

STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

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

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

Through the collective bargaining process, the Administration remains focused on addressing the state's \$74 billion unfunded liability for retiree health benefits. The strategy for addressing the liability includes equal cost-sharing between the employee and employer to prefund retiree health benefits, and for new employees, extending the period to qualify for retiree health benefits, and reducing the employer subsidy for retiree health benefits. Agreements reached in the past year with the Correctional Peace Officers, Engineers, Scientists, Craft and Maintenance Workers, and Public Safety Officers have included these retiree health provisions.

The Budget includes \$582.4 million (\$340.7 million General Fund) for employee compensation and retiree health care prefunding for active employees. Included in these costs are salaries and benefit increases as a result of contract negotiations, pay increases related to minimum wage changes in Chapter 4, Statutes of 2016 (SB 3), funding to comply with the expansion of overtime protections pursuant to the Fair Labor Standards Act, and retention incentives for Department of Developmental Services employees working in facilities that will be closing in the coming years. Funding is also included for 2017 calendar year increases in health care premiums and enrollment.

The Budget also more closely aligns the benefit structure of state-level employees in the Judicial Branch with other civil service employees. These employees, excluding judges and justices, will receive a 7.5-percent General Salary Increase over two years, contribute more to their pensions, and participate in the Administration's strategies to address the retiree health care unfunded liability.

Additionally, as part of Chapter 2, Statutes of 2016 (AB 133), the Budget includes a one-time allocation of \$240 million to pay down the state's unfunded liability for retiree health care. This amount will be apportioned to the trust fund accounts of bargaining units that reach a memorandum of understanding with the Administration by November 1, 2016, and where such agreement includes prefunding for retiree health care.

In the past year, the state has made significant steps toward increasing its contributions to the retiree health prefunding trust fund and reducing the unfunded liability. Currently, the state has approximately \$140 million set aside in the prefunding trust fund to pay for future retiree health benefits. By the end of 2016-17, the trust fund balance will exceed \$500 million.

STATE RETIREMENT CONTRIBUTIONS

The Budget includes \$4.8 billion (\$2.5 billion General Fund) for state contributions to the California Public Employees' Retirement System (CalPERS) for state pension costs. Included in these costs are \$621.5 million General Fund for California State University retirement costs.

The Budget also includes \$2.4 billion General Fund for state contributions to the California State Teachers' Retirement System (CalSTRS). This is consistent with the funding strategy signed into law in 2014 and positions CalSTRS on a sustainable path forward, eliminating the unfunded liability in about 30 years.

Figure SWE-01 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.

JUDICIAL BRANCH

The Budget includes total funding of \$3.7 billion (\$1.7 billion General Fund and \$2 billion other funds) in 2016-17 for the Judicial Branch. The Judicial Branch consists of the

Figure SWE-01
State Retirement and Health Care Contributions^{1/}
(Dollars in Millions)

| | CalPERS ^{2/} | CSU CalPERS | CalSTRS | JRS | JRS II | LRS | Active Health & Dental ^{3/} | Retiree Health & Dental | CSU Retiree Health |
|-----------------------|-----------------------|---------------------|-----------------------|-------|--------|-----|--|-------------------------------|--------------------------|
| 2007-08 | \$2,999 | | \$1,623 ^{4/} | \$162 | \$37 | | \$2,020 | \$1,114 | |
| 2008-09 | 3,063 | | 1,133 | 189 | 40 | | 2,146 | 1,183 | |
| 2009-10 | 2,861 | | 1,191 | 184 | 32 | | 2,120 | 1,182 | |
| 2010-11 | 3,230 | | 1,200 | 166 | 54 | | 2,277 | 1,387 | |
| 2011-12 | 3,174 | | 1,259 | 195 | 58 | | 2,439 | 1,505 | |
| 2012-13 | 2,948 ^{5/} | \$449 ^{5/} | 1,303 | 160 | 51 | | 2,567 | 1,365 ^{5/} | \$222 ^{5/} |
| 2013-14 | 3,269 | 474 | 1,360 | 188 | 52 | \$1 | 2,697 | 1,383 | 225 |
| 2014-15 | 4,042 | 543 | 1,486 | 179 | 63 | 1 | 2,797 | 1,462 | 256 |
| 2015-16 ^{6/} | 4,338 | 585 | 1,935 | 190 | 67 | 1 | 2,938 | 1,585 | 264 |
| 2016-17 ^{6/} | 4,754 | 621 | 2,473 | 202 | 68 | 1 | 3,131 | 1,659 | 276 |

^{1/} The chart does not include contributions for University of California pension or retiree health care 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 health care costs are displayed separately.

^{6/} Estimated as of the 2016-17 Budget Act. 2016-17 General Fund costs are estimated to be \$2,506 million for CalPERS, \$621 million for CSU CalPERS, \$1,654 million for Retiree Health & Dental, and \$1,554 million for Active Health and Dental. The remaining totals are all General Fund.

Supreme Court, courts of appeal, trial courts, and the Judicial Council. The trial courts are funded with a combination of funding from the General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund.

Significant Adjustments:

- Trial Court Employee Costs—The Budget includes \$16.1 million General Fund for trial court employee benefit costs, of which \$7.5 million reflects funding for trial courts that have made progress towards meeting the Public Employees' Pension Reform Act of 2013 standard for employees sharing the cost of pension funding. Recognizing that many of these costs are beyond the control of the trial courts,

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the Administration will continue to fund future increases related to existing health benefits and retirement costs for trial court employees and retirees.

- Court Innovations Grant Program—The Budget includes \$25 million General Fund for the Judicial Council to develop and administer a competitive grant program to encourage courts to develop new ways of doing business. The competitive grant program will focus on high-priority innovations, modernizations, and efficiencies in the courts; \$12 million to be spent on collaborative courts; \$8 million on Self-Help, Family and Juvenile courts; and \$5 million on other efficiencies across all types of courts.
- Equal Access—The Budget includes \$15.4 million General Fund and \$5.5 million Trial Court Trust Fund for the Equal Access program which is a \$5 million increase. The Equal Access program provides funding to legal service agencies and programs that offer legal assistance in civil matters to low-income Californians.
- Language Access—The Budget includes \$101.5 General Fund for interpreter services to improve language access for limited English proficient court users to provide court interpreter services in civil proceedings.
- Trial Court Civil Case Management System (V3) Replacement—The Budget includes \$12.4 million General Fund to replace V3 Court Case Management Systems in the Superior Courts in Orange, Sacramento, San Diego, and Ventura counties. This funding will enable these trial courts to establish a digital court foundation by implementing a modern and supportable case management system needed to efficiently deliver services to the public.
- Peremptory Challenges—The Budget includes a reduction to the number of peremptory challenges in misdemeanor jury trials from 10 to 6, from January 1, 2017, until January 1, 2021. This is expected to result in approximately 5,000 fewer jurors being called to jury service per year statewide. The Judicial Council is also required to report on the effectiveness of the peremptory challenge reduction by January 1, 2020.

INFRASTRUCTURE

State office infrastructure in Sacramento—including the State Capitol Annex—is aged, inefficient, and inadequate to meet the state’s needs in the years to come. The Annex, completed in 1952, is undersized to meet current demands for legislative hearings and office space, and its antiquated building systems are prone to failure and expensive

to maintain. A 2015 study of Sacramento state office infrastructure documented serious deficiencies with other existing buildings that will require their replacement or renovation. To address these needs, the Budget includes a \$1.3 billion transfer over two years from the General Fund to a new State Project Infrastructure Fund to be used for the long-deferred renovation or replacement of state office buildings in the Sacramento region.

The \$1.3 billion will improve the safety and capacity of the Capitol Annex building, as well as make significant steps towards addressing other state office space deficiencies. Initial projects include replacement of the Natural Resources Agency building and construction of a new building on O Street in Sacramento to replace the vacant Department of Food and Agriculture Annex and to better use that existing parcel of state-owned land.

Additionally, the Budget allocates one-time resources of \$688 million—\$485 million General Fund, \$185 million Proposition 98 General Fund, and \$18 million Motor Vehicle Account—to address the most critical statewide deferred maintenance needs. The investments in deferred maintenance are as follows:

- California Community Colleges: \$185 million (Proposition 98 General Fund)
- Department of Water Resources: \$100 million for levee repairs
- Department of State Hospitals: \$64 million
- Judicial Branch: \$45 million
- Department of Parks and Recreation: \$60 million
- Department of Corrections and Rehabilitation: \$55 million
- California State University: \$35 million
- University of California: \$35 million
- Department of Developmental Services—Porterville Facility: \$18 million
- Department of Fish and Wildlife: \$15 million
- California Military Department: \$15 million
- Department of General Services: \$12 million
- California Highway Patrol: \$10 million (Motor Vehicle Account)

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- Department of Motor Vehicles: \$8 million (Motor Vehicle Account)
- Department of Veterans Affairs: \$8 million
- Department of Forestry and Fire Protection: \$8 million
- State Special Schools: \$4 million
- Network of California Fairs: \$4 million
- California Science Center: \$3 million
- Hastings College of the Law: \$2 million
- Office of Emergency Services: \$800,000
- California Conservation Corps: \$700,000
- Department of Food and Agriculture: \$300,000
- San Joaquin River Conservancy: \$200,000

PUBLIC EMPLOYMENT RELATIONS BOARD

The Public Employment Relations Board administers and enforces California public sector collective bargaining laws and provides a timely and cost-effective method through which employers, employee organizations, and employees can resolve labor relations disputes.

Significant Adjustments:

- Workload Growth—The Budget includes \$885,000 General Fund and 3 positions to address increased workload and reduce backlogs.
- Regional Office Relocation—The Budget includes \$227,000 General Fund to relocate staff to a building that fully complies with federal and state laws regarding accessibility for people with disabilities.

OFFICE OF EMERGENCY SERVICES

The principal objective of the Office of Emergency Services (OES) is to protect lives and property, build capabilities, and support communities for a resilient California. The OES collaborates with local governments in preparing for and responding to

hazards and threats. During an emergency, the OES functions as the Governor's immediate staff to provide guidance and coordinate the state's responsibilities while responding to disasters such as fires, floods, earthquakes, and terrorism. To support the OES, the Budget includes total funding of approximately \$1.52 billion (\$204 million General Fund).

Significant Adjustments:

- **Enhanced Services**—An increase of \$20.4 million General Fund to support the Office of Emergency Services' responsibility for emergency preparedness and response. This includes a one-time \$10 million General Fund augmentation to replace wildland fire engines, which will be placed throughout the state as part of the State Fire and Rescue Mutual Aid System. In addition, this includes \$2.8 million for both the Fire and Rescue Branch and the Law Enforcement Branch to expand the capacity to respond to major fires and other natural and man-made disasters throughout the state. This also includes \$3.7 million to support the Statewide Disaster Program.
- **California Disaster Assistance Act**—An increase of \$30 million General Fund to support local jurisdictions using the California Disaster Assistance Act program. The program supports recovery from all disasters, such as tree mortality, wildfires, earthquakes, floods, and drought.

SEISMIC SAFETY

The Budget includes \$23 million on a one-time basis to improve seismic safety across the state. These new programs will provide safer homes and buildings, and better earthquake alerts.

Significant Adjustments:

- **California Earthquake Early Warning**—An increase of \$10 million General Fund to the Office of Emergency Services to support the implementation of the California Earthquake Early Warning System and Program for a comprehensive and reliable earthquake early warning system statewide. The funding will be used to perform research on necessary technology and other technical aspects that will integrate public and private infrastructure, provide public education, and conduct training.

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- California Seismic Safety Capital Access Loan Program—An increase of \$10 million General Fund to the California Pollution Control Financing Authority. This funding will cover losses to banks and financial institutions on qualified loans to participating residential property owners and small businesses for costs related to seismic retrofits.
- Brace and Bolt—An increase of \$3 million General Fund to the Department of Insurance to provide additional funding to the Brace and Bolt Program at the California Residential Mitigation Program. The program provides \$3,000 subsidies for single-family homes and structures with four units or less for the basic anchorage and foundational bolting of these buildings to protect against damage from earthquakes.

PRECISION MEDICINE

The Budget includes \$10 million on a one-time basis to the Office of Planning and Research (OPR) to further the efforts of the California Initiative to Advance Precision Medicine (CIAPM), and build on the \$3 million appropriation made in the 2014 Budget Act. Hosted by the University of California (UC) San Francisco and University of California Health through an interagency agreement with OPR, CIAPM currently funds two demonstration projects: the Kids Cancer Comparison Project, led by UC Santa Cruz, and the Precision Diagnosis of Acute Infectious Disease project, led by UC San Francisco, with both projects representing multi-institution collaboration and in-kind support. The \$10 million augmentation will fund additional demonstration projects in precision medicine over a multi-year period and facilitate additional multi-institution and private-sector partnerships, with a portion of this funding subject to non-state matching funds. Projects will be expected to demonstrate concrete results and findings related to uses of precision medicine within a 24-month period.

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, including project management services; promulgates statewide IT security policies and procedures, and verifies compliance; and has responsibility over telecommunications and IT procurements.

Significant Adjustments:

- Office of Information Security—The Budget includes \$1.6 million from the Technology Services Revolving Fund and 11 positions to audit more departments for information security risk and compliance.
- Statewide IT Project Workload—The Budget includes \$1.7 million from the Technology Services Revolving Fund and 12 positions to support the project approval, oversight, and procurement processes for upcoming IT projects.

FAIR EMPLOYMENT AND HOUSING

The Department of Fair Employment and Housing receives, investigates, conciliates, mediates, and prosecutes alleged violations of the Fair Employment and Housing Act, Unruh Civil Rights Act, Disabled Persons Act, and Ralph Civil Rights Act. The Department has jurisdiction over both private and public entities operating within the State of California, including corporate entities, private sector contracts granted by the State of California, and all state departments and local governments.

Significant Adjustment:

- Enforcement Resources—The Budget includes \$2.5 million General Fund and 28 positions for the Department to meet its fair employment and housing enforcement caseload and respond to the high volume of Public Records Act (PRA) requests. The Department receives approximately 23,000 employment and housing discrimination complaints and 4,500 PRA requests annually. This adjustment should help the Department meet its statutory requirement to investigate all allegations of civil rights violations. The Department will submit a report to the Legislature by March 1, 2019, to evaluate the effectiveness of the new positions on the enforcement caseload.

FARM TO FOOD TAX CREDIT

The Budget includes an extension and expansion of the donated fresh fruits and vegetables tax credit. This credit encourages agricultural producers to donate their extra fruits and vegetables to food banks rather than discarding them. The credit is extended through January 1, 2022. The credit percentage is increased from 10 to 15 percent to provide a larger incentive for donations. The way in which the donations are valued is

also changed to simplify calculations for producers. This tax credit is expected to cost \$600,000 in 2016-17, increasing to \$1.6 million in later years.

SUPPLEMENTAL TRANSFER TO THE RAINY DAY FUND

The Budget includes a \$2 billion transfer from the General Fund to the Budget Stabilization Account in addition to the current projected amounts required by Section 20 of Article XVI of the California Constitution. In total, the \$3.3 billion transfer brings the Rainy Day fund to \$6.7 billion in 2016-17, or 54 percent of its maximum goal. In the event the amounts required to be transferred for 2015-16 and 2016-17 exceed the estimate in the Governor’s Budget (as part of the Proposition 2 “true up” process), this supplemental transfer shall be first applied towards meeting the additional requirement.