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Agenda

May 22, 2018

1:30 p.m. - State Capitol – Room 4203

Budget Act of 2018
Overview of the Senate Budget Plan

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0650-001-0001 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

Issue 1: Transformative Climate Communities Reappropriation

Governor's Proposal. The May Revision proposes the creation of budget item 0650-490 to reappropriate the balances of Greenhouse Gas Reduction Fund appropriations for the Transformative Climate Communities Program from the 2016 and 2017 Budget Acts. This request includes provisional language that authorizes the Strategic Growth Council to transfer the reappropriated funds from the 2016 Budget Act to other agencies or departments for assistance in administering the Program.

Subcommittee Action. Neither Subcommittee 2 or 4 heard this item.

Staff Comments. The Transformative Climate Communities Program was created by AB 2722 (Burke), Chapter 371, Statutes of 2016, which directs the Strategic Growth Council to administer the program to fund the development of neighborhood-level projects to reduce greenhouse gas emissions in disadvantaged communities. $140 million was appropriated for the program in 2016. A further $10 million was appropriated in 2017. Projects funded by these appropriations were awarded on January 29, 2018. The encumbrance period for both of these appropriations expires on June 30, 2019. The Administration has indicated that, due to the size and complexity of the proposed projects, which may require input from other agencies and departments, a reappropriation is necessary to deliver the projects as awarded.

Staff Recommendation. Approve the reappropriation and provisional language.

Vote:

0890 SECRETARY OF STATE

Issue 2: Office of Elections Cybersecurity

Legislative Proposal. Subcommittee No. 4 heard a proposal requesting a $2 million General Fund ongoing augmentation to the Secretary of State's budget to support elections cybersecurity efforts. In a recent joint informational hearing on cybersecurity and elections a theme that emerged was that securing voting systems is a good first step to combat cybersecurity threats. This proposal would provide the necessary tools to support efforts to coordinate activities and information sharing between federal, state, and local officials, including county registrars of voters, about efforts to combat cybersecurity.

Subcommittee Action. The proposal was heard on May 3, 2018 and held open.

Staff Comments. This funding will support additional positions within the Secretary of State's office. These additional positions will act as liaisons to coordinate and collaborate with federal agencies, the public, and other stakeholders. The additional positions will also help to battle misinformation and monitor internal procedures.

Staff Recommendation. Approve as proposed.

Vote:

2660-001-0042 DEPARTMENT OF TRANSPORTATION

Issue 3: Capital Outlay Support Project Delivery Workload

Governor's Proposal. The May Revision requests a net increase of $203.1 million and 872 Full-Time Equivalents (FTEs) for the Capital Outlay Support (COS) Program over the Governor's January proposal. This includes an additional 393 additional state staff positions, 44 additional staff overtime positions, and 435 additional contract positions. This will result in a COS program with a total budget of $2.062 billion and 10,319 FTEs, including authority for 1,380 contract positions. The funding includes $1.2 million for a Department of General Services (DGS) study on Caltrans space needs, and $2 million to fund additional contract arbitration workload in the department's legal program.

This proposal also includes provisional language to provide flexibility between state staff and contracted resources when necessary.

Subcommittee Action. Subcommittee 2 heard, but did not take action on, this item.

Staff Comments. Capital Outlay is the funding mechanism for construction contracts and right-of-way acquisition for projects that preserve and improve the state highway system. The COS Program provides the funding and resources necessary to develop (design) and oversee the construction of projects. The passage of SB 1 (Beall), Chapter 5, Statutes of 2017, has led to a surge in funding for transportation projects. This has in turn resulted in a surge of COS workload at Caltrans. At the same time, the program is beginning to see increased retirements as the workforce has aged. Despite the increase in retirements, the department has indicated that the COS program is outpacing attrition with its hiring efforts.

Staff Recommendation. Approve a COS program budget of $2.026 billion. This includes funding for an additional 872 FTE positions in the program, including a total of $266.2 million for contract positions. This is a reduction of $36 million from the May Revision request, but a net increase of $167 million above the Governor's January budget request. Adopt provisional language requiring Caltrans to adopt a written hiring plan targeting 153 new hires per month, and to report to the legislature monthly on progress in meeting these hiring goals. Adopt provisional language allowing Caltrans to augment this request by up to $36 million should hiring and work plans require. Require the department to report on its progress in meeting both its hiring and workload delivery responsibilities as part of the January budget process.

Vote:

3760 STATE COASTAL CONSERVANCY

Issue 4: West Coyote Hills Open Space and Habitat Area

Legislative Proposal. This Legislative proposal includes an appropriation of $4.8 million Drought, Water Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68) funding and $40 million General Fund in order to acquire the West Coyote Hills Open Space and Habitat Area for purposes of natural resource and recreational restoration. In addition, the proposal includes trailer bill language that would direct the acquiring state agency to contract for an independent appraisal of the land that can be used as the basis for negotiating the fair market value of the property with its current owner.

Subcommittee Action. The subcommittee did not take action on this proposal.

Staff Comments. The West Coyote Hills property is one of the few remaining significant open spaces in suburban Orange County and the greater Southern California region. It has been identified as a significant habitat for threatened or endangered species, such as the Coastal Gnat Catcher. Once acquired and protected for public use, it will provide a major new recreational and outdoor use opportunity for people in the region who do not have easy access to this kind of natural resource.

The acquisition of the West Coyote Hills property represents a similar “one-of-a-kind” opportunity for a new urban park and recreational area as those already created in places like the Bay Area, Los Angeles, and San Diego.

The purpose of the trailer bill language is to ensure that the value of the property is set by an appraisal that is prepared independently of the seller and purchaser in order to protect the taxpayers and the public interest.

Staff Recommendation. Approve as proposed.

Vote:

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 5: California Indian Heritage Center

Governor's Proposal. In response to a concern raised by the Legislative Analyst's Office (LAO), the Governor proposes revised budget bill language related to the Governor's request for $100 million in General Fund to be deposited into the Natural Resources and Parks Preservation Fund for the preliminary plans ($4.7 million), working drawings ($4.7 million), and construction ($90.6 million) phases of the California Indian Heritage Center (CIHC) project in Yolo County.

The budget bill language would be amended to add subdivision (e) as follows:

> ***(e) The Department of Finance shall report to the Chairperson of the Joint Legislative Budget Committee, the chairpersons of the respective fiscal committees, and legislative advisers of the State Public Works Board 30 days prior to the proposed State Public Works Board approval of preliminary plans.***

Subcommittee Action. This issue was heard in Subcommittee 2 on May 17, 2018, and approved by the subcommittee on May 18, 2018.

Staff Comments. The LAO raised concerns that there would not be sufficient Legislative oversight and notification as this project moves forward. This revised budget bill language was provided by Department of Finance to address those concerns.

Staff Recommendation. Approve revised budget bill language.

Vote:

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 6: Multi-Benefit Flood Improvement Projects

Legislative Proposal. This Legislative Proposal adds budget bill language (BBL) to the Governor's request for a total of $94 million in FY 2018-19 to implement multi-benefit flood improvement projects. The funding will support existing staff and contract work needed to carry out the projects.

The budget bill language is as follows:

3860-301-6008
Provisions:

X. The amounts appropriated in Schedule 1 are provided for the following purposes: $52,000,000 for Lower Elkhorn Bypass Levee Setback/Bryte Landfill project; $6,000,000 for Paradise Cut project; $5,000,000 for Lower Yolo Bypass Fix-in-Place project; $3,000,000 for conducting a feasibility study for the Deep Water Ship Channel project; and $3,000,000 for environmental enhancement projects in the Yolo Bypass. Any request to shift funding between purposes identified in this provision shall require notification to the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee no later than 30 days prior to encumbering the funds.

Subcommittee Action. This issue was heard in Subcommittee 2 on March 15, 2018, as part of Issue 1: The Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2017 (SB5/Proposition 68) and approved by the subcommittee on May 17, 2018.

Staff Comments. The LAO raised concerns at the March 15th hearing regarding the insufficient opportunities for legislative oversight related to the Governor's proposal. Neither the Governor's Budget Change Proposal nor the Governor's proposed BBL include any firm documentation or accountability regarding how DWR will expend these funds, or how the Legislature can monitor if and how their expenditure plans might change.

As such, the LAO recommends adopting additional BBL that schedules out funding for specific projects. This would require DWR to notify the Legislature if it chooses to spend the funding in a different way than it is currently proposing, allowing the Legislature the opportunity to ask questions and raise concerns before such deviations are implemented. This would preserve flexibility for DWR to respond to changing conditions and circumstances throughout the year (such as changes to the availability of local or federal matching funds).

Staff Recommendation. Approve as proposed.

Vote:

3900 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 7: Sacramento Headquarters Space Optimization Project

Governor's Proposal. The May Revision proposes $22.9 million for Phase 1 of CalEPA's Sacramento Headquarters Space Optimization Project and provisional language to make sure the funds are available for encumbrance or expenditure until June 30, 2022.

Phase 1 will be funded by the Air Resources Board (ARB), the State Water Resources Control Board (SWRCB), the Department of Resources, Recycling and Recovery (CalRecycle), and the Office of Environmental and Health Hazard Assessment (OEHHA) as follows:

- ARB: $10.7 million from the Air Pollution Control Fund;
- SWRCB: $6.7 from various funds;
- CalRecycle: $5.4 from various funds; and,
- OEHHA: $87,000 from various funds.

The two-phase project will increase capacity by up to 1,100 cubicles to accommodate additional personnel from various boards, departments, and offices under CalEPA.

Subcommittee Action. This issue was heard in Subcommittee 2 on May 15, 2018.

Staff Comments. CalEPA looked at other options to accommodate staffing growth, including leasing additional space within the area. Leasing new space would incur greater upfront costs for tenant improvements and other relocation costs. Further, the new lease cost would be ongoing, whereas the current Sacramento headquarters will be owned by the state in 2023. Optimizing the current location appears to be the most cost-effective option.

Staff Recommendation. Approve as budgeted.

Vote:

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Issue 8: Transparency of Respite Policies and Protocols Trailer Bill Language

Legislative Proposal. The legislative proposal adds Trailer Bill Language (TBL) to require regional centers within the developmental services system to make public the tools and protocols used to implement respite policies.

Subcommittee Action. The subcommittee heard the issue on March 15, 2018, but took no action.

Staff Comments. Consumers and their advocates raised concerns at the March 15, 2018, hearing of Subcommittee No. 3 that regional centers had not made the policies and protocols used to implement respite policies available to the public. The 2017-18 budget removed the cap on the purchase of respite services.

Staff Recommendation. Approve placeholder TBL.

Vote:

5180 DEPARTMENT OF SOCIAL SERVICES – CHILD WELFARE SERVICES

Issue 9: Continuum Care Reform: Caregiver Emergency Assistance Payments and Trailer Bill Language: Long-Term Funding Solution

Governor's Proposal. The Governor's budget proposes an increase of $13.4 million federal Temporary Assistance for Needy Families (TANF) funds for counties to provide emergency assistance (EA) payments to families prior to their approval as resource families. Beginning July 1, 2018, the EA support would be provided for up to six months. Up to three months of EA payments would be provided beginning July 1, 2019.

Due to the fact that the resource family approval (RFA) process was taking much longer than the goal of 90 days, many families were going unpaid. The Legislature and the Administration included a short-term fix for families in an urgency bill, AB 110 (Committee on Budget), Chapter 8, Statutes of 2018. This provides at least 90 days of payments to caregivers who already have a child placed in their homes on an emergency basis while RFA approval is pending.

The Administration intends to continue using EA TANF payments, similar to those used under AB 110, for the purposes of paying families while they wait for RFA approval. This proposal differs from the AB 110 approach, however, with respect to the use of Approved Relative Caregiver (ARC) funding for relative caregivers and non-related extended family members (NREFMs). With this proposal, the state will pick up the EA cost share for federally ineligible relative caregivers and NREFMs. The language also includes a provision for a caregiver, who is currently receiving interim funding pursuant to AB 110, to continue such payments, for a period no longer than a combined total of six months, or until the RFA application is approved or denied.

Subcommittee Action. The subcommittee heard and discussed this item during its May 16, 2018 hearing and took no action.

Staff Comments. Advocates raise concerns that this language does not address what happens to a family if the family is still not approved within the timelines outlined, and the county can no longer access EA funds. Counties raise concerns about how this language may impact the "discount rate", which is a calculation that determines how much federal Title IV-E funds are reduced based on the amount of kids considered federally ineligible. Because this language allows for federally ineligible cases to be considered eligible while paid for with EA TANF funds, counties are concerned that this will drive up the discount rate and ultimately provide less funding for counties. Counties also raise concerns about the amount of manual work needed to provide data to the department on this issue.

Staff Recommendation. Approve funding as placeholder and approve trailer bill language as placeholder with the following modifications: 1) Adds language that addresses concerns about families who aren't approved beyond the six-month or three-month timelines and 2) Adds language that considers the impact on counties regarding the discount rate issue; and 3) Adds language that the department will work with the counties to determine the data available for reporting that minimizes additional manual work in advance of the data being available through automation.

Vote:

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 10: Youth and Family Civic Engagement Initiative

Legislative Proposal. The Martin Luther King Jr. Freedom Center and the Dolores Huerta Foundation request funding of $2 million General Fund ongoing for a Youth and Family Civic Engagement Initiative. The Initiative aims to reach middle and high school students from Fresno, Kern, Contra Costa, and Alameda counties.

Subcommittee Action. The subcommittee heard and discussed this item during its April 19, 2018 hearing and took no action.

Staff Recommendation. Approve $2 million General Fund one-time for expenditure over two years for the Martin Luther King Jr. Freedom Center and the Dolores Huerta Foundation to administer a pilot for the Youth and Family Civic Engagement Initiative, and approve trailer bill language to implement as placeholder.

Vote:

5225 California Department of Corrections and Rehabilitation (CDCR)

Issue 11: Division of Fiscal and Business Services Trailer Bill Language

Legislative/Governor's Proposal. The Administration proposed, in their May Revision, trailer bill language to include a Division of Fiscal and Business Services under the Undersecretary for Administration and Offender Services. The revised language is:

"*12838.1 (a) There is hereby created within the Department of Corrections and Rehabilitation, under the Undersecretary for Administration and Offender Services, the following divisions: (1) The Division of Enterprise Information Services, the Division of Facility Planning, Construction, and Management, the Division of Fiscal and Business Services, and the Division of Administrative Services. Each division shall be headed by a director, who shall be appointed by the Governor, upon recommendation of the secretary, subject to Senate confirmation, who shall serve at the pleasure of the Governor.*"

Under the previous organizational structure, the Director of Administrative Services was responsible for the following offices (with the responsibilities in parentheses):

- Office of Fiscal Services (Budgets and Accounting)
- Office of Business Services, Human Resources (HR) (Human Resources Administrative Unit, Executive Appointments, Health and Wellness, Personnel Services, Workforce Planning, etc.)
- Peace Officer Selection and Employee Development (POSED) (Academy, Training, Office of Peace Officer Selection, etc.)
- Regulations and Policy Management Branch (RPMB).

The scope of the previous Director of Administrative Services position resulted in an increasingly high workload. In response, the CDCR internally reduced and reallocated the responsibilities to two Directors. Currently, the Division of Fiscal and Business Services, is responsible for Fiscal Services and Business Services and the Division of Administrative Services, is responsible for HR, POSED and RPMB. The new structure enables each of the now two Directors to have more detailed involvement in the responsibilities previously outlined.

Subcommittee Action. The proposal was not heard in Subcommittee 5.

Staff Comments. The CDCR and Department of Finance expressed that this division is an internal shift without any fiscal impact or any need for additional positions. The result of the internal shift is simply an allocation of internal workload. The associated trailer bill language makes statute consistent with the changes.

Staff Recommendation. Approve trailer bill language as proposed.

Vote:

6980 CALIFORNIA STUDENT AID COMMISSION

Issue 12: Cal Grant Awards for Accredited Private For-Profit Institutions

Governor's Proposal. The Governor's budget proposes to reduce the Cal Grant award for students attending Western Association of School Colleges (WASC)-accredited for-profit institutions—providing $8,056 for those students instead of the higher $9,084. This proposal would likely affect six institutions. The Governor's January budget recognizes $600,000 in total associated savings. Recently, the California Student Aid Commission updated cost estimates to $550,233.

Subcommittee Action. This item was heard on April 19, 2018, and was held open.

Staff Comments. In order for private for-profit institutions to participate in the Cal Grant program, they must have a federal student loan borrower's rate with 40 percent or less for undergraduate students, or be below the three year cohort default rate of 15.5 percent and above the graduation rate of 30 percent.

The Legislative Analyst's Office (LAO) compared graduation rates and student loan default rates for five WASC-accredited for-profit colleges with the averages for nonprofit colleges and California State University (CSU) campuses. The WASC-accredited for-profit colleges' graduation rates are on average lower than nonprofit colleges, but higher than CSU campuses. Regarding default rates on student loans, their rates on average are about one percentage point higher than nonprofit colleges and CSU campuses.

Staff Recommendation. Reject Governor's proposal, and increase the Cal Grant award for students attending WASC-accredited for-profit institutions to $9,084.

Vote:

6980-001-0001 CALIFORNIA STUDENT AID COMMISSION

Issue 13: Cal Grants for Private Nonprofit Colleges and Universities

Governor's Proposal. In January, the Governor proposed $7.9 million to maintain the private nonprofit Cal Grant award at $9,084 ($1,028 higher than the otherwise reduced level of $8,056) in 2018-19. To be able to receive the $1,028 differential in 2019-20, the Governor proposes trailer bill language to require the sector to accept at least 2,500 transfer students in 2019-20 who have earned an associate degree for transfer (ADT). The Governor proposes to increase this expectation to 3,000 in 2020-21. Beginning in 2021-22, the target number of transfer students without an ADT changes based on the percentage change in the number of total transfers the sector admitted in the prior year.

The May Revision modifies the January proposal, and instead:

- For the 2019-20 award year, the state's expectation of the number of ADTs accepted by private nonprofit institutions in 2018-19 is adjusted to 2,000, along with a requirement that the Association for Independent California Colleges and Universities report by April 2019 on the first cohort of accepted students to the Department of Finance.

- For the 2020-21 award year, the sector must accept at least 3,000, and in 2021-22 the sector must accept at least 3,500 ADTs, to maintain the award amount. For 2022-23 and each year thereafter, the target changes to become based on the percentage change in the number of total transfers the sector admitted in the prior year.

Subcommittee Action. Held Open.

Staff Recommendation. Adopt Governor's May Revision proposal, trailer bill to be modified as necessary.

Vote:

6980-001-0001 California Student Aid Commission

Issue 14: Cal Grant B High School Entitlement Award Estimates

Governor's Proposal. The Governor proposes updates to the Cal Grant B High School Entitlement awards estimates. The Governor requests an increase of $42.29 million above the May Revision estimate, for a total increase of $71.56 million above the Governor's January proposal.

Subcommittee Action. Approved the May Revision estimate of $29.27 million.

Staff Comment. The Cal Grant B High School Entitlement program provides tuition coverage for students after their first year of college, and up to $1,672 toward non-tuition expenses for up to four years. To qualify for the Cal Grant B award, financial eligibly criteria are: (1) a family income ceiling of $41,500 to $62,800, depending on family size, and (2) an asset ceiling of $76,500. Additionally, students must have graduated from high school within the last year, with a minimum high school grade point average of 2.0.

Staff Recommendation. Approve the updated Cal Grant B High School Entitlement award increase of $71.56 million.

Vote:

7100 EMPLOYMENT AND DEVELOPMENT DEPARTMENT

Issue 15: Unemployment Insurance Loan Interest Rate

Governor's Proposal. The May Revision proposes $300,000 to reflect an increase in interest due to the federal government for borrowing that has occurred to provide unemployment benefits without interruption.

Subcommittee Action. This proposal was not heard in subcommittee.

Staff Comments. The recent Great Recession resulted in unprecedented high unemployment rates in California and throughout the country, and as a result, the state experienced an increase in unemployment insurance (UI) claims from unemployed workers. Federal law provides for states that exhaust their UI trust fund reserves to receive loans from the federal government that must be repaid, generally with interest, so that benefits may continue to be paid without interruption. Beginning in January 2009, California has been borrowing from the federal government to ensure the payment of UI benefits to eligible unemployed workers. The remaining federal loans are projected to be fully repaid 2018, with the last interest payment due in September.

Staff Recommendation. Approve as proposed.

Vote:

7600-001-0001 CA DEPARTMENT OF TAX AND FEE ADMINISTRATION

Issue 16: Technical Change – Trailer Bill Language

Governor's Proposal. The May Revision proposes trailer bill language to align responsibilities for administration of programs between California Department of Tax and Fee Administration (CDTFA) and the Board of Equalization (BOE).

Subcommittee Action. This proposal was not heard by the subcommittee.

Staff Comments. The Taxpayer Transparency and Fairness Act of 2017 established the CDTFA in the Government Operations Agency and shifted most tax and fee administration activities of the BOE to the CDTFA. This language clarifies BOE's administrative authority for certain items, including the welfare exemption, the veterans' organization exemption, and changes in control and ownership of a legal entity. This language also transfers all civil service employees who are in roles related to these functions back to the BOE.

Staff Recommendation. Approve as proposed.

Vote:

7730-001-0001 FRANCHISE TAX BOARD

Issue 17: New Employment Credit

Governor's Proposal. The Governor's budget proposes trailer bill language to create a California Hiring Credit. This credit would be an expansion of the existing New Employment Credit. The new credit, calculated at the same 35 percent rate of qualified wages as the existing credit, would be expanded in several ways: by geography, industry, and the range of qualified wages. The new credit would be available for hires on or after January 1, 2019, and before January 1, 2024. The Administration estimates the cost associated with this revised New Employment Credit to be $50 million.

The May Revision proposes provisional language to establish the credit rate for 2018-19 at 35 percent.

Subcommittee Action. The subcommittee heard this proposal on April 12.

Staff Comments. The Administration's goals in revising the New Employment Credit make sense given the substantial underutilization of the existing credit. However, given that the existing credit was just one component of the state's overhaul of economic development incentives in 2013 and the significant underutilization, staff is continuing to assess all of the components of the Administration's proposal.

Staff Recommendation. Adopt placeholder trailer bill language to move forward the discussion surrounding the Administration's proposal.

Vote:

7730-001-0001 FRANCHISE TAX BOARD

Issue 18: Earned Income Tax Credit

Governor's Proposal. The May Revision proposes to expand the Earned Income Tax Credit (EITC) to working individuals who are aged 18 to 24 or over age 65. In addition, the qualifying income range for the credit is proposed to be expanded so that employees working up to full-time at the 2019 minimum wage of $12 per hour would qualify for the credit. This expansion of the credit is expected to cost about $60 million in 2018-19 and to benefit over 700,000 households.

Subcommittee Action. The subcommittee heard this issue on April 12.

Staff Comments. The 2015 budget enacted the state's first-ever EITC to help the poorest working families in California. The 2017 budget expanded the credit to include the self-employed and increased the income range so more individuals working up to full-time at the newly increased minimum wage will still qualify. For the 2017 tax year, EITC credits are on pace to hit $350 million and benefit around 1.5 million households.

Staff Recommendation. Approve the Governor's proposal. In addition, add $20 million and budget bill language to enhance outreach and free tax preparation services, as follows: 1) $10 million in a manner that emphasizes nonprofit and community-based organizations that provide increased awareness of the California EITC, 2) $9.8 million in a manner that emphasizes nonprofit and community-based organizations that provide free tax preparation assistance to eligible families and individuals, and 3) $200,000 for evaluation of the most effective outreach strategies to reach the targeted populations.

Vote:

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

Issue 19: Lease Notification Trailer Bill Language (TBL)

Legislative Proposal. The legislative proposal adds TBL to amend Government Code 13332.10 to clarify under which conditions the director of the department must notify the Legislature when the department intends to enter into a lease for the occupancy of a state agency. The proposed language will also require the department to submit a report to the Legislature no later than January 10 of each year that identifies all leases expected to expire during the subsequent fiscal year.

Subcommittee Action. A proposal related to this issue was heard and approved on April 19, 2018. However, concerns were raised as to how the Legislature was notified about the department's move to a new space.

Staff Comments. The related proposal requested an increase in the Department of Alcoholic Beverage Control's budget to absorb the costs for a new leased space. The budget proposal was approved. However, concerns were raised as to if the Legislature was receiving adequate notice when DGS enters into a new lease. The proposed TBL is meant to address those concerns.

Staff Recommendation. Adopt placeholder TBL.

Vote:

ITEMS PROPOSED FOR DISCUSSION AND VOTE

0000 STATE TAXES AND REVENUES AND LOCAL PROPERTY TAXES

Issue 20: State Taxes and Revenues

Legislative Proposal. The Senate's plan includes revenues estimated by the Legislative Analyst's Office (LAO) that are expected to be about $2.6 billion above the Administration's May Revision forecast over the three-year "budget window" period (2016-17 to 2018-19). The difference between the LAO and the Administration are largely based on assumptions regarding the personal income tax. The LAO forecasts healthy growth in taxable wages over the next few years, largely due to increased wages as a result of tightening labor markets. In addition, the LAO forecast includes a short-term boost in capital gains driven primarily by recent increases in stock market values. The LAO's personal income tax forecast is $3.7 billion higher than the Administration's, corporation taxes about $88 million lower, and sales and use taxes $758 million lower over the three years.

Subcommittee Action. This issue was not heard in subcommittee.

Staff Comments. The LAO forecasted revenue is based on a consensus national economic forecast and reflects reasonable assumptions regarding the underlying economy and expected growth trends over the next several years.

Staff Recommendation. Adopt the LAO's forecasted General Fund revenues for the 2018-19 budget, and incorporate these revenues for the purposes of calculating amounts for Proposition 2 debt payoff and reserve deposits.

Vote:

0000 STATE TAXES AND REVENUES AND LOCAL PROPERTY TAXES

Issue 21: Local Property Taxes

Legislative Proposal. The Senate budget plan includes estimates by the LAO of property tax revenues that are approximately $659 million higher than the Administration's across 2017-18 and 2018-19. This reflects the LAO's economic forecast, which indicates growth in construction and home prices that are somewhat offset by a modest slowdown in home sales. Local property K-14 tax revenue is forecast to be $21.4 billion in 2016-17, $22.4 billion in 2017-18 and $23.9 billion in 2018-19.

Subcommittee Action. This issue was not heard in subcommittee.

Staff Comment. The property tax revenues that the LAO assumes will benefit the General Fund by offsetting the state's obligation to satisfy the Proposition 98 guarantee with General Fund are higher than the Administration's estimates by approximately $163 million in 2017-18 and $496 million in 2018-19.

Staff Recommendation. Adopt the LAO's estimates for property tax revenues and allocations.

Vote:

0650-001-0001 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

Issue 22: California Complete Count – Census 2020

Legislative/Governor's Proposal. The Governor's budget proposes $40.3 million (General Fund) and 22.0 limited-term positions to staff the California Complete Count effort to complement U.S. Census outreach, focusing on hard-to-count populations. This funding will be appropriated in 2018-19 and available for the duration of a three-year effort crossing over fiscal years 2018-19, 2019-20, and 2020-21.

Subcommittee Action. Subcommittee No. 4 heard, but did not take action on this item.

Staff Comments. The Administration has indicated that almost three-quarters of the funds would be dedicated to a media campaign ($17 million) and working with local community based organizations ($12.5 million). Community organizations would conduct most of the direct outreach to individuals in hard-to-count populations to encourage them to complete the census.

Staff notes that, including $10 million provided in 2017-18, this proposal would bring total state funding for census-related activities to $50 million between 2017-18 and 2019-20. Due to the significant changes to the census, providing state funding to target hard-to-count populations is reasonable. However, the level of funding raises concerns. California is a large and diverse state with a notably expensive media market. Similar efforts have cost far more than $40 million. For example, the Covered California program has spent roughly $100 million per year in outreach.

Due to both the extreme importance of an accurate census to the state and the high cost of the necessary outreach, additional funding is warranted.

Staff Recommendation. Approve an additional $95 million for the California Complete Count effort, bringing the total to $135.3 million.

Vote:

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

Issue 23: State Project Infrastructure Fund

Governor's Proposal. The May Revision proposes the transfer of $630 million General Fund to the State Project Infrastructure Fund (SPIF) to support future phases of office building renovation projects in the Sacramento area.

Subcommittee Action. The proposal was heard on May 17, 2018 and held open.

Staff Comments. Due to concerns raised in the subcommittee hearing, the Legislature should consider language that would increase legislative oversight of the SPIF by requiring information to be shared with the relevant budget subcommittees of the Senate and Assembly in addition to the Joint Legislative Budget Committee.

Staff Recommendation. Provide $200 million per year for four years, for a total of $800 million. Year one funding in 2018-19 should come from General Fund. Funds from Proposition 2 should be used to fund years two, three, and four. In addition, adopt placeholder trailer bill language to increase accountability and oversight.

Vote:

CONTROL SECTION 6.10

Issue 24: Statewide Deferred Maintenance

Governor's Proposal. The May Revision requests that Control Section 6.10 be added in the amount of $1.067 billion ($1.06 billion General Fund and $7 million Motor Vehicle Account) for statewide deferred maintenance funding.

Subcommittee Action. The proposal was heard on May 17, 2018 and held open.

Staff Comments. Due to concerns raised in the subcommittee hearing, the Legislature should consider language that would increase accountability and legislative oversight of deferred maintenance projects. The language would extend the timeline for review of deferred maintenance projects and require lists of deferred maintenance projects to be shared with the appropriate budget subcommittees of the Senate and Assembly, as well as the Joint Legislative Budget Committee.

Staff Recommendation. Approve as budgeted, and adopt language to increase accountability and oversight.

Vote: