Calipatria	7,488	$	7,500	8/15/18
Imperial	El Centro	46,315	$	7,500	7/25/18
Imperial	Holtville	6,501	$	7,500	8/15/18
Imperial	Imperial	19,372	$	7,500	
Imperial	Westmorland	2,325	$	7,500	
Inyo	Balance of County (Pop only)	14,655	$	7,500	8/15/18
Inyo	Bishop	3,922	$	7,500	
Kern	Balance of County (Pop only)	315,289	$	45,000	9/6/18
Kern	Arvin	21,696	$	7,500	
Kern	Bakersfield	386,839	$	75,000	5/9/18
Kern	California City	14,875	$	7,500	
Kern	Delano	53,276	$	7,500	
Kern	McFarland	15,105	$	7,500	
Kern	Maricopa	1,156	$	7,500	
Kern	Ridgecrest	28,822	$	7,500	
Kern	Shafter	19,271	$	7,500	
Kern	Taft	9,482	$	7,500	
Kern	Tehachapi	12,299	$	7,500	6/19/18
Kern	Wasco	27,691	$	7,500	6/19/18
Kings	Balance of County (Pop only)	33,091	$	7,500	8/15/18
Kings	Avenal	13,053	$	7,500	
Kings	Corcoran	21,450	$	7,500	
Kings	Hanford	58,176	$	7,500	
Kings	Lemoore	25,892	$	7,500	
Lake	Balance of County (Pop only)	44,030	$	45,000	
Lake	Clearlake	15,917	$	7,500	
Lake	Lakeport	5,134	$	7,500	
Lassen	Balance of County (Pop only)	15,957	$	7,500	
Lassen	Susanville	14,954	$	7,500	
Los Angeles	Balance of County (Pop only)	1,057,162	$	75,000	7/27/18
Los Angeles	Agoura Hills	20,878	$	7,500	8/15/18
Los Angeles	Alhambra	86,665	$	7,500	7/27/18
Los Angeles	Arcadia	57,704	$	15,000	
Los Angeles	Artesia	16,792	$	7,500	7/27/18
Los Angeles	Avalon	3,867	$	7,500	7/27/18
Los Angeles	Azusa	49,954	$	15,000	
Los Angeles	Baldwin Park	76,708	$	7,500	7/27/18
Los Angeles	Bell	36,325	$	7,500	7/27/18
Los Angeles	Bellflower	77,682	$	7,500	7/27/18
Los Angeles	Bell Gardens	43,051	$	7,500	7/27/18
Los Angeles	Beverly Hills	34,504	$	7,500	7/27/18
Los Angeles	Bradbury	1,069	$	7,500	8/15/18
Los Angeles	Burbank	107,149	$	7,500	7/25/18
Los Angeles	Calabasas	24,296	$	7,500	7/25/18

Los Angeles	Carson	93,799	$	7,500	6/19/18
Los Angeles	Cerritos	50,058	$	7,500	6/19/18
Los Angeles	Claremont	36,446	$	7,500	7/27/18
Los Angeles	Commerce	13,067	$	7,500	7/27/18
Los Angeles	Compton	99,872	$	7,500	7/27/18
Los Angeles	Covina	49,006	$	7,500	7/25/18
Los Angeles	Cudahy	24,343	$	7,500	7/27/18
Los Angeles	Culver City	39,860	$	7,500	7/25/18
Los Angeles	Diamond Bar	57,460	$	7,500	7/27/18
Los Angeles	Downey	114,146	$	7,500	8/15/18
Los Angeles	Duarte	22,013	$	7,500	7/10/18
Los Angeles	El Monte	117,204	$	7,500	7/27/18
Los Angeles	El Segundo	16,784	$	7,500	
Los Angeles	Gardena	61,246	$	7,500	7/27/18
Los Angeles	Glendale	205,536	$	45,000	7/27/18
Los Angeles	Glendora	52,703	$	7,500	7/27/18
Los Angeles	Hawaiian Gardens	14,666	$	7,500	7/25/18
Los Angeles	Hawthorne	88,772	$	7,500	7/27/18
Los Angeles	Hermosa Beach	19,673	$	7,500	5/4/18
Los Angeles	Hidden Hills	1,892	$	7,500	7/27/18
Los Angeles	Huntington Park	59,473	$	7,500	7/27/18
Los Angeles	Industry	437	$	7,500	7/27/18
Los Angeles	Inglewood	113,559	$	7,500	7/27/18
Los Angeles	Irwindale	1,450	$	7,500	
Los Angeles	La Canada Flintridge	20,683	$	7,500	7/27/18
Los Angeles	La Habra Heights	5,454	$	7,500	
Los Angeles	Lakewood	81,179	$	7,500	8/15/18
Los Angeles	La Mirada	49,590	$	7,500	9/6/18
Los Angeles	Lancaster	161,485	$	15,000	7/27/18
Los Angeles	La Puente	40,686	$	7,500	7/27/18
Los Angeles	La Verne	33,260	$	7,500	7/27/18
Los Angeles	Lawndale	33,607	$	7,500	7/27/18
Los Angeles	Lomita	20,715	$	7,500	7/27/18
Los Angeles	Long Beach	478,561	$	15,000	7/25/18
Los Angeles	Los Angeles	4,054,400	$	125,000	9/6/18
Los Angeles	Lynwood	72,015	$	7,500	
Los Angeles	Malibu	12,957	$	7,500	7/27/18
Los Angeles	Manhattan Beach	35,991	$	7,500	
Los Angeles	Maywood	28,044	$	7,500	7/27/18
Los Angeles	Monrovia	38,787	$	7,500	7/27/18
Los Angeles	Montebello	64,327	$	7,500	7/27/18
Los Angeles	Monterey Park	62,240	$	7,500	7/27/18
Los Angeles	Norwalk	107,546	$	7,500	8/15/18
Los Angeles	Palmdale	158,905	$	7,500	8/15/18
Los Angeles	Palos Verdes Estates	13,519	$	7,500	7/27/18
Los Angeles	Paramount	56,000	$	7,500	7/27/18

Los Angeles	Pasadena	144,388	$	45,000	7/25/18
Los Angeles	Pico Rivera	64,260	$	7,500	7/27/18
Los Angeles	Pomona	155,687	$	7,500	6/19/18
Los Angeles	Rancho Palos Verdes	42,723	$	7,500	7/25/18
Los Angeles	Redondo Beach	68,677	$	15,000	
Los Angeles	Rolling Hills	1,939	$	7,500	7/27/18
Los Angeles	Rolling Hills Estates	8,111	$	7,500	
Los Angeles	Rosemead	55,267	$	7,500	7/27/18
Los Angeles	San Dimas	34,507	$	7,500	
Los Angeles	San Fernando	24,602	$	7,500	
Los Angeles	San Gabriel	40,920	$	7,500	
Los Angeles	San Marino	13,272	$	7,500	
Los Angeles	Santa Clarita	216,589	$	100,000	7/10/18
Los Angeles	Santa Fe Springs	18,335	$	7,500	7/10/18
Los Angeles	Santa Monica	92,416	$	15,000	7/10/18
Los Angeles	Sierra Madre	10,986	$	7,500	7/10/18
Los Angeles	Signal Hill	11,749	$	7,500	
Los Angeles	South El Monte	20,882	$	7,500	
Los Angeles	South Gate	98,133	$	15,000	7/27/18
Los Angeles	South Pasadena	26,047	$	7,500	7/27/18
Los Angeles	Temple City	36,411	$	7,500	8/15/18
Los Angeles	Torrance	149,245	$	7,500	8/15/18
Los Angeles	Vernon	209	$	7,500	7/27/18
Los Angeles	Walnut	30,457	$	7,500	7/27/18
Los Angeles	West Covina	108,245	$	7,500	7/27/18
Los Angeles	West Hollywood	36,723	$	15,000	5/9/18
Los Angeles	Westlake Village	8,358	$	7,500	8/15/18
Los Angeles	Whittier	87,369	$	7,500	
Madera	Balance of County (Pop only)	73,834	$	7,500	8/15/18
Madera	Chowchilla	18,835	$	7,500	
Madera	Madera	66,225	$	7,500	5/24/18
Marin	Balance of County (Pop only)	69,255	$	7,500	8/15/18
Marin	Belvedere	2,135	$	7,500	
Marin	Corte Madera	10,039	$	7,500	6/19/18
Marin	Fairfax	7,534	$	7,500	
Marin	Larkspur	12,351	$	7,500	
Marin	Mill Valley	14,963	$	7,500	
Marin	Novato	54,551	$	7,500	
Marin	Ross	2,533	$	7,500	9/6/18
Marin	San Anselmo	13,000	$	7,500	8/15/18
Marin	San Rafael	60,651	$	7,500	7/25/18
Marin	Sausalito	7,226	$	7,500	
Marin	Tiburon	9,648	$	7,500	
Mariposa	Balance of County (Pop only)	18,129	$	7,500	
Mendocino	Balance of County (Pop only)	59,985	$	7,500	8/15/18
Mendocino	Fort Bragg	7,512	$	7,500	

Mendocino	Point Arena	448	$	7,500	
Mendocino	Ukiah	16,226	$	7,500	
Mendocino	Willits	5,128	$	7,500	7/10/18
Merced	Balance of County (Pop only)	95,125	$	7,500	
Merced	Atwater	31,235	$	7,500	
Merced	Dos Palos	5,679	$	7,500	
Merced	Gustine	5,874	$	7,500	9/6/18
Merced	Livingston	14,328	$	7,500	
Merced	Los Banos	40,986	$	7,500	
Merced	Merced	86,750	$	7,500	7/25/18
Modoc	Balance of County (Pop only)	6,744	$	7,500	7/25/18
Modoc	Alturas	2,868	$	7,500	
Mono	Balance of County (Pop only)	5,506	$	7,500	9/6/18
Mono	Mammoth Lakes	8,316	$	7,500	
Monterey	Balance of County (Pop only)	107,264	$	15,000	8/15/18
Monterey	CarmelbytheSea	3,750	$	7,500	
Monterey	Del Rey Oaks	1,692	$	7,500	
Monterey	Gonzales	8,587	$	7,500	
Monterey	Greenfield	18,007	$	7,500	8/15/18
Monterey	King City	14,880	$	7,500	
Monterey	Marina	22,424	$	7,500	8/15/18
Monterey	Monterey	28,323	$	7,500	7/10/18
Monterey	Pacific Grove	15,660	$	7,500	
Monterey	Salinas	161,784	$	7,500	6/19/18
Monterey	Sand City	394	$	7,500	8/15/18
Monterey	Seaside	34,270	$	7,500	
Monterey	Soledad	26,246	$	7,500	
Napa	Balance of County (Pop only)	25,575	$	7,500	7/25/18
Napa	American Canyon	20,990	$	7,500	7/25/18
Napa	Calistoga	5,334	$	7,500	7/25/18
Napa	Napa	80,403	$	7,500	7/25/18
Napa	St Helena	6,118	$	7,500	7/25/18
Napa	Yountville	2,874	$	7,500	5/4/18
Nevada	Balance of County (Pop only)	66,207	$	7,500	8/15/18
Nevada	Grass Valley	13,041	$	7,500	7/10/18
Nevada	Nevada City	3,226	$	7,500	
Nevada	Truckee	16,681	$	7,500	
Orange	Balance of County (Pop only)	129,278	$	15,000	
Orange	Aliso Viejo	51,950	$	7,500	7/10/18
Orange	Anaheim	357,084	$	45,000	7/25/18
Orange	Brea	44,890	$	15,000	7/10/18
Orange	Buena Park	83,995	$	7,500	
Orange	Costa Mesa	115,296	$	7,500	8/15/18
Orange	Cypress	49,978	$	7,500	9/6/18
Orange	Dana Point	34,071	$	7,500	
Orange	Fountain Valley	56,920	$	7,500	5/4/18

Orange	Fullerton	144,214	$ 15,000	6/19/18
Orange	Garden Grove	176,896	$ 7,500	7/10/18
Orange	Huntington Beach	202,648	$ 45,000	7/10/18
Orange	Irvine	276,176	$ 100,000	7/25/18
Orange	Laguna Beach	23,309	$ 7,500	7/10/18
Orange	Laguna Hills	31,818	$ 7,500	7/10/18
Orange	Laguna Niguel	65,377	$ 7,500	8/15/18
Orange	Laguna Woods	16,597	$ 7,500	7/25/18
Orange	La Habra	62,850	$ 7,500	
Orange	Lake Forest	84,845	$ 15,000	8/15/18
Orange	La Palma	15,948	$ 7,500	
Orange	Los Alamitos	11,863	$ 7,500	
Orange	Mission Viejo	95,987	$ 7,500	
Orange	Newport Beach	87,182	$ 15,000	7/10/18
Orange	Orange	141,952	$ 7,500	7/10/18
Orange	Placentia	52,755	$ 7,500	8/15/18
Orange	Rancho Santa Margarita	49,329	$ 7,500	6/19/18
Orange	San Clemente	65,543	$ 7,500	9/6/18
Orange	San Juan Capistrano	36,759	$ 7,500	
Orange	Santa Ana	338,247	$ 15,000	7/25/18
Orange	Seal Beach	25,984	$ 7,500	
Orange	Stanton	39,470	$ 7,500	7/10/18
Orange	Tustin	82,344	$ 15,000	7/25/18
Orange	Villa Park	5,951	$ 7,500	
Orange	Westminster	94,476	$ 7,500	9/6/18
Orange	Yorba Linda	69,121	$ 15,000	6/19/18
Placer	Balance of County (Pop only)	113,313	$ 15,000	7/10/18
Placer	Auburn	14,611	$ 7,500	
Placer	Colfax	2,150	$ 7,500	
Placer	Lincoln	48,591	$ 15,000	8/15/18
Placer	Loomis	6,824	$ 7,500	
Placer	Rocklin	66,830	$ 15,000	8/15/18
Placer	Roseville	137,213	$ 75,000	7/25/18
Plumas	Balance of County (Pop only)	17,612	$ 7,500	
Plumas	Portola	2,161	$ 7,500	
Riverside	Balance of County (Pop only)	385,953	$ 100,000	8/15/18
Riverside	Banning	31,282	$ 7,500	
Riverside	Beaumont	48,237	$ 45,000	9/6/18
Riverside	Blythe	19,389	$ 7,500	
Riverside	Calimesa	8,876	$ 7,500	9/6/18
Riverside	Canyon Lake	11,018	$ 7,500	9/6/18
Riverside	Cathedral City	54,791	$ 7,500	
Riverside	Coachella	45,635	$ 7,500	
Riverside	Corona	168,574	$ 15,000	
Riverside	Desert Hot Springs	29,742	$ 7,500	9/6/18
Riverside	Eastvale	64,855	$ 15,000	7/10/18

Riverside	Hemet	83,166	$	7,500	8/15/18
Riverside	Indian Wells	5,574	$	7,500	8/15/18
Riverside	Indio	87,883	$	45,000	7/25/18
Riverside	Jurupa Valley	106,054	$	7,500	7/25/18
Riverside	Lake Elsinore	63,365	$	15,000	
Riverside	La Quinta	41,204	$	15,000	7/10/18
Riverside	Menifee	91,902	$	45,000	8/15/18
Riverside	Moreno Valley	207,629	$	7,500	7/10/18
Riverside	Murrieta	113,541	$	7,500	
Riverside	Norco	26,761	$	7,500	
Riverside	Palm Desert	52,769	$	15,000	8/15/18
Riverside	Palm Springs	47,706	$	7,500	9/6/18
Riverside	Perris	77,837	$	15,000	
Riverside	Rancho Mirage	18,738	$	7,500	9/6/18
Riverside	Riverside	325,860	$	15,000	
Riverside	San Jacinto	48,146	$	7,500	8/15/18
Riverside	Temecula	113,181	$	45,000	7/10/18
Riverside	Wildomar	36,287	$	7,500	
Sacramento	Balance of County (Pop only)	588,798	$	45,000	7/10/18
Sacramento	Citrus Heights	87,731	$	7,500	7/10/18
Sacramento	Elk Grove	172,116	$	45,000	7/25/18
Sacramento	Folsom	78,447	$	15,000	7/25/18
Sacramento	Galt	26,018	$	7,500	
Sacramento	Isleton	837	$	7,500	9/6/18
Sacramento	Rancho Cordova	74,210	$	15,000	8/15/18
Sacramento	Sacramento	501,344	$	45,000	7/10/18
San Benito	Balance of County (Pop only)	18,512	$	7,500	6/19/18
San Benito	Hollister	36,703	$	7,500	
San Benito	San Juan Bautista	1,873	$	7,500	6/19/18
San Bernardino	Balance of County (Pop only)	311,659	$	15,000	
San Bernardino	Adelanto	35,293	$	7,500	
San Bernardino	Apple Valley	73,984	$	7,500	7/25/18
San Bernardino	Barstow	24,411	$	7,500	
San Bernardino	Big Bear Lake	5,512	$	7,500	9/6/18
San Bernardino	Chino	86,757	$	45,000	8/15/18
San Bernardino	Chino Hills	83,159	$	7,500	7/25/18
San Bernardino	Colton	53,724	$	7,500	8/15/18
San Bernardino	Fontana	212,000	$	45,000	
San Bernardino	Grand Terrace	12,524	$	7,500	9/6/18
San Bernardino	Hesperia	94,829	$	7,500	7/25/18
San Bernardino	Highland	54,761	$	7,500	8/15/18
San Bernardino	Loma Linda	23,946	$	7,500	8/15/18
San Bernardino	Montclair	39,326	$	7,500	
San Bernardino	Needles	5,177	$	7,500	
San Bernardino	Ontario	177,589	$	15,000	8/15/18
San Bernardino	Rancho Cucamonga	176,671	$	45,000	7/10/18

San Bernardino	Redlands	71,196	$	7,500	5/4/18
San Bernardino	Rialto	107,041	$	7,500	
San Bernardino	San Bernardino	221,130	$	7,500	
San Bernardino	Twentynine Palms	27,046	$	7,500	
San Bernardino	Upland	77,017	$	7,500	6/19/18
San Bernardino	Victorville	123,701	$	15,000	6/19/18
San Bernardino	Yucaipa	54,651	$	7,500	7/10/18
San Bernardino	Yucca Valley	21,834	$	7,500	8/15/18
San Diego	Balance of County (Pop only)	513,123	$	45,000	8/15/18
San Diego	Carlsbad	114,622	$	15,000	7/10/18
San Diego	Chula Vista	267,503	$	45,000	7/25/18
San Diego	Coronado	21,683	$	7,500	7/25/18
San Diego	Del Mar	4,322	$	7,500	7/25/18
San Diego	El Cajon	105,557	$	7,500	8/15/18
San Diego	Encinitas	63,158	$	7,500	7/10/18
San Diego	Escondido	151,478	$	7,500	9/6/18
San Diego	Imperial Beach	28,163	$	7,500	8/15/18
San Diego	La Mesa	61,261	$	15,000	7/25/18
San Diego	Lemon Grove	26,834	$	7,500	9/6/18
San Diego	National City	62,257	$	7,500	6/19/18
San Diego	Oceanside	177,362	$	7,500	
San Diego	Poway	50,207	$	7,500	8/15/18
San Diego	San Diego	1,419,845	$	100,000	8/15/18
San Diego	San Marcos	95,768	$	45,000	8/15/18
San Diego	Santee	56,994	$	7,500	7/10/18
San Diego	Solana Beach	13,938	$	7,500	7/25/18
San Diego	Vista	103,381	$	15,000	
San Francisco	San Francisco	883,963	$	100,000	8/15/18
San Joaquin	Balance of County (Pop only)	154,949	$	45,000	5/4/18
San Joaquin	Escalon	7,558	$	7,500	8/15/18
San Joaquin	Lathrop	24,268	$	15,000	7/25/18
San Joaquin	Lodi	67,121	$	7,500	8/15/18
San Joaquin	Manteca	81,345	$	45,000	
San Joaquin	Ripon	15,847	$	7,500	
San Joaquin	Stockton	315,103	$	15,000	8/15/18
San Joaquin	Tracy	92,553	$	7,500	
San Luis Obispo	Balance of County (Pop only)	120,639	$	15,000	8/15/18
San Luis Obispo	Arroyo Grande	17,912	$	7,500	6/19/18
San Luis Obispo	Atascadero	31,147	$	7,500	8/15/18
San Luis Obispo	El Paso de Robles	31,559	$	7,500	8/15/18
San Luis Obispo	Grover Beach	13,560	$	7,500	8/15/18
San Luis Obispo	Morro Bay	10,503	$	7,500	7/25/18
San Luis Obispo	Pismo Beach	8,233	$	7,500	8/15/18
San Luis Obispo	San Luis Obispo	46,548	$	7,500	
San Mateo	Balance of County (Pop only)	65,828	$	7,500	9/6/18
San Mateo	Atherton	7,135	$	7,500	8/15/18

San Mateo	Belmont	27,388	$	7,500	7/10/18
San Mateo	Brisbane	4,692	$	7,500	8/15/18
San Mateo	Burlingame	30,294	$	7,500	
San Mateo	Colma	1,501	$	7,500	7/10/18
San Mateo	Daly City	107,864	$	7,500	
San Mateo	East Palo Alto	30,917	$	7,500	7/25/18
San Mateo	Foster City	33,490	$	7,500	9/6/18
San Mateo	Half Moon Bay	12,639	$	7,500	
San Mateo	Hillsborough	11,543	$	7,500	7/25/18
San Mateo	Menlo Park	35,268	$	15,000	
San Mateo	Millbrae	22,854	$	7,500	8/15/18
San Mateo	Pacifica	38,418	$	7,500	7/25/18
San Mateo	Portola Valley	4,767	$	7,500	8/15/18
San Mateo	Redwood City	86,380	$	15,000	8/15/18
San Mateo	San Bruno	46,085	$	15,000	7/25/18
San Mateo	San Carlos	29,897	$	7,500	
San Mateo	San Mateo	104,490	$	15,000	9/7/18
San Mateo	South San Francisco	67,082	$	7,500	7/25/18
San Mateo	Woodside	5,623	$	7,500	
Santa Barbara	Balance of County (Pop only)	142,262	$	15,000	
Santa Barbara	Buellton	5,291	$	7,500	9/6/18
Santa Barbara	Carpinteria	13,704	$	7,500	7/25/18
Santa Barbara	Goleta	31,949	$	7,500	7/25/18
Santa Barbara	Guadalupe	7,604	$	7,500	
Santa Barbara	Lompoc	43,599	$	7,500	7/25/18
Santa Barbara	Santa Barbara	94,807	$	7,500	8/15/18
Santa Barbara	Santa Maria	108,470	$	15,000	8/15/18
Santa Barbara	Solvang	5,771	$	7,500	8/15/18
Santa Clara	Balance of County (Pop only)	87,666	$	45,000	8/15/18
Santa Clara	Campbell	42,696	$	7,500	7/25/18
Santa Clara	Cupertino	60,091	$	7,500	8/15/18
Santa Clara	Gilroy	55,615	$	15,000	7/25/18
Santa Clara	Los Altos	31,361	$	7,500	
Santa Clara	Los Altos Hills	8,568	$	7,500	
Santa Clara	Los Gatos	30,601	$	7,500	8/15/18
Santa Clara	Milpitas	74,865	$	15,000	
Santa Clara	Monte Sereno	3,630	$	7,500	7/10/18
Santa Clara	Morgan Hill	44,513	$	15,000	8/15/18
Santa Clara	Mountain View	81,527	$	45,000	7/25/18
Santa Clara	Palo Alto	69,721	$	15,000	8/15/18
Santa Clara	San Jose	1,051,316	$	100,000	9/6/18
Santa Clara	Santa Clara	129,604	$	15,000	8/15/18
Santa Clara	Saratoga	31,435	$	7,500	8/15/18
Santa Clara	Sunnyvale	153,389	$	45,000	8/15/18
Santa Cruz	Balance of County (Pop only)	134,218	$	15,000	
Santa Cruz	Capitola	10,563	$	7,500	7/25/18

Santa Cruz	Santa Cruz	66,454	$	7,500	5/9/18
Santa Cruz	Scotts Valley	12,195	$	7,500	
Santa Cruz	Watsonville	53,434	$	7,500	
Shasta	Balance of County (Pop only)	66,508	$	15,000	9/6/18
Shasta	Anderson	10,263	$	7,500	5/16/18
Shasta	Redding	91,357	$	15,000	8/15/18
Shasta	Shasta Lake	10,143	$	7,500	
Sierra	Balance of County (Pop only)	2,450	$	7,500	
Sierra	Loyalton	757	$	7,500	
Siskiyou	Balance of County (Pop only)	24,084	$	7,500	
Siskiyou	Dorris	966	$	7,500	
Siskiyou	Dunsmuir	1,680	$	7,500	9/6/18
Siskiyou	Etna	744	$	7,500	
Siskiyou	Fort Jones	739	$	7,500	
Siskiyou	Montague	1,428	$	7,500	
Siskiyou	Mount Shasta	3,385	$	7,500	
Siskiyou	Tulelake	977	$	7,500	
Siskiyou	Weed	2,769	$	7,500	
Siskiyou	Yreka	7,840	$	7,500	6/19/18
Solano	Balance of County (Pop only)	19,633	$	7,500	7/10/18
Solano	Benicia	27,499	$	7,500	7/25/18
Solano	Dixon	19,896	$	7,500	
Solano	Fairfield	116,156	$	15,000	8/15/18
Solano	Rio Vista	9,188	$	7,500	
Solano	Suisun City	29,192	$	7,500	8/15/18
Solano	Vacaville	98,977	$	15,000	7/25/18
Solano	Vallejo	119,252	$	7,500	
Sonoma	Balance of County (Pop only)	142,391	$	15,000	
Sonoma	Cloverdale	9,134	$	7,500	
Sonoma	Cotati	7,716	$	7,500	
Sonoma	Healdsburg	12,061	$	7,500	
Sonoma	Petaluma	62,708	$	7,500	8/15/18
Sonoma	Rohnert Park	43,598	$	7,500	
Sonoma	Santa Rosa	178,488	$	15,000	5/16/18
Sonoma	Sebastopol	7,786	$	7,500	
Sonoma	Sonoma	11,390	$	7,500	7/10/18
Sonoma	Windsor	28,060	$	7,500	8/15/18
Stanislaus	Balance of County (Pop only)	116,941	$	15,000	8/15/18
Stanislaus	Ceres	48,326	$	7,500	
Stanislaus	Hughson	7,738	$	7,500	
Stanislaus	Modesto	215,692	$	15,000	8/15/18
Stanislaus	Newman	11,801	$	7,500	
Stanislaus	Oakdale	23,324	$	7,500	7/25/18
Stanislaus	Patterson	22,679	$	7,500	
Stanislaus	Riverbank	25,244	$	7,500	
Stanislaus	Turlock	74,730	$	7,500	8/15/18

Stanislaus	Waterford	9,149	$	7,500	
Sutter	Balance of County (Pop only)	21,177	$	7,500	7/25/18
Sutter	Live Oak	8,781	$	7,500	
Sutter	Yuba City	67,280	$	7,500	7/25/18
Tehama	Balance of County (Pop only)	42,236	$	7,500	8/15/18
Tehama	Corning	7,515	$	7,500	
Tehama	Red Bluff	13,858	$	7,500	
Tehama	Tehama	430	$	7,500	5/4/18
Trinity	Balance of County (Pop only)	13,635	$	7,500	
Tulare	Balance of County (Pop only)	144,375	$	15,000	
Tulare	Dinuba	24,873	$	7,500	
Tulare	Exeter	11,169	$	7,500	
Tulare	Farmersville	11,443	$	7,500	
Tulare	Lindsay	13,162	$	7,500	6/19/18
Tulare	Porterville	60,798	$	15,000	
Tulare	Tulare	65,982	$	15,000	
Tulare	Visalia	136,246	$	45,000	8/15/18
Tulare	Woodlake	7,786	$	7,500	
Tuolumne	Balance of County (Pop only)	49,850	$	7,500	8/15/18
Tuolumne	Sonora	4,890	$	7,500	8/15/18
Ventura	Balance of County (Pop only)	97,865	$	7,500	7/25/18
Ventura	Camarillo	68,741	$	15,000	7/10/18
Ventura	Fillmore	15,953	$	7,500	
Ventura	Moorpark	37,044	$	7,500	7/25/18
Ventura	Ojai	7,679	$	7,500	8/15/18
Ventura	Oxnard	206,499	$	15,000	
Ventura	Port Hueneme	23,929	$	7,500	8/15/18
Ventura	San Buenaventura	111,269	$	15,000	7/10/18
Ventura	Santa Paula	31,138	$	7,500	
Ventura	Simi Valley	128,760	$	7,500	5/9/18
Ventura	Thousand Oaks	130,196	$	7,500	8/15/18
Yolo	Balance of County (Pop only)	30,685	$	7,500	8/15/18
Yolo	Davis	68,704	$	7,500	8/15/18
Yolo	West Sacramento	54,163	$	15,000	7/25/18
Yolo	Winters	7,292	$	7,500	
Yolo	Woodland	60,426	$	7,500	7/10/18
Yuba	Balance of County (Pop only)	59,347	$	7,500	
Yuba	Marysville	11,883	$	7,500	
Yuba	Wheatland	3,497	$	7,500	

EXHIBIT F

INITIAL REPORT TO THE
OFFICE OF GOVERNOR EDMUND G. BROWN JR.

Counting All Californians in the 2020 Census

Submitted on behalf of the Census 2020 California Complete Count Committee and the California Government Operations Agency

October 2, 2018

Initial Report to the Office of Governor Edmund G. Brown Jr.
COUNTING ALL CALIFORNIANS IN THE 2020 CENSUS

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FOREWORD

Section A. Introduction

As mandated in Article I, Section 2 of the Constitution, every 10 years, the federal government counts all persons living in the United States (U.S.). The U.S. Census Bureau collects this information, and the U.S. Census Bureau and individual states, local governments, tribal governments and community based organizations (CBOs), non-governmental organizations (NGO), and faith based organizations conduct outreach to publicize and support the count. The federal government then uses the information to determine how many federal dollars flow to each state and how many members of Congress each state will have.

With its highly diverse population and size, the State of California (State) faces the greatest barriers in the nation to ensure that it receives an accurate count and thus receives an equitable share of funding and representation.

To overcome these challenges, the State is undertaking an extensive outreach strategy for the federal 2020 Census to encourage full participation among State residents. In support of the strategy, the Governor has created an advisory committee, the California Complete Count Committee (Committee). The Committee is a volunteer panel of 25 community leaders representing diverse populations from across the State. It is charged with raising awareness of the Census, collaborating to support outreach efforts, and offering its expertise and insights on outreach strategies. An early step in the Committee's work is to prepare a report to the Governor describing initial concerns and recommendations about outreach and the 2020 Census. This foreword, prepared by the California Complete Count Office of the Government Operations Agency presents essential background and context to frame the following report from the Committee to the Governor.

The State has focused its outreach and communication efforts on the areas of greatest impact: communities historically undercounted in the Census. These "hard to count" (HTC) populations are defined by the U. S. Census Bureau using several variables, including but not limited to: housing conditions, low-income status, citizen and non-citizen status, reliance on languages other than English, mobility, and displacement by disasters. Of particular note are communities of color, children, rural residents, immigrants (including those who are undocumented), LGBTQ+ and people with disabilities as these groups fall within historically undercounted populations.

The Governor's Executive Order (EO) of April 2018 (EO B-49-18) established the Committee to advise on and assist in the State's outreach strategy. The Committee and its Working Groups (described in the Committees' Initial Report) receive presentations from experts within and outside of State government and prepare recommendations to develop and implement the State's 2020 Census outreach and communication strategies. The Committee shares its thinking

and recommendations, and the status and results of outreach efforts, through its Initial Report and follow-up reports to the Governor on a biannual basis through June 30, 2021.

Section B. Background on the Census and California

The stakes for the 2020 California Census count are high. An undercount can result in the loss of billions of dollars of federal funds, as well as congressional representation in the U.S. House of Representatives. The data collected by the Census is used to distribute federal funds to states. For California, this translates to funding for more than 70 federal programs including but not limited to the Supplemental Nutrition Assistance Program (commonly referred to as "food stamps" or SNAP), roads, school programs, school lunches, children's health insurance, Head Start and foster care. In short, an accurate and complete Census count is essential for the well-being of all Californians.

2020 Census Challenges

There are ongoing and unique challenges to ensure that all residents are accurately counted in 2020. Ongoing challenges include accurately and completely accounting for historically undercounted and HTC populations (as described in Section A).

The 2020 Census also presents several unique challenges, including the first ever digital census, the inclusion of a specific question about citizenship, intensifying fears among immigrants due to the current political and social climate, rising public distrust of government, the lack of trust in the security of personal and online information, and reduced federal funding. The following provides brief descriptions of some of these unique challenges.

First Digital Census

For the first time in U.S. history, as part of modernization and cost-cutting efforts, there is an expectation that most households will complete the Census survey online. While this may reduce costs and increase participation in the long run, it is a substantial change for the public and the impact is unknown. There are predictions of a depressed census count among numerous populations due to limited digital access, cybersecurity concerns, or lack of digital literacy.

Census Citizenship Question

One of the most significant changes to the 2020 Census questionnaire is the addition of the citizenship question. Although the Census Bureau has not conducted sufficient research and testing of the citizenship question in the Census environment, as is typically done for such changes, the Census Bureau has strong evidence from its initial research that including the citizenship question suppresses responses. As such, adding this question will likely discourage immigrants, both citizens and noncitizens, from participating and will result in an inaccurate count as well as reduced representation and allocation of resources for states with large numbers of immigrants. Furthermore, the inclusion of this question will increase the cost of

conducting the Census by reducing overall response and requiring additional resources for follow up.

Increasing Immigrant Fears & Distrust

The federal administration's focus on immigration, including rapidly changing policies and practice, and arbitrary and aggressive enforcement of immigration laws have led to uncertainty about how immigrants will respond. This dynamic situation will remain a major concern of the Committee.

Lack of Trust in Government & Security of Information

Surveys show a widening distrust of government and similar institutions among diverse groups of people for a variety of reasons. In addition, many Americans are concerned about data confidentiality. The increasing distrust and concern about confidentiality may impact traditional methods of gathering Census data by causing residents to skip the Census altogether, exclude certain household members, or refuse to open doors to Census enumerators.

Lack of Early Federal Funding

The 2020 Census has been impacted from the delayed appointment of a permanent 2020 U.S. Census Bureau Director and Deputy Director, as well as a mandate to keep costs at 2010 levels. The result has been program cuts, including cuts to usability testing, improvements to user experience, and cybersecurity safeguarding. Congress did approve a significant increase in funding for Census in March 2018.

California's Unique Challenges

While grappling with the same challenges faced at the federal level, California has considerable challenges of its own in the mission for an accurate and complete count. California is the largest and hardest to count state, with a large number of foreign-born residents and significant populations of some of the nation's hardest to count populations.

Language Access Concerns

Estimates show that California's population has grown by more than two million residents since the 2010 Census, with 42% of residents speaking a language other than English at home. Californians speak more than 200 non-English languages. According to the latest Census Operational Plan draft in the Federal Register, the U.S. Census Bureau will provide the online census form and telephone/electronic census assistance in 12 languages other than English; the paper form in English and Spanish – a departure from the six languages included in 2010; and limit the language assistance provided for online and telephone questionnaires. Language guides and glossaries will be provided for 59 languages. This poses a challenge to effectively message and connect to the State's many limited English proficient, and non-English speaking individuals.

Hard to Count Populations

Twenty percent of California census tracts are in the hardest to count category, and 66% of California census tracts are harder to count than the national average (calculated based on Low

Response Scores). Among its hard to count populations, in 2017, California was home to almost 10.7 million foreign born residents, over 17.5 million residents living in rental housing, over 24.9 million residents who are non-white, mixed race, or Hispanic, over 2.5 million children under the age of five, and an estimated 2 million undocumented residents. A very high percentage of California residents fall within at least one HTC category.

California's Response to 2020 Census Challenges

While the 2020 Census poses challenges, lessons learned from previous census counts are informing efforts to reach historically undercounted and HTC populations in California.

Building on Lessons Learned from 2000 & 2010 Census Efforts

During the 2000 Census effort, the Legislature and Governor allocated $24.7 million for a dual-pronged State effort involving a targeted, multi-lingual, multi-media advertising campaign and focused outreach, in partnership with regional, culturally competent organizations that used trusted messengers to engage HTC communities. The strategy achieved a 5% increase in the state response rate, and California performed better than the national average, 70% versus 67%.

In 2010, with drastically limited resources during the great recession, the California Complete Count Committee staff's efforts focused on convening, coordinating and building the capacity of embedded leaders in HTC communities to do direct outreach. Community leaders with established networks, relationships and trust within their communities received support from the State to conduct grassroots Census outreach efforts. The U.S. Census Bureau also benefited from this level of organization, by capitalizing on valuable networks and resources at state and local levels.

A Robust Effort for 2020

These past successful strategies provide the foundation for the State's approach to 2020 Census outreach, which the State is adapting to today's context and needs. Critical for success in 2020 will be understanding the new and challenging environment; leveraging the resources of extensive partner networks; and coordinating outreach efforts at the State, local and federal levels.

State leaders have made a sizeable commitment to the 2020 Census by investing approximately $100 million towards upcoming strategies and other tasks that will help ensure an accurate and successful count of all Californians. Specifically:

- The 2017 Budget Act provided $3 million to the Governor's Office of Planning and Research for initial planning activities.
- The 2017 Budget Act also included $7 million for the State Department of Finance to offer incentives to cities and counties to update address information for the U.S. Census Bureau's address update process, termed the Local Update of Census Address Operation (see Page 8 for more information on this operation).

- The 2018 Budget Act includes an additional $90.3 million for statewide outreach and strategies that aim to increase the participation rate of California's hard-to-count populations in the decennial census.

The State's outreach and communication strategy is in initial stages of development. Key methods executed or planned for 2020 to date include:

- Formation of the **Statewide California Complete Count Committee** in April 2018.
- Statewide needs/readiness assessment process, including conducting 24 **Regional Convenings** held throughout the State.
- Initial **strategic outreach partnering with trusted messengers** to reach and support historically undercounted and HTC communities, including greatly extended support for local community-based organizations (CBO) to conduct multi-lingual, disability and culturally competent outreach and support. Partnerships may include but may not be limited to:
    - Faith-based organizations, CBOs and NGOs
    - Foundations
    - State agencies
    - Local governments
    - Schools
    - Local Assistance Centers
    - Offices of local elected officials
    - Caseworkers
    - Unions
- **Targeted multi-media, multi-lingual messaging** with an emphasis on culturally and linguistically competent content, partnering with ethnic media, and extensive testing and the use of sector and region-specific messaging toolkits. Communications will include advertising, social media, publicity and promotions. As part of communication support, the State is helping private message testing organizations to coordinate and share information with each other to reduce gaps and duplication of effort.
- **New technological tools and capacities**. The state has contracted with ESRI, the company that makes ArcGIS mapping software, to craft and launch **SWORD**, an interactive, cloud-based **Statewide Outreach and Rapid Deployment platform**. SWORD will host and collect California Census information and foster sharing, coordination and collaboration, and informed planning and decision-making among all outreach and messaging partners, including local governments, foundations, and CBOs/NGOs. The platform will host interactive mapping capabilities to share spatial data and assist in targeting groups and census tracts with low response rates.
- **Development of school curriculum on the Census.** The State is working with the Sacramento, Los Angeles, and Fresno County Offices of Education to develop and pilot school-based 2020 Census classroom curriculum for 5th, 8th, 11th and 12th grade

students. The U.S. Census Bureau will partner in implementing these pilots in school districts in the involved counties.

The State's 2020 Census effort is staffing up, establishing operational structures, and starting to coordinate with partners. Through 2020, State outreach and communication will move through three phases:

- Phase 1: Convene, Collaborate, Capacity Build – FY 17/18
- Phase 2: Educate, Motivate, Activate – FY 18/19
- Phase 3: Count (Deploy, Count, Assess) – FY 19/20
- Closeout: Nonresponse follow up, results, report, wrap-up – July-December 2020

The State is currently completing Phase 1 and entering Phase 2.

Section C. Census Roles and Partnerships

Many governmental and nongovernmental organizations throughout the State will have significant involvement in the 2020 Census, bringing diverse sets of strengths and expertise to the process, and working within different opportunities and constraints. To achieve a California complete count in 2020, and to utilize resources efficiently, a broad range of collaborations and partnerships will be needed. The success of a complete count is dependent on each partner fulfilling their role and bringing their resources to bear during Census outreach and enumeration efforts. This section describes some of the core roles that various organizations will play in the 2020 Census.

Federal Government: U.S. Census Bureau

While the State plans to dedicate extensive resources to the 2020 Census, there is a clear division of responsibility and roles between the State and the federal government. Many areas that are within the federal government's purview are not open to State involvement. Key federal responsibilities include:

Design and Conduct the Census

The federal government has the constitutional responsibility to design and conduct the Census (via the work of the U.S. Census Bureau). While the federal government takes input from states, it makes the final decisions about the implementation of the Census. This includes but is not limited to tasks such as development and testing of the Census form, hiring census enumerators, and similar.

Update of Census Addresses

The federal government is responsible for verifying and updating the national database of addresses, referred to as the Master Address File. The U.S. Census Bureau partners with state, local and tribal governments, offering them an opportunity to review and send updates to this address list through a process called the Local Update of Census Addresses Operation (LUCA). That process has ended for the 2020 Census, but local governments will learn results of their work in summer 2019, and will have an opportunity to appeal decisions made on addresses suggested but not incorporated.

Data Confidentiality

The federal government is responsible for protecting confidential data that residents provide on census forms. Under Title 13 of the U.S. Code, Section 9, census data is strictly protected as confidential, and it is illegal for the U.S. Census Bureau or any federal employees to share personal information with any other government agency, local law enforcement, health and human services, the White House, etc. Under Title 13, all Census Bureau employees swear a lifetime oath to protect confidential information and risk a felony conviction, up to five years imprisonment, and/or a $250,000 fine if they violate Title 13.

Training of Local Complete Count Committees

The U.S. Census Bureau works with local governments to help them set up and train members of local Complete Count Committees who collaborate with CBOs, NGOs, faith based organizations and others to use local knowledge and raise local awareness of the Census.

State Government: Governor's Office, Government Operations Agency, and California Complete Count Office

Outreach and Communication

While the responsibility of the Census count and related data management rests with the U.S. Census Bureau, the State, through the California Complete Count Office of the Government Operations Agency will conduct a robust outreach and communication effort to reach and inform California's many diverse residents. To accomplish this, the Complete Count Office will employ an informed, committed, diverse, multi-lingual, disability-aware staff to design and execute outreach efforts. It will partner with local governments, foundations, CBOs and NGOs to ensure outreach is undertaken by trusted messengers, is culturally, disability and linguistically appropriate, and targets the significant historically undercounted and HTC communities in the State.

Filling Gaps

The State will help fill gaps in U.S. Census Bureau outreach, communication and support, and publicize or support federal programs and actions. For example, the State can provide outreach materials in languages not provided by the federal government; help to publicize Census enumerator hiring opportunities; and can fund navigators or other outreach to HTC populations.

California Complete Count Committee

The Committee lends its expertise to advise the State on outreach, communication and access issues, and to make recommendations to the U.S. Census Bureau about information and materials needed. Its members work with their networks and communities to spread awareness of the Census and to collaborate with partners to support Census outreach.

Strategic, Local Partnerships

It is envisioned that a significant part of California's outreach strategy to reach historically undercounted and HTC populations is the formation and support of strategic, local partnerships. Foundations, CBOs, NGOs, non-profits, faith-based organizations, local government agencies, and local elected officials are critical to leverage existing networks, resources and expertise. This relational, grassroots approach will provide valuable infrastructure to adapt messaging and outreach strategies, based on continually changing political and social circumstances and incoming data on Census non-participation. State and foundation funding will serve to enhance the resources and reach of these partner organizations during the 2020 Census.

Local Government

Local counties and cities play a significant role to ensure their populations are aware of the Census, and are ready to be counted. The following provides examples of these roles.

Update of Census Addresses

As mentioned above, in California, local governments update addresses for the Census through the LUCA. In addition, they may work with CBOs, NGOs and faith based organizations to canvas neighborhoods for unconventional housing and similar conditions that might result in a local undercount. The timeframe for submitting addresses for 2020, as noted above, has passed, but local governments will have an opportunity in 2019 to appeal once the U.S. Census Bureau releases its updated address list. With incentives offered by the State to local governments, California local governments participated in the 2020 LUCA operation at a significantly higher rate than the national average. More than 90 percent of California counties and more than 84 percent of California cities participated in LUCA, compared to about 60 percent of counties and about 37% of cities nationally.

Local Government Complete Count Committees

Complete Count Committees are being formed at the local level to conduct focused outreach and increase the count. They will use local knowledge and resources to inform and promote targeted outreach efforts. They can provide a nexus between local and state governments, CBOs / NGOs, communities, the U.S. Census Bureau, and similar.

Native American Tribal Governments and Communities

The U.S. Census Bureau conducts government-to-government relationships with federally recognized Tribes. Starting in 1990, the Bureau began hiring tribal members as enumerators and other positions. Tribes, like states, may experience reductions in federal funding because of undercounts, which are significant on tribal lands. Tribes may participate in the LUCA, or delegate their authority to a state or local government. In addition, Tribes may interact with the US Census Bureau on other Bureau programs, including sharing information about tribal boundaries for the yearly Boundary and Annexation Survey and the Tribal Statistical Areas Program. In the 2020 Census, the U.S. Census Bureau is also using a Tribal Government Liaison Program to share information and develop a trusted relationship with participating Tribes. The State government is initiating government-to-government consultation with California Native American Tribes (both federally-recognized and non-federally recognized) to explore opportunities to partner with Tribes around outreach and communication to all Native Americans in California. There is a need to outreach and engage with Native Americans in California that do not live on tribal lands. That may include California natives as well as Native Americans that work or live in California native communities, but whose tribes are located elsewhere in the U.S.

Non-Governmental and Community Based Organizations, Foundations

Foundations NGOs, CBOs, faith based organizations and similar organizations are essential partners to reach, inform and support California's historically undercounted and HTC populations.

Messaging and Outreach

Foundations, faith-based organizations, NGOs and CBOs are already leading the research on messaging and designing communication strategies. A wide variety of these organizations are involved, supporting efforts such as canvassing unconventional addresses, organizing neighborhood-based events and face-to-face efforts; serving as trusted messengers to historically undercounted and HTC communities, and offering information about where to find and count people who might otherwise be overlooked.

Group Quarters Administrators

Administrators of jails, prisons, dormitories, long-term care facilities and other institutions that house large numbers of people who do not have other addresses, have a unique responsibility during the Census: they provide the information about the number and pertinent personal information of each resident to the U.S. Census Bureau.

Initial Report to the Office of Governor Edmund G. Brown Jr.
COUNTING ALL CALIFORNIANS IN THE 2020 CENSUS

Section 1. California Complete Count Committee

The California Complete Count Committee brings together public and private partners from across the State to increase awareness about the Census, encourage all Californians to participate, and assist with the development of an effective California outreach strategy. Committee membership and associated background information is presented in Appendix A.

The Committee meets quarterly. Its activities include, but are not limited to:

- Provide expertise and insight and recommend effective outreach strategies to the California Complete Count Office (Office). A first draft of the strategy is delivered to the Governor's Office in this Initial Report.
- Use individual and collective knowledge, expertise, and influence to encourage all communities, particularly historically undercounted and HTC communities, to complete the 2020 Census questionnaire in a timely and accurate manner.

The role of each Committee member is to:

- Raise awareness about Census efforts to community leaders and guide them to develop strategies for a complete and accurate count in their respective communities.
- Provide expertise to develop an outreach strategy leveraging existing community partnerships.
- Participate as experts, and/or collaborate with other experts, on Census established working groups.
- Identify effective outreach strategies and provide recommendations to the California Complete Count Office.

Working Groups

To help develop a robust strategy, the Committee formed four internal Working Groups to conduct focused inquiry and discussion and develop recommended strategies on specific areas of concern regarding Census outreach and participation.

- The **Content and Citizenship** Working Group considers Census questionnaire content matters, including the citizenship, gender, race and ethnicity questions.

- The **Trust and Confidentiality** Working Group looks at security, confidentiality of personal information, ways to build trust, and how to best educate Californians on risks, protections and benefits of census participation.
- The **Access and Outreach** Working Group's focus includes communication with diverse populations, adequate language and disability access, digital literacy, and how best to outreach to historically undercounted and HTC communities.
- The **Housing** Working Group considers the challenges of counting residents who are experiencing homelessness or housing instability, or who may live in places that lack a formal address, including where and how such populations will be counted.

Each Working Group has established its purpose and prepared an initial list of concerns and recommended strategies. These are presented in the next section.

Section 2. Initial Outreach Concerns and Response Strategies

Initial concerns and recommended strategies identified by the Committee are presented below. This input highlights initial perspectives to inform the State's development of its overall communication and outreach strategy for the 2020 Census. These early concerns and recommendations represent initial thinking by the Committee and its Working Groups. Members of the Working Groups will provide expanded conclusions and refined recommendations in future reports to the Governor.

The Working Groups were tasked to specify their individual purposes and/or goals, and were given broad latitude to create their own approaches on how to identify issues of concern and develop concerns and recommendations related to their areas of focus. As a result, each Working Group chose a slightly unique way to develop and communicate outcomes from their deliberations. For that reason, the following sections are formatted similarly, but not identically.

While the Working Groups have distinct charges, and each held discussions and developed recommendations independently, several of the initial issues of concern and strategies overlap significantly between two or more of the Groups. This congruence underscores important themes identified by a broad range of the diverse Committee membership. In addition, attendees at the 24 regional 2020 Census convenings around the State emphasized similar themes and concerns, indicating the importance of these issues across a wide variety of communities and partners.

These initial, important common topic areas include:

- Identifying trusted messengers to best communicate with historically undercounted and HTC communities
- Utilizing ethnic media to communicate with HTC communities.
- The need to conduct focused outreach to those experiencing homelessness, housing instability and/or living in unconventional housing.
- Culturally, language and disability competent messaging and outreach to diverse, historically undercounted and HTC communities.
- The growing environment of public fear and/or distrust of government, in concert with the first digital census and the question on citizenship.

Process

The Working Groups began their work with an initial round of meetings in early to mid-July to discuss roles, areas of focus, and desired deliverables. A second round of meetings was held on July 30, 2018 in conjunction with the full Committee meeting in Sacramento. Each Working Group crafted its own agenda for the July 30th meetings; two Working Groups hosted presentations related to their area of focus; all four Working Groups held focused discussions

on topics related to this report, including purpose, desired outcomes and concerns and recommended strategies. Working Groups met again in late August to finalize their initial input to this Initial Report.

Using collaborative discussion and voting methods, the Committee reviewed the report and in particular, the initial concerns and recommended strategies. Committee members discussed the appropriateness to include specific information and conducted numerous non-binding assessments to ensure that each member could support the initial information. On completion of robust discussion and iterative assessments of support, the Committee Chair conducted a formal roll call vote to ensure that the content in this report reflected the Committee's collective support and that it was ready to be presented to the Governor. On October 1, 2018, this report was approved by unanimous consent of Committee members present during their quarterly meeting.

Section 2a. Housing

Purpose of the Housing Working Group

To identify every type of place a historically undercounted and HTC person could live in California, and to propose strategies about where and how to count them, based on their unique housing/living situation during the 2020 Census enumeration period.

Initial Issues of Concern: Non-traditionally Housed Individuals Missed in the Census Count

California communities have emerging populations of individuals who reside in unconventional housing. Traditional outreach will miss populations that do not have addresses or who experience housing instability. These individuals may live on the street, in cars, or in unconventional housing such as converted garages or backyard trailers. They may also live in non-traditional households, as when multiple families or unrelated individuals share one address.

Initial Issues of Concern: Current Housing Identification Methods are Insufficient

The U.S. Census Bureau's LUCA does not include all unconventional housing arrangements. Recent studies conducted in Fresno, San Jose, San Francisco, and Stockton, found that up to 6% of housing units in Census tracts were not included.

Recommended Initial Strategies

- Create a clear, comprehensive, and evidence-based description of all non-traditional places and unconventional housing units where people need to be counted.
- Clarify special populations of people who are experiencing homelessness and housing instability and where they are most likely to reside.
- Identify trusted organizations and messengers on the ground that are best suited to reach people who may be experiencing homelessness, housing instability, and/or are living in non-traditional arrangements.
- Educate and motivate local governments to continue to follow through on the LUCA appeals process to improve the accuracy of the Master Address File.

Populations that need to be outreached to include:

- Vulnerable populations of concern to the Housing Working Group include, but are not limited to:
  - Low-income
  - People of color
  - Immigrants
  - Limited English proficient
  - Veterans
  - People with disabilities
  - Children
  - Seniors

- Those experiencing personal circumstances during the count that make them harder for enumerators to find, such as individuals who are:
  - Experiencing homelessness and/or couch surfing
  - Migrant and seasonal farm workers
  - Previously incarcerated
  - Foster youth
  - Young and mobile
  - Transition-aged and aging out of foster care
  - College students
  - Recently arrived immigrants who have not established permanent housing
  - People with mental health and intellectual/developmental disabilities
  - Displaced people due to natural disasters

- Those living in unconventional places, such as individuals who are:
  - Living in unconventional housing
  - Living in tent cities
  - Living in vehicles
  - Members of multiple-family households
  - Incarcerated, including in juvenile detention
  - Living in developmental centers, state hospitals, nursing homes and rehabilitation facilities.

Potential locations or organizations to outreach to these populations include:

- Navigation centers
- Education institutions at all levels
- Safe spaces these individuals may frequently attend, including churches and other religious and community institutions
- Organizations that work with homeless communities
- Organizations that work with disability communities
- Group quarters

Section 2b. Trust and Confidentiality

Purpose of the Trust and Confidentiality Working Group

To develop goals and recommendations that build a high level of trust in confidentiality of Census information to encourage all Californians to participate fully.

Goal #1: Provide ideas as to how the State can supplement protection for the confidentiality of peoples' Census information from federal government misuse, technological breach, or misuse by any other party.

Initial Issues of Concern: Goal #1

- The potential for federal-level sharing of census data, between federal agency departments, in violation of Title 13.
- The possibility that CBOs, NGOs, faith based organizations and similar organizations tasked with Census outreach and/or collecting Census data are not properly trained to maintain confidentiality of data.
- Errant government employees potentially sharing data without authorization.
- Breach and hacking of the data storage systems.
- The unprecedented level of distrust in the federal government by many Californians; and the general feeling of uncertainty that the current federal administration will follow federal law.
- The inclusion of highly sensitive questions in the Census form, such as the citizenship question, generates fear, given the current federal administration's focus on expanding immigration enforcement.
- Digital census forms may provide greater opportunity for data breach.

Recommended Initial Strategies

- The State collect and collate a list of all existing legal protections for the confidentiality of census information provided by both State and federal law.
- The State consider supplementing legal protections for Census information, even if State-level protections are redundant of federal law. This would reassure the public on confidentiality of data. For example, the California Attorney General's Office could join with other state attorneys general to offer a shield mechanism for confidential data.

- The State consider what can be done by governments or NGOs beyond legal or legislative actions to bolster the public's trust that confidentiality will be upheld.

Goal #2: Suggest messaging that will build higher trust with all historically undercounted and HTC communities, and inspire census participation.

Initial Issues of Concern: Goal #2

- California has a large number of different HTC communities, and a diverse number of residents that fall within traditionally HTC communities.
- Messaging is never "one size fits all." Messaging should be specific and tailored to different community groups, locations, etc. Furthermore, messaging, messengers and outreach methods should be culturally relevant/significant.
- The U.S. Census Bureau may not have sufficient resources to conduct outreach to all historically undercounted and HTC communities. There is an opportunity for the State to fill gaps left by federal level messaging efforts.
- California has a high number of Temporary Protected Status (TPS) communities (people who may temporarily reside legally in the United States after the federal government has determined their country's conditions are unsafe for return) In the future, these communities might transition from being lawfully permitted to undocumented in status.

Recommended Initial Strategies

- The State should work with appropriate persons to identify how the occurrence or dissolution of TPS might impact efforts to ensure a complete count across the State.
- Incorporate the use of ethnic media (print and digital) in Census outreach methods and information distribution.
- The State should consider what can be done outside law to bolster the public's trust that confidentiality will be upheld, such as informal activity within governments or by NGOs, CBOs, faith based organizations and similar.

Goal #3: Identify current and developing concerns on the ground, and develop specific strategies or tactics to address these specific concerns.

Initial Issue of Concern: Goal #3

Census is a dynamic effort. It is nearly impossible to anticipate what might trigger new Census-related concerns within communities (for example, a proposed boycott from a community, an action taken by the federal government, etc.)

Recommended Initial Strategies

- No initial strategies suggested yet for Goal #3.

Section 2c. Access and Outreach

Purpose of the Access and Outreach Working Group

California and Californians are very diverse. This diversity includes but is not limited to historically undercounted communities and communities diverse in race, age, disability, level of literacy, language, language access, digital access, sexual orientation, residential status, citizenship status, and socioeconomic status. The purpose of this Working Group is to develop recommendations and smart strategies related to:

Access – so that all of California's diverse communities, for the purpose of being counted, have access to:

- Official Census information and forms, via digital, paper, phone and in-person methods;
- Necessary information, materials, and support related to the Census;
- The languages necessary to understand and receive that information, materials and support; and
- Jobs related to Census enumeration and outreach.

Outreach – so that:

- The State and its partners can reach California's diverse, historically undercounted and HTC communities;
- Information materials and marketing strategies are developed and implemented with the State's diversity in mind;
- All diverse communities know the importance of the Census; and
- All residents have access to and assistance in being counted in 2020.

Initial Issue of Concern: Language and Language Access

The U.S. Census Bureau will provide the online census form and telephone/electronic census assistance in only 12 languages other than English, and the paper form in only English and Spanish. Language guides and glossaries will be provided for 59 languages. However, there are more than 200 different primary languages spoken throughout California, and many of those speaking these languages speak little to no English. It is important that translated materials are accurate, appropriate and culturally sensitive in the respective language.

Recommended Initial Strategies

- State census materials should be produced in as many languages as possible, or at a minimum, for the maximum number of languages the State currently has capacity to

support. The State should place highest priority on those languages other than the 12 languages supported by the U.S. Census Bureau. Consideration also needs to be given to providing outreach to immigrants whose native language is unwritten.

- A bilingual review committee should be formed for each language to review translated materials and ensure that they are translated accurately and in a way that is culturally competent.

Initial Issue of Concern: Digital Access

For the first time, the Census is expected to be completed online, and the U.S. Census Bureau will prioritize receiving such responses as a cost efficiency measure. The emphasis on the online mode may impose access barriers to seniors, people with disabilities, lower-income people, and populations who are less proficient at interacting online, or who have limited or no digital access.

Recommended Initial Strategies

- Develop messaging to communities that have limited to no digital access so that they have access to census survey information via phone or paper forms.
- Ensure that all internet information is mobile accessible.
- Ensure that all internet information is accessible to people with disabilities.

Initial Issue of Concern: Diversity of Census Enumerators

In the past, census enumerators could be non-citizens, and such individuals were considered trusted messengers. As of now, this is not the case for the 2020 Census. To increase the likelihood that the enumerator population is reflective of diverse communities, thereby increasing their access to the Census, many more historically undercounted and HTC community members must apply than the number of open positions that exists.

Recommended Initial Strategies

- To ensure the population of enumerators hired by the U.S. Census Bureau for California is reflective of the diverse communities the enumerators will be working with, the State should include a requirement for contractors and county-level Complete Count Committees that they prioritize outreaching to historically undercounted and HTC communities about enumerator recruitment, and share job announcements when they are posted by the U.S. Census Bureau.
- The State should support and encourage hiring of local community navigators to help answer census questions and fill the gaps in enumerator HTC community expertise and familiarity.

Initial Issue of Concern: Historically Undercounted Communities

Historically undercounted communities, particularly those that have received minimal outreach around the Census in the past, will remain at risk to be undercounted during the 2020 Census.

Recommended Initial Strategies

- The State should:
  - Review statewide data to identify historically undercounted communities
  - Prioritize these communities' needs;
  - Identify the respective barriers these communities face; and
  - Develop approaches to overcome these specific barriers.

Initial Issue of Concern: Accessibility of Information to People with Disabilities

People with disabilities, including sensory disabilities such as deafness or blindness, might require assistive technologies to access information, and would face barriers to access Census information and to participate in the Census if information and technology does not consider accessibility. Many web-based materials may not be easily accessible to people with disabilities.

Recommended Initial Strategies

- State and federal Census materials should be developed to be accessible to people with disabilities. This would include making materials available in braille, extra-large font and American Sign Language, and ensuring that online materials are screen-reader and contrast/resolution accessible.
- Before being published, sample materials should be tested by a committee of diverse disability community representatives, including communities with intellectual, developmental, mental health, physical and sensory disabilities. This is in line with the state's current practices by the Secretary of State's Office.

Initial Issue of Concern: Literacy Level of Outreach Materials

Outreach materials may not be accessible to the full range of literacy levels and thus the greatest number of people.

Recommended Initial Strategy

- Utilize "plain language" and "information usability" practices in Census outreach and informational materials, keeping reading level in mind when developing content.

Initial Issue of Concern: Outreach to Non-Traditional Housing and Housing Unstable Populations

The myriad of non-traditional housing arrangements of California residents will contribute to challenges in outreach, and as a result, these historically undercounted and HTC communities will be undercounted. For example, when multiple families live in a single-family residence, only one family may be targeted by U.S. Census Bureau outreach. Residents living in converted garages and basements without a separate address will be overlooked. Residents living in group quarters such as prisons, jails and dorms do not receive individually targeted census outreach. Some group quarters administrators have highly efficient systems to count and report populations to the U.S. Census Bureau, while others do not. In addition, there are outreach challenges for populations who are likely to be more mobile, such as those on probation, students who may be in-state or out-of-state, or others who may transition housing during the count.

Recommended Initial Strategies

- Consult with the State Department of Finance and other entities with data on non-traditional housing.
- Consider how to best outreach to people in non-traditional and housing instable situations so they have information on how and when to complete the census form. For example, identify responsible administrators at prisons who will complete the census form on behalf of all persons currently residing there.
- U.S. Census Bureau provide the California Complete Count Committee a briefing on group quarters enumeration and outreach methods to better inform development of enhanced recommendations for access and outreach strategies.

Initial Issue of Concern: Apathy and/or Lack of Trust in Government

Among the general public, there is distrust of government at the State, federal and local levels, as well as concerns around how census information about individuals might be used. This distrust may be further projected on to enumerators, census kiosk workers, trusted messengers, media campaigns, and others providing census outreach and support.

Recommended Initial Strategy

- Create census media messaging that includes trusted messengers, and is tailored to and responsive to a particular community culture.

Initial Issue of Concern: Media Messaging

Media messaging and associated efforts may be inconsistent with or not adequately informed by HTC and local communities over the course of the Census outreach period. In addition,

messengers may lack the evidence-based information needed to inform their messaging. Media contracts could go to organizations that do not have an established history of working in and with historically undercounted and HTC communities.

Recommended Initial Strategies

- The State should have contracting rules in place that support smaller media entities such as ethnic and local media and additionally, provide selection priority to organizations that have a record of working with historically undercounted and HTC communities. For example, letters of recommendation from HTC community representatives might be used to determine those media entities that are trusted by communities; or other requirements may be put in place to demonstrate that contractors have a connection and commitment to local communities. This requirement may need to be written in to the State's request for proposals process for media contracting.
    - Media outlets that are contracted for Census outreach should consult with key leaders and trusted messengers within the communities of concern to develop, review and approve appropriate media campaign strategies.
    - All forms of media should be used to reach all Californians, and use of ethnic media that are trusted by local communities should be prioritized.

Initial Issue of Concern: Efficiency of Outreach Efforts

With the diverse array of state and local governments, NGOs and CBOs, and others engaged in 2020 Census outreach, there may be an inefficient use of resources as different entities duplicate efforts.

Recommended Initial Strategy

- Communicate with CBOs, NGOs, faith-based organizations and similar organizations to understand the types of outreach efforts they plan in order to maximize resources and avoid duplication of efforts.
- For state funded CBOs, NGOs, faith-based organizations and local CCCs, establish an information sharing system to ensure all partners are aware of efforts and are asked to coordinate to minimize duplication of effort.

Section 2d. Content and Citizenship

Purpose of the Content and Citizenship Working Group

Advise California Complete Count Staff and the Governor's Office on outreach and media strategies to encourage Census participation among California residents who may be deterred from filling out the census form because of the following questionnaire content issues:

1. Mixed status households, non-citizen residents and other respondents may be deterred because of a citizenship question, general distrust of, or unfamiliarity with government, and other participation barriers.
2. The lack of Census questions on gender identity and sexual orientation; the lack of a Middle Eastern or North African (MENA) category; and the framing of the race and ethnicity questions around Latino, Hispanic or Spanish origin and race. Communities need guidance to know how to accurately self-identify on the current Census form.

Initial Issues of Concern: Hiring Trusted Messengers

- Individuals with specific cultural and linguistic skills to reach households that may not trust the census process, may not be hired.
- Deferred Action for Childhood Arrivals (DACA) youth and non-citizens who can convince other non-citizens of the importance of filling out the census form may not be hired. The federal government has not approved waivers to hire non-citizens that may be trusted messengers working in census offices or as enumerators.
- There may be inadequate research and information to accurately identify who trusted messengers are for various communities across California, especially those who will be impacted most by the inclusion of the citizenship question.

Initial Issues of Concern: Adequate Infrastructure to Address Cyber Security and Misinformation

California may not have adequate infrastructure to adequately address potential issues and concerns with cyber security, the use of social media to spread misinformation, the erosion of public trust in media and government, and the security of personal information.

Initial Issues of Concern: Census Participation Boycotts

Various groups may boycott the census and there is a need to quickly and effectively address this through educational messaging stressing the consequences of non-participation for Californians.

Initial Issues of Concern: Accurate Self-Identification

There is a need for education and information on how to accurately self-identify on the census questionnaire in light of limited categories for ethnicity and family structure.

Recommended Initial Strategies

- Educate all Californians on what is at stake with each census count, how data is being collected and how it will be used.
    - Educational materials should provide accurate information on how to self-identify, and what happens in the case of census partial response.
    - Educational outreach efforts should focus on helping people understand their personal connection to the census and how the census will affect funding for state and local programs that rely on census data.

- Fund organizations who best understand how to reach non-citizen residents during the census count, and concentrate outreach efforts based on geographically concentrated areas of historically undercounted and HTC populations.
    - Prioritization should be given to organizations that have a proven track record and recent and long-standing historical relationships with HTC and non-citizen resident communities.
    - Focus on organizations that help non-citizens attain legal permanent residency, naturalization, health care and social services.
    - Funding should also go to civic engagement coalitions that work with mixed-status families and immigrants.

- Identify trusted messengers in multiple spheres, including family, church, and other local community leaders who can accurately convey the importance of participating in the census, and what is at stake for Californians.
    - Engage community leaders connected with smaller, targeted HTC populations (including, for example, those who curate Facebook pages).

- Launch a social media campaign to encourage Californians to participate despite the citizenship question and/or lack of options to accurately identify one's ethnicity and/or family structure.
    - Engage social media platforms and influencers in all aspects of life (i.e. sports, medicine, the arts, etc.) to explain why it is important to participate in the Census.

- Utilize social and other media that reach specifically targeted HTC populations across all ages and ethnicities.
- Engage people in digital dialogues around these topics.

- Employ non-traditional entertainment and ethnic media (examples include youth media hubs) to produce visually powerful, relatable content that reaches immigrant and non-citizen households through storytelling and digital media.
    - Explore partnerships with new media organizations that focus on dispelling myths on immigration and influencing entertainment storylines.
    - Media contracting should also be given to publishers with a proven track record of working directly with non-citizens.
    - Develop a rapid response mechanism for potential misinformation campaigns across both print and digital mediums. State contracting for outreach and media should build on-the-ground capacity to execute rapid dissemination of counter messaging to misinformation in hard to count communities.

Section 3. Next Steps

The Committee is moving forward to gather information and expertise to refine its recommendations for the State's strategy for outreach and communication to ensure a 2020 Census complete count in California. These recommendations will be shared in the Committee's next report in January 2019.

APPENDIX A: California Complete Count Committee Membership

Current positions are listed for Committee members. For additional information visit: https://census.ca.gov/2018/04/16/governor-brown-creates-california-complete-count-committee/.

- **Gita Amar**, Senior Director at PMK BNC
- **Tho Vinh Banh**, Supervising Attorney and Supervisor of Multicultural Affairs Outreach at Disability Rights California
- **Carolyn Coleman**, Executive Director at the League of California Cities
- **Kathleen Domingo**, Director for Office of Life, Justice and Peace at the Archdiocese of Los Angeles
- **Basim Elkarra**, Executive Director at the Sacramento Valley Chapter of the Council on American-Islamic Relations
- **Efrain Escobedo**, Vice President for Education and Immigration Programs at the California Community Foundation
- **Amy Fairweather**, Policy Director at Swords to Plowshares' Institute for Veteran Policy
- **Nicholas Hatten**, Executive Director at the San Joaquin Pride Center
- **Lisa Hershey**, Executive Director at Housing California
- **John Joanino**, Senior Communications Associate at Advancement Project California
- **Alex Johnson**, Managing Director at Californians for Safety and Justice
- **Loren Kaye**, Foundation President at the California Chamber of Commerce
- **Kate Kendell**, Executive Director at the National Center for Lesbian Rights
- **Jesus Martinez**, Executive Director at the Central Valley Immigrant Integration Collaborative
- **Gerald McIntyre**, Special Counsel at Justice in Aging, formerly the National Senior Citizens Law Center
- **Margie Mejia**, Chairwoman at the Lytton Rancheria of California
- **Eloy Ortiz Oakley**, Chancellor of the California Community Colleges
- **Jennifer Rodriguez**, Executive Director at the Youth Law Center
- **Thomas Saenz**, President and General Counsel at MALDEF
- **Lee Salter**, Former President and Chief Executive Officer at the McConnell Foundation
- **Daniel Torres**, Director of Immigrant Integration in the Office of Governor Edmund G. Brown Jr.
- **Angie Wei**, Chief of Staff at the California Labor Federation
- **Regina Brown Wilson**, Executive Director at California Black Media
- **Christopher Wilson**, Associate Director at Alliance San Diego
- **Tom K. Wong**, Associate Professor at the University of California, San Diego

For additional information on CCCC membership, meetings, minutes, and materials, visit https://census.ca.gov.

CCCC Documents

- Executive Order: https://census.ca.gov/2018/04/15/be-counted-california/
- Members: https://census.ca.gov/2018/04/16/governor-brown-creates-california-complete-count-committee/
- Meeting Agendas and Minutes: https://census.ca.gov/cccc-meetings-2018/

APPENDIX B: References

Section B. Background on the Census and California

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Section C. Census Roles and Partnerships

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Section 2a. Housing

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Section 2b. Trust and Confidentiality

U.S. Citizenship and Immigration Services information on Temporary Protected Status (2018); website: https://www.uscis.gov/humanitarian/temporary-protected-status

EXHIBIT G

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 4 Agenda

Senator Richard D. Roth, Chair
Senator Steven M. Glazer
Senator Scott Wilk

Thursday, March 15, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 2040

PART A

Consultant: James Hacker

Vote Only Calendar

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Issue 4	Mobilehome Release of Liability (SB 542)	3
1700	**Department of Fair Employment and Housing**	
Issue 1	Job Applicant Criminal History (AB 1008)	3
Issue 2	New Parental Leave Act (SB 63)	3

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Item	Department	
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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

VOTE-ONLY CALENDAR

2240– Department of Housing and Community Development (HCD)

1. **Roberti Affordable Sales Program.** The budget requests a baseline increase in reimbursement authority of $370,000 in 2018-19 and $350,000 ongoing for staffing expenses to ensure the sale of Department of Transportation (Caltrans) surplus property is maintained as affordable housing. This proposal supports Caltrans administration of the "Roberti Act" Affordable Sales Program on the State Route 710 corridor.
2. **Transactions Unit Fund Shift.** The budget requests a net-zero technical shift of $1,894,000 in expenditure authority among funds to continue workload in the Transactions Unit to restructure and extend previous loans. This request is a net-zero change that moves funds from the Roberti Affordable Housing Fund, the California Earthquake Safety and Housing Rehabilitation Bond Account, and an account within the Housing Rehabilitation Loan Fund to the general Housing Rehabilitation Loan Fund.
3. **Mobilehome Purchase Program Technical Assistance (SB 136).** The budget requests $161,000 in 2018-19 and $151,000 ongoing from the Mobilehome Park Rehabilitation and Purchase Fund for one position to oversee technical assistance grants with potential applicants of the Mobilehome Park Rehabilitation and Resident Ownership Program (MPRROP), pursuant to SB 136 (Leyva), Chapter 766, Statutes of 2017.
4. **Mobilehome Release of Liability (SB 542).** The budget requests $289,000 in 2018 -19 and $259,000 ongoing from the Mobilehome and Manufactured Home Revolving Fund for three positions to implement the notice of transfer and release of liability provisions of SB 542 (Leyva), Chapter 832, Statutes of 2017.

Staff Recommendation:
Approve as budgeted.

1700 – Department of Fair Employment and Housing

1. **Job Applicant Criminal History (AB 1008).** The Department of Fair Employment and Housing (DFEH) requests $1,919,000 in 2018-19 and $1,244,000 ongoing from the General Fund for nine positions to process additional employment discrimination complaints associated with AB 1008 (McCarty), Chapter 789, Statutes of 2017.
2. **New Parental Leave Act (SB 63).** The budget requests $218,000 in 2018-19 and $210,000 ongoing from the General Fund for two positions to process additional complaints resulting from new parent leave labor protections under SB 63 (Jackson), Chapter 686, Statutes of 2017.

Staff Recommendation:
Approve as budgeted.

Issues Proposed for Discussion

2240 CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development's (HCD's) mission is to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians by (1) administering housing finance, economic development, and community development programs, (2) developing housing policy and advocating for an adequate housing supply, and (3) developing building codes and regulating manufactured homes and mobilehome parks. HCD also provides technical and financial assistance to local agencies to support community development.

The California Housing Finance Agency's (CalHFA) mission is to create and finance progressive housing solutions so that more Californians have a place to call home. The agency is financially self-supporting, setting loan interest rates slightly above its costs and charging fees to cover investments related to bond proceeds. Since 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, CalHFA has been displayed within HCD's budget and reports to the Business, Consumer Services, and Housing Agency.

Governor's Budget: The budget provides $1.2 billion and supports 856 positions at HCD in 2018-19, including roughly $39 million and 255 positions at the California Housing Finance Agency. This is an increase of roughly $470 million from 2017-18, mostly due to the implementation of the statewide housing package passed in 2017.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
1660	Codes and Standards Program	191.4	166.2	170.2	$30,502	$34,445	$34,803
1665	Financial Assistance Program	188.2	201.6	274.1	486,602	653,034	994,883
1670	Housing Policy Development Program	14.8	17.1	39.1	36,798	4,532	130,405
1675	California Housing Finance Agency	235.3	254.9	254.9	35,605	38,822	38,689
1680	Loan Repayments Program	-	-	-	-2,969	-1,944	-1,944
1685	HPD Distributed Administration	-	-	-	-141	-150	-150
9900100	Administration	147.4	107.0	117.5	14,753	16,893	20,216
9900200	Administration - Distributed	-	-	-	-14,753	-16,893	-20,216
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**777.1**	**746.8**	**855.8**	**$586,397**	**$728,739**	**$1,196,686**

Issue 1: Legislative Proposal: Office of Homeless Youth (SB 918)

Legislative Proposal: Senator Scott Wiener and Assemblymember Blanca Rubio, along with six sponsors, request $61 million in one-time General Fund resources to establish $60 million in grants to develop services statewide for youth who are homeless. An additional $1 million is requested to create an Office of Homeless Youth within the Department of Housing and Community Development. The grant funding will be replaced in subsequent years by funding from the state's Cannabis Tax Fund. Sponsors of this bill include the California Coalition for Youth, Corporation for Supportive Housing (CSH), Housing California, John Burton Advocates for Youth, Tipping Point and Equality California.

Background: More than one-third of the nation's homeless youth live in California – 15,458 youth were sleeping in warehouses, in fields, behind businesses and along river beds, or living with friends or strangers, according to the 2017 HUD count. Statewide, one in nine homeless persons is an unaccompanied youth. The federal government defines a homeless youth as a minor younger than 18 or a young adult between 18 and 24 years old who is living individually (without their parents or their own children). Exact counts vary substantially based on definition and methodology, but reports across various systems show a growing number of homeless unaccompanied youth, a group that often stays hidden from view and may be easily overlooked. Prior to 2015, the count did not break out this group at all.

The Senate and Assembly Human Services Committees held a joint informational hearing on Oct. 10, 2017 to evaluate the state's response to youth homelessness. Providers of services and shelter testified that youth tend to avoid adult homeless shelters because they are often victimized there, instead believing they are safer in youth encampments or other situations until they can access shelter care. Within the population of homeless youth, some distinct groups are disproportionately represented, including those who are LGBTQ, formerly or currently involved with the foster care system, involved with the juvenile justice system and youth who are African American.

Experts say it is critical to develop and fund services that are developmentally appropriate for teenagers and young adults who are homeless. Services that have proven successful for youth include those that are trauma-informed, teach life skills, and offer educational degrees and job training.

Staff Comments: This request accompanies SB 918 (Wiener) which would establish the Homeless Youth Act of 2018, which is currently pending in the Senate Committee on Human Services.

Staff Recommendation:
Hold Open.

Issue 2: Statewide Housing Package (SB 2 and SB 3)

Governor's Proposal: The Department of Housing and Community Development (HCD) requests $16 million and 81.0 positions 2018-19, $21 million and 128.0 positions in 2019-20, and $23 million and 146.0 positions ongoing for State Operations to implement the 2017 Statewide Housing Package. HCD also requests Local Assistance authority of $522 million in 2018-19 and $773 million in out years.

Background: In 2017 the Legislature passed a package of 15 bills aimed at increasing the affordability of housing in California. The package included proposals to place a general obligation bond on the November 2018 ballot, create a permanent funding source for affordable housing by levying a transaction fee on new real estate transactions, and a variety of regulatory reforms to speed up development and construction of new housing. The bills included in the package are detailed below.

Statute	Housing Package Component
Dedicated Housing Funding	
SB 2 (Atkins), Chapter 364, Statutes of 2017	Create a permanent source of funding for affordable housing with a document recording fee on real estate transactions.
SB 3 (Beall), Chapter 365, Statutes of 2017	Invest in a $4 billion housing bond with $3 billion for affordable housing and $1 billion for veterans housing.
Streamlining Housing Development	
SB 35 (Wiener), Chapter 366, Statutes of 2017	Streamline multifamily housing developments with an affordable component in infill areas across the state.
SB 540 (Roth), Chapter 369, Statutes of 2017	Establish Workforce Housing Opportunity Zones to streamline development in priority areas.

AB 73 (Chiu), Chapter 371, Statutes of 2017	Form Housing Sustainability Districts to streamline development in infill areas.
Accountability and Enforcement	
AB 72 (Santiago), Chapter 370, Statutes of 2017	Allow for interim housing element monitoring; enforce existing housing laws through collaboration with the Attorney General.
AB 879 (Grayson), Chapter 374, Statutes of 2017	Improve local reporting on housing outcomes; conduct a fee reasonableness study to evaluate local development fees.
AB 678 (Bocanegra), Chapter 373, Statutes of 2017	Strengthen the Housing Accountability Act.
SB 167 (Skinner), Chapter 368, Statutes of 2017	
AB 1515 (Daly), Chapter 378, Statutes of 2017	
AB 166 (Skinner), Chapter 367, Statutes of 2017	Secure "No Net Loss" in housing element sites inventory.
AB 1397 (Low), Chapter 375, Statutes of 2017	Promote feasibility of sites included in sites inventory.
AB 1505 (Bloom), Chapter 376, Statutes of 2017	Clarify that local governments may adopt inclusionary ordinances that require affordable housing set-asides.
AB 1521 (Bloom), Chapter 377, Statutes of 2017	Strengthen preservation requirements on rent-restricted affordable housing units.

AB 571 (Eduardo Garcia), Chapter 372, Statutes of 2017	Support farmworker housing by easing access to tax credit financing and allowing extensions for seasonal housing centers.

SB 2 imposes a fee on recording of real estate documents, excluding sales, for the purposes of funding affordable housing. This fee is to be collected by county recorders and remitted to the state on a quarterly basis. Collections began on January 1, 2018. The first remittances will occur in March of 2018. The Administration has estimated that this fee will raise roughly $129 million in 2017-18 and $258 million in 2018-19.

Funding allocations are specified in statute for the first year of proceeds and on an ongoing basis. These allocations are based on the calendar year in which the fees are collected, and not the state fiscal year in which the funds are expended. Under SB 2, one half of the revenue from the fees collected during 2018 is designated for planning and zoning grants and technical assistance programs, and one half for homelessness programs. In year two and onward, 70 percent of the funds will be distributed directly to locals and 30 percent to the state for farmworker housing, state incentive programs, and mixed income multifamily residential housing affordable to lower and moderate income housing. Should the SB 3 bond be approved by voters in November 2018, proceeds from bond sales shall be split among a variety of currently existing housing and homelessness programs.

SB 3 places a $4 billion bond on the November 2018 general election ballot. Of this amount, $1 billion will support veterans housing in the California Department of Veterans Affairs Farm and Home Loan Program, repaid by participants' loan repayments. HCD will administer the $3 billion General Obligation bond through existing housing programs.

Throughout the development process, each local government faces factors that discourage housing development, including community opposition, incentives to approve sales-tax generating development over residential development, and market conditions, such as high land and construction costs. These decisions drive up cost of housing and negatively affect the supply of housing in California. To address this, the housing package includes a number of bills aimed at holding local governments accountable for accommodating their share of development and ensuring compliance with existing laws.

A number of barriers exist to the timely development of housing. Discretionary local land use permitting and review processes have lengthened the approval process and increased production costs. These delays and denials place a strain on the state's housing supply by increasing project risks and costs. The housing package includes provisions that streamline approvals for housing developments that are compliant with existing zoning requirements and meet other specified criteria. These policies contain development costs, increase certainty and reduce project risks, and improve the pace of housing construction.

Staff Comments: The housing package goes into effect during the latter half of 2017-18. The real estate transaction fee implemented by SB 2 went into effect in January of 2018, and revenue collected by the counties will be remitted to the state beginning in March of 2018. Under the requirements of the

package, half of this first-year revenue is to be spent on planning and zoning programs, and half on homelessness issues. However, HCD was not given any additional resources to implement the requirements of the package as part of the 2017-18 budget.

The 2018-19 budget addresses this by declaring the 2018-19 budget year the first program year for the relevant programs created or funded by the housing package. HCD has indicated that a half year of revenue raised between January and June of 2018, estimated at roughly $129 million, would be remitted to HCD before any funding is disbursed for either homelessness or planning purposes. Additionally, HCD has indicated that the program design for the homelessness funds is still underway, and the final shape of the program is still uncertain. However, the Administration has proposed trailer bill language that allocates roughly half of the homelessness funds in a specified manner. This includes $5 million to Orange County for a specified shelter project, $10 million or eight percent of available funds to Los Angeles County, and smaller specified amounts to each county depending on population and estimated homeless population.

While the overall proposal has merit, and follows the overall intent of the statewide housing package, there are a number of issues. While the majority of the new funding will go out via already-existing housing programs, several new programs must be created from scratch. For example, first year funding for both planning and zoning grants and a new homelessness program both require the creation of new program guidelines, administrative processes, and new processes for granting, disbursing, and evaluating grant funding. While HCD is well-versed in the creation and administration of similar grant programs, the final design of many of these programs has not been completed. It is premature to approve this proposal until some of the outstanding program design issues have been resolved.

Questions:

- What shape does HCD anticipate the first-year homelessness program will take? What program design work has been performed to date? What other stakeholders have been consulted on program design?
- What is the timeline for the distribution of first year funds?

Staff Recommendation
Hold Open.

Issue 3: Affordable Housing and Sustainable Communities Program

Governor's Proposal: The budget requests $2,782,000 in 2018-19 and $2,622,000 ongoing from the Greenhouse Gas Reduction Fund (GGRF) for 16.0 positions to implement the later phases of the Affordable Housing and Sustainable Communities (AHSC) program.

Background: The AHSC program was established by SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, which sought to further the purposes of AB 32 (Nunez), Chapter 488, Statutes of 2006, the Global Warming Solutions Act of 2006, and SB 375 (Steinberg), Chapter 728, Statutes of 2008, the Sustainable Communities and Climate Protection Act of 2008. The program provides funding for housing and transportation projects that support in fill and compact development. These projects reduce greenhouse gas (GHG) emissions through the reduction of the number of miles individuals drive each day, or vehicle miles traveled (VMT). HCD implements the program under the guidance of the Strategic Growth Council (SGC) and the Air Resources Board (ARB).

The program is funded through the GGRF. Funding for the AHSC program is provided through a continuous appropriation to the SGC, based on 20 percent of annual proceeds. Roughly $886 million has been made available to the program since 2014-15. The program has awarded roughly $695 million to date.

HCD currently has 22 positions to administer the AHSC program. HCD's role in the program includes assisting SGC in developing guidelines, reviewing applications, recommending awards; performing construction loan closing, contract management, and permanent loan closing activities; performing asset monitoring, compliance, and reporting activities; and providing overall administrative support to the program.

Staff Comments: HCD has indicated that the administration of affordable housing projects engenders a lifecycle of four to five years from application to occupancy. The Administration has indicated that they expect construction of the first affordable housing projects to be completed during 2018-19. Once these developments meet occupancy and other administrative requirements, HCD converts construction financing to permanent financing. This stage is workload-intensive and requires the greatest scrutiny of the legal and financial transactions.

Each AHSC award includes at least one housing related infrastructure, transportation infrastructure, or funded program (bicycle safety class, transit pass program, etc.) component. Funds will be disbursed incrementally, with nearly a dozen disbursements for each contract. HCD anticipates a substantial increase in the number of projects from prior funding rounds that will reach this phase in the project lifecycle in 2018-19.

It is reasonable to believe that HCD's workload will increase as the number of projects reaching to later stages of the project cycle increase. While construction loan closings are anticipated to decrease in 2018-19 and 2019-20, the Administration has indicated that this is largely due to a decline in GGRF revenues in prior years. The Administration has indicated that the recent reauthorization of the cap and trade program is anticipated to increase GGRF funding available to the program in out years.

Staff Recommendation:
Hold Open.

Issue 4: Veteran's Housing and Homelessness Prevention Program

Governor's Proposal: The budget requests $370,000 in 2018-19 and $350,000 ongoing from the Housing for Veterans Fund for two positions to execute loan closings and mitigate litigation costs related to the Veterans Housing and Homelessness Prevention Program (VHHP).

Background: ln 2008, California voters approved the Veteran's Bond Act of 2008 (Proposition 12), a $900 million general obligation bond intended to help veterans purchase single family homes, farms, and mobile homes through the CalVet Home Loan Program. Chapter 727, Statutes of 2013, (AB 639) restructured the Veteran's Bond Act of 2008, authorizing $600 million in existing bond authority to fund multifamily housing for veterans, with 50 percent serving extremely low-income veterans.

California authorized $600 million in bond authority to be repurposed to fund multifamily housing for veterans through Proposition 41, the Veterans Housing and Homelessness Prevention Bond Act of 2014. Approved by California voters on June 3, 2014, Proposition 41 authorized $600 million in state general obligation bonds to fund affordable multifamily rental, supportive and transitional housing for veterans through VHHP. After setting aside funds for bond issuance costs, default reserves, and program administration, approximately $540 million is available for development assistance and operating subsidies for veterans' rental housing. Since VHHP's implementation in 2014, HCD has issued three rounds of Notice of Funding Available (NOFAs) and awarded $241.7 million in local assistance for the development, assistance, and operating subsidies for veterans' rental housing. This has funded 2,019 units to support over 3,052 homeless veterans with permanent housing and supportive services.

Staff Comments: The Administration has indicated that the requested positions will enable HCD to meet additional loan closing and legal workload as projects move through the program cycle into later stages. Specifically, the positions are needed to support workload related to with construction loan-closing and permanent loan-closing stages for projects funded from Round 1 (FY 2014-15), Round 2 (FY 2015-16), Round 3 (FY 2016-17), and Round 4 (FY 2017-18). HCD estimates that 15 percent of projects in a given NOFA round move through each stage of the award cycle in year one, 60 percent in year two, and 25 percent in year three. The incremental movement of projects generates a "stacking effect," and subsequently increases workload to manage compounding projects at each stage of the award lifecycle. Additionally, the department has indicated that the legal work necessary to process VHHP awards, draft loan documents, and disburse funds requires significant Legal Affairs Division workload. VHHP permanent loan documents must be ready to timely record when the applicant and other lenders are ready. Failure to close on time would result in higher carrying costs for the applicant, as well as litigation costs for HCD. These two factors lead to an increase in overall program workload as the VHHP program matures. HCD has indicated that this increased workload cannot be met within existing resources.

Staff Recommendation:
Approve as budgeted.

Issue 5: Long-Term Monitoring and Default Reserve

Governor's Proposal: The budget requests $322,000 from the Housing Rehabilitation Loan Fund (0929), 2.0 positions to award funds previously held as default reserves, and 2.0 positions for long-term monitoring for the Veterans Housing and Homelessness Prevention Program (VHHP) and Affordable Housing and Sustainable Communities (AHSC) portfolio. This request includes trailer bill language intended to streamline the administration of long-term monitoring, provide consistency across all rental programs, and decrease the risk of default of affordable housing projects.

Background: SB 1121 (Alarcon), Chapter 67, Statutes of 1999, authorized the Multifamily Housing Program (MHP) financing model, in which HCD provides permanent financing for rental housing projects with an affordability requirement of 55-years. The MHP model includes a required annual 0.42 percent interest payment on the loan principal to fund HCDs long-term monitoring efforts. Since 1999, all of HCD's new rental housing construction programs operate under this MHP financing model.

Presently, only the MHP family of programs and the Transit-Oriented Development (TOD) program have collected 0.42 percent interest. Beginning in 2018-19 the AHSC and VHHP projects will transition to long-term monitoring and begin submitting annual 0.42 payments. In the future, NPLH projects will also begin to submit 0.42 payments.

SB 1121 also authorized HCD to set aside up to four percent of funds appropriated for default reserve. The purpose of a default reserve account is to have a resource available to help cure or avert projects from defaulting over their 55-year regulatory period, which would lead to a loss of affordable housing supply. Since funding is appropriated on a program-by-program basis, each has its own default reserve account. Statute has been inconsistent across these programs, with default reserve language ranging from no cap to amounts equal to three percent, not to exceed three percent, or in the case of MHP, four percent. As of June 30, 2017, HCD had $68.5 million in available default reserves, spread across 16 programs. This includes roughly $12 million in legacy programs and non-bond funded programs.

Staff Comments: VHHP and NPLH programs are administered from bond funds. There is therefore no place to deposit the fee revenue to support long-term monitoring. Additionally, HCD is not the administrator of the Housing for Veterans Fund (Fund 6082) or the Greenhouse Gas Reduction Fund (Fund 3228) and will require annual appropriations from other agencies to fund long-term monitoring, decades after the roles of those agencies in the program have ended. The proposed Trailer Bill Language will deposit the 0.42 percent revenue into one single fund (Fund 0929). The Administration has indicated that this will reduce the number of budget appropriations and agencies involved, and make HCD solely accountable for the monitoring of these funds. The Administration has indicated that the requested long-term monitoring positions will perform fiscal and occupancy compliance workload as the VHHP and AHSC projects transition into the long-term monitoring phase.

HCD has indicated that, while statute currently sets default reserves between zero and four percent, historical data suggests that 1.5 percent. The proposed trailer bill language would also allow for the expenditure of default reserve funds across programs while reducing the overall required default reserve to 1.5 percent. HCD has indicated that HCD believes allowing default reserve expenditures across programs would create a pool of resources that would reduce the risk level of the entire portfolio, and that reducing the overall level to 1.5 percent would free up a significant amount of funding for additional local assistance. The department has indicated that, should this trailer bill be approved, they would prepare an immediate NOFA round worth roughly $11 million. The requested default reserves position would

facilitate the awarding of unused default reserve funds available as a result of a reduction of the default reserve. These positions will be funded from administrative resources available from the continuously appropriated Multifamily Housing Program Proposition 46 and Proposition 1 C allocations. HCD requests position authority rather than budget augmentations as part of this request.

While these proposals have merit, more information regarding the proposed reduction in default reserve ratios, the use of the proposed NOFA round, and the proposed portfolio approach to long-term monitoring is required.

Questions:

- How many projects, and of what types, does HCD anticipate funding with the proposed new NOFA round?
- Are there any mismatches between monitoring fees paid and long term monitoring workload? Will pooling long-term monitoring resources result in one program subsidizing another?

Staff Recommendation
Hold Open.

Issue 6: Housing for a Healthy California (AB 74)

Governor's Proposal: The budget requests $450,000 in 2018-19, $927,000 in 2019-20, $477,000 in 2020-21, and $343,000 ongoing from the Federal Trust Fund to implement AB 74 (Chiu), Chapter 777, Statutes of 2017. The request includes authority for 2.0 positions, an interagency agreement with the Department of Health Care Services (DHCS), and a contract with an independent evaluator in 2019-20. HCD also requests trailer bill language to establish authority to collect monitoring fees and deposit the fees into the Housing Rehabilitation Loan Fund.

Background: In March 2015, the DHCS proposed using MediCal to fund services and housing assistance – supportive housing – acknowledging decades of research demonstrating supportive housing decreases Medicaid costs among homeless beneficiaries. The Federal Centers for Medicare & Medicaid Services (CMS) approved use of federal Medicaid dollars to fund services in supportive housing. Though CMS rejected using federal Medicaid dollars to pay for housing, CMS clarified that the state could use its own dollars (through MediCal or otherwise) to fund housing subsidies. In fact, a number of other states and jurisdictions within California, including the State of New York and the County of Los Angeles, pay for housing costs through health systems.

The state's most recent 1115 Medicaid Waiver, which allows the state to extend MediCal eligibility to extend its safety net care pool for five years, and to include alternative payment and treatment methodologies, includes the Whole Person Care Pilot Program, which allows counties to tap into federal funds to pay for care management supports, services helping people find housing, and services promoting housing stability. DHCS is also working to implement a new Health Home Program that would fund services for high-cost homeless beneficiaries.

Section 1338 of the Housing and Economic Recovery Act (HERA) established the federal National Housing Trust Fund (NHTF) Program to provide states an ongoing source of funds to support the production of affordable housing targeted to extremely-low and very-low income households. HCD began designing and developing the NHTF program in 2016-17, but has not issued a Notice of Funds Available (NOFA) to make local assistance awards. HCD intends to issue the first NHTF NOFA by the end of 2017 for the first two NHTF federal grants, totaling approximately $33 million. This NOFA will be a joint NHTF and Home Investment Partnerships Program (HOME) NOFA, and will be issued under existing program guidelines.

AB 74 (Chiu), Chapter 777, Statutes of 2017, requires HCD to re-design the NHTF Program and reestablish it as the Housing for Healthy California Program on or before January 1, 2019. This shifts the program focus away from assisting new construction of permanent housing for extremely low-income households, to providing supportive housing opportunities for persons experiencing homelessness. AB 74 requires the distribution of NHTF funds for permanent supportive housing as either competitive grants to counties for capital and operating assistance or as direct awards to developers for operating reserve grants and capital loans, or both. It also requires HCD to coordinate with DHCS to collect data, report outcomes, and prepare evaluations/annual adjustments for three years to the federal allocation plan starting in August 2018 to meet program goals.

Under Section 92.214(1)(i) of Housing and Economic Recovery Act, HCD is authorized to "charge certain reasonable fees, such as application, homebuyer counseling, and ongoing rental monitoring."

HCD currently uses this authority to charge fees to support long-term monitoring activities for its HOME program, but has no place to deposit the fees collected.

This proposal includes resources to support DHCS efforts to collect data, report outcomes, and prepare evaluations and annual adjustments to the program. It also includes funding for a one-year consulting contract to perform program evaluation in 2019-20, as called for in statute.

Staff Comments: Supportive housing, which is affordable housing with intensive services, allows people experiencing significant barriers to housing stability to improve their health and decrease their Medicaid costs. National studies comparing formerly homeless Medicaid beneficiaries living in supportive housing with homeless beneficiaries receiving usual care demonstrate Medicaid cost savings of almost $9,000 per year after the costs of services.

The Administration has indicated that HCD initially plans to use appropriated revenues from NHTF allocations for 2018 to 2021 to provide supportive housing opportunities through operating reserve grants and capital loans to developers to create affordable housing for those experiencing frequent homelessness. Furthermore, this assistance will complement existing supportive housing production resources at HCD (such as the Veterans Housing and Homeless Prevention Program, the No Place Like Home Program, and the Multifamily Housing Program - Supportive Housing). The ability to pair this resource will accelerate the time it takes to secure all financing to build supportive housing faster to serve homeless and extremely low-income households.

The Housing for a Healthy California program will incur the same long-term workload as other affordable housing programs. Specifically, as NHTF projects move from initial NOFA and loan closing stages into long-term monitoring, HCD shifts to support long-term monitoring activities. The proposed trailer bill language will authorize federal programs, including the NHTF, to charge monitoring fees and deposit those fees into the Housing Rehabilitation Loan Fund. This is intended to allow the department to fund long-term monitoring workload in a consistent and sustainable manner.

Questions:

- Is there any concern about the long-term availability of federal funds? How will the program be funded in future years should federal funds disappear?

Staff Recommendation:
Approve as Budgeted.

Issue 7: Informational Item - Community Development Block Grant (CDBG) Program Redesign

Background: The CDBG program was established by the federal Housing and Community Development Act of 1974, and subsequent legislation and regulations enabled states to administer the program for smaller cities and counties. HCD began administering CDBG for smaller cities and counties in 1992.

According to HCD, 70 percent of the annual CDBG allocation must benefit low-income families and individuals. HCD makes those funds available each year to eligible jurisdictions through both a competitive process and a process for economic development projects.

HCD receives about $429 million in federal CDBG funds annually to provide CDBG awards to small cities and counties throughout the state. The CDBG program allows the state to spend no more than three percent of its federal allocation from CDBG on administration, and requires that all money spent after the first $100,000 be matched by state funds, either directly or in-kind. HCD has indicated that CDBG funds have been very slow to reach grantees for two reasons. First, large amounts of "program income," the gross income received by the grantee and its subrecipients directly generated from the use of CDBG funds, delays the drawdown of new CDBG funds. Second, the small, rural jurisdictions with relatively fewer resources that are eligible under the California program lack the capacity to put CDBG funds to work in a timely manner.

SB 106 (Committee on Budget and Fiscal Review), Chapter 96, Statutes of 2017, took steps to streamline and modify the CDBG program. Specifically, it authorized HCD to adopt guidelines to implement the federal and State CDBG program, subject to approval by the Department of Finance (DOF) and notification of the Joint Legislative Budget Committee (JLBC). It also requires HCD to ensure potential applicants have access to instructions that allow them to successfully compete for CDBG funds set aside for economic development purposes.

HCD convened a CDBG program Redesign Working Group (RWG) to facilitate the redesign process laid out in SB 106, and to ensure that the final outcome meets the needs of both HCD and the various local governments involved in the CDBG program. The RWG's duties include, but are not limited to:

- Analyzing and reporting on HCD's award process, contract management processes and policies, and fiscal processes, identifying efficiencies that can be implemented to improve the processing of applications, contract management and fiscal processes, and communications with local agencies.
- Identifying requirements previously adopted by the state that are in excess of the minimum requirements applicable under the federal CDBG program that, if eliminated, would facilitate greater subscription of program funds and reduce HCD's administrative workload.
- Identifying impediments and ways to streamline access to funds for economic development.
- Reporting on the results of this analysis to DOF and budget committees of both houses of the Legislature by June 30, 2018.
- Reporting on any subsequent amendments to the guidelines to both DOF and the JLBC.
- Updating the department's Grant Management Manual to facilitate the subscription of and reflect all federal requirements for economic development business assistance loans by June 30, 2018.
- Ensuring that program staff are trained on the applicable federal law, regulations, or guidelines published by HUD applicable to eligible economic development activities by January 1, 2018.

SB 106 also led to the allocation of roughly $35 million in disencumbered CDBG funds in a NOFA released in September of 2017.

Staff Comments: The RWG has made good progress on implementing the requirements of SB 106. The department is actively seeking input form important stakeholders, and the RWG has made important strides in creating trust and improving relationships between the department and local stakeholders. Much work remains, but initial efforts are promising.

Questions

- How is HCD balancing the need to get program dollars out the door with supporting local governments who may not have the resources to effectively pursue CDBG funds?
- How does HCD plan to address the factors that have historically prevented funds from reaching grantees in a timely manner?

Staff Recommendation
No Action Required.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

The Department of Fair Employment and Housing (DFEH) is responsible for protecting the civil rights of the people of California. The department receives, investigates, conciliates, mediates, and prosecutes complaints alleging unlawful discrimination in employment, housing, and public accommodation, and acts of hate violence and human trafficking. The department is authorized to commence prosecution by filing cases directly in court, and to seek attorney's fees and costs when it is the prevailing party. The department's jurisdiction extends to individuals, private and public entities, housing providers, and business establishments within California.

Governor's Budget: The budget provides $31.4 million and supports 196 positions at DFEH in 2018-19. This is an increase of roughly $2.3 million from 2017-18, mostly due to the implementation of several new anti-discrimination statutes passed in 2017.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
1490	Administration of Civil Rights Law	200.2	184.8	195.8	$27,999	$28,682	$31,064
1495	Fair Employment and Housing Council	-	-	-	9	10	10
1500	Department of Justice Legal Services	-	-	-	210	346	346
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**200.2**	**184.8**	**195.8**	**$28,218**	**$29,038**	**$31,420**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$22,879	$23,349	$25,460
0890	Federal Trust Fund	3,950	5,689	5,698
3246	Fair Employment and Housing Enforcement and Litigation Fund	1,389	-	262
TOTALS, EXPENDITURES, ALL FUNDS		**$28,218**	**$29,038**	**$31,420**

Issue 1: Systemic Litigation Unit

Governor's Proposal: The budget requests $262,000 in 2018-19 and ongoing to fund one position reclassified from the Federal Trust Fund to the Fair Employment and Housing Enforcement Fund (Fund 3246) in order to litigate large scale, systemic discrimination cases in accordance with California Civil Rights laws.

Background: DFEH receives approximately 23,000 employment and housing discrimination complaints annually and is required to investigate all complaints. ln addition to handling individual complaints of discrimination that originate through investigations by DFEH's Enforcement Division, the director of the department is also authorized to bring group and class discrimination cases under Government Code Section 12961 to obtain recoveries for large groups and classes of individuals. These "systemic" cases are so denominated because of the number of employees or members of the public that are subjected to discrimination due to unlawful policies or practices.

DFEH has brought a handful of high-profile, large systemic cases in recent years against actors such as Verizon, AirBnb, Winco, and the Irvine Company. Several of these cases resulted in the award of attorney fees to DFEH in the amount of nearly $1.7 million, which have been deposited into the Fair Employment and Housing Enforcement and Litigation Fund. Government Code Section 12907 created the fund as a repository for attorney fees and costs awarded when DFEH is the prevailing party in a civil action under the Fair Employment and Housing Act. The purpose of the fund is to offset, upon appropriation by the Legislature, the costs incurred by DFEH.

DFEH has a single senior attorney assigned to these cases on a full-time basis, the Associate Chief Counsel for Systemic Litigation. ln this capacity, the Associate Chief Counsel sets strategy for cases, identifies tasks, and leads and trains two to three less experienced attorneys who assist in bringing such cases. This position has historically been funded by federal dollars.

Staff Comments: This proposal also includes a baseline increase of $43,000 for related litigation and investigative expenses. Systemic cases generally require contracting out for additional services such as expert witnesses, jury consultants, and deposition expenses. DFEH has indicated that this proposal is necessary because federal funding has been declining and may no longer support the single position DFEH currently dedicates to systemic litigation. The department has indicated that the Fair Employment and Housing Enforcement Fund has sufficient fund balance to support this ask, and generates significant revenue in the form of attorney fees awarded as part of settlements. The department has received an average of $248,000 annually from FY 2014-15 through FY 2016-17, and $322,000 so far for FY 2017-18 from attorney fees. In the event there is a shortfall for this specific position, DFEH has indicated that they believe other attorneys' fees deposited into the fund will support these costs.

Questions

- How will DFEH support this position if the anticipated attorney fees do not materialize?
- Would DFEH prosecute more systemic litigation cases if additional resources were provided?

Staff Recommendation

Approve as Budgeted.

0650 OFFICE OF PLANNING AND RESEARCH

The Office of Planning and Research (OPR) assists the Governor and the Administration in planning, research, policy development, and legislative analyses. OPR formulates long-range state goals and policies to address land use, climate change, population growth and distribution, urban expansion, infrastructure development, groundwater sustainability and drought response, and resource protection. OPR maintains and updates the General Plan Guidelines, the California Environmental Quality Act (CEQA) Guidelines, and operates the CEQA Clearinghouse. OPR also houses and supports the Strategic Growth Council (SGC).

Budget Overview: The Governor's budget proposes $570 million and 69.5 positions to support OPR in the budget year, as shown in the figure below. This is an increase of 24 positions and a decrease of $330 million, mainly due to a decline in Greenhouse Gas Reduction Fund resources and the addition of resources related to the Census 2020 effort.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
0360	State Planning & Policy Development	24.2	10.2	34.2	$11,188	$18,859	$85,146
0365	California Volunteers	16.0	21.3	21.3	35,861	31,900	31,894
0370	Strategic Growth Council	10.5	14.0	14.0	7,220	851,253	453,370
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**50.7**	**45.5**	**69.5**	**$54,269**	**$902,012**	**$570,410**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$11,140	$15,302	$84,125
0890	Federal Trust Fund	34,870	27,966	27,959
0995	Reimbursements	877	7,166	4,500
3228	Greenhouse Gas Reduction Fund	7,076	851,102	453,218
9740	Central Service Cost Recovery Fund	306	476	608
TOTALS, EXPENDITURES, ALL FUNDS		**$54,269**	**$902,012**	**$570,410**

Issue 1: California Institute to Advance Precision Health and Medicine

Governor's Proposal: The budget includes trailer bill language to establish the California Institute to Advance Precision Health and Medicine as a non-profit entity, and to appropriate $30 million in one-time General Fund resources for the Institute.

Background: The California Initiative to Advance Precision Medicine, launched in 2015 by Governor Brown, is currently hosted by the University of California, San Francisco, under the direction of OPR and through an interagency contract between OPR and UC/UCSF. Grants to demonstration projects flow through UCSF and are approved by OPR.

To date, the state has appropriated $23 million in General Fund to OPR for precision medicine. Provisional language was included in each appropriation to ensure that funding was available for projects in both northern and southern California. The Initiative utilized a competitive, merit-based application process, with a peer-reviewed selection process. Eight demonstration projects have been funded, an asset inventory and economic analysis are both in progress, multiple convenings have been held, and a new RFP is in development. A Precision Medicine Advisory Committee was established in fall of 2017, which will issue recommendations to the state by December 2018.

Staff Comments: The Administration has indicated that the new Institute is intended to be a nonprofit corporation, governed by a 19-member Board of Directors, including the Director of the Office of Planning and Research, who will serve as an ex officio member of the Board. Sixteen members are to be appointed by the Governor, while two public members are to be appointed by the Legislature.

The transition to a nonprofit institute will change the administration of funds (from calls for proposals to grant oversight) from a single institution model with oversight by OPR, to an independent nonprofit with oversight from a board with broad public and private institutional representation. Additionally, the activities of the institute will be broader than the initiative. As projects mature, new technologies, tools, datasets and protocols will become available for wider use. Findings will become more actionable, and recommendations may be relevant across the health delivery network. The mission of the institute will include integrating successful precision health and medicine practices into the healthcare system.

While the Legislature has determined precision medicine enough of a priority to fund it over the last four years, this proposal raises several questions. First, staff notes that establishing a non-profit entity may not be the best approach for funding this type of research, as doing so would remove funding decisions from the annual appropriations process. Second, it is unclear whether $30 million is the appropriate level of funding. Lastly, given the potentially significant investment of General Fund dollars, a more robust level of reporting than proposed in the trailer bill is appropriate.

Questions:

- What kinds of flexibility does the non-profit approach give the Institute that using the annual budget process does not?
- What kind of outcomes is OPR targeting with this shift?

Staff Recommendation:
Hold open.

Issue 2: OPR Housing Package Response

Governor's Proposal: The budget requests $333,000 in reimbursement authority and 2.0 positions in 2018-19 and 2019-20 to provide technical assistance as required by SB 2 (Atkins), Chapter 364, Statutes of 2017, and to create a technical advisory on recent statutory changes that affect the California Environmental Quality Act (CEQA).

Background: SB 2 created a $75 fee on the recording of every real estate instrument, paper, or notice. Fifty percent of the funds collected between January 1, 2018 and December 31, 2018, will be made available for local governments to update planning documents and zoning ordinances in order to streamline housing production. Five percent of those funds are available to the Department of Housing and Community Development (HCD) and OPR to provide technical assistance to local jurisdictions updating specified planning documents.

Public Resources Code section 21083 requires OPR to prepare and develop proposed guidelines for CEQA implementation, and OPR is responsible for drafting technical advisories on new CEQA legislation. SB 35 (Wiener), Chapter 366, Statutes of 2017; AB 73 (Chiu), Chapter 371, Statutes of 2017; and SB 540 (Roth), Chapter 369, Statutes of 2017, all provide CEQA streamlining benefits for housing projects. Specifically, SB 35 authorizes a streamlined, ministerial approval process for multifamily housing developments in localities that have failed to meet their regional housing needs assessment numbers. AB 73 provides local governments with the option of creating "housing sustainability districts" via a zoning ordinance. The ordinance must be analyzed in an environmental impact report and future housing development in the district meeting specified criteria is exempt from CEQA requirements. SB 540 permits a local government to establish a "workforce housing opportunity zone" by preparing a master plan and accompanying environmental impact report. The purpose of all three bills is to expedite housing projects by providing alternatives to project-specific environmental review.

Staff Comments: Staff finds this request generally reasonable. OPR has a statutorily-designated role in the implementation of the statewide housing package, and the Office has indicated that it is unable to absorb this workload within existing resources. However, it would be premature to approve this request at this juncture, given the ongoing discussions about the implementation of the first year of the housing package.

Questions:

- What factors in program implementation could result in more or less work for OPR in implementing the housing package?

Staff Recommendation:
Hold open.

Issue 3: California Complete Count – Census 2020

Governor's Proposal: The budget requests $40.3 million (General Fund) and 22.0 limited-term positions to staff the California Complete Count effort to complement U.S. Census outreach, focusing on hard-to-count populations. This funding will be appropriated in 2018-19 and available for the duration of a three year effort crossing over fiscal years 2018-19, 2019-20, and 2020-21.

Background: Only once each decade, the U.S. Census Bureau attempts to count every resident in the United States. The next enumeration will be April 1, 2020, and will be the first to rely heavily on online responses. The primary and perpetual problem facing the Census Bureau is the undercount of certain population groups. Foreign-born residents, especially undocumented, non-white residents, children under five years old, especially those younger than one year old, and renters comprise the most undercounted populations. California has more residents in each of these categories than any other state.

California invested $24.7 million in outreach efforts for the 2000 Census and increased the Mail Participation Rate to 76 percent. California gained an additional Congressional seat as a result. California invested only $2 million in outreach efforts for the 2010 Census. As a result, the Mail Participation Rate declined to 73 percent. The Complete Count Committee raised roughly $10 million in private funding to augment its efforts for the 2010 Census. California's Congressional apportionment did not change as a result.

The 2010 Census cost the Federal government over $12 billion over the life cycle of the enumeration (which includes the preparation for and aftermath of the count). The Census Bureau estimated that completing the 2020 Census in a similar manner as 2010 would cost over $17 billion. To keep costs closer to the costs of the 2010 Census, the Census Bureau is making a number of significant changes to count operations, including moving to a primarily online response system; relying on local government data for address lists, rather than manually updating the lists; and reducing the follow-up field visits to increase response rates by up to 50 percent. The Census Bureau also canceled the 2017 field test of the online response system and reduced the end-to-end "field test" of the census system from three locations to one.

Moving to a primarily internet-based census is a significant change from prior practice. Only a portion of households will receive a paper census; the rest will receive instructions by mail for how to respond online (or by phone). Concerns have been raised about individuals' willingness to respond via the internet given concerns about information security. These concerns—in combination with the potential for a question about citizenship—raise the possibility of an undercount in California in 2020.

The 2017-18 Budget Act provided up to $10 million for initial census preparation activities. Of that amount, $7 million was provided for grants to local governments for participating in the Census Bureau's Local Update of Census Address (LUCA) program. (As noted previously, the Census Bureau is relying heavily on administrative data to update its national address list.) The Department of Finance also received authority to spend up to $3 million on initial outreach activities for the 2020 Census. These funds are being used to support initial activities of the Complete Count Committee.

Staff Comments: The Administration has indicated that the funding proposed for 2018-19 would support the activities of the committee through the 2020 Census. Almost three-quarters of the funds

would be dedicated to a media campaign ($17 million) and working with local community based organizations ($12.5 million). Community organizations would conduct most of the direct outreach to individuals to encourage them to complete the census.

The decennial census is one of the main factors that underlie how hundreds of billions of dollars of federal assistance are distributed. For instance, the census count is used to determine states' Federal Medical Assistance Percentage (FMAP) for Medicaid, known in California as Medi-Cal, which is based on per-capita income. A lower per-capita income can result in a higher FMAP and more federal funds per Medi-Cal participant. The census is used to determine each state's per-capita income. This year, California expects to receive over $60 billion in federal assistance for the Medi-Cal program. Other major federal assistance programs that use census data include highway funding, Section 8 housing vouchers, and special education grants.

Staff notes that this proposal would bring total state funding for census-related activities to $50 million between 2017-18 and 2019-20. Due to the significant changes to the census, providing state funding to target hard-to-count populations is reasonable. However, the specific mix of spending categories is a source of concern. The 2020 Census will be taking place in a presidential election year when advertising can be particularly expensive. Census day, however, will occur after the California primaries (which move to March in 2020). Consequently, media costs may not be as high in the weeks leading up to the census as they will be earlier in the year. Given the large amount of funding set aside for community-based organizations, it is important to determine which organizations are involved and to ensure that they have the requisite resources and capabilities to perform adequate outreach.

LAO Comments: California is the first state to set aside funds for census outreach. Given the major changes to the upcoming census—and the potential impacts to state funding—preparing for a significant outreach campaign can be in the state's fiscal interest.

Questions:

- Where are the pain points and the major risk factors? What factors could lead to a low response rate in California? How does OPR plan to address them?
- What are the key activities in the California Complete Count effort? Which activities will give us the most "bang for our buck?"

Staff Recommendation:
Hold open.

EXHIBIT H

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER JIM COOPER, CHAIR

TUESDAY, APRIL 24, 2018
1:30 P.M. - STATE CAPITOL, ROOM 447

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VOTE-ONLY CALENDAR

0845 DEPARTMENT OF INSURANCE

VOTE-ONLY ISSUE 1: MENU MODERNIZATION IT PROJECT

The Governor's budget includes $278,000 of increased expenditure authority for the maintenance of the recently upgraded CDI Menu and Integrated Database.

BACKGROUND

The CDI Menu and Integrated Database IT project is in its fifth and final year and this budget request represents its transfer into routine maintenance and operations now that it has been fully implemented.

STAFF COMMENTS

The Assembly has reviewed and affirmed resources for this project every year for the last five years.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 2: ENHANCED FRAUD INVESTIGATION AND PREVENTION

The Governor's budget includes $7.725 million for enhanced fraud investment workload over three years.

BACKGROUND

Under current practice, the Department of Insurance redirects revenue derived from insurance fraud settlements towards additional fraud investigations. Recent fraud settlements have provided significant General Fund revenue that are proposed to be used for this purpose in the budget.

The Governor's budget includes $7.725 million for enhanced fraud investment workload over three years. Of this amount, $6.225 million would be used for state fraud investigations and $1.5 million would be used to support local district attorney prosecution of insurance fraud.

STAFF COMMENTS

While these funds are General Fund, this proposal is consistent with statutory language related to insurance fraud and proposals previously approved by the Assembly.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 3: FRAUD ANALYTICS DATA

The budget includes $485,000 for a service contract for fraud data analytic work

BACKGROUND

The Department of Insurance proposes $485,000 for the eDiscovery Software-as-a-Service solution for enhanced fraud investigation and prevention efforts in civic whistleblower cases.

STAFF COMMENTS

This small request is consistent with previous proposals by the Department of Insurance approved by this Subcommittee.

Vote-Only Recommendation: Approve as Budget.

VOTE-ONLY ISSUE 4: PRODUCER LICENSING ENFORCEMENT CASES

The Department of Insurance proposes $1.14 million and 6 positions to address increases in producer licensing enforcement caseload.

BACKGROUND

The Department of Insurance proposes $1.14 million and 6 positions to address increases in producer licensing enforcement caseload. In 2017-18, the Department projected a backlog of 1,507 pending cases, an increase of over 9 percent from the previous year. This proposed increase in staffing is to stabilize the backlog, which has been steadily increasing over the last five years.

STAFF COMMENTS

In the last five years, workload for this unit has grown. In 2017-18, this unit will receive 966 more cases per year, a 56.7 percent increase, than it did in 2013-14.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 5: IMPLEMENTING RECENT LEGISLATION FOR SURPLUS LINE BROKER

The Governor's budget includes $196,000 and one position to implement new legislation relating to surplus line brokers.

BACKGROUND

In 2017, the Governor signed AB 1641 (Daly, Chapter 477, Statutes of 2017) which gives the Department of Insurance the ability to expand surplus line brokers that can be admitted to California in certain situations.

STAFF COMMENTS

The proposed increase in resources is consistent with the 2017 appropriations analysis for the bill.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 6: WORKER'S COMPENSATION FRAUD PROGRAM

The Governor's budget includes $2.9 million to reflect updates on worker's compensation enforcement and prosecution costs at county district attorney offices.

BACKGROUND

The Governor's budget includes a proposed increase in expenditure authority related to worker's compensation workload for the budget year performed by county district attorney staff. The increase reflects the recommendation of the Fraud Assessment Commission, an appointed panel that considers the workload needs for the forthcoming year.

STAFF COMMENTS

The increase reflects an estimated 230 new cases of medical provider fraud in the current year, which resulted in the projected increase of total resources to $39.6 million for local grants for investigation and prosecution activities.

Vote-Only Recommendation: Approve as Budget.

0650 OFFICE OF PLANNING AND RESEARCH

VOTE-ONLY ISSUE 7: SPRING FISCAL LETTER FOR AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES LIQUIDATION PERIOD

The Department of Finance has issued a Spring Fiscal Letter to extend the liquidation period for the first round of funding.

BACKGROUND

The Department of Finance proposes to extend the liquidation period from June 30, 2020, to June 30, 2022, for the Affordable Housing and Sustain Communities program to allow for the completion of three projects underway through the Department of Housing and Community Development. The extension of liquidation will allow the State to demonstrate state funding commitment to lenders.

STAFF COMMENTS

This technical proposal is non-controversial.

Vote-Only Recommendation: Adopt Spring Fiscal Letter.

VOTE-ONLY ISSUE 8: HOUSING PACKAGE IMPLEMENTATION

The Governor's budget includes $333,000 and two two-year positions for technical assistance related to the 2017 housing package.

BACKGROUND

The three bills of the 2017 Housing Package (SB 35, AB 73, and SB 540) provided CEQA streamlining benefits for housing projects. The Office of Planning and Research is responsible for drafting technical advisories on the new CEQA legislation for local government.

STAFF COMMENTS

The workload for the proposed temporary staff appears to be in line with the expectations of the bills approved by the Legislature in 2017.

Vote-Only Recommendation: Approve as Budgeted.

8860 DEPARTMENT OF FINANCE

VOTE-ONLY ISSUE 9: TRAILER BILL LANGUAGE: POOLED MONEY INVESTMENT BOARD

The Department of Finance has requested trailer bill language related to the Pooled Money Investment Board.

BACKGROUND

Current law allows the Governor to direct the Controller to transfer funds from special funds to the General Fund in the event that the General Fund is or will be exhausted.

The Governor's budget proposes trailer bill language that would allow a designee of the Governor to direct this transfer on the Governor's behalf.

STAFF COMMENTS

This technical proposal is non-controversial.

Vote-Only Recommendation: Adopt Trailer Bill Language.

VOTE-ONLY ISSUE 10: TRAILER BILL LANGUAGE: STATE ADMINISTRATIVE COSTS

The Department of Finance has requested trailer bill language related to the administrative costs.

BACKGROUND

Current law identifies administrative costs reimbursed with the Central Cost Recovery Fund.

The Governor's budget proposes trailer bill language that includes Department of General Services.

STAFF COMMENTS

This technical proposal is non-controversial.

Vote-Only Recommendation: Adopt Trailer Bill Language.

0984 CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS

VOTE-ONLY ISSUE 11: SECURE CHOICE PROGRAM IMPLEMENTATION

The Governor's budget includes a General Fund loan of $2.5 million in 2018-19 for the program's startup and administrative costs.

BACKGROUND

SB 1234 (Chapter 804, Statutes of 2016) allows the Board to establish in state government the California Secure Choice Retirement Savings Trust to be administered by the Board for the purpose of promoting greater retirement savings for private employees in California. The operational model for the Program is similar in part to the operational model for ScholarShare, the California 529 educational savings plan. Similar to ScholarShare, the Program shall be overseen by a public board chaired by the California State Treasurer.

The BCP includes resources for existing and new staff ($1.1 million), funding for external consultants ($1.0 million), and operating and overhead costs ($400,000).

STAFF COMMENTS

This item was heard at the March 6, 2018, hearing. There were no concerns with this proposal. Approval is consistent with past actions by this subcommittee.

Vote-Only Recommendation: Approve as Budgeted.

0840 STATE CONTROLLER'S OFFICE

VOTE-ONLY ISSUE 12: PERSONNEL AND PAYROLL SERVICES WORKLOAD

The SCO requests the following resources to address understaffing, workload automation and workload related to the Affordable Care Act and Public Employee's Pension Reform Act within Personnel and Payroll Services Division:

- 2018-19: $6,147,000 [$3,503,000 General Fund (GF); $2,644,000 Central Service Cost Recovery Fund (CSCRF)]
- 2019-20: $6,010,000 ($3,425,000 GF; $2,585,000 CSCRF)
- 2020-21 and 2021-22: $4,213,000 ($2,401,000 GF; $1,812,000 CSCRF)
- 2022-23 and ongoing: $3,778,000 ($2,153,000 GF; $1,625,000 CSCRF)
- 37.0 permanent positions and 19.0 limited-term (LT) positions (15.0 two-year LT; 4.0 four-year LT)

BACKGROUND

As part of the SCO Strategic Plan and the Controller's Functions, the Personnel and Payroll Services Division (PPSD) administers the Uniform State Payroll System (USPS) and processes all personnel and payroll transactions for employees of the CS, CSUs, and Judicial Council. The PPSD is responsible for providing information required to manage the personnel resources of the State and to properly account for salary and wage expenditures.

ACA and PEPRA Legislation Workload. The SCO is requesting 9.0 permanent positions and 4.0 four-year limited-term (LT) positions to support the ongoing work related to the ACA and the PEPRA legislation. Due to the complexity, changes and clarification by the IRS and CalPERS is ongoing. Directives continue to be issued on a flow basis.

PEPRA. The PEPRA creates a need for two categories of retirement members: New and Classic. The USPS was never designed to distinguish two different types of retirement members (Classic vs. New) with distinctly different characteristics, as required by the PEPRA legislation. It is expected that the PEPRA will remain as an exclusive workload under its own umbrella within the PPSD. Four years after enactment, PEPRA has become a large component of all retirement related workloads.

OPEB Workload Automation. The SCO is requesting funding to support 15.0 two-year LT resources in completing the OPEB automation effort. Bargaining Units (BUs) first adopted OPEB deductions in 2009-10 as a way to prefund post- employment benefits. Currently, 12 BUs and the Judicial Council have adopted the OPEB prefunding. At the beginning of the program in 2010, the PPSD processed OPEB deductions as a monthly point-in-time deduction outside of the payroll system using base pay. Currently, this process applies to one BU as of July 1, 2017, and the PPSD knows that creating deduction transactions from base pay is not a viable option. The remaining BUs are all moving, or have moved, to calculating OPEB based on all pensionable payments.

PPOB Workload. The SCO requests 24 permanent positions to address the current production workload and prevent the backlog of documents from increasing further. The PPOB receives documents for employee programs that departments and campuses cannot key in the system, such as benefit enrollments and changes or the processing ofretroactive payments, due to system limitations. Additionally, due to the USPS design, the PPOB must process all pay adjustments that are older than 13 months. These payments, considered retroactive, represent a large portion of the PPOB workload.

PMAB Workload. The proposal provides the minimum number of resources to achieve some critical project milestones supporting the SCO and CalHR and provides ongoing support of these projects once completed. It will also help to support the SCO's efforts to provide greater levels of support and guidance to state departments in personnel and payroll related data. Deliverables and milestone dates associated with these workloads will be monitored closely by the SCO. Reports will be developed to document the overall progress made, while making current the modernization needed to support previous and future policy and legislative changes affecting the CS, CSU, and Judicial Council workforce. The reports will specifically track the department's work in progressing forward.

STAFF COMMENTS

This item was heard at the March 6, 2018, hearing. Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 13: PAYROLL AUDITS

The SCO requests $682,000 ($389,000 GF; $293,000 CSCRF) in 2018-19, and $668,000 ($381,000 GF; $287,000 CSCRF) in 2019-20, to support five two-year limited term positions to perform audits of payroll controls and payroll records to ensure compliance with the SCO's decentralized legacy payroll system, processes, and practices.

BACKGROUND

In 2013-14 and 2014-15, the SCO received 5.0 two-year limited-term positions to perform audits of payroll controls and payroll records. This request was in response to an internal audit at the California Department of Parks and Recreation (Parks), as well an investigation by the California Attorney General's Office that disclosed a vacation buyout program that was instituted at Parks without authorization from Parks management or the California Department of Human Resources (CalHR), as required by state law.

The 5.0 two-year limited-term positions received in 2013-14 and 2014-15 expired June 30, 2015. Subsequently, the SCO received 5.0 permanent positions in 2015-16 and ongoing to continue to perform the audits of payroll controls and payroll records.

In 2016-17, 14 audits were performed by the existing five auditors. The complexity of the payroll and payroll-related transactions as well as the high-volume nature of payroll transactions poses a serious challenge in the performance of these audits using the current staffing levels.

STAFF COMMENTS

This item was heard at the March 6, 2018, hearing. Staff has no concerns with the two-year limited term positions.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 14: LOCAL APPORTIONMENTS WORKLOAD INCREASE

The SCO requests $246,000 ($138,000 GF, $104,000 Central Service Cost Recovery Fund, and $4,000 Reimbursement) in 2018-19, for two positions to address increased workload related to apportionment payments to local governments and schools.

BACKGROUND

The Local Apportionments Section (Section) within the SCO's Local Government Programs and Services Division (LGPSD) is statutorily required to process payments to local governments. From 2011-12 to 2016-17, there has been a 52 percent increase in the number of programs, a 35 percent increase in the number of payments, and a 92 percent increase in the total amount paid out annually to local governments and schools. New programs and associated payments are evaluated every year to determine the impact to the Section. Each year, the increased workload appeared to be absorbable and was addressed through the use of overtime. By 2014-15, the continual increase in workload created an unsustainable level of work that could no longer be absorbed. To address the issue, resources were temporarily redirected to the Section from other areas in LGPSD until permanent resources could be obtained.

The gradual increases in workload have become unsustainable with existing resources because many new or amended statutes are complex and require extensive research and analysis before payments can be issued.

STAFF COMMENTS

This item was heard at the March 6, 2018, hearing. There were no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 15: ROAD MAINTENANCE AND REHABILITATION PROGRAM

The SCO requests $909,000 from the Road Maintenance and Rehabilitation Account (RMRA) in 2018-19, to support seven positions to ensure local agencies are spending funds on street, road, and highway purposes related to RMRA.

BACKGROUND

Senate Bill 1, (Chapter 5, Statutes of 2017) was passed on April 28, 2017. SB 1 created the RMRP to address deferred maintenance on the state highway system and the local street and road system, and the RMRA for the deposit of various funds for the program.

STAFF COMMENTS

These resources are necessary for the SCO to implement the provisions included in the 2017-18 Transportation Funding Package.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 16: BENEFITS SYSTEM MODERNIZATION (BSM)

The EDD requests a one-time budget augmentation of $4 million and 15 positions and a redirection of $4.4 million and 19 positions in 2018-19 for continuing Project Approval Lifecycle (PAL) tasks and pre-implementation readiness initiatives for the Benefit Systems Modernization project.

The EDD proposes to fund these PAL activities from the Unemployment Compensation Disability Fund (UCDF) and the EDD Contingent Fund (CF). The funding split includes $2,011,000 and 8.0 PEs from the UCDF and $2,011,000 and 7.0 PEs from the CF.

BACKGROUND

The EDD administers several multi-billion dollar benefit programs, including the Unemployment Insurance (UI), Disability Insurance (DI), and Paid Family Leave (PFL). The EDD maintains the existing benefit systems for UI and DI, which includes the UI Online System, the SDI Online System, the PFL application, the Single Client Database, and the UI and DI mainframe applications in addition to other systems that support these programs. Partial system modernization was completed for both the DI program, which implemented SDI Online in 2012, and for the UI program, which implemented UI Online in 2015. The PFL system has not been modernized since being implemented in 2004.

The BSM Project was initiated in 2016-17 with the approval of the Stage 1 Business Analysis of the California Department of Technology (CDT) PAL process in November 2016. Subsequently, the Legislature approved a one-time budget augmentation of $4,022,000 and 15 positions and a redirection of $3,162,000 and 15 positions in 2017-18 for Stage 2 Alternatives Analysis of the PAL activities. This BCP is requesting third year funding for the BSM Project to continue the PAL activities in Stage 3 Procurement Development and to begin the System Integrator procurement.

Vendors possessing unique skills with requirements extraction and IV&V experience are needed for Stage 3 and the solicitation component of the PAL. This proposal includes costs for contracts estimated at $3.1 million for 2018-19.

STAFF COMMENTS

This item was heard at the March 13, 2018, hearing. There were no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 17: IMPLEMENTATION OF SB 396 AND AB 677 – EMPLOYMENT GENDER IDENTITY AND DATA COLLECTION

The EDD requests $280,000 (Contingent Fund) in 2018-19 for one-time costs to implement the requirements of both AB 677 and SB 396.

BACKGROUND

AB 677, the Lesbian, Gay, Bisexual, and Transgender (LGBT) Disparities Reduction Act, requires the EDD to collect voluntary self-identification information pertaining to sexual orientation and gender identity in the course of collecting demographic data, implement the data collection by July 1, 2019, and report this data to the Legislature. SB 396 amends the California Unemployment Insurance Code to expand the definition of an "individual with a barrier to employment" to include transgender and gender nonconforming individuals.

SB 396 expands the WIOA definition of an "individual with a barrier to employment" to include transgender and gender nonconforming individuals. The CalJOBS system is already configured to identify and track individuals facing barriers to employment, and can accommodate the additional identifier proposed by this bill.

The EDD cannot use federal WIOA or Wagner Peyser funds to implement AB 677 or SB 396, therefore the EDD is requesting the State's Contingent Funds to implement the new state legislation.

STAFF COMMENTS

This item was heard at the March 13, 2018, hearing. Staff has no concerns with the proposals.

Vote-Only Recommendation: Approve as Budgeted.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

VOTE-ONLY ISSUE 18: APPRENTICESHIP PROGRAM FOR NONTRADITIONAL INDUSTRIES

The budget provides $3.5 million (Employment Training Fund) and 22 positions in 2018-19, $4.5 million and 32 positions in 2019-20, $5.7 million and 42 positions in 2020-21, and $5.6 million ongoing, to expand statewide apprenticeship opportunities to nontraditional industries and the inmate population.

BACKGROUND

California's State Strategic Workforce plan calls for creating a million middle-skill, industry-valued and recognized postsecondary credentials between 2017 and 2027 and

for doubling the number of people enrolled in apprenticeship programs during that same period.

The challenge is to increase the number of apprentices in non-construction sectors and to increase access to an approved apprenticeship program for inmates, ex-offenders, veterans, women (currently at just over 6 percent) and other under-represented communities, in order to achieve the qualitative and quantitative goals of the State Strategic Workforce Plan. Despite efforts over the past 30 years to expand apprenticeship into other new and in-demand industries and occupations, such growth has been slow, sometimes negative, as new apprenticeship programs have not always received the ongoing support needed to sustain operations over time. Over two-thirds of all active apprentices are in the building and construction trades, and 92 percent of all construction apprentices are enrolled in joint management/labor programs.

In late November 2016, California was awarded $1.8 million from the ApprenticeshipUSA State Expansion Grant to help California develop and implement comprehensive strategies to support apprenticeship expansion. The 2017 Budget Act approved 6.0 positions and $923,000 to accomplish the objectives of the federal grant, and to begin the expansion and diversification of California's Strategic Workforce Plan.

This proposal requests the continuance of that initial funding with an ongoing augmentation of 42.0 positions and $5.6 million annually to be phased-in over a three-year period. In addition to enhancing a pathway to employment for ex-offenders, this proposal will provide resources to focus on engaging nontraditional industry leaders in apprenticeship and increase opportunities for veterans, women and low-income groups.

STAFF COMMENTS

This proposal will benefit employers across all industry sectors in their workforce training efforts, as the labor economy requires new skills and training to keep up with advancements in technology.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 19: DLSE RECRUITMENT AND ADMINISTRATIVE SERVICES

DIR requests $465,000 (Labor Enforcement and Compliance Fund) in 2018-19, and $415,000 ongoing and four positions for the Division of Labor Standards of Enforcement to support staff recruitment and retention, and for growing administrative needs.

BACKGROUND

The Administration unit acts as a liaison with DIR's Human Resources unit to oversee the hiring process, working closely with district office to monitor performance management, managing office space, and responding to Public Record Act (PRA) requests.

Recruitment and Retention. Of the Administration staff, only 2.5 are currently assigned to recruitment and retention activities, which, according to DIR, is insufficient with the volume of positions processed and filled by the Division each year, and the time and attention given to long-term staffing solutions. DIR requests 1.0 additional Staff Services Analyst dedicated to the Division's recruitment efforts, administration of training and mentoring of staff to maintain a strong, current knowledgebase on legislative requirements and processes, in conjunction with the Division-wide onboarding plan the Division has established.

Increased Facilities and Procurement Needs. The Prompt Payment Act requires state agencies to pay each vendor within 45 days of receiving an invoice. The State Controller's office, which issues pay warrants on behalf of all agencies, requires 15 days to process claims from DIR Accounting. DIR Accounting also requires 15 days to process requests from the Division. This leaves the Division with the remaining 15 days to process monthly invoices for 96 active contracts, creating a backlog. Vendor invoices have been consistently late. Contract renewals also have been continuously delayed and facility functions are becoming stalled. DIR requests 2.0 additional Staff Services Analysts to assist with the Division's facility needs.

Significant Growth in Number and Complexity of PRA Requests. Over the last four years, the Division has received 5,379 PRA requests, and the number has grown by more than 14 percent each year. In 2016-17, the Division received 36 percent more PRAs than the previous year. The unit currently employs 1.5 staff dedicated to processing PRA requests. In 2016-17, the Division received 1,855 requests, which is a 58 percent increase. A single PRA request involving data redaction can take approximately 2.25 hours, requiring 4,175 hours per year for staff to complete each request and make critical updates to the PRA management log. DIR requests 1.0 Staff Services Analyst to coordinate the Division's statewide PRA requests, and serve as a key liaison with the Department and the public upon the enactment of new legislation.

STAFF COMMENTS

This item was heard at the March 13, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 20: SCHOOLS' OCCUPATIONAL INJURY AND ILLNESS PREVENTION PROGRAMS

DIR requests $250,000 (Workers' Compensation Administration Revolving Fund) in 2018-19, 2019-20, and 2020-21, to allow the Commission on Health and Safety and Workers' Compensation to assist schools in establishing effective occupational Injury and Illness Prevention Programs (IIPP).

BACKGROUND

The Commission is responsible for examining the health and safety system, the workers' compensation systems, and the State's activities to prevent industrial injuries and occupational illnesses. Civil or administrative penalties assessed to school districts, state universities, or other specified educational facilities are deposited into the Revolving Fund. Educational facilities may apply for a refund of their penalties within two years and six months from the date of the violation if certain conditions are met. The remaining funds are to be used by the Commission to assist schools in establishing effective occupational injury and illness prevention programs.

Between 2008 and 2010, the Commission received two one-time appropriations of $307,000 and $185,000 and has an on-going appropriation of $75,000 annually to assist schools to develop and maintain IIPPs. The Commission subsequently contracted with the University of California (UC) Regents to develop a model training program for California schools, the School Action for Safety and Health Program (SASH).

The SASH program provides free trainings to help school districts reduce the high rate of work-related injuries and illnesses among school employees. Once trainees complete the training, they are certified by the UC and the Commission as SASH coordinators, allowing them to develop, implement, and evaluate injury and illness prevention activities in their respective organizations. The SASH program provides educational materials, planning templates, and other tools to help participants efficiently develop their IIPPs.

The Revolving Fund has accumulated approximately $1 million and can now be utilized to provide training and/or other assistance to more school districts.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the March 13, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 21: LEGISLATION

The item provides resources for three bills signed into law in 2017.

BACKGROUND

1. **Apprenticeship Training Funds - Grant Oversight (AB 581).** DIR requests $143,000 (Apprenticeship Training Contribution Fund) and one position in 2018-19, and $130,000 ongoing, to implement and meet the ongoing requirements of AB 581 (Chapter 553, Statutes of 2017).

AB 581 requires an apprenticeship program to keep adequate records that document the expenditure of grant funds from the California Apprenticeship Council to be eligible to receive such funds. The bill also requires those apprenticeship programs to make all records available to the DIR so that the Department is able to verify that grant funds were used solely for training apprentices.

2. **Immigration Worksite Enforcement Actions (AB 450).** DIR requests $1.6 million (Labor Enforcement and Compliance Fund) and eight positions in 2018-19 and $1.5 million ongoing to meet the requirements of AB 450 (Chapter 492, Statutes of 2017), which protect the immigrant workforce from unlawful detainment and workplace retaliation.

AB 450 seeks to protect workers by prohibiting employers from providing voluntary consent to allow federal immigration agents to access "nonpublic" areas of a worksite without being provided a judicial warrant. The provisions of the bill are aimed at protecting California's immigrant workforce from unlawful detainment and workplace retaliation.

3. Retaliation Enforcement (SB 306). The DIR requests $623,000 (Labor Enforcement and Compliance Fund) and 3.0 positions in 2018-19, and $585,000 ongoing to implement and meet the ongoing requirements of SB 306 (Chapter 460, Statutes of 2017). SB 306 provides three new enforcement tools for the Labor Commissioner in retaliation complaint investigations.

STAFF COMMENTS

The costs associated with all three bills are consistent with the bill's appropriation analyses. This item was heard at the March 13, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

VOTE-ONLY ISSUE 22: CALIFORNIA GLOBAL WARMING SOLUTIONS ACT OF 2006

The budget provides $400,000 (Greenhouse Gas Reduction Fund) to implement AB 398 (Statutes of 2017) to create a report for the legislature that aligns the state workforce policy with the state's climate policy.

BACKGROUND

The Workforce Development Board is responsible for the development, oversight, and continuous improvement of California's workforce development system and the alignment of the education and workforce development systems.

AB 32 (Chapter 488, Statutes of 2006) designates the Air Resources Board (ARB), as the state agency charged with monitoring and regulating sources of greenhouse gas (GHG) emissions that cause global warming in order to reduce emissions of GHG. AB 32 requires ARB to adopt a statewide GHG emissions limit equivalent to the statewide GHG emissions levels in 1990 to be achieved by 2020. AB 398 extends ARB's cap and trade authority through 2030.

AB 398 requires the Workforce Development Board, in consultation with the ARB, to engage with specified stakeholders and produce a report to the Legislature, no later than January 1, 2019. The report will discuss the need for increased education, career technical education, job training, and workforce development resources or capacity to help industry, workers, and communities transition to economic and labor-market changes related to specified statewide greenhouse gas emissions reduction goals. The Workforce Development Board estimates the cost for the contract services at $400,000.

STAFF COMMENTS

The Workforce Development Board does not have the expertise to complete the report and will have to use contract services to gain the expertise to comply with the requirements of the bill. This item was heard at the March 13, 2018 hearing.

Vote-Only Recommendation: Approve as Budgeted.

7760 DEPARTMENT OF GENERAL SERVICES

VOTE-ONLY ISSUE 23: LEGISLATION

There are three legislative proposals that include funding for DGS.

BACKGROUND

1. **Institutional Purchasers: Sale of California Produce.** DGS is requesting $308,000 (Service Revolving Fund) and two permanent positions to implement the provisions of AB 822 (Chapter 785, Statutes of 2017) and for the development of necessary regulations and updates to the State Contracting Manual.

   AB 822 creates a 5 percent bid preference for California-grown agricultural products purchased by state-owned or state-run institutions, with the exception of state universities. The bill will apply every time a state-owned or state-run institution intends to accept a bid or price for agricultural products grown outside the state. As a result, state agencies and institutions will now need to require suppliers to indicate whether they are proposing any agricultural products grown outside California. To implement AB 822, DGS is requesting resources for the development of necessary regulations and updates to the State Contracting Manual.

In order to comply with the provisions of this bill, DGS will implement a two-step verification and validation process. During the award process, DGS and departments purchasing agricultural products will be responsible for verifying each bidder's supply chain to determine whether a bid preference applied to products grown in California or products processed and packaged in California should be applied. Once awarded, DGS and purchasing departments will again need to verify the supply chain to ensure that contractors who received a preference deliver California-grown or California-processed or packaged agricultural products. Compliance checks also will be performed to ensure acquisitions continue to comply with any bid preference received. This will create a new and non-absorbable workload for DGS.

2. **New Certification for Small Business in Public Works Contracts.** The DGS, Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS) is requesting $374,000 (Service Revolving Fund) authority in 2018-19, $274,000 in 2019-20, and ongoing and two permanent positions to implement the provisions of SB 605 (Chapter 673, Statutes of 2017).

   SB 605 created a new small business certification type specifically for the purpose of public works. The size limit eligibility criteria for this type of small business certification has more than doubled from a 100 employee count to a 200 employee count, and from the current $15 million in gross annual receipts to $36 million. The Small Business certification program affects all state departments, as they are required to meet the Executive Order mandate of 25 percent in small business participation. More than 40 local government partners also use the certification in their own local programs. To participate in state contracts and be counted toward the participation goals, businesses must become certified by the department. Certification is issued for two years, and re-certification can be requested within 90 days of the certification expiration. To implement this bill, the DGS will need to develop and apply the new certification type for small businesses for the purpose of public works.

3. **Public Contracts Bid Specifications: Buy Clean California Act**. DGS is requesting $638,000 (Service Revolving Fund) in 2018-19, $138,000 in 2019-20, and ongoing, and one permanent position to establish the maximum acceptable global warming potential for four categories of eligible building materials using a specified methodology for public works contracts, and to publish those thresholds in the State Contract Manual as required by AB 262 (Chapter 816, Statutes of 2017).

   AB 262, the Buy Clean California Act, requires DGS to establish a maximum acceptable global warming potential for four categories of building materials, using a specified methodology, by January 1, 2019. The bill generally prohibits building materials that exceed the maximum acceptable global warming potential from being used for University of California, California State University, and other types of state public works contracts entered on or after July 1, 2019. DGS would be required to review the maximum global warming potential standards every three years to determine whether they should be lowered further to reflect industry improvements. DGS must establish the reporting framework and maximum acceptable global warming potential for each category of eligible materials and thresholds for global

warming potential in eligible materials. The State Contracting Manual will be updated to reflect the policy for evaluating environmental product disclosures and maximum allowable global warming potentials acceptable in public work contracts. In addition, DGS is required to submit reports to the Legislature with the first report due January 1, 2019, and a subsequent report due January 1, 2022, and every three years thereafter regarding status of the implementation and its effectiveness in reducing global warming potential.

STAFF COMMENTS

The funds allocated to these bills are consistent with the appropriation analyses of the bills. This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 24: MERCURY CLEANERS SITE MONITORING

DGS, Asset Management Branch, requests ongoing General Fund authority in the amount of $578,000 to continue monitoring the results of remediation efforts of the former Mercury Cleaners site.

BACKGROUND

The State of California owns the real property site known as Mercury Cleaners at 1419 16th Street, Sacramento. DGS acts as the state's real estate manager for the site. The site has been owned by the state since 1967, and has been used by commercial dry cleaning businesses from 1947- 2015. High concentrations of hazardous materials exist on the site due to the former dry cleaning operations, primarily high concentrations of dry cleaning solvents in the soil and groundwater. The Central Valley Regional Water Quality Control Board (RWQCB) is the lead agency for the investigation, remediation, and ongoing monitoring of this site. Under direction of RWQCB, remediation is underway for cleanup of the hazardous materials. DGS is undertaking the cleanup in a "voluntary" compliance mode, which includes implementation of a proactive remediation project plan. Without remediation of the site, there is a potential health risk to occupants of surrounding residential housing sites, commercial businesses, and an adjacent child daycare facility.

Project spending to date for 2017-2018 (RESD/OFS)
DGS is currently in the process of closing out remediation contracts for the Mercury site as DGS continues monitoring ground water, collecting samples and preparing reports for the Water Board. The monitoring, sample collection and reporting is meant to verify the effectiveness of the Electric Resistance Heating (ERH) process and injection process used in remediation at the contamination source on the site. For the current budget year, DGS is on track to spend the $580,000 in the 2017-18 budget.

Fiscal Year	Funding	Expended/Encumbered	Balance Reverted
FY 14/15	$3.6M	$3.6M	$0
FY 15/16	$9.3M	$8.3M	$1M
FY 16/17	$2.1M	$2.1M	$0
Total Prior Year	**$15M**	**$14M**	**$1M**

STAFF COMMENTS

This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 25: MODIFICATIONS OF FUNDING STRUCTURE FOR CONTRACTED FISCAL SERVICES

DGS, Contracted Fiscal Services (CFS) requests a permanent net budget augmentation of $2.503 million beginning in 2018-19 to fully recover costs in providing fiscal services. DGS also requests a modification to the funding structure; a reduction of $3.07 million in Service Revolving Fund authority, an increase of $3.177 million in General Fund authority, and an increase of $2.396 million in Central Services Cost Recovery Fund authority.

BACKGROUND

The CFS unit within DGS provides budgeting and accounting services to other state departments, boards, and commissions that do not have the staff or expertise necessary to perform budget and/or accounting functions. Currently, CFS provides services to 43 boards, commissions, conservancies, authorities, and state agencies, and recovers its costs by billing customers through an interagency agreement. Each year, as part of the rates process, CFS estimates the number of hours that will be required to perform the budget and/or accounting services for each client-agency in the upcoming fiscal year and establishes a contract with each client-agency for these services. Each year, a significant amount of DGS staff time is used for the preparation, billing, and cash receipt functions related to these contracts. In addition to the time spent by DGS staff on CFS contract-related tasks, each client-agency spends administrative time each year on the authorization and monitoring of CFS contracts.

This net budget augmentation will align the budget for CFS with the costs incurred in providing fiscal services. The change in the funding structure will allow the Department of Finance (DOF) to allocate CFS funding needs through Pro Rata assessments to various client-agency special funds and adjustments to the GF. DOF will directly charge each client-agency's fund to appropriately recover the Central Services Cost Recovery Fund allocations for the services provided by CFS. Instead of preparing annual contracts for CFS services and paying for these services out of each client-agencies'

state operations budget, this request proposes to fund CFS services using GF and the Central Services Cost Recovery Fund.

CONTROL SECTION LANGUAGE

SEC. 25.40. Notwithstanding any other provision of law, the Department of Finance may adjust amounts in any appropriation item, or in any category thereof, to remove amounts budgeted from any state departments, that are used to reimburse the Department of General Services for Contracted Fiscal Services, budgeting and accounting services.

STAFF COMMENTS

This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

VOTE-ONLY ISSUE 26: INFORMATION TECHNOLOGY STAFF AUGMENTATION

ABC requests $854,000 in 2018-19, $340,000 in 2019-20, and $265,000 ongoing from the Alcoholic Beverage Control Fund for two positions in the Information Technology Branch to provide the capacity to modernize the department's internal and external services including:

BACKGROUND

ABC plans to modernize its internal and external services to better serve its stakeholders and fulfill its public safety mission.

The two additional staff will provide the resource capacity and the corresponding skillsets necessary to perform work beyond the basic maintenance of existing services and allow ABC to move forward on the proposals listed above. ABC also identified three areas where external consulting contracts in 2018-19, will be necessary to move the modernization efforts forward. Specifically, ABC requests the following for external consulting in 2018-19 and 2019-20:

- $250,000 to completely restructure and redesign ABC's public and internal websites,
- $250,000 to allow for price posting information to be submitted electronically and have the data available online, and
- $150,000 to complete the final three stages of the Project Approval Lifecycle (PAL) related to ABC's eService enhancements, for which a Stage 1 Business Analysis has been approved. This assistance will be necessary in order to

complete these planning steps in 2018-19 and be positioned to request resources to implement electronic payment solutions in 2020-21.

STAFF COMMENTS

Modernizing ABC's website and function will allow the ABC to do things like collect license payments online. This is consistent with the practice of many other departments. Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 27: PHYSICAL AND INFORMATION SECURITY POLICY OPERATION

ABC requests $533,000 in 2018-19, and $146,000 in 2019-20, and ongoing from the Alcoholic Beverage Control Fund to address physical and information security issues.

BACKGROUND

In addition to the personally identifiable information that any department would have regarding its employees, ABC also collects and stores (hard copy and electronically) personally identifiable information from licensees during the licensing process and from individuals when cited by ABC agents. Given the volume of electronic personally identifiable information records easily exceeds 100,000. The 12th Annual 2017 Ponemon Cost of a Data Breach Study sponsored by IBM reports the cost for each lost or stolen record containing sensitive and confidential information is $141, if the ABC's records were compromised in a data breach, the total cost could exceed $15 million to recover systems, notify individuals, provide credit monitoring, bring in forensic teams, and restore operations. This cost does not include damage to ABC's reputation.

STAFF COMMENTS

This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 28: RESPONSIBLE BEVERAGE SERVICE TRAINING PROGRAM ACT (AB 1221)

ABC requests $578,000 and four positions in 2018-19, $561,000 and four positions in 2019-20, and $381,000 and three positions ongoing, from the Alcoholic Beverage Control Fund to develop and administer the program mandated by the provisions of the Responsible Beverage Services (RBS) Training Program Act, AB 1221 (Chapter 847, Statutes of 2017).

BACKGROUND

AB 1221 requires licensees to ensure all alcohol servers, as defined, successfully complete an RBS training course offered or approved by ABC, as demonstrated by passage of an examination. It is estimated that there are 400,000 alcohol servers employed at any one time in California. Alcohol servers would be required to take the training every three years. ABC is provided authority to charge fees to recover the costs of the program.

STAFF COMMENTS

This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 29: SANTA ANA STATE BUILDING RELOCATION

ABC is requesting $207,000 in 2018-19, and ongoing, for increased rent costs for the Santa Ana District office. ABC is moving out of the Santa Ana state building in coordination with DGS's effort to vacate the building and consolidate state programs into a larger leased office building that will better serve ABC and other tenant departments.

BACKGROUND

The primary issue for ABC stakeholders is the maintenance of licensing and compliance activities in the Orange County area. The public will benefit largely by having ABC maintain a presence in this community. This proposal intends to fund the increased costs related to the relocation of ABC's district office to a privately-owned building within the Orange County area. If this request is denied, ABC will be forced to absorb the increased costs of the new facility or find a location in Orange County which is closer to the current DGS rental rate ($1.92 per square foot for state buildings), resulting in holding staff positions vacant or reducing operating costs. If positions are held open to accommodate the increased rental costs, ABC licensees will experience longer wait times for assistance, and the enforcement and compliance operations may be reduced.

DGS has determined that relocating tenants to a privately-owned building in order to sell or repurpose the Santa Ana Office Building is more cost effective for the State than renovating the current building while tenants remained. Further, the current age and condition of the building causes morale and operational issues.

STAFF COMMENTS

This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

1701 DEPARTMENT OF BUSINESS OVERSIGHT

VOTE-ONLY ISSUE 30: INFORMATION TECHNOLOGY OFFICE – WORKLOAD GROWTH AND RISK MITIGATION

DBO requests four permanent positions and $613,000 (Special Funds) in 2018-19, and $577,000 (Special Funds) ongoing to begin to eliminate backlogs and fill critical resource and skill gaps in the Information Technology Office (ITO) organization. These resources will enable DBO to increase the capacity and competency of the ITO.

BACKGROUND

In 2016-17, DBO submitted a Budget Change Proposal (BCP) to fund seven permanent positions for the ITO for two years as part of a plan to move away from an IT service contract that was in place to support the day-to-day maintenance of the DOCQNET (self-service portal) system through June 2018. The DOCQNET system allows DBO to conduct its necessary and growing regulatory functions, which include revenue collection, enforcement actions, and licensee examinations and licensing. The DOCQNET system is designed to allow users to process license applications, complaints, and forms electronically, thus reducing the State's paper footprint.

The 2016-17 BCP was approved on the basis that the cost of procuring an IT contractor beyond June 2018 could be avoided if state IT staff were able to provide full DOCQNET support instead. The DBO is now well positioned to avoid the cost of the contractor once the contract expires in July 2018. As planned, the contract cost savings will be redirected to cover the ongoing cost of the seven positions. The seven positions consist of two programmers, two customer support specialists (help desk), one database administrator, one network support specialist, and one project manager, all of which who provide support for the DOCQNET system.

However, there are new issues, gaps and backlogs that must be addressed to ensure adequate support for the DBO IT systems. IT contractors have been used at DBO since its creation in July 2013, and have provided over 80 percent of IT maintenance and support of DBO systems to date. The use of IT contractors has been driven by the lack of state skills, expertise and resource capacity needed to maintain and support all DBO systems effectively and efficiently on an ongoing basis. The DBO ITO resource ratio, compared to the overall size of DBO, is far less than similar IT organizations across the state. Typical IT organizations represent approximately 10-15 percent of the workforce while the DBO IT ratio is currently only 6.2 percent. Adding four additional positions would increase the DBO IT ratio to 6.8 percent of the DBO's overall workforce.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 31: STUDENT LOAN SERVICING ACT IMPLEMENTATION

DBO requests $737,000 and five permanent positions in 2018-19 and $690,000 ongoing, for two positions to perform examinations of Student Loan Servicing Office licensees as required by AB 2251 (Chapter 824, Statutes of 2016), and three positions to handle consumer complaints. This request will be funded by the Financial Institutions Fund.

BACKGROUND

Current law requires DBO to create a new Student Loan Servicing Office to license and regulate student loan servicers and to enforce any violation of the Student Loan Servicing Act. The DBO also is required to examine the affairs of each licensee at least once every 36 months for compliance with the Student Loan Servicing Act.

In 2017-18, DBO was approved for three permanent positions to start up and administer the Student Loan Servicing Office. Additionally, DBO intends to begin receiving and approving licensee applications in January 2018 so that licensees can begin operations on July 1, 2018.

In 2018-19, the Financial Institutions Manager and the two Senior Financial Institutions Examiners will conduct initial exams on licensees to obtain an understanding of their operations, determine their compliance with California law and introduce the DBO's regulatory expectations. Because the majority of anticipated licensees are located outside California, exams will require extensive out-of-state travel. The DBO expects licensees to reimburse the DBO for examination time and travel costs incurred. In subsequent years, the examiners are expected to conduct initial exams on all new loan servicer licensees. As more companies enter the student loan refinance market, additional private loan servicer licensees are expected.

Beginning in 2018-19, to ensure all licensees are examined at least once every 36 months, the examiners will conduct 12 full scope exams annually. Because over 93 percent of the $1.34 trillion in student loan debt is held by the federal government, exams of the nine federal loan servicers require significantly more time and resources than the smaller private loan servicers.

Beginning in 2018-19, when the Student Loan Servicing Office opens, California borrowers are expected to file their complaints with DBO, and DBO must be prepared to address these complaints.

STAFF COMMENTS

The resources are consistent with the analysis in 2016. The 2016 analysis sized the program at 11 positions. This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

7503 STATE PERSONNEL BOARD

VOTE-ONLY ISSUE 32: ADMINISTRATIVE SERVICES WORKLOAD

SPB requests five positions and $655,000 ($223,000 General Fund, $263,000 Reimbursements, and $169,000 Central Service Cost Recovery) in 2018-19, and ongoing to provide internal administrative resources to assist with equal employment opportunity (EEO) duties, business services support, and manage Board proceedings. These resources will enable the Board to directly and efficiently carry out its constitutional authority over the merit system, and provide SPB on-site administrative support.

BACKGROUND

The Governor's Reorganization Plan 1 (GRP1) of 2011 consolidated specific functions of SPB and the former Department of Personnel Administration (DPA) into the new Department of Human Resources (CalHR). CalHR continues to provide administrative support to SPB and is partially reimbursed for these services.

Administrative. Prior to GRP1, SPB had 14.8 administrative positions and the former DPA had 17 administrative positions for a total of 31.8 positions. During the first year of GRP, SPB lost 7 administrative positions (3 abolished and 4 redirected internally to the Policy and Compliance Unit) and CalHR lost 2 administrative positions. SPB's remaining 7.8 administrative positions were transferred to CalHR, leaving SPB with no administrative support. In the second year, CalHR lost an additional 1.8 administrative positions. This left a total of 21 administrative positions to provide services to both CalHR and SPB.

Board Proceedings. Prior to the GRP1 of 2011, SPB had a small unit that prepared and reviewed all board items for submission on the board meeting agenda. Under GRP1, all of SPB's operational and administrative support functions were transferred to CalHR, including the unit that reviewed, vetted, and prepared items to take before the Board. Consequently, since July 2012, SPB has been without internal staff to perform this work. CalHR staff have attempted to perform these duties, including recommending which classifications can be consolidated or abolished, devising revision proposals to classification specifications, and preparing other types of Board items. Absent SPB's direct management, carrying out those functions has been burdensome, time consuming, and inefficient for both SPB and CalHR.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

VOTE-ONLY ISSUE 33: SYSTEMIC LITIGATION UNIT

The Department of Fair Employment and Housing (DFEH) requests $262,000 in 2018-19, and ongoing to fund one position reclassified from the Federal Trust Fund in order to litigate large scale, systemic discrimination cases in accordance with California Civil Rights laws.

BACKGROUND

DFEH receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), Unruh Civil Rights Act, Disabled Persons Act, and Ralph Civil Rights Act. At the core of the department's mission is the mandate to provide thorough, timely, and fair investigations of discrimination complaints received from the public. The DFEH Enforcement Division is charged with conducting these investigations.

DFEH has brought a handful of high-profile, large systemic cases, often originating as Director Complaints over the last several years. These cases helped thousands of California residents victimized by discrimination and prevented discrimination from continuing against thousands more.

The state currently faces pressing challenges in enforcing its civil rights laws. The Attorney General's annual *Hate Crime in California* report demonstrates that hate crimes in California increased by 11.2 percent in 2016. According to the Attorney General, hate crimes based on racial bias, sexual orientation, and religious bias continue to be serious problems in California. After the presidential election in November of 2016, the Southern Poverty Law Center reported that California had 125 reported hate incidents, the most of any state in the nation.

According to DFEH, there is a growing need to bring systemic cases. These cases involve practices that discriminate against thousands of individuals and involve industries with large numbers of employees, including the motion picture, insurance, retail grocery, and technology industries. However, the ability of DFEH to bring systemic litigation is constrained due to its obligation to process individual complaints of discrimination (which remain at historically high levels). DFEH has a single senior attorney assigned to these cases on a full-time basis, the Associate Chief Counsel for Systemic Litigation.

STAFF COMMENTS

The resources will provide DFEH the resources to bring the systemic cases forward while still addressing their historic workload. Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 34: LEGISLATION

This item includes two budget change proposals that cover legislation enacted in 2017.

BACKGROUND

1. **Job Applicant Criminal History.** DFEH requests $1.9 million in 2018-19, and $1.2 million ongoing, for nine positions to process additional employment discrimination complaints associated with AB 1008 (Chapter 789, Statutes of 2017).

   AB 1008 amends the FEHA to make it unlawful for all employers - public and private - to seek conviction history information until a conditional offer of employment is made, or to include any questions seeking disclosure of an applicant's conviction history on a job application. It also sets forth rules and procedures regarding how employers may consider conviction history, how employers must notify applicants who are being rejected because of conviction history, and how job applicants may conduct an appeal of the employment denial. The statute exempts certain positions from its requirements. Finally, AB 1008 creates a new class of employment discrimination complaint that DFEH is required to litigate.

2. **New Parent Leave Act.** DFEH requests $218,000 in 2018-19, and $210,000 ongoing, for two positions to process additional complaints resulting from new parent leave labor protections under SB 63 (Chapter 686, Statutes of 2017).

   SB 63 establishes the New Parent Leave Act within the California Fair Employment and Housing Act. SB 63 expands the baby bonding component of CFRA by making it unlawful for an employer with 20 or more employees to refuse to allow an eligible employee to take up to 12 weeks of job-protected parental leave to bond with a new child within one year of the child's birth, adoption, or foster care placement. Employees are eligible if they have at least 1,250 hours of service with the employer during the previous 12-month period and live within 75 miles of the worksite. SB 63 prohibits an employer from refusing to maintain and pay for coverage under a group health plan during the duration of the leave or retaliating against an employee for exercising their SB 63 rights. SB 63 also establishes, upon appropriation by the Legislature, a pilot mediation program for DFEH to mediate claims arising under SB 63. The bill would affect up to 16 percent of the workforce and is aligned with DFEH's mission to ensure and enforce civil rights generally and family and medical leave specifically.

STAFF COMMENTS

Staff has no concerns with these legislative priorities. This item was heard at the April 3, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 35: STATE SUPPLEMENTATION FOR COUNTY ASSESSORS PROGRAM TRAILER BILL LANGUAGE

The Governor's budget proposes trailer bill language for a State Supplementation for the County Assessors Program (SSCAP).

BACKGROUND

The Governor's Budget proposes a trailer bill language to create a new program that would focus on the following:

- Provide county assessors with funding to hire new assessment staff and improve IT systems. This will allow assessors to more accurately value existing property and expeditiously enroll new property, and thereby increase countywide assessed values.

- Higher assessed values mean higher property tax revenue for K-14 schools, which offsets the State's Proposition 98 General Fund obligation.

The program would be a three year pilot program administered by the Department of Finance. The Governor's budget proposes $5 million in 2018-19, and future funding would be subject to the Budget Act. The program states that no single county can receive more than 15 percent of annual appropriation ($750,000). The County match is proposed to be $1 for each $2 in SSCAP funds received.

The 2014 Budget Act appropriates $7.5 million for the first year of a three-year State-County Assessors' Partnership Program to enhance county property assessment efforts. The purpose of the Program is to ensure that county assessors have the resources necessary to fairly and efficiently administer the county property tax rolls. Fair and efficient administration includes, but is not limited to, the expeditious enrollment of properties that are newly constructed or that change ownership, the timely levying of supplemental assessments when ownership changes occur, the timely reassessment of property to reflect market values, and the defense of assessed valuations that have been appealed. This program sunset in 2017.

STAFF COMMENTS

The California Assessors Association is in support of the new program. This proposal makes amendments to the old program to ensure that more counties apply for grant funding.

Vote-Only Recommendation: Adopt Placeholder Trailer Bill Language.

3100 CALIFORNIA SCIENCE CENTER

VOTE-ONLY ISSUE 36: INCREASE CALIFORNIA AFRICAN AMERICAN MUSEUM TEMPORARY HELP

The California African American Museum (CAAM) requests an increase of $175,000 in ongoing Exposition Park Improvement Fund to increase CAAM's Temporary Help beginning in 2018-19.

BACKGROUND

CAAM was chartered by the State of California in September of 1977. The Museum began formal operations in 1981 housed in temporary quarters at the California Museum of Science and Industry (currently known as the California Science Center). The current facility in Exposition Park opened its doors to the public during the Summer Olympic Games of 1984. CAAM researches, collects, preserves and interprets the history, art and culture of African Americans for public enrichment. In addition to its permanent collection of more than 4,500 objects of art, artifacts, and historical documents, CAAM also houses a research library containing more than 20,000 volumes. Over the past 30 years, both the museum and the park have grown and changed substantially.

The safety and security of state property and museum artifacts is a critical issue for the state. In addition, there are unique safety challenges in a culturally specific institutions (e.g., African American or Jewish) that must be factored in and considered. The increased staffing will help to create a more secure environment and positive experience for visitors.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the April 3, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 37: INCREASE CALIFORNIA SCIENCE CENTER REIMBURSEMENT AUTHORITY

The California Science Center requests a $157,000 increase in reimbursement authority; increasing the current authorization from $800,000 to $957,000.

BACKGROUND

During 2016-17, the Department exceeded its reimbursement authority by $80,000. The primary reason for the overage is attributed to higher utility costs associated with facility use and a compounded Consumer Price Index (CPI) increase to the Joint Operational

Agreement (JPA) between the Science Center and the Los Angeles Unified School District (LAUSD). The reimbursement increase associated with LAUSD and utilities is $157,000. The Department's request for a $157,000 increase in reimbursement authority will increase its total annual reimbursement authority of $800,000 to $957,000.

The Science Center and LAUSD maintain a Lease and JPA, which stipulates that the State will provide use of its land and facilities and support to the Dr. Theodore T. Alexander Jr. Science Center School, an affiliated charter school, to ensure it is maintained at a level equivalent to other Science Center facilities located within Exposition Park. In consideration for these services, LAUSD agreed to provide up to $400,057 reimbursement to the state for specified maintenance services received based on the Joint Operational Agreement and a proportion of operational costs based on square foot usage. LAUSD occupies 57.5 percent of the space, including 17.5 percent of common space shared with the Science Center. Services include engineering services, electrical services, plumbing services, painting services, grounds keeping, as well as support from other building trades, annual inspections of fire, HVAC, elevator and AQMD inspections, etc. The Science Center requested and the LAUSD approved a compounded CPI adjustment of $106,588 in April 2016; increasing the annual LAUSD reimbursed operating budget from $400,057 to $506,615.

LAUSD's reimbursement of utilities to the Science Center is accounted for separately. The total increase of reimbursable services is $157,000.

STAFF COMMENTS

Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 38: INCREASE OFFICE OF EXPOSITION PARK MANAGEMENT AUTHORITY

The Office of Exposition Park Management (OEPM) requests an increase of $435,000 in reimbursement authority for 2018-19 and 2019-20. These funds will be used to provide California Highway Patrol (CHP) law enforcement services at Exposition Park during National Football League (NFL) game days.

BACKGROUND

The OEPM is responsible for public safety operations, parking services management and overall park beautification maintenance In addition, OEPM administers supervision and coordination of park-wide events, and facilitates communication efforts between state, city, county, and private entities represented within the park.

In 2016, the Rams, an NFL team, chose to move from Saint Louis, Missouri to Los Angeles. They selected the Los Angeles Memorial Coliseum as their temporary "home" during the construction of their permanent stadium.

This proposal is consistent with the OEPM's mission, including providing the highest level of public safety possible and efficient management of state property The CHP is the state's highest level law enforcement and policing agency, and it frequently provides security services on state property

The California Natural Resources Agency, Sixth Agricultural District Association and the OEPM entered into a Memorandum of Understanding (MOU) with USC and The Los Angeles Rams, LLC The Los Angeles Rams will pay equivalent USC Football parking rates ($25 instead of $14 [daily rate of $12.00 plus $2.00 security surcharge]), and the OEPM will provide the necessary law enforcement services through the CHP on OEPM operated property during NFL game days.

The OEPM has a contractual obligation to provide these services as long as the Los Angeles Rams pay the parking fees The Los Angeles Rams paid that rate for 2016-17 and 2017-18 Without the presence of CHP, other law enforcement agencies would need to be the lead agencies on state property.

STAFF COMMENTS

Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

7730 FRANCHISE TAX BOARD

VOTE-ONLY ISSUE 39: AUDIT STAFFING INCREASE

The FTB is requesting $7.8 million General Fund in funding in 2018-19, and ongoing, to address unfunded needs for staff resources performing audits.

BACKGROUND

The Audit Division administers the Revenue and Taxation Code for individuals and business entities that do business in California. The program works with taxpayers and their representatives to administer and enforce the law effectively to ensure that all taxpayers meet their obligations to file and pay the correct amount due. The program utilizes innovative methods to promote these objectives through customer service, education, self-compliance letters, initiatives, and partnerships with other federal and state agencies. In performing these activities, the program considers the effects on taxpayers, increases the timeliness and effectiveness of enforcement actions, and focuses on adherence to FTB Regulation Section 19032, Audit Procedures, to complete audits in a timely manner.

The Audit Division has experienced an expansion of audits related to complex and sophisticated issues and filings. The relevant tax codes continue to be or have increased complexity and business entity organizational structures continue to introduce more complexity in tax filings and audits. The sophistication of tax professionals and the tax reducing strategies deployed continue to increase the complexity of the audit requiring increased skill sets by FTB staff.

Resources requested are attributed to two root causes:

1. **Complexity:** Over the last five years, FTB has identified more workloads at the Program Specialist I, II, and III levels which is inconsistent with FTB's funded position authority. Although thought to be limited in duration, FTB does not see this trend reversing.

2. **Salary Levels for Senior classifications:** FTB has a substantial amount of Program Specialist II and Program Specialist III staff in the maximum salary range. Generally, the majority of these positions are funded at the first salary step causing a significant gap in budgeted salaries versus salaries actually paid. FTB does not see this trend changing.

STAFF COMMENTS

This item was heard at the April 10, 2018, hearing. This proposal aims to allow the Audit Division to continue to offer opportunities at the higher technical level consistent with available inventories.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 40: ENTERPRISE DATA TO REVENUE PROJECT

The FTB requests $2.5 million General Fund and conversion of 20 limited-term positions to permanent status in 2018-19 and ongoing.

BACKGROUND

The EDR project was a 66-month IT project that began a multi-phased effort to modernize FTB's processes and systems. The project started in 2011-12 and was completed in 2016-17. As of April 30, 2017, the EDR project has generated $3.7 billion in revenue for the State since the inception of the project. FTB is well on the way to achieving the $4.7 billion revenue target.

In 2015-16, FTB was granted 20 three-year limited term positions to support ongoing work, continue to build the EDR solution and start the knowledge management and transition of the EDR solution to FTB. The solution adopted by the EDR project implemented improvements to FTB's enforcements activities and self-service tools. The EDR project enabled FTB to implement self-help tools for taxpayers and tax

practitioners that eased burdens that existed related to filing a return or paying taxes due and supports California's voluntary compliance based taxation system.

Using both FTB's Knowledge Management (Kin) Program and the EDR's MDR O60, FTB has successfully completed Stage 0 and 1 of the transition to FTB and Stage 2 and 3 are well underway to be fully completed by June 2018. These 20 IT resources are critical to FTB's ability to successfully support EDR processes and applications ongoing.

STAFF COMMENTS

Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 41: INFORMATION TECHNOLOGY SECURITY ENHANCEMENTS

FTB is requesting 23 permanent positions and $5.0 million ($4.9 million General Fund and $135,000 Special Funds) in 2018-19, and $4.1 million ($4.0 million General Fund and $111,000 Special Funds) in 2019-20, to accommodate workload growth within the critical functions of Information Security, Worksite Security, Privacy and Disclosure, and FTB's Infrastructure.

BACKGROUND

Privacy, Security, and Disclosure Bureau (PSDB) develops and enforces security policies and procedures for the safety of FTB's employees and California citizens, to ensure the confidentiality, integrity, and availability of FTB's information systems and the security of the information they contain. These departmental policies and procedures guide staff in the analysis and assessment of security measures for the protection of FTB's facilities, and to prevent, detect, and identify unauthorized access to information technology systems, networks, and data.

The Chief Security officer (CSO) also promotes awareness of Privacy and Security issues among management and staff, ensuring sound security principles are reflected throughout the organization's vision and goals. Subject matter experts within the Privacy, Security, and Disclosure Bureau provide technical security expertise to the department. FTB's CSO is responsible for the oversight and management of all aspects of information security, physical security, privacy and disclosure.

FTB is one of four pilot partners actively engaged in the California Cyber Security Integration Center (Cal-CSIC) project. Cal-CSIC shares threat intelligence to help maintain the security and integrity of the state's Information Technology (IT) infrastructure by preventing or minimizing incident-based losses, theft of information or disruption of services that could result in serious loss of information assets, revenue, public confidence, reputation, or market share. This partnership works with FTB

technical staff and increases the amount of intelligence available to mitigate threats and risk.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the April 10, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

7600 CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

VOTE-ONLY ISSUE 42: CENTRALIZED REVENUE OPPORTUNITY SYSTEM

The CDTFA requests the following resources to ensure that the Centralized Revenue Opportunity System (CROS) Project has the resources required to continue the Implementation Phase:

- $70.1 million redirection of two permanent positions, and 6.15 temporary position in 2018-19.

The CROS Project is an information technology modernization effort designed to expand tax and fee payer services, improve the efficiency and effectiveness of the operation and enhance its ability to generate increase revenues reducing the tax gap.

This request includes the continuation of funding authorized in 2017-18 only. This request also includes the reclassification of select, prior approved permanent positions.

BACKGROUND

CROS Project Progress to Date: The Feasibility Study Report (FSR), approved September 2011 redirected Department resources to the CROS Project to proceed with the Procurement Phase. The CROS Project submitted a Special Project Report (SPR) (March 2012) and Spring Finance Letter #1 (SFL) for FY 2012-13 to fund the project.

Based on the approved SPR (Project 0860-094), the FY 2012-13 SFL #1 authorized staffing and funding specifically for the CROS Project's Procurement Phase and Parallel Initiatives as well as for resources needed to address audit, collection, and registration backlogs.

The CROS Project submitted SPR #2 in December 2013 which addressed a nine month change in the Procurement schedule and extended the implementation approach by one year as a result of feedback received from bidders In response to the CROS Request for Information.

The CROS Project submitted SPR #3 to address a 19-month delay in the Procurement Phase to ensure the project had resources to start the implementation Phase. SPR #3 was approved in May 2016.

Based on SPR #3, a FY 2016-17 May Revise Finance Letter requested $17.5 million and authority for 44.6 positions (24.0 positions and 20.6 temporary help resources) to provide resources to begin the implementation Phase. Although this May Revise letter requested funding and position authority for subsequent years, the Legislature only authorized funding and position authority for FY 2016-17. The Department was directed to submit a budget augmentation request for subsequent years funding and position authority after selection of the CROS contractor.

On August 30, 2016 the Department approved selection of the CROS Contractor (Fast Enterprises, Inc.) as the contractor responsible for implementing the CROS Solution.

The CROS Project submitted SPR #4 and the CROS FY 2017-18 Budget Change Proposal, for resources necessary to develop and implement the CROS Solution. Resource analysis included review of the Contractor's proposed schedule, Project deliverables, the Department's Integrated Master Schedule, existing project management plans (including Governance Plans), as well as existing technical capabilities. SPR 4 was approved in February 2017.

This BCP proposes the following changes:

Permanent Positions. The Department requests continued funding for 29.0 positions authorized in FY 2017-18. These resources are needed to address full-time Project roles. The Department requests the following resources to fund permanent positions:

- $2 million and 2.0 redirected positions in FY 2018-19 and ongoing. The 2.0 positions will beredirected from the Fire Prevention Fee program, which is winding down due to the suspension of the Fire Prevention Fee via the Global Warming Act of 2017.

Temporary Help (In Lieu). The Department will use temporary help and overtime resources to provide specific skillsets. The Department requests the following temporary help:

- FY 2018-19: $292,000 and 4.0 temporary help positions

Overtime. Overtime resources will offset the use of existing Department staff that will be redirected from their ongoing duties and responsibilities, to serve as SMEs, Design Session team participants, trainers, and liaisons.

The Department requests the following overtime:

- FY2018-19: $4.4 million and 43.7 positions

Overhead. The Department also requests the following overhead temporary help and overtime. The overhead temporary help and overtime request is driven by standard CDTFA complements based on the total permanent position request.

Overhead Temporary Help:

- FY2018-19: $129,000and 2.15positions

Overhead overtime:

- FY2018-19: $2,000and 0.02 positions

PROVISIONAL LANGUAGE

1. The Department of Finance may augment the amount appropriated in Schedule (1) by an amount not to exceed $526,000 for overtime should the CDTFA require additional subject matter expert resources to support the implementation of required changes to the CROS Project associated with recently chaptered legislation. The Department of Finance may authorize an augmentation not sooner than 30 days after notification in writing to the Joint Legislative Budget Committee. This provision shall apply to any item currently appropriated for support of the CROS project. Any funds provided that are not expressly used for the specified purposes shall revert to the fund from which they were appropriated.

2. The Department of Finance may augment the following items in the FY 2018-19 fiscal year by the amount of any unencumbered funds for vendor compensation payments as of June 30, 2018, in those items: 7600-001-0004, 7600-001-0022, 7600-001-0070, 76000-001-0080, 7600- 001-0230, 7600-001-0320, 7600-001-0387, 7600-001-0439, 7600-001.0465, 7600-001-0623, 7600-001-0965, 7600-001-3015, 7600-001-3058, 7600-001-3065, 7600-001-3067, 7600-001-3212, 7600-OO1-3251, 7600-001-3260, and 7600-001.3270. Any augmentation pursuant to this provision shall be reported in writing to the Joint Legislative Budget Committee within 30 days.

STAFF COMMENTS

According to CDTFA, the project is on schedule and within budget.

Vote-Only Recommendation: Approve as Budgeted.

ITEMS TO BE HEARD

0511 GOVERNMENT OPERATIONS AGENCY

The Governor's budget includes $4.09 million for the Government Operations Agency (GovOps), in 2018-19, an increase of $325,000 or 8.6 percent from the current year. GovOps funding sources include the General Fund and reimbursements.

GovOps is responsible for coordinating state operations, including procurement, information technology, and human resources. GovOps oversees the Department of General Services, Department of Human Resources, Department of Technology, California Department of Tax and Fee Administration, Franchise Tax Board, State Personnel Board, Victim Compensation Board, Office of Administrative Law, California Public Employees' Retirement System, and California State Teachers' Retirement System.

ISSUE 1: CIVIL SERVICE TRAILER BILL LANGUAGE

The Governor's Budget proposes trailer bill language (TBL) to make the civil service system more efficient and transparent. Marybel Batjer, Secretary of Government Operations, will provide an overview of the TBL.

BACKGROUND

According to GovOps, the goal of the Civil Service Improvement Initiative is to produce a modern human resource system that will allow state departments to find and quickly hire the best candidates through a fair and merit-based process. Departments will be able to systematically determine their workforce needs and will be equipped to train and develop their employees to maximize their individual potential to better serve their departments' mission. An improved civil service system will produce a capable and engaged state workforce that is able to adapt to new challenges in serving the people of California, and will reflect the diversity of the population it serves.

STAFF COMMENTS

The trailer bill language was released on April 18, 2018. Staff is still reviewing the language.

Staff Recommendation: Hold Open.

ISSUE 2: 2020 CENSUS OUTREACH

The Governor's budget includes a three-year $40.3 million plan to ensure a complete count of Californians in the 2020 Census.

BACKGROUND

The Governor's budget includes a census outreach proposal for the next three years. The proposed $40.3 million plan includes 22 limited term positions, $17.5 million for a media campaign and $12.5 million of outreach efforts conducted by nonprofit entities. The total budget is displayed below.

Workload Measure	BY	BY+1	BY+2	Total
Administration – Personnel	$1,407,308	$1,957,950	$840,482	$4,205,740
Media Campaign (multi-lingual)	6,000,000	10,000,000	1,500,000	17,500,000
Admin CBOs & CBO outreach (QACs)	5,000,000	7,000,000	500,000	12,500,000
State Agency Outreach (SAWG)	150,000	150,000	-	300,000
Schools	500,000	500,000		1,000,000
Case Worker Training/outreach	250,000	250,000	-	500,000
Local Complete Count Committees	1,000,000	2,000,000	-	3,000,000
Travel/Administration (travel, equipment, office rent, printing, procurement review)	220,000	315,000	65,000	600,000
Sector Outreach	275,000	275,000	150,000	700,000
Total	$14,802,308	$22,447,950	$3,055,482	$40,305,740

The 2020 Census plan builds off the State's experience in 2000 and 2010. The State has lead efforts both years, with the dot-com height year 2000 effort much better resourced than the depths of the Great Recession effort of 2010. The chart below, contained in the Budget Change Proposal, shows the outcomes of the last three censuses in California.

Census Year	1990	2000	2010
CA Mail Response Rate	65%	70%	N/A*
CA Mail Participation Rate	N/A*	76%	73%
Versus Previous Census	N/A	+5% (MRR)	-3% (MPR)
State Budget	N/A**	$24.7M	$2.1M
National MPR	N/A	72%	74%

*There is no MPR figure for 1990 Census and no MRR for 2010.
** There was no official state Census outreach effort in 1990.

On March 23, 2018, President Trump signed the 2018 fiscal plan, which included $2.814 billion for the Census Bureau, a sharp increase from the 2017 level of funding.

Changes to federal 2020 Census activities.

The 2010 Census cost over $12 billion over the life cycle of the enumeration (which includes the preparation for and aftermath of the count). The Census Bureau estimated that completing the 2020 Census in a similar manner as 2010 would cost over $17 billion. To keep costs closer to the costs of the 2010 Census, the Census Bureau is making a number of significant changes to count operations, including:

- **Internet Response.** Historically, individuals primarily responded to the census via a mailed questionnaire. In 2020, only a portion of households will receive a mailed census. Most individuals will be encouraged to respond online. The Census Bureau aims to have over 50 percent of respondents respond via the internet. (Individuals also will have the option of responding by phone through the Census Questionnaire Assistance Center.)

- **Address List Update.** Typically, the Census Bureau relied heavily on field workers to update its national address list. (The national address list is used to mail census forms and follow up with non-respondents.) For the 2020 Census, the Census Bureau will rely primarily on local government data, satellite imagery, and other administrative records to update its address list.

- **Reduced Follow Up.** The Census Bureau expects to hire 50 percent fewer fieldworkers for nonresponse follow up in 2020. Consequently, field operations will be substantially reduced in 2020. In previous years, census field workers visited households that had not yet responded up to six times to complete their surveys. For 2020, the Census Bureau is committing to visiting nonrespondents at least once. Given the reduced field presence, the Census Bureau will rely heavily on administrative records—like those from the Internal Revenue Service—to complete the count.

- **Citizenship Question**. The federal government has decided to include a citizenship question in the census, which is projected to reduce the rate of response.

Challenges with Census Administration. Funding for the 2020 Census has been below estimated costs for a number of years. For the current year, the latest federal budget agreement provided $180 million less than was requested by the Census Bureau. These reductions have had a number of impacts to census preparations, including notable impacts to field testing:

- 2017 Field Test Canceled. The Census Bureau planned to test a number of features of the online response system in 2017, but canceled these tests due to budgetary uncertainty.

- Significantly Reduced Census "Dress Rehearsal." Typically, the Census Bureau does a comprehensive test of census operations—known as an end-to-end test—in three areas of the county. The different locations chosen reflect the differing response challenges throughout the country. This year, this rehearsal will only occur in Providence, Rhode Island.

Recent federal action has been encouraging. The federal spending bill that was recently approved allocates $2.8 billion for Census activities, nearly twice the amount funding the previous fiscal year and $1.13 billion more than initial requested in the President's budget.

Government Accountability Office Raises Concerns.

In a February 2017 report, the GAO identified the Census as a "High-Risk" area of the federal government, which was vulnerable to waste, fraud, abuse and mismanagement or need transformative change. The report cited the lack of resources, delays and missteps in the preparation phase of the census, and concerns about the Bureau's IT projects.

LAO POTENTIAL CHALLENGES

The LAO has identified some key challenges for California in the upcoming census

- California Has a Large "Hard to Count" Population. Historically, the census has undercounted particular groups of people including young children, the elderly, low-income individuals, minorities, renters, foreign-born individuals, and individuals living in crowded households. As a majority-minority state, most residents of California fit into at least one of these categories. In addition to over half of residents being nonwhite, over a quarter of residents are foreign born, close to half live in rental housing, and 14 percent have incomes at or below the poverty line.

- California Was "Undercounted" in 1990 Census. California was undercounted by 2.7 percent in the 1990 Census—the fourth highest undercount percentage in the country. This cost California roughly $2 billion in federal funds over ten years. The undercount also likely cost California a seat in the House of Representatives. (See our 1999 report for more on the 1990 undercount in California.)

- Changes to 2020 Census May Affect California Count. Moving to a primarily internet-based census is a significant change from prior practice. Only a portion of households will receive a paper census; the rest will receive instructions by mail for how to respond online (or by phone). Concerns have been raised about individuals' willingness to respond via the internet given concerns about information security. These concerns—in combination with the potential for a question about citizenship—raise the possibility of an undercount in California in 2020. (By law, information collected in the census about immigration status cannot be passed on to immigration enforcement agencies.)

ADVOCATED CONCERNS

Advocates have sent letters to the Committee that suggest that additional resources are necessary for a complete count. Specifically:

- Nonprofit Contracts: Advocates believe that $12.5 million funding level for nonprofit contracts is far less than what is required to achieve the outreach goals of the State plan. Several different groups have contacted with the committee with different estimates of the funding gap.

- Local Complete Count Committees: Los Angeles County has requested the State provide $8.7 million for county complete count efforts. Los Angeles is considered the "hardest to count" county in California. This amount would exceed the $3 million proposed for all local complete count efforts.

- Media Funding: Some advocates have raised concerns that the media budget proposed in the State Plan would not be sufficient to penetrate in California's large and expensive media markets, especially in non-English media. Advocates compare the proposed $17.5 million media budget over three years with the $111 million annual media budget for Covered California and express concerns that the investment may not be sufficient to make a difference.

- Additional State staff: Advocates have expressed concern that the State's efforts are not ramping up fast enough and suggest the state needs to hire experience staff with grassroots organizing experience to create the regional strategies needed by 2020. In addition, there is concern regarding the speed to which the Office can begin contracting with nonprofits given its small core staff.

POSSIBLE QUESTIONS

Staff has concerns about the two conflicting timelines included in the Supplemental Reporting Language and the timeline outlined in the Board report. Staff would like to work with CalSTRS to ensure that the oversight included in last year's budget is preserved.

- How many staff do you currently have working on the Census? How many do you anticipate hiring and what is the timeline for getting staffed up?

- When do you plan to open an office in Southern California and what is the timeline to staff the region?

- How does the Administration plan to use the $17.5 million for media campaign? What kind of market research and message testing will be done to ensure what we are saying resonates with individual Hard-to-Count populations?

- How does the State help support local government efforts, like Los Angeles County? What is the State role versus that of the locals?

- What is the plan to support residents with answering questions in their language?

- In Section D of the Census BCP, Language access is listed just after Sector Outreach. Why is it not budgeted for the in the Workload Measures? Language access is a significant barrier to filling out the Census form. Does the Administration plan to develop a language access program?

- Your plan calls for a post-census evaluation to determine the overall success of the Census and make plans for 2030. However, what accountability measures will be taken to ensure public funds are used to the maximum effect during the actual count? For example, Community Group X receives funds to go door to door to encourage residents to fill out the Census. How would you account for their time or use of public funds to an Auditor? Hourly? By response rate?

- Many local governments and non-profits are expressing an interest in Census outreach. What steps are being taken to ensure efforts aren't duplicated? How will you keep everyone on message and collaborating?

- Will there be Census 2020 Golden State Bears for the public?

STAFF COMMENTS

Governor Jerry Brown observed that the federal government "is basically going to war against the State of California" over immigration issues. The federal government's approach toward the Census appears to be weaponized to hurt Californians. First by instilling fear in our residents that participate in a basic governmental function and then by punishing the State financially and politically by deliberately undercounting our true population.

California needs an aggressive and nimble approach to allow our residents to be counted in a safe and appropriate manner. The proposed budget plan for the census is a good start given the information available when it was constructed. However, in only the last three months, the politics, funding, and federal approach has changed in significant ways. It is unrealistic to believe California can construct an adequate plan for the next three years given the shifting political dynamics.

Advocates make a compelling case that additional resources will be necessary for the State to meet the challenges put before us. Staff recommends adopting a budget framework that signals that the State will provide the higher level of resources necessary to maximize a complete count of hard to reach populations. Staff will meet with advocates over the next months to help develop a recommendation that would meet this goal.

In addition, staff believes OPR needs the flexibility to ask for additional resources as it gets its efforts underway. As the Select Committee on the Census continues its oversight of the State's efforts, this will remove any doubt about the Legislature's commitment to devote resources to improve its overall success.

Staff Recommendation: Hold Open

ISSUE 3: 2020 CENSUS OUTREACH LANGUAGE ACCESS

The Subcommittee will discuss reporting requirements to monitor language access concerns related to the census.

BACKGROUND

Over 40 percent of Californians speak a language other than English at home, with at least 220 different languages spoken in California. As a result, language access is a major barrier to an accurate count of our population.

The Census Bureau cancelled its Spanish-language test census and has reduced funding for outreach and messaging related to the Census. This lack of planning at the federal level enhances the potential challenges in reaching all Californians.

The State Census plan does include reference to addressing language access, but does not provide a detailed description of how that would be achieved. The State appears to use a combination of outreach and CBO activities to address the issue, but some advocates have concerns that this strategy is not cohesive enough to target hard to count populations with specific language access problems.

STAFF COMMENTS

One of the few criticisms of the State's successful outreach efforts in 2000 and 2010 was the lack of a clear language access approach. Staff recommends OPR outline a strategy more clearly in a report, so the Subcommittee can perform further oversight of the issue in 2019.

SUPPLEMENTAL REPORTING LANGUAGE

The Office of Planning and Research shall provide a report on the how the State's Census 2020 effort will address language access issues by April 1, 2019. This report will include an identification of languages and populations where language access will be a challenge to a complete count, an assessment of the federal government's efforts to address language issues, and an articulation on how language gaps will be addressed by state and local efforts, including specific strategies for identified hard-to-count populations.

Staff Recommendation: Adopt Supplemental Reporting Language

ISSUE 4: PRECISION MEDICINE

The budget proposes trailer bill language to change the precision medicine program.

BACKGROUND

The Governor's budget includes $30 million for precision medicine and Trailer Bill Language that would transition the existing precision medicine program into a stand-alone non-profit corporation.

The proposed investment is a substantial increase over prior years. The 2014-15 budget first provided $3 million in one-time state funds for precision medicine research. The Legislature again provided $10 million in one-time funding for this purpose in 2016-17 and 2017-18.

In addition, the budget includes trailer bill language to create a nonprofit corporation called the California Institute to Advance Precision Health and Medicine with a governing board that includes the Director of OPR and 18 directors, 16 appointed by the Governor and 1 appointed by both the Speaker of the Assembly and Senate Rules Committee. The Administration comments that this new entity will transition from the initiative, hosted through an interagency agreement to a more sustainable and long-standing institute beginning in 2018.

STAFF COMMENTS

This is the third year in a row that the Subcommittee has considered Precision Medicine and funding has ultimately been included in the final budget. Staff believes this proposal is consistent with previous actions of the Subcommittee. However, it is unclear if changing the program structure is necessary.

Staff Recommendation: Hold Open.

8880 FI$CAL
0840 STATE CONTROLLER'S OFFICE

ISSUE 5: FI$CAL

The Subcommittee will revisit the Fi$Cal Project.

BACKGROUND

For decades, California's state accounting system was actually a fractured array of about 2,500 disconnected systems that were manually reconciled by staff in their independent systems to the State Controller's Book of Record (BOR). As a result, even simple accounting questions required extensive investment of staff time to research and answer or resolve accounting discrepancies. For example, on February 28, 2018 Assembly Budget Subcommittee #6 on Budget Process, Oversight, and Program Evaluation held a hearing that included a discussion of funding levels and spending on housing and homeless programs. Despite the work of two committee staff, the LAO, DOF, and the HCD over a period of five weeks, there were no clear answers on basic questions about expenditure levels for various state programs in housing. This problem arose because the data in the budget did not reconcile with the data provided by HCD, so there was not consensus on which funds were actually spent, and when. This example illustrates the fractured state of California's internal accounting.

In addition to having trouble interfacing these various systems, each department had evolved its own home grown accounting approach—an accountant in the Department of General Services would code expenditures differently than an accountant in the Department of Health Care Services. This made it difficult to compare departments and accounting staff had difficulty transferring between departments because their systems were so different. This lack of consistency between departments also meant there was no reliable department data to populate fiscal transparency websites, like those operated by Ohio and Texas, which has been the goal of many advocates for government oversight.

The State's core fiscal functions resided on stand-alone IT systems by different departments:

1. The State's Accounting General Ledger is managed by SCO.
2. The State Budget System in run by DOF.
3. Cash management is monitored by the Controller and the Treasurer.
4. Procurement is managed by the Department of General Services

In recognition of these important core functions, the FI$Cal Project is managed by a partnership of four control agencies—Department of Finance (DOF), State Controller's Office (SCO), State Treasurer's Office (STO), and the Department of General Services (DGS). However, the DOF has served as the primary champion for the project.

The FI$Cal Project was envisioned as a way to unify not only these major functions but include departmental functions as well, into one Enterprise Resource Planning (ERP) software suite. ERPs are the standard platform used by other large governmental entities and corporations to unify these different fiscal functions

While the Fi$Cal project included procuring a "commercial off the shelf" ERP suite and adjusting it to California's needs, most of the complexity of the project is not related to the technology. Instead, the biggest challenge to the project has been the administrative complexity of standardizing business processes across 160 departments and retraining thousands of employees to do their jobs in a new process using a new system. In February 2016, the project recognize this change by adopting SPR 6, which increased the project costs and extended the implementation timeframe to allow the project to address problems faced during implementation.

SPR 7

In January of 2018, Fi$Cal issued SPR 7, which further modified the implementation timeframe for the tail end of the Fi$Cal project and included a project end date in 2019. The main driver of the new proposal is the inability for the project to onboard the Controller's office's cash management into the system. As a result, the project is proposing a stop-gap "integrated solution" which will essentially use both Fi$Cal and the existing Controller legacy system for cash management. This approach will allow the State to use the functionality of Fi$Cal without forcing the Controller to use the system for their cash activities.

The proposed integrated solution resolves a reconciliation issue between the FI$Cal system and Controller's Book or Record. As departments transition their accounting activities on to FI$Cal, it creates errors in data conversion and human error that can impact their cash reporting. The integrated solution prevents these errors from impacting the integrity of our cash reporting and auditing.

In this solution, multiple interfaces will be built to enable the FI$Cal system and the Controller's legacy system to run in tandem. The integrated solution provides a way for the Controller to validate departmental numbers in FI$Cal against the legacy system to ensure accuracy and a workable cutover solution, with the opportunity to validate data prior to turning off the legacy system.

The budget includes $25.6 million ($15.1 million General Fund) through 2021-22 implementing the Integrated Solution that will be used by SCO until it is ready to transition onto FI$Cal.

This proposal also includes provisional language to allow DOF to monitor project progress and continue funding SCO in support of meeting the milestones identified within SPR 7.

LAO FINDINGS ON FI$CAL

- ***SCO and STO Integrated Solution Presents Some Risk.*** The State has experienced considerable challenges implementing IT projects successfully. Given that FI$Cal is extremely ambitious and complex, the risks associated with it are even more acute. This is especially true for the Integrated Solution. The successful implementation of the Integrated Solution depends on multiple interfaces between FI$Cal and SCO's legacy systems so that they can operate in tandem. Developing the interfaces is technically challenging. Should any of the interfaces operate incorrectly, the state's accounting and cash management data may not be accurate.

- ***Single Integrated Financial System No Longer Achieved Within Modified Scope of SPR.*** The principal objective of the FI$Cal Project is to develop a single IT system that integrates all of the state's financial management functions, including budgeting, accounting, cash management, and procurement. This vision was conveyed to the Legislature through prior SPRs and budget proposals. Ending the FI$Cal Project before SCO completely transitions onto FI$Cal means the original vision of the project will not be fully achieved. While the Integrated Solution allows for the accounting and cash management functions to take place in FI$Cal through interfaces, this is not the same as having a single system. SCO's reliance on the Integrated Solution will also hinder the state's ability to achieve some of the cost savings envisioned by the FI$Cal Project, as the state will have to continue to fund the maintenance and operation of SCO's legacy systems until it completely transitions onto FI$Cal. The state currently maintains and operates SCO's legacy systems at an annual cost of $1.3 million.

- ***Accountability Mechanism Necessary to Ensure SCO Transitions to FI$Cal . . .*** It is essential to the original vision of the FI$Cal Project that SCO fully transition to the FI$Cal system and decommission its legacy accounting systems. Pursuant to SPR 7, there is no assurances that SCO will ever fully transition to FI$Cal. In fact, SCO has recently indicated that it may maintain some part of its legacy systems even after it fully transitions to FI$Cal. SCO explains that it could do this either because some functionality will not be fully supported by FI$Cal or to maintain historical data. An accountability mechanism is necessary to ensure the original vision of the FI$Cal Project is achieved.

- ***. . . But Provisional Language Delegates Too Much Control to DOF.*** We think that oversight of SCO's transition onto FI$Cal is important. However, we find that giving DOF the unilateral authority to withhold appropriated funding on a quarterly bases is too frequent, delegates too much oversight authority and control to DOF, and may be disruptive to SCO's progress.

- ***FI$Cal Project Cost Should Include SCO Budget Proposal.*** The Governor's budget proposal for SCO anticipates spending a total of $25.6 million ($15.1 million General Fund) through 2021-22 implementing the Integrated Solution that will be used by SCO until it is ready to transition onto FI$Cal. The

Integrated Solution was developed in collaboration with various project stakeholders, including the FI$Cal partner agencies—SCO, STO, DGS, and DOF—and CDT. As this is the agreed upon solution to address the challenges with deploying the accounting and cash management functions, these costs should be considered part of the FI$Cal Project, and therefore be included within the total project cost for FI$Cal.

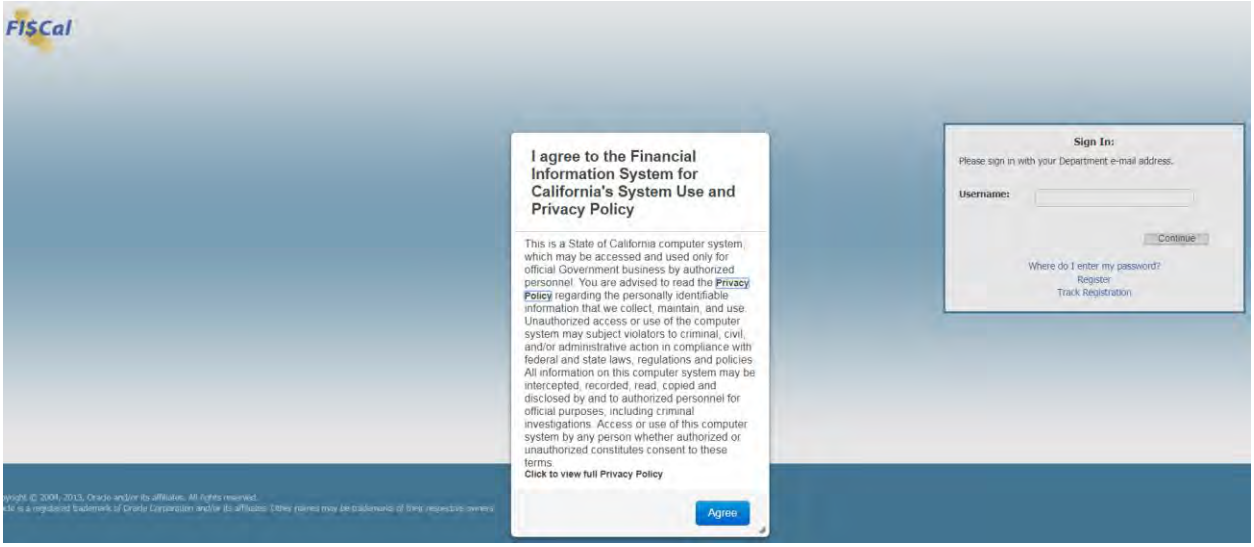
SCO BUDGET REQUEST

The SCO Integrated solution funding provides resources to allow the use of FI$Cal and the legacy cash management system over a period of four fiscal years, to provide a predictable and conservative transition of the functionality.

The Controller's Office has concerns that it will face barriers integrating reconciling cash management functions with departments that have not fully implemented the other functionality in FI$Cal. In specific, cash data depends on real-time financial information, but departments onboarding on the FI$Cal often struggle to stay current on accurate financial reporting due to overwhelming impact that implementation, training, and reconciliation has on department fiscal operations during implementation. The goal of the interim approach is to insure that both the State cash transactions are in sync with the FI$Cal transactions before transferring the functions. While this approach delays the integration of the two systems for four additional fiscal years, it also reduces the risk to the project and avoids large reconciliation efforts at the back-end of implementation.

STAFF COMMENTS

The FI$Cal system is operational and working in many areas already. In fact, the budget itself is built using this system and all staff on the Assembly Budget Committee have access:



But despite the progress, if the Controller's Office does not yet use FI$Cal system for cash management purposes, the FI$Cal project will have failed to meet the goal by the Legislature when the project was first approved. The state lacks reliable expenditure and fund balance data in real time because of the fragmentation of the existing accounting systems. As a result it is very hard to be really sure the State is really managing its money—and situations like the $54 million of funding hidden by the Department of Parks and Recreation are possible because the data is difficult to reconcile.

The proposed integrated solution reduces the overall risk the project and signals some welcomed forward momentum toward full completion of the functionality. The Subcommittee must continue to monitor this transition to insure that no further slippage of the timeline occurs.

Staff Recommendation: Approve as Budgeted

7502 CALIFORNIA DEPARTMENT OF TECHNOLOGY

ISSUE 6: DEPARTMENT OVERVIEW AND BUDGET PROPOSALS

The Department of Technology will provide a brief overview and present their budget proposal.

BACKGROUND

The Department of Technology has an array of different responsibilities, as summarized by this graphic, contained in the department's strategic plan:

Project Delivery

The Department is currently monitoring 24 projects with a total project cost of nearly $3 billion. Seventeen of these projects are reported to be on schedule and budget. The chart on the following page provides a list of these projects, along with a project status report:

Independent Project Oversight Report (IPOR) Rating

Green - Satisfactory, no corrective action necessary.
Yellow - Caution, risks/issues exist. There may be a need for corrective action in the near future.
Red - Escalated for immediate corrective action. There is a significant risk to the health of the project.
Blue - Not enough data is available to make a determination about the project health.
No Report Available - Indicates that a Report is not available for publishing for the reporting period.

View the Independent Project Oversight Report (IPOR) Rating Details

Department	Project Number	Project Name	Total Project Cost	Criticality Rating	Overall IPOR Rating
California Correctional Health Care Services	5225-146	Electronic Health Record System Project	$406,105,960	High	Green
Consumer Affairs – Regulatory Boards, Bureaus, Divisions	1111-001	Cannabis Licensing, Enforcement and Reporting (CLEaR)	$16,049,868	Medium	Green
Corrections and Rehabilitation, Department of	5225-170	Statewide Correctional Video Surveillance (SCVS)	$385,896,040	Medium	Green
Department of Conservation	3480-047	Well Statewide Tracking and Reporting (WellSTAR)	$72,422,844	Medium	Green
Department of Corrections and Rehabilitation	5225-157	Automated Re-entry Management System (ARMS)	$62,929,901	Medium	Green
Department of Corrections and Rehabilitation	5225-162	Career Technical Education (CTE)	$20,024,880	Medium	Green
Department of Fair Employment and Housing	1700-011	California Civil Rights System (CCRS)	$6,521,334	Medium	Green
Department of Health Care Services	4260-225	Provider Application and Validation for Enrollment (PAVE)	$68,953,386	Medium	Yellow
Department of Public Health	4265-056	Manufactured Cannabis Licensing System (MCLS)	$14,893,767	Medium	Green
Finance, Department of	8860-030	Financial Information System for California (FI$Cal)	$909,967,933	High	Yellow
Food and Agriculture, Department of	8570-084	CalCannabis Licensing	$17,451,991	Medium	Green
Food and Agriculture, Department of	8570-085	California Cannabis Track and Trace	$22,935,853	Medium	Green
Insurance, Department of	0845-042	CDI Menu Modernization Project (CMMP)	$21,391,153	High	Green
Motor Vehicles, Department of	2740-191	Centralized Customer Flow Management and Appointment System	$17,862,420	High	Green
Pesticide Regulation, Department of	3930-012	Product Registration Data Management System (PRDMS)	$6,909,505	Medium	Green
Public Health, Department of	4265-028	Women, Infants and Children Management Information System (eWIC-MIS)	$97,936,258	High	Green
Public Utilities Commission	8660-068	Transportation Carrier Application and Equipment e-Filing Portal (TCP)	$4,035,808	Medium	Red
Rehabilitation, Department of	5160-047	Enhanced Maintenance and Operations	$11,823,889	Medium	Blue
Secretary for California Health and Human Services Agency	0530-211	Child Welfare Services - New System (CWS-NS)	$420,744,069	High	Yellow
Secretary of State	0890-047	California Business Connect	$53,350,155	High	Yellow
Social Services, Department of	5180-153	County Expense Claim Reporting Information System (CECRIS)	$10,583,093	Medium	Red
Social Services, Department of	5180-186	State Hearings Appeals Case Management System (ACMS)	$18,843,759	High	Green
State Treasurer	0950-019	Debt Management System II	$19,773,758	High	Yellow
Tax and Fee Administration, California Department of	0860-094	Centralized Revenue Opportunity System (CROS)	$281,433,611	High	Green

Total Count : 24 **Total Cost : $2,968,841,235**

2018 BUDGET PROPOSAL

The California Department of Technology requests 5.0 positions and $4,661,000 ($1,463,000 ongoing) from the Technology Services Revolving Fund to augment the Security Solutions Unit within the office of Information Security in FY 2018-19. These resources reflect projected workload needs.

STAFF COMMENTS

This agenda item allows the Subcommittee to revisit previous discussions about IT project deliver and get the perspective of the Department of Technology. In addition, the Subcommittee may wish to revisit IT security issues, which were discussed in 2017.

Staff Recommendation: Approve as Budgeted.

ISSUE 7: STATE HUMAN RESOURCES WORKLOAD

The budget includes $1.8 million ($213,000 General Fund, $1.4 million Reimbursement, $161,000 Central Service Cost Recovery, and $32,000 Special Fund) and eight positions in 2018-19, and $1.9 million ($111,000 General Fund, $1.7 million Reimbursement, $83,000 Central Service Cost Recovery, and $32,000 Special Fund) in 2019-20, and ongoing to address Statewide Human Resources Workload in areas of training, retention, and recruitment.

BACKGROUND

Since 2015, the collective efforts of a wide variety of state agencies and departments have brought about significant improvements to the overall effectiveness of state government, as envisioned by the developers and leaders of Civil Service Improvement. CalHR has worked to successfully implement, improve, and modernize state government HR services. In some areas, CalHR lacks the resources necessary to fully achieve the desired outcomes of improvements that have been partially implemented thus far. This proposal enables CalHR to follow through on its commitment to fully modernize and improve HR services.

The resources will be allocated to the following Divisions:

Workforce Development Division

- *Statewide Training Center.* $759,000 Reimbursement (5.0 Training Officer IIs and 1.0 Office Technician-Typing).

Departments are looking to CalHR to provide more affordable statewide leadership development solutions to meet additional mandated training requirements for all levels of state leaders. Department directors are seeking CalHR's help in addressing their leadership succession planning challenges, which most departments list as one of their top risks as identified in the State Leadership Accountability Act (SLAA) process. CalHR's new policy requiring departments to have workforce and succession plans has created additional pressure on the STC as more departments are pursuing training options to address the leadership and staff development challenges identified in their new workforce and succession plans.

- *Learning Management System.* $330,000 ($188,000 General Fund and $142,000 Central Service Cost Recovery) in 2018-19 and $150,000 in 2019-20 and ongoing.

The STC is requesting one-time funding of $330,000, and ongoing funding of $150,000 to procure and customize a new LMS solution. The STC anticipates needing approximately $150,000 in future years for ongoing LMS maintenance and operations depending upon final configuration of the solution. CalHR needs to model the way by

quickly adopting one of the new Enterprise HR approved LMS solutions and expand STC operational effectiveness well beyond the limitations of the current e-Reg system. The new LMS system will provide the STC with the training modalities and tracking ability needed to support the new leadership and Lean statewide training programs.

- *Statewide Employee Engagement Program. $441,000 Reimbursement (1.0 Staff Personnel Program Analyst)*

In 2017-18, CalHR received $135,000 reimbursement authority to create a Statewide Employee Engagement Program that would procure vendor-hosted survey support for approximately 21 departments, representing 17 percent of the 123 departments that will ultimately benefit from this new service. In order to build the capacity to meet projected demand and ensure that all departments have the ability to use this new service to increase engagement and therefore organizational performance, this proposal expands program capacity in a phased approach.

Selection Division

- *Selection Hiring and Consulting.* $136,000 Reimbursement (1.0 Staff Personnel Program Analyst).

Current state selection and hiring practices, policies, and procedures are antiquated, cumbersome, and unable to meet high user demands for flexibility in hiring while remaining compliant with merit principals. CalHR's goal is to update selection and hiring practices, making them user friendly while providing for the high user demand necessary to fulfill department hiring needs. The requested staff will be able to dedicate the time necessary to accomplish the goal without redirecting staff from current mission critical duties.

Executive Office

- *Statewide Multimedia Vendor Services.* $165,000 ($25,000 General Fund, $89,000 Reimbursement, $19,000 Central Service Cost Recovery, and $32,000 Special Fund)

CalHR will establish a contract(s) for marketing and branding support, video production and other digital media services, to be managed through the Office of the Deputy Director of Communications. With this proposal, CalHR will have the ability to produce statewide recruitment materials to generate interest and drive prospective applicants to want to work for the State of California. Failure to establish uniform and consistent marketing materials and branding guidelines will limit the state in its ability to recruit and retain the best employees.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted.

EXHIBIT I

COMMITTEE MEMBERS
JIM NIELSEN, VICE CHAIR
JOEL ANDERSON
JIM BEALL
STEVEN M. GLAZER
HANNAH-BETH JACKSON
MIKE MCGUIRE
WILLIAM W. MONNING
JOHN M.W. MOORLACH
RICHARD PAN
ANTHONY J. PORTANTINO
RICHARD D. ROTH
NANCY SKINNER
HENRY STERN
JEFF STONE
BOB WIECKOWSKI
SCOTT WILK

CALIFORNIA STATE SENATE

COMMITTEE ON BUDGET AND FISCAL REVIEW

STATE CAPITOL – ROOM 5019
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COMMITTEE SECRETARY
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COMMITTEE ASSISTANT
MARY TEABO

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Agenda

May 22, 2018

1:30 p.m. - State Capitol – Room 4203

Budget Act of 2018
Overview of the Senate Budget Plan

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0650-001-0001 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

Issue 1: Transformative Climate Communities Reappropriation

Governor's Proposal. The May Revision proposes the creation of budget item 0650-490 to reappropriate the balances of Greenhouse Gas Reduction Fund appropriations for the Transformative Climate Communities Program from the 2016 and 2017 Budget Acts. This request includes provisional language that authorizes the Strategic Growth Council to transfer the reappropriated funds from the 2016 Budget Act to other agencies or departments for assistance in administering the Program.

Subcommittee Action. Neither Subcommittee 2 or 4 heard this item.

Staff Comments. The Transformative Climate Communities Program was created by AB 2722 (Burke), Chapter 371, Statutes of 2016, which directs the Strategic Growth Council to administer the program to fund the development of neighborhood-level projects to reduce greenhouse gas emissions in disadvantaged communities. $140 million was appropriated for the program in 2016. A further $10 million was appropriated in 2017. Projects funded by these appropriations were awarded on January 29, 2018. The encumbrance period for both of these appropriations expires on June 30, 2019. The Administration has indicated that, due to the size and complexity of the proposed projects, which may require input from other agencies and departments, a reappropriation is necessary to deliver the projects as awarded.

Staff Recommendation. Approve the reappropriation and provisional language.

Vote:

0890 SECRETARY OF STATE

Issue 2: Office of Elections Cybersecurity

Legislative Proposal. Subcommittee No. 4 heard a proposal requesting a $2 million General Fund ongoing augmentation to the Secretary of State's budget to support elections cybersecurity efforts. In a recent joint informational hearing on cybersecurity and elections a theme that emerged was that securing voting systems is a good first step to combat cybersecurity threats. This proposal would provide the necessary tools to support efforts to coordinate activities and information sharing between federal, state, and local officials, including county registrars of voters, about efforts to combat cybersecurity.

Subcommittee Action. The proposal was heard on May 3, 2018 and held open.

Staff Comments. This funding will support additional positions within the Secretary of State's office. These additional positions will act as liaisons to coordinate and collaborate with federal agencies, the public, and other stakeholders. The additional positions will also help to battle misinformation and monitor internal procedures.

Staff Recommendation. Approve as proposed.

Vote:

2660-001-0042 DEPARTMENT OF TRANSPORTATION

Issue 3: Capital Outlay Support Project Delivery Workload

Governor's Proposal. The May Revision requests a net increase of $203.1 million and 872 Full-Time Equivalents (FTEs) for the Capital Outlay Support (COS) Program over the Governor's January proposal. This includes an additional 393 additional state staff positions, 44 additional staff overtime positions, and 435 additional contract positions. This will result in a COS program with a total budget of $2.062 billion and 10,319 FTEs, including authority for 1,380 contract positions. The funding includes $1.2 million for a Department of General Services (DGS) study on Caltrans space needs, and $2 million to fund additional contract arbitration workload in the department's legal program.

This proposal also includes provisional language to provide flexibility between state staff and contracted resources when necessary.

Subcommittee Action. Subcommittee 2 heard, but did not take action on, this item.

Staff Comments. Capital Outlay is the funding mechanism for construction contracts and right-of-way acquisition for projects that preserve and improve the state highway system. The COS Program provides the funding and resources necessary to develop (design) and oversee the construction of projects. The passage of SB 1 (Beall), Chapter 5, Statutes of 2017, has led to a surge in funding for transportation projects. This has in turn resulted in a surge of COS workload at Caltrans. At the same time, the program is beginning to see increased retirements as the workforce has aged. Despite the increase in retirements, the department has indicated that the COS program is outpacing attrition with its hiring efforts.

Staff Recommendation. Approve a COS program budget of $2.026 billion. This includes funding for an additional 872 FTE positions in the program, including a total of $266.2 million for contract positions. This is a reduction of $36 million from the May Revision request, but a net increase of $167 million above the Governor's January budget request. Adopt provisional language requiring Caltrans to adopt a written hiring plan targeting 153 new hires per month, and to report to the legislature monthly on progress in meeting these hiring goals. Adopt provisional language allowing Caltrans to augment this request by up to $36 million should hiring and work plans require. Require the department to report on its progress in meeting both its hiring and workload delivery responsibilities as part of the January budget process.

Vote:

3760 STATE COASTAL CONSERVANCY

Issue 4: West Coyote Hills Open Space and Habitat Area

Legislative Proposal. This Legislative proposal includes an appropriation of $4.8 million Drought, Water Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68) funding and $40 million General Fund in order to acquire the West Coyote Hills Open Space and Habitat Area for purposes of natural resource and recreational restoration. In addition, the proposal includes trailer bill language that would direct the acquiring state agency to contract for an independent appraisal of the land that can be used as the basis for negotiating the fair market value of the property with its current owner.

Subcommittee Action. The subcommittee did not take action on this proposal.

Staff Comments. The West Coyote Hills property is one of the few remaining significant open spaces in suburban Orange County and the greater Southern California region. It has been identified as a significant habitat for threatened or endangered species, such as the Coastal Gnat Catcher. Once acquired and protected for public use, it will provide a major new recreational and outdoor use opportunity for people in the region who do not have easy access to this kind of natural resource.

The acquisition of the West Coyote Hills property represents a similar "one-of-a-kind" opportunity for a new urban park and recreational area as those already created in places like the Bay Area, Los Angeles, and San Diego.

The purpose of the trailer bill language is to ensure that the value of the property is set by an appraisal that is prepared independently of the seller and purchaser in order to protect the taxpayers and the public interest.

Staff Recommendation. Approve as proposed.

Vote:

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 5: California Indian Heritage Center

Governor's Proposal. In response to a concern raised by the Legislative Analyst's Office (LAO), the Governor proposes revised budget bill language related to the Governor's request for $100 million in General Fund to be deposited into the Natural Resources and Parks Preservation Fund for the preliminary plans ($4.7 million), working drawings ($4.7 million), and construction ($90.6 million) phases of the California Indian Heritage Center (CIHC) project in Yolo County.

The budget bill language would be amended to add subdivision (e) as follows:

> ***(e) The Department of Finance shall report to the Chairperson of the Joint Legislative Budget Committee, the chairpersons of the respective fiscal committees, and legislative advisers of the State Public Works Board 30 days prior to the proposed State Public Works Board approval of preliminary plans.***

Subcommittee Action. This issue was heard in Subcommittee 2 on May 17, 2018, and approved by the subcommittee on May 18, 2018.

Staff Comments. The LAO raised concerns that there would not be sufficient Legislative oversight and notification as this project moves forward. This revised budget bill language was provided by Department of Finance to address those concerns.

Staff Recommendation. Approve revised budget bill language.

Vote:

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 6: Multi-Benefit Flood Improvement Projects

Legislative Proposal. This Legislative Proposal adds budget bill language (BBL) to the Governor's request for a total of $94 million in FY 2018-19 to implement multi-benefit flood improvement projects. The funding will support existing staff and contract work needed to carry out the projects.

The budget bill language is as follows:

3860-301-6008
Provisions:

X. The amounts appropriated in Schedule 1 are provided for the following purposes: $52,000,000 for Lower Elkhorn Bypass Levee Setback/Bryte Landfill project; $6,000,000 for Paradise Cut project; $5,000,000 for Lower Yolo Bypass Fix-in-Place project; $3,000,000 for conducting a feasibility study for the Deep Water Ship Channel project; and $3,000,000 for environmental enhancement projects in the Yolo Bypass. Any request to shift funding between purposes identified in this provision shall require notification to the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee no later than 30 days prior to encumbering the funds.

Subcommittee Action. This issue was heard in Subcommittee 2 on March 15, 2018, as part of Issue 1: The Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2017 (SB5/Proposition 68) and approved by the subcommittee on May 17, 2018.

Staff Comments. The LAO raised concerns at the March 15th hearing regarding the insufficient opportunities for legislative oversight related to the Governor's proposal. Neither the Governor's Budget Change Proposal nor the Governor's proposed BBL include any firm documentation or accountability regarding how DWR will expend these funds, or how the Legislature can monitor if and how their expenditure plans might change.

As such, the LAO recommends adopting additional BBL that schedules out funding for specific projects. This would require DWR to notify the Legislature if it chooses to spend the funding in a different way than it is currently proposing, allowing the Legislature the opportunity to ask questions and raise concerns before such deviations are implemented. This would preserve flexibility for DWR to respond to changing conditions and circumstances throughout the year (such as changes to the availability of local or federal matching funds).

Staff Recommendation. Approve as proposed.

Vote:

3900 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 7: Sacramento Headquarters Space Optimization Project

Governor's Proposal. The May Revision proposes $22.9 million for Phase 1 of CalEPA's Sacramento Headquarters Space Optimization Project and provisional language to make sure the funds are available for encumbrance or expenditure until June 30, 2022.

Phase 1 will be funded by the Air Resources Board (ARB), the State Water Resources Control Board (SWRCB), the Department of Resources, Recycling and Recovery (CalRecycle), and the Office of Environmental and Health Hazard Assessment (OEHHA) as follows:

- ARB: $10.7 million from the Air Pollution Control Fund;
- SWRCB: $6.7 from various funds;
- CalRecycle: $5.4 from various funds; and,
- OEHHA: $87,000 from various funds.

The two-phase project will increase capacity by up to 1,100 cubicles to accommodate additional personnel from various boards, departments, and offices under CalEPA.

Subcommittee Action. This issue was heard in Subcommittee 2 on May 15, 2018.

Staff Comments. CalEPA looked at other options to accommodate staffing growth, including leasing additional space within the area. Leasing new space would incur greater upfront costs for tenant improvements and other relocation costs. Further, the new lease cost would be ongoing, whereas the current Sacramento headquarters will be owned by the state in 2023. Optimizing the current location appears to be the most cost-effective option.

Staff Recommendation. Approve as budgeted.

Vote:

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Issue 8: Transparency of Respite Policies and Protocols Trailer Bill Language

Legislative Proposal. The legislative proposal adds Trailer Bill Language (TBL) to require regional centers within the developmental services system to make public the tools and protocols used to implement respite policies.

Subcommittee Action. The subcommittee heard the issue on March 15, 2018, but took no action.

Staff Comments. Consumers and their advocates raised concerns at the March 15, 2018, hearing of Subcommittee No. 3 that regional centers had not made the policies and protocols used to implement respite policies available to the public. The 2017-18 budget removed the cap on the purchase of respite services.

Staff Recommendation. Approve placeholder TBL.

Vote:

5180 DEPARTMENT OF SOCIAL SERVICES – CHILD WELFARE SERVICES

Issue 9: Continuum Care Reform: Caregiver Emergency Assistance Payments and Trailer Bill Language: Long-Term Funding Solution

Governor's Proposal. The Governor's budget proposes an increase of $13.4 million federal Temporary Assistance for Needy Families (TANF) funds for counties to provide emergency assistance (EA) payments to families prior to their approval as resource families. Beginning July 1, 2018, the EA support would be provided for up to six months. Up to three months of EA payments would be provided beginning July 1, 2019.

Due to the fact that the resource family approval (RFA) process was taking much longer than the goal of 90 days, many families were going unpaid. The Legislature and the Administration included a short-term fix for families in an urgency bill, AB 110 (Committee on Budget), Chapter 8, Statutes of 2018. This provides at least 90 days of payments to caregivers who already have a child placed in their homes on an emergency basis while RFA approval is pending.

The Administration intends to continue using EA TANF payments, similar to those used under AB 110, for the purposes of paying families while they wait for RFA approval. This proposal differs from the AB 110 approach, however, with respect to the use of Approved Relative Caregiver (ARC) funding for relative caregivers and non-related extended family members (NREFMs). With this proposal, the state will pick up the EA cost share for federally ineligible relative caregivers and NREFMs. The language also includes a provision for a caregiver, who is currently receiving interim funding pursuant to AB 110, to continue such payments, for a period no longer than a combined total of six months, or until the RFA application is approved or denied.

Subcommittee Action. The subcommittee heard and discussed this item during its May 16, 2018 hearing and took no action.

Staff Comments. Advocates raise concerns that this language does not address what happens to a family if the family is still not approved within the timelines outlined, and the county can no longer access EA funds. Counties raise concerns about how this language may impact the "discount rate", which is a calculation that determines how much federal Title IV-E funds are reduced based on the amount of kids considered federally ineligible. Because this language allows for federally ineligible cases to be considered eligible while paid for with EA TANF funds, counties are concerned that this will drive up the discount rate and ultimately provide less funding for counties. Counties also raise concerns about the amount of manual work needed to provide data to the department on this issue.

Staff Recommendation. Approve funding as placeholder and approve trailer bill language as placeholder with the following modifications: 1) Adds language that addresses concerns about families who aren't approved beyond the six-month or three-month timelines and 2) Adds language that considers the impact on counties regarding the discount rate issue; and 3) Adds language that the department will work with the counties to determine the data available for reporting that minimizes additional manual work in advance of the data being available through automation.

Vote:

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 10: Youth and Family Civic Engagement Initiative

Legislative Proposal. The Martin Luther King Jr. Freedom Center and the Dolores Huerta Foundation request funding of $2 million General Fund ongoing for a Youth and Family Civic Engagement Initiative. The Initiative aims to reach middle and high school students from Fresno, Kern, Contra Costa, and Alameda counties.

Subcommittee Action. The subcommittee heard and discussed this item during its April 19, 2018 hearing and took no action.

Staff Recommendation. Approve $2 million General Fund one-time for expenditure over two years for the Martin Luther King Jr. Freedom Center and the Dolores Huerta Foundation to administer a pilot for the Youth and Family Civic Engagement Initiative, and approve trailer bill language to implement as placeholder.

Vote:

5225 CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION (CDCR)

Issue 11: Division of Fiscal and Business Services Trailer Bill Language

Legislative/Governor's Proposal. The Administration proposed, in their May Revision, trailer bill language to include a Division of Fiscal and Business Services under the Undersecretary for Administration and Offender Services. The revised language is:

"*12838.1 (a) There is hereby created within the Department of Corrections and Rehabilitation, under the Undersecretary for Administration and Offender Services, the following divisions: (1) The Division of Enterprise Information Services, the Division of Facility Planning, Construction, and Management, the Division of Fiscal and Business Services, and the Division of Administrative Services. Each division shall be headed by a director, who shall be appointed by the Governor, upon recommendation of the secretary, subject to Senate confirmation, who shall serve at the pleasure of the Governor.*"

Under the previous organizational structure, the Director of Administrative Services was responsible for the following offices (with the responsibilities in parentheses):

- Office of Fiscal Services (Budgets and Accounting)
- Office of Business Services, Human Resources (HR) (Human Resources Administrative Unit, Executive Appointments, Health and Wellness, Personnel Services, Workforce Planning, etc.)
- Peace Officer Selection and Employee Development (POSED) (Academy, Training, Office of Peace Officer Selection, etc.)
- Regulations and Policy Management Branch (RPMB).

The scope of the previous Director of Administrative Services position resulted in an increasingly high workload. In response, the CDCR internally reduced and reallocated the responsibilities to two Directors. Currently, the Division of Fiscal and Business Services, is responsible for Fiscal Services and Business Services and the Division of Administrative Services, is responsible for HR, POSED and RPMB. The new structure enables each of the now two Directors to have more detailed involvement in the responsibilities previously outlined.

Subcommittee Action. The proposal was not heard in Subcommittee 5.

Staff Comments. The CDCR and Department of Finance expressed that this division is an internal shift without any fiscal impact or any need for additional positions. The result of the internal shift is simply an allocation of internal workload. The associated trailer bill language makes statute consistent with the changes.

Staff Recommendation. Approve trailer bill language as proposed.

Vote:

6980 CALIFORNIA STUDENT AID COMMISSION

Issue 12: Cal Grant Awards for Accredited Private For-Profit Institutions

Governor's Proposal. The Governor's budget proposes to reduce the Cal Grant award for students attending Western Association of School Colleges (WASC)-accredited for-profit institutions—providing $8,056 for those students instead of the higher $9,084. This proposal would likely affect six institutions. The Governor's January budget recognizes $600,000 in total associated savings. Recently, the California Student Aid Commission updated cost estimates to $550,233.

Subcommittee Action. This item was heard on April 19, 2018, and was held open.

Staff Comments. In order for private for-profit institutions to participate in the Cal Grant program, they must have a federal student loan borrower's rate with 40 percent or less for undergraduate students, or be below the three year cohort default rate of 15.5 percent and above the graduation rate of 30 percent.

The Legislative Analyst's Office (LAO) compared graduation rates and student loan default rates for five WASC-accredited for-profit colleges with the averages for nonprofit colleges and California State University (CSU) campuses. The WASC-accredited for-profit colleges' graduation rates are on average lower than nonprofit colleges, but higher than CSU campuses. Regarding default rates on student loans, their rates on average are about one percentage point higher than nonprofit colleges and CSU campuses.

Staff Recommendation. Reject Governor's proposal, and increase the Cal Grant award for students attending WASC-accredited for-profit institutions to $9,084.

Vote:

6980-001-0001 CALIFORNIA STUDENT AID COMMISSION

Issue 13: Cal Grants for Private Nonprofit Colleges and Universities

Governor's Proposal. In January, the Governor proposed $7.9 million to maintain the private nonprofit Cal Grant award at $9,084 ($1,028 higher than the otherwise reduced level of $8,056) in 2018-19. To be able to receive the $1,028 differential in 2019-20, the Governor proposes trailer bill language to require the sector to accept at least 2,500 transfer students in 2019-20 who have earned an associate degree for transfer (ADT). The Governor proposes to increase this expectation to 3,000 in 2020-21. Beginning in 2021-22, the target number of transfer students without an ADT changes based on the percentage change in the number of total transfers the sector admitted in the prior year.

The May Revision modifies the January proposal, and instead:

- For the 2019-20 award year, the state's expectation of the number of ADTs accepted by private nonprofit institutions in 2018-19 is adjusted to 2,000, along with a requirement that the Association for Independent California Colleges and Universities report by April 2019 on the first cohort of accepted students to the Department of Finance.

- For the 2020-21 award year, the sector must accept at least 3,000, and in 2021-22 the sector must accept at least 3,500 ADTs, to maintain the award amount. For 2022-23 and each year thereafter, the target changes to become based on the percentage change in the number of total transfers the sector admitted in the prior year.

Subcommittee Action. Held Open.

Staff Recommendation. Adopt Governor's May Revision proposal, trailer bill to be modified as necessary.

Vote:

6980-001-0001 CALIFORNIA STUDENT AID COMMISSION

Issue 14: Cal Grant B High School Entitlement Award Estimates

Governor's Proposal. The Governor proposes updates to the Cal Grant B High School Entitlement awards estimates. The Governor requests an increase of $42.29 million above the May Revision estimate, for a total increase of $71.56 million above the Governor's January proposal.

Subcommittee Action. Approved the May Revision estimate of $29.27 million.

Staff Comment. The Cal Grant B High School Entitlement program provides tuition coverage for students after their first year of college, and up to $1,672 toward non-tuition expenses for up to four years. To qualify for the Cal Grant B award, financial eligibly criteria are: (1) a family income ceiling of $41,500 to $62,800, depending on family size, and (2) an asset ceiling of $76,500. Additionally, students must have graduated from high school within the last year, with a minimum high school grade point average of 2.0.

Staff Recommendation. Approve the updated Cal Grant B High School Entitlement award increase of $71.56 million.

Vote:

7100 EMPLOYMENT AND DEVELOPMENT DEPARTMENT

Issue 15: Unemployment Insurance Loan Interest Rate

Governor's Proposal. The May Revision proposes $300,000 to reflect an increase in interest due to the federal government for borrowing that has occurred to provide unemployment benefits without interruption.

Subcommittee Action. This proposal was not heard in subcommittee.

Staff Comments. The recent Great Recession resulted in unprecedented high unemployment rates in California and throughout the country, and as a result, the state experienced an increase in unemployment insurance (UI) claims from unemployed workers. Federal law provides for states that exhaust their UI trust fund reserves to receive loans from the federal government that must be repaid, generally with interest, so that benefits may continue to be paid without interruption. Beginning in January 2009, California has been borrowing from the federal government to ensure the payment of UI benefits to eligible unemployed workers. The remaining federal loans are projected to be fully repaid 2018, with the last interest payment due in September.

Staff Recommendation. Approve as proposed.

Vote:

7600-001-0001 CA DEPARTMENT OF TAX AND FEE ADMINISTRATION

Issue 16: Technical Change – Trailer Bill Language

Governor's Proposal. The May Revision proposes trailer bill language to align responsibilities for administration of programs between California Department of Tax and Fee Administration (CDTFA) and the Board of Equalization (BOE).

Subcommittee Action. This proposal was not heard by the subcommittee.

Staff Comments. The Taxpayer Transparency and Fairness Act of 2017 established the CDTFA in the Government Operations Agency and shifted most tax and fee administration activities of the BOE to the CDTFA. This language clarifies BOE's administrative authority for certain items, including the welfare exemption, the veterans' organization exemption, and changes in control and ownership of a legal entity. This language also transfers all civil service employees who are in roles related to these functions back to the BOE.

Staff Recommendation. Approve as proposed.

Vote:

7730-001-0001 FRANCHISE TAX BOARD

Issue 17: New Employment Credit

Governor's Proposal. The Governor's budget proposes trailer bill language to create a California Hiring Credit. This credit would be an expansion of the existing New Employment Credit. The new credit, calculated at the same 35 percent rate of qualified wages as the existing credit, would be expanded in several ways: by geography, industry, and the range of qualified wages. The new credit would be available for hires on or after January 1, 2019, and before January 1, 2024. The Administration estimates the cost associated with this revised New Employment Credit to be $50 million.

The May Revision proposes provisional language to establish the credit rate for 2018-19 at 35 percent.

Subcommittee Action. The subcommittee heard this proposal on April 12.

Staff Comments. The Administration's goals in revising the New Employment Credit make sense given the substantial underutilization of the existing credit. However, given that the existing credit was just one component of the state's overhaul of economic development incentives in 2013 and the significant underutilization, staff is continuing to assess all of the components of the Administration's proposal.

Staff Recommendation. Adopt placeholder trailer bill language to move forward the discussion surrounding the Administration's proposal.

Vote:

7730-001-0001 FRANCHISE TAX BOARD

Issue 18: Earned Income Tax Credit

Governor's Proposal. The May Revision proposes to expand the Earned Income Tax Credit (EITC) to working individuals who are aged 18 to 24 or over age 65. In addition, the qualifying income range for the credit is proposed to be expanded so that employees working up to full-time at the 2019 minimum wage of $12 per hour would qualify for the credit. This expansion of the credit is expected to cost about $60 million in 2018-19 and to benefit over 700,000 households.

Subcommittee Action. The subcommittee heard this issue on April 12.

Staff Comments. The 2015 budget enacted the state's first-ever EITC to help the poorest working families in California. The 2017 budget expanded the credit to include the self-employed and increased the income range so more individuals working up to full-time at the newly increased minimum wage will still qualify. For the 2017 tax year, EITC credits are on pace to hit $350 million and benefit around 1.5 million households.

Staff Recommendation. Approve the Governor's proposal. In addition, add $20 million and budget bill language to enhance outreach and free tax preparation services, as follows: 1) $10 million in a manner that emphasizes nonprofit and community-based organizations that provide increased awareness of the California EITC, 2) $9.8 million in a manner that emphasizes nonprofit and community-based organizations that provide free tax preparation assistance to eligible families and individuals, and 3) $200,000 for evaluation of the most effective outreach strategies to reach the targeted populations.

Vote:

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

Issue 19: Lease Notification Trailer Bill Language (TBL)

Legislative Proposal. The legislative proposal adds TBL to amend Government Code 13332.10 to clarify under which conditions the director of the department must notify the Legislature when the department intends to enter into a lease for the occupancy of a state agency. The proposed language will also require the department to submit a report to the Legislature no later than January 10 of each year that identifies all leases expected to expire during the subsequent fiscal year.

Subcommittee Action. A proposal related to this issue was heard and approved on April 19, 2018. However, concerns were raised as to how the Legislature was notified about the department's move to a new space.

Staff Comments. The related proposal requested an increase in the Department of Alcoholic Beverage Control's budget to absorb the costs for a new leased space. The budget proposal was approved. However, concerns were raised as to if the Legislature was receiving adequate notice when DGS enters into a new lease. The proposed TBL is meant to address those concerns.

Staff Recommendation. Adopt placeholder TBL.

Vote:

ITEMS PROPOSED FOR DISCUSSION AND VOTE

0000 STATE TAXES AND REVENUES AND LOCAL PROPERTY TAXES

Issue 20: State Taxes and Revenues

Legislative Proposal. The Senate's plan includes revenues estimated by the Legislative Analyst's Office (LAO) that are expected to be about $2.6 billion above the Administration's May Revision forecast over the three-year "budget window" period (2016-17 to 2018-19). The difference between the LAO and the Administration are largely based on assumptions regarding the personal income tax. The LAO forecasts healthy growth in taxable wages over the next few years, largely due to increased wages as a result of tightening labor markets. In addition, the LAO forecast includes a short-term boost in capital gains driven primarily by recent increases in stock market values. The LAO's personal income tax forecast is $3.7 billion higher than the Administration's, corporation taxes about $88 million lower, and sales and use taxes $758 million lower over the three years.

Subcommittee Action. This issue was not heard in subcommittee.

Staff Comments. The LAO forecasted revenue is based on a consensus national economic forecast and reflects reasonable assumptions regarding the underlying economy and expected growth trends over the next several years.

Staff Recommendation. Adopt the LAO's forecasted General Fund revenues for the 2018-19 budget, and incorporate these revenues for the purposes of calculating amounts for Proposition 2 debt payoff and reserve deposits.

Vote:

0000 STATE TAXES AND REVENUES AND LOCAL PROPERTY TAXES

Issue 21: Local Property Taxes

Legislative Proposal. The Senate budget plan includes estimates by the LAO of property tax revenues that are approximately $659 million higher than the Administration's across 2017-18 and 2018-19. This reflects the LAO's economic forecast, which indicates growth in construction and home prices that are somewhat offset by a modest slowdown in home sales. Local property K-14 tax revenue is forecast to be $21.4 billion in 2016-17, $22.4 billion in 2017-18 and $23.9 billion in 2018-19.

Subcommittee Action. This issue was not heard in subcommittee.

Staff Comment. The property tax revenues that the LAO assumes will benefit the General Fund by offsetting the state's obligation to satisfy the Proposition 98 guarantee with General Fund are higher than the Administration's estimates by approximately $163 million in 2017-18 and $496 million in 2018-19.

Staff Recommendation. Adopt the LAO's estimates for property tax revenues and allocations.

Vote:

0650-001-0001 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

Issue 22: California Complete Count – Census 2020

Legislative/Governor's Proposal. The Governor's budget proposes $40.3 million (General Fund) and 22.0 limited-term positions to staff the California Complete Count effort to complement U.S. Census outreach, focusing on hard-to-count populations. This funding will be appropriated in 2018-19 and available for the duration of a three-year effort crossing over fiscal years 2018-19, 2019-20, and 2020-21.

Subcommittee Action. Subcommittee No. 4 heard, but did not take action on this item.

Staff Comments. The Administration has indicated that almost three-quarters of the funds would be dedicated to a media campaign ($17 million) and working with local community based organizations ($12.5 million). Community organizations would conduct most of the direct outreach to individuals in hard-to-count populations to encourage them to complete the census.

Staff notes that, including $10 million provided in 2017-18, this proposal would bring total state funding for census-related activities to $50 million between 2017-18 and 2019-20. Due to the significant changes to the census, providing state funding to target hard-to-count populations is reasonable. However, the level of funding raises concerns. California is a large and diverse state with a notably expensive media market. Similar efforts have cost far more than $40 million. For example, the Covered California program has spent roughly $100 million per year in outreach.

Due to both the extreme importance of an accurate census to the state and the high cost of the necessary outreach, additional funding is warranted.

Staff Recommendation. Approve an additional $95 million for the California Complete Count effort, bringing the total to $135.3 million.

Vote:

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

Issue 23: State Project Infrastructure Fund

Governor's Proposal. The May Revision proposes the transfer of $630 million General Fund to the State Project Infrastructure Fund (SPIF) to support future phases of office building renovation projects in the Sacramento area.

Subcommittee Action. The proposal was heard on May 17, 2018 and held open.

Staff Comments. Due to concerns raised in the subcommittee hearing, the Legislature should consider language that would increase legislative oversight of the SPIF by requiring information to be shared with the relevant budget subcommittees of the Senate and Assembly in addition to the Joint Legislative Budget Committee.

Staff Recommendation. Provide $200 million per year for four years, for a total of $800 million. Year one funding in 2018-19 should come from General Fund. Funds from Proposition 2 should be used to fund years two, three, and four. In addition, adopt placeholder trailer bill language to increase accountability and oversight.

Vote:

CONTROL SECTION 6.10

Issue 24: Statewide Deferred Maintenance

Governor's Proposal. The May Revision requests that Control Section 6.10 be added in the amount of $1.067 billion ($1.06 billion General Fund and $7 million Motor Vehicle Account) for statewide deferred maintenance funding.

Subcommittee Action. The proposal was heard on May 17, 2018 and held open.

Staff Comments. Due to concerns raised in the subcommittee hearing, the Legislature should consider language that would increase accountability and legislative oversight of deferred maintenance projects. The language would extend the timeline for review of deferred maintenance projects and require lists of deferred maintenance projects to be shared with the appropriate budget subcommittees of the Senate and Assembly, as well as the Joint Legislative Budget Committee.

Staff Recommendation. Approve as budgeted, and adopt language to increase accountability and oversight.

Vote:

EXHIBIT J

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER JIM COOPER, CHAIR

THURSDAY, MAY 24, 2018
1:30 P.M. - STATE CAPITOL, ROOM 447

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7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

VOTE-ONLY ISSUE 1: INFORMATION TECHNOLOGY CLASSIFICATION CONSOLIDATION

On March 29, the Administration submitted a spring finance letter requesting $1.9 million ongoing ($921,000 General Fund, $271,000 federal funds, and $713,000 special funds and reimbursements) appropriation for 2018-19 for the ongoing increased costs resulting from the statewide IT Classification. EDD is proposing to fund this with a mixture of fund sources.

BACKGROUND

In June 2015, the State began an effort to consolidate IT classifications. The newly proposed classifications will transition approximately 36 current IT classifications into five rank-and-file IT classifications and four IT supervisory/managerial classifications. In developing the new IT classifications, the statewide team grouped classifications which have similar functions and/or salaries into one new classification. The consolidation of the classifications result in a salary increase to over half of the staff impacted by this change. The changes to the current classifications took effect on January 31, 2018. The number of positions impacted and the dollar calculations are provided in the table below:

Information Technology (IT) Classification Overview for State Fiscal Year 2018-19					
IT Classification		Number of Positions	Net Impact		Total
Prior	New		PS	Benefits	
Systems Software Specialist III (Supervisory)	IT Manager I	13	$9,204	$3,320	$12,524
Data Processing Manager II	IT Supervisor II	22	$264	$95	$359
Systems Software Specialist II (Supervisory)		1	$144	$52	$196
Systems Software Specialist II (Technical)	IT Specialist (Ranges A – C)	51	$8,568	$3,091	$11,659
Staff Information Systems Analyst (Specialist)		67	$578,880	$208,819	$787,699
Staff Programmer Analyst (Specialist)		38	$328,320	$118,435	$446,755
Systems Software Specialist I (Technical)		34	$294,576	$106,262	$400,838
Associate Systems Software Specialist (Technical)	IT Associate	4	$864	$312	$1,176

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve Spring Finance Letter.

VOTE-ONLY ISSUE 2: ACCOUNTING RESOURCES

EDD requests 15 positions and $6.9 million to provide resources to complete accounting transactions in its legacy system to meet federal reporting requirements necessary to provide unemployment benefits without interruption while also transitioning to the Financial Information System for California (FI$Cal). This includes up to $5 million for vendor services to manage this temporary additional workload and allow for successful transition to the new system. Funds will be funded equally by the Disability Insurance (DI) Fund and the EDD Contingent Fund for 2018-19.

BACKGROUND

EDD is one of the largest state departments with almost 8,000 employees at hundreds of service locations throughout the state and offers a wide variety of services to Californians under the Unemployment Insurance (UI), DI, Workforce Innovation and Opportunity Act, and Wagner-Peyser programs. EDD also handles the audit and collection of payroll taxes for 1.4 million employers and maintains employment records for more than 18 million California workers.

EDD is mandated to maintain a fully automated accounting and program cost accounting system utilizing a state uniform accounting and reporting system. Currently, the EDD maintains five legacy and two modernized financial information legacy systems. They include the Cost Accounting System (CAS), and two personal computer based systems. CAS is EDD's primary accounting system that captures monthly personal service expenditures, operating expenses and equipment expenditures, sub-grants, and benefit payment information. It also performs cost allocation and reports monthly program expenditures. Additionally, EDD maintains legacy procurement and asset management systems, which were used to manage the department's portfolio of capitalized and sensitive assets.

The FI$Cal project seeks to enable the state to combine various state entity's accounting, budgeting, cash management, and procurement operations into a single integrated financial management system. The project is being implemented by the Department of FI$Cal in releases, with some (mostly smaller) departments having implemented the project over the past two to three years, and a number of other (mostly larger) departments – including the EDD – scheduled to implement the project in 2018-19.

Based on the complex nature of EDD's legacy systems, combined with the varied programs and funding within EDD, resources are required in order to ensure as smooth a transition as possible without interruption to the vital services EDD provides to the people of California.

The EDD also provides administrative services for two other state agencies, the California Workforce Development Board, and the Labor and Workforce Development Agency. These two agencies would thus also be impacted when the EDD implements FI$Cal. This proposal improves the quality of financial compliance through FI$Cal by enabling EDD to meet all federal and state requirements.

With the transition of FI$Cal, current processes must be redesigned to adapt to the new system, and it is critical to have appropriate and adequate staffing. In addition, these resources will provide EDD's Fiscal Programs the resources to perform mandated federal and state reporting activities, grant management responsibilities, and financial audit assistance.

The EDD is also requesting $5 million for vendor services to manage this temporary additional workload and allow for successful transition into the new system. Specifically, to assist EDD with successful transition activities and ensure business processes conform to federal and state rules, the additional temporary vendor assistance supplements staff levels in order to adequately support implementation and post go-live operations.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Adopt May Revision proposal.

VOTE-ONLY ISSUE 3: ADJUSTMENTS FOR BENEFITS PROGRAMS

The May Revision proposes technical adjustments to various benefits programs.

BACKGROUND

Disability Insurance Program. For 2017-18, benefit payments are projected to decrease by $66.46 million from the level previously estimated in the October 2017 Revise. The proposed change includes a decrease of $95.49 million in benefit payments for the Disability Insurance (DI) program and an increase of $29 million in benefit payments for the Paid Family Leave (PFL) program. Total benefit payments are estimated to be $6.73 million, which includes $882.51 million for the PFL program. The DI program's Average Weekly Benefit Amount (AWBA) decreased from $565 to $560 and the PFL program's AWBA increased from $615 to $624.

For 2018-19, benefit payments are projected to increase by $172.07 million from the level previously estimated in the October 2017 Revise. The proposed change includes an increase of $75.76 million in benefit payments for the DI program and an increase of $96.28 million in benefit payments for the PFL program. Total benefit payments are estimated to be $7.51 million which includes $1.02 billion for the PFL program. The DI program's AWBA decreased from $609 to $600 and the PFL program's AWBA increased from $655 to $663.

Unemployment Insurance Program. For 2017-18, benefit payments are projected to decrease by $249.6 million from the level previously estimated in the October 2017 Revise. Total benefit payments are estimated to be $5.56 billion. Decreases are being driven by the slight decline in the unemployment level; despite an increase to the Average Weekly Benefit Amount (AWBA) from $321 to $323.

For 2018-19, benefit payments are projected to increase by $6.12 million from the level previously estimated in the October 2017 Revise. Total benefit payments are estimated to be $5.76 billion. The increase is driven by the AWBA increasing from $324 to $329, while the unemployment rate remains steady. The 2017-18 and SFY 2018-19 projected benefit amounts include a buffer of three percent for economic uncertainties. Without this buffer, benefits would decrease by $337.29 million in 2017-18 and decrease by $161.51 million in 2018-19.

School Employees Fund. The SEF is a joint pooled risk fund administered by EDD, which collects contributions based upon a percentage of total wages paid by public schools and community college districts. The contribution rate is calculated annually based upon the formula established per Section 823 of the California Unemployment Insurance Code. Money deposited in the SEF is used to reimburse the Unemployment Fund for the cost of Unemployment Insurance benefits paid to former employees of those school employers who have elected this option in lieu of paying the tax-rated method, as is required of private sector employers.

Local Assistance (disbursements) includes benefit charges and claims management fees. The estimated Local Assistance for 2017-18 is $3.53 million higher than reported in October 2017,for a total of $91.46 million. This increase is due to actual benefit charges that have come in higher than projected, as current year charges continue to come in at higher levels than the prior year, and the average weekly benefit amount (AWBA) rises. The estimated Local Assistance for 2018-19 is $8.86 million higher than the 2018-19 level reported in October 2017, for a total of $89.83 million. This increase is due to a change in assumption that benefit charges would decrease from current year to budget year as a result of anticipated lower wage levels and more stable school budgets. However, the AWBA has been rising and schools are facing budget uncertainty in the face of rising pension costs.

Unemployment Insurance Loan Interest Payment. The May Revision requests an additional $300,000 for the Unemployment Insurance Loan Interest payment. The outstanding loan is projected to be repaid in 2018 with our last interest payment of $10.6 million due in September 2018.

The recent Great Recession resulted in unprecedented high unemployment rates in California and throughout the country. Because of the dramatic increase in UI claims from these unemployed workers, the amount of regular UI benefits paid to unemployed workers in California nearly doubled during that time. Coupled with a financing structure that has not been updated since 1984, there was simply not enough revenue coming in to cover all of the benefit costs.

Beginning in January 2009, California has been borrowing from the federal government to ensure the payment of UI benefits to eligible unemployed workers. Federal law allows states to take advances to meet their benefit payment obligations, per Title XII of the Social Security Act. Interest costs on the outstanding loans cannot be paid from the UI Trust Fund, or by UI grant funds. Therefore, California borrowed from the State Disability Insurance Fund for the first two interest payments; and those loans must be repaid with interest by the General Fund. The subsequent interest payments have been made directly from the General Fund. Sections 303 and 1202 of the Social Security Act outline the states' requirements regarding UI loan interest.

As part of the American Recovery and Reinvestment Act, interest owed on borrowed funds was waived through December 31, 2010. Interest began accruing on January 1, 2011, and the resulting seven interest payments of $303.5, $308.2, $259.0, $217.4, $171.1, $111.3, and $49.8 million were made to the Department of Labor on September 30th of each year from 2011 through 2017, respectively.

STAFF COMMENTS

These are technical adjustments.

Staff Recommendation: Adopt May Revision proposal.

VOTE-ONLY ISSUE 4: LOCAL ASSISTANCE ADJUSTMENT BUDGET BILL LANGUAGE

The May Revision proposes provisional budget bill language to align budget authority with current federal allotments for local area activities, and to allow EDD to spend federal grant dollars for local youth programs if actual receipts are underestimated.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Adopt May Revision proposal.

VOTE-ONLY ISSUE 5: WORKFORCE INNOVATION OPPORTUNITY ACT DISCRETIONARY FEDERAL FUNDS

The Governor's May Revision proposes $60.4 million in state-level discretionary federal Workforce Innovation Opportunity Act (WIOA) funding in 2018-19, a $1.5 million decrease relative to 2017-18.

BACKGROUND

Federal law provides that a certain portion of federal WIOA funding, up to 15 percent, may be held by the state for "statewide workforce investment activities," while the remainder of WIOA funds are passed on to Local Workforce development boards to provide services to unemployed or underemployed adults and youth. The statewide funds are sometimes referred to as "discretionary funds." The actual amount of discretionary funds that may be reserved at the state level, subject to the 15 percent cap, depends on congressional appropriations.

The May Revision decreases funding for some previously funded items while making offsetting increases in other previously funded items.

- **SlingShot 2.0 Regional Plan Support:** Reduce by $3.1 million (a majority which were from carry over funds from 2016-17) for a total of $6 million. This supports regional leadership capacity for the implementation of WIOA regional plans in each Regional Planning Unit (RPU); support Regional Accelerators in the RPUs that build on existing Workforce Accelerator projects (described on the following page) and support new approaches and partnerships that accelerate employment for populations with barriers, including immigrants and/or ex-offenders; support Regional Organizers that assist RPUs in regional plan implementation, leadership coordination, SlingShot development, Workforce Accelerator coordination, and model sector initiatives; and support activities that may lead to the re-designation of multiple local workforce areas within an RPU to a single local workforce area.
- **Model Multiple-Employer Industry Sector Programs**: Reduce by $800,000 for a total of $2.2 million (funding in 2016-17 was approximately $2 million). Funds are awarded to local workforce regions to implement or advance model sector partnerships. Successful partnerships will emphasize job quality, immigrant integration, and commitment to the joint interests of employers and workers. Targeting key sectors identified in the regional plan, model partnerships will utilize proven earn and learn training approaches (such as incumbent worker training, paid internships, formal apprenticeship) and demonstrate leadership and investment from industry in partnership with labor, education, and community based organizations. Funds will also support technical assistance, intermediary training, and program assessment.

- **Service for In-School At Risk Youth:** Eliminate the program ($600,000), which was created last year. This program sought to expand youth services offered by state staff at local job centers, establish partnerships with other local agencies and community-based organizations, and educational institutions that work with youth. Staff notes that there are a variety of programs funded through the slingshot, and workforce accelerator programs that target and engage youth.

- **Regional Workforce Accelerator Program**: Increase of $200,000 for a total of $6.1. This program awards funds to local programs to test innovations that accelerate employment for populations with barriers to employment by more

effectively removing barriers and creating improvements in training and job placement. Emphasis is on development of new strategies among related organizations and/or cross-program and service alignment that can improve employment outcomes for formerly incarcerated/ex-offenders and immigrant populations and others with barriers to employment.

- **High Performing Boards:** Increase of $100,000. This program will be used to engage businesses and workforce partners regionally to develop sector strategies, build regional awareness of effective business engagement practices, and develop strategies to serve priority populations with barriers to employment. These funds will be used to meet the requirement of Senate Bill 698 (Lieu), Chapter 497, Statutes of 2011, which requires the Governor to establish, through the State Workforce Board, standards for certification of high-performance local workforce boards and to reserve specified federal discretionary funds for high-performance local workforce boards.

- **Administration and Program Services**: Increase of $2.7 million for a total of $37.4 million to fund (1) comprehensive services at ACJCC's, (2) audit, compliance and fraud prevention, (3) labor market information program, (5) local program oversight and technical assistance, (6) financial management and information technology, (7) WIOA implementation, (8) CAAL-Skills performance and participant data alignment, (9) CWDB administration, policy development and program partner coordination.

5940019 - Services to Bridge Education and Workforce Gaps for Targeted Populations			
Regional Workforce Accelerator Program: Focus on Ex-Offender and Immigrant Populations	$5.9	$0.2	$6.1
CalJOBS℠	$1.6	$0.0	$1.6
SlingShot 2.0: Regional Plan Support	$9.1	($3.1)	$6.0
High Performing Boards	$0.0	$0.1	$0.1
Model Multiple-Employer Industry Sector Programs	$3.0	($0.8)	$2.2
Governor's Award for Veterans' Grants	$5.0	$0.0	$5.0
Disability Employment Accelerator	$2.0	$0.0	$2.0
Services for In-School At Risk Youth	$0.6	($0.6)	$0.0
Total Services to Bridge Education and Workforce Gaps for Targeted Populations	**$27.2**	**($4.2)**	**$23.0**

LEGISLATIVE PROPOSAL.

Assemblymember Kevin McCarty proposes a pilot program administered by the Employment Training Panel, funded through WIOA, to award grants to at least one nonprofit and at least one Community College, for the purposes of case management, career technical education, and employment placement services for Special Immigrant Visa (SIV) refugees. Sacramento serves over 50 percent of this population in the state and the language reflects a way to opens the RFP to everyone but specifies the county that serves, and is anticipated to serve, the most SIVs.

STAFF COMMENTS

There is no language prohibiting the use of the WIOA discretionary funds for other programs beside those that are listed. It is staff's understanding that Slingshot 2.0 is being phased out and that regional plans established through the Slingshot 2.0 program should already be incorporated into the regular work of these other programs. For those reasons, staff would recommend using the Slingshot 2.0 program to fund this request.

Staff Recommendation: Reduce the Slingshot 2.0 Regional Plan Support to $1 million, Provide $5 million for the Refugees Career Pathways and placeholder trailer bill language, approve the remaining May Revision proposal items.

VOTE-ONLY ISSUE 6: BREAKING BARRIERS IN EMPLOYMENT FOR ADULTS WITH AUTISM PILOT PROGRAM

This budget proposal proposes workforce development fund dollars to create a three-year pilot program under the California Workforce Development Board to do all of the following:

- Develop a manual to train employers in building workplace capacity for individuals with autism; and
- Implement free employer trainings in Sacramento and Los Angeles counties based on the developed manual.
- Recruit and train young adults with autism to participate in the program, developing their self- advocacy and leadership abilities. Participating youth will receive payment for their involvement in the program.

BACKGROUND

Autism Spectrum Disorder (ASD) is the fastest growing developmental disability in the United States. It is a life-long disability that can cause developmental problems in the areas of social interaction, speech, language, communication, and behavioral functions. Seventeen years ago, 1 in 150 children were born with ASD; today it is1 in 68.

As young adults with ASD age out of the K-12 education system, they find that access to support services begin to dwindle. Many are forced to live with their parents, never reaching full independence. According to a 2013 report published in the Journal of the American Academy of Child and Adolescent Psychiatry, unemployment and underemployment for young adults with autism is estimated at 90% nationwide.

While multiple factors can be attributed to the low employment numbers for young adults with ASD, a fundamental component is a lack of understanding of ASD. For instance, many employers, and society at large, have a misperception that individuals

with ASD are not able to hold careers – focusing on their social disabilities, rather than seeing their strong abilities for specialized tasks. Individuals with autism can possess extremely high intellect and be very valuable assets to companies when given the opportunity.

However, most employers are unfamiliar with the specific characteristics associated with ASD and thus are unaware of specific employment techniques and strategies that can be instituted with employees to help maximize productivity and increase opportunities for sustained employment. Proper education, outreach, and training of employers can help them take affirmative action to recruit, hire, promote, and retain individuals with autism.

Furthermore, it is critical that the State engage young adults with autism in outreach and education efforts. They can directly help dispel myths, reduce stigma, and educate employers. This will not only increase employment opportunities, it will also promote self-advocacy and leadership in these young adults – other critical components to long-term success.

STAFF COMMENTS

Assemblymember Rubio has requested funding in the amount of $1.5 million.

Staff Recommendation: Provide $1.5 million for a three-year pilot program.

8260 CALIFORNIA ARTS COUNCIL

VOTE-ONLY ISSUE 7: ARTS COUNCIL LOCAL PLANNING AUGMENTATION

The California Arts Council (CAC) requests a one-time augmentation of $5 million for local assistance in 2018-19 and provisional language to make this funding available for expenditure for three years, and authority to transfer up to $250,000 of this amount for administrative costs. These funds will allow the CAC to meet the increased demand in all existing grant programs. Additionally, the administrative resources will allow the CAC to conduct an evaluation of the entire CAC grant program portfolio.

BACKGROUND

This item was heard at the May 17, 2018, hearing. Assemblymember Chu requested to increase the Arts Council funding by $10 million ongoing.

Staff Recommendation: Increase CAC by $5 million over the May Revision and adopt provisional budget bill language.

7501 DEPARTMENT OF HUMAN RESOURCES

VOTE-ONLY ISSUE 8: STATEWIDE TRAINING CENTER TRAILER BILL LANGUAGE

The May Revision includes trailer bill language to allow all public employees access to state training programs.

BACKGROUND

The California Department of Human Resources (CalHR) is responsible for ensuring the State is meeting the training needs of its workforce. Since 2013, CalHR's Statewide Training Center has been creating a centralized training infrastructure with the capability to provide a variety of new civil service-taught training solutions along with its vendor offerings. The Statewide Training Center is a reimbursable program funded through the tuition charged to the employers of the class participants.

Since CalHR provides best practices training programs, there is occasional demand for public employees outside of the Executive Branch to seek participation in training classes through the Statewide Training Center. Although CalHR's focus in on the development of the state's workforce there is no reason that all public employees should not benefit from the affordable programs developed and offered by the Statewide Training Center when capacity permits.

This trailer bill would ensure that all public employees could take advantage of the state's training programs by expressly stating the CalHR has the authority to provide training to any public employee and collect registration fees from their employing entity without the need for an interagency agreement.

STAFF COMMENTS

This item was heard at the May 17, 2018, hearing. Concerns about the trailer bill language were addressed during committee.

Staff Recommendation: Adopt placeholder trailer bill language.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

VOTE-ONLY ISSUE 9: BUDGET BILL LANGUAGE

The Governor's budget proposes a change to budget bill language relating to 2240-101-3317 and 2240-101-6082 relating to SB 2 and the Veteran's Housing and Homelessness Prevention Program.

BACKGROUND

The current language includes a provision that funds appropriated "… be available for liquidation of encumbrances and expenditures…" This language is confusing and incorrect. In order to clarify, the Governor's budget requests a technical change to remove "and expenditures".

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Adopt placeholder budget bill language.

VOTE-ONLY ISSUE 10: GATEWAY CITIES COUNCIL OF GOVERNMENTS—HOUSING STRATEGY ASSESSMENT

The Gateway Cities Council of Governments (COG) represents 27 cities in southeast Los Angeles County and is a sub-region of the Southern California Association of Governments. The Gateway Cities COG seeks $50,000 to develop a housing strategy assessment for its region. The assessment would provide recommended strategies that will help local governments there produce housing, reduce homelessness, and receive the support they need to do this. The Gateway Cities COG is looking to develop housing strategies that will help its region meet state policy goals for housing production, while integrating other state efforts such as policies to address climate change and improve transportation.

Staff Recommendation: Approve one-time General Fund grant of $50,000 to the Gateway Cities Council of Governments to develop a housing strategy assessment.

VOTE-ONLY ISSUE 11: SB 35 TECHNICAL CLEAN UP LANGUAGE

SB 35 was part of the 2017 Housing package. There are additional technical clean up provisions that are needed by the Department of Housing and Community Development and local governments in order to implement the measure. This item adopts placeholder trailer bill language to implement agreed upon technical provisions to implement SB 35.

Staff Recommendation: Approve placeholder trailer bill language.

VOTE-ONLY ISSUE 12: STATEWIDE HOUSING PACKAGE AND TRAILER BILL LANGUAGE

The budget provides $538.3 million from various funds and 81 positions in 2018-19, $739.9 million and 128 positions in 2019-20, and $796.1 million and 146 positions in 2020-21 and 2021-22, and $796 million and 145 positions in 2022-23, and ongoing to implement recent legislative changes.

BACKGROUND

This item was heard at the April 3, 2018, hearing. At the time of the hearing, the Administration was still working on trailer bill language. Under the Governor's plan, the funding from SB 2, about $125 million is proposed to go to the California Emergency Shelter Grant (ESG) Program.

STAFF COMMENTS

Staff recommends approval of the resources included in this proposal. Staff also recommends that the Subcommittee continue to monitor the progress of the staffing plan at HCD.

Further staff recommends a 50/50 split of funding for the Governor's CA ESG model and funding to the Housing for Healthy California program under AB 74.

Staff Recommendation: Approve as budgeted and adopt placeholder trailer bill language that would provide a 50/50 split of funding for the California ESG program as outlined by the Administration and funding for Housing for Healthy California under AB 74.

VOTE-ONLY ISSUE 13: MEADOWVIEW AREA PROPOSAL

This proposal would provide resources for economic development, neighborhood revitalization and community investment for the Meadowview area.

BACKGROUND

According to the Sacramento County Blue Ribbon Commission Report on Disproportionate African American Child Deaths 2013, of the 486 African American child deaths from 1990 through 2009 in the four categories of third-party homicides, infant sleep-related, child abuse and neglect homicides and perinatal conditions, 81 percent (392 of 486) are from six primary Sacramento County neighborhoods. These neighborhoods are the most disproportionate relative to the ratio of the child population. The top neighborhood with the largest number and percent of African American child deaths in the four categories was the Meadowview neighborhood with 182 deaths or 37 percent.

This proposal would provide resources for economic development, neighborhood revitalization and community investment for the Meadowview area.in the amount of $6 million and an additional $500,000 for law enforcement candidate training at Sacramento State.

Staff Recommendation: Approve $6.5 million for job training and economic development for the Meadowview area.

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

VOTE-ONLY ISSUE 14: PRISON TO EMPLOYMENT AND AB 1111 FUNDING

The budget provides $16 million General Fund in 2018-19, and $20 million in 2019-20, to better link education and job training in prison to post-release employment; integrate services of reentry service providers and career centers; and fund regional integration, direct services, and post-release supportive services.

BACKGROUND

This item was heard at the March 13, 2018, hearing.

The Prison to Employment Initiative proposes $36 million, over two years, to fund regional and local planning, implementation of regional and/or local plans to integrate reentry and workforce services, direct services to the formerly incarcerated, and post-release supportive services grants. These grants will go to Regional Planning Units and their partners to accelerate the alignment of correctional education and training and increased workforce system collaboration by achieving the following objectives:

- Better link education, job training, and work experience in prison to post-release jobs
- Integrate the services of 181 reentry service providers and 200 America's Job Centers of California (AJCC) career centers using the regional plans from the 14 Regional Planning Units.
- Fund regional integration, direct services, and post release supportive services provided by partners.

Last year, AB 1111 (E.Garcia) established the Breaking Barriers to Employment Initiative for the purpose of assisting individuals who have multiple barriers to employment. However, this program did not receive funding in the 2018-19 budget.

STAFF COMMENTS

Both programs will help break down barriers to employment. Staff recommends supplemental reporting language in order to measure the effectiveness of both programs moving forward. Additionally, since the Prison to Employment initiative focuses on formerly incarcerated, staff recommends that funding for AB 1111 exclude formerly incarcerated for the first two years of funding.

Staff Recommendation: Approve as budgeted the Statewide Prison to Employment Initiative, fund AB 1111 at $25 million (General Fund) for a two year period, provide supplemental reporting language for both programs, and adopt placeholder trailer bill language.

7320 PUBLIC EMPLOYMENT RELATIONS BOARD

VOTE-ONLY ISSUE 15: BUDGET AUGMENTATION

This item was heard at the March 13, 2018, hearing. The Public Employment Relations Board (PERB) is a quasi-judicial administrative agency charged with administering the eight statutes that establish the collective bargaining process for about 2.3 million governmental employees in California. Such disputes include “unfair labor practice” claims. Section 3541 of the Government Code establishes PERB and specifies that the board “shall be independent of any state agency.” For January through March 2018, it takes about 165 days to process Office of the General Counsel cases, which directly affect the workload of the Division of Administrative Law. PERB reports it takes about 117 days to process cases at the Division of Administrative Law. PERB also notes that there are 37 cases, which are over one year old.

Staff Recommendation: Approve an additional $5 million ongoing General Fund.

VOTE-ONLY ISSUE 16: NEW EMPLOYEE ORIENTATION

The Legislature adopted AB 119 (Committee on Budget), Chapter 21, Statutes of 2017, which required certain public sector entities to allow public section representatives to present to employees during new employee orientation and provide employee contact information to the representative entities. However, some employees were inadvertently not included in the bill.

Staff Recommendation: Adopt placeholder trailer bill language regarding technical clean-up for employee orientation.

VOTE-ONLY ISSUE 17: KERN HOSPITAL AUTHORITY

The Legislature approved AB 2546 (Salas), Chapter 613, Statutes of 2014, which authorizes the Kern County Board of Supervisors to establish the Kern County Hospital Authority to manage, administer, and control the Kern Medical Center (KMC), and for the operation of additional programs, facilities, care organizations, physical practice plans, and delivery systems, and specifies the new Authority's governance, powers, and procedures. The language also contains extensive provisions relating to the Authority's effects on current KMC and County employees, including benefits, seniority, and retirement. However, additional language is needed to clarify legislative intent regarding benefits.

Staff Recommendation: Adopt placeholder trailer bill language to clarify legislative intent.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

VOTE-ONLY ISSUE 18: DOMESTIC WORKERS

This proposal would provide $5 million to create a co-enforcement program, under which Division of Labor Standards Enforcement (DLSE) would provide grants to specified community groups for education and training needed for outreach to the domestic work sector. DLSE also would be required to create and maintain a resource hub and helpline on DIR's website. This co-enforcement program will empower workers and provide resources for community groups to help inform a primarily immigrant workforce on their rights.

BACKGROUND

Domestic workers, who are primarily immigrant women, have historically been excluded and denied basic protections afforded to other workers. AB 241 (Ammiano, 2013) enacted the Domestic Worker Bill of Rights that granted overtime compensation to specified domestic workers after 9 hours in one day and 45 hours a week. Two years ago, SB 1015 (Leyva, 2016) extended domestic workers the permanent right to overtime pay.

According to a report from the UCLA Labor Center, 16 percent of households or two million households in California employ domestic workers to provide care for children, housecleaning, and support for seniors and people with disabilities. By 2022, the number of personal care aides in California will have increased by 52 percent to over half a million workers.

The National Domestic Worker Alliance reported that 25 percent of domestic workers are paid below the California minimum wage for a number of reasons that include poorly delineated tasks, long workdays, and low pay. The median hourly wage for the domestic worker surveyed was $10 an hour. The report argues that while not all domestic work employers treat their employees poorly, the lack of enforceable standards increases the likelihood of mistreatment.

Despite the extension of new protections, domestic workers continue to experience substandard working conditions and domestic employers are often not aware of the labor laws that govern their homes. The current climate of fear stemming from escalated immigration enforcement also disproportionately impacts the domestic work sector.

The co-enforcement model is a collaboration between state and local labor standards agencies with worker centers and other community groups to improve compliance and enforcement. This is done by training worker and community groups in the law and using their networks and cultural and linguistic competence to improve outreach to low-wage workers in ways that increase worker awareness of their legal rights at work and increase worker power to demand decent conditions at work.

A successful co-enforcement case study involved a popular San Francisco dim sum restaurant, Yank Sing. The Chinese Progressive Association (CPA) and Advancing Justice-Asian Law Caucus (ALC) worked closely with SF Office of Labor Standards Enforcement (OLSE) and the California Division of Labor Standards Enforcement (DLSE) to achieve a $4.25 million settlement and complete workplace transformation for nearly 300 workers. Many workers were afraid to talk with agency staff so the CPA and AAAJ-ALC helped organize the claimants, educate the workers' on wage laws and their rights, and turned workers into leaders during the campaign.

DLSE has engaged in other co-enforcement partnerships, including contracting with the Wage Justice Center (WJC) to enforce unpaid judgments. WJC has collected over $8.25 million on behalf of 5,500 workers over several years. Commissioner Su credits community partners for the increased strategic enforcement now possible with co-enforcement. DLSE also uses community partnerships to identify workers for

complaints and communicate more effectively. For example, DLSE partnered with the Community Labor Environmental Action Network (CLEAN) in Los Angeles to enforce labor laws among the city's carwashes. Such practices increase the efficient utilization of DLSE's limited resources and build trust in vulnerable communities.

Co-enforcement has provided worker groups some funding, legitimacy, and a direct connection to enforcement agencies so that vulnerable workers can have real power. Co-enforcement also offers a way to educate and connect enforcement agencies to the underground and low-wage economy and the marginalized workers who are often beyond the reach of conventional enforcement efforts. Co-enforcement is a win-win-win for workers, community organizations, and for government seeking an effective and efficient way to enforce laws in low-wage sectors.

Staff Recommendation: Adopt $5 million for co-enforcement program for domestic workers, require DIR to host a hub of information for domestic workers on their website and create a hotline for domestic workers.

0845 DEPARTMENT OF INSURANCE

VOTE-ONLY ISSUE 19: SAN FRANCISCO DEPARTMENT OFFICE

The Department of Insurance needs statutory flexibility to reflect possible changes to its office location in the Bay Area.

BACKGROUND

Current law requires the Department of Insurance to operate office locations in Sacramento, Los Angeles, San Francisco, and San Diego. The Department has been informed that it will lose its lease for its San Francisco location.

The Department may not be able to renew secure space in San Francisco and may need to relocate to Oakland given existing real estate market conditions. The Department of Finance has requested trailer bill language to broaden the location requirement to the Bay Area to accommodate this reality.

STAFF COMMENTS

The proposed language would be a placeholder to allow discussion around making the other geographic designations for offices more regional, rather than identifying aa specific city.

Staff Recommendation: Adopt Placeholder Trailer Bill

VOTE-ONLY ISSUE 20: CAPITAL OUTLAY PROPOSALS: SACRAMENTO REGION

The Governor's Budget proposes four Projects in the Sacramento Region. The total cost of all four projects is estimated to be $1.3 billion with $30.4 million in General Fund costs estimated in the current year. These projects are all part of the 10-Year Sequencing Plan put forward by DGS to address the infrastructure needs of the Sacramento Region.

BACKGROUND

1. **State Printing Plant Demolition.** DGS requests $815,000 General Fund for the working drawings phase of the State Printing Plant Demolition project. Total project cost is estimated to be $16.4 million ($909,000 for preliminary plans, $815,000 for working drawings, and $14.7 million for construction). The project includes demolition and hazardous material mitigation of the 17-acre property to prepare it for new office space development.

   Since the mid-1990s, the State has targeted the 17.3-acre parcel on which the existing Printing Plant is located for future office development. The existing State Printing Plant located at 344 North Seventh Street in Sacramento was built in 1954 and has well-documented health and safety, infrastructure and programmatic deficiencies. The Office of State Publishing is in the process of programming replacement space with the intention of using leased facilities for the new Printing Plant. Leased space is more appropriate due to the changing nature of the printing industry. The DGS sponsored 2008 Sacramento Region State Office Planning Study updated in 2015 per legislative requirements, identifies the Printing Plant site as a desirable office development area. The site is well situated to transit, offering another benefit for office development; and offers an attractive solution to meeting the state's identified need for new and/or renovated office space. Before office development can occur, demolition of the existing structures and hazardous materials clean up, including removing/replacing contaminated soil, must take place.

2. **New Richards Boulevard Office Complex**. DGS requests $18 million General Fund for the performance criteria phase of a new Richards Boulevard Office Complex project. Total project cost is estimated to be about $1 billion ($18 million for performance criteria and $1 billion for design-build).

   This project would construct a new office campus of approximately one million net usable square feet on the state property at the corner of Richards Boulevard and North Seventh Street, the current site of the State Printing Plant. The demolition of the State Printing Plant, scheduled for completion in early 2021, will create a vacant state-owned clean parcel on which to develop office space to house agencies currently located in leased space or in buildings requiring renovation.

The proposal to develop an office complex on the site will create a future opportunity to relocate business, consumer services and housing agency departments out of leased space, as well as relocating the California Department of Tax and Fee Administration staff out of the 450 N Street Building and other leased space. The complex would consist of four buildings, and include office space, retail and childcare.

3. **Gregory Bateson Building Renovation.** DGS requests $5.2 million General Fund for the performance criteria phase of a project to renovate the Gregory Bateson Building. Total project cost is estimated to be $161 million ($5.2 million for performance criteria, and $155.8 million for design-build).

   This project would renovate the historically significant Gregory Bateson Building located at 1600 Ninth Street in Sacramento. Infrastructure studies and building assessments conducted in 2008 and 2015 found a variety of deficiencies within the Bateson building. The building is ranked fifth statewide for state owned, DGS-controlled office buildings requiring renovation or replacement.

   The building contains approximately 215,000 net usable square feet. The current occupants, the Health and Human Services Agency, Department of Developmental Services, and Department of State Hospitals, will be relocated to the New O Street Office Building in March 2021. Proposed tenants for the renovated Bateson Building include California Natural Resources Agency departments from leased space that are not consolidating into the New Natural Resources Agency Headquarters Building.

   The project includes renovation of all major building systems, applicable reinstatement of energy systems, and corrections to ADA and fire and life safety deficiencies. The mechanical, plumbing, electrical, and telecommunications systems will be replaced. In addition, repairs to prevent water intrusion and hazardous material abatement will be performed. A security officer station and physical barriers also will be placed at one of the building entrances.

4. **Jesse Unruh Building Renovation.** DGS requests $6.3 million General Fund for the performance criteria phase of a project to renovate the historic Jesse Unruh Building. Total project cost is estimated to be $89.8 million ($6.3 million for performance criteria, and $83.5 for design-build).

   This project would renovate and restore the Jesse Unruh Building, which was ranked ninth in the statewide rankings for buildings needing renovation or replacement. Infrastructure studies conducted in 2008 and 2013 identified several deficiencies within the building. The building contains approximately 125,000 net usable square feet. The current occupants of the building include the State Treasurer's Office (STO) and the California State Transportation Agency. The STO will be returned to the building.

The project includes renovation of all major building systems, restoration of historic elements, and corrections to ADA and fire and life safety deficiencies. The mechanical, plumbing, electrical, and telecommunication systems will be replaced. Other project elements include elevator replacement, roof and window replacement, repairs to exterior terra cotta, and lead paint and asbestos abatement.

STAFF COMMENTS

These proposals build upon the discussion last year about the state infrastructure in the Sacramento region. The ability for DGS to renovate and update buildings relies on the sequencing of these projects. DGS cannot renovate buildings without swing space for existing building residents.

However, staff feels that the sequencing plan is incomplete if DGS does not incorporate facilities that house legislators and legislative staff into the plan. The work on the State Office Building Strategy could be done at the same time as some of the other projects and DGS should maximize swing space for the Sacramento region as a whole rather than piecemeal.

Staff Recommendation: (1) Approve resources as budgeted; (2) Amend sequencing plan to require DGS, in consultation with the Legislature's Join Rules Committee to incorporate facilities that house legislators and legislative staff into their downtown sequencing plan; and (3) Adopt placeholder TBL to authorize lease revenue bonds to finance the reconstruction of the State Capitol Annex and buildings related to the Annex project, which will be utilized only in the event that financing is not available from other sources (such as Proposition 2 infrastructure funds).

VOTE-ONLY ISSUE 21: STATE PROJECT INFRASTRUCTURE FUND

The Assembly will conform to the State Project Infrastructure Fund to the overall architecture of the Assembly's budget plan.

BACKGROUND

The May Revision proposes transferring $630 million from the General Fund to the State Project Infrastructure Fund (SPIF)—first established in the 2016-17 budget—to support future phases of office building renovation projects in the Sacramento area. The SPIF is continuously appropriated for the renovation and construction of state buildings, including the State Capitol Annex. The May Revision anticipates using the $630 million transfer to fund parts of planned downtown state building projects.

STAFF COMMENTS

The LAO has concerns with the SPIF, finding that it limits legislative oversight. Accordingly, the LAO recommends modifying the SPIF statute so that the fund is no longer continuously appropriated.

In order to fit achieve the funding level projected in the budget, staff recommends reducing the proposed transfer to the SPIF to $200 million in 2018-19. In addition, adopt placeholder trailer bill language to increase accountability and oversight.

Staff Recommendation: Reduce proposed transfer to the SPIF to $200 million in 2018-19. In addition, adopt placeholder trailer bill language to increase accountability and oversight.

VOTE-ONLY ISSUE 22: ELECTRIC VEHICLE SERVICE EQUIPMENT INFRASTRUCTURE ASSESSMENT AND FACILITY

DGS, Office of Sustainability, requests a one-time augmentation of $15.6 million ($7.8 million General Fund and $7.8 million Service Revolving Fund) in 2018-19, and one permanent position to continue the installation of Electric Vehicle Service Equipment in state facilities.

BACKGROUND

The Zero Emission Vehicle (ZEV) Five Year Infrastructure Plan requires DGS to oversee plans to make electric vehicle charging infrastructure available in at least five percent of workplace parking spaces at state facilities, and to increase state fleet ZEV purchases to 50 percent by 2025. DGS assists state agencies in developing and implementing workplace charging plans that will result in EVSE, and reports the results of EVSE-related facility assessments to the Administration. DGS also is charged with supporting state agencies in completing readiness surveys, conducting site assessments, oversight of architectural and engineering functions, construction management, system activation, and identification of alternative funding options if available.

In 2017-18, DGS received a one-time augmentation of $6.7 million and three permanent positions to fund facility assessments, design, installation and program oversight for year one of the ZEV Five-Year Infrastructure Plan. This included surveying departments on their EVSE needs. Initial surveys and assessments were completed in 2017. Candidate locations for in-field site assessments and preliminary architecture and engineering services have been selected. The office also is planning on conducting annual updates to these surveys. Beginning on December 31, 2017, agencies were asked to submit updates that describe any changes to their plans.

This request is to fund year two of the DGS ZEV Five-Year Infrastructure Plan to install EVSE in state facilities to support both the state fleet and state employee charging needs. $14.3 million will support approximately 1,200 EVSE installations and the remaining $1.3 million will support 1,600 facility assessments throughout California.

STAFF COMMENTS

This item was heard at the March 20, 2018, hearing.

Staff Recommendation: Approve as Budgeted.

0840 STATE CONTROLLER'S OFFICE

VOTE ONLY ISSUE 23: CALIFORNIA STATE PAYROLL SYSTEM (CSPC)

The May Revision proposes $4.6 million General Fund in 2018-19 ($3.4 million in 2019-20, $2.6 million in 2020-21, and $1.9 million in 2020-21, and ongoing) to fund positions to complete the Project Approval Life Cycle (PAL) process, including selection and implementation of the selected payroll solution. This also includes development of additional features/functionality and statewide implementation of the Employee Self-Service portal web application.

BACKGROUND

Beginning in 2016, the State Controller's Office (SCO) began to assess current information technology and the latest industry standards, and initiated the re-engineering of a new Human Resource Management and Payroll System. The new initiative named the California State Payroll System Project (CSPS). A 2016-17 approved May Revision Budget Change Proposal (BCP) funded eight positions and $2.4 million in 2016-17, and $2.8 million in 2017-18 to support positions in performing business process documentation of human resource management and payroll processing practices to refine the scope of the future project, and to complete the California Department of Technology (CDT) PAL Stage 1 Business Analysis (S1BA).

In May 2017, SCO submitted the PAL S1BA to the California Department of Technology (CDT) for approval. The S1BA documents the governance plan, leadership participation, stakeholders, resources, organizational change management, data management, strategic goals, program background, and the problems and opportunities for the project. The information provided in the S1BA will be detailed and refined through each stage of the PAL process. CDT approved the SIBA on October 18, 2017.

An approved 2017-18 BCP provided an additional $2.97 million to support 11 limited-term positions, to continue performing business process documentation of human resource management and payroll processing practices, and begin the CDT PAL Stage 2 Alternatives Analysis (S2AA), which includes a current-state assessment of SCO's as-is business processes. The 11 staff have and will continue to provide subject matter

expertise (SME) on the existing Legacy HR, Payroll, and Leave Accounting systems, and direct input into PAL documentation.

The 2017-18 BCP also authorized funding to contract with a procurement support vendor to create new, or refine existing, mid-level solution requirements, assist with the performance of a market survey, conduct the final alternative analysis, prepare financial analysis worksheets, and aid in the development of a procurement strategy. In February 2018, SCO conducted solicitations for a procurement support vendor and expects to award a contract this month.

SCO is requesting permanent and limited-term resources to support both the development of PAL deliverables/documentation and the development and implementation of a statewide ESS portal web application, as follows:

- **CSPS PAL Development.** SCO requests funding to support 19 continuing positions to continue work on the project activities that will drive the review of business process and payroll policy reengineering, assessing options, and designing a new statewide payroll approach. As part of this request, SCO is requesting that 11 of the existing limited-term positions be continued permanently with eight of the remaining positions being requested as one-year limited-term and one being requested as one-year limited-term in 2019-20. The 11 positions support the core project staff and administrative support and the need for these positions will continue for the duration of the project. In addition to these positions, SCO will retain the services of retired annuitant staff with decades of experience and extensive knowledge in all personnel and payroll disciplines in 2019-20. These staff will provide critical support to the documentation process. The continued presence of these staff serve as a mitigation against the institutional knowledge lost due to the ongoing retirement of other long-term key staff.

- **Statewide ESS Portal.** SCO is requesting resources for five positions for 2018-19 and 2019-20 to complete the development and implementation of a statewide ESS web portal. While the CSPS project is pursuing a long-term alternative solution to the payroll system, many years will lapse before a new system is implemented. In the interim, SCO is developing an ESS web portal application designed to interface with the legacy mainframe system that provides employees access to read specific payroll data, such as leave balances, W-2s, employment history, and paystubs.

STAFF COMMENTS

This item was heard at the May 21, 2018, hearing. There were concerns about legislative oversight if there was approval of the staff. But SCO informed the committee that in order to move forward with the larger project, SCO would have to ask for additional resources, whereby the Legislature would be able to evaluate the proposal.

Staff Recommendation: Adopt May Revision proposal

VOTE-ONLY ISSUE 24: SPRING FISCAL LETTER ON FI$CAL

The Department of Finance issued a Spring Fiscal Letter to adjust the Controller's budget to reflect changes related to the Fi$Cal project.

BACKGROUND

The Department of Finance proposed a Spring Fiscal Letter to reflect a change in audit claims caseload and to clarify Fi$Cal project milestones. The proposed adjustments would increase General Fund costs by $151,000 in 2018-19.

STAFF COMMENTS

These adjustments are technical.

Staff Recommendation: Adopt Spring Fiscal Letter

VOTE ONLY ISSUE 25: SB 2 RECORDING FEE HARDSHIP REFUND PROPOSAL

SB 2 (Chapter 364, Statutes of 2017, Atkins) imposes a fee of up to $225 at the time of recording of specified real estate transaction documents, excluding property sales.

Mr. Salas has presented proposals to the Legislature to provide hardship refunds to low-income individuals who otherwise would be subject to this fee. This proposal would create a three-year pilot program to gauge demand for such refunds in Imperial, Kern, and San Benito Counties. Proposed trailer bill language would cap the total refunds and administrative costs of the pilot program, to be paid from SB 2 funds, at no more than $2.5 million per year. After this cap is reached, no more refunds would be disbursed. Maximum hardship refunds would be established in the annual budget act. The Controller's Office would report on the demand for refunds under the pilot program.

Staff Recommendation: Approve placeholder TBL and BBL to establish a three-year hardship refund pilot program for SB 2 recording fees in three counties and to set the maximum hardship refund at $225 in 2018-19 (beginning January 1, 2019).

CONTROL SECTION 1.5: INTENT AND FORMAT

VOTE-ONLY ISSUE 26: TECHNICAL CONFORMITY

The Department of Finance has requested technical changes to Control Section 1.5 of the budget to reflect the use of the Fi$Cal System.

BACKGROUND

Pursuant to Government Code 13338, the budget act must articulate the State's financial structure. Control Section 1.5 includes instructions related to the accounting structure of the state budget. The May Revision provides technical changes to reflect the use of the Fi$Cal system, the role of the Controller, and some small clarifications to this section.

STAFF COMMENTS

These small clarifying changes update the budget act to reflect current fiscal practices in the State.

Staff Recommendation: Adopt May Revision

8860 DEPARTMENT OF FINANCE

VOTE-ONLY ISSUE 27: BOND DEBT SERVICE

The May Revision includes a technical change to reflect updated bond debt service costs.

BACKGROUND

The May Revision reflects lower bond debt service payments in 2017-18 by $107 million to $6.8 billion, all funds.

In 2018-19, estimated debt service is projected to increase by $144.9 million to $7.2 billion, all funds. The proposed increase reflects projected increases in interest rates.

STAFF COMMENTS

This technical item reflects actual bond service debt payments

Staff Recommendation: Adopt May Revision

VOTE-ONLY ISSUE 28: TRANSFORMATIVE CLIMATE COMMUNITIES REAPPROPRIATION

The May Revision includes provisional language that allows the Office of Planning and Research to transfer reappropriated funds for Transformative Climate Communities.

BACKGROUND

The budget includes a provision to reappropriate Transformative Climate Communities funding appropriated in 2016 and 2017. In both years, the appropriation was made late in the fiscal year, which had delayed the expenditure of the funds. The May Revision proposes to add language that allows the department to transfer funds to other agency or department for support costs and local assistance.

STAFF COMMENTS

This technical item is consistent with grants awarded on January 18, 2018.

Staff Recommendation: Adopt May Revision

VOTE-ONLY ISSUE 29: PRECISION MEDICINE

The budget proposes funding and trailer bill language to change the precision medicine program.

BACKGROUND

The Governor's budget includes $30 million for precision medicine and Trailer Bill Language that would transition the existing precision medicine program into a stand-alone non-profit corporation.

The proposed investment is a substantial increase over prior years. The 2014-15 budget first provided $3 million in one-time state funds for precision medicine research. The Legislature again provided $10 million in one-time funding for this purpose in 2016-17 and 2017-18.

In addition, the budget includes trailer bill language to create a nonprofit corporation called the California Institute to Advance Precision Health and Medicine with a governing board that includes the Director of OPR and 18 directors, 16 appointed by the Governor and 1 appointed by both the Speaker of the Assembly and Senate Rules Committee. The Administration comments that this new entity will transition from the

initiative, hosted through an interagency agreement to a more sustainable and long-standing institute beginning in 2018.

The Subcommittee heard this issue on April 24, 2018

STAFF COMMENTS

The existing Precision Medicine program structure has been effective and thus the proposed structure in the trailer bill is unnecessary.

In addition, this state effort would be more effective be integrating with a rare disease research effort already underway. By appropriating $12 million, UC Davis Institute of Regenerative Cures will be able to partner with an existing nationwide research effort that is developing diagnostic and disease treatment methods from innovative collaborative research.

Staff Recommendation: Adopt $42 million for Precision Medicine, with $12 million for the UC Davis Institute of Regenerative Cures. Do not adopt any Trailer Bill language and making conforming changes to budget bill language.

VOTE-ONLY ISSUE 30: 2020 CENSUS OUTREACH FUNDING

The Subcommittee will adopt 2020 Census Outreach funding.

BACKGROUND

The Governor's budget includes a census outreach proposal for the next three years. The proposed $40.3 million plan includes 22 limited term positions, $17.5 million for a media campaign and $12.5 million of outreach efforts conducted by nonprofit entities.
On May 22, 2018, the Senate adopted $95 million additional for census outreach efforts.

STAFF COMMENTS

The Senate level of funding is a good start to fully funding of the necessary Census outreach efforts conducted by community based organizations, but fails to fully capture the needs for local county committees and statewide media needs. Staff recommends an additional $12 million be allocated to cover the projected costs of the Los Angeles County complete count effort, as requested by the County and $6 million identified by the County of Santa Clara. However, other jurisdictions have yet to identify their expected resource needs. To allow these issues to be addressed this year, staff recommends provisional budget bill language to allow the Department of Finance to augment this item during the fiscal year, subject to the review of the Joint Legislative Budget Committee, including allowing the Office to add position authority.

To ensure that the State's efforts are moving at an aggressive pace, staff recommends adopting trailer bill language that will provide reporting over the fiscal year, so that the two select committees on the census, as well as both house's budget committees, can continue to monitor our census outreach efforts. The reports will include the following elements:

- A report, due October 1, which articulates the Administration's contract management approach for census outreach, media, public relations, and local effort initiatives.
- A report, due December 1, which projects expenditure levels by contractor, state staffing levels, expenditures by local partners linked to the State.
- Monthly reporting of expenditures, encumbrances, and vacancies for the Census Outreach effort.

With the proposed additional funding, the State would have over $107 million for community based contracts and $26.7 million for local community count efforts, with no staff onboard to begin the contracting process. When faced with similar workload challenges, other departments that have already had staff in place have taken over 18 months to get this funding out on the street. Staff recommends that the Subcommittee consider moving the Census Outreach effort to a more robust department or agency that can insure that these operational issues are overcome.

Staff Recommendation: Increase funding by $113 million for 2020 Census Outreach and adopt Placeholder Trailer Bill Language.

9658 PROPOSITION 2 INFRASTRUCTURE PAYMENTS

VOTE-ONLY ISSUE 31: INFRASTRUCTURE AND FISCAL STABILITY FUND

The proposed Assembly budget plan anticipates the future requirement—so long as the rainy day fund is filled to its constitutional maximum level—to invest around $1 billion per year from the General Fund on infrastructure or deferred maintenance projects. This item proposes a plan for how the state will invest any Proposition 2 infrastructure funds that materialize over the next few years.

BACKGROUND

Prop. 2 Infrastructure Investment Requirement. Once the rainy day fund is filled, Proposition 2 requires the State to use moneys that otherwise would go to the rainy day fund on infrastructure or deferred maintenance instead. Assuming that the rainy day fund is filled in 2018-19, the administration estimates that required Proposition 2 infrastructure investments from the General Fund would total around $1 billion per year. This infrastructure spending requirement would remain in place until the rainy day fund drops below its maximum level—presumably, the next time there is a significant economic downturn.

Planning for the Future. Trailer bill language in the Assembly budget plan will create two new state funds to enhance transparency related to anticipated Proposition 2 infrastructure investments:

- **Infrastructure and Fiscal Stability Fund (IFSF):** to receive transfers from the General Fund for use in funding Proposition 2 infrastructure investments.
- **Capitol Annex Fund:** to receive transfers from IFSF for rebuilding the State Capitol Annex and construct other nearby state facilities related to the Annex project (for example, a Visitor's Center and a potential state building that would temporarily house certain legislative and executive branch offices during the Annex's reconstruction).

The budget plan expresses legislative intent to use 40 percent of any required Proposition 2 infrastructure funding in 2019-20, 2020-21, and 2021-22 to help school and community college districts build infrastructure and fund deferred maintenance. By dedicating a portion of possible Proposition 2 infrastructure funds to school and community college districts, the State would aim to help improve their facilities, while also providing a small measure of budgetary relief to these districts. Placeholder trailer bill language requires the Director of Finance to report to the Legislature by January 10, 2019, on options for distributing the funding to districts in order to achieve these goals. (Proposition 98 funding for districts would not be affected.)

The Assembly budget plan continuously appropriates 40 percent of any required Proposition 2 infrastructure funding in 2019-20, 2020-21, and 2021-22 to the Capitol Annex Fund. This funding will be the primary funding source for rebuilding the Capitol Annex and related state facilities. This infrastructure project was advanced by the Legislature's Joint Committee on Rules, as authorized in Senate Bill 836 of 2016. Information on the project is available at annex.assembly.ca.gov. (The budget plan also includes a backup funding source for the project: trailer bill language that authorizes the issuance of lease-revenue bonds if Proposition 2 or other funding sources are not available.)

The Legislature would have the ability to appropriate the remaining Proposition 2 infrastructure funding in each year's state budget.

STAFF COMMENTS

This item plans ahead for state finances, given the possibility that there will be one or more years when Proposition 2 requires the General Fund to spend money on infrastructure or deferred maintenance projects.

Staff Recommendation: Approve placeholder trailer bill language that (1) creates two new funds to administer anticipated Proposition 2 infrastructure investments, (2) expresses legislative intent to use a portion of those investments through 2021-22 to fund school and community college infrastructure and deferred maintenance projects, and (3) continuously appropriates a portion of anticipated Proposition 2 infrastructure funds through 2021-22 to rebuild the State Capitol Annex and construct other nearby state facilities related to the Annex project.

VOTE-ONLY ISSUE 32: PROPOSITION 2 DEBT PAYMENTS

The Subcommittee will consider the proposed Assembly Proposition 2 Debt Payment proposal.

BACKGROUND

Proposition 2 requires a specified amount to be paid from the General Fund to retire certain public debts or liabilities in each fiscal year through 2030. Under the Administration's May Revision revenue estimates, $1.7 billion of General Fund spending must be used for this purpose. In various items throughout the budget bill, the Governor proposes the following payments to fulfill this $1.7 billion requirement:

- $611 million to pay down a part of last year's $6 billion transaction that reduced the state's CalPERS pension liabilities.
- $382 million to pay loans previously made to the General Fund from "weight fee" transportation funds.
- $235 million to pay loans previously made to the General Fund from other transportation accounts.
- $205 million to pay loans previously made to the General Fund from various state special funds.
- $195 million to pay down state retiree health liabilities.
- $100 million to fund previously unpaid Proposition 98 obligations ("settle up").
- $18 million to pay down pre-2004 non-Proposition 98 local mandates.

STAFF COMMENTS

Because the Assembly budget plan uses LAO revenues, which include higher capital gains, the plan results in a higher Proposition 2 debt funding requirement currently estimated at $2.2 billion in 2018-19. Staff recommends adopting Governor's proposal above, with the following placeholder modifications, in order to meet this $2.2 billion funding requirement:

- Reduce payments on state special fund loans from $205 million to $131 million in 2018-19 by delaying repayments to the High-Cost Fund-B Administrative Committee and Hospital Building Funds, which already have substantial fund balances.
- Include a $120 million Proposition 2 supplemental payment to the University of California Retirement Plan in 2018-19, as reflected in a related Subcommittee 2 agenda item.

Appropriate a supplemental $390 million Proposition 2 payment to the Judges' Retirement System (JRS) I at CalPERS in 2018-19, conditioned on CalPERS (1) accepting the payment and crediting it to reduce payments the state General Fund otherwise would have to make on JRS I unfunded liabilities due in 2020-21 (at least $190 million) and 2021-22 (at least $200 million) and (2) agreeing to credit any additional return generated from the $390 million to JRS I accounts..

Staff Recommendation: Adopt Conforming changes to Proposition 2 Debt Payments.

0540 NATURAL RESOURCES AGENCY

VOTE-ONLY ISSUE 33: INVESTMENTS

The Subcommittee will consider additional investments for the budget year.

BACKGROUND

The Assembly budget plan includes various investments intended to address policy problems across the state. This includes $1 million to the City of Lodi for erosion control at Lodi Lake.

Staff Recommendation: Approve $1 million investment for Lodi Lake.

9658 BUDGET STABILIZATION ACCOUNT
CONTROL SECTION 35.50

VOTE-ONLY ISSUE 34: BUDGET DEFICIT SAVINGS ACCOUNT AND BUDGET STABILIZATION ACCOUNT

The Subcommittee will conform Control Section 35.50 to reflect the Assembly package scoring and the use of the Budget Deficit Savings Account.

BACKGROUND

The Budget Stabilization Account section in 9568 of the budget articulates the amounts and timing of transfers to the Budget Stabilization Account in the budget year. Control Section 35.50 provides the calculation of State General Fund and the required contributions to the Budget Stabilization Account.

The Assembly adopted the Budget Deficit Savings Account on May 21, 2018.

STAFF COMMENTS

The Assembly Budget architecture assumes LAO revenues that increase the required Budget Stabilization Account contribution by $2.2 billion. These sections of the budget must be updated to reflect these numbers.

The Assembly further deposits $773 million to fully fill the Rainy Day Fund at its maximum of 10 percent of General Fund. To maximize reserves, the Assembly plan uses the new Budget Deficit Savings Account (BDSA) as a holding account for the discretionary BSA transfer.

- On October 1, transfer the $773 million to the new BDSA.
- In the 2019 May Revision, the Department of Finance would estimate the amount needed to fill the BSA.
- Between June 15 and June 30, the Controller would transfer the amount identified in the May Revision, up to the $2.2 billion balance of the account from the BDSA to the BSA.
- If the economy continued to grow and it costs less to fill the BSA than $2.2 billion, the balance of the BDSA would remain as an extra reserve.

Staff Recommendation: Adopt Budget Deficit Savings Act transfer and conforming changes to these savings to reflect this change and the impact of Assembly revenues on the BSA.

7502 CALIFORNIA DEPARTMENT OF TECHNOLOGY
7760 DEPARTMENT OF GENERAL SERVICES

VOTE-ONLY ISSUE 35: INFORMATION TECHNOLOGY PROCUREMENT

The May Revision includes a trailer bill proposal to clarify the role of the Department of Technology and the Department of General Services in information technology procurement.

BACKGROUND

The Department of Technology (CDT) proposes several clarifying amendments to the Public Contract Code (PCC) to delineate between those information technology (IT) procurements that CDT has authority over versus IT procurements that the Department of General Services (DGS) has authority over. CDT indicates that, as currently written, the PCC does not accurately describe what an IT project is, which causes confusion at the department level regarding which procurements CDT and DGS have authority over. CDT and DGS worked collaboratively on this proposal.

Typically, DGS handles the procurement of IT goods and services, such as computers, software licenses, cloud storage capacity. CDT oversees "projects," which include customizing off the shelf products or implementing large scale information technology integration into a department's operations.

STAFF COMMENTS

The proposed amendments reflect the evolution of state IT project management, that transitions systems into "maintenance and operations" while they are still evolving and changing due to business requirements. For example, the State's largest project, Fi$Cal, will be transitioning into maintenance and operations while one of the major

project components has yet to be fully implemented. DGS's process is focused on getting the State the best value for the purchase of a good, CDT is balancing procurement costs against overall risk and training cost for a technology change. CDT's approach is more appropriate for large projects that are still evolving in the maintenance and operations stage.

Some stakeholders have raised concerns that the specific language in the bill is too broad and may go beyond the intent of the proposal. Staff recommends adopting placeholder trailer bill language to allow time for stakeholders and the Department of Finance to work out changes to avoid such a consequence.

Staff Recommendation: Adopt Placeholder Trailer Bill Language

C.S. 6.1 DEFERRED MAINTENANCE

VOTE-ONLY ISSUE 36: DEFERRED MAINTENANCE

The Assembly will adopt a $550 million deferred maintenance plan.

BACKGROUND

The May Revision included $1.06 billion General Fund and $7 million in Special Fund in funding for deferred maintenance.

STAFF COMMENTS

The Assembly Deferred Maintenance Plan reflects the overall budget architecture of the Assembly and makes $550 million of General Fund deferred maintenance, plus $17 million of special fund maintenance.

Control Section 6.10--Deferred Maintenance Funding	
In Millions	
	Assembly Proposal
General Fund	
Corrections and Rehabilitation	$84
Judicial Branch	50
State Hospitals	50
California State University	35
University of California	35
Parks and Recreation	50
Water Resources (Levee Repairs)	100

General Services	37.5
Developmental Services (Porterville Facility)	30
Military Department	25
Veterans Affairs	25
State Special Schools	8
Cal Expo	5
Network of California Fairs	4
Office of Emergency Services	3
Food and Agriculture	2
Employment Development Department	2
Forestry and Fire Protection (Cal Fire)	2
California Conservation Corps	1
California Science Center/Exposition Park	1
Hastings College of the Law	0.5
Total, General Fund	**$550**
Proposition 68	
CalExpo	$10
Total, Proposition 68	**$10**
Motor Vehicle Account	
California Highway Patrol	$5
Motor Vehicles	2
Total, Motor Vehicle Account	**$7**

Staff Recommendation: Approve Assembly Deferred Maintenance Plan

8955 DEPARTMENT OF VETERANS AFFAIRS

VOTE-ONLY ISSUE 37: MENTAL HEALTH SERVICES ACT FUNDING FOR COUNTY VETERANS SERVICES OFFICES

Proposes a one-time allocation of $5 million ($1 million for five years) from Proposition 63, Mental Health Services Act to the California Department of Veterans Affairs for grants to County Veterans Services Offices for the provision of mental health services to veterans.

Staff Recommendation: Approve the Proposal.

VOTE-ONLY ISSUE 38: ALAMEDA COUNTY VETERANS SERVICES OFFICERS

Proposes $100,000 General Fund (one-time) for the Alameda County Veterans Services Office (CVSO) to fund additional staff to assist veterans in Alameda County. This would help to increase staffing levels consistent with other CVSOs.

Staff Recommendation: Approve the Proposal.

0890 SECRETARY OF STATE

VOTE-ONLY ISSUE 39: SECRETARY OF STATE-CYBER SECURITY COORDINATION

Proposes $1 million General Fund annually for the Secretary of State to coordinate activities and information sharing between federal, state, and local officials, including county registrars of voters, to reduce the likelihood and severity of cyber incidents that could interfere with the integrity of California elections.

Staff Recommendation: Approve the Proposal.

C.S. 12.00 STATE APPROPRIATION LEVEL
0110 SENATE
0120 ASSEMBLY
0130 LEGISLATIVE ANALYST'S OFFICE

VOTE-ONLY ISSUE 40: STATE APPROPRIATION LIMIT

The May Revision adjusts the State Appropriation Limit calculations

BACKGROUND

Pursuant to the California Constitution, the budget for the Legislature can only increase by the amount of the State Appropriation Limit calculation. The Department of Finance projects that this increase will be 4.03 percent.

STAFF COMMENTS

Adopting this technical item will conform the Legislature's budget to the projected SAL adjustment.

Staff Recommendation: Adopt May Revision and conform the budget items for the Senate, Assembly, and Legislative Analyst's Office to reflect the updated SAL numbers.

7730 FRANCHISE TAX BOARD

VOTE-ONLY ISSUE 41: CALIFORNIA CHILD AND DEPENDENT CARE EXPENSES CREDIT

This proposal would extend the California Child and Dependent Care Expenses Credit to allow tax filers with under certain conditions to apply for the credit.

BACKGROUND

California's Child and Dependent Care Expenses Credit allows families with an annual income below $100,000 to claim a state tax credit equal to a percentage their child care expenses. The state credit was refundable from 2000 to 2010; however, in 2011, the State made the credit nonrefundable due to budget shortfalls. The nonrefundable credit only provides benefits to families who owe state income tax, which means low-income families are excluded even though they face rising child care expenses.

Making the credit refundable again will allow working families who do not owe state income taxes, but who do pay other taxes like sales and property tax, to benefit from a tax refund to offset some of their childcare expenses.

The credit starts at 50 percent for $40,000 or less and then phases out. The percentage of the allowable state credit shall be determined as follows:

If the adjusted gross income is:	The percentage of credit is:
$40,000 or less	50%
Over $40,000 but not over $70,000	21.5%
Over $70,000 but not over $100,000	17%
Over $100,000	0%

STAFF COMMENTS

Refundable credits make a significant difference for people working to provide for their families. This proposal will complement the EITC actions already taken by the Subcommittee to help working families.

Staff Recommendation: Adopt California Child and Dependent Care Expenses Credit and placeholder trailer bill language.

ITEMS TO BE HEARD

0515 BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY
2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ISSUE 1: HOMELESSNESS

The May Revision requests an additional $359 million in homelessness funding in 2018-19, including:

Governor's May Revision				
Department	**Program**	**2018-19 (GF)**	**Ongoing (GF)**	**SB 2**
Homeless Coordinating and Financial Council	Emergency Homeless Aid Block Grants	250		
	Council Administration	0.5	0.5	
Department of Social Services	CalWORKS Housing Support Program	24.2	48.3	
	CalWORKS Homeless Assistance Program	8.1	15.3	
	Senior Home Safe Program	15		
Office of Emergency Services	Domestic Violence Shelters and Services	10		
	Homeless Youth and Exploitation Program	1		
Department of Health Care Services	Homeless and Mental Illness Program	50		
Department of Housing and Community Development	California Emergency Shelter Grants			125
Total		**$358.8**	**$64.1**	**$125.0**

The May Revision includes trailer bill language transferring the Homeless Coordinating and Financing Council into the Business, Consumer Services, and Housing Agency (BCSH).

BACKGROUND

The Governor's May Revision focuses on emergency aid to assist locals in addressing homelessness until more state resources are available next year. The focus on emergency aid is critical and complements the work done by the Legislature in the last two years to provide affordable and supportive housing.

Last year, the State passed a comprehensive Housing Package aimed at providing a permanent source of housing funding in future years. Collectively, these bills shorten the housing development approval process, provide incentives to streamline development, promote local accountability to adequately plan for needed housing, and invest in affordable housing production through dedicated real estate transaction fee revenues and an anticipated $4 billion voter-approved housing bond. The Housing

Package addresses the state's housing shortage and affordability pressures by streamlining barriers to development, enabling greater enforcement and accountability of housing laws, and dedicating additional investment to housing.

Two years ago, the State made a sizeable investment to tackle the State's growing homelessness problem. On July 1, 2016, Governor Brown signed legislation enacting the No Place Like Home program, which dedicates $2 billion in bond proceeds to invest in the development of permanent supportive housing for person who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness.

Assembly Plan. The Assembly plan also focuses on emergency aid with real dollars today to address the problems facing our cities. On May 8, 2018, the Subcommittee heard from mayors about how the homeless crisis has grown over the last two years and the need for additional resources to complement the work started at the local level. The societal and fiscal effects of exploding homelessness have ravaged local communities throughout the state.

Funding. The Assembly plan proposes to dedicate $1.5 billion in General fund for the Emergency Homeless Aid Block grants and to make additional changes to the trailer bill language, including, but not limited to:

- Flexible funding for local governments (eligibility may include cities and counties) for emergency response to homelessness that moves people to permanent housing;
- Expanded uses of the funding to allow local governments to use the funding for shelters, navigation centers, motel vouchers, bridge housing, recuperative or respite care to temporarily house, shelter diversion, homeless prevention and homeless outreach, and permanent supportive housing;
- Provisions for accountability including ensuring that applicants provide the Agency with a plan on how they will use the funding; and use-it or lose-it provisions for all funding, since the funding is intended for emergency aid.

	Assembly Homelessness Plan			
Department	**Program**	**2018-19**	**Ongoing**	**SB 2**
Homeless Coordinating and Financial Council	Emergency Homeless Aid Block Grants	1,500		
	Council Administration	0.5	0.5	
Department of Social Services	CalWORKS Housing Support Program	24.2	48.3	
	CalWORKS Homeless Assistance Program	25.92	48.3	
	Senior Home Safe Program	15		
Office of Emergency Services	Domestic Violence Shelters and Services	10		
	Homeless Youth and Exploitation Program	1		
Department of Health Care Services	Homeless and Mental Illness Program	50		
Department of Housing and Community Development	California Emergency Shelter Grants			62.5
	AB 74 Housing for Healthy California			62.5

Total	**$1,626.6**	**$97.1**	**$125.0**

CalWORKS Homeless Assistance Program (HAP). The CalWORKs HAP provides CalWORKs families with support to meet reasonable costs of securing housing. HAP benefits include (1) temporary housing assistance (HA), which helps families pay the costs of temporary shelter, and (2) permanent HA, which helps families secure housing or prevent eviction. Families are restricted to receive the benefit once in a 12-month period. Temporary HA provides a payment of $65 per day for a family of four or fewer, and an additional $15 for each additional family member, not to exceed $125 per day. Temporary HA is provided for up to 16 consecutive calendar days. Following the 16 days, even if the family did not receive HA for all 16 days, the temporary shelter benefit is considered exhausted.

The Governor's May Revision provided funds to increase the base temporary HA payment from $65 to $85 per day, but made no change to the 16-consecutive day restriction.

The Assembly plan would provide an additional $17.8 million (General Fund) in 2018-19 and $33 million (General Fund) in 2019-20 and ongoing to remove the requirement that the 16 days of HA be consecutive. These estimated resources support the assistance, administration, and automation costs to make this change. This will allow the 16 days to be used within the calendar year for families that experience more than one instance of housing instability or homelessness. Adopt placeholder trailer bill language to effectuate this change, with implementation starting January 1, 2019.

Homeless Coordinating and Financing Council. Approve as budgeted with the following changes. Dedicate one out of the three positions be dedicated to Homeless Youth. Additionally, adopt trailer bill language to expand the membership of the Council to include a member who is a formerly homeless youth who lives in California.

Low Income Housing Tax Credit Cap Changes. Existing law disallows, generally, losses from passive activities that exceed the income from passive activities for the current year. A taxpayer can carry forward disallowed passive losses to the next taxable year. A similar rule applies to credits from passive activities. Existing law also limits passive losses that an individual can take against non-passive income for the Low Income Housing Tax Credit to $75,000.

The Assembly plan proposes to eliminate the dollar limitation of $75,000, related to the offset of passive activity losses for rental real estate activities, if the taxpayer actively participated in the real estate activities. Given that the federal government has recently reduced the amount of state and local taxes that can be deducted from an individual's federal tax return to $10,000, many California taxpayers will be looking for opportunities to reduce their overall state tax liabilities. By removing the $75,000 cap the hope is it will encourage more individual taxpayers to invest in the Low Income Housing Tax Credit as a way of offsetting their tax liabilities. This has no additional General Fund impact.

SB 2. The Governor's proposal provides the one-time funding for 2018-19 from SB 2, to be used for an expanded California Emergency Shelter Grant (ESG) program. The Assembly proposal would provide 50 percent for the CA ESG program and 50 percent to AB 74, Housing for Healthy California.

Staff Recommendation: Adopt Assembly Homelessness Plan.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ISSUE 2: OFFICE OF MIGRANT SERVICES FARMWORKER HOUSING TRAILER BILL LANGUAGE

The May Revise proposes trailer bill language related to the Office of Migrant Services Farmworker housing.

BACKGROUND

The trailer bill language intends to provide continuity of education for the children of farmworkers and keeping families together in the same household. Under the existing "50-mile rule", children and spouses are considered as part of the requirement that all immediate family live outside of a 50-mile radius of the center for at least 3 months out of the preceding 6 months. Often times children stay with caretakers or family members to continue their schooling near an OMS center while the parents continue migrant work elsewhere. Because the "50-mile rule" applies to immediate family members, leaving children with caretakers can disqualify the household from eligibility at the center in the following year. This language intends to address that issue. Additionally, this language allows flexibility for a provider, upon approval of HCD, to set-aside up to 75 percent of units at an OMS center for farmworkers with school-age children.

STAFF COMMENTS

There have been concerns raised with the trailer bill language. If this proposal moves forward for further discussion in conference, it should move without Section 50710.1.

Staff Recommendation: Hold Open.

ISSUE 3: SOUTHERN CALIFORNIA DISASTER PLANNING ASSISTANCE

The May Revise proposes $480,000 (General Fund) for state operations to address the 2017 Southern California disaster, including $271,000 for a contract to support recovery and complete housing needs assessments in the affected counties, $159,000 for workload to implement the contract, and $50,000 for a contract to facilitate disaster planning in local General Plans.

BACKGROUND

California experienced a series of unprecedented natural disasters in 2017. Pursuant to the State of California Emergency Plan, HCD is responsible for leading housing and community development disaster recovery work, whether by leading a taskforce or engaging directly in program delivery. Various state entities have contributed to a coordinated response, involving interagency task forces and working groups.

For the October Northern California fires, HCD secured a contract to provide technical assistance to impacted jurisdictions, develop a needs assessment, and build capacity. Resources to address the Northern California wildfires were proposed in the 2018-19 Governor's Budget and an Executive Order allocated $652,000 to HCD for 2017-18 via the Disaster Response-Emergency Operations Account. However, requests to address the Southern California disasters were premature at the time.

The proposal will allow HCD and GCR Inc., (GCR) to support recovery and complete housing needs assessments in the affected Southern California counties. The contract will support local recovery efforts and better position these jurisdictions to receive and utilize federal disaster funds. The portion of the request for HCD workload will allow the Department to oversee and implement the contract, including providing technical assistance and expertise on housing recovery solutions, identifying resources that can be directed to recovery for housing purposes, and assisting in the development of recovery plans.

Additionally, this proposal will support disaster planning in local General Plans by creating a model and centralizing resources for jurisdictions throughout the state.

STAFF COMMENTS

Staff has no concerns with the one-time funding included in this proposal.

Staff Recommendation: Adopt May Revision proposal.

0515 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

ISSUE 4: INCREASED LEGAL AND PROGRAMMATIC WORKLOAD

The Business, Consumer Services and Housing Agency requests $524,000 and 4 positions in 2018-19 and ongoing to accommodate an increase in Agency workload relating to the addition of two departments, housing initiatives, and involvement with special projects including, but not limited to, cannabis banking and statewide emergency issues.

BACKGROUND

The Agency initially had nine departments under its oversight and 15.0 employees to manage its workload. Beginning July 1, 2018, the Agency will grow to 11 departments with the same number of authorized positions. The Agency has added oversight for the Bureau of Cannabis Control, the Cannabis Control Appeals Panel, the Department of Real Estate, and the Home Mover's Program to the Agency's portfolio. In addition, housing initiatives are underway which have required additional oversight and administration including the Housing Package of 2017. The Agency also is involved with statewide emergency issues, such as the recent wildfires in the northern and southern regions of the state, which have required a dedication of Agency resources.

The Medical Marijuana Regulation and Safety Act enacted in 2015 created a regulatory framework for the licensing and enforcement of medical marijuana and a voter initiative in November 2016, Proposition 64, authorized the recreational use of marijuana. As a new area of licensing and enforcement in California, complex issues arise daily related to areas such as regulation of a previously unregulated industry, banking of cannabis funds, development of a statewide licensing system, state and local interrelationships, and coordination between state agencies. In addition, the Cannabis Control Appeals Panel is a new entity within the state requiring the development of regulations, fiscal systems, facilities, and hiring procedures.

The Agency has not received additional resources to address this new workload. The request is for 4.0 additional permanent positions.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve the Spring Finance Letter.

0890 SECRETARY OF STATE

ISSUE 5: AB 195 FIX (LEGISLATIVE PROPOSAL)

Trailer bill language is proposed to suspend for two years the local bond-related provisions in AB 195 (Obernolte, Chapter 105, Statutes of 2017) to allow time for concerns to be addressed through the policy process and not affect near-term elections.

BACKGROUND

AB 195 requires changes to the ballot label for local bonds to include in the statement of the measure to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied, instead of making such a requirement applicable only to local initiative measures (i.e., measures that are placed on the ballot through a petition signed by voters of the local jurisdiction).

Local governments are asking to be exempted from this requirement because they assert it makes ballot labels confusing and misleading to voters.

STAFF COMMENTS

Various local entities are going out for bonds in November 2018. With the provisions of AB 195 in place, some local governments contend that voters will be presented confusing and misleading information. Staff recommends the adoption of placeholder trailer bill language that suspends for two years the provisions of AB 195 that affect local bonds. This will allow time for a more comprehensive solution to be worked out through the policy bill process.

Staff Recommendation: Adopt placeholder trailer bill language.

EXHIBIT K

2018-19 LEGISLATIVE BUDGET CONFERENCE COMMITTEE

PHIL TING, CHAIR

ROOM 4202
WEDNESDAY, JUNE 6, 2018

SECOND PASS AGENDA

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STAFF COMMENTS

ISSUE 1: JUDGESHIPS

Judicial Branch

ASSEMBLY	SENATE
• The Assembly provided $4 million (GF) to support four judgeships in the Corona Courthouse in Riverside County.	• The Senate provided $1.2 million (GF) to support a new appellate court justice and accompanying staff in the second division of the Fourth District Court of Appeal in the Riverside/San Bernardino area.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from the Assembly Republicans

STAFF COMMENTS

ISSUE 2: HUMAN TRAFFICKING

Office of Emergency Services

ASSEMBLY	SENATE
• The Assembly provided a one time augmentation of $10 million (GF) to the Office of Emergency Services to for grants to organizations that provide comprehensive services to victims of human trafficking.	• No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from the Assembly Republicans.

STAFF COMMENTS

ISSUE 3: OFFICER INVOLVED SHOOTING INVESTIGATION TEAM

Department of Justice

ASSEMBLY	SENATE
• The Assembly provided $9.7 million in 2018-19 and $8.7 million (GF) ongoing to create an independent review unit in the Department of Justice and adopted placeholder trailer bill language. • The funding will establish three teams of a total of 37 positions located in three regions of the state. The teams will investigate law enforcement officer involved shootings at the request from a local law enforcement agency or a district attorney office.	• No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 4: SEXUAL ASSAULT KITS

Department of Justice

ASSEMBLY

- The Assembly provided a one-time allocation of $1 million (GF) to the Department of Justice to support activities related to the disposition of sexual assault kits and adopted budget bill language.
  - Specifically, the funding will support a statewide audit of untested sexual assault kits.

SENATE

- The Senate provided a one-time allocation of $6.5 million (GF) to the Department of Justice (DOJ) for the purposes of reducing the statewide backlog of sexual assault kits and adopted placeholder budget bill language that does the following:
  - Prioritizes grants to counties and cities to eliminate existing backlogs of unprocessed evidence. All grantees are required to provide a dollar for dollar match to any state grant award.
  - Requires DOJ to provide a report to the Legislature on the cities and counties that received grants, the amount awarded, and the amount of evidence processed.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 5: JANITORIAL SERVICES

California Department of Corrections and Rehabilitation

ASSEMBLY	SENATE
• The Assembly rejected the proposal and adopted placeholder trailer bill language. ○ The trailer bill language requires CDCR to create a plan to provide supportive services to assist developmentally disabled PRIDE employees in transitioning into civil service positions if they so desire.	• The Senate rejected the proposal and adopted budget bill language to conduct a feasibility focusing on the transition and its impact on developmentally disabled individuals.

GOVERNOR: The Governor provided $8.2 million in 2018-19 and $3.6 million in 2019-20 and ongoing to the California Department of Corrections to fully transition the current PRIDE Industries contracted janitorial positions into civil service positions.

STAFF COMMENTS

This issue was included at the request of the staff from both the Assembly and Senate Republicans.

STAFF COMMENTS

ISSUE 6: ARMED AND PROHIBITED PERSONS SYSTEM (APPS)

Department of Justice

ASSEMBLY	SENATE
• The Assembly provided $5.3 million (GF) in 2018-19 and $4.4 million (GF) ongoing to the Department of Justice and adopted budget bill language to support 26 positions to continue efforts to reduce the Armed and Prohibited Persons System Backlog.	• No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from both the Assembly and Senate Republicans.

STAFF COMMENTS

ISSUE 7: MOBILE SOURCE EXPANSION TO OFF ROAD AND AFTERMARKET PARTS

Air Resources Board

ASSEMBLY	SENATE
• Approved proposed trailer bill language with the addition of section 43019.1(b)(3). *43019.1(b)(3) Potential impacts to not enacting a fee or a fee that does not fully cover the department's costs for activities associated with certification, including the impacts to the processing time for certification applications.*	• Did not take action on proposed trailer bill language.

GOVERNOR: Included trailer bill language to authorize the Air Resources Board to impose fees on applicants seeking for certification of aftermarket parts.

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 8: BRIDGEPORT BRIDGE

Department of Parks and Recreation

ASSEMBLY	SENATE
• Adopted $2.8 million in Proposition 68 funds for the historic Bridgeport bridge project.	▪ No Action

GOVERNOR: No Action

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 9: INVASIVE PEST AND WEEDS

California Department of Food and Agriculture

ASSEMBLY	SENATE
• Adopted $10 million in General Fund in addition to the $5 million proposed by the Governor for citrus pest prevention. • Adopted $9.6 million in General Fund to address statewide invasive species issues. • Adopted $5 million in General Fund for prevention and suppression activities of the invasive shot hole borer beetle.	• Rejected the Governor's proposal and instead adopted $10 million one-time in General Fund for citrus pest prevention activities. • Adopted $5 million one-time in General Fund and provisional language for activities related to curing or suppressing diseases associated with Shot-Hole Borer.

GOVERNOR: Included $5 million ($2.5 million in General Fund and $2.5 million in Ag Fund) to enhance Asian Citrus Psyllid and Huanglongbing suppression activities.

STAFF COMMENTS

This issue was included at the request of the staff from both the Assembly and Senate Republicans.

STAFF COMMENTS

ISSUE 10: DEFERRED MAINTENANCE CAL EXPO

California Department of Food and Agriculture

ASSEMBLY	SENATE
• Adopted $10 million in Prop 68 funds for deferred maintenance at Cal EXPO.	• No Action

GOVERNOR: No Action

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 11: LIVE BROADCAST OF FISH AND GAME COMMISSION BOARD MEETINGS

Department of Fish and Wildlife

ASSEMBLY	SENATE
• Adopted placeholder trailer bill language to require the live broadcast of Fish and Game Commission Board meetings via a hyperlink on the Department of Fish and Wildlife's website.	• No Action

GOVERNOR: No Action

STAFF COMMENTS

This issue was included at the request of staff from the Assembly Republicans.

STAFF COMMENTS

ISSUE 12: LOCAL CALIFORNIA CONSERVATION CORPS GRANTS

California Conservation Corps

ASSEMBLY	SENATE
• Approved $3 million in General Fund for the Local Conservation Corps.	• No action.

GOVERNOR: No action.

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 13: CALIFORNIA WATERFOWL HABITAT PROGRAM

Department of Fish and Wildlife

ASSEMBLY	SENATE
• Adopted $5 million General Fund for the California Waterfowl Habitat Program.	• No Action

GOVERNOR: No Action.

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 14: FLOOD CONTROL INFRASTRUCTURE

Department of Water Resources

ASSEMBLY	SENATE
• Approved BCP and included budget bill language to earmark $10 million one-time for levee repairs in Reclamation District 800.	• Approved as proposed.

GOVERNOR: Included $195 million in General Fund for 2018-19 for flood risk-reduction projects. Specifically, $170 million one-time in General Fund to support the state cost-share of critical United States Army Corps of Engineers urban flood risk reduction projects; and $25 million in General Fund ongoing to support operations, maintenance, repair, rehabilitation, and replacement of the flood control infrastructure.

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 15: AGRICULTURAL DIESEL ENGINE REPLACEMENT AND UPGRADES

Air Resources Board

ASSEMBLY	SENATE
• Approved as proposed.	• Approved as proposed.

GOVERNOR: Included $30 million one-time in General Fund for agricultural diesel engine replacements and upgrades with provisional language to make this encumbrance or expenditure available until June 30, 2020.

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 16: BEE SAFE PROGRAM

Department of Food and Agriculture

ASSEMBLY	SENATE
• Approved as proposed.	• Approved on a 3-year limited-term basis, $353,000 in General Fund and two positions to establish the program; • Approved $1.5 million one-time in General Fund for local enforcement; and • Adopt provisional language requiring CDFA to provide a report to Legislature regarding future funding needs.

GOVERNOR: Included $1.853 million in General Fund to develop a Bee Safe program. Specifically:

- $1.5 million for CDFA to contract with counties to enforce existing laws on hive registration and other laws intended to prevent apiary thefts.
- $353,000 for CDFA to provide outreach and education to counties and stakeholders regarding best management practices, as well as pesticides and the safe movement of colonies.

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 17: AGRICULTURAL ENERGY EFFICIENCY PROJECTS

California Energy Commission

ASSEMBLY	SENATE
• Approved the Administration's proposal of $30 million General Fund for innovative projects that reduce energy costs, increase efficiency, and reduce greenhouse gas emissions in the food processing sector.	• Rejected the Administration's proposal.

GOVERNOR: $30 million General Fund for Agricultural Energy Efficiency Projects.

STAFF COMMENTS

This issue was included at the request of the staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 18: AB 195 SUSPENSION

Secretary of State

ASSEMBLY	SENATE
• Adopted TBL to suspend for two years AB 195 (Obernolte, Chapter 105, Statutes of 2017) to allow time for concerns to be addressed through the policy process and not to affect near-term elections. • AB 195 requires changes to the ballot label for local bonds to include in the statement of the measure to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied, instead of making such a requirement applicable only to local initiative measures.	▪ No action.

GOVERNOR: No proposal.

STAFF COMMENTS

STAFF COMMENTS

ISSUE 19: LANGUAGE FOR COUNTY VOTING SYSTEMS REPLACEMENT FUNDING

Secretary of State

ASSEMBLY	SENATE

• Adopted TBL to guide the expenditure of state funding provided to counties for voting systems replacement.
 	
• Proposed TBL codifies $1:$1 match for $134.4 million General Fund.
 	
• Allows counties that have already purchased new systems since April 2015 to receive reimbursement.
 	
• Specifies reimbursable replacement activities include:
  ○ the lease or purchase of voting systems and related equipment;
  ○ research and development of a new voting system; and
  ○ manufacture of the minimum number of voting system units necessary for testing.
	▪ No action.

GOVERNOR: No proposal.

STAFF COMMENTS

STAFF COMMENTS

ISSUE 20: VETERANS RESOURCE CENTERS

California Community Colleges

ASSEMBLY	SENATE
• Provided $15 million one-time Proposition 98 General Fund to continue program began in 2017 Budget Act. Program allows colleges to apply for funding to establish, expand or improve veterans resource centers, which are intended to provide academic support and counseling to students who are veterans, a meeting space, and assistance to veterans seeking federal benefits.. This is a competitive grant program which requires colleges to submit information on veterans needs, how funding will be used to operate a center that meets best practice standards for veterans centers, and a long-term plan to track veterans' academic outcomes and ensure that the center is sustainable after grant funding ends.	▪ No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 21: RE-ENTRY/INMATE EDUCATION

California Community Colleges

ASSEMBLY	SENATE
• Same action.	• Provided $5 million one-time Proposition 98 General Fund to provide grants to community colleges to provide support for formerly incarcerated students and face-to-face instruction to community college students in custody. The Board of Governors would allocate grants to community colleges on a competitive basis. • Funding would support activities such as counseling, tutoring, and instruction. The Chancellor's Office would report to the Legislature on use of these funds and outcomes associated with the funding.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 22: CAL GRANT AWARDS FOR ACCREDITED FOR-PROFITS

California Student Aid Commission

ASSEMBLY	SENATE
• Restored the maximum Cal Grant award for students attending WASC-accredited for-profit institutions from $8,056 annually to $9,084. Adopted placeholder trailer bill language allowing the higher per-student amount if the institutions admit more community college transfer students or offer institutional aid to Cal Grant recipients.	• Restored the maximum Cal Grant award for students attending WASC-accredited for-profit institutions from $8,056 annually to $9,084.

GOVERNOR: The Governor's Budget allows a statutory cut to the maximum Cal Grant award for students attending WASC-accredited for-profit institutions from $9,084 annually to $8,056. This action reduces Cal Grant costs by about $550,000.

STAFF COMMENTS

This issue was included at the request of staff from the Assembly Republicans.

STAFF COMMENTS

ISSUE 23: UC RESEARCH

University of California

ASSEMBLY	SENATE
• Provided one-time funding to create or expand research programs: • $7.5 million for opioid research. State funding would allow research into non-opioid pain management and the development of non-opioid pain medications. Additionally, state funding could help the state access $500 million in federal funds available for this type of research. • $7.5 million for sugar research. Funding would be used to conduct a study into whether sugar in liquid form causes more detrimental health effects than sugar in solid food. • $2 million for firearms research. Augment previous one-time funding to launch the University of California Firearm Violence Research Center. Additional funding would help the center hire temporary staff and carry out further research.	▪ No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 24: TEACHING ABOUT LABOR PILOT PROGRAM

Department of Education

ASSEMBLY	SENATE
• $2.7 million one-time Proposition 98 to create the "Teaching About Labor" pilot program	▪ No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was heard in issue 2 of the first pass education agenda under the one-time funding augmentations. This issue was agendized again at the request of the Senate Republicans.

STAFF COMMENTS

ISSUE 25: DEVELOPMENTAL SERVICES BRIDGE PROPOSAL

Department of Developmental Services

ASSEMBLY	SENATE
• Provided $50 million General Fund for 2018-19 (one-time) to provide "bridge" rate supplemental funding for providers, in high labor cost areas of the state, facing fiscal distress due to local minimum wage increases. The $50 million is intended to provide a rate increase for vendors who apply and qualify for a two-year period. A rate study, as required by Section 4519.8 of the Welfare and Institutions Code, is due on or before March 1, 2019. A federal match of approximately $38 million is expected to augment the General Fund investment, providing $88 million in total funds for this purpose if approved. Associated placeholder trailer bill language was adopted with this proposal.	▪ No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from both the Assembly and Senate Republicans.

STAFF COMMENTS

ISSUE 26: HOLOCAUST SURVIVOR ASSISTANCE PROGRAM

Department of Social Services

ASSEMBLY	SENATE
• Provided $3.6 million General Fund (one-time) for the Department of Social Services to create and administer the Holocaust Survivor Assistance Program, for the purpose of providing specialized services to Holocaust survivors and their caregivers that help the eligible individuals remain independent and safe in their communities, address the consequences of trauma, and facilitate healing. Associated placeholder trailer bill language was adopted with this proposal.	▪ No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from both the Assembly and Senate Republicans.

STAFF COMMENTS

ISSUE 27: FAMILY URGENT RESPONSE SYSTEM

Department of Social Services

ASSEMBLY	SENATE
• Provided $15 million General Fund in 2018-19 and $30 million in 2019-20 and on-going for the Family Urgent Response System (FURS), to provide foster youth and their caregivers with the immediate support they need during times of emotional crisis, and link youth and families to needed supports and services to help stabilize the situation. This Response System supports the goals of the Continuum of Care Reform (CCR) to provide timely, in-home supports and services to help families thrive. Associated placeholder trailer bill language was adopted with this proposal.	▪ No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from both the Assembly and Senate Republicans.

STAFF COMMENTS

ISSUE 28: FOOD BANK INFRASTRUCTURE AUGMENTATION

Department of Social Services

ASSEMBLY	SENATE
• Provided $25 million General Fund in 2018-19 (one-time) for food bank infrastructure needs. Allows the Department of Social Services to provide one-time grants for capacity improvements, including transportation costs, cold storage, warehouse equipment and supplied, and technology. These improvements support the collection, storage, distribution, and other systems required to meet food security needs throughout the state. Associated placeholder trailer bill language was adopted with this proposal.	• Provided $5 million General Fund in 2018-19 (one-time) for the same purposes.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of the staff from both the Assembly and Senate Republicans.

STAFF COMMENTS

ISSUE 29: FOSTER PARENT RETENTION, RECRUITMENT, AND SUPPORT PROGRAM

Department of Social Services

ASSEMBLY	SENATE
• Provided $21.7 million for 2018-19 and $43.3 million for 2019-20 (all General Fund) and on-going to augment funding for the Foster Parent Retention, Recruitment, and Support (FPRRS) program. FPPRs was created and funded to supplement and complement the work of the Continuum of Care Reform (CCR) effort and the sponsors have stated that the needs for full funding for FPRRS continues beyond the half-year funding provided in the Governor's Budget. Associated placeholder trailer bill language was adopted with this proposal.	• Provided $21.7 million for 2018-19 (General Fund) to augment funding for the FPRRS program.

GOVERNOR: Funding for FPRRS is proposed at $27.1 million total funds ($21.6 million General Fund) for 2018-19. Of the $27.1 million total funds in 2018-19, $17.5 million total funds ($13.9 million General Fund) is for Child Welfare Services and $9.6 million total funds ($7.8 million General Fund) is for probation departments. The 2017-18 funding for FPRRS was $43.3 million General Fund.

STAFF COMMENTS

This issue was included at the request of the staff from both the Assembly and Senate Republicans.

STAFF COMMENTS

ISSUE 30: CLINIC BEHAVIORAL HEALTH SAME DAY VISITS

Department of Health Care Services

ASSEMBLY	SENATE
• No Action	• $3 million in 2018-19 and $1.5 million annually thereafter. • Adopt placeholder trailer bill language to allow FQHCs and RHCs to be reimbursed separately for mental health services provided on the same day as medical services.

GOVERNOR: No proposal.

STAFF COMMENTS

STAFF COMMENTS

ISSUE 31: MOSQUITO SURVEILLANCE FUNDING

Department of Public Health

Assembly	Senate
• No Action	• Approve and adopt placeholder budget bill language to augment DPH's GF expenditure authority by $500,000 annually to fund the CalSurv system.

Governor: No proposal.

STAFF COMMENTS

STAFF COMMENTS

ISSUE 32: VALLEY FEVER

University of California, Department of Public Health, Kern Medical

ASSEMBLY	SENATE
• Provided $3 million one-time funding to University of California research into causes of Valley Fever and potential treatments.	• Provided $2 million one-time for the Valley Fever Institute at Kern Medical for capital expenses for research, awareness and education, and patient care.
• Provided $1 million one-time for a Valley Fever outreach and awareness campaign through the Department of Public Health.	• Provided $1 million one-time for a Valley Fever outreach and awareness campaign through the Department of Public Health

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of staff from the Senate Republicans.

STAFF COMMENTS

ISSUE 33: BOE MEMBER STAFFING

State Board of Equalization

ASSEMBLY	SENATE
• (1) Adopted budget bill language to allow Board Members to retain their current staffing level until the end of the current term in December of 2018, and (2) As of January, 2019, allow Board Members to retain two exempt and four civil service positions and move the two positions that are reduced from each Board Member office to the BOE Headquarters.	• (1) Adopted budget bill language to allow Board Members to retain their current staffing level until the end of the current term in December of 2018, and (2) As of January, 2019, allow Board Members to retain two exempt and four civil service positions and move the two positions that are reduced from each Board Member office to the BOE Headquarters.

GOVERNOR: Earlier this year, the Department of Finance (DOF) produced a report on Board Member staffing levels. This report recommended that each Board Member retain two exempt staff and six civil service staff, for a total of eight positions, consistent with its assessment that Board Member workload has been reduced by 30 percent. DOF also recognized that BOE, CDTFA and OTA are still experiencing transitions and that it is important to allow the Administration and Legislature to revisit staffing in the future.

On the other hand, the Legislative Analyst Office (LAO) recommended that Board Member staffing be reduced even further to two exempt staff and four civil service positions, effectively cutting Board Member staff by half

STAFF COMMENTS

This issue was included at the request of the staff from Senate Republicans.

STAFF COMMENTS

ISSUE 34: BUDGET DEFICIT SAVINGS ACCOUNT

Budget Deficit Savings Account

ASSEMBLY	SENATE
• Adopted Budget Bill and Trailer Bill to establish the Budget Deficit Savings Account. The Account would hold the discretionary deposit to the Budget Stabilization Account in 2018-19 from October until June and could keep any excess funds that were not needed to fully fill the Rainy Day Fund	• No action.

GOVERNOR: No proposal.

STAFF COMMENTS

This issue was included at the request of Senate Republicans.

STAFF COMMENTS

ISSUE 35: DEFERRED MAINTENANCE

Deferred Maintenance

ASSEMBLY	SENATE
• Adopted $550 million General Fund and $7 million Special Fund. In addition, sets aside $10 million of Proposition 68 funds for agricultural fairs for CalEXPO.	• Approved the Governor's proposal. Senate also modified CS 6.10 language to provide for increased oversight and accountability.

GOVERNOR: Proposed $1.06 billion General Fund and $7 million special funds in various deferred maintenance items.

STAFF COMMENTS

This issue was included at the request of Senate Republicans.

STAFF COMMENTS

ISSUE 36: COPIES OF BUDGET SUMMARIES

Department of Finance

ASSEMBLY	SENATE
• No action.	• No action.

GOVERNOR: No proposal.

STAFF COMMENTS

Currently the number of budget documents each legislative caucus receives is specified in the budget bill. The Assembly Republicans have requested additional copies of the summary so that all of their staff could have a copy.

The Department of Finance has suggested Budget Bill Language to strike Provision 4(a) of 8860-001-0001 which limits the number of copies DOF distributes. With this edit, DOF would ask each caucus to articulate how many copies of the Summary document rather than be limited by the language.

STAFF COMMENTS

ISSUE 37: PRECISION MEDICINE

Secretary of State

ASSEMBLY	SENATE
• Appropriated $42 million for Precision Medicine, with $12 million for the UC Davis Institute for Regenerative Cures.	• Adopted $30 million for Precision Medicine
• Did not adopt Trailer Bill	• Adopted modified Trailer Bill Language stating the intent is to provide funding to projects in both northern and southern California; 2.) language that requires the Institute to include the Legislature in its annual reporting process; and 3.) a sunset date of June 30, 2022 for the Institute.

GOVERNOR: Proposed $30 million and Trailer Bill Language to create the California Institute to Advance Precision Health and Medicine.

STAFF COMMENTS

This issue was included at the request of the Assembly Democrats.

STAFF COMMENTS

ISSUE 38: 2020 CENSUS OUTREACH

Secretary of State

ASSEMBLY	SENATE
• Adopted $153.3 million for Census Outreach (over three years) and Placeholder Trailer Bill Language requiring reporting from the 2020 Census Outreach effort and Supplemental Reporting Language to require the State to release a language access strategy.	• Adopted $135.3 million (over three years) for 2020 Census Outreach.

GOVERNOR: Proposed $40.3 million General Fund for Census Outreach activities over three years.

STAFF COMMENTS

This issue was included at the request of the Assembly Democrats.

STAFF COMMENTS

ISSUE 39: SOUTHERN CALIFORNIA WILDFIRE DEBRIS REMOVAL

Office of Emergency Services

ASSEMBLY	SENATE
• No action	• No action.

GOVERNOR: No proposal.

STAFF COMMENTS

The May Revision assumed a waiver of the local cost share for the Northern California wildfires (estimated at $29.1 million). At the time of developing the May Revision, the Southern California counties impacted by the December wildfires and mudslides had not yet requested a similar waiver.

The State has since received letters requesting this waiver. In working with OES, the latest estimate for the local cost share of debris removal is approximately $5.5 million (detailed below).

Total Cost: $219.4 million
Estimated Federal Share (90%): $197.5 million
Estimated California Share (10%): $21.9 million

Estimated State Share of California Cost (75%): $16.4 million
Estimated Local Share of California Cost (25%): $5.5 million

The Department of Finance notes that both estimates are still subject to considerable uncertainty as we work through the Federal reimbursement process.

This issue was included at the request of the Assembly Democrats.

STAFF COMMENTS

ISSUE 40: OTHER INVESTMENTS

Various

ASSEMBLY	SENATE
• Adopted the following augmentations: ○ Provided **ongoing** funding for Pediatric Day Health Care ○ Provided $6 million for the Friday Night Live program. ○ Adopted Foster Parent Retention and Recruitment and Support Trailer Bill.	• Adopted the following augmentations: ○ Provided **one-time** funding for Pediatric Day Health Care. ○ Did not fund Friday Night Live. ○ Did not adopt Trailer Bill.

GOVERNOR: No proposal.

STAFF COMMENTS

In addition, the following investments were put forward for consideration:

- Fund a new $3 million "Working Wardrobes" program
- Allocated $250 million Proposition 98 for a new categorical program for School Psychologists.
- Provide $2.7 million for human trafficking vertical prosecution

This issue was included at the request of the Assembly Republican Caucus

EXHIBIT L

2018-19 LEGISLATIVE BUDGET CONFERENCE COMMITTEE

PHIL TING, CHAIR

ROOM 4202
FRIDAY , JUNE 8, 2018

CLOSE OUT AGENDA

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STAFF COMMENTS

ISSUE 1: CONFERENCE REVENUES AND PROPOSITION 2

Various

The overall budget agreement outlined in the Conference agreement is based upon the following assumptions:

- **Fully Funds the Rainy Day Fund –** Provides funding to fully fund the Proposition 2 Budget Stabilization Account.
- **Reflects May Revision Revenues –** Assumes Governor's May Revision revenues, adjusted to reflect updated property tax growth rates.
- **Reflects May Revision Proposition 2 Debt Payments**.
- **Allocates Proposition 2 Infrastructure Revenues —** Makes the following allocation of Proposition 2 infrastructure funding after the Budget Stabilization Account if full:
    - The first funding, about $400 million, would be dedicated to State Building Infrastructure
    - Additional Funds beyond that amount will be split between affordable housing development and rail projects on shared passenger and freight corridors.

Action: Adopt the Revenues and Proposition 2 Conference Compromise

STAFF COMMENTS

ISSUE 2: PROPOSITION 98 CERTIFICATION TRAILER BILL LANGUAGE

Department of Education

The Conference Compromise approves the Governor's proposed Proposition 98 certification trailer bill language, with the following modifications:

- Adjust timeline to allow for a Legislative review period, prior to final certification of the Proposition 98 minimum guarantee.
- Retain the Legislature's ability to adopt an alternative plan for allocating any settle-up funds owed to schools.

Action: Adopt the Conference Compromise for Proposition 98 Certification Trailer Bill Language.

STAFF COMMENTS

ISSUE 3: LOCAL CONTROL FUNDING FORMULA AND SPECIAL EDUCATION

Department of Education

The Conference Compromise includes the following actions for related to the Local Control Funding Formula (LCFF):

- Provide $3.67 billion ongoing Proposition 98 for implementation of the LCFF, $407 million above the Governor's proposed level.
- Does not include Legislative intent to increase the LCFF target base rates in 2019-20 to reach the top ten percent of states in average per-student spending.
- Does not approve ongoing funding to apply the supplemental grant also to the lowest performing student subgroup.
- Approve $300 million in one-time Proposition 98 funding to allocate for low-performing students.
- Include $200,000 for redesigning the Local Control Accountability Plan template and $200,000 to develop the Budget Summary for Parents to improve LCFF transparency. Adopt Legislative intent to enact legislation in the 2017-18 Regular Session to redesign the Local Control Accountability Plan template.

The Conference Compromise includes no new funding for special education equalization.

Action: Adopt the Conference Compromise for Local Control Funding Formula and Special Education.

STAFF COMMENTS

ISSUE 4: K-12 ONE-TIME FUNDING AUGMENTATIONS

Department of Education

The Conference Compromise includes a total of $1 billion in one-time Proposition 98 discretionary funding for school districts, charter schools and county offices of education. The Conference Compromise also includes the following actions related to one-time funding:

Legislative Augmentation (In Millions)	Senate	Assembly	Action
Special Olympics Unified Champion Schools Program	2 (GF)	2 (Prop98)	Senate Version
Multi-Tiered System of Support	15	20	Senate Version
After School Kids Code Grant Program	0.0	25	Conference Compromise to provide $15 million one-time Prop 98 funding
Breakfast After the Bell Grants	0.0	1.0	Senate Version
Suicide Prevention Training	0.0	1.7	Conference Compromise to provide one-time Proposition 98 funding
Teaching About Labor Pilot Program	0.0	2.7	Senate Version
Food Literacy for Sacramento Unified School District	0.0	2.0	Senate Version
Farmworker Institute of Education and Leadership Development Program	0.0	2.7	Senate Version
Bilingual Professional Development Program	0.0	5.0	Senate Version
Prop 98 Reappropriation for the History Social Science Framework-Genocide Awareness Resources	.5	0.0	Senate Version
Facility Upgrades for Sweetwater Unified School District	0.0	2	Assembly Version
Facility Upgrades for San Francisco Unified School District	0.0	4	Assembly Version
Education Commission of the States	0.0	0.0	Conference Compromise to include $150,000 one-time non-Prop 98 funding
Homeless Students Grant	0.0	0.0	Conference Compromise to include $250,000 in one-time Proposition 98
Charter School Authorizer support	0.0	10.0	Senate Version
California Grown School Meals Grant	0.0	0.0	Conference Compromise $1 M

Action: Adopt the Conference Compromise One-Time Funding Augmentations.

STAFF COMMENTS

ISSUE 5: CAREER TECHNICAL EDUCATION

Department of Education/California Community Colleges

The Conference Compromise includes the following actions related to K-12 Career Technical Education:

- Provide $150 million ongoing Proposition 98 for the Career Technical Education Incentive Grant program, administered by the Department of Education.
- Provide $150 million ongoing Proposition 98 for the Governor's proposed K-12 CTE program administered through the community college Strong Workforce program.
- Include $14 million ongoing Proposition 98 to support the Workforce Pathway Coordinators, K-14 Technical Assistance Providers, and the consortia administrative costs.

Action: Adopt the Conference Compromise for Career Technical Education.

STAFF COMMENTS

ISSUE 6: KINDERGARTEN, PRESCHOOL AND AFTER SCHOOL

Department of Education

The Conference Compromise includes the following actions related to Kindergarten, Preschool and After School:

- Does not provide an ongoing increased rate for full-day Kindergarten.
- Provide $100 million one-time non-Proposition 98 General Fund for facility grants for full-day Kindergarten programs.
- Does not provide one-time funding for facility grants for school-based State Preschool programs.
- No new slots for State Preschool.
- Does not provide one-time funding for county offices of education to assist school districts in expanding pre-Kindergarten programs.
- No increase for the After School Education and Safety program.

Action: Adopt the Conference Compromise for Kindergarten, Preschool and After School.

STAFF COMMENTS

ISSUE 7: TEACHER WORKFORCE INVESTMENTS

Commission on Teacher Credentialing

The Conference Compromise includes the following actions related to the teacher workforce:

- Provide $50 million one-time Proposition 98 for the Local Solutions Grant program to provide grants to local educational agencies to develop new or expand existing locally identified solutions that address a local need for special education teachers.

- Include $75 million one-time Proposition 98 for the Teacher Residency Grant Program. Specify that $50 million is set aside for special education and $25 million for other teacher shortage areas, including Science, Technology, Engineering and Math (STEM) and bilingual education.

- Does not provide one-time funding for teacher scholarships.

- Requires a data sharing agreement between CTC and SDE for the teacher assignments/misassignments match process.

Action: Adopt the Conference Compromise Teacher Workforce Investments.

STAFF COMMENTS

ISSUE 8: DEPARTMENT OF EDUCATION STATE OPERATIONS

Department of Education

The Conference Compromise includes the following actions related to the Department of Education's state operations funding:

Legislative Augmentation (In Millions)	Senate	Assembly	Action
Add Funding to Establish the Office of School Based Health within the State Department of Education	0	.25	Senate Version
Add Funding for the Administration of the Career Technical Education Incentive Grant	0	.4	Senate Version
Ongoing Support for the Distinguished After School Health Recognition Program	.1	0	Assembly Version
Personnel Funding to Support for the Kids Code Program	0	.9	Senate Version
Personnel Funding to Support a Centralized Uniform Complaint Procedures Process and Database	.1	0	Senate Version
Personnel Funding to Support Additional Child Care Slots	0	0	Conference Compromise to provide $135,000 federal CCDBG for CDE state operations for workload for additional child care slots

Action: Adopt the Conference Compromise for CDE's State Operations.

STAFF COMMENTS

ISSUE 9: K-12 FEDERAL FUNDS

Department of Education

The Conference Compromise includes the following actions related to federal funding:

- Adopt Conference Compromise to maintain $2 million in federal Title III funding to be allocated to the 11 regional county offices of education, as currently allocated. Adopt Budget Bill Language requiring the 11 county offices of education to meet specified metrics in order to be held accountable for improving performance for English learners within their respective regions.

- Provide $437,000 in one-time federal Title III carryover funding and adopt trailer bill language for the Department of Education to create standardization of the English learner reclassification process.

- Does not provide federal IDEA funding for Family Empowerment Centers.

- Include $44 million in one-time federal Title IV funding for grants prioritized for 1) enhancing visual and performing arts education, or 2) expanding access to physical and mental health care, including dental and vision care, in schools by supporting school health centers.

- Reduce the amount of federal funds allocated to the Early Math Initiative by $670,000 and shift a like amount to fund private school equitable services.

Action: Adopt the Conference Compromise Federal Funds.

STAFF COMMENTS

ISSUE 10: K-12 TRAILER BILL LANGUAGE

Department of Education

The Conference Compromise includes the following actions related to trailer bill language:

- Approve the Governor's proposed trailer bill language related to the Academic Performance Index, with the clarification that alternative measures shall be used for the purposes of charter renewals.

- Does not include charter schools to the willful defiance provision.

- Does not include trailer bill language requiring the Office of Public School Construction to process $1.5 billion worth of Proposition 51 bond applications each year from 2018-19 through 2021-22 and requiring the State Allocation Board to encumber the funds by June 30, 2023.

- Approve trailer bill language to provide a third year of average daily attendance (ADA) relief for school districts impacted by wildfires.

- Approve Conference Compromise to eliminate the recently repealed California High School Exit Exam from the K-12 mandate reimbursement item and the K-12 Mandates Block Grant and make conforming changes to the Budget Bill.

Action: Adopt the Conference Compromise Trailer Bill Language.

STAFF COMMENTS

ISSUE 11: CHILD CARE

Department of Education

The Conference child care Conference Compromise package provides the following elements:

- **Alternative Payment Programs slots –** Creates 13,407 new Alternative Payment slots, of which 11,307 are available until June 30, 2022. These slots are funded with $19 million ongoing General Fund ($15.8 million in 2018-19) and a total of $409.2 million limited-term Federal Funds.

- **Increases adjustment factors for Infants, Toddlers, and Special Needs Children** - Provides $40.2 million for these increased rate increments, growing to $80.3 million in future years.

- **Provides One-Time Quality Funding –** Includes $10 million for County Pilot for inclusive care, $5 million for Licensed Child Care Teacher Professional Development, $5 million for the California Child Care Initiative, and $6 million for other one-time quality activities.

- **Includes Earlier Expansion Agreements** – Includes $64.4 million General Fund and $59.2 million Proposition 98 funding to reflect rate increases and 2,959 new full day preschool slots agreed to in 2016. Senate version on additional expansions.

- **Trailer Bill** — Includes language conform the Uniform Complaint Procedure issues identified by the Legislative Analyst's Office and adopts language to allow for the braiding of preschool funding. No trailer bill language regarding a child care administration work group.

- **Federal Compliance** — Includes $26.4 million for federal compliance activities, specifically annual inspections for licensed child care providers.

- No new funding for child nutrition, breakfast after the bell grants, child development database and the Little-by-Little School Readiness program.

- Does not make changes to the Child Care Facilities Revolving Loan Fund.

Action: Adopt the Child Care Conference Compromise.

STAFF COMMENTS

ISSUE 12: UNIVERSITY OF CALIFORNIA PACKAGE

University of California

The UC conference compromise package assumes the Governor's Budget proposal of a $92.1 million ongoing General Fund increase over the current year plus an increase of $5 million ongoing and $177.1 million one-time General Fund.

The funding is distributed in the following way:

- $5 million ongoing to support 2018-19 enrollment growth of 500 undergraduate students.
- $105 million one-time for general university needs.
- $35 million one-time for deferred maintenance.
- $25 million one-time for UC Berkeley to address the campus' operating deficit. This funding will be released after the campus presents a plan to eliminate its deficit to the Department of Finance and Joint Legislative Budget Committee.
- $12 million one-time to support research related to Jordan's Syndrome.
- $4 million one-time to provide legal services for undocumented and immigrant students, faculty and staff.
- $2.8 million one-time to support UC Davis Aggie Square planning costs.
- $2 million one-time to support equal employment opportunity practices.
- $1.8 million one-time for the UCLA Ralph J Bunche Center for African American Studies
- $1.5 million one-time to support campus efforts to address student hunger and basic needs.

The package also includes the following budget bill and trailer bill language:

- Requires UC to provide an annual report on systemwide programs and initiatives, including costs and justification for how the program or initiative enhances the mission of the university.

- Encourages UC to annually post employee demographic and compensation information.

- Approves the May Revision proposal to redirect funding from the Office of the President to the campus budget to support 2018-19 enrollment growth of 1,500 undergraduate students.

- Adopts Senate version of language withholding $50 million until UC completes audit activities in April 2019 (no language)

- Adopts Assembly version of cost of living adjustment beginning in 2019-20 (no adjustment)

- Adopts Assembly version of trailer bill language requiring campuses to report on uses of funding and outcomes related to efforts to address student hunger and basic needs, and to create a working group between higher education segments and county and state social service providers to improve coordination around student benefits.

- Adopts May Revision proposal to eliminate one of two annual financial aid reports, with modifications to require reporting on the percentage of students who receive institutional aid and the number of low-income students who do not receive aid.

- Adopts Assembly version of UC Path language allowing supplemental campus assessment and stipulating that state funds shall only be used to support UC Path costs associated with state-funded programs.

- Creates a new budget item for the Agriculture and Natural Resources Division, which has previously been included within the budget of the Office of the President. Funding for the division is $113.4 million General Fund in 2018-19. This action does not change the level of funding for the division; it merely increases transparency in UC funding.

Adopts Assembly version of funding for mental health services. (No funding)

Adopts Senate version of funding for opioid research, sugar research, and firearms research, and Proposition 2 funding and language (no funding.) Provides no specific funding for 2019-20 enrollment growth or current overenrollment.

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STAFF COMMENTS

ISSUE 13: CALIFORNIA STATE UNIVERSITY PACKAGE

California State University

The CSU conference compromise assumes the Governor's Budget proposal of a $92.1 million ongoing General Fund increase over the current year plus an increase of $105 million ongoing General Fund about $167 million one-time General Fund.

The funding is distributed in the following way:

- $75 million ongoing to support the Graduation Initiative
- $30 million ongoing for general university needs
- $120 million one-time to support enrollment growth of 3,641 full-time equivalent students, which will allow about $30 million per year to support this cohort of students for four years.
- $35 million one-time for deferred maintenance
- $7 million one-time to provide legal services for undocumented and immigrant students, faculty and staff. This funding will be provided to the Department of Social Services to administer.
- $3.75 million one-time for shark research and beach safety activities at CSU Long Beach.
- $1.5 million one-time to support campus efforts to address student hunger and basic needs.
- $1 million one-time for the Mervyn M. Dymally African American Political and Economic Institute at CSU Dominguez Hills.
- $350,000 one-time to establish the California Council on Science and Technology Policy Fellowship Program.
- $24,000 ongoing increase for the Sacramento Semester program.

The package also includes the following budget bill and trailer bill language:

- Requires CSU to report on the impacts of admissions policy changes that require admissions preferences for local students applying to impacted programs and

allow qualified students to be redirected to nonimpacted campuses if they are denied admission to an impacted campus.

- Requires CSU to earmark at least $25 million to increase the percentage of tenure-track faculty and report on how the funding was used and how it increased the number of tenure track faculty and lecturers by campus.

- Allows CSU to contract with eligible non-profit organizations to provide various legal services to undocumented and immigrant students, faculty and staff, such as assistance with the application process for initial or renewal requests of the DACA program and assistance with the naturalization process and any appeals arising from the process.

- Requires CSU to report on Graduation Initiative spending and activities, as well as faculty, staff and administrative hiring.

- Adopts May Revision proposal to eliminate one of two annual financial aid reports, with modifications to require reporting on the percentage of students who receive institutional aid and the number of low-income students who do not receive aid.

- Adopts Assembly version of trailer bill language requiring campuses to report on uses of funding and outcomes related to efforts to address student hunger and basic needs, and to create a working group between higher education segments and county and state social service providers to improve coordination around student benefits.
- Adopts Assembly version of cost of living adjustment beginning in 2019-20 (no adjustment)

Adopts Senate version of funding for equal employment opportunity practices, and emergency housing pilot program (no funding.)

Adopts Senate version of trailer bill language allowing the CSU Trustees' investment committee to meet in closed session (no language.)

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STAFF COMMENTS

ISSUE 14: HASTINGS COLLEGE OF LAW DIVERSITY PIPELINE SCHOLARSHIPS

Hastings College of Law

Adopts Senate version on Diversity Pipeline Scholarships. Provides $4.5 million one-time General Fund over four years to provide scholarships to cover tuition and a majority of living costs for 24 California students from Historically Black Colleges and Universities and the American University in Armenia to attend Hastings College of Law.

STAFF COMMENTS

ISSUE 15: CALIFORNIA EDUCATION LEARNING LAB

Office of Planning and Research

This is a not-in-conference issue. Approves the Governor's Budget proposal to provide $10 million General Fund to support the California Education Learning Lab within the Office of Planning and Research (OPR). The program would initially focus exclusively on creating new and redesigning existing lower-division online and hybrid courses in science, technology, engineering, and math (STEM) at the three segments. After three years, the program would be permitted to add online and hybrid courses in other disciplines.

Under the proposal, OPR, which undertakes various projects on behalf of the Governor, would operate and oversee the program. Specifically, OPR staff would (1) solicit requests for proposals from faculty at the three segments, (2) recruit members of a selection committee to score proposals and recommend awards, (3) monitor progress of award recipients, and (4) evaluate projects upon completion.

STAFF COMMENTS

ISSUE 16: CALIFORNIA STATE LIBRARY AUGMENTATIONS

California State Library

The California State Library conference compromise includes:

- $1 million one-time General Fund for the Lunch at the Library program, which supports libraries in developing summer free-meal programs. Funding will help libraries connect with meal sponsors and the USDA's Summer Food Service Program and establish a free-meal program. Senate version.

- $1 million one-time General Fund to support completion of the Felton Library and Nature Discovery Park. The funding will combine with local funding to create a community learning center and park within walking distance of downtown Felton and nearby schools. Assembly version.

- $1 million one-time General Fund and trailer bill language to create the Student Authors program, which will provide competitive grants to nonprofit organizations to work with and publish the writings of student authors in public housing developments. Assembly version.

- $1 million one-time General Fund for the Career Online High School. Assembly version.

- $500,000 one-time General Fund to support operations at the Braille Institute Library in Los Angeles. Federal funding for this program has been reduced in recent years. Modified Assembly version.

- Trailer bill language eliminating the sunset provision of a law requiring cities seeking to contract for library services with a for-profit company to conduct a public notice and competitive bidding process. Assembly version.

- Adopts May Revision proposal on the oral histories program. Senate version.

STAFF COMMENTS

ISSUE 17: CALIFORNIA STUDENT AID COMMISSION AUGMENTATIONS

California Student Aid Commission

The California Student Aid Commission conference compromise includes:

- $5.2 million ongoing General Fund to expand Cal Grant eligibility for former foster youth. The expansion would allow former foster youth up to age 26 to be eligible for the Cal Grant entitlement program, and allow these students to receive a Cal Grant for up to 8 years. Assembly and Senate versions.

- Senate version of funding for the Cal Grant B Service Incentive Grant (no funding.)

- Governor's Budget version of maximum Cal Grant for students attending accredited for-profit institutions.

STAFF COMMENTS

ISSUE 18: ONLINE COLLEGE

California Community Colleges

The final online college action approves the Senate version with modifications. The action includes:

- $100 million one-time Proposition 98 and $20 million ongoing Proposition 98 to create a new online community college to be administered by the Board of Governors. The new college would develop courses and programs that lead to short-term credentials and certifications with labor market value and are not duplicative of programs offered at existing colleges.

- $35 million one-time Proposition 98 to the Online Education Initiative for competitive grants to community college districts to develop online programs, courses and content.

- Requires new CEO to be part of collective bargaining.

- Removes the 10-year sunset.

- Establishes a timeline for accreditation by requiring the new college to provide evidence to the Department of Finance and the Legislature that it has achieved accreditation candidacy or pre-accreditation by 2022 and full accreditation by 2025.

- Prohibits the new college from charging fees higher than a traditional college.

- Requires new college to develop short-term programs that lead into pathways offered at existing community colleges.

- Requires the Chancellor's Office to review and make recommendations on (1) noncredit funding rates, and make recommendations to encourage the development of competency-based programs, and (2) the statewide approval process to offer an online course under a flexible calendar.

STAFF COMMENTS

ISSUE 19: COMMUNITY COLLEGE FUNDING FORMULA

California Community Colleges

The conference compromise on the Community College Funding Formula adopts a new formula for colleges that includes the following:

- A three-year phase-in that begins by providing 70% enrollment-based funding, 20% funding based on the enrollment of low-income students, and 10% funding based on performance outcomes. Over a three-year period the formula would shift to 60% enrollment-based funding, 20% funding based on the enrollment of low-income students, and 20% funding based on performance outcomes.

- A hold-harmless provision that will guarantee all colleges at least a cost-of-living increase for three years. The conference compromise provides an increase to community college apportionments of $378 million Proposition 98 in 2018-19. . Of this funding, $151 million is for the base allocation, $24 million is for the hold-harmless provision, and $34 million is one-time discretionary funding for colleges.

- A definition of low-income students that includes students eligible for the Pell Grant or the California Promise Grant (formerly BOG Fee Waiver.)

- A blended equity success measure that rewards colleges for successful outcomes for both Pell-eligible and California Promise Grant students.

- The May Revision success metrics, which reward colleges for associate's degrees awarded, associate degree for transfer's awarded, certificates of 18 or more units awarded, completion of 9 or more CTE units, transfers to a four-year institution, completion of transfer-level math or English, and attainment of a living wage. Extra points are earned for any of these successes for low-income students.

- The creation of an oversight entity, with representatives chosen by the Governor, Senate Rules Committee and the Speaker to continually monitor implementation of the funding formula and make recommendations to the Legislature, Governor and Chancellor for its improvement.

STAFF COMMENTS

ISSUE 20: COMMUNITY COLLEGE AUGMENTATIONS

California Community Colleges

The California Community College conference compromise includes the following actions. All funding is Proposition 98.

ISSUE	ASSEMBLY	SENATE	FINAL ACTION
INCREASE FULL-TIME FACULTY	$40 M ONGOING	$40 M ONGOING	$50 M ONGOING
INCREASE PART-TIME FACULTY OFFICE HOURS	$13.9 M ONGOING	$25.8 M ONGOING	$50 M ONE-TIME
INNOVATION AWARDS	REJECT	$20 M ONE-TIME	ASSEMBLY VERSION
FUND FOR STUDENT SUCCESS/PUENTE AUGMENTATION	$6 M ONGOING	COLA	NO INCREASE
LOS ANGELES VALLEY COLLEGE FAMILY RESOURCE CENTER	$750,000 ONE-TIME	NO ACTION	$800,000 ONE-TIME
CTE REAPPROPRIATION	REAPPROPRIATE $8M ONE-TIME FROM 2017 BUDGET ACT	NO ACTION	ASSEMBLY VERSION
GLENDALE COMMUNITY COLLEGE ARMENIAN GENOCIDE REMEMBRANCE	NO ACTION	$517,000 ONGOING	ASSEMBLY VERSION
STUDENT HUNGER/BASIC NEEDS	$20 M ONE-TIME	NO ACTION	$10 M ONE-TIME
VETERANS RESOURCE CENTERS	$15 M ONE-TIME	NO ACTION	$8.5 M ONE-TIME
EL CAMINO COMMUNITY COLLEGE PUBLIC SAFETY CENTER	$15 M ONE-TIME	NO ACTION	$10 M ONE-TIME GF
NORCO COMMUNITY COLLEGE EARLY CHILDHOOD EDUCATION CENTER	$5 M ONE-TIME	NO ACTION	$5 M ONE-TIME GF
VENTURA COMMUNITY COLLEGE SANTA PAULA SITE	$1.2 M ONE-TIME	NO ACTION	SENATE VERSION
ISSUE	ASSEMBLY	SENATE	FINAL ACTION

P-Tech Program	No Action	$20 M One-Time	$10 M One-Time
Deferred Maintenance	$171 M One-Time	$144 M One-Time	$23 M One-Time
Re-Entry Programs for Formerly Incarcerated	$5 M One-Time	$5 M One-time	$5 M One-Time
Mental Health Services	$20 M One-Time	$20 M One-Time	$10 M One-Time
Legal Services for Undocumented or Immigrant Students	$15 M One-Time	$15 M One-Time	$10 M One-Time
Reappropriation of Underground Scholars Funding	No Action	No Action	Reappropriate $250,000 One-Time from 2017 Budget Act to support Underground Scholars Program
Chancellor's Office Staff	Modified Governor's Budget	Approved Governor's Budget	Senate Version
Prop 51 Capital Outlay Projects	Approved 8 Projects Plus Administration-Approved Projects	Approved 8 Projects Plus Administration-Approved Projects	Approve Administration-Approved Projects

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STAFF COMMENTS

ISSUE 21: HEALTH CARE COVERAGE EXPANSION/AFFORDABILITY

Department of Health Care Services, Department of Public Health, Franchise Tax Board, Office of Statewide Health Planning and Development, University of California

This issue covers various actions taken by both houses related to health care coverage expansion, affordability, cost-containment, transparency, and healthcare workforce.

Action: **Conference Compromise**

- Approve $60 million one-time GF and trailer bill to implement an All Payers Claims Database.
- Approve $5 million GF one-time to establish a task force and trailer bill establishing intent to accomplish universal coverage and a unified publicly financed health care system.
- Approve trailer bill, in connection with the task force action above, to direct Covered California to present options for a subsidy program for legislative consideration next year.
- Approve May Revision (no additional resources or policy changes) for all of the following:
  - Providing premium assistance or tax credits for individuals 200-600 percent of federal poverty covered through Covered California.
  - Increasing Medi-Cal eligibility up to 138 percent of federal poverty for the aged, blind and disabled.
  - Expanding Medi-Cal eligibility to young adults or seniors, regardless of immigration status.
  - Implementing the WIC Express Lane.
  - Expanding Transitional Medi-Cal.
  - Funding for health care outreach and enrollment.
  - Funding for the Song Brown Program at OSHPD or for the U.C. PRIME Program.

STAFF COMMENTS

ISSUE 22: HEALTH CARE WORKFORCE

Office of Statewide Health Planning and Development, University of California

This issue covers various healthcare workforce proposals approved by both houses and proposed by the Governor, including funding for workforce programs at OSHPD and Graduate Medical Education programs at the University of California.

Action: **Conference Compromise**

- Approve $40 million GF one-time for Graduate Medical Education within U.C.
- Approve $15 million GF one-time and budget bill language for Psychiatric Graduate Medical Education utilizing psychiatric telemedicine within U.C.
- Approve $10 million one-time (Prop 63 State Admin Fund) and budget bill language for the WET Program at OSHPD.
- Approve $1 million one-time (Prop 63 State Admin Fund) and budget bill language for OSHPD program to provide scholarships for the U.C. Primary Care Mental Health Fellowship program.
- Approve May Revision (no additional resources or policy changes) for all of the following:
  - Funding for Song Brown at OSHPD.
  - Funding for the U.C. PRIME Program.
  - Funding for the U.C. Medical School Postbaccalaureate Programs.

STAFF COMMENTS

ISSUE 23: PROVIDER RATES AND PROPOSITION 56 FUNDS IN MEDI-CAL

Department of Health Care Services, Office of Statewide Health Planning and Development

This issue covers various actions taken by both houses and proposals by the Governor on Proposition 56 Medi-Cal expenditures and Medi-Cal provider rate increases.

Action: **Conference Compromise**

- Approve of placing $1,022.3 billion in Proposition 56 funding into a non-budget item to be appropriated through a future bill.
- Approve budget bill and $8.9 million ($7 million Proposition 56, $1.6 million GF at Health Care Services and $350,000 General Fund at Developmental Services) in 2018-19, $9.7 million in 2019-20, $10.3 million in 2020-21, and $10.8 million in 2021-22 for Pediatric Day Health Care services.
- Approve May Revision (no additional resources or policy changes) for all of the following:
  - Pediatric free-standing subacute facilities.
  - Air ambulance providers.
  - Non-emergency medical transportation.
  - Adult Day Health Care programs in San Francisco.
  - Breast pumps.
  - Incentive payments for providers.

STAFF COMMENTS

ISSUE 24: HEALTH CARE LEGISLATIVE AUGMENTATIONS

Department of Health Care Services

This issue covers various augmentations made by both houses to the Medi-Cal program and to non-Medi-Cal health care programs within the Department of Health Care Services.

Action: Conference Compromise

- Deny trailer bill to reform the 340B Drug Pricing Program, and approving of $26.2 million GF savings in 2019-20 and $16.6 million GF costs in 2020-21 and 2021-22.
- Approve $2 million GF one-time for a Whole Genome Sequencing pilot program.
- Approve $340,000 GF one-time for Diabetes Prevention Program Curricula Translation Services.
- Approve $1 million GF one-time for pediatric mobile optometry services.
- Approve May Revision (no additional resources or policy changes) for all of the following:
    - Continuous Glucose Monitors.
    - Silver Diamine Fluoride.
    - California Community Transitions Program.
    - Data Collection on Asian Pacific Islander Populations.
    - Medi-Cal Optional Benefits.
    - Clinic billing for same-day mental health services.
    - Substance abuse counselors in emergency departments.
    - Friday Night Live Partnership.
    - Asthma management and prevention services.
    - Screening, Brief Intervention, Referral and Treatment (SBIRT) tool.

STAFF COMMENTS

ISSUE 25: HEALTH CARE NO COST LEGISLATIVE ACTIONS

Department of Health Care Services

This issue covers various no-cost proposals related to programs within the Department of Health Care Services.

Action: Conference Compromise

- Approve of trailer bill to streamline the implementation of the Diabetes Prevention Program.
- Approve of budget bill language to extend the expenditure authority for the Medical Interpreters study and pilot program, and deny trailer bill to allow implementation of the pilot prior to completion of the study.
- Approve of the May Revision Budget Change Proposal on Mental Health Oversight as proposed, denying trailer bill language to require an estimate package on MHSA as part of the proposed January and May budgets.
- Approve trailer bill to work with providers on an erroneous payments recoupment process in Medi-Cal upon request by a provider.
- Approve of modifications to the Governor's proposed trailer bill related to General Fund loans to the Medi-Cal program to require legislative notification.
- Approve of modifications to the Governor's proposed budget bill language related to resources for outreach to homeless mentally ill individuals by making the City of Berkeley and the Tri-Cities eligible entities to receive funding.
- Approve Supplemental Report Language requesting information from the Department of Health Care Services on their proposed new rate-setting methodology for blood clotting factor.
- Deny budget bill language that delayed the mandated implementation of the CANS tool and required an evaluation of CANS.
- Deny trailer bill to create a school-funds diversion mechanism to the California Department of Education to support an Office of School Based Health.

STAFF COMMENTS

ISSUE 26: PUBLIC HEALTH LEGISLATIVE AUGMENTATIONS

Department of Public Health
University of California

This issue covers various public health augmentations approved by either or both houses within the Department of Public Health or the University of California.

Action: Conference Compromise

- Approve $9 million GF one-time and budget bill language over 3 years to support the ALS System of Care.
- Approve $8 million GF ongoing, trailer bill and budget bill language, to expand the Black Infant Health Program.
- Approve $5 million GF one-time and budget bill language for HIV/AIDS prevention.
- Approve $2.5 million GF one-time (with expenditure authority for 2 years) and budget bill language for a Diabetes outreach and awareness campaign.
- Approve $2 million GF one-time and budget bill language for STD prevention.
- Approve $8 million GF one-time for Valley Fever Outreach and Research as follows: $2 million for outreach and awareness at DPH (including budget bill language that authorizes expenditure authority of these funds for 2 years), $3 million for research at the Valley Fever Institute at Kern Medical (through DPH), and $3 million for research directly to the University of California.
- Approve $10 million (Prop 63 State Admin Fund) one-time, over 3 years, and trailer bill or budget bill language, to implement the All Children Thrive Program.
- Approve $300,000 GF ongoing (and corresponding federal funds change) to backfill the loss of federal funds for border health efforts.
- Approve $500,000 GF one-time for the CalSurv mosquito surveillance system directly to U.C Davis.
- Approve an additional $700,000 (Licensing and Certification Program Fund) and budget bill language that authorizes the Department of Public Health to increase funding for Los Angeles County for Licensing and Certification as needed based on actual cost information that becomes available during 2018-19.

- Approve May Revision (no additional resources or policy changes) for all of the following:
  - HIV/STD Prevention Education for Medical Providers.
  - HIV demonstration projects on older individuals and transgender women.
  - Safe Cosmetics Program.
  - Treatment Navigation for Opioid Users.
  - Hepatitis C prevention.

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STAFF COMMENTS

ISSUE 27: PUBLIC HEALTH NO COST LEGISLATIVE ACTIONS

Department of Public Health

This issue covers various no-cost public health proposals adopted by either or both houses affecting the Department of Public Health.

Action: Conference Compromise

- Approve of the May Revise proposal to continuously appropriate Proposition 56 funds in the following departments: Department of Public Health, Department of Education, Department of Justice, University of California, and the Department of Tax and Fee Administration.

- Approve of placeholder Supplemental Report Language to request the Department of Public Health to provide public health data to the Legislature no later than the start of budget subcommittee hearings in 2019.

- Deny trailer bill to authorize county roll-over of Prop 56 funds in the Department of Public Health.

- Deny trailer bill to authorize hospital employees to meet privately with state hospital inspectors during hospital inspections.

STAFF COMMENTS

ISSUE 28: MENTAL HEALTH LEGISLATIVE AUGMENTATIONS

Department of State Hospitals
Mental Health Services Oversight and Accountability Commission

This issue covers various mental health proposals and augmentations approved by either house or proposed by the Governor, including proposals for Proposition 63 State Administration Fund funding.

Action: Conference Compromise

- Approve modified trailer bill to establish an Incompetent to Stand Trial (ST) mental health diversion program that requires approval of county plans by both the Department of State Hospitals and the Council on Criminal Justice and Behavioral Health. Provides $150,000 (Prop 63 State Admin) per year for 3 years and 1 position to the Council.

- Approve a Proposition 63 State Administration Fund Cap Package as follows:
  - Approve $4.3 million ongoing through DHCS for suicide hotlines.
  - Approve of $1 million ongoing through the Department of Veterans Affairs to support mental health services for veterans.
  - Approve $670,000 ongoing for the Commission to establish a consumer contract to represent immigrant and refugee communities.
  - Approve $795,000 ongoing for the Council on Criminal Justice and Behavioral Health to establish a consumer contract to represent the mentally ill population that is involved with the criminal justice system ($670,000) and 1 position to the Council ($125,000).
  - Approve $10 million one-time for the WET program at OSHPD for specified purposes detailed in budget bill language.
  - Approve $10 million one-time, over 3 years, and budget bill language through DPH to implement the All Children Thrive program.
  - Approve $1 million one-time and budget bill language for Primary Care Mental Health Fellowship scholarships through OSHPD.

- Reappropriate $20 million in SB 82 triage funds, and approve an ongoing reduction in triage funding from $32 million annually to $20 million annually.
- Approve $150,000 per year for 3 years to the Council on Criminal Justice and Behavioral Health to consult with the Department of State Hospitals on the IST mental health diversion program.

- Approve May Revision (no additional resources or policy changes) for all of the following:
  - Children's Innovation Incubator at the Commission.
  - Mental health substance abuse peer navigators in emergency departments pilot program.
  - Increased position authority within the Commission.

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STAFF COMMENTS

ISSUE 29: SSI CASH-OUT REVERSAL

Department of Social Services

Adopt Conference Compromise, including:

- $200 million General Fund (one-time) to support a reversal of the CalFresh cash-out policy for the SSI/SSP and SSP caseload, with placeholder trailer bill language.

- Holding current cases harmless and beginning the implementation process in 2018-19, with legislative intent language to address the concept of continuing the hold harmless policy for current cases.

- Additional administrative needs will be funded in part from the $200 million designated for this purpose.

STAFF COMMENTS

ISSUE 30: COUNTY ADMINISTRATION

Department of Social Services

Adopt Conference Compromise to augment the following programs in 2018-19 with one-time General Fund above the Governor's May Revision with the following amounts:

- For the CalWORKs Single Allocation, $23.5 million to restore the cut to employment services.

- For the In-Home Supportive Services (IHSS) program, $15.4 million to partially fund a shortfall in county administration.

- For the Resource Family Approval Process, $6.3 million to assist with the continued effort to reduce the backlog in application processing and approvals.

- For the Level of Care Assessment, $4.8 million to assist with the implementation of this new tool starting July 1, 2018.

- For the Child and Adolescent Needs Assessment (CANS), no funding for 2018-19 and adopt the following supplemental report language:

  The California Department of Social Services shall work with the County Welfare Directors Association and the California State Association of Counties to estimate any net new one-time and ongoing workload and costs to county child welfare services agencies to implement the CANS assessment process beyond existing assessment requirements. By October 1, 2018, CDSS shall report the results of this analysis to the Department of Finance and the legislative budget committees for the purpose of advising development of the January 2019 budget proposal.

STAFF COMMENTS

ISSUE 31: CALWORKS HOME VISITING INITIATIVE

Department of Social Services

Adopt Conference Compromise, including:

- Adopt placeholder trailer bill language, to offer the service to first-time parents and caregivers, and then allowing for the extension of the service to additional families with young children.
- Make the program subject to funding in the annual Budget Act.
- Implement in the first three years utilizing the TANF Reserve Fund pursuant to the Governor's Budget.

STAFF COMMENTS

ISSUE 32: SAFETY NET RESERVE

Department of Social Services

Adopt Conference Compromise, including:

- Adopt placeholder trailer bill language to create the Safety Net Reserve, with Medi-Cal and CalWORKs subaccounts, and transfer $200 million to the CalWORKs subaccount.

- Department of Finance to develop methodology for future funding of subaccounts in consultation the Legislative Analyst's Office and the Legislature.

STAFF COMMENTS

ISSUE 33: NO CHILD IN DEEP POVERTY

Department of Social Services

Adopt Conference Compromise, including:

- Provide $90 million General Fund beginning April 1, 2019 and $360 million ongoing as first of three steps to get children and families to 50 percent of the Federal Poverty level.
- Second and third steps do not take effect until they are fully funded in the budget.
- Adopt placeholder trailer bill language to effectuate this action.

STAFF COMMENTS

ISSUE 34: COST OF LIVING ADJUSTMENTS

Department of Social Services

Adopt Conference Compromise, including:

- Trailer bill language to codify cost-of-living adjustments (COLAs) to the State Supplemental Payment and CalWORKs grants beginning 2022-23
- Allow for the COLAs to be subject to funding in the annual Budget Act.

STAFF COMMENTS

ISSUE 35: WAIVER PERSONAL CARE SERVICES

Department of Social Services

Adopt Conference Compromise, including:

- $3.0 million General Fund ongoing and placeholder trailer bill language to establish the county public authorities and nonprofit consortia as the employers of record for providers of waiver personal care services (WPCS) and adopts related changes in order to establish parity between WPCS and In-Home Supportive Services (IHSS) providers.

- The proposal differs from what was passed by both houses in that there is an added requirement that wages and benefits for WPCS providers are to be equal to the rates in each county for the individual provider mode of services in the IHSS program, and specifies that eligibility for health benefits shall be based on the aggregate number of monthly hours worked between IHSS and WPCS.

STAFF COMMENTS

ISSUE 36: IHSS SICK LEAVE / PROVIDER BACK UP SYSTEM

Department of Social Services

Approve Conference Compromise to do the following:

- Adopt placeholder trailer bill language as follows:

  Amend Section 246 of the Labor Code to read:

  (o) No later than February 1, 2019, the State Department of Social Services, in consultation with the Department of Finance and stakeholders, shall reconvene the paid sick leave workgroup for in-home supportive services providers. The workgroup shall discuss how paid sick leave affects the provision of IHSS services. The workgroup shall consider the potential need for a process to cover the IHSS recipients' authorized hours when a provider should need to utilize their accrued sick time. This workgroup shall finish its work by November 1, 2019.

- Adopt Supplemental Report Language as follows:

  Department of Social Services

  Implementation of Senate Bill 3 (2016): IHSS Paid sick days. No later than September 1, 2019, the California Department of Social Services shall provide an update to the Department of Finance and the health and human services budget subcommittees in both houses, that shall include, but not be limited to, the following:

  (a) The number of paid sick leave hours earned, and the number of paid sick leave hours taken by in-home supportive services providers, by county.

  (b) For up to 10 counties, reflecting the diversity of California's counties (including, but not limited to, population, age, ethnicity, rural and urban), the number of instances broken down by county, in which the county receives a request from an IHSS recipient for a back-up provider due to his or her regular provider using paid sick leave.
  (i) This shall be for the time period of September 1, 2018 through June 30, 2019.
  (ii) Counties shall be selected in consultation with the County Welfare Directors Association, California Association of Public Authorities, and stakeholders.

  (c) For the same counties as outlined in (b), the number of instances broken down by county, in which the Public Authority receives a request from an IHSS recipient for a back-up provider due to his or her regular provider using paid sick leave.
  (i) This shall be for the time period of September 1, 2018 through June 30, 2019.

  (d) For each instance outlined in (b) and (c), each county and its Public Authority may coordinate to provide data to the department on the number of requests for a backup provider that were fulfilled and the number of requests for a backup provider that were unable to be fulfilled.

STAFF COMMENTS

ISSUE 37: MAY REVISION TBL ON HOME-BASED FAMILY RATE

Department of Social Services

Approve Governor's May Revision TBL for this issue.

STAFF COMMENTS

ISSUE 38: OTHER LEGISLATIVE AUGMENTATIONS IN CONFERENCE

Department of Social Services and Department of Aging

Issue	Action
1. Food Bank Infrastructure	Approve $5.5 million GF one-time, with placeholder TBL/BBL per consultation with DOF
2. CalFood Emergency Food Assistance	Approve May Revision
3. Long-Term Care Ombudsman	Approve $2.3 million GF on-going, with placeholder TBL, and Assembly version on BBL
4. Meals on Wheels and Congregate Nutrition	Approve May Revision
5. Alzheimer's Disease Awareness Campaign	Approve May Revision
6. California Senior Legislature	Approve May Revision
7. Services for Temporary Protective Status (TPS) Recipients and Unaccompanied Undocumented Minors (UUM)	Approve $10 million GF one-time, with placeholder BBL
8. Revolving Immigration Bond Fund	Approve May Revision
9. Rural Justice Fellows Project	Approve May Revision
10. Immigration Court Representation	Approve May Revision
11. Foster Parent Retention, Recruitment, and Support (FPRRS)	Approve May Revision
12. Family Urgent Response System (FURS)	Approve May Revision
13. Chafee Grant Eligibility Age Increase	Approve $4 million GF on-going, with placeholder TBL
14. Older Youth in Group Homes and Shelters	Approve $4 million GF one-time, with placeholder TBL
15. Diaper Distribution	Approve $10 million GF one-time, with placeholder BBL
16. Deaf Access Program	Approve $4 million GF on-going, with placeholder TBL
17. Holocaust Survivor Assistance	Approve $3.6 million GF one-time, with placeholder BBL
18. Case Management and Information Payrolling System (CMIPS) II Backlog	Approve May Revision, no TBL
19. CalWORKs Homeless Assistance Program	Approve May Revision

STAFF COMMENTS

ISSUE 39: OTHER LEGISLATIVE AUGMENTATIONS NOT IN CONFERENCE

Department of Social Services and Department of Child Support Services

Issue	Action
1. Extended Foster Care Definitions for Entrance and Re-Entry	Approve May Revision
2. Indian Health Clinics	Approve May Revision
3. IHSS Provider Enrollment	Approve May Revision
4. Multipurpose Senior Services Program	Approve May Revision
5. Child Support Administrative Augmentation	Rescind prior actions, approve $3 million GF on-going, with placeholder TBL/BBL per consultation with DOF
6. Youth Civic Engagement	Approve $2 million GF one-time (as the houses acted prior to Conference), no TBL, adopt placeholder BBL
7. Immigration Services for California State University Faculties, Students, and Staff through the Immigration Services Funding program at DSS	Approve $7 million GF one-time, with placeholder BBL

STAFF COMMENTS

ISSUE 40: HUMAN SERVICES LANGUAGE ONLY ISSUES

1. Case Management and Information Payrolling System II Governance

Approve supplemental report language as follows:

The California Department of Social Services shall provide an update to the Legislature and stakeholders, as part of the 2019-2020 budget process, on the engagement of counties in the implementation of the Case Management, Information and Payrolling System for the In-Home Supportive Services Program. The update shall including, but not be limited to, the following:

1. The steps the state has taken to engage the counties in the governance of the project throughout the change management process;
2. The criteria by which the state and county-driven change requests are approved or denied;
3. The process the state has engaged in managing the implementation and prioritization of state and county-driven change requests; and
4. The roles and responsibilities of the state and counties in the change management process.

2. CalWORKs Welfare to Work Study Time

Approve Assembly version on placeholder TBL.

3. File Clearance Process Codification

Approve Senate version, no TBL.

4. SRL on Application Hub

Approve Assembly version.

5. Meds Modernization

Approve modified supplemental report language as follows:

During the 2019-budget process, the Department of Health Care Services, Department of Social Services, and the California Health and Human Services Agency shall jointly update the Legislature on the status of identifying opportunities to improve the efficiency and accuracy of the "file (index) clearance process" for CalWORKs, CalFresh, and Medi-Cal in the Medi-Cal Eligibility Data System (MEDS) utilizing Master Data Management (MDM) technologies.

The initial scope of the MEDS Modernization project includes the development of an MDM strategy. The implementation of MDM in MEDS is intended to be part of the future scope of the project. The update described in subdivision (a), developed in consultation with counties, shall specifically identify the proposed strategy for implementation of MDM technologies, and include preliminary estimates of costs and timeframe to implement.

6. SRL on Older Foster Youth

Approve supplemental report language as follows:

The Legislative Analyst's Office, with assistance from the Department of Social Services, shall review data about the reporting of child abuse or neglect incidents among children who are aged 14 to 17. Where feasible, the LAO's analysis shall consider for each of those ages, and compared to data for other ages, the following questions:

- Rate of reporting
- Outcomes of reporting
- Source of the report, if it can be determined, including whether the child self-reported abuse or neglect
- Whether the child was living with the parent or guardian at the time of the report
- Whether the child was homeless at the time of the report
- Information on the timeframe of the child welfare agency's response to reporting of abuse or neglect.
- Number of prior reports.
- Number of petitions filed under WIC 329, and timeframe of the filing, if known.

The Legislative Analyst's Office may seek data from any sources it needs to fulfill the requirement of this SRL, including convening a working group, if appropriate. Depending on the availability of data, the LAO may analyze the data for the state as a whole or for a representative sample of counties." The Legislative Analyst's Office shall report results of this evaluation to appropriate budget and policy committees of the Legislature not later than March 15, 2019.

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STAFF COMMENTS

ISSUE 41: BUDGET BILL LANGUAGE FOR LONG-TERM CARE OMBUDSMAN

Department of Public Health

Approve Assembly version.

STAFF COMMENTS

ISSUE 42: BUDGET BILL LANGUAGE FOR EITC OUTREACH

Department of Community Services and Development

Approve Assembly version.

STAFF COMMENTS

ISSUE 43: BUDGET BILL LANGUAGE FOR ELECTRONIC VISIT VERIFICATION FOR IN-HOME SUPPORTIVE SERVICES

Department of Social Services

Approve Conference Compromise, per the budget bill language below:

Add the following provision to Item 5180-111-0001:

6. (a) The Department of Finance may increase expenditure authority in Schedule (2) by up to $1 million General Fund to comply with electronic visit verification requirements set forth in Section 12006 of Public Law 114-255, known as the federal 21st Century Cures Act. This increase shall not be effective until 30 days following written notification to the Chairperson of the Joint Legislative Budget Committee of the following:
   (1) Justification for the increased expenditures, including, but not limited to, a written plan that describes the proposed approach for the In-Home Supportive Services program to achieve compliance with this federal law, including a description of the solution;
   (2) A description of the stakeholder engagement activities and input that resulted in the proposed plan, and a description of any significant input or concerns that are not addressed in the proposed solution;
   (3) The timing and substance of the various necessary steps toward implementation of the proposed solution; and
   (4) A cost estimate for 2018-19, and of overall costs of compliance.

   (b) The Department of Finance may authorize the transfer of funds appropriated pursuant to paragraph (a) to Item 5180-001-0001, for activities related to electronic visit verification requirements, including, but not limited to, necessary personal services expenditures, interagency agreements, and contracts.

   (c) The Legislature recognizes that the federal statute remains subject to federal interpretation and guidance, which has not yet been issued and remains uncertain. Therefore, after the end of the 30-day notification period pursuant to subdivision (a), and notwithstanding the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), and only until the end of the 2018-19 fiscal year, the department may implement, interpret or make specific activities related to electronic visit verification requirements set forth in Section 12006 of Public Law 114-255, known as the federal 21st Century Cures Act, by means of all-county letters or similar instructions, following consultation with In-Home Supportive Services program stakeholders, without taking further regulatory action.

   (d) The solution proposed by the Administration pursuant to this provision shall adhere to the following general principles:
   (1) It shall be developed and implemented in a manner and timeframe that avoids the payment of the federal financial participation penalties described in Public Law 114-255.
   (2) Consistent with the requirements of Public Law 114-255, it shall be developed through a collaborative stakeholder process, and be as minimally burdensome to providers and consumers as is necessary to comply with the federal mandate to implement electronic visit verification.
   (3) It shall not infringe upon the *Olmstead* rights of IHSS consumers.

(4) It shall not utilize geo-tracking nor global positioning system capabilities.

(5) To the maximum extent possible, it shall leverage the existing electronic and telephonic timesheet systems.

(6) It shall utilize the maximum flexibility allowed by the federal government in the definitions of the terms “personal care services” and “location of services” and “start and stop time of each service”.

(7) The Department shall not implement a violations policy or process for in-home supportive service providers as part of electronic visit verification and social workers must continue to do individual assessments, and information from EVV cannot be used to reduce a consumers’ hours.

(8) Consistent with the requirements of Public Law 114-255, in-home supportive service providers and recipients will be provided with training on the use of the state’s EVV system.

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STAFF COMMENTS

ISSUE 44: OFFICE OF LAW ENFORCEMENT SUPPORT

Health and Human Services Agency

Approve Conference Compromise:

- In place of the Governor's original BCP, establish 1.0 attorney IV and fund 7.0 investigators, and 2.0 supervising special investigators paid at top step, estimated to be $620k GF in 2018-19 and $555k GF on-going.

STAFF COMMENTS

ISSUE 45: DEVELOPMENTAL SERVICES ISSUES IN CONFERENCE

Department of Developmental Services

Issue	Action
1. Bridge Rate Increase for DD Providers	Approve Conference Compromise of $25 million one-time for a pass-through rate increase for direct care staff, with placeholder BBL
2. Half Day Billing Repeal	Approve Senate Version
3. Best Buddies	Approve $1.5 million GF one-time
4. Kern Regional Center	Approve $300k GF one-time with placeholder BBL regarding accountability and placeholder SRL regarding ongoing legislative oversight

STAFF COMMENTS

ISSUE 46: DEVELOPMENTAL SERVICES ISSUES NOT IN CONFERENCE

Department of Developmental Services

Issue	Action
1. Uniform Holiday Schedule	Restore all 14 Days in Uniform Holiday Schedule with $29.3 million GF one-time, until 7/1/19, with placeholder BBL
2. Social Recreation and Camp	Approve May Revision
3. Trailer Bill on Institutes for Mental Disease	Approve May Revision
4. Safety Net Augmentation	Approve May Revision

STAFF COMMENTS

ISSUE 47: SUSTAINABLE FUNDING FOR FISH AND WILDLIFE

Department of Fish and Wildlife

The conference compromise on this issue includes funding for 3 years to address the structural deficit of the Fish and Game Preservation Fund, with additional supplemental funding from the Tire Fund and General Fund.

Adopt a total of $29.6 million on a 3 year limited-term basis ($24.6 million in General Fund and $5 million Tire Fund) with provisional language, trailer bill language, and $2 million General Fund one-time for the Department to contract with an independent entity to conduct a service based budget review, consult on the development of a budget tracking system, and for the department to fund a statewide department management team to participate in the service based budget review and develop the budget tracking system. The scope and timeline for this review will be detailed in the trailer bill.

STAFF COMMENTS

ISSUE 48: CLEAN DRINKING WATER

State Water Resources Control Board

This issue reflects the conference compromise package on clean drinking water. This package includes:

- Safe and Affordable Drinking Water BCP+TBL
  Do not adopt the Administration's proposal

- Legislative Investments: $23.5 million in General Fund for Emergency Relief Funding for Wells and Septic Systems, Drinking Water for Schools Program, and Emergency Relief Funding for Water Tanks.
  No action on these proposals at this time. Set aside $23.5 million General Fund for allocation to safe drinking water actions later in this legislative session.

- Legislative Investments: Lead Testing, Remediation, and Technical Assistance for Child Care Centers
  Adopt conference compromise to provide $5 million in General Fund for the State Water Resources Control Board to provide lead testing, remediation, and technical assistance for child care centers.

STAFF COMMENTS

ISSUE 49: PROPOSITION 68 ALLOCATIONS

Various Departments

This issue reflects the conference compromise package on additional Proposition 68 investments above the Governor's May Revision. This package includes:

- Proposition 68: Sutter Butte Flood Management Agency - Sediment Management
  Adopt conference compromise of $5 million from Section 80100(a)(8) of Prop 68 for the Sutter Butte Flood Management Agency for sediment management with provisional language to specify the project is consistent with the requirements of this section.

- Proposition 68: Competitive Grants
  Adopt Assembly version to appropriate $40 million for the Natural Resources Agency to provide competitive grants.

- Proposition 68: Watershed Restoration and Conservation Projects
  Adopt Senate version to appropriate $1 million for the Department of Conservation for watershed restoration and conservation projects.

- Proposition 68: San Francisco Bay Wetlands Restoration
  Adopt Senate version to appropriate $25 million for the State Coastal Conservancy for San Francisco Bay wetland restoration.

- Lower American River Conservancy Program and Conservation Project Grants (SB 5)
  Adopt Senate version to provide the Wildlife Conservation Board $21 million for the Lower American River Conservancy Program and Conservation Project grants.

- Proposition 68: Wildlife Corridor Infrastructure Projects
  Adopt Assembly version to provide the Wildlife Conservation Board $10 million for wildlife corridor infrastructure projects.

- Proposition 68: State Coastal Conservancy: Santa Margarita River

Adopt Senate version to provide the State Coastal Conservancy $10 million for the Santa Margarita River.

- Proposition 68: State Coastal Conservancy: Coastal Watershed
  Adopt Senate version to provide the State Coastal Conservancy $19.4 million for coastal watershed.

- Augmentation for Deferred Maintenance for the California Exposition and State Fair
  Adopt Senate version.

- Proposition 68: Pure Water San Diego
  Adopt conference compromise to appropriate $30 million in Prop 68 funds for Pure Water San Diego.

- SB 5/Proposition 68 Investments
  Adopt Assembly version.

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STAFF COMMENTS

ISSUE 50: INVASIVE PESTS

California Department of Food and Agriculture

This issue reflects the conference compromise package on various legislative augmentations for invasive pest suppression activities. This package includes:

- General Fund Augmentation for Polyphagous and Kuroshio Shot Hole Borer
  Adopt Assembly version to provide $5 million for the Department to coordinate with CalFire on suppression activities related to the shot hole borer with provisional language.

- Citrus Pest and Disease Prevention Program
  Adopt Assembly version to augment the Governor's BCP on the Citrus Pest and Disease Prevention Program with an additional $10 million in General Fund.

- General Fund Augmentation for Statewide Invasive Species Issues
  Adopt conference compromise to provide $2 million for statewide invasive species issues.

STAFF COMMENTS

ISSUE 51: VARIOUS ISSUES IN CDFA

California Department of Food and Agriculture

This issue reflects the conference compromise package on various items under the Department of Food and Agriculture. This package includes:

- San Joaquin Valley Grant
  Adopt Assembly version to provide a $500,000 grant to the California Partnership for the San Joaquin Valley.

- Bee Safe
  Adopt conference compromise to approve $1.9 million on a three-year limited-term basis and complete the proposed report by January 10, 2021.

STAFF COMMENTS

ISSUE 52: VARIOUS ISSUES IN CALEPA

California Environmental Protection Agency

This issue reflects the conference compromise package on various items under the California Environmental Protection Agency, its Departments, Boards, and Offices. This package includes:

- Off-Road Vehicle/After-Market Parts Certification and Compliance TBL
  Adopt conference compromise trailer bill language.

- Agricultural Diesel Engine Replacement and Upgrades
  Reverse action to appropriate $30 million for agricultural diesel engine replacements and defer action on this item for a later date.

- AB 617 Implementation
  Defer action on this issue to be discussed with the Cap&Trade items.

- Exide Enforcement Order
  Adopt Assembly version to approve Administration's May Revision proposal as budgeted and add provisional language requiring DTSC to report to the Legislature when reimbursements are received from Exide.

- Cost Recovery Program Implementation
  Adopt Assembly version.

- Cost Recovery Management System
  Adopt Senate version.

- Safer Consumer Products Implementation
  Adopt conference compromise to transfer funds from the Lead Acid Battery Fund into the General Fund and fund the BCP with General Fund.

- Enforcement in Vulnerable Communities
  Adopt conference compromise to transfer funds from the Lead Acid Battery Fund into the General Fund and fund the BCP with General Fund.

- Reappropriation for Exide Technologies Clean-up
  Adopt conference compromise to approve May Revision with an additional $1.5 million in Environmental License Plate Fund and $5 million in General Fund for the testing and remediation of parkways along with provisional language.

- Bottle Bill TBL: Plastic Market Development Payments/CHP Enforcement

Adopt Senate version to adopt the trailer bill as proposed.

- Disaster Recovery Assistance Program
  Adopt Assembly version to approve the Administration's May Revision proposal as budgeted.

- Public health goal review for certain contaminates
  Adopt Assembly version to include trailer bill language relating to public health goal reviews of contaminates.

- Position Authority for biopesticide applications
  Adopt Assembly version to provide 9 positions for the Department of Pesticide Regulation to reduce the backlog of biopesticide applications.

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STAFF COMMENTS

ISSUE 53: VARIOUS ISSUES IN CNRA

Natural Resources Agency

This issue reflects the conference compromise package on various items under the Natural Resources Agency, its Departments, Boards, and Offices. This package includes:

- South Yuba River SP: Historic Covered Bridge
  Adopt conference compromise to provide $2.8 million in Proposition 84 funds for the South Yuba River SP: Historic Covered Bridge.

- Salton Sea Boating Access
  Adopt Assembly version to include provisional language relating to Salton Sea boating access.

- Regulation Enforcement in the San Francisco Bay
  Adopt Assembly version to approve the requested resources on a 3-year limited term basis with provisional language for SFBCDC to report back to the Legislature on specified information.

- Relocation to Bay Area Metro Center
  Adopt Senate version.

- State Water Project Aging Infrastructure Improvements
  Adopt Assembly version to additionally include supplemental reporting language.

- Forest Carbon Plan
  Adopt Senate version

- Mallard
  Adopt Senate version.

- AB 142 Report Implementation
  Adopt Assembly version to include trailer bill language to implement the AB 142 report, which adds 37 miles of the upper Mokelumne River to the California Wild and Scenic Rivers System.

- Department of Fish and Game Commission Board Meetings
  Adopt Senate version.

STAFF COMMENTS

ISSUE 54: LEGISLATIVE INVESTMENTS IN CNRA

Various Departments within the Natural Resources Agency

This issue reflects the conference compromise package on various legislative investments under the Natural Resources Agency, its Departments, Boards, and Offices. This package includes:

Department	Description	Action
Natural Resources Agency	Legislative Investments: Italian American Museum of Los Angeles	Adopt Senate version
Natural Resources Agency	Legislative Investments: Museum of Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) History and Culture	Adopt Senate version
Natural Resources Agency	Legislative Investments: Ocean Protection Council: Whale and Sea Turtle Entanglement	Adopt Assembly Version
Natural Resources Agency	Legislative Investments: Lower Los Angeles River Community Restoration and Revitalization Projects	Approve $20 million for the Lower Los Angeles River Community Restoration and Revitalization Projects. Additionally include provisional language to extend the encumbrance period for the LA River funding appropriated in 2017.
Natural Resources Agency	Legislative Investments: City of Santa Ana	Adopt Senate version
Natural Resources Agency	Legislative Investments: Muckenthaler Sprinkler System	Adopt Assembly Version
Natural Resources Agency	Legislative Investments: California Conservation Genomics	Adopt Senate version
Natural Resources Agency	Legislative Investments: Agoura Hills/Calabasas Community Center Roof Replacement	Adopt Senate version
Natural Resources Agency	Legislative Investments: City of San Francisco - Seawall Earthquake Safety and Disaster Prevention Center	Adopt Assembly version
Natural Resources Agency	Legislative Investments: City of Santa Ana - Advanced Water Metering Infrastructure	Adopt Assembly Version
Natural Resources Agency	Legislative Investments: Lassen Courthouse	Approve $8,450,000
Natural Resources Agency	Legislative Investments: City of Daly City - Doelger Center Complex	Adopt Assembly Version

Natural Resources Agency	Legislative Investments: City of Colton - Fireman's Paseo Project	Approved $600,000
California Conservation Corps	Legislative Investments: Local Conservation Corps Grants	Adopt Senate version
Department of Forestry and Fire Protection	Mobile Equipment	Adopt Assembly Version
Department of Forestry and Fire Protection	Legislative Investments: Capital Outlay Funding for Contract Counties	Adopt Senate version
Department of Forestry and Fire Protection	Legislative Investments: County of San Bernardino Type 3 Engine Funding	Adopt Assembly Version
State Lands Commission	Legislative Investments: Martins Beach Public Access	Adopt Senate Version
State Lands Commission	Legislative Investments: Granted Trust Lands Sea Level Rise Impact (AB 691)	Adopt Assembly Version
Department of Fish and Wildlife	Legislative Investment: California Waterfowl Habitat Program - Working Agricultural Rice Fields	Adopt Assembly Version
Wildlife Conservation Board	Legislative Investments: Recovering and Sustaining Populations of Monarch Butterflies and Other Pollinators	Adopt Assembly Version
State Coastal Conservancy	ELPF Appropriation for Explore the Coast	Adopt Senate Version
State Coastal Conservancy	Legislative Investments: Ellwood Mesa Habitat Management Plan and Restoration	Adopt Senate version
Department of Water Resources	Legislative Investments: Coastal and Bay Flood Prevention Funding	Adopt Assembly Version
State Coastal Conservancy	Legislative Investments: West Coyote Hills	Adopted Assembly Version
State Coastal Conservancy	Legislative Investments: Beneficial Pilot Reuse Program	Adopt Assembly Version
State Coastal Conservancy	Legislative Investments: Maritime Museum	Adopt Assembly Version
Department of Parks and Recreation	Legislative Investments: Pedestrian and Bicycle Access Plan for Los Angeles State Historic Park	Adopt Assembly Version
Department of Parks and Recreation	Legislative Investments: City of Whittier Parks and Trail Rehabilitation	Adopt Assembly Version
Department of Parks and Recreation	Legislative Investments: City of Whittier rehabilitation of the La Mirada Theatre for Performing Arts	Adopt Assembly Version
Department of Parks and Recreation	Legislative Investments: City of Los Angeles Cesar Chavez Park	Adopt Assembly Version
Department of Parks and Recreation	Legislative Investments: City of Lodi Erosion Control	Adopt Assembly version

Department of Parks and Recreation	Legislative Investments: City and County of San Francisco, Richmond Community Center	Include $2 million General Fund for the Richmond Community Center in San Francisco
Department of Parks and Recreation	Legislative Investments: Sonoma County Community Center	Include $5 million General Fund for the Sonoma Community Center
Department of Parks and Recreation	Legislative Investments: City of Los Angeles Mid Valley Multipurpose Center	Approve $300,000
Department of Parks and Recreation	Legislative Investments: LA River Greenways	Adopt Assembly Version
Wildlife Conservation Board	Midpeninsula Regional Open Space District: land acquisition	Adopt Assembly Version
State Coastal Conservancy	Beach improvements for first responder access at Tunitas Creek.	Adopt Assembly Version
Natural Resources Agency	AIDS Monument project in West Hollywood	Adopt Senate Version
Department of Water Resources	Flood Control Infrastructure	Adopt Senate Version
Department of Water Resources	Legislative Investments: Reconstruction of the City of San Fernando's Reservoir	Adopt Senate version
Natural Resources Agency	Cheech Marin Center for Chicano Art, Culture & Industry	Approve $9.7 million in General Fund for the Cheech Marin Center for Chicano Art, Culture, and Industry.
Natural Resources Agency	Oakland Museum	Approve $250,000 for the Oakland Museum.
Department of Forestry and Fire Protection	Community Based Fire Prevention Work	Approve $10M for community based fire prevention work.
State Coastal Conservancy	Santa Ana River Conservancy	Approve $5 million for the Santa Ana River Conservancy
Department of Parks and Recreation	City of La Habra two "Splash Pads" at area parks	Approve $1.2 million for the City of La Habra for two splash pads at area parks.
Department of Parks and Recreation	East Bay Regional Park District	Approve $5 million for the East Bay Regional Park District
Department of Water Resources	Redwood Valley County Water District	Approve $2 million for the Redwood Valley County Water District

Department of Toxic Substances Control	Additional Parkways Cleanup: Exide	Approve $5 million for the cleanup of parkways affected by Exide.
Natural Resources Agency	Stanislaus County Camp Taylor	Approve $2 million for the Stanislaus County Camp Taylor

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STAFF COMMENTS

ISSUE 55: LEGISLATIVE INVESTMENTS IN CALEPA

California Environmental Protection Agency

This issue reflects the conference compromise package on various legislative investments under the California Environmental Protection Agency, its Departments, Boards, and Offices. This package includes:

Department	Description	Tentative Action
Office of Environmental Health Hazard Assessment	Legislative Investments: Food Dye Study	Adopt Senate version
California Department of Food and Agriculture	General Fund Augmentation for California Nutrition Incentive Program	Adopt Assembly Version
California Department of Food and Agriculture	General Augmentation for Grants to Small Businesses for Refrigeration Units	Adopt Assembly Version
California Department of Food and Agriculture	Codification of Alternative Manure Management Program, State Water Efficiency and Enhancement Program, and Pilot Technical Assistance Program	Adopt Senate version
California Department of Food and Agriculture	General Fund Augmentation for Healthy Soils Program	Adopt Senate version
State Water Resources Control Board	Legislative Investments: Emergency Repairs for Oxnard Waste Water Treatment Plant	Approve $9.5 million
California Environmental Protection Agency	Legislative Investments: Green Business Network Program	Adopt Assembly Version

STAFF COMMENTS

ISSUE 56: AGRICULTURAL ENERGY EFFICIENCY PROJECTS

California Energy Commission

Action is to adopt the Senate version which results in not providing $30 million additional General Fund for these projects.

STAFF COMMENTS

ISSUE 57: CAP AND TRADE EXPENDITURE PLAN AND ELECTRIC VEHICLES AND ZERO-EMISSION EVS AND CHARGING INFRASTRUCTURE PLAN

Various Departments

Action is to remove funding for Greenhouse Gas Reduction Fund and Zero-Emission EV and charging infrastructure- related proposals and to fund staff to “keep the lights on” for the GGRF programs.

Funding plans and related legislation for these items will be acted on later.

Action is to adopt the Senate version of the Disadvantaged Communities Advisory Group per diem reimbursement trailer bill language and thereby approve the TBL.

STAFF COMMENTS

ISSUE 58: SUPPLEMENTAL REPORTING REQUIREMENTS FOR TRANSPORTATION AND ENERGY

Various Departments

Action is to adopt supplemental reporting language for the following items:

- Energy Commission: Energy Resources Programs Account Structural Deficit
- California Public Utilities Commission: Lifeline Program Forecast
- California Department of Transportation: Bay Area Storm Water Permit Violations
- California Transportation Commission: Active Transportation Program Evaluation

STAFF COMMENTS

ISSUE 59: TRANSPORTATION LEGISLATIVE INVESTMENTS

Various Departments

Proposed actions are as follows:

Department	Issue	Action
State Transportation Agency	California Autotech Testing and Development Project	Assembly version
State Transportation Agency	River to Rails Project	Senate version
State Transportation Agency	Shinn Station Feasibility Study	Senate version
California Department of Transportation	Sabercat Trail Bridge Project (State Highway Account)	Assembly version
State Transportation Agency	North Coast Rail Authority Dissolution	Assembly version
University of California	Transportation Research: Transit Pass Study: funding and TBL	Senate version
California Department of Transportation	Contractor Manager/General Contractor authority for the Golden Gate Bridge District TBL	Assembly version
California Department of	Ventura County Transportation Commission: City of Thousand	Assembly version

Transportation	Oaks TBL	
State Transportation Agency	Oakland Unified School District Bus Service/ AC Transit	Senate version

Perimeter Fencing at the Department of Motor Vehicle Field Offices

Action is to adopt the Assembly version in order to provide funding for the fencing and reject the Senate proposal to fund security services at the offices.

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STAFF COMMENTS

ISSUE 60: HOUSING AND HOMELESSNESS

Business, Consumer Services and Housing Agency
Department of Housing and Community Development

This issue reflects the agreement on the housing and homelessness package reached by all parties. The main components of the housing package include the following:

- **Emergency Aid Block Grants –** includes a Conference Compromise of $500 million ($250 million above May Revision) one-time General Fund for emergency aid for local governments to respond to homelessness. The funding would be allocated as follows:
    - $250 million as proposed in the May Revision allocated to Continuums of Care.
    - $150 million direct allocation to a city or city and county with a population over 330,000.
    - $100 million allocated based on homeless population to the Continuums of Care.

- **Housing and Homelessness Trailer Bill Language –** includes the Senate action on No Place Like Home trailer bill language and the Assembly action with amendments to trailer bill language relating to the Office of Migrant Services.

- **Additionally the package takes the following actions:**

    - Homeless Council – Adopt Assembly version.
    - SB 2 Recording Fee Hardship Refund Pilot – Adopt Senate version.
    - Multi-Family Housing Program – Adopt Assembly version.
    - Housing for a Healthy California – Adopt Assembly version.
    - Low Income Housing Tax Credit – Conference Compromise which includes no action.

Action: Adopt the Housing and Homelessness Package.

STAFF COMMENTS

ISSUE 61: TAX PROVISIONS

Franchise Tax Board

This issue reflects the agreement on tax credits reached through conference. The tax credits in the 2018-19 budget include the following:

- **Earned Income Tax Credit** – includes the Senate version – based on the Governor's proposal - which would expand the EITC to certain taxpayers who were previously ineligible due to their age and adjusts the credit to compensate for a rising minimum wage. Additionally includes a conference compromise to provide $10 million for outreach and tax preparation services.

- **California Hiring Credit** - includes the Assembly Proposal – which rejects the Administration's proposal- and adopts language to extend the existing credit for five years.

- **Tribal Income Tax Exemption** – includes Senate version – to exempt the earnings of tribe's land from state income tax.

- **Additionally actions related to tax credits:**

  - Child Care Credit – Adopt Senate Version
  - Renter's Credit – Adopt Assembly Version
  - COIN Program – Adopt Assembly Version
  - Teacher Tax Deduction – Adopt Assembly Version
  - State Wildlife Area Payments in Lieu of Taxes – Adopt Assembly Version.

Action: Adopt the tax credit proposal.

STAFF COMMENTS

ISSUE 62: CANNABIS

Various Departments

This item reflects the actions taken by the Governor, Senate, and Assembly with respect to Cannabis. Both houses adopted various legislative proposals with corresponding funding. The Cannabis action includes the following:

- **Legislative proposals –** rejects all three legislative proposals included in the budget.
- **Additional positions at Bureau of Cannabis Control –** Senate version.
- **Funding for grants for Equity issues –** Conference Compromise to allocate $10 million for an equity program contingent on passage of legislation on social equity through the policy process.

Action: Adopt Action on Cannabis proposals.

STAFF COMMENTS

ISSUE 63: LEGISLATIVE REQUESTS

Various Departments

This item includes actions on various legislative requests included under General Government. The actions are reflected below:

- Gateway Cities and Meadowview Area – Conference Compromise adopt $50,000 for Gateway Cities.
- Funding for AB 1111 – Conference Compromise adopt funding at $15 million.
- Breaking Barriers in Employment For Adults with Autism – Adopt Assembly version.
- Los Angeles CleanTech Incubator – Adopt Senate version.
- Domestic Workers Co-Enforcement Program – Adopt Conference Compromise including budget bill language for DIR to create a section on the website with resources for domestic workers and supplemental reporting language to assess domestic workers.
- Refugees Career Pathways – Conference compromise – adopt trailer bill language to establish program and fund it at $5 million through Prop. 98.
- California Science Center – Conference Compromise adopt TBL for Phase III and TBL on Governance
- California Secure Choice Retirement Savings Investment Board – Adopt Senate version and BBL.
- GO-Biz local cash match for small business technical assistance centers – Adopt Assembly version.
- California Arts Council – Conference Compromise adopt $8.8 million in funding.
- Lodi Lake – Conference Compromise adopt $1 million.

Action: Adopt conference action on legislative requests as outlined above.

STAFF COMMENTS

ISSUE 64: MISCELLANEOUS ITEMS

Various Departments

This item includes actions on miscellaneous items included under General Government. The actions are reflected below:

- State Controller's Office CalATERS BBL – Adopt Senate version
- State Controller's Office California Payroll System – Adopt Senate version.
- Public Employment Relations Board – Conference Compromise adopt $2.4 million (GF) and budget bill language.
- AB 262 Buy Clean program – Conference Compromise adopt TBL to delay implementation date.
- Department of Fair Employment and Housing – Conference Compromise to adopt $3 million to address backlog and outreach.
- Victim's Compensation: Technical Clean-Up – Conference Compromise adopt TBL.
- Control Section 3.60 – Adopt Assembly Version.
- State Mandates- Conference Compromise to reduce local government payment by $31.7 million.
- Victim's Compensation – Conference Compromise to adopt TBL for East Area Victims.
- CalSTRS Reporting Language- Conference Compromise amends the date of the report to August 15, 2018.
- Prop. 56 – Conference Compromise to approve Prop. 56 funds as continuously appropriated non-Budget Act for California Department of Tax and Fee Administration.

Action: Adopt conference action on miscellaneous items as outlined above.

STAFF COMMENTS

ISSUE 65: STATE VETERANS' HOMES

California Department of Veterans Affairs

Action is a conference compromise to adopt budget bill language, trailer bill language, and to approve $241,000 General Fund ongoing (beginning in 2019-20) for two positions for the development of the state's Master Plan for the future of the veterans' homes.

Also, action to adopt Senate version and reject the Assembly proposed trailer bill language requiring reporting on leases at the state's veterans homes

STAFF COMMENTS

ISSUE 66: DEPARTMENT OF VETERANS AFFAIRS LEGISLATIVE INVESTMENTS

California Department of Veterans Affairs

Proposed actions are as follows:

Department	Issue	Action
Department of Veterans Affairs	Veterans Mental Health Services $1 million ongoing from Proposition 63	Compromise
Department of Veterans Affairs	Veterans Services Officers-Alameda County	Assembly

STAFF COMMENTS

ISSUE 67: PRO RATA AND LEGISLATIVE INVESTMENTS

Department of Consumer Affairs

Action is to adopt the Assembly version and provide funding for two positions to conduct organization change management reviews of DCA's centralized administrative costs and budget bill language.

Action to adopt Senate version for the Transcript Reimbursement Fund.

STAFF COMMENTS

ISSUE 68: AB 195 SUSPENSION

Secretary of State

The Assembly adopted trailer bill language to suspend for two years AB 195 (Obernolte, Chapter 105, Statutes of 2017) to allow time for concerns about changes required on ballot labels for local bonds to be addressed through the policy committee.

The Senate took no action.

Conference Action:

STAFF COMMENTS

ISSUE 69: CYBER SECURITY OFFICE: LEGISLATIVE INVESTMENT

Secretary of State

Action is to adopt the Senate version and provide $2 million General Fund ongoing and adopt BBL.

STAFF COMMENTS

ISSUE 70: LANGUAGE FOR COUNTY VOTING SYSTEMS FUNDING

Secretary of State

Action is to adopt placeholder trailer bill language.

STAFF COMMENTS

ISSUE 71: PRECISION MEDICINE

Office of Planning and Research

The Assembly adopted $42 million for Precision Medicine, including $12 million set aside for the UC Davis Institute for Regenerative Cures.

The Senate adopted the Governor proposed $30 million allocation for this program and adopted modified trailer bill related to the Governor proposed California Institute to Advance Precision Health and Medicine.

The Conference Compromise would be the Senate version, but with budget bill language reflecting the current funding mechanism for Precision Medicine in place this year.

Action: Adopt Conference Compromise

STAFF COMMENTS

ISSUE 72: 2020 CENSUS OUTREACH

Office of Planning and Research

Both houses augmented the Governor's proposed $40.3 million 2020 Census Outreach effort. The Conference Compromise increases investments in the budget year.

The Conference Compromise provides:

- $50 million above the Governor's level for a total funding in 2018-19 of $90.3 million.
- Includes trailer bill that requires reporting on the progress, staffing, and expenditures of the 2020 Outreach Plan.
- Adopts Assembly's proposed Supplemental Report Requirement on Language Access.

Action: Adopt the Conference Committee 2020 Census Outreach Compromise.

STAFF COMMENTS

ISSUE 73: DEFERRED MAINTENANCE AND STATE OFFICE BUILDINGS

Various

The Conference Compromise reduces deferred maintenance and adds funds to the State Project Infrastructure Fund:

- **Deferred Maintenance –** Provides $305 for deferred maintenance in the following manner

Department of Water Resources	100,000,000
Judicial Branch	50,000,000
California State University	35,000,000
University of California	35,000,000
Department of State Hospitals	10,000,000
Department of General Services	10,000,000
Cal Expo	15,000,000
Department of Developmental Services—Porterville Facility	10,000,000
Department of Corrections and Rehabilitation	9,000,000
California Science Center—California African American Museum	7,000,000
California Military Department	4,000,000
Department of Veterans Affairs	4,000,000
State Special Schools	4,000,000
Office of Emergency Services	4,000,000
Network of California Fairs	3,000,000
Department of Forestry and Fire Protection	2,000,000
Department of Food and Agriculture	1,000,000
Employment Development Department	1,000,000
California Conservation Corps	500,000
Hastings College of the Law	500,000

- **State Project Infrastructure Fund –** provides $630 million one-time and trailer bill language.

- **Reflects no set aside of Proposition 68 funds for CalEXPO**

<u>Action: Adopt the Deferred Maintenance and State Building Conference Compromise.</u>

STAFF COMMENTS

ISSUE 74: RESERVE ACCOUNTS

Various

This Conference Compromise reflects the recreation of two new reserves:

- **The Safety Net Reserve –** will be created pursuant to the Senate Action with modified trailer bill language to allow further discussions on the rules of the reserve. $200 million will deposited in this reserve.

- **Budget Deficit Savings Account –** Adopts the Assembly proposal also with modified trailer bill language to allow further discussions on the rules of the reserve. This reserve will hold the amount dedicated for the discretionary Budget Stabilization Account deposit in May.

- Half of funding remaining in the Budget Deficit Savings Account after the Budget Stabilization Account transfer will be moved the Safety Net Reserve, the other half will remain in the Budget Deficit Savings Account.

Action: Adopt the Reserve Conference Compromise.

STAFF COMMENTS

ISSUE 75: FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

Department of Finance

- The Senate adopted budget bill language requiring reporting on costs associated with the Financial Information System for California (FI$Cal) project.

- Conference compromise. Adopt supplemental reporting language requiring the Department of Finance to provide a list of specific budget proposals related to the FI$Cal Integrated Solution.

STAFF COMMENTS

ISSUE 76: YOUTH REINVESTMENT FUND, ADULT REENTRY AND DIVERSION

Board of State and Community Corrections

Approve the following Conference Committee Compromises:

- $37.3 million for the Assembly's Youth Reinvestment Fund and trailer bill language for the following purposes:
  - $26.3 million for Youth Diversion Programs
  - $10 million for social workers in public defender offices
  - $1 million for Native Youth Diversion

- $50 million for the Senate's Reentry and Wraparound Services and budget bill language.

STAFF COMMENTS

ISSUE 77: JUDICIAL COUNCIL DISCRETIONARY FUNDING

Judicial Branch

Approve the Conference Committee Compromise to approve the $75 million discretionary funding for Judicial Council and budget bill language expressing legislative intent for $10 million of the funding to go towards court reporters in family court and not supplant existing funding for court reporters.

STAFF COMMENTS

ISSUE 78: TRIAL COURT CAPITAL OUTLAY

Judicial Branch

Approve the Senate version to authorize $1.3 billion in lease revenue bonds backed by General fund for the following identified projects and adopt trailer bill language requiring Judicial Council to conduct a reassessment of all remaining trial court projects and submit a fund condition statement with any new infrastructure proposals.

STAFF COMMENTS

ISSUE 79: ONLINE PILOT FOR TRAFFIC ADJUDICATIONS AND DRIVER LICENSE SUSPENSIONS AND FAILURE TO APPEAR

Judicial Branch

- Approve the Conference Committee compromise to provide $3.4 million in 2018-19 and $1.4 million ongoing and the revised trailer bill language.

- Approve the Conference Committee compromise to adopt the Governor's May Revision proposal regarding the proposal for Driver License Suspensions and Failure to Appear.

STAFF COMMENTS

ISSUE 80: JUDGESHIPS AND THE EQUAL ACCESS FUND

Judicial Branch

Approve the following Conference Committee Compromises:

- ~~$2~~ $3.2 million ongoing for 2 Corona Court judgeships in Riverside County trailer bill language, and budget bill language.
- $1.2 million ongoing for one appellate court justice in the Fourth District Court of Appeal in the Riverside/San Bernardino area and trailer bill language.
- Provide $10 million in ongoing funding to the Equal Access Fund beginning fiscal year 2019-2020.

STAFF COMMENTS

ISSUE 81: VARIOUS JUDICIAL BRANCH PROPOSALS

Judicial Branch

Approve the following items:

- The Assembly's version of the Court Reporters (General Fund)
- The Assembly's version of the Trial Court Trust Fund Revenue Shortfall
- The Assembly's version of Deferral of Sentencing
- The Assembly's version of the Courts Honest Budget Adjustment
- The Senate's version of the Indian Child Welfare Act

STAFF COMMENTS

ISSUE 82: CA EARLY EARTHQUAKE WARNING SYSTEM, EMERGENCY RESPONSE OPERATIONS, AND THE DISASTER RESPONSE EMERGENCY OPERATIONS ACCOUNT (DREOA)

Office of Emergency Services

- Approve the Senate version of the California Early Earthquake System which does not include reporting requirements.

- Approve the Governor's May Revision proposal for Emergency Response Operations.

- Approve the Conference Committee Compromise trailer bill language regarding the Disaster Response Emergency Operations Account and notification requirements to the Legislature in situations where disaster response activities may need to continue beyond the statutorily defined time.

STAFF COMMENTS

ISSUE 83: VARIOUS LEGISLATIVE PROPOSALS IN THE OFFICE OF EMERGENCY SERVICES

Office of Emergency Services

Approve the following:

- The Conference Committee Compromise to provide $10 million for Domestic Violence and Sexual Assault Services.
- The Conference Committee Compromise to provide $5 million for Internet Crimes Against Children
- The Conference Committee Compromise to provide $15 million to support public health and public safety upgrades in San Francisco.

- The Assembly's version of the Family Justice Centers.
- The Assembly's version of the City of Rialto Emergency Equipment.
- The Assembly's version of the Domestic Violence Housing Program.

- The Senate's version of Human Trafficking Services.
- The Senate's version of $25 million to increase resources for mutual aid.
- The Senate's version of the Children's Advocacy Center.

STAFF COMMENTS

ISSUE 84: VARIOUS DEPARTMENT OF JUSTICE PROPOSALS FROM THE ADMINISTRATION

Department of Justice

- Approve the Governor's May Revision proposal to establish cybercrime investigation teams in the Department of Justice.

- Approve the Administrations SB 54 clean-up trailer bill language regarding parole entry for criminal proceedings and law enforcement cooperation with federal immigration upon a judicial finding of probable cause in charges involving violent or serious felonies.

STAFF COMMENTS

ISSUE 85: ANTI-TRUST WORKLOAD

Department of Justice

Approve the Assembly version of the Department of Justice's Anti-Trust Workload to approve $1.8 million and 9 positions in 2018-19 and ongoing.

STAFF COMMENTS

ISSUE 86: CHAPTER 694, STATUTES OF 2017

Department of Justice

Approve the Assembly version to clarify language regarding the federal Violence Against Women Act funding.

STAFF COMMENTS

ISSUE 87: STATE OFFICER INVOLVED SHOOTING INVESTIGATION TEAM

Department of Justice

Approve the Senate version.

STAFF COMMENTS

ISSUE 88: ARMED AND PROHIBITED PERSONS SYSTEM (APPS)

Department of Justice

Approve the Senate version.

STAFF COMMENTS

ISSUE 89: VARIOUS LEGISLATIVE PROPOSALS IN THE DEPARTMENT OF JUSTICE

Department of Justice

Approve the following:

- The Senate version of the Bureau of Environmental Justice.
- The Assembly version of the eCrime Unit Website.
- The Assembly version of the Tax Recovery and Criminal Enforcement Augmentation.
- The Assembly version of the Sex Offender Registry related to juvenile amends.

STAFF COMMENTS

ISSUE 90: SEXUAL ASSAULT KIT AUDIT AND PROCESSING UNTESTED SEXUAL ASSAULT KITS

Department of Justice

Approve the following:

- The Assembly version of the sexual assault kit audit to provide $1 million and budget bill language to conduct a statewide audit of untested sexual assault kits and report findings to the Legislature.
- The Senate version of the sexual assault kit backlog reduction to provide $6.5 million and budget bill language to reduce the backlog of untested sexual assault kits in the state.

STAFF COMMENTS

ISSUE 91: VARIOUS CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION PROPOSALS FROM THE ADMINISTRATION

California Department of Corrections and Rehabilitation

Approve the Assembly's version of the following items:

- Institution Staffing Needs
- Innovative Programming Grants
- Rehabilitative Achievement Credit Staffing
- California Prison Industry Authority (CalPIA) trailer bill language authorizing CalPIA's ability to purchase vehicles.
- Contraband Interdiction Program and trailer bill language with reporting requirements
- Training Initiatives

STAFF COMMENTS

ISSUE 92: VARIOUS LEGISLATIVE PROPOSALS IN THE CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

California Department of Corrections and Rehabilitation

Approve the Assembly versions of the following:

- Facility and Capital Outlay Management Plan and trailer bill language.
- Supportive Housing Pilot for Mentally Ill Parolees

STAFF COMMENTS

ISSUE 93: VARIOUS CDCR PROPOSALS FROM THE ADMINISTRATION

California Department of Corrections and Rehabilitation

Approve the Conference Committee Compromises for the following items:

- Governor's January Budget Change Proposal on the Ventura Training Center and the revised trailer bill language.
- The Governor's May Revision of the Division of Juvenile Justice Reform and revised trailer bill language.
- The Administration's trailer bill language pursuant to Penal Code section 1170(d) related to resentencing.
- Provide $43 million in 2018-19 to the California Department of Corrections and Rehabilitation to complete the Health Care Facility Improvement Program projects and adopt trailer bill language with reporting requirements.
- The Administration's trailer bill language for the California Department of Corrections and Rehabilitation's Wellness Initiatives.

STAFF COMMENTS

ISSUE 94: JUVENILE JUSTICE ID PROGRAM

California Department of Corrections and Rehabilitation

Approve the Governor's May Revision proposal related to the Juvenile Justice ID Program

STAFF COMMENTS

ISSUE 95: CORRECTIONAL COUNSELOR 1 RATIO ADJUSTMENT AND MENTAL HEALTH CRISIS BEDS

California Department of Corrections and Rehabilitation

Approve the following Senate versions:

- Correctional Counselor 1 Ratio proposal to add 89.2 positions at CDCR for $13.5 million and ongoing.
- Approve the Governor's May Revision proposal regarding Mental Health Crisis Beds.

STAFF COMMENTS

ISSUE 96: JANITORIAL SERVICES

California Department of Corrections and Rehabilitation

Approve the Conference Committee Compromise regarding the janitorial services at the California Health Care Facility in Stockton in the following manner:

- 50 percent of the positions will be converted to state civil service positions.
- 50 percent of the positions will be maintained by PRIDE Industries.

STAFF COMMENTS

ISSUE 97: VARIOUS LEGISLATIVE PROPOSALS

Board of State and Community Corrections

Approve the Conference Committee Compromise version of the following:

- Provide $9 million for the California Violence Intervention and Prevention Program (Cal VIP)
- Provide $4 million to support the Pomona Oath Initiative
- Provide $8.7 million to support the Kings County Public Safety Infrastructure

Approve the Assembly version of the following:

- City of Stockton helicopter
- Boys and Girls Club of Fullerton
- Veteran's Transition Center
- Training for Gun Violence Restraining Orders

Approve the Senate version of the following:

- Local Police Departments
- New Earth Organization
- Community-based Reentry programs
- Encanto Recreation Center

STAFF COMMENTS

ISSUE 98: LAW ENFORCEMENT TRAINING

Commission on Peace Officer Standards and Training

Approve the Assembly's version to provide $25 million for law enforcement training and trailer bill language.

STAFF COMMENTS

ISSUE 99: MILITARY DEPARTMENT PROPOSALS FROM THE ADMINISTRATION

California Military Department

Approve the Senate version of the following:

- California Cadet Corps Program Expansion
- California Military Institute and Porterville Military Institute

STAFF COMMENTS

ISSUE 100: LEGISLATIVE PROPOSALS IN THE MILITARY DEPARTMENT

California Military Department

Approve the following:

- Senate version of the Work for Warriors Employment Initiative.