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COMMITTEE ON BUDGET AND FISCAL REVIEW

STATE CAPITOL – ROOM 5019
SACRAMENTO, CA 95814



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Agenda

June 15, 2015

12 p.m. - Room 4203

BILL

AUTHOR

SUBJECT

A.B. 95

Committee on Budget

Transportation

A.B. 114

Committee on Budget

Public Works

A.B. 116

Committee on Budget

Supplemental Appropriations

A.B. 119

Committee on Budget

Skilled Nursing Facilities

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair

2015 - 2016 Regular

Bill No:	AB 95	Hearing Date:	June 15, 2015
Author:	Committee on Budget		
Version:	January 7, 2015	Fiscal:	Yes
Urgency:	No		
Consultant:	Farra Bracht		

Subject: Budget Act of 2015.

Summary: Provides for statutory changes necessary to enact the transportation provisions of the Budget Act of 2015.

Background: As part of the 2015-16 budget package, AB 95 makes statutory changes to implement the budget act.

Proposed Law: This bill makes all of the following statutory changes:

1. **State Transit Assistance Eligibility Funding.** Provides a one year extension of an exemption to allow transit operators whose cost increases have exceeded the Consumer Price Index (CPI) to continue using State Transit Assistance funding for both operating and capital expenditures.
2. **Elimination of Various Unnecessary Transportation Funds.** Abolishes the Transportation Investment Fund, the Pedestrian Safety Account, and the Clean Renewable Energy Bonds Subaccount in the Special Deposit Fund. These funds are no longer necessary because the funding for these programs has been exhausted or nearly exhausted and there is no new funding source available.
3. **High-Speed Rail Peer Review Group Member Qualifications.** Modifies the requirements of the qualifications of specific peer review group members to broaden eligibility to include experience with large infrastructure projects and experience governing intercity commuter passenger train services. These changes will help to better ensure that these critical oversight positions remain filled.
4. **High-Speed Rail Reporting Requirements.** Simplifies the High-Speed Rail Authority's reporting requirements to align with the business plan's release, which is every other year, and repeals the requirement for the staff management report. Information on staff hired and vacancies filled is available as part of monthly board meeting reports and the authority has addressed the problems which necessitated this reporting requirement.
5. **Fish Passage Barriers.** Extends the requirement that Caltrans' report annually on Caltrans' fish passage barriers from 2020 to 2025; requires the reports issued after October 31, 2016 to include a status report on the most significant fish barrier projects, as identified by the Department of Fish and Wildlife (DFW), that

provides information such as whether or not funding has been committed to projects, sources of funding, status of maintenance or other remediation actions, and estimated completion dates of the projects; and requires Caltrans to prioritize and expedite the remediation of fish passage barriers identified by DFW. This bill also appropriates on a one-time basis \$5 million from the State Highway Account for the remediation of fish barriers.

6. **Intercity Rail Reporting.** Requires Caltrans to report, by April 1, 2016, to the Legislature on potential benefits to safety, greenhouse gas reduction, service levels, and operating costs by improving grade separations at key intersections, as defined by the Federal Railroad Administration, along the state's intercity rail system.
7. **Cap on Clean Air Vehicle Program.** Increases the cap on the "green sticker" Clean Air Vehicle program from 70,000 to 85,000. This program allows certain low-emission and energy-efficient vehicles with a single occupant to use high-occupancy vehicle lanes.
8. **Tower Bridge Relinquishment.** Authorizes the California Transportation Commission to relinquish the Tower Bridge to one or more cities in which it is located. These cities are Sacramento and West Sacramento.
9. **Walerga Park Soundwall.** States that the Sacramento County Board of Supervisors may allocate up to \$700,000 from the transportation funds allocated to Sacramento County, or from other transportation funds available to the county, for the purpose of building a soundwall in and around the Walerga Park area.

Fiscal Effect: The funding related to the changes in this bill is contained in the 2015-16 budget.

Support: None on file.

Opposed: None on file.

Comments: This bill provides the necessary statutory references to enact the 2015-16 budget related to transportation.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair

2015 - 2016 Regular

Bill No:	AB 114	Hearing Date:	June 15, 2015
Author:	Committee on Budget		
Version:	January 9, 2015 Introduced		
Urgency:	No	Fiscal:	No
Consultant:	Mark Ibele		

Subject: Budget Act of 2015.

Summary: This measure is necessary for the enactment of the 2015 Budget Act and makes various changes relating to public works.

Background: The State Public Works Board (SPWB) was created by the Legislature to oversee the fiscal matters associated with construction of projects for state agencies, and to select and acquire real property for state facilities and programs. The Board is also the issuer of lease-revenue bonds; a form of long term financing that is used to pay for capital projects. Through review and approval processes, the Board ensures that capital outlay projects adhere to the Legislature's appropriation intent. Voting members of the SPWB include the Director of Finance, the Director of Transportation, and the Director of General Services.

Proposed Law: The bill makes certain technical and clarifying changes to facilitate the financing of capital projects. Specifically, the measure:

- a. Reduces the amount of authorized revenue bonds, notes, or bond anticipation notes that may be issued to finance the acquisition, design or construction of approved certain local jail facilities from \$365.8 million to \$340.9 million; increases the amount of authorized revenue bonds, notes, or bond anticipation notes may be issued to finance the acquisition, design or construction of approved other local jail facilities from \$854.2 million to \$870.1 million; increases the amount of authorized revenue bonds, notes, or bond anticipation notes that may be issue to finance the acquisition, design or construction of approved adult local criminal justice facilities from \$500.0 million to \$509.1 million.
- b. Expands the performance criteria for public works projects to include concept drawings, which may include schematic or architectural renderings.
- c. Repeals the provisions allowing for the appointment of deputies to the SPWB by the Director of Transportation and the Director of General Services.
- d. Adopts new rules for the conveyance of a public building to the state agency that had jurisdiction of the property prior to the SPWB financing, once the facility is no longer required as pledge for payment.
- e. Removes the sunset date of July 1, 2015 for the provision that allows the SPWB to enter into an asset transfer and lease for purposes of securing the payment of

debt service and facilitate the completion of public works projects Requires the Department of Finance to report to the fiscal committees of the Legislature, on the use of the this asset transfer authority by the SPWB by June 30, 2017.

- f. Eliminates dated provisions of law that relate to coupon bonds, adjusts provisions relating to the determination of the net interest costs to the state of bond financing, and increases flexibility with respect to issuance of bonds based on par values, and how bids are submitted to the State Treasurer.
- g. Specifies that the method for determining the lowest interest cost bid by the State Treasurer shall be limited to either the net interest cost method (determined to be the total amount of interest, less the total amount of the premium, plus the total amount of the discount) or the true interest cost method (determined to be the nominal interest rate when compounded semiannually, used to discount debt service payments to the date of the bonds).
- h. Effectuates certain other technical changes regarding administrative processes for public works projects.

Fiscal Effect: Minor fiscal impacts on debt service requirements.

Support: None on file

Opposed: None on file

Comments: None

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair

2015 - 2016 Regular

Bill No:	AB 116	Hearing Date:	June 15, 2015
Author:	Committee on Budget		
Version:	January 9, 2015	Fiscal:	No
Urgency:	No		
Consultant:	Peggy Collins		

Subject: Budget Act of 2015.

Summary: This bill augments the Budget Act of 2014 to address various funding shortfalls.

Background: This bill makes supplemental appropriations to the Budget Act of 2014 in order to address the following shortfalls:

Department of Health Care Services: Increased costs are associated with hospital presumptive eligibility; a delay in Medi-Cal redeterminations; behavioral health treatment services; increased Medicare payments; a decrease in the projected managed care organization tax savings; and reduced federal drug rebates. These increased costs are partially offset by increased savings due to litigation settlements and additional drug rebates, for a total deficiency of \$241.2 million General Fund (GF).

Department of Developmental Services: Increased costs are associated with staffing adjustments at the state developmental centers; decertification of four intermediate care facility units at Sonoma Developmental Center; increased caseload and utilization costs for regional center consumers; and continuation costs for residents transitioning into the community from a developmental center. These increased costs are partially offset by a reduction in the estimated costs for the expansion of the secured treatment program at Porterville Developmental Center; reduced costs for the Fairview and Porterville developmental centers program improvement plan implementation; lower than anticipated costs associated with the state minimum wage increase; and the court action that has delayed implementation of federal overtime requirements, for a total deficiency of \$170 million GF.

California Correctional Health Care Services (Receiver): Increased costs are associated with increased California Health Care Facility staffing; Valley Fever testing; new high-cost Hepatitis C treatment; increased pharmaceutical costs; and adjustments based on the medical acuity staffing model, for a total deficiency of \$107.7 million GF.

Department of General Services: Increased costs are associated with the ongoing external legal representation in the case of *California First, LLP (CalFirst) v. State of California*, for a total deficiency of \$2.5 million GF. This case concerns a purchase and sale agreement whereby CalFirst agreed to purchase 11 properties owned by the state. According to the Administration, this agreement automatically terminated when CalFirst failed to post a second deposit, as required by the agreement.

Homicide Trials: Under existing law, qualifying counties may seek reimbursement from the State Controller for extraordinary expenses associated with homicide trials. Two counties, Mariposa County in the case of *People v. Cary Stayner* and Lassen County in the case of *People v. Joanne McElrath and Robin James*, qualify for specified reimbursements, for a total supplemental cost of \$72,000 GF.

Public Utilities Commission: Increased costs are associated with the inclusion of wireless cell phones in the Universal Lifeline Telephone Service program, which provides discounted home phone and cell phone services to qualified families. This inclusion resulted in a 60 percent increase in claims, for a total deficiency of \$96 million (Universal Lifeline Telephone Service Trust Administrative Committee Fund).

Proposed Law and Fiscal Effect: This bill augments the Budget Act of 2014 by \$521,541,114 GF and \$96,000,000 (Special Funds) to address various funding shortfalls.

Support: None on file

Opposed: None on file

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair

2015 - 2016 Regular

Bill No:	AB 119	Hearing Date:	June 15, 2015
Author:	Committee on Budget		
Version:	January 9, 2015	Fiscal:	No
Urgency:	No		
Consultant:	Michelle Baass		

Subject: Budget Act of 2015.

Summary: Budget Act of 2015: Nursing home quality assurance fee and rate adjustments

Background: AB 1629 (Frommer), Chapter 875, Statutes of 2004, enacted the Medi-Cal Long-Term Care Reimbursement Act of 2004, which establishes a reimbursement system that bases Medi-Cal reimbursements to skilled nursing facilities (SNFs) on the actual cost of care. Prior to AB 1629, SNFs were paid a flat rate per Medi-Cal resident. This flat rate system provided no incentive for quality care and reimbursed SNFs for less than it cost to care for their residents.

AB 1629 also allows the state to leverage new federal Medicaid dollars by imposing a quality assurance fee (QAF) on SNFs. This new federal funding is used to increase nursing-home reimbursement rates. (Federal Medicaid law allows states to impose such fees on certain health-care service providers and in turn repay the providers through increased reimbursements.) Because the costs of Medicaid reimbursements to health care providers are split between states and the federal government, this arrangement provides a method by which states can leverage additional federal funds for the support of their Medicaid programs and offset state costs. In 2015-16, it is projected that the SNF QAF will offset over \$500 million in General Fund expenditures.

AB 1629 contained a sunset date of July 1, 2008 and has been extended five times.

SB 853 (Committee on Budget and Fiscal Review), Chapter 717, Statutes of 2010, established the Quality and Accountability Supplemental Payment (QASP) program. Under the QASP program, SNFs that meet minimum staffing standards can earn incentive payouts from a pool of supplemental funds. The payouts are awarded based on SNFs' performance on certain quality measures (including clinical indicators), as well as SNFs' improvement on these measures relative to the previous year. Under SB 853, a portion of each year's weighted average rate increase was to be set aside to fund the QASP payment pool. The set-aside amount was \$43 million in 2013-14, and \$90 million in the 2014-15 rate year. In 2013-14, about 477 out of 1,000 SNFs earned the QASP payouts.

Proposed Law: This bill contains necessary statutory changes to implement the Budget Act of 2015 for the Department of Health Care Services (DHCS). Specifically, this bill:

1. Extends the sunset date for the skilled nursing facility rate-setting methodology established under AB 1629 (Frommer), Chapter 875, Statutes of 2004, as well as the Quality Assurance Fee (QAF) and Quality/Accountability Supplemental Payment (QASP) programs, from July 31, 2015, to July 31, 2020.
2. Specifies that beginning in 2015-16, the annual increase in the weighted average Medi-Cal reimbursement rate for skilled nursing facilities would be 3.62 percent. (The rate increase for 2013-14 and 2014-15 was three percent.)
3. Sets Quality Accountability Supplemental Payment Program (QASP) payments at the same level as existed for 2014-15 (approximately \$90 million per year).
4. Extends the DHCS Administrative Procedure Act (APA) exemption through July 31, 2020, and the California Department of Public Health (CDPH) Public Contract Code exemption through December 31, 2020.
5. Beginning with the 2015-16 fiscal year, incorporates direct care staff retention as a performance measure for QASP to be developed in consultation with representatives from the long-term care industry, organized labor, and consumers.
6. Requires DHCS, in coordination with the Department of Public Health, to report to the Assembly and Senate budget subcommittees by May 1, 2016 regarding the quality and accountability payments including its assessment of if these payments are adequate to incentivize quality and are adequate to sustain the program.

Fiscal Effect: The QAF is estimated to generate \$539.7 million in fee revenue from August 1, 2015 through July 31, 2016 (accrual). This fee revenue offsets General Fund expenditures used to reimburse skilled nursing facilities in Medi-Cal.

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