# *California State Senate*

COMMITTEE
ON
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL
SACRAMENTO, CA 95814

***SENATOR***
***MARK LENO***
***CHAIR***



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## Agenda

**August 29, 2013**
**10 a.m. - Room 4203**

| Bill | Author | Subject |
|---|---|---|
| AB 240 | Rendon | Mutual Water Companies – Vote Only |
| AB 101 | Committee on Budget | Budget Bill Jr. |
| AB 102 | Committee on Budget | Resources |
| AB 104 | Committee on Budget | Health and Human Services |
| AB 107 | Committee on Budget | Health |
| AB 105 | Committee on Budget | Transportation |

## OVERVIEW – SPECIAL FUND LOANS: DEPARTMENT OF CONSUMER AFFAIRS

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**
***Mark Leno, Chair***

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| **Bill No:** | **AB 240** |
| **Author:** | **Rendon** |
| **As Amended:** | **August 13, 2013** |
| **Consultant:** | **Catherine Freeman** |
| **Fiscal:** | **Yes** |
| **Hearing Date:** | **August 29, 2013** |

**Subject**: Mutual Water Companies

**Summary**: This bill requires mutual water companies to comply with open meeting, public record, audit, and budget requirements and allows them to impose liens to collect unpaid charges. Allows the Water Replenishment District of Southern California to receive specified Department of Public Health grants to improve drinking water infrastructure in communities served by mutual water companies in the City of Maywood.

**Background**: Existing law exempts a mutual water company from state regulation if it is organized to deliver water to its stakeholders and members, with specified exemptions.

Governance of a mutual water company is generally limited to shareholders or members of the company. While the details of any particular company's governing structure are determined by its articles and bylaws, most mutual water companies allow only shareholders and members to vote on organizational matters and serve on the company's governing board.

The Ralph M. Brown Act (Brown Act), first enacted by the Legislature in 1953, is the set of existing laws which guarantees the public's right to attend and participate in local legislative bodies' meetings. As private corporations, mutual water companies are not subject to the Brown Act. Instead, existing law gives mutual water companies broad authority to specify in their articles and bylaws how their meetings are conducted, and who may attend.

In 1968, the Legislature enacted the Public Records Act, which generally requires that government records must be provided to the public, upon request, unless there is a specific reason, specified in state law, to withhold a record. Private corporations, including mutual water companies are not subject to the Public Records Act. Existing law requires that mutual water companies must allow members to inspect specified records including accounting books, meeting minutes, articles and bylaws, and election results. A mutual water company's articles and bylaws determine whether non-members are permitted to access the company's records.

Existing law requires most local governments to prepare annual budgets and requires periodic audits of most local governments' accounts and records. Existing law requires private corporations to prepare and distribute annual reports and other specified financial statements.

Regarding the City of Maywood, three mutual water companies deliver water to residents of the City of Maywood, in Los Angeles County. Maywood residents have, for years, expressed concerns about the quality of the water they receive, citing problems with discoloration, odors and taste. A deteriorating water supply infrastructure may be a primary cause. A substantial portion of Maywood's residents are renters and do not own real property in Maywood. Because of this, they are not stockholders or members of the mutual water companies that serve Maywood and cannot participate in those companies' corporate governance.

**Analysis:** This bill:

1. Enacts the Mutual Water Company Open Meeting Act, which applies to mutual water companies, and permits an eligible person to attend a meeting of a mutual water company, as those terms are defined, or to speak at a meeting, except as provided.

2. Requires the board of a mutual water corporation that operates a public water system to contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of the mutual water company. The audit must conform to generally accepted auditing standards.

3. Requires the board of a mutual water company that operates a public water system to adopt, in an open meeting, an annual budget, on or before the start of each fiscal year of the mutual water company.

4. Allows a mutual water company's board of directors, after providing at least 20 days written notice and if authorized by its articles or bylaws, to authorize the recording of a lien against a shareholder's property to secure the collection of rates, charges, and assessments owed to the mutual water company by the shareholder.

5. Requires mutual water company board members to repeat, every six years, training on the duties of mutual water companies' board members.

6. Requires the board of directors of a mutual water company that operates a public water system to make specified documents available to an eligible person, as defined, upon payment of fees covering the direct costs of duplication, as specified.

7. Expresses the Legislature's intent to encourage collaboration among mutual water companies that operate public water systems in the City of Maywood to create a public water agency that can consolidate drinking water services for the people and businesses of that city.

8. Allows the Water Replenishment District (WRD) of Southern California to receive grant funding from $7.5 million appropriated to the Department of Public Health from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006. The WRD must use the grant funds for water quality improvement projects to benefit the residents of the City of Maywood, subject to the following three conditions:
   a. WRD manages the design and implementation or construction of the project.
   b. WRD retains ownership of the project and oversees its operation.
   c. A mutual water company that incorporates the project into its systems complies with specified open meeting requirements.

9. In keeping with other bond allocations in the budget, the appropriation allows for the use of funds for engineering including planning and California Environmental Quality Act analyses.

**Support**: Central Basin Municipal Water District
Sierra Club
Union de Vecinos

**Opposed**: Unknown

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**
***Mark Leno, Chair***

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| **Bill No:** | **AB 101** |
| **Author:** | **Committee on Budget** |
| **As Amended:** | **August 27, 2013** |
| **Consultant:** | **Mark Ibele and Keely Bosler** |
| **Fiscal:** | **Yes** |
| **Hearing Date:** | **August 29, 2013** |

**Subject**: Budget Act of 2013.

**Summary**: This bill amends the Budget Act of 2013 by revising various items of appropriation and making other necessary changes to the legislation.

**Background**: The Legislature passed the 2013 Budget Act (Chapter 20, Statutes of 2013, [AB 110] on June 14, 2013. The legislation was signed by the Governor on June 28, 2013. This bill provides for certain technical adjustments to various budget items, clarifications of budget bill language, and additional appropriations.

**Proposed Law:** The bill provides for the following

1. **Department of Parks and Recreation.** Corrects an over-appropriation of funds to the Department of Parks and Recreation. A one-time increase of $10 million in 2012-13 was not continued and, therefore, should appropriately be reduced by a like amount.

2. **Department of Pesticide Regulation.** Includes budget bill language to require the Department of Pesticide Regulation to conduct five risk assessments per year, at a minimum.

3. **General Fund Loans.** Provides a repayment of General Fund loans to the Alternative and Renewable Fuel and Vehicle Technology Fund and makes these funds available for the Clean Vehicle Rebate Project.

4. **Secretary of State.** Includes budget bill language clarifying reporting language related to the Secretary of State's efforts to reduce business filings within the state.

5. **Private Postsecondary Education.** Includes a reappropriation of $270,000 from the Private Postsecondary Education Fund to the California State Auditor's Office to conduct a performance review of the Bureau of Private Postsecondary Education.

6. **County Veteran Services.** Includes budget bill language providing for a greater level of detail on the one-time, $3 million appropriation provided to County Veteran Service Officers, as part of the 2013 Budget Act. Specifically, $2.6 million will be distributed to counties based on the workload units reported for Fiscal Year 2012-13. The remaining $400,000 will be distributed to a single county to act as the lead agency in developing a state-wide veterans outreach effort.

7. **Department of Transportation.** Contains additional budget bill language governing cost recovery from project initiation documents from local governments, directs the department to streamline cooperative work agreements related to project initiation document development and oversight, augments the additional reimbursements from the High-Speed Rail Authority

(HSRA) up to $1.8 million, exempts the HSRA from full cost recovery and reappropriates certain federal trust fund moneys.

8. **Active Transportation Program.** Shifts resources from several existing separate state programs that support active transportation, such as bicycling and walking, to the newly established Active Transportation Program, funded at $129.4 million. Contains language that provides a set-aside of $24.0 million in 2013-14, 2014-15 and 2015-16 for projects that fund safe routes to schools, with $7.2 million earmarked for non-infrastructure activities. Provides funding for activities that are not related to the ATP for the Recreational Trails Program at $3.4 million and Environmental Enhancement and Mitigation Program Fund at $7 million.

9. **Stage 3 Child Care Technical Adjustment.** Reduces the allocation to Stage 3 child care programs by $14.5 million to reflect actual caseload estimates for the program. This item was erroneously over budgeted when the budget act was passed in June 2013.

10. **Community Colleges Administration.** Provides $422,000 to support four additional positions and funding to upgrade an existing position to support various new initiatives at the Chancellor's Office, including information technology activities, the apprenticeship program consolidation and adult education.

11. **Apprenticeship Program.** Corrects code references and clarifies oversight of community colleges over the apprenticeship program, formerly under the Department of Education. Prior to the 2013 budget act, apprenticeship programs existed at both the community colleges and the California Department of Education.

12. **CalWORKs Workstudy Clarification.** Clarifies that CalWORKs program categorical funds expended on workstudy are available to support participants that are meeting either state or federal minimum requirements. This change conforms to changes made in the overall CalWORKs program in 2012.

13. **Physical Plant and Instructional Support.** Clarifies that $30 million provided for physical plant and instructional support is one-time and available for expenditures until June 30, 2015. Also clarifies that this category of expenditures is no longer flexible and must be expended on physical plant and/or instructional support.

14. **Extended Opportunity Programs and Services (EOPS).** Updates budget bill language to reflect the correct amount appropriated in the 2013 budget act to the EOPS program, which is $15 million more than provided in the prior year.

15. **Adult Education.** Updates budget bill language to conform to trailer bill language passed as part of the 2013 budget act that created an Adult Education Consortium Program.

16. **Community Colleges – Proposition 39.** Updated budget bill language to ensure Proposition 39 (Clean Energy Job Creation Fund) funds are expended consistent with trailer bill legislation passed as part of the 2013 budget act. Also ensures that the community colleges allocate and expend the money consistent with the guidance put forth to the Chancellor of the Community Colleges on May 29, 2013, that was developed in conjunction with the California Energy Commission.

17. **Community Colleges – Federal Funds.** Reappropriates unexpended federal funds for expenditure by the community colleges.

18. **California Student Aid Commission.** Ensures that local consortia do not have to meet matching requirements for funds allocated to the California Student Opportunity and Access Program (Cal-SOAP) program for the purpose of Middle Class Scholarship Program outreach.

19. **K-12 and Community College Mandates.** Makes various technical naming changes to the K-12 and community colleges mandates listed in the budget bill.

20. **Local Control Funding Formula (LCFF).** Eliminates $2 million appropriated to the Governor's Office of Planning and Research for support of State Board of Education activities, related to implementation of the Local Control Funding Formula for K-12 education. This amount is duplicative of another appropriation for the same purpose in the LCFF budget trailer bill.

21. **Special Education Funding.** Reduces the federal special education funding appropriation for K-12 education by $230,000, to reflect final budget actions.

22. **Charter School Facility Grant Program Transfer**. Adds a new budget item to authorize the transfer of Charter School Facility Grant Program funds from the Department of Education to the California School Finance Authority. This authority is needed to fully implement the program transfer included in the final budget.

**Fiscal Effect**: Contains various minor appropriations, corrects for a $10.0 million over-appropriation, reappropriates certain federal funds, makes a caseload downward adjustment of $14.5 million, transfers existing funds to a consolidated transportation fund, and corrects certain other appropriations.

**Support**: NA

**Opposed**: NA

**Comments**: NA

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**
***Mark Leno, Chair***

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| **Bill No:** | **AB 102** |
| **Author:** | **Committee on Budget** |
| **As Amended:** | **August 27, 2013** |
| **Consultant:** | **Catherine Freeman** |
| **Fiscal:** | **Yes** |
| **Hearing Date:** | **August 29, 2013** |

**Subject**: Resources Omnibus Trailer Bill

**Summary**: This bill makes various changes to implement the energy, resources, environmental protection and agriculture budget actions adopted as part of the 2013-14 budget package.

**Background**: As part of the 2013-14 budget package, AB 102 makes various statutory changes to implement the budget act.

**Proposed Law**: This bill includes the following key changes:

1. Shifts the Ocean Protection Council to the Natural Resources Agency and consolidates ocean programs under the Secretary for Natural Resources. Does not impact the ability of the Department of Fish and Wildlife to regulate the taking of species under the Fish and Game Code.
2. Allows revenues from agricultural leases provided to the state to be directed to the management of those leases, rather than for the future purchase of state lands.
3. Repeals a provision requiring that certain funds appropriated to the Department of Fish and Wildlife from the California Environmental License Plate Fund be transferred to the Department of Parks and Recreation for trust purposes. The intent of the legislation was met in a prior budget act and is no longer necessary.
4. Allows members of the Legislature to designate an alternate to sit on Natural Resources Agency boards and commissions. Because these members are ex-officio and do not vote, the alternates would have the same restrictions.
5. Prioritizes small, and then medium-sized, local air districts with regard to the allocation of funding for the retrofit or replacement of the most polluting school buses because these districts lack the local funding to bring the remaining school buses into compliance with the Truck and Bus Regulation.
6. Provides a change to the Architectural Paint Recovery Program and Carpet Stewardship Program at the Department of Resources Recycling and Recovery (CalRecycle) to allow the administrative fees supporting these programs to be paid quarterly in arrears rather than yearly.
7. Reforms the Beverage Container Recycling Program at CalRecycle in order to: (1) create a more stringent certification process, (2) provide a new, formal training and technical assistance program, mandate the use of certain updated information technology tools, and, (3) restrict recycling centers to only redeem beverage containers for which a California Redemption Value has been paid.
8. Provides technical cleanup to extend the repeal date that allows the Department of Finance to delegate to the Department of Parks and Recreation authority to plan, design, construct and administer contracts and professional services for legislatively-approved capital outlay projects, as is consistent with other boards and departments.

9. Makes technical statutory changes to eliminate the non-critical functions of the Department of Forestry and Fire Protection, and reduce the statutory responsibilities of the department, in order to meet workload within its authorized spending levels.
10. Provides the necessary statutory changes to shift the Education and the Environment Initiative from the Secretary for Cal-EPA to the Department of Resources Recycling and Recovery.
11. Requires Joint Legislative Budget Committee notification within 30 days of any hydroelectric power project relicensing proposal by the Federal Energy Regulatory Commission that, if approved by the department, would obligate the General Fund in the future.
12. Requires the California Alternative Energy and Advanced Transportation Financing Authority to develop and administer a risk mitigation program for Property Assessed Clean Energy (PACE) loans.
13. Provides for the transfer of a Caltrans building to the Department of Parks and Recreation for incorporation into the capital development plan for the San Diego State Historic Park.
14. Extends a concession agreement at Will Rogers State Beach to exceed 20 years in order to allow the concessionaire to amortize improvements over a longer period of time.
15. Eliminates the term limits on voting members of the Delta Stewardship Council.
16. Requires the California Energy Commission, in administering the Electric Program Investment Charge as developed by the California Public Utilities Commission, to develop and administer this program with a focus on ratepayers and with annual reporting to the Legislature. Does not change the authorization status of the program.
17. Makes several changes to the California Public Utilities Commission (CPUC) including: (1) approves $35 million for cyber-security research at the Lawrence Livermore National Laboratory, (2) provides for a zero-based budgeting exercise at the CPUC to be reported to the Legislature in 18-months, (3) creates the Office of Ratepayer Advocates as a separate budgetary program at the CPUC, with a separate budget and positions, and, (4) requires notice to the Legislature of future litigation settlements. Does not make changes to the commissioner elections or case assignments, nor to the executive leadership of the CPUC.

**Fiscal Effect**: This bill should not result in any changes to the budget act or related budget actions.

**Support**: Unknown

**Opposed**: Unknown

**Comments**: This bill provides the necessary statutory references to enact the 2013-14 budget related to resources, environmental protection, energy and agriculture.

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**
***Mark Leno, Chair***

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|---|---|
| **Bill No:** | **AB 104** |
| **Author:** | **Committee on Budget** |
| **As Amended:** | **August 26, 2013** |
| **Consultant:** | **Michelle Baass and Jennifer Troia** |
| **Fiscal:** | **Yes** |
| **Hearing Date:** | **August 29, 2013** |

**Subject**: Health and human services-related statutory revisions necessary to implement the Budget Act of 2013.

**Summary**: The bill makes technical and clarifying statutory revisions affecting health and human services programs necessary to implement the Budget Act of 2013. Specifically, this bill:

1. 1991 Realignment General Growth. Clarifies the intent of AB 85 (Chapter 24, Statutes of 2013), a 2013 budget trailer bill, to count 1991 Realignment General Growth funds, as calculated under law effective July 1, 2013, when calculating the total amount of 1991 Realignment health funds that could be considered as part of the calculation to determine county indigent health care savings as a result of health care reform.

   For purposes of considering 1991 Realignment health funds, AB 85 considered 1991 Realignment General Growth funds, as calculated under law effective January 1, 2012, and did not reflect that the 2013 budget redirects a portion of these General Growth funds to pay for CalWORKs grant increases. Consequently, the change in this bill would ensure that the General Growth funds considered when determining county indigent health care savings reflects the actual growth of these funds (rather than the rate of growth that was in effect January 1, 2012).

2. Distribution of Fund Sources within Local Revenue Fund (LRF). Amends provisions of AB 85 that established an exchange of sales tax and Vehicle License Fund (VLF) moneys between various accounts and subaccounts within the LRF associated with 1991 health and human services realignment. Specifically, this bill would:

   a. Require the State Controller's Office (SCO) to allocate sales tax and VLF to Health and Social Services Subaccounts as these moneys were allocated prior to enactment of AB 85.

   b. Require SCO to transfer, on a monthly basis and pursuant to a schedule provided by the Department of Finance (DOF), no more than $300 million in sales tax funds from the Social Services Subaccount to the Health Subaccount in 2013-14.

   c. For 2014-15 and subsequent fiscal years, require SCO to transfer, on a monthly basis and pursuant to a schedule provided by DOF, no more than $1 billion in sales tax funds from the Social Services Subaccount to the Health Subaccount.

   d. Beginning in 2013-14, require SCO to adjust, on a monthly basis and pursuant to a schedule provided by DOF, VLF distributions in order to redirect from the Health Subaccount to the Social Services Subaccount an amount of VLF that will create an equal exchange of sales tax and VLF funds.

e. Clarify that the transfers and adjustments described above cannot be used in calculating future year sales tax and VLF allocations to the Social Services and Health Subaccounts.

3. Historical Allocation Methodology. As provided in AB 85, this bill specifies the definitions and methodology to determine the sources and amounts of historical revenues used by public hospital counties to fund their Medi-Cal and uninsured costs. The three funding sources, as specified in Welfare and Institutions Code Section 17612.2 (ab)(2)(C), are unrestricted special local health funds, one-time and carry-forward revenues, and county general purpose funds. This methodology determines a "fair and reasonable manner of allocation" for these funding sources for historical years (2008-09 to 2011-12, inclusive). This is necessary given the nature of these funding sources, as they are available to fund the entire health system costs and are not specified for use for any specific populations.

This methodology provides for a:
A. *Calculation of the applicable shortfalls and their relative proportions. Specifically,*
1. Determine the remaining low-income shortfall for the applicable year after accounting for all applicable Medicaid and uninsured revenues, county indigent health realignment, and special local health funds restricted for indigent care. (If no shortfall remains, no allocation is necessary for that year).
2. Determine the other shortfall incurred by the county public hospital health systems for all other healthcare costs after accounting for all other revenues applicable to those costs.
3. Determine the total shortfall to which the funding amounts are to be allocated by adding together (1) and (2).
4. Determine the low-income shortfall percentage by dividing the remaining low-income shortfall (1) by the total shortfall (3).

*B. Calculation of the applicable total funding amounts for each funding source and the amount of each source needed to fund the total shortfall (3). Specifically,*
5. Determine the total amount of unrestricted special local health funds for the year.
6. Determine the total amount of one time and carry-forward revenues for the year.
7. Determine the total amount of county general purpose funds for the year.
8. Determine the total of all the sources by summing together (5), (6) and (7).
9. Determine the percentage of the total of all sources to be used by dividing the total shortfall (3) by the total of all sources (8). If the percentage is greater than 100%, 100% will be used.
10. Determine the total amount of each of the unrestricted special local health funds to be used to allocate to the total shortfall by multiplying the percentage determined in (9) to the amount in (5).
11. Determine the total amount of each of the one time and carry-forward revenues to be used to allocate to the total shortfall by multiplying the percentage determined in (9) to the amount in (6).
12. Determine the total amount of each of the county general purpose funds to be used to allocate to the total shortfall by multiplying the percentage determined in (9) to the amount in (7).

*C. Calculation of the applicable amount of each source to allocate as a revenue source for Medi-Cal/Uninsured. Specifically,*
13. Determine the amount of unrestricted special local health funds allocated to Medi-Cal Uninsured by multiplying the low-income shortfall percentage (4) by the amount determined in (10).

14. Determine the amount of one time and carry-forward revenues allocated to Medi-Cal Uninsured by multiplying the low-income shortfall percentage (4) by the amount determined in (11).
15. Determine the amount of county general purpose funds allocated to Medi-Cal Uninsured by multiplying the low-income shortfall percentage (4) by the amount determined in (12).

The amounts in steps 13, 14 and 15 are the amounts to be utilized as the historical amounts for these funding sources.

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4. Cap on 2013-14 County Indigent Care Savings. Clarifies that there is a cap of $300 million (for all counties) in county indigent health savings, as a result of health care reform, that can be redirected to the Family Support Subaccount in 2013-14.

   In addition, clarifies that no more than a county's actual county indigent health savings can be redirected to the Family Support Subaccount in 2013-14. The actual projected savings will be included in the 2014 May Revision and then reevaluated and adjusted in 2016. This clarification applies to counties that choose the formula mechanism to measure and compare actual health care costs and revenues to determine county indigent health savings. (AB 85 provides for two mechanisms to determine county indigent health savings: 1) a formula that measures and compares actual health care costs and revenues, and 2) a predetermined percentage--60 percent--of a county's health realignment allocation plus a county's health realignment maintenance of effort.)

   As a result, the $300 million cap can be adjusted downward only, depending on actual counties' savings.

5. Date Changes for County Mechanism Selection. Extends the dates when counties have to: 1) inform the Department of Health Care Service (DHCS) as to which AB 85 county financing mechanism they will select to determine county indigent care savings, 2) adopt Board of Supervisor resolutions selecting the county financing mechanism, 3) determine historical allocation amounts and percentages (for public hospital counties) and when DHCS has to assess the historical allocation amounts and percentages.

   According to DHCS, this will provide additional time to accurately determine the historical allocation amounts and percentages that will become part of the methodology for reallocation of county funding. The change will also allow the counties additional time to make an informed decision on the methodology they wish to elect, a decision that can change only under very specific circumstances. The one month extension will minimize potential disagreements between the state and the counties, as more time will be available to reconcile differences between the two parties. The proposed date changes do not affect the ability for DHCS to inform the Department of Finance of any needed changes to the savings assumptions in time for the May Revision of the 2014 budget.

6. Technical Changes. Makes other technical and non-substantive changes to provisions enacted through AB 85, as well as provisions enacted through recent human services trailer bills, including AB 74 (Chapter 21, Statutes of 2013).

7. LIHEAP Benefits. Clarifies the fund source for nominal benefits that CalFresh recipient households receive through the Low-Income Home Energy Assistance Program (LIHEAP) and deletes a related, outdated reporting and planning requirement that was erroneously reinserted into Section 18901.2 of the Welfare & Institutions Code.

**Background:** AB 85. AB 85 (Chapter 24, Statutes of 2013), a 2013 budget trailer bill, establishes county financing mechanisms to determine county indigent health care savings as a result of the federal Patient Protection & Affordable Care Act (health care reform) and makes changes to funding mechanisms governing the 1991 realignment of health and human services programs, as well as the funding of CalWORKs grants.

Historical Allocation Methodology. AB 85 requires the Department of Health Care Services (DHCS) to submit to the Legislature, by August 1, 2013, a "fair and reasonable methodology" to allocate three specific funding amounts for the purposes of determining the historical amounts or percentages that are necessary for the operation of the county public hospital health system formula. AB 85 requires DHCS to develop this methodology in consultation with the county public hospital health systems, and to submit to the Legislature the agreed upon methodology, unless there is no agreement, in which case both methodologies shall be submitted. This bill contains the agreed upon methodology between the county public hospital health systems and DHCS.

1991 Realignment General Growth. Growth in 1991 Realignment revenues—beyond the amounts needed to pay annual cost increases for certain social service and health programs—is designated as "General Growth." Historically, General Growth was allocated to counties in proportion to their historical share of state funding for the realigned programs, with health, mental health, and social service programs each receiving a portion. AB 85 redirects a portion of these General Growth funds to pay for CalWORKs grant increases. Specifically, the share of General Growth allocated to county indigent health and public health programs will be based on historical growth and Social Services Subaccount programs will no longer receive General Growth allocations. These funds instead will be used to pay for future CalWORKs grant increases.

Distribution of Sales Tax and Vehicle License Fund Moneys within Local Revenue Fund (LRF). Existing law establishes the LRF, a continuously appropriated fund that allocates specified Vehicle License Fund and sales tax moneys. Existing law also creates various accounts and subaccounts within the LRF, including the Health Subaccount and the Social Services Subaccount. AB 85 requires reallocating funds in the 2013-14 fiscal year and subsequent fiscal years to change the relative percentages of funds from those two sources that are allocated to the 1991 Realignment Health and the Social Services Subaccounts. Specifically, AB 85 requires permanently redirecting $1 billion in sales tax allocations from the Social Services Subaccount to the Health Subaccount, and $1 billion in VLF allocations from Health to Social Services. Changes to those provisions that are contained in this bill instead specify that the SCO shall make the transfers between those Subaccounts monthly and pursuant to a schedule provided by DOF to the State Controller, and specify a maximum of $300 million in such transfers for the 2013-14 fiscal year and $1 billion for subsequent fiscal years. According to DOF, the proposed changes are needed to ensure that, on a county-by-county basis, the total amount of LRF funds allocated for health and social services programs is not altered (i.e., only the mix of sales tax and VLF between the two program areas is adjusted) and that each county's base LRF funding allocated to health and social services in subsequent years is not altered.

**Fiscal Effect**: This bill should not result in any fiscal changes to the budget act or related budget actions.

**Support**: Unknown

**Opposed**: Unknown

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**
***Mark Leno, Chair***

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| **Bill No:** | **AB 107** |
| **Author:** | **Committee on Budget** |
| **As Amended:** | **August 26, 2013** |
| **Consultant:** | **Michelle Baass** |
| **Fiscal:** | **Yes** |
| **Hearing Date:** | **August 29, 2013** |

**Subject**: Health-related statutory revisions necessary to implement the Budget Act of 2013.

**Summary**: The bill makes technical statutory revisions affecting health programs necessary to implement the Budget Act of 2013. This bill:

1. Makes technical changes and adds clarifying language to ensure all prior year appropriations from the Department of Alcohol and Drug Programs (DADP) will be transferred to the Department of Health Care Services (DHCS) and the Department of Public Health (DPH) for liquidation.

2. Clarifies emergency regulation authority for the California Health Facilities Financing Authority (CHFFA) to implement the Investment in Mental Health Wellness Act of 2013.

3. Appropriates $26.5 million in The California Endowment grant funds, and a matching amount of federal funds, for in-person Medi-Cal enrollment assisters and Medi-Cal outreach and enrollment activities for an extended encumbrance period of three years. Creates the Healthcare Outreach and Medi-Cal Enrollment Account in order to collect these grant funds. The bill also authorizes the use of grant funds for 4.0 limited-term positions and caps DHCS administrative expenses for these purposes to $500,000 annually, for three years.

**Background:** AB 75 (Chapter 22, Statues of 2013), a 2013 budget trailer bill, eliminates DADP and transfers its substance use disorder programs to DHCS and its Office of Problem Gambling to DPH.

SB 82 (Chapter 35, Statutes of 2013), a 2013 budget trailer bill, implements the Investment in Mental Health Wellness Act of 2013. This act authorizes CHFFA to administer a competitive selection process for capital capacity and program expansion to increase capacity for mobile crisis support, crisis intervention, crisis stabilization services, crisis residential treatment, and specified personnel resources.

AB 82 (Chapter 23, Statutes of 2013), a 2013 budget trailer bill, requires DHCS to accept a grant from The California Endowment for Medi-Cal Enrollment Assistance ($14 million) and Medi-Cal Outreach and Enrollment Grants to community-based organizations ($12.5 million) and obtain $26.5 million in matching federal funds for these purposes. These funds will be used to maximize Medi-Cal enrollment under the Affordable Care Act.

**Fiscal Effect**: Appropriates $26.5 million in private funds and $26.5 million in federal funds to the Department of Health Care Services.

**Support**: Unknown

**Opposed**: Unknown

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**
***Mark Leno, Chair***

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| **Bill No:** | **AB 105** |
| **Author:** | **Committee on Budget** |
| **As Amended:** | **August 27, 2013** |
| **Consultant:** | **Mark Ibele** |
| **Fiscal:** | **Yes** |
| **Hearing Date:** | **August 29, 2013** |

**Subject**: This is the active transportation budget trailer bill for 2013-14. It contains necessary changes to enact modifications for purposes of the Budget Bill for 2013-14.

**Summary**: This legislation addresses changes to certain transportation programs by consolidating several separate programs into a consolidated program that addresses active transportation. The proposed Active Transportation Program (ATP) would bring together all or portions of five existing programs, consisting of the federal Transportation Alternatives Program, (which includes the Recreational Trails Program), the state and federal Safe Routes to Schools programs, the state Environmental Enhancement and Mitigation Program, and the state Bicycle Transportation Account.

**Current Law:** Under current law, California has established funds and programs that address bicycling, walking, and other forms of human-powered transportation. These programs are funded at approximately $139.9 million annually through both state and federal sources. The specific programs are:

1. The Bicycle Transportation Account (BTA) is a program providing state funds for city and county projects that improve safety and convenience for bicycle commuters. Projects must be designed and developed to achieve the functional commuting needs and the physical safety of bicyclists. Local agencies first establish eligibility by preparing and adopting a bicycle transportation plan approved by the local agency's regional transportation planning agency. Projects may include new bikeways serving major transportation corridors, removal of travel barriers to potential bicycle commuters, bicycle-carrying facilities on public transit vehicles, elimination of hazardous conditions on existing bikeways, and improvement and maintenance of bikeways.

2. Safe Routes to School consists of the state Safe Routes to School (SR2S) and the federal Safe Routes to School (SRTS) programs. Federal and state components differ in some respects, but both programs are intended to achieve the same basic goal of increasing the number of children walking and bicycling to school by funding projects that improve safety and remove barriers. Those barriers include lack of infrastructure, unsafe infrastructure, and the lack of programs that promote walking and bicycling through education. SR2S and SRTS are intended to improve safety and establish initiatives that promote walking and bicycling within a collaborative community framework. Projects could include sidewalk, curb and gutter construction, crosswalk and signal upgrades, multi-use paths and trails, intersection safety improvements, median upgrades, and other infrastructure investments. The program also includes non-infrastructure aspects, such as education and community outreach.

3. The Environmental Enhancement and Mitigation (EEM) Program was established in 1989. The program allows for the allocation of $10 million annually to local, state, and federal agencies, and nonprofit organizations for grants to mitigate the environmental

impacts of modified or new public transportation facilities. Funding is provided in the following categories: a) Highway Landscaping and Urban Forestry projects designed to offset vehicular emissions of carbon dioxide through planting of trees and other suitable plants, within or outside the right-of-way of a related transportation facility; b) Acquisition of Resource Lands, including the acquisition, restoration or enhancement of resource lands that protect or enhance ecosystem watershed or other statewide natural resources priorities. These lands mitigate the loss of, or the detriment to, resource lands laying within or near the right-of-way acquired for transportation improvements; c) Roadside Recreation projects providing for development of roadside recreational opportunities such as, roadside rests, scenic overlooks, 'sno-parks,' trails, trailheads, and parks; and d) Mitigation Projects that mitigate the impact of proposed transportation facilities or enhance the environment, where the ability to effectuate the mitigation or enhancement measures is beyond the scope of the lead agency responsible for assessing the environmental impact of the proposed transportation improvement.

4. The Recreational Trails Program (RTP), as part of the federal Transportation Alternative Program, provides funds to states to develop and maintain recreational trails and trail-related facilities for both non-motorized and motorized recreational trail uses. The RTP is an assistance program of the Department of Transportation's Federal Highway Administration. Federal transportation funds benefit recreation, including hiking, bicycling, in-line skating, equestrian use, cross-country skiing, snowmobiling, off-road motorcycling, all-terrain vehicle-riding, four-wheel driving, or use of other off-road motorized vehicles.

The 2013 Budget Act adopted language within each of the programs indicating that funds appropriated for these programs would not be available for expenditure until the Secretary of Transportation convenes a working group regarding active transportation and until legislation is enacted that creates a new program to promote active transportation. Active transportation is defined as human powered transportation.

**Proposed Law:** The bill establishes a consolidated Active Transportation Program that would focus on encouraging use of active modes of transportation, including walking and biking. The bill also expresses the intent of the Legislature regarding the funding of various other programs and makes various fund shifts. Specifically, the legislation:

1. Consolidates programs and funding for the Bicycle Transportation Account, state and federal Safe Routes to Schools programs, and portions of the Environmental Enhancement and Mitigation Program and Recreational Trails Program, and establishes the Active Transportation Program (ATP) within the Department of Transportation (Caltrans). Expresses the intent of the Legislature that the new program meet goals that include: increasing the proportion of trips accomplished by bicycling and walking; increasing safety and mobility of non-motorized users; advancing active transportation efforts of regional agencies to achieve greenhouse gas reduction; enhancing public health; ensuring disadvantaged communities fully share in program benefits; and funding a broad spectrum of types of projects.

2. Establishes that the ATP is funded by annual appropriations in the state budget act with 100 percent of federal Transportation Alternative Program (TAP) funds (except for amounts of Recreational Trails Program [RTP] funds appropriated to the Department of Parks and Recreation [DPR]); $21.0 million of Highway Safety Improvement funds or other federal funds; State Highway Account (SHA) funds as appropriated in the annual budget act; and other funds and resources as may become available.

3. Directs that funds received in the ATP be distributed as follows: 40 percent to metropolitan planning organizations in urban areas with populations of greater than 200,000 in proportion to their relative population, awarded through a competitive process; 10 percent to small urban and rural regions with populations of 200,000 or less for projects competitively awarded by the California Transportation Commission (CTC); and 50 percent competitively awarded by the CTC on a statewide basis. For multicounty planning agencies, the multicounty planning agency would consult with the county transportation agencies, the CTC and Caltrans as part of the selection process.

4. Directs the CTC to develop guidelines for project selection in consultation with a designated ATP workgroup, which would be formed to provide guidance on development of program guidelines, schedules and procedures, project selection criteria, performance measures, and program evaluation. The ATP workgroup is to be comprised of representatives of government agencies and stakeholder groups. Guidelines shall be adopted within six months following the enactment of ATP legislation.

5. Establishes that the guidelines shall be a complete statement of policies and criteria that the CTC will use in selecting projects, including project eligibility, application timelines, application rating and ranking criteria, project monitoring, reporting and transparency and performance measurement. The guidelines will include a process that ensures that no less than 25 percent of overall ATP funds benefit disadvantaged communities, as defined in the guidelines. The guidelines will be adopted by the CTC following at least two public hearings and may be amended after conducting at least one public hearing.

6. Specifies that guidelines for project eligibility could include, but not be limited to: development of new or improvements to existing bikeways and walkways, bike parking or carrying facilities, traffic control and intersection improvements, elimination of hazardous conditions for active transportation, recreational trail improvements, safe routes to schools projects, and educational or other non-infrastructure programs that increase active transportation.

7. Provides that the guidelines for project selection shall include, but not be limited to, the following criteria: demonstrated need of the applicant, potential for reducing active transportation-related accidents, potential for increasing active transportation, identification of safety issues, identification of new routes for walking and biking, public participation process, benefit to disadvantaged communities, cost-effectiveness, adoption of various active transportation plans, use of California Conservation Corps, and other factors such as environmental aspects. The CTC may adopt separate guidelines for the state and regions, and collaborate with DPR for projects funded by federal funds in the RTP. The CTC will also form an advisory group to assist with project applications.

8. Indicates that the guidelines for the use of TAP funds or other federal funds will meet federal requirements and may include incentives intended to maximize the potential for attracting additional funds. Contains a legislative finding and declaration that the ATP constitutes a highway purpose under the California Constitution and justifies the expenditure of highway funds on the selected projects.

9. Requires the CTC to report to the Joint Legislative Budget Committee on its draft guidelines. The CTC must also include in its annual report a list of projects selected, breakdown of types of projects funded, data on awards to disadvantaged communities, and—in its 2015 report—an evaluation of the program.

**Background:** Changes to the existing programs that address active transportation was proposed by the Administration as part of the 2013 Governor's Budget. The proposal was not adopted by the Legislature and no alternative compromise proposal was reached prior to the adoption of the 2013 Budget Act. The budget bill language in the 2013 Budget Act designating a process to adopt legislation was designed to further discussions for a new active transportation program. The bill is the result of extensive discussions involving the Legislature, administration and stakeholders.

**Fiscal Effect**: The proposal would consolidate funding for several existing programs into a single program for active transportation. There would be no change in the aggregate level of funding.

**Support**: NA

**Opposed**: NA

**Comments**: The consolidation of existing separate programs is intended to add additional flexibility to the program, facilitate projects that cross over various active transportation activities, allow for funding of larger more comprehensive projects, and streamline the application and approval process. Budget bill to be considered by the Legislature includes language that addresses amounts set aside for safe routes to school projects for the current year and the two years following.