



CALIFORNIA

2015-16

State Budget



Edmund G. Brown Jr. Governor, State of California

INTRODUCTION

The 2015 Budget Act pays down debt and saves for a rainy day as it implements the first year of Proposition 2. In addition, it increases spending on education, health care, In-Home Supportive Services, workforce development, drought assistance and the judiciary. It establishes the state's first Earned Income Tax Credit to help the state's poorest working families and an amnesty program that will help many Californians pay past due court-ordered debt and regain their drivers' licenses.

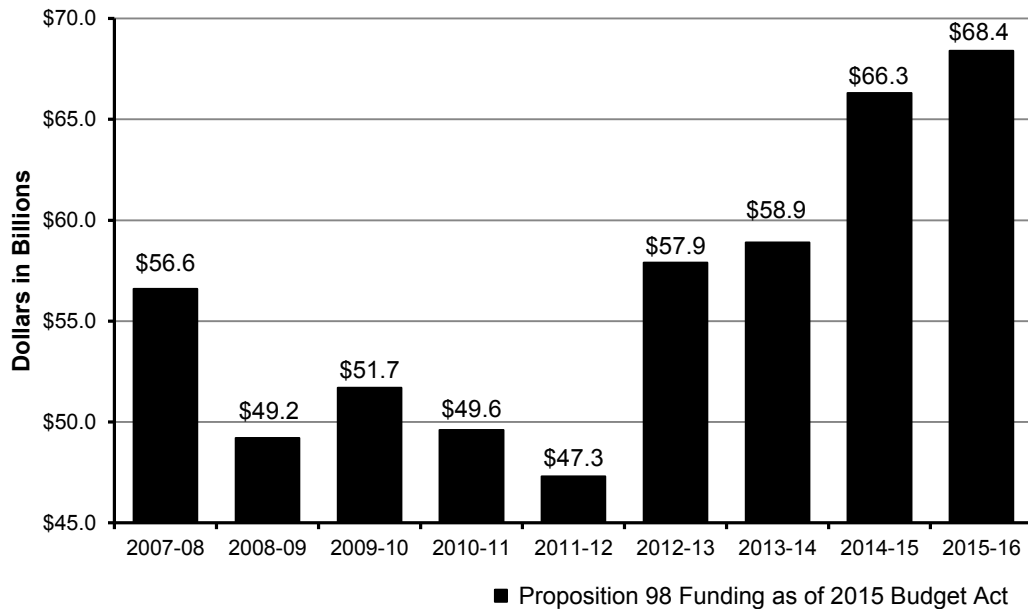
Despite stronger revenues compared to a year ago, the budget remains precariously balanced. The state also continues to have hundreds of billions of dollars in liabilities for deferred maintenance on its aging infrastructure and for retiree health care benefits for state employees and various pension benefits. In response, the Budget includes \$125 million to address the most critical deferred maintenance and establishes a trust fund for the prefunding of retiree health benefits.

The Governor has called special sessions to continue work on two key fiscal issues—how to fund (1) improved maintenance of roads, highways and other infrastructure, and (2) the state's health care delivery system. In addition, an expenditure plan for Cap and Trade revenues to reduce greenhouse gas emissions that contribute to climate change will also be completed later in the legislative session.

MORE MONEY FOR SCHOOLS

As shown in Figure INT-01, the constitutional guarantee of funding for K-14 schools was \$56.6 billion in 2007-08 and sank to \$47.3 billion in 2011-12. From this recent low, funding has been at all-time highs since 2012-13 and will grow to \$68.4 billion in 2015-16. The Proposition 98 maintenance factor—an indicator of the past cuts made to schools and community colleges—totaled nearly \$11 billion as recently as 2011-12. In the 2015 Budget, this amount is reduced to \$772 million.

Figure INT-01
**Proposition 98 Funding
2007-08 to 2015-16**



K-12 EDUCATION

For K-12 schools, funding levels will increase by more than \$3,000 per student in 2015-16 over 2011-12 levels. This reinvestment provides the opportunity to correct historical inequities in school district funding with continued implementation of the Local Control Funding Formula well ahead of schedule. When the formula was adopted in 2013-14, funding was expected to be \$47 billion in 2015-16. The Budget provides \$6 billion more—with the formula instead allocating \$53 billion this coming year.

HIGHER EDUCATION

The Budget also invests in quality, affordability and increased access at the state's higher education system. University tuition almost doubled during the recession, creating a hardship for many students and their families. To maintain affordability, the Budget holds tuition for California undergraduate students flat through 2016-17. The Budget includes \$217 million in new ongoing funding for the California State University (CSU). It provides \$120 million in new ongoing funding for the University of California (UC), as well as temporary funding from Proposition 2 to assist in paying down UC's unfunded pension liability—as UC implements a pension cap consistent with the state's 2012 pension reform law.

The community colleges and the university systems must collaborate to develop innovative approaches so students can successfully complete their degrees in a timely manner. The Budget provides new funding for CSU and community colleges to coordinate the provision of basic skills and remedial education. Over the past few years, CSU and the community colleges have greatly simplified and improved the transfer process in implementing statewide associate degrees for transfer under Chapter 428, Statutes of 2010 (SB 1440). Over the next two academic years, UC will identify specific pathways for transfer in its 20 most popular majors. These pathways will be closely aligned to the SB 1440 transfer degrees.

COUNTERACTING THE EFFECTS OF POVERTY

California has an extensive safety net for its neediest residents who live in poverty. The Budget, combined with actions from the past few years, expands the state's efforts to assist the state's neediest residents. These efforts are assisting millions of Californians.

- The implementation of health care reform has extended coverage under Medi-Cal to an additional four million Californians in just three years and added new services such as treatment for substance abuse and mental health. The expansion has already increased General Fund costs by more than \$1 billion annually, and that amount will rise to more than \$2 billion by 2017-18 as the federal government begins to reduce its share of costs beginning in 2017. The 2015 Budget also provides coverage to immigrants who gain Permanent Residence Under Color of Law status under the President's recent executive actions and for all children regardless of immigration status.

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- The Local Control Funding Formula is concentrating the greatest school funding, \$6 billion more this year alone, on those students who face the greatest challenges—English learners, those from low low-income households, and youth in foster care.
- The state increased the minimum wage by 25 percent, to \$10 per hour, and guaranteed that 6.5 million workers are eligible for sick leave. General Fund costs to implement these measures will be nearly \$250 million by 2016-17.
- The state’s first Earned Income Tax Credit will help the poorest working families in California. This targeted credit provides a refundable tax credit totaling \$380 million for wages and focuses on the lowest-income Californians—households with incomes less than \$6,580 if there are no dependents or \$13,870 if there are three or more dependents. The credit matches 85 percent of the federal credit at the lowest income levels, with a maximum benefit of \$2,653.
- The Budget provides \$1.4 billion in funding to support a coordinated and expanded framework for adult education, career technical education, workforce investment and apprenticeships.
- An amnesty program for those Californians with past due court-ordered debt from traffic infractions will allow participating individuals to reduce their debts up to 80 percent, reduce the administrative fees they pay from \$300 to \$50, and have their drivers’ licenses reinstated.
- A \$265 million (\$165 million General Fund) expansion of the child care system, through higher rates and more slots, will assist lower-income families by providing child care so that parents may work.

EMERGENCY DROUGHT RESPONSE

The State of California has experienced four consecutive years of below-average rain and snow, and is currently facing severe drought conditions in all 58 counties. Since the Governor first declared a state of emergency in January 2014, the Administration has worked to assist drought-impacted communities and fund critical water infrastructure projects that will make the state more resilient if the drought continues. The 2015 Budget includes an additional \$1.8 billion of one-time resources to continue the state’s response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

PAYING DOWN DEBTS AND LIABILITIES

Proposition 2 was designed to help the state save when times are good, such as now. Higher revenues from capital gains will both be saved and used to pay down debts. By the end of the year, the state's Rainy Day Fund will have a total balance of \$3.5 billion. As shown in Figure INT-02, the Budget also pays down a total of \$1.9 billion in debts from Proposition 2 funds.

Figure INT-02

Debts and Liabilities Eligible for Accelerated Payments Under Proposition 2 (Dollars in Millions)

| | Outstanding Amount at Start of 2015-16 | 2015 Budget Act Pay Down |
|--|---|---|
| Budgetary Borrowing | | |
| Loans from Special Funds | \$3,112 | \$1,502 |
| Underfunding of Proposition 98—Settle-Up | 1,512 | 256 |
| Unpaid Mandate Claims for Local Governments (prior to 2004-05) ^{1/} | 0 | 0 |
| State Retirement Liabilities | | |
| State Retiree Health | 71,773 | 0 |
| State Employee Pensions | 43,303 | 0 |
| Teacher Pensions ^{2/} | 72,718 | 0 |
| Judges' Pensions | 3,358 | 0 |
| Deferred payments to CalPERS | 530 | 0 |
| University of California Retirement Liabilities | | |
| University of California Employee Pensions | 7,633 | 96 |
| University of California Retiree Health | 14,519 | 0 |
| Total | \$218,458 | \$1,854 |

1/ Entire liability paid off under the 2014 Budget Act revenue trigger.

2/ The state portion of the unfunded liability for teacher pensions is \$14.916 billion.

The state will also:

- Repay the remaining \$1 billion in deferrals to schools and community colleges (which once peaked at \$10 billion).
- Make the last payment on the \$15 billion in Economic Recovery Bonds that were used to cover budget deficits from as far back as 2002.

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- Repay local governments the final mandate reimbursements for activities completed in 2004 or earlier (totaling \$765 million) and reduce outstanding mandate liabilities owed to schools and community colleges by \$3.8 billion.

The elimination of these budgetary debts and a healthier Rainy Day Fund balance will give the state much greater fiscal capacity when the next recession begins.

SUMMARY CHARTS

This section provides various statewide budget tables.

Figure SUM-01
2015 Budget Act
General Fund Budget Summary
(Dollars in Millions)

| | <u>2014-15</u> | <u>2015-16</u> |
|--|------------------|------------------|
| Prior Year Balance | \$5,589 | \$2,423 |
| Revenues and Transfers | \$111,307 | \$115,033 |
| Total Resources Available | \$116,896 | \$117,456 |
| Non-Proposition 98 Expenditures | \$64,865 | \$65,953 |
| Proposition 98 Expenditures | \$49,608 | \$49,416 |
| Total Expenditures | \$114,473 | \$115,369 |
| Fund Balance | \$2,423 | \$2,087 |
| Reserve for Liquidation of Encumbrances | \$971 | \$971 |
| Special Fund for Economic Uncertainties | \$1,452 | \$1,116 |
| Budget Stabilization Account/Rainy Day Fund | \$1,606 | \$3,460 |

Figure SUM-02
2015-16 Total State Expenditures by Agency
(Dollars in Millions)

| | General Fund | Special Funds | Bond Funds | Totals |
|---------------------------------------|------------------|-----------------|----------------|------------------|
| Legislative, Judicial, Executive | \$3,158 | \$3,408 | \$226 | \$6,792 |
| Business, Consumer Services & Housing | 627 | 807 | 140 | 1,574 |
| Transportation | 261 | 8,796 | 2,092 | 11,149 |
| Natural Resources | 2,479 | 1,280 | 1,078 | 4,837 |
| Environmental Protection | 69 | 2,710 | 1,492 | 4,271 |
| Health and Human Services | 31,867 | 20,461 | - | 52,328 |
| Corrections and Rehabilitation | 10,078 | 2,578 | - | 12,656 |
| K-12 Education | 49,373 | 103 | 1,063 | 50,539 |
| Higher Education | 14,200 | 43 | 390 | 14,633 |
| Labor and Workforce Development | 214 | 683 | - | 897 |
| Government Operations | 738 | 221 | 6 | 965 |
| General Government: | | | | |
| Non-Agency Departments | 684 | 1,769 | 1 | 2,454 |
| Tax Relief/Local Government | 469 | 2,284 | - | 2,753 |
| Statewide Expenditures | 1,152 | 574 | - | 1,726 |
| Total | \$115,369 | \$45,717 | \$6,488 | \$167,574 |

Note: Numbers may not add due to rounding.

Figure SUM-03
General Fund Expenditures by Agency
(Dollars in Millions)

| | 2014-15 | 2015-16 | Change from 2014-15 | |
|---|------------------|------------------|---------------------|----------------|
| | | | Dollar Change | Percent Change |
| Legislative, Judicial, Executive | \$2,986 | \$3,158 | \$172 | 5.8% |
| Business, Consumer Services & Housing | 843 | 627 | -216 | -25.6% |
| Transportation | 200 | 261 | 61 | 30.5% |
| Natural Resources | 2,558 | 2,479 | -79 | -3.1% |
| Environmental Protection | 87 | 69 | -18 | -20.7% |
| Health and Human Services | 30,015 | 31,867 | 1,852 | 6.2% |
| Corrections and Rehabilitation | 10,030 | 10,078 | 48 | 0.5% |
| K-12 Education | 49,659 | 49,373 | -286 | -0.6% |
| Higher Education | 13,267 | 14,200 | 933 | 7.0% |
| Labor and Workforce Development | 282 | 214 | -68 | -24.1% |
| Government Operations | 754 | 738 | -16 | -2.1% |
| General Government: | | | | |
| Non-Agency Departments | 1,498 | 684 | -814 | -54.3% |
| Tax Relief/Local Government | 446 | 469 | 23 | 5.2% |
| Statewide Expenditures | 242 | 1,152 | 910 | 376.0% |
| Supplemental Payment to the Economic Recovery Bonds | 1,606 | - | -1,606 | -100.0% |
| Total | \$114,473 | \$115,369 | \$896 | 0.8% |

Note: Numbers may not add due to rounding.

Figure SUM-04
General Fund Revenue Sources
(Dollars in Millions)

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

Note: Numbers may not add due to rounding.

Figure SUM-05
2015-16 Revenue Sources
(Dollars in Millions)

| | General Fund | Special Funds | Total | Change From 2014-15 |
|---|------------------|-----------------|------------------|---------------------|
| Personal Income Tax | \$77,700 | \$1,806 | \$79,506 | \$2,355 |
| Sales and Use Tax | 25,240 | 12,787 | 38,027 | 1,443 |
| Corporation Tax | 10,342 | - | 10,342 | 533 |
| Highway Users Taxes | - | 4,893 | 4,893 | -828 |
| Insurance Tax | 2,556 | - | 2,556 | 70 |
| Alcoholic Beverage Taxes and Fees | 360 | - | 360 | 7 |
| Cigarette Tax | 82 | 688 | 770 | -21 |
| Motor Vehicle Fees | 23 | 6,521 | 6,544 | 177 |
| Other | 584 | 18,971 | 19,555 | -2,433 |
| Subtotal | \$116,887 | \$45,666 | \$162,553 | \$1,303 |
| Transfer to the Budget Stabilization Account/Rainy Day Fund | -1,854 | 1,854 | 0 | 0 |
| Total | \$115,033 | \$47,520 | \$162,553 | \$1,303 |

Note: Numbers may not add due to rounding.

K THRU 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 \$83.2 billion (\$49.7 billion General Fund and \$33.5 billion other funds) for all K-12 education programs.

PROPOSITION 98

A voter-approved constitutional amendment, Proposition 98, guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The recently adopted Local Control Funding Formula is the primary mechanism for distributing funding to support all students attending K-12 public schools in California.

The Budget includes Proposition 98 funding of \$68.4 billion for 2015-16, an increase of \$7.6 billion over the 2014-15 Budget Act level. When combined with increases of

\$6.1 billion in 2013-14 and 2014-15 as well as other one-time savings and adjustments in those years, the Budget provides a \$14.4 billion increased investment in K-14 education. Since 2011-12, Proposition 98 funding for K-12 education has grown by more than \$18.6 billion, representing an increase of more than \$3,000 per student.

The Proposition 98 maintenance factor—an indicator of the past reductions made to schools and community colleges—totaled nearly \$11 billion as recently as 2011-12. The Budget reduces this obligation to \$772 million.

K-12 BUDGET ADJUSTMENTS

Significant Adjustments:

- **Local Control Funding Formula**—An increase of \$6 billion Proposition 98 General Fund to continue the State’s landmark transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will close the remaining funding implementation gap by more than 51 percent.
- **Career Technical Education**—The Budget establishes the Career Technical Education (CTE) Incentive Grant Program and provides \$400 million, \$300 million, and \$200 million Proposition 98 General Fund in 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high-quality CTE programs. Of the funding provided for this competitive grant program, 4 percent (\$16 million in 2015-16) is available for applicants serving no more than 140 students, 8 percent (\$32 million in 2015-16) is available for those serving between 140 and 550 students, and 88 percent (\$352 million in 2015-16) is available for those serving more than 550 students. School districts, county offices of education, and charter schools receiving funding from the program will be required to provide local-to-state matching funds of 1:1 in 2015-16, 1.5:1 in 2016-17, and 2:1 in 2017-18. When determining grant recipients, the Department of Education and the State Board of Education will give priority to grant recipients that: (1) are establishing new programs; (2) serve a large number of English-learner, low-income, or foster youth students; (3) serve pupil groups with higher-than-average dropout rates; or (4) are located in areas of high unemployment.
- **Educator Support**—An increase of \$500 million one-time Proposition 98 General Fund for educator support. Of this amount, \$490 million is for activities

that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development that is aligned to the state academic content standards. These funds will be allocated to school districts, county offices of education, charter schools, and the state special schools in an equal amount per certificated staff and are available for expenditure over the next three years. Additionally, \$10 million is provided for the K-12 High Speed Network to provide professional development and technical assistance to local educational agencies related to network management.

- Special Education—The California Statewide Special Education Task Force was formed in 2013 to examine the state of special education in California, analyze and consider best practices within the state and nation, and ultimately propose recommendations for improving the system. The Budget includes \$60.1 million Proposition 98 General Fund (\$50.1 million ongoing and \$10 million one-time) to implement selected program changes recommended by the task force, making targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.
- K-12 High Speed Internet Access—An increase of \$50 million in one-time Proposition 98 funding to support additional investments in internet connectivity and infrastructure. This builds on \$26.7 million in one-time Proposition 98 funding that was provided in the 2014 Budget Act to assist local educational agencies with securing required internet connectivity and infrastructure to implement the new computer-adaptive tests administered under Common Core. This second installment of funding will further upgrade internet infrastructure to reflect the increasing role that technology plays in classroom operations to support teaching and learning.
- K-12 Mandates—An increase of \$3.2 billion in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.
- K-12 Deferrals—The Budget provides \$897 million Proposition 98 General Fund to eliminate deferrals consistent with the revenue trigger included in the 2014 Budget. Inter-year K-12 deferrals had reached a high of \$9.5 billion in the 2011-12 fiscal year.

ADULT EDUCATION

The Budget includes \$500 million Proposition 98 General Fund for the Adult Education Block Grant program to provide funds for adult education administered by school districts, county offices of education, and community college districts.

This program will coordinate efforts of various entities—such as schools, community colleges, universities, local workforce investment boards, libraries, social services agencies, public safety agencies, and employers—to provide education and training more effectively.

School districts, county offices of education, and community college districts that receive other state and federal funds for adult education are expected to be members of an adult education consortium. The Chancellor of the Community Colleges and the Superintendent of Public Instruction also will submit a plan to distribute federal Workforce Innovation and Opportunity Act Title II and Perkins funds to the consortia in future years.

The Chancellor and the Superintendent will jointly approve apportionment of these funds. For 2015-16, the Chancellor and the Superintendent will apportion funds first to school districts and county offices of education to match the amounts they have been required to spend on adult education in each of the last two years. Beginning in 2016-17, all funds will be appropriated directly to consortia, with considerations for current allocations, need in the region, and effectiveness of providers.

Each consortium will develop a comprehensive plan for adult education in its region at least once every three years, with annual updates. Each consortium will be required to create rules and procedures regarding how it will make decisions, consider feedback on proposed decisions from interested stakeholders, and make decisions publicly.

The consortia will decide how to distribute these funds to school districts, county offices of education, and community college districts in their regions. The Budget provides stability to these schools and colleges, requiring that existing funding be maintained unless a consortium finds that a school or college cannot provide services that address the needs of the region or has been consistently ineffective in doing so.

The Chancellor and the Superintendent will report annually on the use of these funds and the effectiveness of adult education programs in each consortium. The Budget also includes \$25 million one-time Proposition 98 General Fund to help consortia establish the systems necessary to evaluate the effectiveness of their programs.

CHILD CARE AND STATE PRESCHOOL

Subsidized Child Care includes a variety of programs designed to support low-income families so they may remain gainfully employed. These programs are primarily administered by the Department of Education. Additionally, the State Preschool program is designed as an educational program to help children develop the skills needed for success in school. The Department of Education and the Department of Social Services jointly administer the three-stage CalWORKs child care system to meet the child care needs of recipients of aid while they participate in work activities and as they transition from cash aid. Families can access services through centers that contract directly with the Department of Education, or by receiving vouchers from county welfare departments or alternative payment program providers.

Significant Adjustments:

- Full-Day State Preschool—An increase of \$34.3 million (\$30.9 million Proposition 98, \$3.5 million General Fund) to provide access to full-day State Preschool for an additional 7,030 children from low-income working families. In addition, \$145 million will shift from General Child Care to State Preschool to allow full-day State Preschool providers that are local educational agencies to access a single funding stream (Proposition 98) in their full-day State Preschool contracts. Under the existing program, local educational agencies receive funding for full-day State Preschool from a combination of Proposition 98, General Fund, and the federal Child Care and Development Fund.
- Alternative Payment Program Vouchers—An increase of \$52.6 million General Fund to provide child care vouchers for an additional 6,800 children from low-income working families.
- Standard Reimbursement Rate—An increase of \$61 million (\$38.3 million Proposition 98, \$22.7 million General Fund) to provide a 5-percent increase to the reimbursement rate for State Preschool and other direct-contracted child care and development providers.
- Regional Market Reimbursement Rate—An increase of \$62.1 million General Fund to increase the maximum reimbursement ceiling for voucher-based child care providers by 4.5 percent and increase the rate for license-exempt providers from 60 to 65 percent of the licensed family child care home rate.

K THRU 12 EDUCATION

- Infant/Toddler Child Care Quality—A one-time grant of \$24.2 million General Fund to Quality Rating and Improvement System consortia to provide training, technical assistance, and resources to help infant and toddler child care providers meet a higher level of quality.

HIGHER EDUCATION

Higher Education includes the California Community Colleges (CCC), the California State University (CSU), the University of California (UC), the Student Aid Commission, and several other entities.

The Budget includes total funding of \$29.2 billion (\$16.6 billion General Fund and local property tax and \$12.6 billion other funds) for all programs included in these entities.

CALIFORNIA COMMUNITY COLLEGES

The CCC are publicly supported local educational agencies that provide educational, vocational, and transfer programs to approximately 2.1 million students. The CCC system is the largest system of higher education in the world, with 72 districts, 112 campuses, and 72 educational centers. By providing education, training, and services, the CCC contribute to continuous workforce improvement and also provide remedial instruction for hundreds of thousands of adults across the state through basic skills courses and adult non-credit instruction. The CCC also provide students a lower-cost alternative through the transfer pathway to obtain a four-year degree.

Significant Adjustments:

- Investing in Student Success—The Budget provides an increase of \$185 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This includes

\$100 million to increase orientation, assessment, placement, counseling, and other education planning services. It also targets \$85 million to close gaps in access and achievement between underrepresented student groups and their peers, as identified in local student equity plans. To provide additional support to current and former foster youth, the Budget specifies that up to \$15 million of these funds shall be used to implement Chapter 771, Statutes of 2014 (SB 1023). This legislation specifies additional services for foster youth already participating in Extended Opportunity Programs and Services at up to ten community colleges.

- **Increased Operating Expenses**—The Budget provides an additional \$266.7 million Proposition 98 General Fund to increase base allocation funding in recognition of increased community college operating expenses in the areas of facilities, retirement benefits, professional development, converting part-time faculty to full-time, and other general expenses.
- **Apportionments**—The Budget provides an increase of \$156.5 million Proposition 98 General Fund for growth in general-purpose apportionments, which represents a 3-percent increase in full-time equivalent enrollment. The 2014 Budget directed the Board of Governors to adopt a growth formula that gives first priority to districts identified as having the greatest unmet need in adequately serving their communities' higher educational needs. The new growth formula begins this year. The Budget also provides an increase of \$61 million Proposition 98 General Fund for a cost-of-living adjustment of 1.02 percent.
- **Full-Time Faculty**—The Budget provides \$62.3 million Proposition 98 General Fund to increase the number of full-time faculty within each community college district. Funding is allocated based on full-time equivalent enrollment to all community college districts, but community college districts with relatively low proportions of full-time faculty will be required to increase their full-time faculty more than districts with relatively high proportions of full-time faculty. In total, it is expected that approximately 670 full-time faculty positions will be created by this proposal.
- **Basic Skills and Student Outcomes Transformation Program**—The Budget provides \$60 million Proposition 98 General Fund to assist community colleges in improving delivery of basic skills instruction by adopting or expanding the use of evidence-based models of placement, remediation, and student support that accelerate the progress of underprepared students toward achieving postsecondary educational and career goals.

- Basic Skills Partnership Pilot Program—The Budget provides \$10 million Proposition 98 General Fund for a pilot program to provide incentives to community college districts, the CSU, and high schools to coordinate their efforts to provide instruction in basic skills to incoming CSU students in an efficient and effective way.
- Adult Education Block Grant—The Budget provides \$500 million Proposition 98 General Fund to implement the Adult Education Block Grant as discussed in the K thru 12 Education Chapter.
- Apprenticeship Programs—The Budget provides an increase of \$29.1 million Proposition 98 General Fund for expansion of apprenticeship programs. This includes \$14.1 million to grow existing apprenticeship programs and \$15 million to create innovative apprenticeship demonstration projects that focus on new and emerging industries with unmet labor market demand.
- Career Technical Education—The Budget provides \$48 million one-time Proposition 98 General Fund to support the Career Technical Education Pathways Program at the Chancellor’s Office. These funds provide resources for community colleges to develop, enhance, and expand career technical education programs that build upon existing regional capacity to meet regional labor market demands.
- Enhanced Non-Credit Rate Change—The Budget provides \$49.5 million Proposition 98 General Fund to reflect an increase adopted with the 2014 Budget in the funding rate for career development and college preparation non-credit courses (also known as CDCP or enhanced non-credit) to equal the rate provided for credit courses. Career development and college preparation non-credit courses offer flexibility for community colleges to design and deliver courses better suited for students pursuing career technical education. The lower funding rate, along with the higher cost of career technical education, serve as barriers to many community colleges offering career development and college preparation instruction in a manner that best supports student success.
- Implementing Statewide Performance Strategies—The Budget provides \$15 million Proposition 98 General Fund to implement strategies to improve college performance in student success and outcomes. Of this amount, \$3 million will provide local technical assistance to support the implementation of effective practices across all districts. The additional \$12 million will be utilized to develop and disseminate effective professional, administrative, and educational practices, including the specific development of curriculum and practices for members of the California Conservation Corps, and for incarcerated and formerly incarcerated adults.

HIGHER EDUCATION

- Cal Grant B Access Awards for Community Colleges—The Budget provides \$39 million Proposition 98 General Fund to augment Cal Grant B Access Awards for community college students taking 12 or more units. These funds will assist community college students with their living costs. The Budget also provides \$3 million one-time Proposition 98 General Fund for community college districts to establish administrative procedures for distributing these supplemental awards.
- Baccalaureate Degree Pilot Program—The Budget provides \$6 million one-time Proposition 98 General Fund to support districts' start-up costs for the implementation of the Baccalaureate Degree Pilot Program established by Chapter 747, Statutes of 2014 (SB 850).
- Extended Opportunity Programs and Services—The Budget provides \$33.7 million Proposition 98 General Fund to provide support services to disadvantaged students.
- Deferred Maintenance and Instructional Equipment—The Budget provides \$148 million one-time Proposition 98 General Fund that colleges can use for deferred maintenance, instructional equipment, and specified water conservation projects. Community colleges will not need to provide matching funds for deferred maintenance in 2015-16. These resources will allow districts to protect investments previously made in facilities, and to improve students' experience by replenishing and investing in new instructional equipment.
- Mandate Backlog Payments—The Budget provides \$604 million Proposition 98 General Fund to continue paying down outstanding mandate claims by community colleges. These payments will further reduce outstanding mandate debt, while providing community colleges with one-time resources to address various one-time needs, such as curricula redesign and start-up costs for new career technical education programs.
- Categorical Program Cost-of-Living Adjustment—The Budget allocates \$2.5 million Proposition 98 General Fund to provide a 1.02-percent cost-of-living adjustment for the Disabled Student Programs and Services program, the Extended Opportunities Programs and Services program, the Special Services for CalWORKs Recipients program, and the Child Care Tax Bailout program.
- Eliminating Apportionment Deferrals—The Budget provides \$94.5 million Proposition 98 General Fund to eliminate deferrals consistent with the revenue trigger included in the 2014 Budget. Inter-year Community College deferrals had reached a high of \$961 million in the 2011-12 fiscal year.

CALIFORNIA STATE UNIVERSITY

With 23 campuses, CSU is the largest and most diverse university system in the country, providing undergraduate instruction, graduate instruction through master's degrees, and doctoral degrees in some fields of study. The CSU plays a critical role in preparing the workforce of California; awarding more than 103,000 degrees in 2013-14, it grants more than one-half of the state's bachelor's degrees and one-third of the state's master's degrees. The CSU awards more degrees in business, engineering, agriculture, communications, health, and public administration than any other California institution of higher education. More than 50 percent of California's teachers graduated from CSU.

Significant Adjustments:

- **General Fund Increase**—The Budget includes an ongoing increase of \$216.5 million General Fund. It is expected the university will use these funds to increase enrollment by 10,400, increase the number of full-time faculty, and make significant progress towards improving time-to-degree and graduation rates.
- **Basic Skills Partnership Pilot**—As discussed in the California Community Colleges section, the Budget includes a pilot program to offer basic skills education to incoming CSU students who need remediation through community colleges. As more of this instructional workload is handled through the community colleges, CSU can redirect resources to continuing improvements on time-to-degree.

UNIVERSITY OF CALIFORNIA

Consisting of 10 campuses, the University of California is the primary institution authorized to independently award doctoral degrees and professional degrees. The UC educates approximately 249,000 undergraduate and graduate students.

Significant Adjustments:

- **Funding Agreement**—The Budget endorses the agreement reached by the Governor and the UC President announced at the May Revision. This includes annual 4-percent increases in General Fund support, amounting to \$119.5 million in 2015-16, along with \$96 million in one-time Proposition 2 funds to pay down the unfunded liability associated with the University's retirement system. As part of the agreement, UC has made commitments in the following areas:
 - **Tuition**—Hold tuition flat in 2015-16 and 2016-17.

HIGHER EDUCATION

- Community College Transfer—Articulate systemwide pathways for transfer to UC and increase transfer enrollment to achieve a two-to-one ratio of new freshmen to transfer students.
- Time-to-Degree—Develop pathways for students to graduate within three years, pilot alternative pricing models for summer session, and review policies related to credit for prior learning.
- Use of Technology and Data—Pilot activity-based costing, predictive analytics, and adaptive learning at its campuses.
- Long-Term Liabilities—Implement a retirement program that caps pensionable compensation consistent with the Public Employees Pension Reform Act of 2013 (PEPRA).
- The Budget includes a provision to allow an augmentation of \$25 million General Fund if the University can demonstrate it will increase resident undergraduate enrollment by 5,000 students by the 2016-17 academic year as compared to the 2014-15 academic year.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission administers state financial aid to students attending institutions of public and private postsecondary education through a variety of programs including the Cal Grant High School and Community College Transfer Entitlement programs, the Competitive Cal Grant program, and the Middle Class Scholarship Program. More than 125,000 students received new Cal Grant awards, and more than 170,000 students received renewal awards in 2013-14.

Significant Adjustments:

- Competitive Awards—The Budget includes \$8 million (growing to \$23.4 million by 2018-19) to provide an additional 3,250 competitive Cal Grant awards, bringing the total number of awards to 25,750.
- Private Institutions—The Budget includes \$9 million to reflect a delay in the scheduled decrease to Cal Grant awards for students attending private, non-profit and accredited for-profit institutions. Each award will remain \$9,084 for the 2015-16 and 2016-17 academic years and will decrease to \$8,056 beginning in the 2017-18 academic year.

- Middle Class Scholarship Reform—The Budget includes savings of \$70 million by aligning eligibility and participation expectations for the Middle Class Scholarship Program more closely with the Cal Grant program by adding an asset cap of \$150,000, and limiting participation to four years.

CALIFORNIA STATE LIBRARY

Since 1850, the California State Library has promoted innovative library services statewide.

Significant Adjustments:

- Literacy Program—The Budget includes \$2 million General Fund for the Literacy and English Acquisition Services Program. It is expected that literacy programs funded with these resources will be coordinated with the adult education consortia in the K-14 education system.
- Broadband Project—The Budget includes \$4.2 million General Fund for the California Public Library Broadband Project, including \$4 million on a one-time basis for grants to public libraries to upgrade broadband equipment and \$225,000 General Fund for continued administration of contracts for broadband services.
- Online High School—The Budget includes \$1 million on a one-time basis to pilot an online high school diploma program.
- Library Preservation Activities—An increase of \$521,000 General Fund to improve the library's efforts to preserve historical items in its possession, including \$181,000 ongoing for two additional positions and \$340,000 on a one-time basis for equipment.

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HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities such as boards, commissions, councils, and offices that provide health and social services to California’s vulnerable and at-risk residents.

The Budget includes total funding of \$140.1 billion (\$31.9 billion General Fund and \$108.2 billion other funds) for all programs overseen by this Agency.

DEPARTMENT OF HEALTH CARE SERVICES

The Department of Health Care Services (DHCS) administers Medi-Cal, California’s Medicaid program, which is a public health insurance program that provides comprehensive health care services at no or low cost for low-income individuals. The Department also administers California Children’s Services, the Primary and Rural Health program, Family Planning, Access, Care and Treatment, Every Woman Counts, as well as county-operated community mental health and substance use disorder programs.

Significant Adjustments:

- Health Care Reform Implementation—The Budget assumes additional Medi-Cal caseload of 3.7 million individuals and costs of \$16.9 billion related to the implementation of the Affordable Care Act. Approximately 1.4 million additional people will receive Medi-Cal benefits under the current 50-50 state-federal cost

sharing arrangement, which results in costs of \$2.9 billion (\$1.4 billion General Fund). The federal government is paying nearly 100 percent of the costs of the remaining 2.3 million new individuals in the Medi-Cal program. Total Medi-Cal enrollment is expected to rise from 7.9 million before implementation of the Affordable Care Act to 12.4 million in 2015-16, covering nearly one-third of the state's population.

- **Expand Medi-Cal for Children Regardless of Immigration Status**—The Budget includes \$40 million General Fund to expand full-scope Medi-Cal coverage to qualified low-income immigrants under the age of 19 effective May 2016. The annual cost of this expansion is estimated to be approximately \$132 million General Fund. The federal government shares in the cost of emergency- and pregnancy-related services.
- **Presidential Immigration Actions**—On November 20, 2014, the President announced executive actions that would allow certain undocumented immigrants to temporarily remain in the United States without fear of deportation. These actions were intended to provide stability to the immigrants' families and boost the economy. On February 16, 2015, a federal district court enjoined implementation of these actions. The Budget includes partial-year 2015-16 costs of \$20.9 million (\$16.8 million General Fund) for Medi-Cal for qualified individuals, which presumes the courts allow the federal government to proceed with implementing the executive actions beginning October 2015 and that full implementation will occur over 24 months.
- **Dental Provider Rate Restoration**—The Budget restores the 10-percent provider rate reduction for Medi-Cal dental providers at an annual cost of \$60 million (special and federal funds).
- **Provider Rates**—Chapter 3, Statutes of 2011 (AB 97), reduced most Medi-Cal provider rates by up to 10 percent. The 2014 Budget Act assumed retroactive recoupment of rate reductions for some services in fee-for-service Medi-Cal. The 2014 Budget Act also exempted additional providers, including high-cost prescription drugs, specialty physician services, various distinct-part nursing facilities, Bay Area Community Based Adult Services Centers, and nonprofit pediatric dental surgery centers. The Budget reflects an estimated \$152 million annual General Fund cost for these exemptions and delays. The Budget also increases managed care rates by \$125 million General Fund in 2015-16. Additional rate increases will be considered as part of a special legislative session on healthcare financing.

- Skilled Nursing Quality Assurance Fee—The Budget extends a quality assurance fee on skilled nursing facilities and provides for a 3.62-percent increase in reimbursement rates in 2015-16. This fee leverages additional federal funding that offsets General Fund expenditures in these facilities.
- Behavioral Health Treatment—The Budget includes \$228.7 million (\$114.3 million General Fund) in 2015-16 for behavioral health treatment services for individuals with Autism Spectrum Disorder up to 21 years of age. The services are now a required Medi-Cal benefit.
- Children’s Health Insurance Program (CHIP) Reauthorization—On April 16, 2015, the President signed the Medicare Access and CHIP Reauthorization Act. The Act reauthorizes CHIP through September 2017 and includes enhanced federal funding for the CHIP program effective October 1, 2015. The Budget includes General Fund savings of \$381 million in 2015-16 as a result of the Act.
- Health Homes Program—The Budget includes \$61.6 million in non-state funds for additional payments to health plans that participate in the Health Homes Program beginning January 2016. Chapter 642, Statutes of 2013 (AB 361), permits DHCS to develop a health homes program that would enhance care management and coordination for beneficiaries with complex needs. The program will provide comprehensive care management, care coordination, health promotion, comprehensive transitional care, individual and family support, and referral to community and social support services. The program will be funded primarily through federal funds, with the non-federal funding coming from non-state sources.
- Caregiver Resource Centers—The Budget provides \$4.9 million General Fund for caregiver resource centers, an increase of \$2 million. These facilities focus on providing information and services to families who provide care to family members that suffer from chronic or degenerative cognitive disorders that affect adults, such as Alzheimer’s, stroke, or traumatic brain injury.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) administers programs that provide services and assistance payments to needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.

Significant Adjustments:

- **In-Home Supportive Services (IHSS) Overtime**—In January 2015, a federal court vacated the United States Department of Labor rule that required overtime pay for IHSS workers under the Fair Labor Standards Act. The federal government appealed this decision and in the interim, the state has halted implementation of IHSS overtime until the federal courts decide the legality of the rule. The Budget contains \$270 million General Fund in 2015-16 with an assumed October 1, 2015 effective date if the federal rule is upheld.
- **In-Home Supportive Services 7-Percent Restoration**—The Budget includes a one-time General Fund augmentation of \$226 million in 2015-16 to restore service hours. An ongoing fund source will be addressed through a special legislative session on healthcare financing.
- **Presidential Immigration Actions**—The Budget includes partial-year 2015-16 costs of \$9.8 million General Fund for increased services, which presumes the courts allow the federal government to proceed with implementing the President’s executive actions on immigration beginning October 2015 and that full implementation will occur over 24 months.
- **Federal Immigration Assistance**—The Budget includes \$15 million General Fund for contracts or grants to non-profit organizations to provide application assistance for naturalization or to undocumented immigrants for deferred action, and support immigration-related education and outreach efforts.
- **Housing Support Program**—The Budget contains \$35 million General Fund for CalWORKs Housing Support Program services, an increase of \$15 million, which provides additional support to CalWORKs families for whom homelessness is a barrier to self-sufficiency.
- **Continuum of Care Reform**—The Budget provides \$17.7 million General Fund to counties for the purpose of recruiting, retaining, and supporting foster care parents and relative caregivers. This funding is a major component of upfront statewide efforts to improve California’s child welfare system and outcomes by increasing the use of home-based family care and the provision of services and supports to home-based family care, reducing the use of congregate care placement settings. The goal is to create faster paths to permanency, resulting in shorter durations of involvement in the child welfare and juvenile justice systems.

- Community Care Licensing—The Budget includes \$3 million General Fund and 28.5 positions to address a backlog of complaint cases and expand training and technical assistance. Beginning in January 2017, DSS will begin increasing inspection frequency to every three years for all facilities, every two years by 2018 for all facility types except child care, and annually by 2019 for adult day care and residential care facilities for the elderly. Ongoing staffing costs will be approximately \$14 million.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services provides consumers with developmental disabilities a variety of services and supports that allow them to live and work independently or in supported environments. Potential rate increases will be considered as part of the special session on healthcare financing.

Significant Adjustments:

- Closure of State Developmental Centers—The Budget begins the process of closing the Sonoma Developmental Center by the end of 2018, and also plans for the future closure of the Fairview Developmental Center and the non-secure treatment portion of the Porterville Developmental Center, with the last closure completed in 2021.
- Transition of Sonoma Residents—In anticipation of the closure of the Sonoma Developmental Center, the Budget includes \$49.3 million (\$46.9 million General Fund) to support the transition of Sonoma residents to community settings. These resources will fund the initial development of homes to support consumers, provide additional training for providers, and develop additional programs such as supported living services, crisis services, and transportation support and services. This funding will also be used for coordination of the closure.
- Certification Issues—The Budget includes \$21.4 million (\$12.8 million General Fund) and 298 positions for costs related to the ongoing implementation of Program Improvement Plans at the Sonoma, Fairview, and Porterville Developmental Centers. The Program Improvement Plans maintain annual eligibility for approximately \$91 million in federal funds.
- Porterville Incompetent to Stand Trial Bed Expansion—The Budget contains \$18.8 million General Fund and 182 positions in 2015-16 for the Porterville Secure Treatment Program. Additional beds are needed to accommodate the increasing number of individuals who need to be restored to competency in order to stand trial.

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed and voluntary patients.

Significant Adjustments:

- Restoration of Competency Expansion—The Budget includes \$10.1 million General Fund to expand the Restoration of Competency Program by up to 108 beds to address the existing waitlist. The program provides for treatment of certain Incompetent to Stand Trial patients in county jails rather than inpatient treatment at a state hospital. This expansion should help reduce the waitlist for Incompetent to Stand Trial defendants.
- Incompetent to Stand Trial beds—The Budget contains \$8.7 million General Fund and 74.6 positions to activate 50 beds at Coalinga State Hospital to treat *Coleman* patients (currently treated at Atascadero), and use the vacated beds at Atascadero for Incompetent to Stand Trial commitments. The Budget also includes \$8.3 million General Fund and 73.1 positions to activate an additional 55 beds at Atascadero State Hospital.
- *Coleman* Housing—The Budget contains \$4.6 million General Fund to activate 30 beds at the California Medical Facility in Vacaville to add sufficient capacity for the Department to serve *Coleman* patients. There is a need to activate this unit and increase the inpatient capacity within the psychiatric programs to respond to changing patient needs and address Special Master concerns regarding the waitlist for acute psychiatric beds in state prison.
- Expand Secure Treatment Area at Metropolitan State Hospital—The Budget provides \$3.6 million General Fund for preliminary plans and working drawings to increase the secure bed capacity at Metropolitan State Hospital. Total project costs are approximately \$31 million. The project is estimated to be completed in 2017-18 and will add approximately 200 new forensic treatment beds, which can be used to treat Incompetent to Stand Trial patients.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people in California.

Significant Adjustments:

- **Licensing and Certification**—To meet mandated state and federal licensing and certification workload and implement quality improvement projects within the Licensing and Certification Program, the Budget includes \$21.8 million in special funds and 237 positions for 2015-16. In addition, the Budget includes \$9.5 million in special funds to augment the Department’s contract with Los Angeles County to allow the County to complete high-priority federal and state workload as well as \$378,000 in special funds and three state positions to provide on-site oversight, training, and quality improvement activities in the County.
- **State Syringe Exchange**—The Budget contains \$3 million General Fund ongoing for a syringe exchange program that will allow for the statewide purchasing of syringe disposal containers, sterile syringes, and other materials to be used by local health departments and community-based organizations to reduce the transmission of bloodborne pathogens such as HIV and Hepatitis C.
- **Hepatitis C Demonstration Projects**—The Budget contains \$2.2 million General Fund for three years (\$6.6 million total) for the Department of Public Health to provide competitive grants for demonstration projects aimed at Hepatitis C prevention. These projects will include innovative outreach, screening, and linkage to and retention in care efforts for low-income individuals with Hepatitis C.
- **Pre-Exposure Prophylaxis Access and Affordability**—The Budget provides \$2 million General Fund ongoing for Pre-Exposure Prophylaxis outreach and education pilot programs. These programs are intended to reduce new HIV infections for uninsured and underinsured at-risk individuals who are in communities experiencing significant increases in new HIV infections.

DEPARTMENT OF AGING

The Department of Aging promotes the independence and well-being of older adults, adults with disabilities, and families.

Significant Adjustment:

- **Long-Term Care Ombudsman**—The Budget includes \$2.4 million (\$1 million General Fund) to increase unannounced facility monitoring visits and complaint investigations and increase the recruitment, supervision, and training of paid and volunteer Ombudsman representatives.

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PUBLIC SAFETY

The Budget includes the following changes related to public safety.

CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) incarcerates the most serious and violent felons, supervises them when they are released on parole, and provides rehabilitation programs to help them reintegrate into the community. CDCR 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 \$10.2 billion (\$9.9 billion General Fund and \$274 million other funds) for CDCR in 2015-16.

PRISON POPULATION UPDATE AND FUTURE PLANNING

The Budget assumes an average daily adult inmate population of 127,990 in 2015-16.

On February 10, 2014, the three-judge court granted the state's request for a two-year extension of the deadline to meet the 137.5-percent population cap and ordered the state to comply with interim benchmarks of 143 percent by June 30, 2014 (subsequently extended to August 31, 2014), 141.5 percent by February 28, 2015, and the final

population cap by February 28, 2016. The prison population is currently below the final February 2016 benchmark by approximately 2,400 inmates.

Compared with the 2014 Budget, spring population projections show an average daily population reduction of approximately 7,500 inmates in 2015-16. This significant decline is driven primarily by the passage of Proposition 47 and court-ordered population reduction measures. Given the magnitude of the projected population decline and the need to maintain sufficient capacity compared with the final population cap of 137.5 percent, the Administration has developed a revised contract bed plan for the Budget that focuses on reducing the use of out-of-state contract beds.

The Budget includes savings of \$73.3 million General Fund tied to the reduction of approximately 4,000 out-of-state contract beds by June 2016. The reduction assumes vacating two out-of-state facilities, and reducing use of other out-of-state facilities to achieve a 2,700-bed reduction by December 2015 and a further 1,300-bed reduction by June 2016.

Recognizing the extraordinary uncertainties within the current population trends, the Administration will develop for the 2016-17 Governor's Budget a long-term plan which, among other issues, takes into account:

- CDCR's growing population trends, housing limitations, and rehabilitation goals;
- Any use of contract beds on an ongoing basis, including in-state contract beds, out-of-state contract beds, and the leasing of the California City correctional facility;
- A permanent solution for the decaying infrastructure of the California Rehabilitation Center;
- The need for durable population reductions to stay below 137.5 percent of design capacity, such as the current, court-ordered population reduction measures; and
- The impact of population-reduction measures on fire camps.

Significant Adjustments:

- Hepatitis C Treatment—The Budget includes \$60.6 million General Fund to treat inmates with new Hepatitis C treatments.
- Infill Facilities—The Budget includes \$37.2 million General Fund and \$90,000 Inmate Welfare Fund to activate three new infill facilities. The activation of these facilities

adds 2,376 beds, of which 528 are designated Enhanced Outpatient Program beds, to the prison's design capacity by February 2016. The infill projects also expand the number of educational and vocational programming slots by 1,306.

- *Coleman v. Brown*—The Budget includes \$42 million General Fund to comply with an April 10, 2014, *Coleman v. Brown* court order regarding the Department's use of force policies and housing plans for certain *Coleman* class members placed in segregated housing.
- California Health Care Facility—The Budget includes \$76.4 million General Fund to add 715 positions at the California Health Care Facility, which increases the funding for the California Health Care Facility to approximately \$295 million annually.

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 updates the SB 678 funding formula to provide counties with funding for reducing prison admissions for offenders on felony probation, Mandatory Supervision, and Post Release Community Supervision. The revised formula also provides counties with a share of their past funding based on their current performance. The intent of these revisions is to preserve past successes and encourage county probation departments to continue to decrease the number of individuals sent to state prison. The Budget includes \$125.1 million in total funding for this grant program.

Specifically, the revised formula provides incentive funding to counties that decrease their state prison admissions for offenders on felony probation, Mandatory Supervision, and Post Release Community Supervision compared to each county's prior year admissions. Reductions in state prison admissions will be funded at 35 percent of the state's estimated contract bed rate per offender.

Counties will also receive a portion of their highest payment from the first four years of this grant based on a sliding scale. The rate at which each county sends individuals from local supervision to state prison will be calculated annually which will determine their percentage share of their highest payment from the first four years (with lower rates yielding more funding). This funding recognizes each county's improvement against

the original SB 678 baseline and allows counties to continue programs that produced past success, and will also allow counties to commit funding to ongoing strategies that continue progress toward reducing their admissions to state prison.

AMNESTY PROGRAM

The Budget includes an 18-month amnesty program that authorizes individuals with past due court-ordered debt owed prior to January 1, 2013, relating to traffic infractions, to pay outstanding delinquent debt at a 50-percent reduction if the individual meets specified eligibility criteria. An individual who utilizes public assistance programs or whose income is less than 125-percent of the current poverty guidelines can qualify for an 80-percent reduction to their qualified outstanding debt. Overall, the amnesty program is estimated to generate \$150 million, which will help avoid structural deficits within many of the eight special funds supported by the State Penalty Fund. Approximately \$12 million of the \$150 million is expected to be deposited in the State Penalty Fund.

The amnesty program allows individuals whose driver licenses have been suspended due to their failure to appear or failure to pay fees and fines on traffic offenses to have their license reinstated—so they can legally get to work and make their agreed upon payments to the court. These individuals would agree to either make one payment or sign up for a payment plan, supported by a wage garnishment agreement in the event that the individual fails to make a payment. In addition, the \$300 court-imposed assessment fee will be waived and replaced by a \$50 amnesty administrative fee to allow the courts to recover their costs to run the program.

ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency works to restore, protect, and enhance environmental quality. The Agency coordinates state environmental regulatory programs and promotes fair and consistent enforcement of environmental law.

The Budget includes total funding of \$4.8 billion (\$75.2 million General Fund) for all programs included in the Agency.

CAP AND TRADE EXPENDITURE PLAN

The California Global Warming Solutions Act of 2006 (AB 32) established California as a global leader in reducing greenhouse gas emissions (GHGs). To meet the goals of AB 32, the state has adopted a three-pronged approach to reducing emissions, including adopting standards and regulations, providing emission reduction incentives via grant programs, and establishing a market-based compliance mechanism known as Cap and Trade. The Cap and Trade program, as one component of the state's comprehensive approach, sets a statewide limit on the GHG sources responsible for 85 percent of California GHGs. Through an auction mechanism, it establishes a financial incentive for industries subject to the statewide cap to make long-term investments in cleaner fuels, more efficient energy use, and transformational technological and scientific innovations. A portion of the auction proceeds generated from the sale of allowances are available to the state for expenditure to further the purposes of AB 32 and reduce GHGs.

Consistent with the provisions of Chapter 36, Statutes of 2014, (SB 862) the Budget includes 60 percent of 2015-16 auction proceeds to public transit, affordable housing, sustainable communities, and high-speed rail. The Administration is committed to working with the Legislature to enact legislation to appropriate additional Cap and Trade funding before the end of the legislative session.

STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board and the nine Regional Water Quality Control Boards preserve and enhance the quality of California water resources, and protect the proper allocation and effective use of state water.

Significant Adjustment:

- Bay Delta Water Quality Control Plan—An increase of \$7.8 million General Fund and 16 positions to complete the comprehensive update of the Bay Delta Water Quality Control Plan. The Water Action Plan, a comprehensive five-year water infrastructure and management strategy to support sustainable water management, identified the need to update the Bay Delta Water Quality Control Plan. This proposal will develop flow criteria and an adaptive management framework that identifies water quality objectives needed to protect and balance competing uses of water, including municipal and agricultural supply, hydropower, fishery protection, and recreational uses.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control protects California residents and the environment from the harmful effects of toxic substances by restoring contaminated properties, enforcing hazardous waste laws, reducing hazardous waste generation, and encouraging the manufacture of chemically-safer products.

The Department continues to make progress in implementing reforms initiated in its “Fixing the Foundation” initiative, which is designed to improve the efficiency and effectiveness of cleanup, permitting, enforcement, and safer consumer products programs.

Building on these existing reforms, the Budget includes the establishment of an independent review panel to identify improvements to the Department’s operations.

The panel will submit its first recommendations to the Governor and the Legislature in January 2016. The Budget also reflects the establishment of a dedicated Assistant Director for Environmental Justice position in the Department to provide outreach and information to communities disproportionately affected by hazardous waste facilities.

Significant Adjustments:

- Enhanced Enforcement Initiative—An increase of \$2.1 million from various special funds annually for three years, and 11 positions to implement and evaluate approaches to address serious environmental violations that occur in California’s most disproportionally impacted communities. This initiative will focus inspection and enforcement resources on metal recycling and hazardous waste transportation activities.
- Enhanced Permitting Coordination—An increase of \$1.6 million Hazardous Waste Control Account annually for two years, and 16 positions to improve the effectiveness and timeliness of the permitting process and reduce the backlog of permit applications. This will build on the Department’s existing Permit Enhancement Work Plan.
- Improving Hazardous Waste Enforcement Program Performance—An increase of \$1.4 million Toxic Substances Control Account annually for two years, and 11 positions to improve the efficiency and effectiveness of the hazardous waste enforcement program and conduct a statewide community assessment.
- Hazardous Waste Reduction—An increase of \$840,000 Toxic Substances Control Account, and six positions for two years to support pilot projects that address hazardous wastes generated in significant quantities, posing the most significant public risks, and disproportionately affecting disadvantaged communities. This pilot program is designed to effectively leverage the Department’s goal of a 50-percent reduction of hazardous waste by 2025 by using the best available technologies and systems to reduce such waste, and will be guided by a public advisory panel to improve public participation, especially in disadvantaged communities.

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NATURAL RESOURCES

The Natural Resources Agency consists of 26 departments, boards, commissions, and conservancies responsible for administering programs to conserve, protect, restore, and enhance the natural, historical, and cultural resources of California. The Budget includes total funding of \$8.8 billion (\$3 billion General Fund) for all programs included in this Agency.

EMERGENCY DROUGHT RESPONSE

The State of California has experienced four consecutive years of below-average rain and snow, and is currently facing severe drought conditions statewide. Water supplies at the state's largest reservoirs, as well as groundwater aquifers, are significantly depleted. As a result, drinking water supplies are at risk in some communities, agricultural areas face increased unemployment, dry conditions create higher risks for wildfires, and important environmental habitats have already been degraded.

The state's emergency drought response is strategically guided by accelerating several of the key actions in the California Water Action Plan that will provide long-term benefits for the state. In November 2014, the voters approved Proposition 1, which provides \$7.5 billion in bonds for water storage, water quality, flood protection, and watershed protection and restoration projects.

\$3.7 BILLION FOR DROUGHT RELIEF AND WATER INFRASTRUCTURE

Since the Governor first declared a state of emergency in January 2014, the Administration has worked with the Legislature to appropriate approximately \$1.9 billion to assist drought-impacted communities and provide additional resources for critical water infrastructure projects and respond to drought-related wildlife emergencies.

The Budget includes an additional \$1.8 billion of one-time resources for 2015-16 to continue immediate response to drought impacts. Combined with the \$1.9 billion already appropriated, the state has committed approximately \$3.7 billion over the past two years to address statewide drought conditions and improve our resiliency to droughts in the long-term. Figure RES-01 summarizes this funding.

PROTECTING AND EXPANDING LOCAL WATER SUPPLIES

In an effort to accelerate the implementation of local water infrastructure projects statewide, the Budget includes \$1.5 billion Proposition 1 funds for the following programs:

- \$1.4 billion, available over the next three years, for the following State Water Resources Control Board (Water Board) programs:
 - Groundwater Contamination—\$783.4 million for projects that prevent or clean up the contamination of groundwater that serves as a source of drinking water.
 - Water Recycling—\$210.7 million for water recycling, desalination, and advanced treatment projects to enhance local water supply resiliency.
 - Safe Drinking Water—\$175.3 million for projects, with priority given to small systems in disadvantaged communities, which help provide clean, safe, and reliable drinking water.
 - Wastewater Treatment Projects—\$158.4 million for small communities to build or upgrade their wastewater systems to meet current standards.
 - Stormwater Management—\$101 million for multi-benefit stormwater management projects that also contribute to local water supplies.
- \$110 million for the following Department of Water Resources (DWR) programs:
 - Groundwater Sustainability—\$60 million to support local groundwater planning efforts. Of this amount, \$50 million is available over the next three years for technical and direct assistance and grants to local agencies for groundwater sustainability governance and planning. An additional \$10 million

Figure RES-01
Emergency Drought Response
(Dollars in Millions)

| <i>Investment Category</i> | <i>Department</i> | <i>Program</i> | <i>2015 Budget Act</i> | <i>Fund Source</i> |
|---|--|---|------------------------|--------------------------------|
| Protecting and Expanding Local Water Supplies | Water Board | Groundwater Contamination | \$783.4 | Proposition 1 |
| | Water Board | Water Recycling | \$210.7 | Proposition 1 |
| | Water Board | Safe Drinking Water in Disadvantaged Communities | \$175.3 | Proposition 1 |
| | Water Board | Wastewater Treatment Projects | \$158.4 | Proposition 1 |
| | Water Board | Stormwater Management | \$101.0 | Proposition 1 |
| | Department of Water Resources | Groundwater Sustainability | \$60.0 | Proposition 1 |
| | Department of Water Resources | Desalination Projects | \$50.0 | Proposition 1 |
| Water Conservation | Department of Water Resources | Urban Water Conservation | \$54.0 | Proposition 1/ General Fund |
| | Department of Water Resources | Agricultural Water Conservation | \$35.0 | Proposition 1 |
| | Department of Water Resources | Make Water Conservation a Way of Life | \$13.0 | Proposition 1 |
| | Department of General Services | Water Conservation at State Facilities | \$15.4 | General Fund/ Special Funds |
| Emergency Response | Department of Forestry and Fire Protection | Enhanced Fire Protection | \$66.8 | General Fund/ Special Funds |
| | Office of Emergency Services | California Disaster Assistance Act | \$22.2 | General Fund |
| | Department of Water Resources | Removal of Emergency Salinity Barriers in the Delta | \$11.0 | General Fund |
| | Department of Community Services and Development | Farmworker Assistance | \$7.5 | General Fund |
| | Department of Housing and Community Development | Rental Relocation Assistance | \$6.0 | General Fund |
| | Water Board | Executive Order Implementation | \$1.4 | General Fund |
| Total | | | \$1,771 | |

NATURAL RESOURCES

in immediate funding will be dedicated to counties with stressed groundwater basins to update or develop local ordinances and plans that protect basins and their beneficial users and help facilitate basin-wide sustainable groundwater management under the Sustainable Groundwater Management Act, in coordination with other local water managers.

- Desalination Projects—\$50 million, available over the next two years, to help local agencies develop new local water supplies through the construction of brackish water and ocean water desalination projects.

WATER CONSERVATION

The Budget includes \$117 million to fund programs and projects that save water, including:

- \$54 million for the following urban water conservation programs:
 - \$13 million Proposition 1 funds for the DWR to implement consumer rebate programs for the replacement of inefficient water consuming appliances, such as toilets, consistent with the Governor’s April 1, 2015 Executive Order that identifies actions to save water.
 - \$27 million Proposition 1 funds to replace lawns, with priority for underserved communities, throughout the state with water efficient landscaping, consistent with the April 1 Executive Order.
 - \$10 million Proposition 1 funds to implement the CalConserve program, which will enable homeowners and businesses to finance water-efficiency upgrades through a revolving-loan program.
 - \$4 million General Fund to continue Save Our Water, the statewide public education campaign focused on helping all Californians reduce their water use.
- \$35 million Proposition 1 funds for the DWR agricultural water efficiency programs. These additional resources will enable the DWR to provide incentives to agricultural operations to invest in water irrigation technologies that reduce water use.
- \$13 million Proposition 1 funds for the DWR to provide technical assistance, data collection, and applied research that supports long-term water use efficiency in urban and agricultural sectors that will integrate water conservation into residents’ lifestyles, consistent with the Water Action Plan.

- \$15.4 million, including \$10 million General Fund, to the Department of General Services for water conservation projects at state facilities. As urban and agricultural water users across the state are reducing their water use, it is critical that state facilities also continue to reduce water use. This proposal will provide additional funds to implement indoor and outdoor water conservation measures at state facilities.

EMERGENCY RESPONSE

The Budget includes \$114.9 million (\$107.5 million General Fund) to assist drought-impacted communities and prevent catastrophic wildfires, including:

- \$66.8 million (\$59.4 million General Fund) for the Department of Forestry and Fire Protection (CALFIRE) to continue firefighter surge capacity, retain seasonal firefighters beyond the budgeted fire season, provide additional defensible space inspectors, provide grants for fire prevention, and enhance air attack capabilities to suppress wildfires during the 2015 fire season.
- \$22.2 million General Fund for the Office of Emergency Services to support local jurisdictions using the California Disaster Assistance Act program for approved drought-related projects, including emergency protective measures such as delivering water to individuals without drinking water.
- \$11 million General Fund toward the removal of emergency salinity barriers in the Delta to prevent harm to migratory fish.
- \$7.5 million General Fund for the Department of Community Services Development to provide emergency assistance to unemployed farmworkers, including job training and assistance.
- \$6 million General Fund for the Department of Housing and Community Development to assist or relocate households without potable water sources due to drought.
- \$1.4 million General Fund for the Water Board to increase enforcement of water use restrictions and conduct additional inspections of diversion facilities to verify compliance with water rights laws.

STREAMLINING WATER PROJECTS AND IMPROVING ENFORCEMENT

The Budget includes the enactment of legislation that will improve the state’s response to the statewide drought, and make California more resilient to future drought conditions.

NATURAL RESOURCES

- **Additional Local Enforcement Authority**—Provides a minimum set of enforcement tools to all local water agencies, including wholesalers, retailers, and non-urban water agencies. The tools would allow local water agencies to enforce their own water conservation ordinances, as well as emergency conservation regulations adopted by the Water Board.
- **Monitoring and Reporting**—Provides a baseline of annual diversion reporting to the Water Board for all classes of water rights and specifies minimum measuring accuracy for diversions in excess of 10 acre feet per year. Most surface water diversions in California are required to be reported to the Water Board on either an annual or three-year cycle, depending on the type of water right. Currently, there are no uniform standards for measuring the diversions, and the lack of timely and accurate water diversion data has frustrated the state’s ability to respond to the drought and enforce the water rights seniority system.
- **Water System Consolidation**—Authorizes the Water Board to require consolidation of local water systems in disadvantaged communities when a system consistently fails to provide an adequate supply of safe drinking water to its customers. Currently, some water systems lack capacity to adequately serve their customers and others have run out of water completely. This legislation will authorize the Water Board to order adjacent water systems to consolidate with failing systems, only when technically and economically feasible.
- **Streamlining Water Recycling Projects**—Provides a California Environmental Quality Act (CEQA) exemption for certain types of water recycling pipeline projects under a declared drought, up to 18 months, and for the next update of the Building Standards Commission’s building codes related to water recycling requirements.

UNDERGROUND INJECTION CONTROL PROGRAM

The federal Safe Drinking Water Act only allows for injection of fluids from oil and gas operations into exempt aquifers that meet specific requirements and conditions. Within the state, there are approximately 2,500 oil and gas injection wells that have been operating in aquifers that may not have been properly exempted from the Act. The state is reviewing and evaluating these wells to determine in which cases it would be justified to propose an aquifer exemption application to the United States Environmental Protection Agency (US EPA), or whether injection activities into certain aquifers should cease. Under the oversight of the US EPA, the Department of Conservation and the State Water

Resources Control Board have developed a work plan to bring the remaining injection wells into compliance with the Act within two years.

The Budget includes the necessary resources to accomplish compliance within this expedited time frame, as required by US EPA, and new statutory provisions that (1) formalize the Water Board's role in proposing exemption of an aquifer to the US EPA, (2) require notification of the Legislature prior to proposing an aquifer exemption, and (3) create an accountability reporting structure and an independent review panel to evaluate the underground injection control program.

Significant Adjustments:

- Department of Conservation—An increase of \$9.5 million special funds and 23 positions to enable the Department to conduct extensive evaluations of the engineering and geologic conditions of aquifers into which injection has been occurring to determine exemption from the Act. These resources will support ongoing assessment and evaluation of compliance with the Act for future injection projects proposed by the oil and gas industry. Of this amount, \$6 million is available to develop and implement a comprehensive database system for e-processing to make the permitting of wells more efficient. This Web-based system will meet the requirements of Chapter 313, Statutes of 2013 (SB 4), by providing a reporting system for operators to report required well information.
- State Water Resources Control Board—An increase of \$4 million special funds and 25 positions to enable the Water Board to perform inventory and enforcement activities for oil and gas produced water ponds in the Central Valley area. The Board will perform technical reviews of aquifer exemption submittals, hydrological reviews of injection well proposals submitted by well operators, and related activities. The Water Board also will receive information on injection wells that Conservation has identified as out of compliance with the Act, and will identify known water supply wells to assess potential health threats or impacts to water supplies.
- Department of Water Resources—An increase of \$625,000 General Fund on a one-time basis to provide public access to well completion reports to improve public and governmental evaluation of water quality risks posed by injection wells.

CALIFORNIA CONSERVATION CORPS

The California Conservation Corps was established in 1976 by Governor Brown to provide young women and men the opportunity to work on conservation projects and respond to natural disasters. The Corps builds trails, plants trees, and implements clean energy and water conservation projects. The Corps currently serves approximately 1,622 members, including over 500 who live in residential facilities.

Significant Adjustments:

- Butte County Fire Center—An increase of \$3.1 million General Fund for CALFIRE to make necessary repairs to the Butte County Fire Center that was closed in 2004. Partnering with CALFIRE, the Corps will open the Butte County Fire Center as a fire camp similar to the Camarillo Camp in Southern California. This will give the corpsmembers training in fire suppression and provide important fire protection resources in Northern California and throughout the state during heightened fire activity. It is expected that this camp will be available in mid-summer 2016.
- Long-Term Expansion—An increase of \$200,000 General Fund to begin a process of identifying sites for additional residential centers. The Corps will work with the Department of General Services to examine sites on existing state property to determine the feasibility of either reopening old facilities or building new ones.

STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

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

EARNED INCOME TAX CREDIT

The Budget enacts the first-ever Earned Income Tax Credit to help the poorest working families in California. This targeted Earned Income Tax Credit will provide a refundable tax credit for wage income, and will focus on the lowest income Californians—households with income less than \$6,580 if there are no dependents or less than \$13,870 if there are three or more dependents. The state program complements the existing federal Earned Income Tax Credit. The state credit will match 85 percent of the federal credits up to half of the federal phase-in range and then begin to taper off relative to these maximum wage amounts. This targeted approach will allow a greater benefit per household. The credit will be available beginning with tax returns filed for wages earned in 2015. The tax credit is expected to reduce revenues by \$380 million annually beginning in 2015-16. The maximum credit that is provided depends on a combination of earned income levels and qualifying children, with maximum benefits ranging from about \$200 (no dependents) to \$2,650 (three or more dependents).

To support the implementation of this program, the Budget includes approximately \$22 million, including \$10.4 million of one-time costs, for the Franchise Tax Board to build the necessary system infrastructure, respond to taxpayer and tax preparer questions, process tax returns, and prevent fraudulent returns from being paid. Nearly 20 percent

of the ongoing resources will be available for taxpayer support, advocacy, and outreach activities, to increase the number of Californians applying for the federal program, and encourage them to apply for the new California Earned Income Tax Credit.

JUDICIAL BRANCH

The Budget includes total funding of \$3.7 billion (\$1.7 billion General Fund and \$2 billion other funds) in 2015-16 for the 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 resources from the General Fund, county maintenance-of-effort requirements, fees, and other charges. All other portions of the Judicial Branch primarily receive funding from the General Fund.

Significant Adjustments:

- Trial Court Funding—The Budget includes an augmentation of \$90.1 million General Fund to support trial court operations. This is the second year of a two-year funding plan to stabilize trial court funding.
- Trial Court Employee Costs—The Budget includes \$38.8 million General Fund for trial court employee benefit costs, of which \$13.4 million reflects funding for trial courts that have now made progress towards meeting the Public Employees' Pension Reform Act of 2013 standard.
- Trial Court Trust Fund Revenues—The Budget includes \$66.2 million General Fund to reflect a reduction of fines and penalty revenues expected in 2015-16.
- Proposition 47—With the passage of Proposition 47 in November 2014, it is anticipated that trial courts will experience increased workload primarily in the early years of implementation due to the requirement that courts reclassify certain drug and theft crimes that involve less than \$950 from felonies to misdemeanors. The Budget includes \$26.9 million General Fund to reflect a projected increase in trial court workload.
- Amnesty Program—The Budget includes the establishment of an 18-month outstanding delinquent debt amnesty program that would be administered by the courts and counties. Courts and counties would recover their costs to administer the amnesty program utilizing revenues collected through the program. (See Public Safety Chapter for additional details.)

- Dependency Counsel Funding—The Budget includes an additional \$11 million to support counsel who represent abused and neglected children and their parents in dependency cases. This brings the total funding available annually for allocation for court-appointed dependency counsel to \$114.7 million.

SUSTAINING HEALTH CARE BENEFITS FOR STATE EMPLOYEES AND RETIREES

After statewide pension reform in 2012 and a funding plan for the California State Teachers' Retirement System in 2014, the Budget establishes for the first time a framework and the initial steps to address retiree health care costs.

Since California began providing health care benefits to state employees and retirees in 1962, health care costs have continued to escalate to nearly \$5 billion annually. The State's long-term liability for future retiree health benefits is estimated at \$72 billion. No significant amount of money has been set aside to pay the bill.

The Budget begins to gradually eliminate the unfunded liability for retiree health care by establishing a "lock box" trust fund to save investment income from matching employer-employee contributions until 2046. The Budget also tightens eligibility for health care benefits for family members and ensures retirees are enrolling in Medicare when they turn 65.

The Administration remains committed to pursuing affordable health care plans by increasing awareness of health care costs and engaging employees and policymakers. The Budget strengthens reporting requirements and oversight of the California Public Employees' Retirement System (CalPERS)—the administrator of the state's health benefits.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes \$594.9 million (\$224.1 million General Fund) for employee compensation and health care costs for active employees. Included in these costs are previously bargained salary increases for many of the state's rank and file employees and state managers and supervisors. Funding is also included for 2016 calendar year increases in health care premiums and enrollment.

The Administration is actively bargaining with four of the state's employee groups, representing correctional peace officers, engineers, scientists, and craft and maintenance workers, whose contracts with the state will expire in early July 2015. A key priority for the Administration during bargaining is addressing the state's \$72 billion unfunded health care obligation through shared prefunding of program costs along with other cost containment strategies.

STATE EMPLOYEES' RETIREMENT CONTRIBUTIONS

The Budget includes \$4.9 billion (\$2.9 billion General Fund) for state contributions to CalPERS for state pension costs. Included in these costs are \$584.6 million (\$584.4 million General Fund) for California State University retirement costs. The budgetary impact of the demographic assumptions adopted by the CalPERS Board in February 2014, reflecting a mortality increase of 2.1 years for males and 1.6 years for females, are included in these costs.

TEACHERS' RETIREMENT CONTRIBUTIONS

In 2014, the Governor signed into law a comprehensive funding strategy to address the \$74 billion unfunded liability at the California State Teachers' Retirement System (CalSTRS). Consistent with this strategy, the Budget includes \$1.9 billion General Fund for state contributions to CalSTRS. The funding strategy that includes increased payments from school districts and teachers, as well as the state, positions CalSTRS on a sustainable path forward.

Figure SWE-01 below 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.

DEPARTMENT OF TECHNOLOGY

The Department of Technology is the central information technology (IT) organization for California. It is responsible for the approval and oversight of all statewide IT projects; provides centralized IT services and training to government entities; promulgates statewide IT security policies and procedures; and has responsibility over telecommunications and IT procurements. The Project Management Office (PMO)

Figure SWE-01
State Retirement and Healthcare Contributions¹
(dollars in millions)

| | CalPERS ² | CSU CalPERS | CalSTRS | JRS | JRS II | LRS | Active Health & Dental ³ | Retiree Health & Dental | CSU Retiree Health |
|----------------------|----------------------|------------------|--------------------|-----|--------|-----|---|-------------------------------|--------------------------|
| 2006-07 | 2,765 | | 959 | 129 | 27 | 0 | 1,792 | 1,006 | |
| 2007-08 | 2,999 | | 1,623 ⁴ | 162 | 37 | 0 | 1,948 | 1,114 | |
| 2008-09 | 3,063 | | 1,133 | 189 | 40 | 0 | 2,127 | 1,183 | |
| 2009-10 | 2,861 | | 1,191 | 184 | 32 | 0 | 2,101 | 1,182 | |
| 2010-11 | 3,230 | | 1,200 | 166 | 54 | 0 | 2,277 | 1,387 | |
| 2011-12 | 3,174 | | 1,259 | 195 | 58 | 0 | 2,439 | 1,505 | |
| 2012-13 | 2,948 ⁵ | 449 ⁵ | 1,303 | 160 | 51 | 0 | 2,567 | 1,365 ⁵ | 222 ⁵ |
| 2013-14 | 3,269 | 474 | 1,360 | 188 | 52 | 1 | 2,697 | 1,383 | 225 |
| 2014-15 ⁶ | 4,042 | 543 | 1,486 | 179 | 63 | 1 | 2,786 | 1,521 | 263 |
| 2015-16 ⁶ | 4,338 | 585 | 1,935 | 190 | 67 | 1 | 2,954 | 1,622 | 267 |

¹ The chart does not include contributions for University of California pension or retiree healthcare costs.

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 CSU.

⁴ Includes repayment of \$500 million from 2003-04 Supplemental Benefit Maintenance Account withholding/lawsuit loss (interest payments not included).

⁵ Beginning in 2012-13, CSU pension and healthcare costs are displayed separately.

⁶ Estimated as of the 2015-16 Budget Act. 2015-16 General Fund costs are estimated to be \$2,281 million for CalPERS, \$584 million for CSU CalPERS, \$1,617 million for Retiree Health & Dental, and \$1,385 million for Active Health and Dental. The remaining totals are all General Fund.

was established in 2014-15 with the intent to develop project management resources and manage projects for entities without commensurate project management experience.

Significant Adjustment:

- Statewide Project Management Office—The Budget includes 11 positions, a \$1,067,000 loan from the General Fund and \$432,000 Technology Services Revolving Fund for 2015-16, and ongoing funding in support of the Statewide Project Management Office. These positions will develop a statewide project management framework and begin managing IT projects.

DEFERRED MAINTENANCE

The Budget includes \$125 million General Fund to address the most critical statewide deferred maintenance projects, including \$2 million that was appropriated to the Department of Forestry and Fire Protection earlier in the fiscal year as part of the drought relief package. These funds will start to address the backlog of deferred maintenance and help departments reduce the need to build costlier new infrastructure.

The amounts by entity are as follows:

- University of California—\$25 million
- California State University—\$25 million
- Department of Parks and Recreation—\$20 million
- Department of Corrections and Rehabilitation—\$15 million
- Department of Food and Agriculture—\$2 million
- Network of California Fairs—\$7 million
- Department of State Hospitals—\$7 million
- Department of Developmental Services—\$7 million
- Department of General Services—\$5 million
- Office of Emergency Services—\$3 million
- State Special Schools—\$3 million
- Department of Forestry and Fire Protection—\$2 million
- Military Department—\$2 million
- Department of Veterans Affairs—\$2 million

CALIFORNIA ARTS COUNCIL

The California Arts Council develops partnerships with the public and private sectors and provides support to the state’s non-profit arts and cultural community to enhance the cultural, educational, social, and economic development of California.

Significant Adjustment:

- Grant Funding—The Budget includes a \$7.1 million ongoing General Fund augmentation and two positions to provide additional grants to local arts organizations. These funds will be used to further the arts in the program areas of Economic and Community Development, Arts Education, Cultural and Community Engagement, and the Creative Economy.

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Edmund G. Brown Jr.
Governor

June 24, 2015

State of California
Governor's Office

I object to the following appropriations contained in Assembly Bill 93.

Item 0540-001-3212—For support of Secretary of the Natural Resources Agency. I reduce this item from \$2,694,000 to \$2,594,000 by reducing:

(1) 0320-Administration of Natural Resources Agency from \$2,694,000 to \$2,594,000.

I am deleting the \$100,000 augmentation to establish an advisory council to review and oversee Chapter 289, Statutes of 2012 (AB 1492), forest restoration grant programs. The formal creation of a council is unnecessary because the Natural Resources Agency is already establishing an AB 1492 advisory committee utilizing existing resources that will provide guidance for all aspects of the program, not just the forest restoration grants.

Item 2660-302-0042—For capital outlay, Department of Transportation. I revise this item by deleting Provision 4.

I am deleting Provision 4 because this appropriation to fund the relinquishment of State Route 275, the Tower Bridge, from the State Highway Account is unnecessary. I support efforts to relinquish portions of the State Highway System that no longer serve an interregional purpose and would be better managed by local government entities, including the Tower Bridge. However, provisions contained in the omnibus transportation trailer bill and existing processes already allow for the relinquishment of the Tower Bridge, if an agreement is reached between the State and applicable cities. I am directing the Department of Transportation to discuss relinquishment with the cities and how to best preserve current and future utility of the bridge. I do not support using the budget process to circumvent this negotiation process.

Item 3125-001-0140—For support of California Tahoe Conservancy. I reduce this item from \$3,582,000 to \$3,482,000 by reducing:

(1) 2340-Tahoe Conservancy from \$4,124,000 to \$4,024,000.

I am reducing the Tahoe Conservancy's California Environmental License Plate Fund appropriation by \$100,000 to address a shortfall in the California Environmental License Plate Fund. While the Budget Act includes several one-time actions to address the shortfall, this action is necessary to support the immediate solvency of the fund until a comprehensive long-term plan is developed.

Item 3480-001-3025—For support of Department of Conservation. I reduce this item from \$950,000 to \$850,000 by reducing:

(1) 2435-Office of Mine Reclamation from \$950,000 to \$850,000,

and delete Provision 1.

I am deleting the \$100,000 augmentation for the purchase of mine mapping software. The Office of Mine Reclamation has secured a \$450,000 grant from the Army Corps of Engineers to conduct an analysis on the procurement of a comprehensive data management system that will cover business processes associated with the regulation of Surface Mining and Reclamation Act mines, as well as legacy abandoned mines. It is premature to allocate \$100,000 for the procurement of a data management system prior to an analysis of the need and scope of the project.

I am deleting Provision 1 to conform to this action.

Item 3600-101-0200—For local assistance, Department of Fish and Wildlife. I delete this item.

I am eliminating the \$1,000,000 augmentation which would provide a grant to help restore Clear Lake. The Fish and Game Preservation Fund has a structural deficit and cannot absorb additional expenditures.

There are existing grant programs that are available and appropriate to support the restoration of Clear Lake. I am directing my Administration to provide technical assistance to Lake County to assist them in identifying and applying for ecosystem restoration and drinking water grant funding.

Item 7100-001-0588—For support of Employment Development Department. I revise this item by deleting Provision 2.

I am deleting Provision 2 because the appropriation from the Unemployment Compensation Disability Fund is unnecessary. The Department already performs targeted outreach activities for the Paid Family Leave program and is entering the second year of a \$6.5 million, three-year outreach pilot program.

With the above deletions, revisions, and reductions, I hereby approve Assembly Bill 93.

/s/ Edmund G. Brown Jr

EDMUND G. BROWN JR.