SUBCOMMITTEE NO. 4 Agenda

Senator Richard Roth, Chair

Senator Janet Nguyen
Senator Richard Pan

Agenda—Part A

Thursday, May 7, 2015
9:30 a.m. or Upon Adjournment of Session
Rose Ann Vuich Hearing Room 2040

Consultant: Mark Ibele

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Vote-Only Calendar

0971 California Alternative Energy and Advanced Transportation Financing Authority

Issue 1: California Hub for Energy Efficiency Financing Pilot Program (BCP 1 and Spring Finance Letter)

Background: In September 2013, the California Public Utilities Commission (CPUC) approved a decision ordering the investor-owned utilities (IOUs) to direct ratepayer funds outside the budget process for use in specific energy efficiency financing pilot programs. As part of the 2013 budget, prior to the above discussed CPUC decision and after lengthy discussions in budget committees, the Legislature restricted the CPUC's ability to start nonprofit entities without prior legislative approval. The Legislature's actions in the 2013 budget were designed to curtail the direction of ratepayer funds by the CPUC to state-directed programs without prior legislative approval. The 2014 budget included reimbursement and expenditure authority of $4.4 million, over two years, to enable the California Alternative Energy and Advanced Transportation Financing Authority (CAETFA) to serve as the administrator of the California Hub for Energy Efficiency Financing (CHEEF), funded directly through IOU ratepayer funds. These IOU ratepayer funds are derived directly from the IOUs, not from the CPUC, thus circumventing the restrictions set by the Legislature on the CPUC.

2015-16 Budget Proposals. The Governor's budget requests increased reimbursement and expenditure authority in the amount of $1.5 million and three limited-term positions in 2015-16, and $1.9 million and seven limited-term positions in 2016-17. Funds are directed by the CPUC from investor-owned utility ratepayers directly to CAETFA. The spring finance letter requests increased reimbursement and expenditure authority (from the January budget figures) of $85,000 in 2015-16 and $918,000 in 2016-17, and two permanent positions.

Staff Comments: The policy and budget implications of this proposal were heard in the Senate Budget Subcommittee No. 2 on Resources, Environmental Protection, Energy and Transportation and have been referred to the Senate Budget Subcommittee No. 4 for a conforming action. Senate Budget Subcommittee No. 2 expressed concern regarding oversight for the program, as well as monitoring and maintenance. Senate Budget Subcommittee No. 2 staff recommended approval of the 2015-16 and 2016-17 funding and limited-term positions (consistent with previous legislative actions); rejection of the permanent positions; and approval of placeholder trailer bill language, as follows:

> *The CPUC is prohibited from directing ratepayer funds to create programs at any state agency without prior approval of the Legislature. The CPUC will provide a report on the outcomes of the CHEEF program to the policy and fiscal committees of the Legislature prior to approving any extension of the program, as part of CPUC budget requests.*

Senate Budget Subcommittee No. 2 voted to approve the staff recommendation.

Staff Recommendation: Conform to actions of Senate Budget Subcommittee No. 2.

Vote:

0984 California Secure Choice Retirement Savings Investment Board

Issue 1: Legal Services and Market and Financial Feasibility Study (Spring Finance Letter)

Background: The subcommittee heard this issue on April 23, 2015 and approved the requested appropriation of $1.0 million.

Governor's Proposal: In addition to the appropriation, the proposal calls for budget bill language allowing for additional resources upon the availability of private funds, approval by Department of Finance (DOF), and notification to the Joint Legislative Budget Committee (JLBC). The proposed provisional language reads:

> *Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the California Secure Choice Retirement Savings Investment Board to conduct a market analysis pursuant to Chapter 734 of the Statutes of 2012 in excess of the amount hereby appropriated, but not sooner than 30 days after notification of the Chairperson of The Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine. The additional expenditure authority is contingent upon the receipt of adequate donations through a nonprofit or private entity, or from federal funds.*

Staff Comments: Staff has no concerns with the proposal.

Staff Recommendation: Approve the budget bill language.

Vote:

8860 Department of Finance

Issue 1: Public Works—State Building Construction (Trailer Bill Language)

Background: The subcommittee heard this issue on March 26, 2015, and approved the trailer bill language, which provides clarification and updating to the statute. The proposed language also includes an appropriation.

Governor's Proposal: As part of the proposal, the language included an appropriation of $36.9 million to the Department of Forestry and Fire Protection for the San Luis Obispo Unit Headquarters Replacement Project.

Staff Comments: At its March 26 hearing, the subcommittee directed that language be adopted that would require DOF report to the Legislature on the asset transfer aspect of the trailer bill language. The asset transfer authority allows the Public Works Board (PWB) to sell bonds on a completed project (and encumber that facility) and use the bond proceeds to fund the design and construction of another legislatively-designated project. The proposed additional placeholder trailer bill language would read:

> *On or before June 30, 2017, the Department of Finance shall report to the fiscal committees of the Legislature the following regarding the removal of the sunset from the asset transfer authority of the Public Works Board, specifically: (1) the number of times the asset transfer authority has been invoked; (2) the aggregate amount of financing secured through such assert transfers; (3) an estimate of the financing savings realized through the use of such asset transfers.*

The appropriation associated with this trailer bill proposal is being considered in Senate Budget Subcommittee No. 2.

Staff Recommendation: Clarify that approval of the trailer bill language does not constitute approval of the appropriation, which is being considered in Senate Budget Subcommittee No. 2. Approve additional trailer bill language noted.

Vote:

Discussion / Vote Calendar

0860 Board of Equalization

Issue 1: Prepaid Mobile Telephony Services (Spring Finance Letter)

Background: The provisions of AB 1717 (Perea), Chapter 885, Statutes of 2014, impose a new Mobile Telephony Service (MTS) surcharge and local charge to be administered by the Board of Equalization (BOE) beginning January 1, 2016. The statute will sunset on January 1, 2020. The prepaid MTS surcharge and local charges are imposed upon the consumer of prepaid MTS, but are required to be collected by the retail seller and the direct seller. The program for retailers of prepaid MTS will be administered by the Sales and Use Tax Department of the BOE, while the program that applies to direct sellers will be administered by the Special Taxes and Fees Department.

The prepaid MTS surcharge rate is subject to calculation each year by BOE. The state rate consists of the 911 surcharge rate, determined by the Office of Emergency Services, plus the California Public Utilities Commission (CPUC) end-user surcharges, which includes the annual user fee established by the CPUC. The local charge rates are to be provided by local jurisdictions to the BOE annually. The BOE is responsible for publishing the combined rate for each jurisdiction by December 1 of each year, with the published rates becoming operative April 1 of the following year.

Governor's Proposal: The budget proposes $5.7 million (special funds) and 22.3 positions in 2015-16, and $2.6 million (special funds) and 18.9 positions in 2016-17 and ongoing, to implement the provisions of AB 1717. Except for five limited-term positions, all the positions would be permanent. In addition, there is a proposal for budget bill language that would allow for a budget augmentation upon approval of the Department of Finance (DOF) and 30-day notification to the Joint Legislative Budget Committee (JLBC). This is a new program for the BOE, and administrative start-up costs will be funded through a temporary loan (addressed in the following issue) from the General Fund, which will be repaid, in the same budget year, once fee revenue is generated.

The program will require that sellers of MTS register with the BOE, collect the prepaid MTS surcharge from consumers, and remit amounts collected to the BOE. Administration of the new surcharge will be conducted by Sales and Use Tax Department of BOE, but the surcharge falls under the Fee Collection Procedures Law, and will require several additional functions. Activities required for the implementation and administration of the surcharge will affect registration, return processing, collections, audits, appeals, and refunds.

- **Registration.** Some sellers of MTS do not sell personal tangible property, so they will need to be registered with BOE. This will require preparation and distribution of registration materials and information, along with necessary returns and reporting schedules.

- **Return Processing.** The program will require additional programming to the Integrated Revenue Information System. The surcharge will be reported on a separate return, requiring a new e-file return for retail sellers of MTS. Both state and local rates are subject to change, requiring annual testing. Return processing must also incorporate deposits to the 911 and PUC accounts and address direct and retail sellers.

- **Collections and Audits.** The program will result in additional delinquencies from surcharge payers. In addition, the guaranteed funding of 911 surcharges will require BOE calculations regarding any potential deficiency determination and subsequent billing. Additional audits may be required at the end of the three-year cycle, but no resources have been requested at this time.

- **Appeals and Refunds.** The program may generate additional activity for these programs, but no additional resources have been requested at this time.

Given the distribution of anticipated activity required by the surcharge, the proposal calls for: two permanent accounting and administrative positions; seven permanent positions for technology services for the legacy system; three limited-term programmer analysts; two permanent positions for technology system maintenance and operations; two limited-term and two permanent positions for information system analysis; two permanent business tax representatives for training and tax issues; one permanent outreach coordinator; two permanent business tax representatives for return analysis; five permanent positions for the local revenue and allocation unit; one permanent position for compliance and technology; one permanent position for audit and information activities; and one permanent position for special taxes and fees.

Staff Comments: This issue was heard April 23 and was held open by the committee. The wide range and duplication of many of the activities covered in the proposal is—if nothing else—a strong indication of the need for a more unified and comprehensive approach to tax and fee administration for the agency. Initial estimates for the implementation of the program were almost twice the amount now requested, and DOF has succeeded in refashioning the administration of the surcharge in a manner that is more cost effective than originally conceived by the agency. Nevertheless, the proposal could potentially be further curtailed by converting additional positions proposed as permanent to limited-term. Given the uncertainty associated with the workload for the program, the potential short-term nature of some of the activities, and the need for future staffing adjustments, this would be a suitable approach. Specifically the following positions could be converted to limited-term: three business tax representatives (two in External Affairs and one in the Sales and Use Tax Department); two business tax specialists (one in Compliance and Technology and one in Audit and Information Section); one associate government program analysts (External Affairs).

In addition, the proposed budget bill language imposes no additional criteria on the allocation of additional funds. The committee could consider additional restrictions, such as a limitation on the amount. Staff has worked with DOF to develop the proposed changes noted below:

0860-001-3251—For support of State Board of Equalization payable from the
Prepaid Mobile Telephony Services Surcharge Fund………………………..2,358,000
Schedule:
(1) 0570—Administration of the Board of Equalization……….2,358,000
Provisions:

1. The Department of Finance may augment the amounts appropriated in Schedule (1) <u>by up to $1,000,000</u> to implement Chapter 885 of the Statutes of 2014, if <u>the number of registered retailers is expected to exceed 6,500 and</u> it is determined that the Board of Equalization requires additional resources to implement the statute. The Department of Finance shall authorize the augmentation not sooner than 30 days after notification in writing to the Joint Legislative Budget Committee.

0860-001-3270—For support of State Board of Equalization payable from the
Local Charges for Prepaid Mobile Telephony Service Fund………………….3,265,000
Schedule:
(1) 0570—Administration of the Board of Equalization……….3,265,000
Provisions:

1. The Department of Finance may augment the amounts appropriated in Schedule (1) <u>by up to $1,000,000</u> to implement Chapter 885 of the Statutes of 2014, if <u>the number of registered retailers is expected to exceed 6,500 and</u> it is determined that the Board of Equalization requires additional resources to implement the statute. The Department of Finance shall authorize the augmentation not sooner than 30 days after notification in writing to the Joint Legislative Budget Committee.

Staff Recommendation: Approve revised budget bill language. Approve proposal dollars and positions, but convert the following six positions to limited-term: Business Tax Representative (Sales and Use Tax Department); Business Tax Representative (2) (External Affairs); Associate Government Program Analysts (External Affairs); Business Tax Specialist (Compliance and Technology Section); Business Tax Specialist (Audit and Information Section).

Vote:

Issue 2: Prepaid Mobile Telephony Services (Trailer Bill Language)

Background: The background regarding Prepaid Mobile Telephony Services (MTS) established pursuant to AB 1717 (Perea), Chapter 885, Statutes of 2014, is presented in the previous issue.

Governor's Proposal: The Governor has proposed clean-up language to AB 1717 that would address three issues: allow for a *de minimis* sales threshold for retailers of MTS; a temporary General Fund loan for cash flow purposes; and, direct fee revenue to the appropriate funds. Specifically, the proposal would establish:

- ***De Minimis* Amount.** Establishes that retailers with MTS annual sales of less than $15,000 are not required to collect the surcharge or local charge.
- **General Fund Loan Authorization.** Allows for a loan from the General Fund to address cash flow issues and specifies that the loan is to be repaid in the same fiscal year, or delayed until six months after the adoption of the budget act in the subsequent fiscal year.
- **Technical Changes and Clarifications.** Specifies the accounts and funds for the deposit of the surcharge and local charge revenues, clarifies dates regarding the imposition of rates, and indicates the means by which service suppliers are notified of rates.

Staff Comments: Staff has no fundamental concerns with the proposal. However, the language could benefit from some additional restrictions. Specifically, the $15,000 threshold may be adjusted by the DOF to "reflect any necessary changes." DOF indicates that the purpose of this clause is to allow some flexibility, such as if the threshold is neither too high nor too low to adequately fund the costs of the program. Staff suggests that this more specific guideline be incorporated in the proposal. This proposal was heard by the subcommittee on April 23, where subcommittee members expressed support of the revised trailer bill language, as noted above. The proposed revised language would allow for an adjustment of the *de minimis* threshold by DOF in order to align program administration costs with revenues.

> *Commencing January 1, 2017, a seller, other than a direct seller, with de minimis sales of prepaid mobile telephony services of less than fifteen thousand dollars ($15,000) during the previous calendar year is not required to collect the prepaid MTS surcharge or local charges pursuant to Section 42010. The Department of Finance shall annually review the de minimis sales level and adjust the threshold <u>as necessary to minimize program administration costs and maintain revenues to support program administration, enforcement, and Public Utilities Commission public purpose programs and rulemaking activities</u> ~~to reflect any necessary changes~~. Any adjustment of the de minimis sales threshold shall become operative on January 1 of the following calendar year. Nothing in the section prevents a seller from collecting and remitting the surcharge on a voluntary basis even if they meet the de minimis threshold. The de minimis sales threshold as defined, shall be based on the aggregate of all sales of prepaid mobile telephone services subject to the surcharge at all retail locations operated by the seller and not the individual sales at each retail location operated by the seller. This section shall not apply to direct sellers, as defined in 42004(b)(1).*

Staff Recommendation: Approve placeholder trailer bill language as revised.

Vote:

Issue 3: Cigarette Tax and Licensing Program (Informational Issue)

Background: California imposes excise taxes on cigarettes and other tobacco products, such as cigars and chewing tobacco. Most revenue raise by the tax goes to special funds with a minor amount going to the state General Fund. The state also licenses sellers of tobacco products. The BOE administers the tax and licensing programs. Recently, concerns have been raised—largely by programs and beneficiaries that receive the tax revenues—regarding program costs. In particular, while licensing fees pay for some of the licensing program costs, most of the costs are borne by tax revenues—which results in a decrease in the amount benefiting the actual programs. Currently, tax revenues pay for about 80 percent of the licensing program costs.

In response to concerns, the Legislature approved supplemental reporting language in 2014, requiring BOE to submit a report to the Legislature on the costs of the program and alternative funding approaches. The BOE's report on funding options for the licensing program describes eleven options—six of the options raise revenue to pay for the licensing program administrative costs (thus reducing the reliance of tax revenue), four of the options reduce administrative costs, and one option places additional cost responsibilities on the General Fund. The LAO chart below provides additional detail on the options:

Board of Equalization
Cigarette Taxes and Licensing Programs
Supplemental Report Options

Proposals to Raise Revenue to Pay for Licensing Program Costs

- Institute a recurring fee at the retail level to increase the share of costs covered by the licensing fees.
- Increase the taxes assessed on cigarettes and tobacco products by an unspecified amount.
- Reevaluate the cigarette stamp discount in order to increase revenue.
- Increase penalties and fines to mitigate the shortfall of the licensing program.
- Tax electronic cigarettes, dissolvable tobacco, and other recently developed products by expanding the definition of "tobacco products."
- Increase collection efforts related to tax due on out–of–state cigars shipped into California by unregistered distributors.

Proposals to Reduce Licensing Program Administrative Costs

- Reduce spending and cap administrative costs on the cigarette and tobacco products licensing program.
- Allow cigarette and tobacco retailer licenses to be issued in perpetuity.
- Require cigarette and tobacco products licensees to file electronically.
- Create efficiencies between state and local agencies in order to reduce the duplication of efforts.

Proposal to Change Allocation of Administrative Costs

- Pay for the cigarette and tobacco products licensing program with funds from the General Fund.

Source: Legislative Analyst's Office

Legislative Analyst's Office Perspective: In its review of the BOE report, the LAO makes the following observations and recommendations: (1) excise tax revenues should be used for tax administration costs and not for licensing program costs; (2) amounts and frequency of payment for licensing fees should increase such that they are sufficient to pay licensing program costs. LAO also recommends that the Legislature adopt budget bill language that would require BOE and the Department of Justice to report on an approach to an electronic filing system.

Staff Comments: The support of the licensing program by tax revenues appears to result in subsidizing activities that—while related to the tax—are not directly related to its administration. LAO notes that addressing the appropriate use of tax revenues and considering a means to ensure adequate funding of the licensing program are suitable for legislative policy consideration. In addition, LAO's suggestion for budget bill language related to an electronic filing program is appropriate for subcommittee discussion as a potential action item. LAO recommends the following budget bill language to address these issues:

> *By February 1, 2016, the State Board of Equalization (BOE), in consultation with the California Department of Justice (DOJ), shall submit a report to the Legislature describing options for reducing the administrative costs of BOE's and DOJ's cigarette and tobacco programs while maintaining administrative effectiveness. Each option should include a timeline for implementation and estimates of the effects of implementing that option on BOE's and DOJ's administrative costs At least one option must be designed to increase the rate of electronic filing of various forms related to these programs.*

Staff Recommendation: Information item. The subcommittee may consider additional direction to staff regarding the LAO recommendations.

8885 Commission on State Mandates

Issue 1: Mandates Proposed for Suspension (Governor's Budget Proposal)

Background: At its April 9, 2015 hearing, the subcommittee considered the funding and suspension of numerous local government mandates. Three Sudden Infant Death Syndrome (SIDS) mandates were held open for further consideration. Each of these mandates has been suspended for the last 12 years. Together, these mandates have an estimated annual cost of $1.3 million.

- SIDS: Training for Firefighters. New and veteran firefighters are required to complete a training course on SIDS. The statute further authorizes local agencies that provide the instruction and training to assess a fee sufficient to pay for training costs.

- SIDS: Autopsy Protocols. Counties are required to conduct autopsies within 24 hours on infants who die suddenly and unexpectedly and to use the autopsy protocol in accordance with the Government Code.

- SIDS: Contact by Local Health Officers. Local agencies are required to immediately contact and provide specified services to the parents/care providers of an infant presumed to have died of SIDS upon notification from the coroner.

In addition, the subcommittee held open any action on the Interagency Child Abuse and Neglect Investigation (ICAN) reports, which was also proposed for suspension in the Governor's budget. This mandate reimburses costs of investigations of suspected child abuse in order to determine whether a report of suspected child abuse is unfounded, inconclusive, or substantiated, for the purpose of forwarding those reports to Department of Justice. In addition, law enforcement agencies are eligible for reimbursement for the costs of notifying suspected abusers that they have been listed in the Child Abuse Central Index. The annual cost of the mandate is estimated to be $2.6 million; however, the cost for funding the mandate for 2015-16 would be $90.3 million, due largely to accumulation of prior year costs.

Staff Comments: The SIDs mandates have been identified in prior years as best practices or activities that should be standard activities for health and public safety personnel. The Administration has proposed a $4 million grant program for welfare and probation departments in counties that choose to participate in lieu of funding the ICAN report mandate. This proposal will be considered in Senate Budget Subcommittee No. 3. The LAO has reported on the ICAN mandate and has recommended the Legislature adopt the Governor's proposed suspension, consider augmenting the grant program to enhance the likelihood of participation and require local law enforcement ICAN-related activities to receive certain state funding allocations. The past costs attributable to the mandate are due largely to costs incurred prior to January 1, 2012, when AB 717 (Ammiano), Chapter 468, Statutes of 2011, went into effect; the bill significantly curtailed mandated activities associated with local law enforcement activities.

Staff Recommendation: Suspend the SIDs and ICAN mandates. Conform to action of Senate Budget Subcommittee No. 3 regarding the ICAN grant program.

Vote:

Issue 2: Mandates Newly Proposed for Suspension (Spring Finance Letter)

Background: In January 2015, the Commission on State mandates (COSM) adopted statewide cost estimates for two mandates: Medi-Cal Eligibility of Juvenile Offenders and State Authorized Risk Assessment Tool for Sex Offenders. The issuance of the COSM cost determination requires that mandates must either be funded or suspended in accordance with Article XIII B, Section 6 (b) (1) of the California Constitution.

- The Medi-Cal Eligibility of Juvenile Offenders mandate addresses activities of county juvenile detention facilities and county welfare departments to assist juveniles whose Medi-Cal coverage is terminated as a result of incarceration in a juvenile detention facility for 30 days or more to obtain Medi-Cal or other health coverage immediately upon release from custody. This activity was established in 2006. Absent suspension, the cost of funding this mandate in the budget year is $27,469, and $4,578 annually thereafter.

- The State Authorized Risk Assessment Tool for Sex Offenders addresses activities performed by counties and cities relating to the statutory requirement that registered sex offenders be subject to an assessment of the offender's risk of recidivism using the State Authorized Risk Assessment Tool for Sex Offenders, or SARATSO. This activity was legislated in 2007. Absent suspension, the cost of funding this mandate in the budget year is $245,080 and $40,847 annually thereafter.

Spring Finance Letter: The Governor has proposed the suspension of both the Medi-Cal Eligibility of Juvenile Offenders mandate and the State Authorized Risk Assessment Tool for Sex Offenders mandate. The Administration indicates the Medi-Cal Eligibility of Juvenile Offenders mandate suspension is appropriate, as the state already allocates hundreds of millions of dollars annually to counties to manage Medi-Cal eligibility. It indicates the State Authorized Risk Assessment Tool for Sex Offenders mandate suspension is appropriate, since training related to the use of risk assessment tools for sex offenders is part of best practices management strategy for public safety.

Staff Comments: This Medi-Cal Eligibility of Juvenile Offenders mandate requires county juvenile detention facilities to notify county welfare departments about the release of a ward so that eligibility for Medi-Cal can be determined. The cost is minor compared to the potential benefits to the individual and potential long-term state savings. LAO has indicated that funding this mandates helps facilitate better health outcomes by promoting continuity of care. The standardized tool mandated by the State Authorized Risk Assessment Tool for Sex Offenders legislation established the state's current process for evaluating sex offenders to determine whether they are sexually violent predators who are likely to repeat their crimes if released. Funding this mandate would mesh with the Administration's approach regarding funding mandates related to public safety.

Staff Recommendation: Reject the suspension of the Medi-Cal Eligibility of Juvenile Offenders and State Authorized Risk Assessment Tool for Sex Offenders mandates, and provide funding for these mandated activities.

Vote:

C.S. 6.10 Deferred Maintenance

Issue 1: Funding for Deferred Maintenance (Budget Bill Language)

Background: Budget Control Section 6.10 gives the Department of Finance the authority to allocate $125 million General Fund in the amounts identified below for deferred maintenance projects:

- University of California $25,000,000
- California State University 25,000,000
- Department of Parks and Recreation 20,000,000
- Department of Corrections and Rehabilitation 15,000,000
- Department of Food and Agriculture 9,000,000
- Department of State Hospitals 7,000,000
- Department of Developmental Services 7,000,000
- Department of General Services 5,000,000
- Office of Emergency Services 3,000,000
- State Special Schools 3,000,000
- Department of Forestry and Fire Protection 2,000,000
- California Military Department 2,000,000
- Department of Veterans' Affairs 2,000,000

Under the proposal, departments would provide DOF a list of deferred maintenance projects for which the funding would be allocated. The DOF would review and provide the approved list to the Chairperson of the Joint Legislative Budget Committee (JLBC) 30 days prior to allocating any funds. The amounts specified above would be available for encumbrance or expenditure until June 30, 2017. If a department made a change to the approved list after the funds have been allocated, DOF' s approval is required and the JLBC would be notified 30 days prior to the change being approved.

Staff Comments: This issue was heard March 26, and the subcommittee noted that the proposed process for the allocation of the $125 million (which in some cases could be for projects costing tens of millions of dollars) is not likely to provide for adequate Legislative oversight. The item was held open with direction provided to staff, DOF and LAO to draft budget bill language and supplemental report language that would provide for more Legislative oversight and participation in the selection process, including: an understanding of how each department prioritized projects; input on other projects that it considers a high priority; and, other potentially appropriate funding sources for deferred maintenance projects. The subcommittee might ask DOF regarding the status of the SRL, which should be reviewed by the subcommittee prior to its consideration.

Revised Language: The LAO has developed alternative budget bill language which attempts to address the subcommittee's concerns with the original proposal with respect to legislative input. In addition, supplemental report language is being prepared which specifies deferred maintenance projects that would be funded. The proposed revised budget bill language is presented below:

(a) Notwithstanding any other provision of law, the Director of the Department of Finance may allocate $125 million General Fund to the departments in the amounts identified below for deferred maintenance projects:
University of California 25,000,000
California State University 25,000,000
Department of Parks and Recreation 20,000,000
Department of Corrections and Rehabilitation 15,000,000
Department of Food and Agriculture 9,000,000
Department of State Hospitals 7,000,000
Department of Developmental Services 7,000,000
Department of General Services 5,000,000
Office of Emergency Services 3,000,000
State Special Schools 3,000,000
Department of Forestry and Fire Protection 2,000,000
California Military Department 2,000,000
Department of Veterans Affairs 2,000,000

(b) ~~Prior to any allocation of funds, the entities identified above shall provide to the Department of Finance a list of deferred maintenance projects that the funding shall be allocated for.~~ <u>A department shall only expend the funding identified in subsection (a) on deferred maintenance projects included in the Supplemental Report of the 2015–16 Budget Package.</u>

~~The Department of Finance shall review and provide the approved list to the Chairperson of the Joint Legislative Budget Committee 30 days prior to allocating any funds. The Department of Finance shall provide a schedule to the Controller providing for the allocation.~~

(c) <u>A department may</u> ~~An entity seeking to make~~ a change ~~to~~ the ~~approved~~ list <u>included in the Supplemental Report of the 2015–16 Budget Package.</u> ~~after the funds have been allocated~~ <u>Prior to making a change to the list, a department</u> shall obtain the approval of the Director of Finance and the Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee 30 days before the change is approved. <u>The notification to the Joint Legislative Budget Committee shall identify the projects proposed to be removed and added, the cost of those projects, and the reasons for the proposed changes.</u>

(d) Of the amount identified for the Department of Food and Agriculture, $7.0 million is for the Network of California Fairs.

(e) The amounts allocated pursuant to subdivision (a) shall be available for encumbrance or expenditure until June 30, 2017.

Staff Recommendation: Adopted proposed revised provisional budget bill language.

Vote: