



COMMITTEE ON BUDGET & FISCAL REVIEW
State Capitol – Room 5019
Sacramento, CA 95814

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Quick Summary

Proposed 2015-16 Budget

The purpose of this Quick Summary is to provide members and staff of the Legislature with an overview of the Governor's proposed budget for 2015-16. More detailed reviews of the proposals will be developed as the Committee reviews the proposals in public hearings. If you have questions, please contact the committee at (916) 651-4103.

Overall Budget Proposal

The Governor has proposed a budget for 2015-16 which includes resources—carry forward balance, revenues and transfers—of \$114.8 billion and expenditures of \$113.3 billion. Based on the budget proposal, the General Fund would end the 2015-16 year with a balance in the Special Fund for Economic Uncertainties (SFEU) of \$534 million. The budget includes the deposit of \$1.2 billion to the Budget Stabilization Account (BSA), resulting in an expected balance in this account of \$2.8 billion. The budget also includes the continuation of established efforts to pay down budgetary debt from past years, and as set forth through the passage of Proposition 2 last November. The fiscal position of the 2015-16 budget benefits from past years of spending restraint, temporary taxes approved by the voters in 2012, and a steadily improving state economy resulting in increased revenues.

As a result of the combined efforts of the Administration and the Legislature, the General Fund continues to be in a very solid position. In the current year, the fiscal position of the state is expected to be substantially better than when the budget was adopted in June. From the time of the 2014-15 adopted budget, revenues are up by about \$4 billion over the three year period (prior year, current year and budget year). The General Fund's comparative health follows from last year's good budgetary news. The proposed 2015-16 budget builds from this solid base, incorporating a general reserve and BSA of approximately \$4.3 billion (with \$1 billion reserved for encumbrances), with an additional \$1.2 billion used to pay down budget debt. Overall, General Fund spending in 2015-16 is expected to grow in percentage terms only slightly from 2014-15 to 2015-16, largely due to a big boost in education spending in the current year generated by additional revenues. To provide some context, state budget expenditures previously peaked in 2007-08 with General Fund spending of about \$103 billion. Thus, the budget year is the second year in a row in which expenditures will be at or above the level of eight years ago.

Overview of Governor's Budget Proposal

The Governor's budget includes \$114.8 billion in General Fund revenues and other resources and \$113.3 billion in total General Fund expenditures (\$66.3 billion in non-Prop 98 and \$47.0 billion in Proposition 98, providing for a \$534 million unencumbered reserve (SFEU) as well as setting aside an additional \$1.2 billion for the BSA. Expenditures in 2015-16 are proposed to be about \$1.6 billion higher than revised 2014-15 expenditures. Significant additional funding is proposed for K-14 education, higher education, and debt repayment, with some increases for health and human services, and corrections and rehabilitation. Additional resources that have allowed for measured expansions and workload growth are the result of very positive revenue growth based on the general economic upturn. The General Fund budget details are summarized below.

2014-15 and 2015-16 General Fund Summary (Dollars in Millions)		
	Revised <u>2014-15</u>	Proposed <u>2015-16</u>
PRIOR YEAR BALANCE	\$5,100	\$1,423
Revenues and transfers	<u>\$108,042</u>	<u>\$113,380</u>
TOTAL RESOURCES AVAILABLE	\$113,142	\$114,803
Non-Proposition 98 Expenditures	\$65,071	\$66,279
Proposition 98 Expenditures	<u>\$46,648</u>	<u>\$47,019</u>
TOTAL EXPENDITURES	\$111,719	\$113,298
 FUND BALANCE		
Encumbrances	\$971	\$971
Special Fund for Economic Uncertainties	\$452	\$534
 BUDGET STABILIZATION ACCOUNT	 \$1,606	 \$2,826

Current-Year Budget Highlights and Update

Working from the general basis of the Governor's budget and May Revision, for the current year, the Legislature incorporated significant and important budgetary and policy changes to the state's expenditure plan. In general, the budget reflected the framework of the Governor's budget, but adopted Legislative priorities as established through the spring budgetary process. The 2014 Budget Act signed by the Governor maintained the overall fiscal framework of the Governor's proposal, with conservative revenue estimates, continued debt retirement, a projected balanced approach in the out-years, and a \$2.1 billion reserve.

Expenditure Highlights. The 2014-15 budget allowed for additional investments in Proposition 98 and non-Proposition 98 expenditures. These included:

- **Human Services.** The budget plan provided an increase of \$66 million (and additional amounts in future years) for In-Home Supportive Services (IHSS) to pay for overtime pursuant to federal regulation. Included is \$100 million for childcare as part of the early childhood education initiative (along with additional resources within Proposition 98). It also included \$44 million for CalWORKs, \$8 million to restore eligibility in the Early Start Program for infants and toddlers at risk of a developmental disability and \$5 million for additional services to combat child sexual exploitation.
- **Health Services.** In the health area, the budget provided \$1.8 million for rate increases for Medi-Cal's Program for All-Inclusive Care for the Elderly (PACE), \$4 million for the Black Infant Health Program, and \$3 million for HIV prevention demonstration projects.
- **Courts, Corrections and Housing.** The budget added \$100 for affordable housing on a one-time basis, consisting of \$50 million for multifamily housing, which provides affordable housing for low-income families, and \$50 million for the multifamily supportive-housing program, which is focused on providing permanent housing for individuals who are either homeless or very low-income. An additional \$40 million would go to the state court system. In addition, the plan significantly shifted the allocation of resources in the Recidivism Reduction Fund that was included in the Governor's May Revision.
- **Higher Education.** The 2014-15 budget increased higher education resources by \$39 million for Cal Grant programs—Private and Cal Grant B, and \$30 million for disabled student services programs. In addition, there was a trigger for an

additional \$100 million for maintenance in the event property taxes exceeded the level forecast by the Administration in the May Revision. This additional funding was not triggered.

- **Proposition 98 Education Expenditures.** Under the budget, resources were budgeted to make important new educational investments, including:
 - **Early Childhood Education.** The budget has significant improvements in early childhood education (ECE), through a multiyear investment in early learning and care systems, including restoration of lost slots in current ECE programs, modernized rates for service, increasing pre-kindergarten opportunities for low-income 4-year-olds, and increasing program quality. The budget included \$70 million to increase rates, and \$85 million for facilities and quality grants.
 - **Local Control Funding Formula.** The budget plan set aside an additional \$250 million in Proposition 98 resources above the Governor’s \$4.5 billion to accelerate the full implementation of the Local Control Funding Formula (LCFF). These unrestricted resources provide additional support for local educational agencies program needs in a variety of areas, including the additional contributions required for unfunded liabilities associated with the California State Teachers Retirement System (CalSTRS).
 - **Career Pathways.** Included in the budget is reinvestment in programs meant to build stronger connections between our schools and businesses, to better prepare students for the changing job market by placing a greater emphasis on career-based learning. The approved budget appropriated an additional \$250 million to capitalize the California Career Pathways Trust.
 - **Unpaid Mandates.** The budget provided a down-payment of \$450 million on mandate claims owed to school districts and community colleges, consistent with the Proposition 98 package. These funds can be used as additional resources to support the implementation of the Common Core curriculum.
 - **Pay-down of Deferrals.** The 2014-15 budget incorporated the substance of the Governor’s January K-14 deferral pay-down plan, as adjusted by the May Revision, but reduced the deferral pay down from \$6.2 billion to \$5.2 billion. This reduced the so-called “wall of debt” and eased cash flow for school districts and community college districts. General Fund revenues

received that are above the forecasted amounts would trigger additional deferral payments.

Recent Developments

Since the budget was adopted, there have been several spending adjustments—particularly in the education and health and human services areas—as well as significant improvements from the revenues adopted in the budget. The difference between the adopted and revised current year budget are presented below.

General Fund Expenditures Current Year Adopted and Revised (Dollars in Millions)

Program Area	Adopted 2014-15	Revised 2014-15	Change	Percent Change
K-12 Education	\$44,980	\$47,121	\$2,141	4.7%
Higher Education	\$12,562	\$12,947	\$385	3.1%
Health and Human Services	\$29,652	\$30,490	\$838	2.8%
Corrections and Rehabilitation	\$9,590	\$9,995	\$405	4.2%
Business, Consumer Services, Housing	\$850	\$839	-\$11	-1.3%
Transportation	\$216	\$158	-\$58	-26.9%
Natural Resources	\$2,260	\$2,497	\$237	10.5%
Environmental Protection	\$63	\$78	\$15	23.8%
Labor and Workforce Development	\$303	\$282	-\$21	-6.9%
Government Operations	\$692	\$730	\$38	5.5%
General Government				
Non-Agency Departments	\$715	\$1,267	\$552	77.2%
Tax Relief / Local Government	\$442	\$446	\$4	0.9%
Statewide Expenditures	\$1,088	\$256	-\$832	-76.5%
Legislative, Judicial and Executive	\$2,968	\$3,007	\$39	1.3%
Supplemental ERB Payment	\$1,606	\$1,606	\$0	0.0%
Total	\$107,987	\$111,719	\$3,732	3.5%

Proposed Budget Expenditures and Revenues

Like the current year, the proposed budget incorporates additional, but restrained new programmatic increases. The table below summarizes the Governor's proposed expenditures by program area. The largest changes in expenditure by program area are in higher education, where the Governor proposes funding last year's agreement, and in human services. K-12 education receives a big boost over the three year period, but the large growth in the current year swamps the effect in the budget year. Because the ERBs are paid off in the current year, this results in a large \$1.6 billion expenditure drop.

General Fund Expenditures Current and Budget Year (Dollars in Millions)

Program Area	Revised 2014-15	Proposed 2015-16	Change	Percent Change
K-12 Education	\$47,121	\$47,173	\$52	0.1%
Higher Education	\$12,947	\$14,063	\$1,116	8.6%
Health and Human Services	\$30,490	\$31,929	\$1,439	4.7%
Corrections and Rehabilitation	\$9,995	\$10,160	\$165	1.7%
Business, Consumer Services, Housing	\$839	\$639	-\$200	-23.8%
Transportation	\$158	\$237	\$79	50.0%
Natural Resources	\$2,497	\$2,561	\$64	2.6%
Environmental Protection	\$78	\$68	-\$10	-12.8%
Labor and Workforce Development	\$282	\$265	-\$17	-6.0%
Government Operations	\$730	\$701	-\$29	-4.0%
General Government				
Non-Agency Departments	\$1,267	\$676	-\$591	-46.6%
Tax Relief / Local Government	\$446	\$444	-\$2	-0.4%
Statewide Expenditures	\$256	\$1,251	\$995	388.7%
Legislative, Judicial and Executive	\$3,007	\$3,131	\$124	4.1%
Economic Recovery Bonds Payment	\$1,606	\$0	-\$1,606	-100.0%
Total	\$111,719	\$113,298	\$1,579	1.4%

The Governor's budget proposes some major policy and budgetary changes. Some of the more important aspects of the budget proposal are outlined below:

Education

Funding Levels. The budget proposes to continue investments in both K-12 schools and higher education. Increasing revenues in 2015-16 will result in an additional \$8 billion for Proposition 98 over the three-year period. The key changes in the education area include:

- **K-12 Schools.** Per student funding levels will increase to \$13,562 in 2015-16 from \$13,223 in 2014-15 (and from \$12,248 in 2013-14). Proposition 98 (K-14) funding will increase from \$58.7 billion in 2013-14 to \$63.2 billion in 2014-15 to \$65.7 billion in 2015-16. Rising state revenues means that the state can continue implementing the Local Control Funding Formula (LCFF) ahead of schedule. When the formula was adopted in 2013-14, funding was expected to be \$47 billion in 2015-16. The Budget provides almost \$4 billion more—with the formula instead allocating \$50.7 billion this coming year.
- **Higher Education.** The budget provides continuing additional funding to the state's higher education system to help maintain its quality and affordability. The budget includes stable funding growth designed to eliminate the need for further tuition increases and intends to have community colleges and university systems work together to help ensure students complete their degrees in a timely manner.

Adult Education. The Governor's budget proposes to provide \$500 million in Proposition 98 funding for a new Adult Education Block Grant. In 2013-14 and 2014-15, K-12 districts had a maintenance-of-effort (MOE) requirement to continue to spend the same amount of funding on adult education as in 2012-13. In addition, the 2013 Budget Act provided \$25 million in two-year planning grants to community colleges and K-12 consortia for adult education. This Governor's budget proposal is intended to build off of the last two years and fund adult education programs through regional consortia.

Career Technical Education. The Governor's budget proposes to provide \$250 million in one-time Proposition 98 funding for each of the next three years for a Career Technical Education (CTE) Incentive Grant Program. This program would provide funding for school districts, charter schools, and county offices of education to develop and expand CTE programs. Grantees would be required to provide matching funds and demonstrate positive results on CTE-related outcomes over time.

Priority for funding would be given to regional partnerships. This marks a change from efforts to fund CTE programs in prior years. Specifically, in 2013-14 and 2014-15, K-12 districts had a maintenance-of-effort (MOE) requirement to continue to spend the same amount of funding on CTE as in 2012-13. The 2013 and 2014 budget acts also provided \$250 million each year in one-time Proposition 98 funding for the Career Pathways Trust Program to provide one-time competitive grants for CTE programs.

Health Care

Managed Care Organization Tax. The state's current managed care organization tax offsets \$803 million in General Fund expenditures in 2014-15 and \$1.1 billion in 2015-16. The budget proposes a new, broad-based managed care organization tax that complies with federal law. The new proposal is intended to offset the same amount of General Fund expenditures as the current tax, as well as fund a restoration of the seven percent reduction of IHSS hours required by a settlement agreement for two class-action lawsuits.

Natural Resources

Water Proposals. The budget includes multiple water proposals including a spend-down of Proposition 1E flood funds (\$1.1 billion), allocation of \$532 million from the new water bond (Proposition 1) for various water supply and quality programs, continued funding of the Water Action Plan (about \$14.7 from multiple funding sources), and finally continued drought response (\$115 million, of which \$93.5 million is General Fund) should the Governor declare a continued drought.

Unfunded Liabilities

Retiree Health Benefits. The budget proposes to begin addressing the \$72 billion unfunded liability that exists for retiree health care benefits by phasing in greater employee cost-sharing as labor contracts come up for renewal. It is anticipated that employees and employers would equally share in the prefunding of retiree health costs. Under this plan, retiree health care benefits are preserved and investment returns will help pay for future benefits, to eventually eliminate the unfunded liability by 2044-45.

Budget Reserve

Deposits to the Reserve. As an integral part of the proposal, the budget includes measures that would result in additional reserves for economic uncertainties. The deposit to the Budget Stabilization Account (BSA), redefined by Proposition 2, will total \$1.2 billion. This will result in a balance in the account at the conclusion on 2015-16 of \$2.8 billion, when combined with the existing \$1.6 billion in the BSA.

Budgetary Debt

Wall of Debt Payments. The budget continues to pay down the debt overhang inherited from the prior administration. Under the proposal, \$1.2 billion in Proposition 2 funds will pay off loans from special funds and past Proposition 98 liabilities. In addition, the budget repays the \$1 billion in remaining school deferrals, makes the final payment on the ERBs, and repays \$535 million in mandate reimbursements.

General Fund Revenues

California relies on a broad range of taxes and other revenues to support the activities of the General Fund; however, the personal income tax, sales and use tax, and corporation taxes account for over 96 percent of General Fund revenues. For the budget year, the personal income tax is expected to generate \$75.2 billion (66 percent), the sales and use tax \$25.2 billion (22 percent), and the corporation tax \$10.2 billion (9 percent). For the current year, income taxes are expected to perform strongly. Rapid expansion is expected to occur for the personal income tax, due largely to capital gains realizations and other non-wage income. Even the corporation tax, which has been weak, is expected to recover somewhat. Sales tax is down by \$1.4 billion from the 2014 Budget Act, but grows in the budget year.

Over the three year period, General Fund revenues are up by approximately \$4.1 billion from the 2014 Budget Act. The revised forecast for the prior year, 2013-14 is the first forecast to exceed the pre-recession revenue peak in 2007-08. From the current year to budget year, the major revenue sources are expected to grow by 4.9 percent for the personal income tax, 7.4 percent for the sales and use tax, and 5.8 percent for the corporation tax. Overall year-to-year revenue growth is estimated to be 4.9 percent. The table below presents the state's General Fund revenues for the current and budget year:

General Fund Revenues
Current Year Revised and Budget Year Forecast
(Dollars in Millions)

Revenue Source	2014-15	2015-16	Change	Percent Change
Personal Income Tax	\$71,669	\$75,213	\$3,514	4.9%
Sales and Use Tax	\$23,438	\$25,166	\$1,728	7.4%
Corporation Tax	\$9,618	\$10,173	\$555	5.8%
Insurance Tax	\$2,490	\$2,531	\$41	1.6%
Alcohol Beverage Tax	\$367	\$374	\$7	1.9%
Cigarette Tax	\$84	\$82	-\$2	-2.4%
Motor Vehicle Fees	\$20	\$21	\$1	5.0%
Other Taxes and Fees	\$1,932	\$1,040	-\$892	-46.2%
Subtotal	\$109,648	\$114,600	\$4,952	4.5%
Transfer to Reserve	-\$1,606	-\$1,220	\$386	-24.0%
Total	\$108,042	\$113,380	\$5,338	4.9%

Major Budget Components – Summary by Program Area

Overall Proposition 98 – K-14 Education

Prior- and Current Year Adjustments (resulting in additional one-time funds)

The Governor’s budget estimates that the total Proposition 98 guarantee (K-14) for 2013-14 increased by \$371 million, compared to the level estimated in the 2014 Budget Act. Similarly, for 2014-15, the Governor estimates an increase in the total guarantee of \$ 2.3 billion. Both of these adjustments lead to Proposition 98 “settle-up” obligations, which result in additional one-time resources. (The Governor proposes to use these additional one-time resources primarily to pay off deferrals and reduce the backlog of mandate payments.) The Administration estimates that the Proposition 98 calculation for 2013-14 is a Test 3 calculation and for 2014-15 a Test 1 calculation.

Budget Year – Overall Funding Levels – The Governor’s budget estimates a total Proposition 98 funding level of \$65.7 billion (K-14). This is a \$4.9 billion increase over the 2014-15 Proposition 98 level provided in the 2014 Budget Act. The Administration estimates that the Proposition 98 calculation for 2015-16 will be a Test 2 calculation.

Proposition 98 - K-12 Education – Major Spending Proposals

The Governor’s budget includes a proposed Proposition 98 funding level of \$57.3 billion for K-12 programs. This includes a year-to-year increase of more than \$1.8 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2014-15. Under the Governor’s proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$9,361 provided in 2014-15 to \$9,667 in 2015-16. This 2014-15 proposed funding level in Proposition 98 funds for K-12 reflects a per-pupil increase of three percent, as compared to the revised per-pupil funding level provided for 2014-15. The Governor’s major K-12 spending proposals are identified below.

New K-12 School Finance Formula (Local Control Funding Formula) – The 2013 Budget Act adopted a new way for the state to provide funding to school districts and county offices of education: the Local Control Funding Formula (LCFF). The Governor’s budget proposes an increase of approximately \$4 billion to implement the LCFF. This investment would eliminate about 32 percent of the remaining funding gap between the formula’s current year funding level and full

implementation for school districts and charter schools. County offices of education reached full implementation with the LCFF allocation in the 2014 Budget Act.

Paying Off Deferrals – The Governor’s budget proposes to pay off outstanding payment deferrals a practice used in previous budgets whereby the state would delay the issuance of money to school districts for months after school districts had planned to spend it. The Governor’s budget proposes to end this practice by paying off all payment deferrals, estimated at a cost of \$992 million for K-12 programs and community colleges. For K-12 programs, the Legislative Analyst’s Office estimates the total amount of payment deferrals at \$897 million, all of which would be paid off in the Governor’s proposed budget.

Enrollment and Cost-of-Living Adjustments – The Governor’s proposed budget reflects an estimated decrease in student enrollment in the K-12 system. Specifically, it reflects an increase of \$197.6 million in 2014-15, as a result of an increase in the projected average daily attendance (ADA), as compared to the 2014 Budget Act. For 2015-16, the Governor’s proposed budget reflects a decrease of \$6.9 million to reflect a projected decline in ADA for the budget year. (For charter schools, the Governor’s proposed budget funds an estimated increase in charter school ADA – see “Other adjustments” below.) The proposed budget also provides \$71.1 million to support a 1.58 percent cost-of-living adjustment for categorical programs that are not included in the new LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes cost-of-living adjustments for school districts and county offices of education.

K-12 School Facilities – The Governor’s budget proposes several changes to increase local and state capacity to fund facilities projects in the neediest schools and districts without providing additional funding resources.

- Increase school districts’ ability to fund projects locally by raising the caps on assessed valuation and local bonded indebtedness, establishing consistency in developer fee levels, and expanding the use of restricted routine maintenance funds to include modernization and new construction.
- Target state funding to the neediest school districts by limiting eligibility to schools districts that are unable to issue local bonds in amounts that meet student needs, providing priority for health, safety, and severe overcrowding projects, and establishing a sliding scale for determining the state share of funding based on local funding capacity.

- Increase charter school access to the Charter School Facility Grant Program by reducing the eligibility threshold from 70 to 55 percent of enrollment of students eligible for free or reduced-price meals.

In addition, the Administration proposes to continue the dialogue with the Legislature and stakeholders that began in the current year about the best way to fund school facilities going forward, specifically focused on funding for the highest-need schools and districts and increased local flexibility.

Finally, the Governor's budget proposes \$163 million in one-time Proposition 98 funds for the Emergency Repair Program.

Adult Education – The Governor's budget proposes to provide \$500 million in Proposition 98 funding for a new Adult Education Block Grant. In 2013-14 and 2014-15, K-12 districts had a maintenance-of-effort (MOE) requirement to continue to spend the same amount of funding on adult education as in 2012-13. In addition, the 2013 Budget Act provided \$25 million in two-year planning grants to community college and K-12 consortia for adult education. This Governor's budget proposal is intended to build off of the last two years and fund adult education programs through regional consortia. The Chancellor of the Community Colleges and the Superintendent of Public Instruction would jointly approve the allocation of funds. In 2015-16, the funds would first be allocated to K-12 school districts in the amount of their MOE requirements in previous years and remaining funds would be allocated to regional consortia. In future years, all block grant funding would be allocated to regional consortia. Adult education consortia plans resulting from the two-year planning grants included in the 2013 Budget Act will be provided by March 1, 2015. This proposal is part of the Administration's overall workforce development plan and regional adult education efforts are intended to support occupations with high employment potential.

Proposition 98 Rainy Day Fund – The Governor's budget notes that with the passage of Proposition 2 in the November 4, 2014 general election, a deposit in a Proposition 98 Rainy Day Fund is required under certain circumstances. Related statute requires that in the year following a deposit into this fund, a cap on local school district reserves would be implemented. Although the Administration notes that it is unlikely that fiscal conditions triggering these actions would occur in the near future, they also note a willingness to engage with stakeholder groups who are concerned about the potential caps on school district reserves over the next few months.

Other K-12 Education Budget Proposals

Career Technical Education – The Governor’s budget proposes to provide \$250 million in one-time Proposition 98 funding for each of the next three years for a Career Technical Education (CTE) Incentive Grant Program. This program would provide funding for school districts, charter schools, and county offices of education to develop and expand CTE programs. Grantees would be required to provide matching funds and demonstrate positive results on CTE-related outcomes over time. Priority for funding would be given to regional partnerships. This marks a change from efforts to fund CTE programs in prior years. Specifically, in 2013-14 and 2014-15, K-12 districts had a MOE requirement to continue to spend the same amount of funding on CTE as in 2012-13. The 2013 and 2014 budget acts also provided \$250 million each year in one-time Proposition 98 funding for the Career Pathways Trust Program to provide one-time competitive grants for CTE programs.

Mandate Backlog Reduction – The Governor’s budget proposes \$1.1 billion in discretionary one-time Proposition 98 funding be provided to school districts, charter schools, and county offices of education to offset outstanding mandate debt. The Administration indicated that this investment is intended to allow school districts, charter schools, and county offices of education to continue to invest in implementing state adopted academic standards - Common Core state standards, English Language Development standards and the Next Generation Science standards, upgrade technology, and support new responsibilities under the Local Control Funding Formula.

Technology Infrastructure – The Governor’s budget proposes \$100 million in one-time Proposition 98 funding to support increased broadband infrastructure for schools that have limited internet capacity or are unable to administer the new state assessments online.

Proposition 39 Energy Efficiency Investments – The Governor’s budget proposes to allocate \$368 million in Proposition 39 energy funds available in 2015-16, as follows:

- \$320.1 million to K-12 school districts, for energy efficiency project grants.
- \$39.6 million to community college districts, for energy efficiency project grants.

- \$5.3 million to the California Conservation Corps, to provide technical assistance to school districts.
- \$3 million to the Workforce Investment Board, for continued implementation of job-training programs.

Charter Schools – The Governor’s budget proposes an increase of \$59.5 million in Proposition 98 funds to reflect an increase in charter school ADA.

Child Care and Development

Programs in the early care and education system have two objectives: to support parental work participation and to support child development. Subsidized child care is generally designed for low-income, working families. Families’ incomes must be below 70 percent of the state median income (\$42,000 for a family of three); parents must be working or participating in an education or training program; and children must be under the age of 13. California has, traditionally, guaranteed subsidized child care through a variety of programs, including child care for families that are currently participating in the California Work Opportunity and Responsibility to Kids (CalWORKs) program. The state subsidizes child care for several years, with Stage 1 care provided for families seeking employment; Stage 2 for families who have been deemed “stable” or are transitioning off of cash assistance; and Stage 3, for families who have been off cash assistance for at least two years. Families that formerly participated in CalWORKs are typically guaranteed subsidized child care services, as long as they continue to meet specified income requirements. However, only a portion of non-CalWORKs families receive subsidized child care, and waiting lists are common.

Overall, the budget increases funding for the child care program by \$101 million, an increase of four percent, due to changes in the cost of care in the CalWORKs programs, increases to the Regional Market Rate (RMR), growth, and a COLA.

Regional Market Rate

The regional market rate is the maximum rate the state will pay to reimburse child care providers accepting vouchers. The Budget Act of 2014 allocated \$19.1 million to increase the RMR to the 85th percentile of the 2009 survey, reduced by 10.1 percent. To annualize the increased rates for 2015-16, the Governor’s budget provides an additional \$27.7 million for the four voucher-based programs over current year amounts (including CalWORKs Stage 1).

California State Preschool Program

The Budget Act of 2014 established 4,000 additional full-day State Preschool slots for part of the year. The Governor's budget annualizes these slots by providing roughly \$16 million in Proposition 98 and \$21 million in General Fund support for the slots with wraparound care.

Also, the budget maintains the ongoing \$50 million quality grants for State Preschool, which are allocated on a competitive basis to local education agencies.

Child Care and Development Block Grant

On November 19, 2014, the President signed the reauthorization the Child Care and Development Block Grant, which includes new requirements, such as annualizing licensing inspections; providing health and safety inspections for non-family license-exempt providers, allowing extended income eligibility; providing funding for child care quality activities; and, restructuring professional development for child care providers and staff. Although the state has several years to implement these changes, some policies and practices must be in place by 2016, including compliance inspection policies. The budget anticipates that federal block grant funds may not be sufficient to meet new requirements and maintain current service levels.

Other Adjustments

The budget also includes the following adjustments for 2015-16:

- **Cost-of-living-adjustment (COLA) for the Alternative Payment, General Child Care, State Preschool, Migrant, and Handicapped Programs** – The Governor's budget includes an increase of \$9.2 million Proposition 98 General Fund and \$12.3 non-Proposition 98 General Fund to resumes the COLA, which was suspended for programs from 2008-09 through 2014-15. The budget reflects a 1.58 percent COLA.
- **CalWORKs Stage 2 and Stage 3** – The budget includes an overall year-to-year decrease of \$11.6 million for Stage 2 due to a decrease in caseload (4,988 fewer slots). Stage 3 funding increases \$38.6 million year-to-year due to increases in the average cost of care (independent from the RMR increase) and a slightly higher caseload (1,345 additional slots).

- **Federal Child Care and Development Funds** – The budget includes a decrease of \$14.9 million federal funds to reflect a reduction in carryover funds.

Higher Education

Multi-Year Stable Funding Plan – The Governor’s budget continues to support the four-year investment plan in higher education that started in 2013-14, which assumes additional General Fund support for the University of California (UC), the California State University (CSU), California Community Colleges (CCCs) and Hastings College of the Law.

The multi-year plan assumes a five percent increase for UC and CSU in 2014-15 and a four percent increase in each of the subsequent two years. The continuation of the multi-year plan is predicated on the UC Regents and the CSU Board of Trustees adopting three-year sustainability plans that set targets for key measures, and the expectation that the universities maintain current tuition and fee levels through 2016-17.

State funding for the CCCs is projected to increase by eight percent (General Fund and property taxes) in 2015-16 and the Administration expects that community colleges funding will continue to grow significantly over the next several years, as Proposition 98 resources continue to rebound. The Governor’s budget focuses this increased funding to support student success and to prioritize expanded access in districts where there is the greatest unmet need in the primary missions of the CCCs.

University of California

General Fund Increase – As discussed above, an increase of \$115 million General Fund pursuant to the multi-year funding plan. This increase includes a \$119 million unallocated base increase and a \$4 million base decrease to account for expiring one-time funding provided in 2014-15. The \$119 million increase is contingent upon the university: (1) not increasing tuition from 2014-15 levels; (2) not increasing nonresident enrollment from 2014-15 levels; and, (3) taking actions to control costs.

Committee to Reduce Costs – A committee staffed by the Administration and UC is proposed to develop proposals to reduce costs, enhance undergraduate access, and improve time-to-degree and degree completion. It also would review the role of research and explore the use of technology to enhance education.

Hastings College of the Law

General Fund Increase – An increase of \$1 million General Fund (13 percent). This funding assumes no significant change in enrollment and no increase in tuition.

California State University

General Fund Increase – As discussed above, an increase of \$127 million General Fund pursuant to the multi-year funding plan. This increase includes a \$119 million unallocated base increase and a \$7.6 million base increase attributable to increased lease-revenue debt service costs. This funding is predicated on maintenance of current tuition levels.

Awards for Innovation – Provides \$25 million for one-time funding to reward CSU campuses that develop policies, practices, or systems to improve four-year graduation rates.

Transfer of Developmental Center to the Pomona Campus – Assumes the transfer of the Lanterman Developmental Center to the Pomona campus contingent upon CSU acknowledging that state funds would not be appropriated for the operation, maintenance, or development of the property; and on CSU accommodating the needs of other state departments for a portion of the land.

California Community Colleges

Please see the K-12 Education section of this report for additional information on the overall K-14 Proposition 98 budget.

Investing in Student Success – The budget provides an increase of \$200 million Proposition 98 General Fund to improve and expand student success programs and strengthen efforts to assist underrepresented students. This includes \$100 million to increase orientation, assessment, placement, counseling, and other education planning services. It also targets \$100 million to close achievement gaps in access and achievement between underrepresented student groups and their peers.

Increased Operating Expenses – Provided in the budget is an additional \$125 million Proposition 98 General Fund to increase base allocation funding in recognition of increased community college operating expenses in the areas of facilities, retirement benefits, professional development, converting part time to full-time faculty, and other general expenses.

Enrollment Growth – The budget provides an increase of \$106.9 million Proposition 98 General Fund for growth in general-purpose apportionments, which represents a two percent increase in full-time equivalent enrollment. The 2014 Budget directed the Board of Governors to adopt a growth formula that gives first priority to districts identified as having the greatest unmet need in adequately serving their community’s higher educational needs. This new growth formula is to begin in the 2015-16 fiscal year.

Adult Education Block Grant – The budget provides \$500 million Proposition 98 General Fund to implement the Adult Education Block Grant as discussed in K-12 section.

Apprenticeship Programs – The budget provides \$29.1 million Proposition 98 General Fund for expansion of apprenticeship programs. This includes \$14.1 million to grow existing apprenticeship programs and \$15 million to create innovative apprenticeship demonstration projects that focus on new and emerging industries with unmet labor market demand.

Career Technical Education – As discussed in the K-12 section, the budget provides \$48 million Proposition 98 General Fund one-time to support the Career Technical Education Pathways Program at the Chancellor’s Office. These funds provide resources for community colleges to develop, enhance, and expand career technical education programs that build upon existing regional capacity to meet regional labor market demands.

Enhanced Non-Credit Rate Change – The budget provides \$49 million Proposition 98 General Fund to reflect an increase adopted with the 2014 Budget in the funding rate for career development and college preparation non-credit courses (also known as CDCP or enhanced non-credit) to equal the rate provided for credit courses. Career development and college preparation non-credit courses offer flexibility for community colleges to design and deliver courses better suited for students pursuing career technical education. The lower funding rate, along with the higher cost of career technical education, serve as barriers to many community colleges offering career development and college preparation instruction in a manner that best supports student success.

Mandate Backlog Payments and Deferrals – The budget provides an additional \$353.3 million Proposition 98 General Fund to continue paying down outstanding mandate claims by community colleges. These payments will further reduce

outstanding mandate debt, while providing community colleges with one-time resources to address deferred maintenance at facilities, instructional equipment needs, and other one-time costs. The budget also provides \$95 million to pay off remaining deferrals.

Cost of Living Adjustment – Proposes \$93 million for a cost-of-living adjustment of 1.58 percent.

Student Financial Aid

Middle Class Scholarship – Includes \$45 million for the second year of implementation of the middle class scholarship, as required by statute. This scholarship provides grants to cover a portion of tuition for students at CSU and UC with family incomes up to \$150,000.

Cal Grant Program Growth – Provides \$69 million in 2014-15 and an additional \$129 Million in 2015-16 for increased Cal Grant costs. About 40 percent of the total increase is related to continued implementation of the California Dream Act. Increased participation at all segments and improvements in grant award processes account for the remaining increase.

Funding to Backfill Expiration of Federal Grant – The federal College Access Challenge Grant expires in 2015. The grant currently supports outreach through the California Student Opportunity and Access Program (Cal-SOAP) and Cash for College Programs and offsets a portion of General Fund support for loan assumption programs. The Governor’s budget includes \$15 million in state funds to continue supporting these programs.

Grant Delivery System Improvements – Provides \$840,000 and three positions to begin the process of modernizing the commission’s information systems for awarding grants.

Resources and the Environment

Cap-and-Trade Revenues – Proposes to invest \$1 billion of cap-and-trade auction revenue proceeds consistent with the current-year funding proposal, as follows: (1) \$400 million for transportation funding, including \$250 million for High-Speed Rail, \$50 million for low carbon transit operations programs, and \$100 million for transit and intercity rail capital projects; (2) \$200 million to the Strategic Growth Council for sustainable communities and affordable housing; (3) \$200 million to the Air Resources Board for low carbon transportation; (4) \$110 million for energy efficiency and clean energy, including funding for water efficiency, weatherization programs and agricultural energy efficiency; (5) \$42 million for fire prevention and urban forestry; (6) \$25 million for waste diversion; and, (7) \$25 million for wetlands and watershed restoration.

Climate and Energy Policy Reforms – Proposes to develop a midterm greenhouse gas reduction target for 2030 with input from stakeholders and the Legislature. No corresponding budget proposal is described.

Flood Funding (Proposition 1E) – Proposes to allocate \$1.1 billion (all remaining funds from the bond) to support flood protection activities, consistent with the existing allocation recommendations provided by the Central Valley Flood Protection Plan.

Proposition 1 (Water Bond) – Proposes allocation of \$532.5 million, in accordance with the bond categories, to various state and local entities, for increased water efficiency and water-related projects.

Water Action Plan – Proposes \$2.2 million (General Fund) and \$1.8 million (Water Rights Fund) to enhance stream flows that support critical habitat; \$6.7 million (General Fund) and \$2.6 million other funds to coordinate and implement the various state and federal delta-related plans; and, \$1.4 million (General Fund) to improve water management and streamline water transfers.

Continued Drought Response – Proposes to include, should drought conditions continue, \$115 million (\$93.5 General Fund), on a one-time basis, in a manner similar to current-year drought emergency allocations for enhanced firefighting, fish and wildlife emergencies, water resources management and education, food assistance, water rights enforcement and drinking water projects, and disaster guidance and recovery.

Department of Toxic Substances Control – Proposes increases of: (1) \$1.6 million (Hazardous Waste Control Account) to improve permitting and reduce the backlog of permit applications; and, (2) \$840,000 (Toxic Substances Control Account) to support pilot projects to address hazardous wastes generated mainly in disadvantaged communities.

Environmental License Plate Fund Shortfall – Reduces baseline funding and shifts current-year funding proposals, including the Fourth Climate Assessment, to the budget year, to address a current-year shortfall of \$3 million. Budget solutions of \$4.6 million are proposed in order to rebuild a fund balance.

State Parks Operations and Deferred Maintenance – Proposes to continue one-time State Parks and Recreation Fund increases to maintain existing park service levels throughout the state. The current-year budget provides a one-time \$14 million increase over baseline. The budget proposes a one-time \$16.8 million increase over baseline. Additionally, the budget proposes \$20 million (General Fund) for critical infrastructure and deferred maintenance.

State Parks and Recreation Reform – Proposes \$3 million (State Parks and Recreation Fund) for a team of experts from both outside and inside the department to implement the reforms proposed by Parks Forward and others.

CalFIRE Helicopter Replacement – Advises that the department will begin a competitive procurement process to replace its existing fleet of helicopters. No funding is provided since the competitive process must be completed prior to budget allocation.

Payment in Lieu of Taxes – Proposes \$664,000 (General Fund) for in-lieu fee payments to counties. These fees compensate local governments for the property tax revenue that would have otherwise been collected had state-owned properties remained in private ownership (mainly wildlife refuges and mitigation properties). This payment has been suspended since 2002.

State Network of Fairs Contributions – Proposes a one-time allocation of \$7 million (General Fund) for deferred maintenance at California fairs. Proposes \$3.1 million (General Fund), ongoing, to assist with fair operations and to improve the financial stability of smaller fairs statewide.

California Animal Health and Food Safety Laboratory Network – Proposes \$4.3 million (General Fund), to meet the operational needs of the South Valley Animal Health Laboratory in Tulare and to increase the efficacy of the network.

Local Coastal Programs – Provides \$3 million (Proposition 40), available over three years, to continue grants to local governments to help complete Local Coastal Programs as required by the California Coastal Act of 1976.

Marijuana Cultivation Enforcement – Provides \$1.5 million (General Fund) to the State Water Resources Control Board to develop a marijuana cultivation enforcement team.

Transportation

Department of Transportation Funding – Provides for total expenditures of \$10.5 billion for the department, including \$9.8 billion for highway transportation. The primary sources of funding for the department are federal funds, plus state taxes on gasoline and diesel fuel, and vehicle weight fees (about \$8.2 billion), with additional funds from Proposition 1B bonds (about \$522 million), and reimbursements from local governments (about \$1.6 billion).

Strategies to Increase Long-Term Funding for Maintenance and Repairs – Provides five positions and \$9.4 million to implement a Road Usage Charge pilot program. Proposes trailer bill language to allow for more toll roads by creating new high-occupancy toll (HOT) lane projects, as well as converting existing HOT lanes to toll lanes. Discusses the need for new funding solutions that could include new local-option revenues and expanded weight fees.

Transit Funding – For transit operations provides about \$388 million from the sales tax on diesel fuel. Also, \$50 million in cap-and-trade funds is available for low carbon transit operations. For transit capital expenditures, the budget provides \$150 million in Proposition 1B funds. For transit and intercity rail capital expenditures, \$100 million from cap-and-trade revenues is provided through a competitive grant program.

Advanced Mitigation – Proposes to implement an advanced mitigation program to offset the impacts of construction and rehabilitation projects on the state transportation system. No additional resources are proposed.

Greening the Caltrans Fleet for Air Quality – Provides \$12 million for Caltrans to replace its existing equipment with new, more environmentally-efficient equipment to

achieve air quality targets adopted by the Air Resources Board for all heavy duty equipment.

Better Management of Existing Highway Capacity – Provides \$6.6 million and 22 traffic operations and 40 maintenance positions to maintain and improve existing transportation management system elements and communication links on the state highway system. Also, a proposed pilot project will measure the effectiveness of these on two primary north and south corridors.

Relinquishment of State Highway Routes Serving Local Purposes – Proposes legislation to broaden and streamline the state process for relinquishing to localities portions of the state highway that serve local or regional purposes. Additional relinquishments can reduce the state’s long-term maintenance costs.

Project Initiation Document Program – Provides \$3.4 million and 25 positions to support an additional \$800 million in state and local work including an increase of \$300 million to fund major repairs to the state highway system and to increase locally-sponsored reimbursement work. These resources also will create a \$500 million shelf of projects that can be quickly advanced should additional funding for projects become available.

High-Speed Rail – Provides capital outlay funding of \$1.7 billion (\$1.2 billion in federal funds, \$250 million in cap-and-trade funds, and \$224 million in Proposition 1A bond funds) to begin construction of the first section of the high-speed rail system extending from Madera to near Bakersfield. Proposes \$1.1 billion to provide funds to local agencies for local/regional components of the high-speed train system.

Department of Motor Vehicles – Provides \$57.1 million to continue the implementation of Senate Bill 60 (Alejo), Chapter 524, Statutes of 2013, which requires DMV to issue a driver’s license to residents who are unable to submit satisfactory proof that their presence in the United States is authorized under federal law. Also, proposes a mechanism to increase DMV resources, if necessary, to implement this statute.

Loan Repayment to the Motor Vehicle Account (MVA) – Provides \$300 million General Fund for repayment of a loan made in 2012-13 from the MVA to the General Fund.

California Highway Patrol – Provides \$84 million in capital outlay funding to continue the replacement of five facilities in Crescent City, Quincy, San Diego, Santa Barbara, and Truckee.

Health and Human Services

The Governor's budget includes a total of \$142 billion (\$31 billion General Fund and \$89.2 billion other funds) for health and human services that serve low-income, vulnerable individuals and families.

Health

Department of Health Care Services (DHCS)

The budget proposes \$98 billion (\$19 billion General Fund) for DHCS.

Medi-Cal Program - The budget proposes total expenditures of \$95.4 billion (\$18.6 billion General Fund) for 2015-16. This is a 4.3 percent increase in General Fund spending from the prior year. It is projected that Medi-Cal will serve about 12.2 million Medi-Cal eligible individuals, an increase in caseload of about 2.1 percent, primarily due to the implementation of federal health care reform under the Affordable Care Act (ACA). It is estimated that approximately 32 percent of the state's total population will be enrolled in Medi-Cal.

The budget assumes net costs of \$2 billion (\$943.2 million General Fund) in 2015-16 to provide for the mandatory Medi-Cal expansion and \$14.3 billion federal funds in 2015-16 for the optional Medi-Cal expansion. The federal government has committed to pay 100 percent of the costs of the optional expansion for the first three years; by 2020-21, the federal share will decrease to 90 percent and the state will pay 10 percent.

Managed Care Organization Tax - The state's current managed care organization tax offsets \$803 million in General Fund expenditures in 2014-15 and \$1.1 billion in 2015-16. The budget proposes a new, broad-based managed care organization tax that complies with federal law. The new proposal is intended to offset the same amount of General Fund expenditures as the current tax, as well as fund a restoration of the seven percent reduction of In-Home Supportive Services (IHSS) hours required by a settlement agreement for two class-action lawsuits.

Recent federal guidance indicates that the state's current tax on managed care organizations is inconsistent with federal Medicaid regulations and will not be allowed after its expiration in 2016.

Behavioral Health Treatment - The budget includes \$190 million (\$89 million General Fund) in 2014-15 and \$320 million (\$151 million General Fund) in 2015-16 for behavioral health treatment (BHT) services for individuals with Autism Spectrum Disorder up to 21 years of age. SB 870 (Committee on Budget and Fiscal Review), Chapter 40, Statutes of 2014, requires DHCS to implement BHT services (including Applied Behavioral Analysis) in Medi-Cal to the extent required by the federal government. In July 2014, the federal government required BHT services be covered under Medicaid Early and Periodic Screening, Diagnosis and Treatment requirements.

High-Cost Drugs - The budget reserves \$300 million General Fund (\$100 million in 2014-15 and \$200 million in 2015-16) for the costs associated with several new Hepatitis C drugs for inmates in state prisons, patients in state hospitals, and participants in Medi-Cal and the AIDS Drug Assistance Program who are infected with Hepatitis C. The Administration also indicates it will convene a workgroup of affected entities, including sheriffs and the Receiver, to address the state's approach regarding high-cost drug utilization policies and payment structures.

County Medi-Cal Administration - The budget includes an additional \$150 million (\$48.8 million General Fund) in 2014-15 for county workers to conduct Medi-Cal eligibility work on behalf of the state as a result of the increase in Medi-Cal caseload since implementation of the ACA and the delays in automating the eligibility process. The budget also continues the increase of \$240 million (\$78 million General Fund) that counties have received in the last two years to implement the ACA. The Administration indicates that once the eligibility automation system stabilizes, the state will conduct time studies to design a new Medi-Cal county administration budgeting methodology.

Skilled Nursing Facility Quality Assurance Fee - The budget assumes continuation of the skilled nursing facility quality assurance fee (QAF) for an additional five years with annual rate increases of 3.62 percent beginning in August 2015. Current law authorizes this QAF until July 31, 2015 and provided for a three percent increase in reimbursement rates in 2013-14 and 2014-15.

President's Executive Action on Individuals Having Permanent Residence under Color of Law (PRUCOL) Status - The budget does not assume any higher costs for individuals that may be recognized as having PRUCOL status and eligible for Medi-Cal as a result of the President's executive actions. The Administration indicates that there is great uncertainty at this time regarding the effect of the President's actions. In November, the President announced several executive actions intended to allow

certain undocumented immigrants to pass a criminal background check and pay taxes in order to temporarily stay in the U.S. without fear of deportation.

Medi-Cal Provider Payment Reductions - The budget proposes no changes to the implementation of AB 97 (Budget Committee), Chapter 3, Statutes of 2011, which enacted Medi-Cal provider payment reductions. The budget includes an additional \$130 million General Fund for the exemptions enacted in the 2014 Budget Act (these exemptions included high-cost prescription drugs, specialty physician services, certain distinct-part nursing facilities, and nonprofit pediatric dental surgery centers).

Annual Open Enrollment - The budget proposes to institute an annual 90-day time period for when certain non-disabled Medi-Cal beneficiaries enrolled in managed care plans can change their health plan. This change results in General Fund savings of \$1.6 million in 2015-16.

Pediatric Palliative Care - The budget proposes to expand the pediatric palliative care pilot project to an additional seven counties resulting in General Fund savings of \$1.4 million in 2015-16. The current 11-county pilot minimizes hospitalization by allowing access to in-home palliative care for children with life-threatening illnesses.

Coordinated Care Initiative (CCI) - The budget includes a net General Fund savings of \$173.8 million in 2015-16 as a result of CCI, including the General Fund savings from the sales tax on managed care organizations. Without the tax revenue, CCI would have a General Fund cost of \$399 million in 2015-16. According to the Administration, because of certain factors (e.g., a higher than anticipated opt-out rate and the recent guidance from the federal government regarding the managed care organization tax), CCI could result in net costs to the state in 2016-17 and beyond. If these factors are not improved by January 2016, the CCI would cease operating effective January 2017. The Administration indicates that it remains committed to implementing CCI to the extent that it can continue to generate program savings.

Limited Benefit Programs - The budget proposes to require individuals in several state health programs (e.g., the Genetically Handicapped Persons Program and Every Woman Counts) that do not qualify as comprehensive coverage to seek coverage offered through Covered California or Medi-Cal in order to maintain eligibility for these programs. The budget does not assume any savings or costs associated with this proposal.

Medi-Cal 1115 Waiver - California's current Medi-Cal 1115 Waiver expires in October 2015. DHCS is undertaking a stakeholder process to discuss the renewal of this waiver. The Administration assumes continuation of the funding available in the existing waiver and plans to update the waiver assumptions as part of the May Revision.

Department of Public Health (DPH)

The budget proposes \$3.1 billion (\$120 million General Fund) for DPH.

Licensing and Certification of Health Facilities - The budget includes an additional \$21.8 million in special funds and 237 positions for 2015-16 to meet mandated state and federal licensing and certification workload and implement quality improvement projects within the program. The budget also includes \$9.5 million in special funds to augment the Los Angeles County contract to allow the county to complete high-priority federal and state workload, as well as \$378,000 in special funds and three state positions to provide on-site oversight, training, and quality improvement activities in Los Angeles County.

Food Safety. The budget includes two proposals to improve the oversight of food safety: (1) \$716,000 special fund and four positions to implement food safety transportation enforcement activities as a result of a court judgment; and, (2) \$804,000 special fund and six positions to review new applications and conduct statutorily-required inspections of food processors and distributors.

Gaming Education and Treatment Services - The budget includes \$5 million special fund and two positions to make the California Gaming Education and Treatment Services regional pilot program permanent to address problem gambling.

Emergency Medical Services Authority

The budget proposes \$32 million (\$1.8 million General Fund) for the Emergency Medical Services Authority.

Medical Emergency Response - The budget includes an increase of \$500,000 General Fund and two positions for medical emergency response activities.

Human Services

Developmental Services

The Department of Developmental Services (DDS) estimates the number of persons with developmental disabilities receiving services and supports in the community to increase from 278,593 in the current year to an estimated 288,317 in the budget year. It is estimated 951 individuals will reside in state developmental centers by the end of 2015-16, down from 1,143 as of January 7, 2015. The Governor proposes an overall 2015-16 budget for DDS of \$5.7 billion (\$3.3 billion General Fund), a net increase of \$246 million (4.5 percent) over the updated current year budget.

Developmental Centers – The Governor’s budget increases funding for the developmental centers by \$34.7 million (\$33.6 million General Fund) in the current year, for a total budget of \$562.9 million (\$309.6 million General Fund); and decreases funding by \$47.7 million (\$29.8 million) in the budget year, for a total budget of \$515.2 million (\$279.8 million General Fund).

- **Porterville Incompetent to Stand Trial (IST) Bed Expansion** – The Governor’s budget proposes \$9 million General Fund and 92.3 positions in the current year, and \$18.0 million General Fund and 184.5 positions in 2015-16, to increase capacity in the Secure Treatment Program (STP) by 32 beds.
- **Decertification Costs** – The Governor’s budget includes an \$11.9 million (\$7.5 million General Fund) increase, and 119.7 positions in the current year; and \$12.2 million (\$6.5 million General Fund) and 179.5 positions in the budget year, for ongoing costs related to the continued implementation of Program Improvement Plans (PIPs) at Fairview and Porterville developmental centers, which DDS determines is necessary to bring intermediate care facilities at these centers into compliance with federal certification requirements.

Additionally, the Governor’s budget provides an increase of \$8.8 million General Fund to backfill for lost federal funding due to the voluntary decertification of four intermediate care facility (ICF) units at Sonoma Developmental Center (DDS voluntarily decertified these units, and agreed to an improvement plan, in order to maintain certification for seven other ICF units). In July, DDS lost federal certification of these seven units due to insufficient progress in program improvement. DDS has appealed this decision and the Governor’s budget assumes recertification will occur in February 2015. However, should DDS lose its appeal,

the General Fund will have to backfill approximately \$34.5 million in lost federal funds in 2014-15, growing to \$43 million in 2015-16.

- **Population Adjustments** – The Governor’s budget assumes a decrease of \$12.0 million (\$6.6 million General Fund) for population staffing adjustments in the budget year (excluding Lanterman Developmental Center).
- **Lanterman Post Closure Adjustments** – The Governor’s budget proposes a decrease of \$46.3 million (\$23.9 million General Fund) associated with the closure of Lanterman Developmental Center, and the proposed transfer of the property to California State Polytechnic University, Pomona on July 1, 2015.
- **Employee Compensation and Staff Benefit Contribution Increases** – The Governor’s budget proposes a \$13.3 million increase (\$8.0 million General Fund) in the current year, and a \$13.2 million increase (\$7.9 million General Fund) in the budget year, due to employee compensation adjustments approved through the collective bargaining process, and increases in retirement and other staff benefit employer contribution rates.
- **Various Baseline Adjustments** – The Governor’s budget proposes an increase of \$0.5 million (\$0.3 million General Fund) in the current year, and an increase of \$0.3 million General Fund in the budget year, as a net adjustment for various appropriation items within the developmental center budget.
- **Replacement of the Sonoma Creek Pump Station Intake System at Sonoma Developmental Center** – The Governor’s budget provides \$1.6 million General Fund for preliminary plans and working drawings.
- **Developmental Center Infrastructure Plan** – Included in the Governor’s Five-Year Infrastructure Plan (plan) document, released in conjunction with the 2015-16 state budget, the Administration proposes a total of \$7.9 million, including \$802,000 for preliminary plans and working drawing to upgrade the fire alarm system at Porterville Developmental Center. The plan notes that DDS is undertaking infrastructure studies that may identify future capital outlay projects at the developmental centers.

Community Services Program – The Governor’s budget increases funding for services and supports provided or secured by regional centers by \$158.8 million (\$102.2 million General Fund) in the current year, for a total budget of \$4.8 billion (\$2.8 billion General Fund); and an increase of \$452.0 million (\$332.7 million

General Fund) in the budget year, for a total budget of \$5.1 billion (\$3.0 billion General Fund).

- **Caseload and Utilization** – The Governor’s budget provides a \$110.8 million increase (\$56 million General Fund) to reflect caseload and utilization growth in the current year, including higher than anticipated enrollment in the federal Home and Community-Based waiver. For 2015-16, the budget proposes an increase of \$308.8 million (\$236.5 million General Fund).
- **Restoration of Unrealized Savings from Senate Bill 946 (Steinberg), Chapter 650, Statutes of 2011** – The Governor’s budget provides a \$44.3 million General Fund increase in purchase-of-services (POS) in the current year, and a \$44.3 million General Fund in the budget year, to reflect projected savings that are not anticipated to be realized related to the requirement that health care insurers provide coverage for behavioral health treatment to persons with pervasive developmental disorders or autism.
- **Federal Labor Regulations** – The Governor’s budget provides a \$3.7 million increase (\$1.9 million General Fund) in the current year, and a \$24.4 million increase (\$13.1 million General Fund) in the budget year, reflecting an update of the costs related to implementation of federal overtime requirements, based upon updated expenditure data. (DDS has recently notified regional centers and providers that the 5.82 percent rate increase for some services, associated with these federal regulations, has been stayed until January 15, 2015, pending the outcome of a federal district court hearing).
- **Minimum Wage increase** – The Governor’s budget provides \$64.2 million (\$36.6 General Fund) in the budget year to reflect an increase in the minimum wage from \$9.00 to \$10.00, effective January 1, 2016.
- **Paid Sick Leave** – The Governor’s budget provides \$25.3 million (\$16.2 million General Fund) in the budget year to reflect costs associated with the enactment of Assembly Bill 1522 (Gonzalez), Chapter 317, Statutes of 2014.
- **Provision of Behavioral Health Treatment (BHT) services as a Medi-Cal benefit through the Department of Health Care Services** – The Governor’s budget assumes a \$2.0 million decrease in purchase-of-services funding to reflect the provision of Medi-Cal BHT services through DHCS.

Department of Social Services

The Department of Social Services (DSS) serves and protects vulnerable children and adults through programs such as CalWORKs, CalFresh, In-Home Supportive Services, Child Welfare Services, Community Care Licensing, and Supplemental Security Income/State Supplementary Payment (SSI/SSP). The budget includes \$20.3 billion (\$7.2 billion General Fund), an increase of \$244.7 million General Fund.

California Work Opportunity and Responsibility to Kids (CalWORKs)

The CalWORKs program provides temporary cash assistance and welfare-to-work services to low-income families with children. Over the last several years, the program has sustained very significant reductions, including a decrease from 60 to 48 months in the amount of time adults can receive assistance in a lifetime and additional restrictions that will result in some adults losing all assistance after 24 months. The Governor proposes an overall 2015-16 budget of \$5.8 billion in federal, state, and local funds for the program and estimates a caseload of 533,000 families (a decrease of 0.6 percent).

- **Maximum Aid Payment (MAP) Levels** – In addition to the five percent MAP level increase effective April 1, 2014, the 2014 Budget Act also increased levels by five percent. The Governor’s budget reflects full year cost (\$174.6 million) to be funded by 1991 Realignment growth funds in the Child Poverty and Family Supplemental Support Subaccount (\$101.3 million) and a \$73.3 million General Fund augmentation. The Governor’s budget notes that future grant increases will be based on subsequent revenue analysis and caseload estimates.

In-Home Supportive Services (IHSS)

The IHSS program provides personal care and domestic services to low-income individuals who are aged, blind, or have disabilities, and assists individuals to remain safely in their homes and prevent institutionalization. Previously enacted budgets included major reductions to the IHSS program, including an eight percent reduction, from July 1, 2013, to June 30, 2014, in authorized hours of service to each IHSS recipient; and, beginning July 1, 2014, a seven percent reduction in authorized hours. The budget includes \$8.2 billion (\$2.5 billion General Fund), a 14.4 percent increase, and estimates a 463,000 person caseload in 2015-16.

- **Fair Labor Standards Act** – The U.S. Department of Labor’s Fair Labor Standards Act (FLSA) regulations require overtime pay for domestic workers and payments for activities that were not previously eligible for compensation, such as travel time between multiple recipients, wait time associated with medical accompaniment, and time spent in mandatory provider training. The Budget Act of 2014 recognized these new regulations, thought to be effective January 1, 2015, and allocated funds to cover implementation of federal requirements. On December 31, 2014, a federal district court determined that a portion of the regulations exceeded the Department of Labor’s authority and delayed implementation of the regulations. California’s implementation of FLSA, such as limiting providers to a 61-hour workweek (66-hour workweek minus the current seven-percent reduction in service hours) and paying for IHSS provider travel time between multiple recipients, is delayed pending further action by the federal court.
- **Restoration of Cuts to Service Hours** – The Governor’s budget proposes to restore the current seven-percent across-the-board reduction in service hours, estimated at a cost of \$438.1 million, with a portion of revenues from the new tax on managed care organizations effective July 1, 2015. For more information on the tax, please see the Health Section of this report.
- **Case Management, Information, and Payrolling System II (CMIPS II)** – The budget includes an increase of \$48.8 million (\$24.7 million General Fund) in 2014-15 to fund an increase in CMIPS II costs, primarily driven by FLSA statutory changes.

Child Welfare Services: Continuum of Care Reform

SB 1013 (Budget and Fiscal Review Committee), Chapter 35, Statutes of 2012, authorized the Continuum of Care Reform (CCR) effort to develop recommendations to the state’s current rate setting system, and to services and programs that serve children and families in the continuum of Aid to Families with Dependent Children-Foster Care (AFDC-FC) eligible placement settings. Specifically, the reform is looking to build on past system improvements, such as kinship guardian programs to help increase long-term family care, extended foster care supports through age 20, and wraparound mental health services to support successful reunifications. Reform recommendations were due October 2014, but the report is being released concurrently with the Governor’s budget. The report includes 19 recommendations, and the budget includes \$9.6 million (\$7 million General Fund) to fund two of these

recommendations: increase foster parent recruitment, retention, and training efforts; and to increase foster family agency social worker rates.

Community Care Licensing

With a total proposed budget of about \$118 million (approximately \$36 million General Fund), the Community Care Licensing (CCL) Division in the Department of Social Services (DSS) oversees the licensure or certification of approximately 66,000 licensed community care facilities, and has responsibility for protecting the health and safety of individuals served by those facilities. CCL licenses facilities, such as childcare centers, family childcare homes, foster family and group homes, adult residential facilities, and residential care facilities for the elderly. CCL does not license skilled nursing facilities, which instead, are licensed by the Department of Health Care Services; or facilities that provide alcohol and other drug treatment.

The budget includes \$3 million General Fund and 28.5 positions to address a backlog of complaint cases, expand training, and provide technical assistance. The budget also outlines future plans to increase inspection frequency, specifically:

- Beginning January 2017, DSS will increase inspection frequency to every three years for all facilities;
- By 2018, every two years, except child care; and,
- By 2019, annual inspections for adult day care and residential care facilities for the elderly.

The Governor's budget notes ongoing staffing costs of around \$14 million.

Other

SSI/SSP – The Supplemental Security Income/State Supplementary Payment (SSI/SSP) program provides monthly cash assistance to eligible individuals who are aged, who have visual impairment or are blind, or who have disabilities. The estimated caseload for the SSI/SSP program is 1.3 million recipients (27 percent aged; two percent persons who are visually impaired or blind; 71 percent persons with disabilities). The Governor's budget includes \$2.8 billion General Fund for the SSI/SSP program.

The federal Social Security Administration, which administers the federal SSI program, makes annual cost-of-living adjustments to the SSI portion of the grant. The budget includes an estimated growth factor of 1.7 percent in 2015 and 1.5 percent in

2016 for the SSI portion of the grants. The budget also assumes a corresponding increase in costs for benefits under the state-only Cash Assistance for Immigrants (CAPI) program. Effective January 2015, maximum SSI/SSP grant levels are \$881 per month for individuals and \$1,483 per month for couples; in January 2016, the grants levels will increase by \$11 and \$16 for individuals and couples, respectively. CAPI benefits are the same levels as SSI/SSP grants, less \$10 per month for individuals and \$20 per month for couples.

State Utility Assistance Subsidy – Previously, DSS, in partnership with the Department of Community Services and Development (CSD), provided all CalFresh recipients a nominal federal Low-Income Home Energy Assistance Program (LIHEAP) benefit (\$0.10 annually), which entitled the household to the Standard Utility Allowance (SUA) for purposes of determining the monthly food stamp benefit amount. On February 7, 2014, President Obama signed H.R. 2642, the Agricultural Act of 2014 (the Farm Bill), which requires participating states to provide an annual subsidy greater than \$20 to trigger SUA eligibility.

The Budget Act of 2014 created a state-funded energy assistance program to comply with the mandates of the federal Farm Bill, providing the \$20.01 payment to those households who would receive additional CalFresh benefits due to LIHEAP. The Governor’s budget includes \$92 million General Fund for this state-funded energy assistance subsidy for CalFresh recipients, providing around 320,000 CalFresh households an additional \$62 in monthly CalFresh benefits.

Administration for Children and Families (ACF) Appeal – California was assessed a \$50 million repayment for a noncompliance issue from 2000 to 2001. The budget provides that the state was substantially in compliance and/or in full compliance with the federal rule for many years, and has appealed the issue. Currently, ACF is considering the appeal.

Interagency Child Abuse and Neglect Investigation Reports Grants – The budget includes \$4 million General Fund to support an optional county grant program to report instances of suspected child abuse or neglect to local law enforcement agencies.

General Government and Local Government

Office of Planning and Research (OPR) – Proposes a \$70.8 million increase (Greenhouse Gas Reduction Fund) to support efforts related to sustainable development, the Strategic Growth Council, the state’s greenhouse gas emissions goals, and to provide assistance to local and regional governments.

Office of Emergency Services (OES) Railroad Safety – Includes \$10 million Regional Railroad Accident Preparedness and Immediate Response Fund for OES to coordinate with local agencies to better prepare for, and respond to, emergencies involving hazardous materials transported by railroad tank cars.

Office of Emergency Services (OES) Drought Response – Proposes \$4.4 million General Fund for the State Operations Center to provide communities with technical guidance and disaster recovery support related to the drought.

California Military Department (CMD) – Proposes an \$8.9 million increase in General Fund to support the construction of the Military Department’s Consolidated Headquarters Complex located in Sacramento.

Department of Technology (IT) – Continues reforms on the state’s technology acquisition process. The second stage of the information technology acquisition process will be effective on July 1, 2015 and will require departments to consider a variety of solutions, including business process changes and IT system development that will meet stated business needs. Stages three and four are currently being refined by the Department of Technology and will be presented to the Legislature during the budget year.

Unemployment Insurance (UI) – Includes a decrease of \$28 million in 2014-15, and a decrease of \$260 million in 2015-16, for UI benefit payments administered by the Employment Development Department (EDD), based on current economic conditions. The Governor’s budget also includes a decrease of \$103 million in 2014-15 and an increase of \$278.3 million in 2014-15 for Disability Insurance benefit payments.

Workforce Investment Act (WIA) – Includes an increase of \$15.4 million in federal funds in 2014-15 for the Governor’s discretionary WIA programs and rapid response activities due to an increase in discretionary funds from 5 percent to 8.75 percent of the federal allotment. The budget also includes a decrease of \$31.6 million in

2014-15 for WIA local assistance to align spending authority with available federal resources and adjust the local allocation based on the new discretionary formula.

Retiree Health Unfunded Liability – Proposes to begin addressing the \$72 billion unfunded liability that exists for retiree health care benefits by phasing in greater employee cost-sharing as labor contracts come up for renewal. It is anticipated that employees and employers would equally share in the prefunding of retiree health costs. Under this plan, retiree health care benefits are preserved and investment returns will help pay for future benefits, to eventually eliminate the unfunded liability by 2044-45.

Employee Compensation – Provides an additional \$560 million (\$200 million General Fund) to fund collective bargained employee salary increases and anticipated 2016 calendar year health care premium increases.

Employee Retirement – Estimates approximately \$5 billion in total funding for state employee pensions in 2015-16. These costs include the impact of the demographic assumptions by the CalPERS Board in February 2014, which reflect a mortality increase of 2.1 years for males and 1.6 years for females.

Redevelopment Agencies – Provides for additional legislation that would meet the following objectives: minimize the potential erosion of property tax residuals being returned to the local affected taxing entities while transitioning the state from detailed review of enforceable obligations to a streamlined process; clarify and refine various provisions in statute to eliminate ambiguity, where appropriate, and make the statutes operate more successfully for all parties; and maintain the wind-down of former RDA activities while adding new incentives for substantial compliance with the law.

State Reimbursable Mandates – The budget continues the suspension of most mandates not related to law enforcement or property taxes. The 2014 Budget Act made a \$100 million repayment on pre-2004 mandate debt owed to counties, cities, and special districts. For the remaining \$800 million pre-2004 mandate debt, the 2014 Budget Act includes a trigger mechanism that will be used if estimated General Fund revenues for the 2013-14 and 2014-15 fiscal years exceed the estimate for those same revenues. Additional revenues, up to \$800 million, will pay down the remainder of the state's pre-2004 mandate debt. The budget assumes the trigger mechanism will result in a \$533 million payment toward the mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.

- **Funded Mandates** – In June 2014, California voters approved Proposition 42 which placed the Public Records Act in the Constitution and removed the state’s ongoing responsibility to fund the Public Records Act mandate. The budget makes a one-time payment of \$9.6 million to fund the costs local agencies accrued from 2001 to 2013 performing activities under the Public Records Act mandate.
- **Interagency Child Abuse and Neglect Investigation Reports Mandate** – The budget suspends this mandate because these activities are long-established and involve the agencies’ core missions. The budget creates a \$4 million optional grant program, administered by the Department of Social Services, as a substitute funding mechanism for these activities.

Bond Debt Service – General Fund debt service expenditures, after various other funding offsets, will increase by \$339 million (6 percent), to a total of \$6 billion, over the current year expenditures. This increase is comprised of \$258.9 million for General Obligation (GO) debt service (\$5.4 billion total), and \$53.2 million for lease-revenue bonds (\$657.4 million total). The increase is attributed to recent bond sales and the planned issuance of additional bonds over the next year.

California Five-Year Infrastructure Plan – The Five-Year Infrastructure Plan is being released with the budget. The plan outlines the Administration’s infrastructure priorities for the next five years for the major state infrastructure programs, including high-speed rail and other transportation, state institutions, judicial branch, natural resources, and education. The \$478 million (\$125 million General Fund) package makes the most significant investments in highway and local streets and roads maintenance projects, schools and community colleges, and state parks.

Corrections, State Hospitals, and Judiciary

California Department of Corrections and Rehabilitation (CDCR) – Proposes total funding of \$10.2 billion (\$9.9 billion General Fund and \$300 million other funds) in 2015-16. This is an increase of approximately \$1 billion (\$833 million General Fund) over 2013-14 expenditures.

CDCR Population – The 2014 Budget Act projected an adult inmate average daily population of 136,530 in the current year. The current year adult inmate population is now projected to decrease by 633 inmates, a 0.5 percent decrease, for a total population of 135,897. The budget year adult inmate population is projected to be

137,002, a 0.8 percent increase of 1,105 inmates over the current year. The current projections also reflect an increase in the parolee population of 1,360 in the current year compared to budget act projections, for a total average daily population of 43,226. The parolee population is projected to be 40,467 in 2015-16, a decrease of 2,759 over the current year. These projections do not include the impact of the passage of Proposition 47, which reduced various felonies to misdemeanors.

CDCR, Division of Juvenile Justice (DJJ) Population – The DJJ’s average daily ward population is increasing, when compared to 2014 Budget Act projections. Specifically, the ward population is projected to increase by 29 in 2014-15, for a total population of 685; and 53 in 2015-16, for a total population of 709.

Proposition 47 – Provides data, as of December 10, 2014, showing that 132 of the eligible inmate population has been resentenced or released from prison pursuant to the passage of Proposition 47. The Administration estimates that the proposition will reduce the prison population by roughly 1,900 inmates.

Recidivism Reduction Fund – The Recidivism Reduction Fund, established by AB 105 (Steinberg and Huff), Chapter 310, Statutes of 2013, results from savings associated with an extension from the federal court allowing the state until February 2016 to reduce its prison population to 137.5 percent of capacity. The Governor’s budget assumes that \$16 million of the \$42 million provided to CDCR in the Budget Act of 2014 will be unspent due to delayed implementation of various recidivism reduction efforts. In addition, it assumes an additional \$12.2 million in revenue above the original projections. The budget reflects total revenue of \$28.2 million (General Fund) in the Recidivism Reduction Fund. The budget proposes using the funds toward recidivism reduction efforts, as follows:

- \$12.6 million for community reentry facilities.
- \$15.6 million to expand substance use treatment at non-reentry hub institutions.

Coleman v. Brown – On April 10, 2014 and June 19, 2014, the federal court ordered CDCR to make various changes concerning their treatment of certain inmates who are mentally ill.

- Proposes \$13 million (General Fund) in the current year, and \$42 million (General Fund) annually beginning in 2015-16, for court-ordered changes to CDCR’s use of force and segregated housing policies.

- The court ordered CDCR to develop a plan to improve the vacancy rate for psychologists, licensed clinical social workers, and psychiatrists. The budget does not include any additional funding or efforts to address this issue. However, it does note that CDCR and the Department of State Hospitals (DSH) are currently considering shifting responsibility for 1,086 inpatient mental health treatment beds from DSH to CDCR. The proposed budget includes \$244 million (General Fund) for the three psychiatric programs for prisoners overseen by DSH.

Federal Receivership Overseeing Prison Medical Care – Proposes \$1.8 billion (General Fund) for the receiver’s office.

California Health Care Facility Staffing – Proposes \$26 million (General Fund) in 2014-15, and \$76.4 million (General Fund) on-going, to add 715 positions at the California Health Care Facility in Stockton.

Quality Management Program – Proposes \$4.9 million (General Fund) for the receiver’s office to expand an existing quality management program designed to monitor the delivery of prison healthcare services.

Valley Fever Testing – Proposes \$5.4 million (General Fund) in 2014-15 to administer a coccidioidomycosis (Valley Fever) skin test on all inmates statewide.

Prison Infill Projects – Includes \$35.6 million (\$35.5 General Fund and \$90,000 Inmate Welfare Fund) to activate three new infill facilities at existing prisons. These activations will add 2,376 new beds to the state’s prison capacity by February 2016 and 1,266 new educational and vocational training slots.

Prison Infrastructure – Proposes \$20.4 million (General Fund) in 2015-16 to address critical infrastructure, fire and safety needs, including \$18.1 million for the construction of a new boiler facility at San Quentin State Prison. In addition, the budget proposes providing \$15 million to CDCR to address critical deferred maintenance infrastructure needs.

Board of State and Community Corrections (BSCC) – Proposes total funding of \$171.1 million (\$80.7 million General Fund) for the BSCC.

County Probation Workload – Proposes \$16 million (General Fund) for expected county probation caseload increases associated with the implementation of new prison population reduction efforts.

Community Performance Incentive Grant – Assumes \$125 million (General Fund) for county probation departments to support the continued efforts of counties to reduce the number of offenders sent to prison.

Local Law Enforcement – Includes \$40 million (General Fund) for cities in support of frontline law enforcement efforts.

Peace Officer’s Training Fund and Corrections Training Fund – Proposes a debt amnesty program for individuals with past-due, court-ordered debt from fines associated with traffic infractions and specified misdemeanors. Assumes \$12 million in additional revenue will be available in the funds. The 18-month amnesty program would be administered by courts and counties and would provide a 50 percent discount for debt that was due prior to January 1, 2013.

Department of State Hospitals (DSH) – Proposes total funding of \$1.7 billion (\$1.6 billion General Fund and \$150 million other funds) in 2015-16. This is an increase of approximately \$115 million over 2013-14 expenditures. DSH is comprised of five state hospitals and three psychiatric programs that treat approximately 6,800 patients.

Incompetent to Stand Trial (IST) Patients – Proposes an increase of \$17.3 million (General Fund) to add an additional 105 beds to treat people who have been determined to be incompetent to stand trial. The Administration reports that the current IST waiting list is 400 people.

Involuntary Medications – Proposes \$3.2 million (General Fund) to establish an involuntary medication process for individuals who have been deemed not guilty by reason of insanity.

State Hospital Infrastructure – Proposes \$167.4 million for DSH for 11 projects at four state hospitals over the next five years. Includes \$11.5 million in 2015-16 for Enhanced Treatment Units at Atascadero, Napa, Coalinga and Patton state hospitals.

Judicial Branch – Proposes total funding of \$3.5 billion (\$1.6 billion General Fund) for the Judicial Branch, of which \$2.7 billion is provided in support of trial court operations.

Local Trial Court Funding – Proposes \$90 million (General Fund) in on-going additional funding to support trial court operations.

Employee Benefit Costs – Proposes \$42.7 million (General Fund) for increases in trial court employee benefit costs.

Proposition 47 – Proposes \$26.9 million (General Fund) for workload associated with the implementation of Proposition 47.

Trial Court Trust Fund Backfill – Proposes \$19.8 million (General Fund) to backfill reductions in fine and penalty revenue in 2015-16.

Dependency Counsel Funding – The Administration commits to working with the Judicial Council to develop a caseload-based allocation methodology and explore ways to reduce the current caseloads for dependency counsel. The recommended attorney caseload is 188 cases per attorney. The state average is currently 248 cases per attorney, with Los Angeles County averaging 328 cases per attorney in 2014.

Court Construction – Proposes \$1.2 billion (\$94.7 million from the Immediate and Critical Needs Account (ICNA) and \$1.1 billion lease revenue bond funds) over the next five years to fund the final phases of 14 projects on the Judicial Council's Immediate and Critical Needs List. Includes \$174.7 million (\$77 million ICNA and \$97.7 lease revenue bonds) in 2015-16.