


California State Budget 2016-17

Edmund G. Brown Jr. Governor
State of California

INTRODUCTION

The economy has finished its seventh year of expansion, two years longer than the average recovery. The 2016 Budget Act prepares the state for the next recession by increasing the Rainy Day Fund to a total balance of \$6.7 billion and limiting new ongoing spending obligations.

The Budget focuses new spending on one-time activities, such as repairing and replacing aged infrastructure, building affordable housing, and addressing the effects of the drought. It begins implementation of raising the state minimum wage to \$15 per hour by providing funding for an increase to \$10.50 per hour. It implements the managed care financing package passed earlier this year, including rate adjustments for community-based providers serving individuals with developmental disabilities.

PLANNING FOR THE NEXT RECESSION

The passage of Proposition 2 in 2014 gives the state an opportunity to mitigate the boom-and-bust budget cycles of the past two decades. Recent budget shortfalls have been driven by making ongoing commitments based upon temporary spikes in revenues, primarily from capital gains. Under Proposition 2, these spikes in capital gains will instead be used to save money for the next recession and to pay down the state's debts

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and liabilities. Proposition 2 establishes a constitutional goal of having 10 percent of tax revenues in the Rainy Day Fund.

The Budget funds the constitutionally required deposit into the Rainy Day Fund (\$1.3 billion) and supplements this with an additional \$2 billion deposit—bringing the fund’s balance to \$6.7 billion next year, or 54 percent of its goal.

In addition, the Budget pays down debts and liabilities by a total of \$1.3 billion from Proposition 2 funds. As shown in Figure INT-01, the state has \$232 billion in long-term costs, debts, and liabilities. The vast majority of these liabilities—\$228 billion—are related to retirement costs of state and University of California employees.

Figure INT-01
**Debts and Liabilities Eligible for Accelerated Payments Under
 Proposition 2**
 (Dollars in Millions)

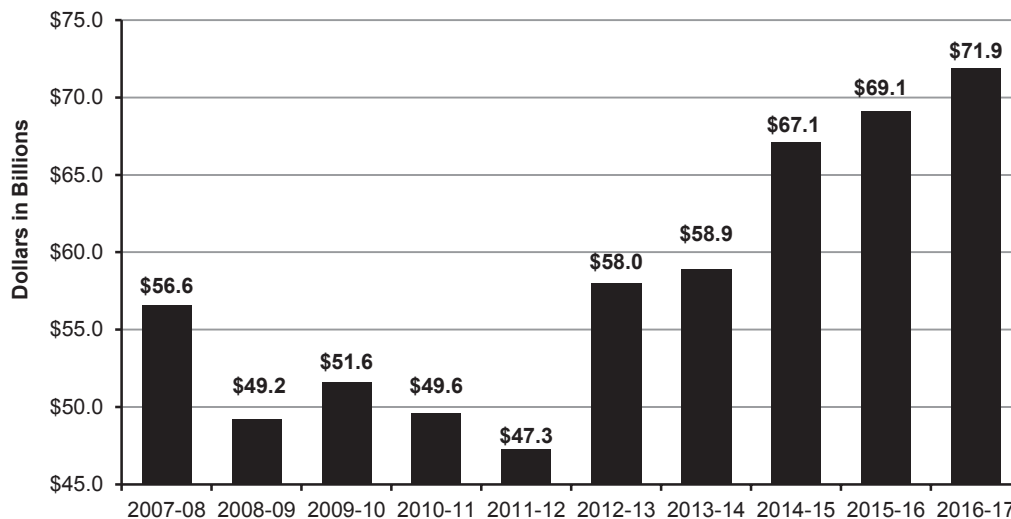
	Outstanding Amount at Start of 2016-17	2016 Budget Act Pay Down
Budgetary Borrowing		
Loans from Special Funds	\$1,822	\$454
Underfunding of Proposition 98—Settle-Up	1,232	218
Repayment of pre-Proposition 42 Transportation Loans	879	173
State Retirement Liabilities		
State Retiree Health	74,103	278
State Employee Pensions	49,592	0
Teacher Pensions ^{1/}	72,626	0
Judges' Pensions	3,279	0
Deferred payments to CalPERS	570	0
University of California Retirement Liabilities		
University of California Employee Pensions	10,786	171
University of California Retiree Health	17,270	0
Total	\$232,159	\$1,294

^{1/} The state portion of the unfunded liability for teacher pensions is \$13.939 billion.

INVESTING IN EDUCATION

As shown in Figure INT-02, the minimum guarantee of funding for K-14 schools was \$56.6 billion in 2007-08 and sank to \$47.3 billion in 2011-12. From this recent low, funding has been at all-time highs since 2012-13 and is expected to grow to \$71.9 billion in 2016-17, an increase of \$24.6 billion in five years (52 percent).

Figure INT-02
Proposition 98 Funding
2007-08 to 2016-17



For K-12 schools, funding levels will increase by over \$3,600 per student in 2016-17 over 2011-12 levels. This reinvestment provides the opportunity to correct historical inequities in school district funding with continued implementation of the Local Control Funding Formula. The Budget provides \$2.9 billion in new funding, bringing the formula's implementation to 96 percent complete.

The Budget also invests in the state's higher education system to maintain the quality and affordability of one of California's greatest strengths. The Budget keeps tuition at 2011-12 levels. It also provides significant new one-time and ongoing funds for the University of California and the California State University.

COUNTERACTING THE EFFECTS OF POVERTY

California has an extensive safety net for the state’s neediest residents who live in poverty. Since 2012, the General Fund has incurred new poverty-focused obligations totaling about \$20 billion (\$10.8 billion of which will be paid for through Proposition 98 funds). These costs are summarized in Figure INT-03. The Budget includes the following new state efforts:

- The implementation of a \$10.50 per hour minimum wage beginning on January 1, 2017.
- The first state cost-of-living increase for Supplemental Security Income/State Supplementary Payment (SSI/SSP) recipients since 2005.
- The repeal of the maximum family grant rule in CalWORKs, which denied aid to children who were born while their parents were receiving aid.
- Limiting asset recovery from the estates of deceased Medi-Cal recipients to the extent federally required.

STRENGTHENING INFRASTRUCTURE

The construction and maintenance of key physical infrastructure is one of the core functions of state government. Infrastructure and capital assets allow for the delivery of public services and the movement of goods across the state—both essential components in fostering the state’s long-term economic growth.

The Budget includes over \$2 billion in funds for various infrastructure improvements, including \$1.3 billion General Fund for improving Sacramento office buildings including the State Capitol Annex. The Budget also includes \$688 million (\$485 million General Fund) for critical deferred maintenance at levees, state parks, universities, community colleges, prisons, state hospitals, and other state facilities, as well as \$270 million in lease-revenue bond authority for local jail facilities.

REDUCING THE COST OF HOUSING

The Budget reflects \$3.6 billion in state and federal funding and award authority for various affordable housing and homelessness programs, including increased funding for CalWORKs rapid rehousing and emergency homeless shelters.

Figure INT-03
Major Poverty-Focused Budget Actions Since 2012

	Total Budget Impact
Minimum Wage	
• Increase from \$8/hour to \$10/hour	\$208 million
• Increase from \$10/hour to \$15/hour and extend paid sick leave	\$4 billion
Medi-Cal	
• Optional expansion under Affordable Care Act	\$2.1 billion
• Exemptions from provider cuts	\$387 million
• Adult Dental restoration	\$170 million
• Full Scope Services for Undocumented Children	\$229 million
• Estate Recovery limitations	\$29 million
CalWORKs	
• 11.4 percent in cost-of-living increases ^{1/}	\$362 million
• Repeal Maximum Family Grant rule ^{1/}	\$224 million
• Enhanced employment and early engagement services	\$288 million
• Creation of designated housing assistance	\$47 million
CalFresh	
• Work Incentive Nutritional Supplement	\$33 million
• State Utility Assistance Subsidy	\$15 million
In-Home Supportive Services	
• Overtime	\$468 million
• Restoration of 7 percent of hours	\$266 million
Earned Income Tax Credit	
• Creation of California credit	\$295 million
Child Care	
• Various increases to rates and slots	\$284 million
Cal Grants	
• Various augmentations and restorations	\$176 million
SSI/SSP	
• 2.76 percent cost-of-living increase	\$75 million
Proposition 98	
• Local Control Funding Formula—Supplemental and concentration grants for low-income and English Learner students	\$10.2 billion
• State Preschool—various increases to rates and slots	\$432 million
• Community Colleges Student Equity funding increases	\$155 million
• Community College Full-Time Student Success Grants	\$41 million
Total:	\$20.5 billion
	(\$10.8 billion Proposition 98,
	\$9.1 billion General Fund,
	\$0.6 billion Local Realignment Fund)

Note: Fiscal estimates reflect fully implemented costs.

^{1/} Funded by 1991-92 State-Local Realignment Revenues.

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Of this amount, the Budget sets aside \$400 million General Fund for allocation later in the legislative session for affordable housing programs. The funding will be coupled with the Administration's proposed legislation requiring ministerial "by right" land use entitlements for multifamily infill housing developments that include affordable housing. This would help constrain development costs, improve the pace of housing production, and encourage an increase in housing supply. In addition, legislation will authorize a \$2 billion bond from a portion of future Proposition 63 mental health revenues to develop and administer homelessness and affordable housing programs for the mentally ill.

ADDRESSING CLIMATE CHANGE

The California Global Warming Solutions Act of 2006 (AB 32) set California's initial greenhouse gas emission reduction goals, and directed the state to maintain and continue reductions beyond 2020. Last year, California adopted several ambitious policies that will further advance clean energy and significantly reduce greenhouse gas emissions. Over multiple years, the Cap and Trade program gives the state the chance to transform its communities—particularly those disadvantaged ones—into innovative, sustainable economic centers. An expenditure plan for Cap and Trade revenues to reduce greenhouse gas emissions will be completed later in the legislative session.

SUMMARY CHARTS

This section provides various statewide budget charts and tables.

Figure SUM-01
2016 Budget Act
General Fund Budget Summary
(Dollars in Millions)

	<u>2015-16</u>	<u>2016-17</u>
Prior Year Balance	\$3,444	\$4,874
Revenues and Transfers	<u>\$117,001</u>	<u>\$120,310</u>
Total Resources Available	\$120,445	\$125,184
Non-Proposition 98 Expenditures	\$65,849	\$71,418
Proposition 98 Expenditures	<u>\$49,722</u>	<u>\$51,050</u>
Total Expenditures	\$115,571	\$122,468
Fund Balance	\$4,874	\$2,716
Reserve for Liquidation of Encumbrances	\$966	\$966
Special Fund for Economic Uncertainties	\$3,908	\$1,750
Budget Stabilization Account/Rainy Day Fund	\$3,420	\$6,714

Figure SUM-02

General Fund Expenditures by Agency
(Dollars in Millions)

	2015-16	2016-17	Change from 2015-16	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$3,239	\$3,513	\$274	8.5%
Business, Consumer Services & Housing	637	877	240	37.7%
Transportation	258	237	-21	-8.1%
Natural Resources	2,714	2,819	105	3.9%
Environmental Protection	223	88	-135	-60.5%
Health and Human Services	31,512	33,240	1,728	5.5%
Corrections and Rehabilitation	10,196	10,571	375	3.7%
K-12 Education	49,521	51,277	1,756	3.5%
Higher Education	14,268	14,531	263	1.8%
Labor and Workforce Development	212	176	-36	-17.0%
Government Operations	761	1,756	995	130.7%
General Government:				
Non-Agency Departments	708	752	44	6.2%
Tax Relief/Local Government	445	474	29	6.5%
Statewide Expenditures	877	2,157	1,280	146.0%
Total	\$115,571	\$122,468	\$6,897	6.0%

Note: Numbers may not add due to rounding.

Figure SUM-03

2016-17 Total State Expenditures by Agency
(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$3,513	\$3,523	\$594	\$7,630
Business, Consumer Services & Housing	877	859	407	2,143
Transportation	237	9,003	1,441	10,681
Natural Resources	2,819	1,311	572	4,702
Environmental Protection	88	2,754	341	3,183
Health and Human Services	33,240	20,582	-	53,822
Corrections and Rehabilitation	10,571	2,700	-	13,271
K-12 Education	51,277	93	122	51,492
Higher Education	14,531	48	283	14,862
Labor and Workforce Development	176	711	-	887
Government Operations	1,756	-762	5	999
General Government				
Non-Agency Departments	752	1,845	1	2,598
Tax Relief/Local Government	474	1,364	-	1,838
Statewide Expenditures	2,157	598	-	2,755
Total	\$122,468	\$44,629	\$3,766	\$170,863

Note: Numbers may not add due to rounding.

Figure SUM-04
General Fund Revenue Sources
(Dollars in Millions)

	2015-16	2016-17	Change from 2015-16	
			Dollar Change	Percent Change
Personal Income Tax	\$79,962	\$83,393	\$3,431	4.3%
Sales and Use Tax	25,028	25,727	699	2.8%
Corporation Tax	10,309	10,992	683	6.6%
Insurance Tax	2,486	2,345	-141	-5.7%
Alcoholic Beverage Taxes and Fees	370	377	7	1.9%
Cigarette Tax	87	85	-2	-2.3%
Motor Vehicle Fees	22	22	0	0.0%
Other	551	663	112	20.3%
Subtotal	\$118,815	\$123,604	\$4,789	4.0%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-1,814	-3,294	-1,480	81.6%
Total	\$117,001	\$120,310	\$3,309	2.8%

Note: Numbers may not add due to rounding.

Figure SUM-05
2016-17 Revenue Sources
(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2015-16
Personal Income Tax	\$83,393	\$1,858	\$85,251	\$3,472
Sales and Use Tax	25,727	13,166	38,893	1,005
Corporation Tax	10,992	-	10,992	683
Highway Users Taxes	-	4,780	4,780	-221
Insurance Tax	2,345	-	2,345	-141
Alcoholic Beverage Taxes and Fees	377	-	377	7
Cigarette Tax	85	731	816	-22
Motor Vehicle Fees	22	6,861	6,883	146
Other	663	18,006	18,669	-1,576
Subtotal	\$123,604	\$45,402	\$169,006	\$3,353
Transfer to the Budget Stabilization Account/Rainy Day Fund	-3,294	3,294	0	0
Total	\$120,310	\$48,696	\$169,006	\$3,353

Note: Numbers may not add due to rounding.

K THRU 12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,000 charter schools provide students with instruction in English, mathematics, history, science, and other core competencies to provide them with the skills they will need upon graduation for either entry into the workforce or higher education.

The Budget includes total funding of \$88.3 billion (\$51.6 billion General Fund and \$36.7 billion other funds) for all K-12 education programs.

PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The Local Control Funding Formula is the primary mechanism for distributing funding to support all students attending K-12 public schools in California.

The Budget includes Proposition 98 funding of \$71.9 billion for 2016-17, an increase of \$3.5 billion over the 2015-16 Budget Act level. When combined with increases of

\$1.5 billion in 2014-15 and 2015-16 as well as other one-time savings and adjustments in those years, the Budget provides a \$5.9 billion increased investment in K-14 education. Since 2011-12, Proposition 98 funding for K-12 education has grown by more than \$21.7 billion, representing an increase of more than \$3,600 per student.

The Proposition 98 maintenance factor—an indicator of past reductions made to schools and community colleges—totaled nearly \$11 billion as recently as 2011-12. The Budget reduces this obligation to \$908 million.

K-12 BUDGET ADJUSTMENTS

Significant Adjustments:

- **Local Control Funding Formula**—An increase of more than \$2.9 billion Proposition 98 General Fund to continue the State’s landmark transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will bring the formula to 96 percent of full implementation.
- **College Readiness Block Grant**—An increase of \$200 million one-time Proposition 98 General Fund for grants to school districts and charter schools serving high school students to provide additional services that support access and successful transition to higher education. These funds can be spent over the next three years. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income, or foster youth, with no school district or charter school receiving less than \$75,000. The University of California will work to increase admissions of students who were enrolled in schools in which enrollment of English-learners, low-income students, or foster youth is greater than 75 percent of total enrollment.
- **Teacher Workforce**—A combined increase of \$35 million one-time General Fund (\$10 million non-Proposition 98 and \$25 million Proposition 98) to fund several programs aimed at recruiting additional teachers and streamlining teacher preparation programs:
 - **Integrated Teacher Preparation Grant Program**—An increase of \$10 million one-time non-Proposition 98 General Fund for the Integrated Teacher Preparation Grant Program to provide competitive grants to colleges and universities to develop or improve four-year integrated teacher credential

programs enabling credential candidates to receive both a teaching credential and a bachelor's degree.

- Classified School Employees Credentialing Program—An increase of \$20 million one-time Proposition 98, available for five years, to establish the California Classified School Employees Credentialing Program, and provide grants to K-12 local educational agencies to support recruitment of non-certificated school employees to participate in a teacher preparation program and become certificated classroom teachers in California public schools.
- California Center on Teacher Careers—An increase of \$5 million one-time Proposition 98 General Fund for a multi-year competitive grant to a local educational agency to establish and operate the California Center on Teaching Careers to recruit qualified and capable individuals to the teaching profession. The center will host a referral database for teachers seeking employment, develop and distribute recruitment publications; conduct outreach activities to high school and college students; provide statewide public service announcements related to teacher recruitment; and provide prospective teachers information on credential requirements, financial aid, and loan assistance programs.
- Charter School Start Up Grants—An increase of \$20 million one-time Proposition 98 General Fund to support operational startup costs for new charter schools in 2016 and 2017, which will help offset the loss of federal funding previously available for this purpose. These funds will be available for distribution after all current federal funding for startup costs has been exhausted.
- California Collaborative for Educational Excellence—An increase of \$24 million one-time Proposition 98 General Fund for the California Collaborative for Educational Excellence to: (1) support statewide professional development training on use of the evaluation rubrics by local educational agencies, and (2) implement a pilot program to inform the Collaborative's long-term efforts related to advising and assisting local educational agencies in improving pupil outcomes. This funding will build local and state capacity to implement a system of continuous improvement in the eight state priority areas upon which the Local Control Funding Formula is based.
- Multi-Tiered Systems of Support—An increase of \$20 million one-time Proposition 98 General Fund to allow local educational agencies to provide services that assist and encourage multi-tiered systems of supports. These services support academic, behavioral, social, and emotional needs and have been successful in

improving outcomes for all students. This funding builds upon the \$10 million included in the 2015 Budget Act, which was awarded to the Orange County Office of Education to develop guidance and supportive services for schools statewide in implementing these systems.

- Restorative Justice Grants—An increase of \$18 million one-time Proposition 98 General Fund for truancy and dropout prevention grants, consistent with Proposition 47, the Safe Neighborhoods and School Act.
- Safe Drinking Water in Schools—An increase of \$9.5 million one-time Proposition 98 General Fund to create a grant program to improve access to safe drinking water for schools located in isolated and economically disadvantaged areas. The program will be developed and administered by the Water Resources Control Board in consultation with the State Department of Education.
- K-12 Mandates—An increase of \$1.3 billion one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds, combined with previous years' investments, will substantially reduce outstanding mandate debt owed to schools, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments at the local level. These funds can be used for activities such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards.

CHILD CARE AND STATE PRESCHOOL

Subsidized child care includes a variety of programs designed to support low-income families so they may remain gainfully employed. These programs are primarily administered by the Department of Education. Additionally, the State Preschool program is designed as an educational program to help children develop the skills needed for success in school. The Department of Education and the Department of Social Services jointly administer the three-stage CalWORKs child care system to meet the child care needs of recipients of aid while they participate in work activities and as they transition from cash aid. Families can access services through centers that contract directly with the Department of Education, or by receiving vouchers from county welfare departments or alternative payment program providers.

Significant Adjustments:

- **Provider Reimbursement Rates**—An increase to child care provider reimbursement rate ceilings to reflect a corresponding increase in the cost of providing care related to changes in the state minimum wage. The Budget includes the following amounts which are expected to grow with future minimum wage increases:
 - **Standard Reimbursement Rate**—An increase of \$67.6 million General Fund (\$43.7 million Proposition 98, \$23.9 million non-Proposition 98) to provide a 10-percent increase to the reimbursement rate for State Preschool and other direct-contracted child care and development providers, beginning January 1, 2017.
 - **Regional Market Reimbursement Rate**—An increase of \$69.9 million General Fund to (1) increase the maximum reimbursement ceiling for voucher-based child care providers to reflect more recent estimates of the cost of doing business and (2) increase the rate for license-exempt providers from 65 to 70 percent of the licensed family child care home rate, both beginning January 1, 2017. This increase in funding includes a provision that ensures providers in areas where the estimated cost of doing business has decreased in recent years will not receive a lower reimbursement rate through June 30, 2018.
- **Full-Day State Preschool**—An increase of \$7.8 million Proposition 98 to provide access to full-day State Preschool for an additional 2,959 children from low-income working families, starting March 1, 2017. Over a period of four years, a total of 8,877 new full-day State Preschool slots will be added at a total cost of \$100 million Proposition 98.

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HIGHER EDUCATION

Higher Education includes the California Community Colleges (CCC), the California State University (CSU), the University of California (UC), the Student Aid Commission, and several other entities.

The Budget includes total funding of \$30 billion (\$17 billion General Fund and local property tax and \$13 billion other funds) for all higher education entities in 2016-17.

COLLEGE READINESS

The Budget funds several initiatives—at schools, community colleges, and the state’s universities—focused on college access, readiness, and success. These include:

- College Readiness Block Grant—\$200 million Proposition 98 General Fund on a one-time basis to improve college readiness, allocated to local educational agencies based on the number of low-income students, English learners, and youth in foster care they serve in grades 9 through 12. (See K-12 Education chapter for additional details.)
- Community College Basic Skills Transformation—\$30 million Proposition 98 General Fund on a one-time basis for additional grants through the Community Colleges Basic Skills and Student Outcomes Transformation Program to support implementation of evidence-based practices at community colleges that improve students’ transition into college-level courses. Beginning in 2017-18, \$30 million

Proposition 98 General Fund will be allocated as part of a revised Student Success for Basic Skills Students Program.

- UC Student Outreach—\$20 million General Fund on a one-time basis to expand UC support services, including outreach to students at high schools with high proportions of low-income students, English learners, and youth in foster care.
- College Promise Program—\$15 million Proposition 98 General Fund on a one-time basis for California College Promise Innovation Grants to support better coordination between local educational agencies and community colleges and outreach to students to put them on a path to success in college. This program is modeled after effective efforts underway throughout the state.
- Mathematics Readiness Challenge—\$6.4 million in federal funds on a one-time basis for a competition to create 12th-grade mathematics courses that better prepare students for college-level mathematics.
- A-G Success Initiative—\$4 million General Fund on a one-time basis to expand UC’s existing Scout program and provide free online classes and curriculum approved by the University to meet the “a-g” subject requirements—making college preparatory courses more accessible for students.
- Online Tools for College Planning—\$2 million Proposition 98 General Fund on an ongoing basis to enhance a state college-planning website and help schools incorporate these online tools in their college guidance programs.

USE OF TECHNOLOGY

The Budget provides funding to broaden access to, and reduce the costs of, high-quality higher education by better integrating technology into instruction. The Budget includes \$5 million Proposition 98 General Fund to support the creation of zero-textbook-cost degrees, certificates, and credentials and articulates the expectation that community college districts make them available through an online clearinghouse of effective practices to encourage their adoption across all community college campuses. The Budget also includes \$20 million one-time Proposition 98 General Fund for CCCs to expand student access to online courses that can be counted towards their degrees, using the CCC online course exchange.

SUPPORT FOR STUDENT SUCCESS

A steady growth in discretionary funding and targeted state initiatives has allowed each segment to focus on improving student outcomes. The Budget includes \$200 million Proposition 98 General Fund to establish the Strong Workforce Program, which will enable community college districts to expand access to workforce-aligned and regionally coordinated career technical education courses and programs through the existing Career Technical Education Regional Consortium structure.

Completion at the universities—especially for low-income and underrepresented students—has also been an important focus. The Budget includes \$35 million General Fund to improve student outcomes at the CSU. The release of these funds is contingent upon the Trustees articulating plans that indicate the timeframe by which the system and campuses will increase four-year graduation rates and two-year transfer graduation rates above those of other institutions, while also increasing the graduation rates for low-income students, first-generation students, and students from underrepresented minority groups to at least the rates of their peers.

The Budget expands resources to support professionals at the colleges to improve student success. It provides an additional \$10 million Proposition 98 General Fund for the CCC Institutional Effectiveness Partnership Initiative at the community colleges and adds \$1.1 million General Fund for a new CSU Student Success Network. The Network will be led by faculty, staff, and administrators from across the system, who are committed to exploring new ways to improve outcomes for students and spreading effective practices more broadly.

Finally, the Budget supports continued efforts to scale student success in a sustainable way. The Budget includes \$25 million Proposition 98 General Fund on a one-time basis for the Awards for Innovation in Higher Education. These funds will provide resources to community colleges to partner with other educational entities to implement innovations in the design of curriculum and instruction, recognition of prior learning and experiences in the pathway to degrees and credentials, and access to financial aid—key elements in reducing costs and decreasing the time it takes students to earn their degrees and credentials.

SIGNIFICANT ADJUSTMENTS

The following are significant adjustments included in the Budget.

CALIFORNIA COMMUNITY COLLEGES

- Apportionment Adjustments:
 - A decrease of \$198.4 million Proposition 98 General Fund in 2016-17 as a result of increased offsetting local property tax revenues.
 - An increase of \$114.3 million Proposition 98 General Fund for 2-percent growth in full-time equivalent student enrollment.
 - An increase of \$75 million Proposition 98 General Fund to support increased community college operating expenses in areas such as employee benefits, facilities, professional development, converting faculty from part-time to full-time, and other general expenses.
 - An increase of up to \$31.7 million Proposition 98 General Fund in 2015-16, provided on a contingency basis, for an anticipated shortfall in redevelopment agency property taxes for community college apportionments. Any funds not needed to support the anticipated shortfall would become available for additional mandate debt payments.
- Career Technical Education:
 - An increase of \$200 million Proposition 98 General Fund to establish the Strong Workforce Program, which will enable community college districts to expand access to workforce-aligned and regionally coordinated career technical education courses and programs through the existing Career Technical Education Regional Consortium structure.
 - A one-time increase of \$48 million Proposition 98 General Fund to support the Career Technical Education Pathways Program. These funds provide resources for community colleges and high schools to develop, enhance, and expand career technical education programs that build upon existing regional capacity to meet regional labor market demands. Career Technical Education Pathways Program funding determinations will be aligned and integrated within the regional collaborations of the Strong Workforce Program.

- Improving Student Success:
 - An increase of \$30 million in one-time Proposition 98 General Fund to fund additional basic skills transformation grants in 2016-17. Commencing in 2017-18, these funds will be allocated as part of a revised Student Success for Basic Skills Students Program that focuses of implementing practices that increase students' transition to college-level courses.
 - An increase of \$25 million one-time Proposition 98 General Fund for innovation awards focusing on innovations in curriculum and instruction, assessment of prior learning and experiences, and access to financial aid.
 - An increase of \$15 million one-time Proposition 98 General Fund to provide California College Promise Innovation grants.
 - An increase of \$10 million Proposition 98 General Fund to support the Institutional Effectiveness Partnership Initiative.
- Enhancing the Use of Technology:
 - An increase of \$20 million one-time Proposition 98 General Fund to expedite and enhance the adaptation and development of online courses that will be available through the online course exchange.
 - An increase of \$15 million Proposition 98 General Fund, of which \$7 million is one-time, to address systemwide data security efforts and to expand broadband capacity across community college campuses.
 - An increase of \$5 million one-time Proposition 98 General Fund to support the Zero-Textbook-Cost Degree program, which will provide up to \$200,000 per degree developed by colleges with the goal of reducing the cost of instructional materials for students.
- Other Ongoing Adjustments:
 - An increase of \$14.7 million Proposition 98 General Fund to restore the Student Services for CalWORKs Recipients, Part-Time Faculty Office Hours, and Fund for Student Success categorical programs to pre-recession funding levels.
 - An increase of \$2.3 million Employment Opportunity Fund and \$2 million Proposition 98 General Fund to promote equal employment opportunities in hiring and promotion at community college districts.

HIGHER EDUCATION

- An increase of \$300,000 Proposition 98 General Fund for the Academic Senate of the California Community Colleges to develop, promote, and act upon policies in support of recent statewide community college programmatic efforts and initiatives focused on student success.
- Other Limited-Term Adjustments:
 - An increase of \$184.6 million in one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects.
 - An increase of \$105.5 million one-time Proposition 98 General Fund to pay for outstanding mandate debt on a per full-time equivalent student basis to reduce mandate debt while providing districts with discretionary one-time funding for investments in local priorities, including professional development, campus security, technology, and open education and zero-textbook-cost degrees.
 - Proposition 39—The California Clean Energy Jobs Act was approved by voters in 2012 and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency projects. The Budget increases the amount of energy efficiency funds available to community colleges in 2016-17 by \$10.5 million to \$49.3 million to reflect increased revenue estimates.

CALIFORNIA STATE UNIVERSITY

- Funding for Enrollment Expectation—An increase of \$12.5 million General Fund to increase enrollment by at least 5,194 full-time equivalent students in 2016-17 compared to 2015-16.
- One-Time Funding to Improve Graduation Rates—An increase of \$35 million General Fund on a one-time basis contingent upon the Trustees adopting plans and timeframes for graduation rates that meet the state’s expectations. An additional increase of \$15 million General Fund for use as determined by the Trustees.
- Student Success Network—An increase of \$1.1 million General Fund ongoing for support of the CSU Student Success Network led by faculty, staff, and administrators across campuses and administered by the Education Insights Center at CSU Sacramento.

UNIVERSITY OF CALIFORNIA

- Funding for Expectations Related to Resident and Nonresident Enrollment—An increase of \$18.5 million General Fund if the University demonstrates it will increase resident undergraduate enrollment by 2,500 students in 2017-18 compared to 2016-17 and the Regents have adopted a policy that limits enrollment of nonresident students.
- Innovation and Entrepreneurship—An increase of \$22 million General Fund on a one-time basis for innovation and entrepreneurship activities at the campuses.
- Support Services—An increase of \$20 million one-time General Fund for support services for low-income students and students from underrepresented minority groups.
- A-G Success Initiative—An increase of \$4 million General Fund on a one-time basis for the development of high-quality middle school and high school online classes and curriculum that satisfy the “a-g” subject requirements.

CALIFORNIA STUDENT AID COMMISSION

- Middle Class Scholarship Program Costs—A decrease of \$33.5 million General Fund in 2015-16 and \$42 million in 2016-17 and each year thereafter to account for savings in the Middle Class Scholarship Program.

CALIFORNIA STATE LIBRARY

- Library Innovation—An increase of \$4.8 million General Fund ongoing (\$1.8 million ongoing) for innovations in local library services through the California Library Services Act. The Budget also amends the act to allow libraries to expand the ways they use, and share, digital materials.

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HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities such as boards, commissions, councils, and offices that provide health and social services to California’s vulnerable and at-risk residents.

The Budget includes total funding of \$141 billion (\$33 billion General Fund and \$108 billion other funds) for all programs overseen by this Agency.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California’s Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. DHCS also operates the California Children’s Services and the Primary and Rural Health programs, and oversees county-operated community mental health and substance use disorder programs.

Significant Adjustments:

- Managed Care Organization Tax—Chapter 2, Statutes of 2016, Second Extraordinary Session (SBx2 2), authorized a tax on the enrollment of Medi-Cal managed care plans and commercial health plans. The Budget assumes reduced General Fund spending in the Medi-Cal program of approximately \$1.1 billion in 2016-17 and \$1.7 billion in 2017-18. The legislation also included reforms that reduced taxes paid

by the health plan industry. The Budget includes significant investments associated with the managed care organization tax (Chapter 3, Statutes of 2016, Second Extraordinary Session [ABx2 1]).

- **Medi-Cal 2020 Waiver**—The Budget includes \$2.2 billion in federal funds for the new Medi-Cal 2020 Waiver. California and the federal government reached an agreement on the Section 1115 Waiver renewal that began on January 1, 2016. The waiver includes a number of initiatives to improve health care quality including Public Hospital Redesign and Incentives in Medi-Cal, the Global Payment Program, Whole Person Care Pilots, and the Dental Transformation Initiative.
- **Full-Scope Medi-Cal Coverage for Undocumented Children**—The Budget includes \$188.2 million General Fund to provide full-scope benefits to 185,000 children. Chapter 18, Statutes of 2015 (SB 75), expands full-scope Medi-Cal benefits to undocumented children under 19 years of age.
- **Minimum Wage**—The Budget includes \$7.1 million General Fund to reflect the impact on certain providers of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017.
- **Medicaid Managed Care Regulations**—The Budget includes \$5 million General Fund and 38 positions to implement the federal regulations. In May 2016, the federal government published final regulations pertaining to Medicaid managed care programs, and published final regulations in November 2015 pertaining to Medicaid fee-for-service access standards and monitoring. The managed care regulations are related to beneficiary grievances, provider networks, program integrity, and financing.
- **Institutional Deeming**—The Budget includes \$1.1 million General Fund to provide transition assistance to approximately 433 children currently enrolled in the Home and Community-Based Services Waiver for Persons with Developmental Disabilities. Under federal law, these children will likely lose their Medi-Cal eligibility with the transition of Behavioral Health Treatment from a waiver benefit to a state plan benefit in March 2017. The assistors will facilitate enrollment into appropriate, comprehensive health care coverage.
- **Behavioral Health Treatment**—The Budget includes \$180.2 million General Fund to provide federally required Behavioral Health Treatment services. Medi-Cal costs include transitioning responsibility for the provision of these services from the state's Developmental Services system.

- **Medi-Cal Estate Recovery**—The Budget includes \$5.7 million General Fund in 2016-17, and \$28.9 million General Fund ongoing to limit asset recovery from the estates of deceased Medi-Cal recipients only to recoveries that are federally required.
- **Medical Interpreters**—The Budget includes \$3 million General Fund for a pilot or study related to medical interpreter services in the Medi-Cal program. The augmentation is contingent on future legislation.
- **Restoration of Medi-Cal Acupuncture Benefit**—The Budget includes \$3.7 million in 2016-17 and \$4.4 million annually thereafter to restore acupuncture services for adult beneficiaries in the Medi-Cal program, effective July 1, 2016.

HEALTH CARE REFORM IMPLEMENTATION

In 2013, California implemented significant portions of the Affordable Care Act. The Health Benefits Exchange has provided affordable health insurance, including plans subsidized with federally funded tax subsidies and products for small businesses, beginning January 1, 2014. The Medi-Cal program was expanded with simplified eligibility rules, and the optional expansion extended eligibility to adults without children, as well as parent and caretaker relatives with incomes up to 138 percent of the federal poverty level.

Significant Adjustments:

- **Health Care Reform**—Medi-Cal caseload will increase from 7.9 million in 2012-13 to a projected 14.1 million in 2016-17, covering over a third of the state's population. Most of the increase in caseload is associated with implementation of federal health care reform. Beginning in 2017, the state assumes a 5-percent share of cost for the optional expansion population. The Budget includes costs of \$16.2 billion (\$819.5 million General Fund) in 2016-17 for the optional Medi-Cal expansion population.
- **County Medi-Cal Administration**—The Budget provides counties an additional \$169.9 million (\$57 million General Fund) in 2016-17 and 2017-18 to determine eligibility for the Medi-Cal program. The state will conduct time studies to inform a new Medi-Cal county administration budgeting methodology.
- **AB 85 Redirection of County Savings**—Under the Affordable Care Act, county costs and responsibilities for indigent health care are decreasing as more individuals gain

access to health care coverage. Chapter 24, Statutes of 2013 (AB 85), modified the 1991 Realignment Local Revenue Health Account distributions to capture and redirect savings counties are experiencing from the implementation of federal health care reform. County savings are estimated to be \$749.9 million in 2015-16 and \$585.9 million in 2016-17. The Budget also includes \$177.4 million General Fund for county repayments based on the reconciliation of the 2013-14 fiscal year.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.

Significant Adjustments:

- **Continuum of Care Reform**—The Budget includes \$127.3 million General Fund in 2016-17 to continue the implementation of the Continuum of Care reforms contained in Chapter 773, Statutes of 2015 (AB 403). The reforms emphasize home-based family care, improved access to services without having to change out-of-home placements to get those services, and an increased role of children, youth, and families in assessment and case planning. The measure establishes a core practice model to govern all services, whether delivered by a county or licensed provider organization, and provides currently required medically necessary mental health services to children regardless of their placement setting.
- **Restoration of IHSS 7-Percent Across-the-Board Reduction**—The Budget includes \$265.8 million General Fund in 2016-17 to reflect restoration of the 7-percent reduction to IHSS. The restoration remains in effect during the duration of the managed care organization tax, which is scheduled to expire on June 30, 2019.
- **IHSS Overtime**—The Budget includes \$437.3 million General Fund in 2016-17 to reflect costs associated with implementing federal requirements regarding overtime. Exemptions from state limits on overtime usage will be available for live-in family care providers who, as of January 31, 2016, reside in the home of two or more disabled minor or adult children or grandchildren for whom they provide services. A second type of exemption will be considered for recipients with extraordinary circumstances and granted on a case-by-case basis. Under either exemption, the maximum number of hours a provider may work cannot exceed 360 hours per month.

- **CalWORKs Grant Increase**—The Budget reflects a 1.4-percent increase to CalWORKs grants, effective October 1, 2016, which is estimated to cost \$35.4 million in 2016-17 and \$47 million in 2017-18. These increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.
- **CalWORKs Maximum Family Grant Repeal**—The Budget includes \$95.1 million General Fund in 2016-17, \$152.3 million General Fund in 2017-18, and \$72.3 million in 2018-19 to reflect increased grant costs resulting from the repeal of the CalWORKs maximum family grant rule, effective January 1, 2017. Beginning in 2019-20, the increased grant costs associated with this policy change will be funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.
- **CalWORKs Housing Support**—The Budget includes an increase of \$12 million General Fund, for a total of \$47 million General Fund in 2016-17, for the Housing Support Program, which provides assistance to eligible families who are homeless or at risk of homelessness.
- **CalWORKs Homeless Assistance**—The Budget includes an increase of \$2.4 million General Fund in 2016-17 and \$2.7 million General Fund annually thereafter to reflect elimination of the once-in-a-lifetime restriction on receipt of temporary and permanent homeless assistance and instead make this assistance available once every 12 months, effective January 1, 2017.
- **Supplemental Security Income Outreach**—The Budget includes one-time funding of \$45 million General Fund to establish a county matching grant program designed to provide outreach to homeless persons with disabilities who may be eligible for disability benefits programs.
- **State Supplementary Payment Cost-of-Living-Adjustment**—The Budget includes increases of \$36.5 million General Fund in 2016-17 and \$74.8 million General Fund in 2017-18 to reflect a 2.76-percent increase to the State Supplementary Payment portion of the Supplemental Security Income/State Supplementary Payment grant, effective January 1, 2017.
- **Bringing Families Home**—The Budget includes one-time funding of \$10 million General Fund to establish a county matching grant program focused on reducing homelessness among families who are part of the child welfare system.

HEALTH AND HUMAN SERVICES

- Services for Commercially Sexually Exploited Children—The Budget includes an augmentation of \$5 million General Fund beginning in 2016-17, for a total of \$19 million General Fund, to support local efforts associated with the prevention, intervention, case management, and training needs related to children who are or at-risk of being victims of commercial sexual exploitation.
- Parenting Foster Youth Infant Care Supplement—The Budget includes \$4 million General Fund beginning in 2016-17 to increase the monthly infant care supplement payment by \$489 for foster youth who reside with his or her dependent child.
- Chafee Education and Training Vouchers for Foster Youth—The Budget includes an augmentation of \$3 million General Fund beginning in 2016-17 to increase the number of education and training voucher grant awards provided to eligible youth in foster care.
- Public Health Nursing and Monitoring of Psychotropic Medications—The Budget includes an increase of \$1.7 million General Fund beginning in 2016-17 for psychotropic medication case management services for children in the child welfare services system.
- Adult Protective Services—The Budget includes a one-time augmentation of \$3 million General Fund in 2016-17 to expand Adult Protective Services training for county social workers.
- State Emergency Food Assistance Program—The Budget includes a one-time appropriation of \$2 million General Fund in 2016-17 to purchase and distribute food to needy households.
- Federal Immigration Assistance—The Budget includes a one-time augmentation of \$15 million General Fund, for a total of \$30 million General Fund in 2016-17, to provide immigration assistance, including legal and naturalization services, to immigrant communities.
- Minimum Wage Increase—An increase in IHSS expenditures of \$18.4 million General Fund and a decrease in CalWORKs expenditures of \$6 million General Fund to reflect the impact of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017, pursuant to Chapter 4, Statutes of 2016 (SB 3).

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals (DSH) administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients.

Significant Adjustments:

- **Jail-Based Competency Treatment Beds**—The Budget includes \$4.2 million General Fund to expand the jail-based competency treatment program by 35 beds and provide additional oversight of the restoration of competency program. With this increase, DSH will support a total of 183 restoration of competency beds to serve incompetent to stand trial patients outside of the state hospitals, at a total cost of approximately \$22.6 million General Fund in 2016-17. Despite recent measures to increase capacity both in the state hospitals and at jail-based programs, referrals continue to outpace admissions and discharges and the pending placement list was over 430 individuals as of June 2016.
- **Activation of State Hospital Beds**—The Budget provides an increase of \$18.1 million General Fund and 175.5 positions to activate an additional 60 beds at Napa State Hospital and 36 beds at Metropolitan State Hospital. The activation of these beds improves DSH’s ability to address the immediate needs of pending placements.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides individuals with developmental disabilities a variety of services that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement. The state is in the process of closing all of the state-operated developmental centers, except for the secure treatment area at the Porterville Developmental Center. By the end of 2016-17, DDS estimates it will serve approximately 303,000 individuals with developmental disabilities in the community and 847 individuals in state-operated developmental centers.

Significant Adjustments:

- **Community Services**—The Budget includes augmentations totaling \$337 million General Fund between targeted investments in the developmental services system

(\$50 million) and the additional funding provided in Chapter 3, Statutes of 2016, Second Extraordinary Session (ABx2 1) (\$287 million).

- **Minimum Wage**—The Budget includes an increase of \$12 million General Fund to reflect the impact on providers of the 50-cent increase in the state minimum hourly wage, effective January 1, 2017.
- **Developmental Center Closures**—The Budget provides funding and authority to: (1) extend special managed care provisions to Medi-Cal eligible individuals that are transitioning from developmental centers into the community; (2) provide an exemption to allow developmental center employees working at facilities slated for closure to go through the process of becoming community-based service providers; and (3) provide retention incentives for developmental center staff during the closure process to maintain services during the transition.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people in California.

Significant Adjustments:

- **Public Health Investments**—The Budget includes \$12.5 million General Fund for the following one-time public health expenditures: sexually transmitted disease prevention (\$5 million); drug overdose prevention (\$3 million); early detection and diagnosis of Alzheimer’s disease (\$2.5 million); hepatitis B and C prevention and treatment (\$1.4 million); and biomonitoring (\$600,000). The Budget also includes ongoing funding of \$3.2 million General Fund for the California Children’s Dental Disease Prevention Program and \$1 million General Fund in 2016-17 and \$2 million ongoing for enforcement activities related to recently enacted tobacco legislation (Chapter 7, Statutes of 2016 [SBx2 5] and Chapter 8, Statutes of 2016 [SBx2 7]).
- **Implementation of the Medical Marijuana Regulation and Safety Act**—The Budget contains \$3.4 million and 14 positions in 2016-17 for Public Health to carry out its regulatory responsibilities associated with the Act. In addition, \$500,000 General Fund is included on a one-time basis to help support a study analyzing the health risks associated with the use of marijuana.

OTHER HEALTH AND HUMAN SERVICES

- **Community Infrastructure Grants**—The Budget includes \$67.5 million General Fund for one-time community infrastructure grants to promote public safety diversion programs and services by increasing the number of mental health, substance use disorder, and trauma-related services facilities. Grants will be awarded by the California Health Facilities Financing Authority (CHFFA) on a competitive basis to cities and/or counties. The grants will aim to expand local resources for facility acquisition or renovation, equipment purchases, and applicable program startup or expansion costs to increase the availability of these programs.
- **Children’s Mental Health Crisis Services**—The Budget includes \$30 million (\$16 million General Fund) on a one-time basis for grant programs at CHFFA and the Mental Health Services Oversight and Accountability Commission. The CHFFA grants will be awarded to local governments and are intended to increase the number of facilities providing a continuum of crisis services. Grants provided by the Commission will fund supports and training for families as well as triage personnel serving children and youth under the age of 21.
- **Workforce Investment**—The Budget includes \$33.3 million General Fund to support health care workforce initiatives at the Office of Statewide Health Planning and Development. This funding will pay for new and existing residency slots for primary care physicians. The augmentation is contingent upon federal approval of the Medi-Cal Hospital Quality Assurance Fee.
- **Senior Nutrition**—The Budget includes a one-time augmentation of \$2 million General Fund for the Department of Aging to supplement the Home-Delivered Meals Program for eligible seniors.

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HOUSING AND LOCAL GOVERNMENT

This part of the Budget includes information related to housing and local governments.

HOUSING AND HOMELESSNESS

The Budget supports \$3.6 billion in state and federal funding and award authority for various affordable housing and homelessness programs across a number of state entities as shown in Figure SLA-01. Included in those totals are several new efforts to address California’s lack of affordable housing and homelessness.

Significant Adjustments:

- “By Right” Approval Process—The Budget sets aside \$400 million General Fund for affordable housing programs, the expenditure of which is contingent upon the passage of a “by right” approval process for affordable housing. Under a “by right” process, a local government could not require a conditional use permit, planned unit development permit, or other discretionary local government review for qualifying affordable housing projects. “By right” approval applies to projects that are consistent with objective general plan and zoning standards and, where applicable, are subject to mitigating measures to address potential environmental harm.
- No Place Like Home—The Budget includes the programmatic provisions for the No Place Like Home program, which addresses homelessness for individuals with mental health needs through the provision of permanent supportive housing. The Department of Housing and Community Development (HCD) will develop and

Figure SLA-01
2016-17 Affordable Housing and Homelessness Funding
 (Dollars in Millions)

<i>Department</i>	<i>Program</i>	<i>Amount</i>
Department of Housing and Community Development	Affordable Housing Construction, Contingent on By-Right	\$400
	Mental Health Services Act Programs	\$267
	Federal Funds	\$112
	Housing for Veterans Funds	\$75
	State Emergency Solutions Grant Program	\$45
	Regional Planning, Housing, and Infill Incentive Account	\$22
	Mental Health Services Act Technical Assistance	\$6
	Office of Migrant Services	\$6
	Various	\$19
California Housing Finance Agency (CalHFA) ^{1/}	Single Family 1st Mortgage Lending	\$1,012
	Multifamily Conduit Lending	\$300
	Multifamily Lending	\$190
	Mortgage Credit Certificates	\$130
	Single Family Down Payment Assistance	\$48
	Special Needs Housing Program	\$55 ^{2/}
Strategic Growth Council	Affordable Housing and Sustainable Communities	\$400 ^{3/}
Tax Credit Allocation Committee	Low Income Housing Tax Credits (Federal)	\$225 ^{4/}
	Low Income Housing Tax Credits (State)	\$63
	Farmworker Housing Assistance Tax Credits	\$5
Department of Veterans Affairs	CalVet Farm and Home Loan Program	\$66
	CalWORKS Housing Support Program	\$47
Department of Social Services	SSI/SSP Outreach to Homeless Individuals with Disabilities	\$45
	CalWORKS Homeless Assistance Program	\$32 ^{5/}
	Bringing Families Home Program	\$10
Department of Finance	Community-Based Transitional Housing Program	\$25
Department of Public Health	Housing Opportunities for Persons with AIDS (Federal)	\$3
Office of Emergency Services	Homeless Youth and Exploitation Program	\$2
	Integrated Services for Mentally-Ill Parolees	\$2
California Department of Corrections and Rehabilitation (CDCR)	Specialized Treatment of Optimized Programming, Parole Service Center, Day Reporting Center, Female Offender Treatment and Employment Program	N/A ^{6/}
Total		\$3,612

^{1/} Amounts are the estimated lending activities from CalHFA's 2016-17 business plan.

^{2/} This amount represents a voluntary allocation of Proposition 63 funds from 11 participating counties.

^{3/} Of the amount appropriated, statute requires at least 50 percent be committed to affordable housing. This program may also fund transportation, infrastructure, and other related uses for projects reducing greenhouse gas emissions.

^{4/} This amount represents the 9 percent tax credits available in 2016 and an estimated figure for 4 percent credit awards based on 2015. This figure does not include the \$3.9 billion of tax-exempt bond debt allocation that is available for award from the California Debt Limit Allocation Committee.

^{5/} This amount is an estimated figure based on actual assistance provided in 2015.

^{6/} The state provides a number of wrap-around supportive services through these four programs, including housing support, which cannot be separated from CDCR's general budget.

administer a competitive \$1.8 billion program and a non-competitive \$200 million program to finance the construction, rehabilitation, or preservation of permanent supportive housing units for individuals with mental health supportive needs who are homeless, chronically homeless, or at risk of chronic homelessness. The financing mechanism—a \$2 billion bond secured by a portion of future Proposition 63 mental health revenues—will require additional legislation, and the budget includes first-year funding of \$267 million, contingent upon enactment of that legislation.

- The Budget also includes \$149.4 million (\$100 million one-time) from the General Fund for the following homelessness programs:
 - Supplemental Security Income Outreach—\$45 million to increase participation among homeless persons with disabilities who may be eligible for a disability benefits programs.
 - Emergency Solutions Grants—\$45 million to fund activities eligible under the Federal Emergency Solutions Grant Program, including rapidly rehousing individuals and families, preventing families and individuals from becoming homeless, engaging homeless individuals and families living on the street, and operating homeless shelters and providing essential services to shelter residents.
 - CalWORKS Housing Support Program—\$12 million ongoing augmentation, for a total of \$47 million, to provide assistance to eligible families who are homeless or at risk of homelessness.
 - CalWORKs Homeless Assistance—\$2.4 million in 2016-17 and \$2.7 million annually thereafter to reflect elimination of the once-in-a-lifetime restriction on receipt of temporary and permanent homeless assistance and instead making this assistance available once every 12 months, effective January 1, 2017.
 - Bringing Families Home—\$10 million one-time to establish a county matching grant program to reduce homelessness among families who are part of the child welfare system.

COMMUNITY-BASED TRANSITIONAL HOUSING PROGRAM

The Budget provides \$25 million for the Community-Based Transitional Housing Program, which will encourage local communities to support housing that provides treatment and reentry programming to released criminal offenders and other individuals. The Program

will provide grants of up to \$2 million to cities and counties that approve conditional use permits, valid for at least 10 years, for facilities that provide transitional housing and support services. Sixty percent of the grant funds will be used by the city or county for public safety and community outreach, and 40 percent of the grant funds will be used by the facility operator for specified purposes.

MODIFICATION OF LOW-INCOME HOUSING TAX CREDIT

The Budget changes the low-income housing tax credit. The change allows a taxpayer who qualifies for the low-income housing tax credit to sell the credit to an unrelated party as long as they pay at least 80 percent of the credit amount. The full dollar value of the credit can then be used by the purchaser to offset tax liability. In addition, the ability for low-income housing tax credits to be allocated among the partners in any manner and without regard to their ownership interest is extended from January 1, 2016 to January 1, 2020. The tax credit is expected to result in a revenue increase of \$300,000 in 2016-17 due to increased capital gains. Revenue losses due to the acceleration of credit usage are estimated to be \$100,000 in 2017-18 increasing to \$2 million by 2021.

DISSOLUTION OF REDEVELOPMENT AGENCIES

ABx1 26 (Chapter 5, Statutes of 2011) eliminated the state's redevelopment agencies (RDAs) and replaced them with locally organized successor agencies that use the property tax revenue otherwise payable to the former RDAs to retire their debts and other legal obligations. The property tax revenue remaining after these payments is returned to the cities, counties, special districts, and K-14 schools located in the former RDAs' boundaries.

The Budget anticipates that counties will receive \$740 million in new general purpose revenues in 2015-16 and 2016-17 combined, with cities receiving \$700 million and special districts \$330 million. On an ongoing basis, it is estimated that over \$1 billion annually will be distributed to counties, cities, and special districts. This is a significant amount of unrestricted funding can be used by local governments for local priorities.

The Budget anticipates General Fund savings within Proposition 98 resulting from RDA dissolution will be \$1.3 billion in both 2015-16 and 2016-17. On an ongoing basis, General Fund savings within Proposition 98 are estimated to be over \$1.4 billion annually.

PUBLIC SAFETY

The Budget includes the following changes related to California’s correctional system and public safety.

DEPARTMENT OF CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation incarcerates the most serious and violent felons, supervises them when they are released on parole, and provides rehabilitation programs to help them reintegrate into the community. The Department provides safe and secure detention facilities and necessary support services to inmates, including food, clothing, academic and vocational training, as well as health care services.

The Budget includes \$10.6 billion (\$10.3 billion General Fund and \$248 million other funds) for the operations of the Department in 2016-17. Including capital outlay, General Fund spending for the Department represents 8.5 percent of total General Fund spending, compared to a peak of 11.4 percent in 2011-12.

CONTINUED INVESTMENTS TO SUPPORT INMATE REHABILITATION AND REENTRY

The Budget includes a total of \$431 million General Fund to support inmate rehabilitative programs. This is an increase of approximately \$100 million compared to the Budget Act of 2015. These resources will expand, enhance, and create programming opportunities for state prison inmates. Specifically, these investments will allow the

Department to better serve long-term offenders, expand community reentry programs, expand cognitive behavioral therapy programs to all institutions, including in-prison substance use disorder treatment, and increase other rehabilitative programming and career technical education opportunities for inmates. The Budget also includes \$3 million for custody staffing to enable the Department to offer more rehabilitative programs on third watch to alleviate program space constraints on second watch, and encourage inmates with jobs to participate in programs and educational opportunities by making them available on third watch.

These program investments provide the Department an opportunity to operationalize its rehabilitative vision, which includes continuing to refine, enhance, and implement programs that address individual criminogenic needs, reduce recidivism, and transition offenders into contributing members of society.

To measure the success of programs, the Department will evaluate in-custody and community programs for effectiveness, compliance with national best practices, and cost benefits. To this end, the Budget includes \$4.5 million General Fund to allow the Department to further develop an information technology solution to improve its ability to track specific outcomes. These outcomes will help the Department track an offender's rehabilitative life cycle and begin implementing performance-based contracting for rehabilitative services, which help reduce recidivism. In addition, the Department is partnering with the Pew-MacArthur Results First Initiative to engage in a large-scale evaluation of the programs offered to inmates and parolees to identify which programs are cost-effective and successful, and to prioritize and expand effective evidence-based programs based on this analysis. Together, these efforts will inform the future of rehabilitative programs and services to support state inmates and parolees.

IN-PRISON REHABILITATIVE PROGRAMS AND EDUCATION

The Division of Rehabilitative Programs continues to focus on reentry services for offenders who are within four years of release and have a moderate-to-high risk to reoffend and a moderate-to-high criminogenic need for services. The Budget includes the following adjustments for these programs:

- Cognitive Behavioral Therapy—The Budget includes \$2.2 million General Fund to expand cognitive behavioral programming to all institutions. Cognitive behavioral therapy programming includes the major areas of substance use disorder treatment, criminal thinking, anger management and family relations.

- Substance Use Disorder Treatment—The Budget includes \$18.9 million General Fund to continue the expansion of substance use disorder treatment programs to the remaining 11 institutions currently without a program and expand the current number of slots at prison-based reentry hubs.
- Innovative Programming Grants—The Budget includes \$8.6 million General Fund for innovative programming grants that focus on offender responsibility and restorative justice principles. Of this amount, \$5.5 million is one-time to focus on programs that have proven successful in serving long-term or life-term inmates.
- Arts in Corrections—The Budget includes \$4 million General Fund to expand the Arts in Corrections program to all institutions through a partnership with the California Arts Council.
- eReader Community College Content—The Budget includes \$3 million Proposition 98 General Fund to provide inmates enrolled in community colleges with access to textbook content.
- Internet Protocol Television Integration—The Budget includes \$3.7 million General Fund to develop content and enable the Department to create the necessary infrastructure at each prison to support a television network to deliver rehabilitative programming to more inmates.
- Career Technical Education—The Budget includes \$2.3 million General Fund to add 12 career technical education programs statewide to reduce the current waiting lists at institutions that have available classroom space to support these programs. The Budget also includes \$4.1 million General Fund (\$10.6 million in 2017-18 and \$4.2 million ongoing) to provide secured internet access at all institutions to allow inmates participating in career technical education courses to complete classroom coursework, real-time shop exercises, and certification exams. This technology upgrade will be implemented over a two-year period and will improve the Department's ability to provide offenders with a marketable trade that improves opportunities for employment upon release.

EXPANSION OF PROGRAMS AND SERVICES FOR LIFER POPULATION

In recent years, the number of long-term offenders being released after serving lengthy periods of incarceration has steadily increased. The Board of Parole Hearings indicates that approximately 80 percent of life-term offenders released to parole require or request transitional housing as part of their parole plans. Furthermore, the needs of offenders incarcerated for long terms are unique and better served by programs tailored

to their needs. The Budget includes the following investments specifically targeted to long-term offenders:

- Parolee Service Center Beds—The Budget includes \$3.1 million General Fund to add 136 parolee service center beds on a statewide basis. Parolee service centers provide residential and support services that focus on employment, job search and placement training, substance use disorder education, stress management, victim awareness, computer supported literacy and life skills.
- In-Prison Long-Term Offender Program—The Budget includes \$3.4 million General Fund, of which \$2.1 million is one-time, to add a Long-Term Offender Program at a male level III or IV facility, increasing the number of slots by approximately 1,700. This voluntary in-prison reentry program is designed specifically for long-term offenders, providing substance use disorder treatment, criminal thinking, anger management, family relations, victim impact, denial management and employment readiness.
- Offender Mentor Certification Program—The Budget includes \$423,000 General Fund for the Offender Mentor Certification Program. Long-term and life-term inmates who complete this voluntary 10-month program are trained and certified to become mentors for alcohol and drug counseling. Upon completion, inmates are assigned as mentors and obtain 4,000 hours of work experience in substance use disorder treatment programs. Once those hours are fulfilled, inmates are eligible to obtain a substance use disorder counseling certification that can be used to gain employment upon release. This augmentation will enable the Department to train an additional 64 inmates annually.
- Pre-Employment Transitions Program—The Budget includes \$3.1 million General Fund to expand the Transitions Program to all institutions to offer employment preparation, teaching job-readiness, job search and prerequisite skills needed for the current job market. Participants learn about community resources and programs to help with transition and are linked to One-Stop Career Centers and social service agencies in their counties of residence. The Department will discontinue the use of contractors for this program and will hire teachers to serve approximately 23,000 inmates annually.
- Extended Family Visits—The Budget includes statutory changes to allow life-term inmates to be eligible for extended family visits.

The Department will also begin efforts to develop a program that provides six-month transitional housing in locations closest to the communities in which life-term inmates will be released. Offenders serving long terms in prison are often unprepared for reentering society due to changes in technology and day-to-day living advances. Transitional housing will assist these offenders to successfully reenter society. Additionally, the Department has taken steps to allow offenders placed in transitional housing immediate access to community leave passes, phones and visitation, and to place these parolees in an appropriate service or treatment program based on their needs assessment.

COMMUNITY REENTRY PROGRAM

The Budget includes \$32.1 million General Fund to continue the community reentry program. Reentry programs link offenders to a range of community-based, rehabilitative services that assist with substance use disorders, mental health care, medical care, employment, education, housing, family reunification, and social support. The program is voluntary and allows eligible male inmates committed to state prison to serve the end of their sentences in the community in lieu of confinement in state prison. To date, the Department has contracts to house 340 inmates in community reentry facilities. The Budget includes resources for a total of 680 beds in 2016-17 and increases the eligibility criteria from 120 days prior to release to up to one year. The Budget also includes one-time incentive payments to local governments to aid in the siting of community-based transitional housing for previously incarcerated offenders as discussed in the Statewide Issues and Various Departments Chapter and one-time funding for community infrastructure grants discussed in the Health and Human Services Chapter.

WORKFORCE DEVELOPMENT

The Budget includes \$4 million General Fund for the Department to increase leadership training efforts and evaluate its current workforce to create a succession management plan. The Department will focus on promoting and developing programs that support workforce excellence and employee wellness, and will also consider a partnership with the National Institute of Corrections to develop and implement training modules or programs focused on correctional peace officer recruitment, retention and mentorship.

LOCAL CRIMINAL JUSTICE FACILITY CONSTRUCTION

The state has made significant investments to support the local criminal justice system by addressing local infrastructure needs. Specifically, the state has provided \$2.2 billion in lease revenue authority for local jail construction over the last several years—with the most recent rounds of funding focused on treatment and programming space and better beds, rather than increased capacity. The Budget continues the state’s commitment to assist counties in more appropriately serving offenders housed in county jails to improve the state’s overall criminal justice system, and includes a total of \$270 million in lease revenue authority to address remaining gaps at the local level. Of this amount, \$20 million is set aside for Napa County to replace its jail as a result of damage caused by the 2014 earthquake. The remaining \$250 million will be awarded on a competitive basis to counties that never received an award or previously received only a partial award from the state for replacing or renovating county jails to improve custodial housing, reentry, rehabilitative programming, mental health services, or treatment space.

Consistent with the most recent round of funding authorized by Chapter 37, Statutes of 2014 (SB 863), there is a 10-percent county match requirement, but the match may be reduced to 5 percent for small counties. Counties that previously applied and submitted recent documentation to support the need for improved adult local criminal justice facility housing with an emphasis on expanded program and treatment space will not be required to resubmit such documentation.

Any locked facility constructed or renovated with state funding awarded under this latest round of funding is required to include space to provide onsite, in-person visitation capable of meeting or surpassing the minimum number of weekly visits required by state regulations for persons detained in the facility. Any county applying for financing authority must also include a description of efforts to address sexual abuse in its adult local criminal justice facility constructed or renovated through this program.

PROPOSITION 47

Proposition 47 requires misdemeanor rather than felony sentencing for certain property and drug crimes, and permits inmates previously sentenced for these reclassified crimes to petition for resentencing. Based on spring projections, Proposition 47 is expected to reduce the inmate population by 5,247 in 2015-16.

Proposition 47 requires that state savings resulting from the proposition be transferred into a new fund, the Safe Neighborhoods and Schools Fund. The new fund will be used to reduce truancy and support drop-out prevention programs in K-12 schools, increase victim services grants, and support mental health and substance use disorder treatment services. The first transfer of state savings to the Safe Neighborhoods and Schools Fund will occur in 2016-17. The Department of Finance calculates net savings of \$39.4 million when comparing 2015-16 to 2013-14. This calculation assumes savings from a reduction in the state's adult inmate population, trial court workload associated with fewer felony filings and more misdemeanor filings, and the number of offenders resentenced and released from the Department of State Hospitals, and increased costs due to a temporary increase in the parole population and trial court resentencing workload. Ongoing savings are expected to be approximately \$62.6 million.

The Budget includes an additional discretionary one-time investment of \$28 million General Fund for grants to support drop-out and truancy prevention programs (\$18 million) and grants to support mental health and substance use disorder treatment and diversion programs (\$10 million). This increases the total allocation related to Proposition 47 to \$67.4 million as displayed in Figure SAF-01.

Figure SAF-01
Proposition 47 2016-17 Allocation

Department	Purpose	Finance Calculation per Proposition 47		Supplemental Allocation	Total Allocation
		Percentage	2016-17 ^{1/}	2016-17	2016-17
Board of State and Community Corrections	Mental Health Treatment	65%	\$25,642,000	\$10,000,000	\$35,642,000
	Substance Use Disorder Treatment				
State Department of Education	Diversion Programs	25%	\$9,862,000	\$18,000,000	\$27,862,000
	Improve Outcomes for K-12 Students				
	Reduce Truancy				
California Victim Compensation and Government Claims Board	Support Trauma Recovery Centers that Serve Crime Victims	10%	\$3,945,000	-	\$3,945,000
Total		100%	\$39,449,000	\$28,000,000	\$67,449,000

^{1/} 2016-17 calculation is based on estimated 2015-16 savings.

In addition to the funding made available through Proposition 47, the state has made significant investments in prevention programs and transitional services to support offenders in the criminal justice system, which are crucial to offenders' success in the community. Specifically, the state has expanded substance use disorder treatment, which includes intensive outpatient services and can include residential treatment. The state is also pre-enrolling state inmates into Medi-Cal prior to release, which makes them immediately eligible for these services upon release. The Department is estimated to have approximately 42,600 offenders on active parole in 2016-17 and approximately 85 percent of them will be Medi-Cal eligible. Additionally, the state has made other investments to support the criminal justice population through Mentally Ill Offender Crime Reduction Grants, Collaborative Court Programs, Community Recidivism Reduction Grants, Law Enforcement Assisted Diversion, local Workforce Investment Boards that serve the reentry population, and Social Innovation Bonds that promote recidivism reduction and housing for former felons.

DROUGHT RESILIENCY

The years from 2012 to 2015 were the driest four consecutive years on record in California. The winter of 2015-16 brought welcome storms to Northern California, but the southern half of the state remains dry. Although the state's major northern reservoirs—Shasta, Oroville, and Folsom—have near or above average storage levels for this time of year, storage in southern state reservoirs continues to lag. These conditions serve as another reminder that it will take more than one wet year to erase the impacts of a multi-year drought.

The California Water Action Plan, a roadmap to sustainable water management, guides the state's emergency drought response and includes a long-term commitment to making conservation a way of life, improving groundwater sustainability, and managing and preparing for dry periods.

EMERGENCY DROUGHT RESPONSE

Continued drought conditions heighten the risk of catastrophic wildfires, reduced water quality and dry wells in rural communities, groundwater overdraft and land subsidence, and further deterioration of important ecosystems. The effect of the drought and epidemic bark beetle infestations on the state's forests pose increased public safety risks from falling trees that threaten homes, power lines, roads, and critical community infrastructure.

The Budget includes \$254.7 million to address these immediate threats and continue the state’s emergency response to the drought. (See Figure DRT-01).

Figure DRT-01
Drought Response
 (Dollars in Millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
Protecting Water Supplies	Department of Water Resources	Local Assistance for Small Communities	\$10.0
	Water Board	Water Curtailment	\$5.4
	Water Board	Emergency Drinking Water Projects	\$16.0
Water Conservation & Economic Study	Department of Water Resources	Save Our Water Campaign	\$2.0
	Department of Food and Agriculture	Economic Impact of Drought on Agriculture	\$0.2
Emergency Response	Department of Forestry and Fire Protection	Enhanced Fire Protection	\$87.8
	Department of Forestry and Fire Protection	Tree Mortality and Local Fire Prevention Grants	\$21.0
	Department of Water Resources	Drought Management and Response	\$12.0
	Department of Fish and Wildlife	Protection of Fish and Wildlife	\$13.5
	Department of Fish and Wildlife	Delta Smelt Management Strategy	\$4.2
	Department of Social Services	Drought Food Assistance	\$18.4
	Office of Emergency Services	California Disaster Assistance Act	\$52.7
	Office of Emergency Services	State Operations Center	\$4.0
	Department of Community Services and Development	Farmworker Assistance	\$7.5
Total			\$254.7

Significant Adjustments:

- Enhanced Fire Protection—An increase of \$84.9 million General Fund and \$2.9 million State Responsibility Area Fund for the Department of Forestry and Fire Protection (CAL FIRE) to continue firefighter surge capacity, retain seasonal

firefighters beyond the budgeted fire season, and enhance aviation capabilities to suppress wildfires from summer through early winter 2016.

- Tree Mortality—An increase of \$51 million to address extensive tree mortality as follows:
 - CAL FIRE—\$11 million General Fund to assist in the removal and disposal of trees in high hazard areas.
 - CAL FIRE Fire Prevention Grants—\$10 million State Responsibility Area Fund for local grants to address tree mortality and fire prevention activities.
 - Office of Emergency Services—\$30 million General Fund to provide assistance to counties through the California Disaster Assistance Act, which can be used to assist counties with tree mortality.
- Emergency Services—An increase of \$26.7 million General Fund for the Office of Emergency Services to provide local communities with technical guidance and disaster recovery support related to the drought, distribution of bottled water, and response and recovery training and credentialing for local agencies.
- Food Assistance—An increase of \$18.4 million General Fund for the Department of Social Services to continue the Drought Food Assistance Program, which since 2014 has delivered more than a million boxes of food to communities most impacted by the drought.
- Wildlife Impacts—An increase of \$15.7 million General Fund and \$2 million Hatchery and Inland Fisheries Fund for the Department of Fish and Wildlife to continue fish rescue and stressor monitoring, water efficiency projects on department lands, law enforcement activities, and to provide infrastructure to protect salmon. This funding includes \$4.2 million General Fund to accelerate habitat improvement and aggressively reduce stressors for the Delta smelt.
- Drought Operations—An increase of \$14 million General Fund for the Department of Water Resources to implement statewide actions, including continuation of the Save Our Water campaign, operation of the drought management operations center, water transfer support and water supply modeling.
- Local Assistance for Small Communities—\$10 million General Fund for the Department of Water Resources to provide emergency drinking water support for small communities, including addressing private wells.

DROUGHT RESILIENCY

- Farmworker Assistance—An increase of \$7.5 million General Fund for the Department of Community Services and Development to provide emergency assistance to unemployed farmworkers, including housing, utility and job training assistance.
- Water Rights and Grants—An increase of \$5.4 million General Fund and \$16 million Cleanup and Abatement Account for the State Water Resources Control Board to continue enforcement of drought-related water rights and water curtailment actions and provide grants for emergency drinking water projects.

MANAGE AND PREPARE FOR FUTURE DROUGHTS

Both climate change and future population growth will place increasing pressure on the state's water supplies. While rainfall totals have risen in many parts of the state, drought conditions have exposed weaknesses in the state's water system and the laws that govern it. The state must develop a system that is capable of responding effectively to California's ever-changing hydrology and effectively manage supplies to withstand frequent and inevitable droughts.

Efficient water use requires rigorous efforts by state and local government. While the state must provide direction and thresholds for efficient and acceptable water use, local and regional water suppliers must plan, manage, and deliver water to all Californians. To endure future droughts, local suppliers must take the lead to develop substantive, reliable plans based on their local supplies and circumstances. The Budget recognizes these realities and provides funding to help make water conservation a way of life.

Significant Adjustments:

- Drought Preparedness and Resiliency for Urban Water Agencies—An increase of \$4.5 million General Fund for a coordinated effort by the Department of Water Resources and the State Water Resources Control Board to review and update local water shortage contingency plans, develop recommendations for new water use efficiency targets, and establish a permanent urban water use efficiency data tracking system necessary to accomplish the directives of the Governor's May 9, 2016 Emergency Drought Executive Order.
- Groundwater Sustainability Agency Facilitation—An increase of \$1 million General Fund for the Department of Water Resources to support local public

agencies with facilitation services as they implement the Sustainable Groundwater Management Act.

- **Water Use Data Sets**—An increase of \$3.5 million General Fund for the Department of Water Resources to (1) support the use of remote sensing technology to establish statewide agricultural land use data that will inform the development of water budgets by groundwater agencies and (2) update data and fix safety hazards at 15 monitoring sites that are part of the National Hydrography Dataset, an important federal surface water mapping system.
- **Manage and Prepare for Dry Periods**—An increase of \$3 million General Fund for the Department of Water Resources to identify water delivery operational improvements in extreme conditions and evaluate long-term climate change impacts on statewide water supplies.

SAFE DRINKING WATER

Over 400 public water systems rely on sources of drinking water that fall short of state and federal safe drinking water standards. Many of these systems are located in low-income communities.

In 2015, legislation was enacted to authorize the State Water Resources Control Board to require consolidation of local water systems in disadvantaged communities when a system consistently fails to provide an adequate supply of safe drinking water to its customers. Currently, some water systems lack capacity to adequately serve their customers and others have run out of water completely. This legislation authorizes the Water Board to order adjacent water systems to consolidate with failing systems, only when technically and economically feasible.

The Budget builds on these existing efforts to improve access to safe drinking water in disadvantaged communities.

Significant Adjustments:

- **Drinking Water in Schools**—An increase of \$500,000 General Fund for the Water Board to contract with non-profit organizations to provide assistance to schools in disadvantaged communities applying for and implementing grants for drinking water improvement projects. The Budget also includes \$9.5 million Proposition 98

DROUGHT RESILIENCY

General Fund for the Water Board to establish this grant program. For additional information, see the K-12 Education Chapter.

- Improved Monitoring and Reporting of Drinking Water—An increase of \$1.3 million Safe Drinking Water Account and eight positions for the Water Board to (1) prepare guidance documents and engage in outreach to schools to assist local efforts for water quality testing, and (2) support public water systems in improving compliance with federal reporting requirements.

ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency (Cal-EPA) works to restore, protect, and enhance environmental quality. The Agency coordinates state environmental regulatory programs and promotes fair and consistent enforcement of environmental law.

The Budget includes total funding of \$3.7 billion (\$89.6 million General Fund) for all programs included in the Agency.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control protects California residents and the environment from the harmful effects of toxic substances through restoring contaminated sites, enforcement, regulation, and pollution prevention. The Budget includes \$280.4 million and 917.8 positions for the Department.

Over the past four years, the Department has implemented several significant reforms through its “Fixing the Foundation” initiative, permit enhancement work plan, improved cost recovery program, and strengthened financial assurance reviews. Of the 288 “Fixing the Foundation” action items, 268, or about 93 percent, are complete. The Department is on track to complete 100 percent of the permit enhancement reforms by June 30, 2016, and has reduced the time to review permits by 50 percent.

Implementing these reforms will help modernize the state’s safeguards for managing hazardous waste. The Department is also focused on issues related to environmental

justice and tribal rights. Protecting public health in residential and other areas around the now-shuttered Exide Technologies facility is a priority for the Department with \$176.6 million provided earlier this year for investigation and cleanup activities.

Significant Adjustments:

- **Enhanced and Streamlined Permitting**—An increase of \$3.6 million Hazardous Waste Control Account and 23 positions to implement the Permit Enhancement Work Plan to sustain timely permitting actions and improve the clarity, consistency, protectiveness, and enforceability of the permits issued.
- **Strategic Program Development**—An increase of \$747,000 other funds and 5 positions to provide crucial oversight and underscore the Department’s commitment to a systemic culture of change, accountability, and transparency.
- **Environmental Justice and Tribal Affairs**—An increase of \$1.5 million other funds and 6 positions to develop a technical assistance program, enhance outreach to impacted communities, and broaden the transparency of and access to the Department’s programs.

CAP AND TRADE EXPENDITURE PLAN

The California Global Warming Solutions Act of 2006 (AB 32) established California as a global leader in reducing greenhouse gas emissions (GHGs). To meet the goals of AB 32, the state has adopted a three-pronged approach to reducing emissions, including adopting standards and regulations, providing emission reduction incentives via grant programs, and establishing a market-based compliance mechanism known as Cap and Trade. The Cap and Trade program, as one component of the state’s comprehensive approach, sets a statewide limit on the GHG sources responsible for 85 percent of California GHGs. Through an auction mechanism, it establishes a financial incentive for industries subject to the statewide cap to make long-term investments in cleaner fuels, more efficient energy use, and transformational technological and scientific innovations. A portion of the auction proceeds generated from the sale of allowances is available to the state for expenditure to further the purposes of AB 32 and reduce GHGs.

Consistent with the provisions of Chapter 36, Statutes of 2014 (SB 862), the Budget includes 60 percent of 2016-17 auction proceeds to public transit, affordable housing, sustainable communities, and high-speed rail. The Administration will work with the Legislature to appropriate additional Cap and Trade funding later in the legislative session.

NATURAL RESOURCES

The Natural Resources Agency consists of 26 departments, boards, commissions, and conservancies responsible for administering programs to conserve, protect, restore, and enhance the natural, historical, and cultural resources of California.

The Budget includes total funding of \$9.2 billion (\$2.8 billion General Fund) for all programs included in the Agency.

ALISO CANYON AND REGULATING GAS STORAGE FACILITIES

In late October 2015, a leak was discovered expelling natural gas from a well at the investor-owned, utility-operated Aliso Canyon Natural Gas Storage Facility in Los Angeles County. After nearly four months, the leak was confirmed sealed on February 18, 2016 by the Department of Conservation. During the leak, more than 8,000 households requested temporary housing as a result of health and public safety concerns.

As part of the state's response to this incident, the Governor issued an Emergency Proclamation in early January to direct multiple oversight agencies to focus on the following main principles: (1) address the immediate threat to public health and safety by directing efforts to plug the leak, (2) ensure that accountability falls on the operators of the facility, (3) take steps to prevent a similar event from occurring in the future, and (4) implement necessary actions to ensure energy reliability.

NATURAL RESOURCES

The Budget includes \$13.8 million to implement the Governor’s Emergency Proclamation, enhance efforts to improve public safety statewide, and strengthen oversight of gas storage facilities.

Significant Adjustments:

- Underground Gas Storage Facilities—An increase of \$4.2 million Oil, Gas, and Geothermal Administrative Fund and 20 positions for the Department of Conservation to increase regulatory activities at underground gas storage facilities.
- Natural Gas Storage Facilities—An increase of \$1.5 million Public Utilities Commission Utilities Reimbursement Account and 10 positions to support Public Utilities Commission regulation of natural gas storage facilities.
- Public Safety—An increase of \$1.7 million Public Utilities Commission Utilities Reimbursement Account and 11 positions to establish a Division of Safety Analysis within the Public Utilities Commission to focus on safety issues and advocate for the protection and safety of California residents as a party to Commission proceedings.
- Air Quality Monitoring—An increase of \$2.3 million Oil, Gas, and Geothermal Administrative Fund and 4 positions for the Air Resources Board to support neighborhood air quality monitoring near oil and gas facilities and enhance emergency response capabilities. Additionally, the Budget includes \$350,000 Oil, Gas, and Geothermal Administrative Fund and two positions for the Office of Environmental Health Hazard Assessment to coordinate with and support Air Resources Board neighborhood air quality monitoring near oil and gas facilities.
- Electricity and Natural Gas System Reliability—An increase of \$1.7 million Public Interest Research, Development, and Demonstration Fund and 3 positions for the Energy Resources Conservation and Development Commission to monitor, model, and analyze the interaction of electricity and natural gas systems for reliability.
- Aliso Canyon Moratorium—An increase of \$2.1 million Public Utilities Commission Utilities Reimbursement Account and 7 positions for the Public Utilities Commission to implement the provisions of Chapter 14, Statutes of 2016 (SB 380), which continues the moratorium on injecting natural gas at the Aliso Canyon gas storage facility until specified criteria are met, including testing. Additionally, SB 380 requires the PUC to open a proceeding to determine the feasibility of minimizing or eliminating use of the Aliso Canyon natural gas storage facility while still maintaining energy and electric reliability for the region.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

CAL FIRE provides resource management and wildland fire protection services covering over 31 million acres. It operates 235 fire stations and, on average, responds to over 5,600 wildfires annually.

Significant Adjustments:

- **Helicopter Replacement**—An increase of \$12 million General Fund for CAL FIRE to begin a competitive procurement process to replace its existing fleet of helicopters. This funding will support the purchase of one helicopter in 2016-17 and enable CAL FIRE to develop a multi-year plan for purchasing additional helicopters over the next few years. CAL FIRE currently operates 12 Vietnam-era military helicopters. These aging helicopters are becoming more costly to maintain and are not equipped with modern technology that enables night-flying capabilities. Replacing the existing fleet with new helicopters will enhance CAL FIRE's initial attack effectiveness, improving its ability to contain wildfires quickly before they spread.
- **Professional Standards Program**—An increase of \$4 million (\$3.6 million General Fund) and 14 positions for three years to establish a dedicated central unit responsible for implementing a comprehensive program addressing training and education of all employees, personnel investigations, and adverse actions. CAL FIRE will provide annual reporting to the Legislature on the progress and development of the program.

CALIFORNIA CONSERVATION CORPS

The California Conservation Corps was established in 1976 by Governor Brown to provide young women and men the opportunity to work on conservation projects and respond to natural disasters. The Corps builds trails, plants trees, conducts water and energy efficiency assessments, implements clean energy and water conservation projects, and provides fire response and support. During difficult economic times, many of the Corps' residential centers were closed. The Budget includes funding to open a new residential center this year, as well as evaluate additional locations for future residential expansion.

NATURAL RESOURCES

Significant Adjustments:

- Butte Fire Center—An increase of \$2.6 million General Fund to allow the Corps, in partnership with CAL FIRE, to open a residential center in the Magalia Conservation Camp with three fire crews totaling 47 corpsmembers.
- Site Evaluation—An increase of \$400,000 General Fund to initiate a site selection process for residential centers in Pomona, Napa, and Ukiah. This future residential expansion will allow the Corps to transition from non-residential facilities in Napa and Pomona to facilities giving corpsmembers the opportunity to live on site.
- Auburn Center—An increase of \$19.7 million General Fund to construct a kitchen, multi-purpose room and dorm replacement at the Corps' Auburn Center.

STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

This Chapter describes items in the Budget that are statewide issues or related to various departments.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

Through the collective bargaining process, the Administration remains focused on addressing the state's \$74 billion unfunded liability for retiree health benefits. The strategy for addressing the liability includes equal cost-sharing between the employee and employer to prefund retiree health benefits, and for new employees, extending the period to qualify for retiree health benefits, and reducing the employer subsidy for retiree health benefits. Agreements reached in the past year with the Correctional Peace Officers, Engineers, Scientists, Craft and Maintenance Workers, and Public Safety Officers have included these retiree health provisions.

The Budget includes \$582.4 million (\$340.7 million General Fund) for employee compensation and retiree health care prefunding for active employees. Included in these costs are salaries and benefit increases as a result of contract negotiations, pay increases related to minimum wage changes in Chapter 4, Statutes of 2016 (SB 3), funding to comply with the expansion of overtime protections pursuant to the Fair Labor Standards Act, and retention incentives for Department of Developmental Services employees working in facilities that will be closing in the coming years. Funding is also included for 2017 calendar year increases in health care premiums and enrollment.

The Budget also more closely aligns the benefit structure of state-level employees in the Judicial Branch with other civil service employees. These employees, excluding judges and justices, will receive a 7.5-percent General Salary Increase over two years, contribute more to their pensions, and participate in the Administration's strategies to address the retiree health care unfunded liability.

Additionally, as part of Chapter 2, Statutes of 2016 (AB 133), the Budget includes a one-time allocation of \$240 million to pay down the state's unfunded liability for retiree health care. This amount will be apportioned to the trust fund accounts of bargaining units that reach a memorandum of understanding with the Administration by November 1, 2016, and where such agreement includes prefunding for retiree health care.

In the past year, the state has made significant steps toward increasing its contributions to the retiree health prefunding trust fund and reducing the unfunded liability. Currently, the state has approximately \$140 million set aside in the prefunding trust fund to pay for future retiree health benefits. By the end of 2016-17, the trust fund balance will exceed \$500 million.

STATE RETIREMENT CONTRIBUTIONS

The Budget includes \$4.8 billion (\$2.5 billion General Fund) for state contributions to the California Public Employees' Retirement System (CalPERS) for state pension costs. Included in these costs are \$621.5 million General Fund for California State University retirement costs.

The Budget also includes \$2.4 billion General Fund for state contributions to the California State Teachers' Retirement System (CalSTRS). This is consistent with the funding strategy signed into law in 2014 and positions CalSTRS on a sustainable path forward, eliminating the unfunded liability in about 30 years.

Figure SWE-01 provides a historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and health care benefits.

JUDICIAL BRANCH

The Budget includes total funding of \$3.7 billion (\$1.7 billion General Fund and \$2 billion other funds) in 2016-17 for the Judicial Branch. The Judicial Branch consists of the

Figure SWE-01
State Retirement and Health Care Contributions^{1/}
(Dollars in Millions)

	CalPERS ^{2/}	CSU CalPERS	CalSTRS	JRS	JRS II	LRS	Active Health & Dental ^{3/}	Retiree Health & Dental	CSU Retiree Health
2007-08	\$2,999		\$1,623 ^{4/}	\$162	\$37		\$2,020	\$1,114	
2008-09	3,063		1,133	189	40		2,146	1,183	
2009-10	2,861		1,191	184	32		2,120	1,182	
2010-11	3,230		1,200	166	54		2,277	1,387	
2011-12	3,174		1,259	195	58		2,439	1,505	
2012-13	2,948 ^{5/}	\$449 ^{5/}	1,303	160	51		2,567	1,365 ^{5/}	\$222 ^{5/}
2013-14	3,269	474	1,360	188	52	\$1	2,697	1,383	225
2014-15	4,042	543	1,486	179	63	1	2,797	1,462	256
2015-16 ^{6/}	4,338	585	1,935	190	67	1	2,938	1,585	264
2016-17 ^{6/}	4,754	621	2,473	202	68	1	3,131	1,659	276

^{1/} The chart does not include contributions for University of California pension or retiree health care costs.

^{2/} In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

^{3/} These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and CSU.

^{4/} Includes repayment of \$500 million from 2003-04 Supplemental Benefit Maintenance Account withholding/lawsuit loss (interest payments not included).

^{5/} Beginning in 2012-13, CSU pension and health care costs are displayed separately.

^{6/} Estimated as of the 2016-17 Budget Act. 2016-17 General Fund costs are estimated to be \$2,506 million for CalPERS, \$621 million for CSU CalPERS, \$1,654 million for Retiree Health & Dental, and \$1,554 million for Active Health and Dental. The remaining totals are all General Fund.

Supreme Court, courts of appeal, trial courts, and the Judicial Council. The trial courts are funded with a combination of funding from the General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund.

Significant Adjustments:

- Trial Court Employee Costs—The Budget includes \$16.1 million General Fund for trial court employee benefit costs, of which \$7.5 million reflects funding for trial courts that have made progress towards meeting the Public Employees' Pension Reform Act of 2013 standard for employees sharing the cost of pension funding. Recognizing that many of these costs are beyond the control of the trial courts,

the Administration will continue to fund future increases related to existing health benefits and retirement costs for trial court employees and retirees.

- Court Innovations Grant Program—The Budget includes \$25 million General Fund for the Judicial Council to develop and administer a competitive grant program to encourage courts to develop new ways of doing business. The competitive grant program will focus on high-priority innovations, modernizations, and efficiencies in the courts; \$12 million to be spent on collaborative courts; \$8 million on Self-Help, Family and Juvenile courts; and \$5 million on other efficiencies across all types of courts.
- Equal Access—The Budget includes \$15.4 million General Fund and \$5.5 million Trial Court Trust Fund for the Equal Access program which is a \$5 million increase. The Equal Access program provides funding to legal service agencies and programs that offer legal assistance in civil matters to low-income Californians.
- Language Access—The Budget includes \$101.5 General Fund for interpreter services to improve language access for limited English proficient court users to provide court interpreter services in civil proceedings.
- Trial Court Civil Case Management System (V3) Replacement—The Budget includes \$12.4 million General Fund to replace V3 Court Case Management Systems in the Superior Courts in Orange, Sacramento, San Diego, and Ventura counties. This funding will enable these trial courts to establish a digital court foundation by implementing a modern and supportable case management system needed to efficiently deliver services to the public.
- Peremptory Challenges—The Budget includes a reduction to the number of peremptory challenges in misdemeanor jury trials from 10 to 6, from January 1, 2017, until January 1, 2021. This is expected to result in approximately 5,000 fewer jurors being called to jury service per year statewide. The Judicial Council is also required to report on the effectiveness of the peremptory challenge reduction by January 1, 2020.

INFRASTRUCTURE

State office infrastructure in Sacramento—including the State Capitol Annex—is aged, inefficient, and inadequate to meet the state’s needs in the years to come. The Annex, completed in 1952, is undersized to meet current demands for legislative hearings and office space, and its antiquated building systems are prone to failure and expensive

to maintain. A 2015 study of Sacramento state office infrastructure documented serious deficiencies with other existing buildings that will require their replacement or renovation. To address these needs, the Budget includes a \$1.3 billion transfer over two years from the General Fund to a new State Project Infrastructure Fund to be used for the long-deferred renovation or replacement of state office buildings in the Sacramento region.

The \$1.3 billion will improve the safety and capacity of the Capitol Annex building, as well as make significant steps towards addressing other state office space deficiencies. Initial projects include replacement of the Natural Resources Agency building and construction of a new building on O Street in Sacramento to replace the vacant Department of Food and Agriculture Annex and to better use that existing parcel of state-owned land.

Additionally, the Budget allocates one-time resources of \$688 million—\$485 million General Fund, \$185 million Proposition 98 General Fund, and \$18 million Motor Vehicle Account—to address the most critical statewide deferred maintenance needs. The investments in deferred maintenance are as follows:

- California Community Colleges: \$185 million (Proposition 98 General Fund)
- Department of Water Resources: \$100 million for levee repairs
- Department of State Hospitals: \$64 million
- Judicial Branch: \$45 million
- Department of Parks and Recreation: \$60 million
- Department of Corrections and Rehabilitation: \$55 million
- California State University: \$35 million
- University of California: \$35 million
- Department of Developmental Services—Porterville Facility: \$18 million
- Department of Fish and Wildlife: \$15 million
- California Military Department: \$15 million
- Department of General Services: \$12 million
- California Highway Patrol: \$10 million (Motor Vehicle Account)

STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

- Department of Motor Vehicles: \$8 million (Motor Vehicle Account)
- Department of Veterans Affairs: \$8 million
- Department of Forestry and Fire Protection: \$8 million
- State Special Schools: \$4 million
- Network of California Fairs: \$4 million
- California Science Center: \$3 million
- Hastings College of the Law: \$2 million
- Office of Emergency Services: \$800,000
- California Conservation Corps: \$700,000
- Department of Food and Agriculture: \$300,000
- San Joaquin River Conservancy: \$200,000

PUBLIC EMPLOYMENT RELATIONS BOARD

The Public Employment Relations Board administers and enforces California public sector collective bargaining laws and provides a timely and cost-effective method through which employers, employee organizations, and employees can resolve labor relations disputes.

Significant Adjustments:

- Workload Growth—The Budget includes \$885,000 General Fund and 3 positions to address increased workload and reduce backlogs.
- Regional Office Relocation—The Budget includes \$227,000 General Fund to relocate staff to a building that fully complies with federal and state laws regarding accessibility for people with disabilities.

OFFICE OF EMERGENCY SERVICES

The principal objective of the Office of Emergency Services (OES) is to protect lives and property, build capabilities, and support communities for a resilient California. The OES collaborates with local governments in preparing for and responding to

hazards and threats. During an emergency, the OES functions as the Governor’s immediate staff to provide guidance and coordinate the state’s responsibilities while responding to disasters such as fires, floods, earthquakes, and terrorism. To support the OES, the Budget includes total funding of approximately \$1.52 billion (\$204 million General Fund).

Significant Adjustments:

- **Enhanced Services**—An increase of \$20.4 million General Fund to support the Office of Emergency Services’ responsibility for emergency preparedness and response. This includes a one-time \$10 million General Fund augmentation to replace wildland fire engines, which will be placed throughout the state as part of the State Fire and Rescue Mutual Aid System. In addition, this includes \$2.8 million for both the Fire and Rescue Branch and the Law Enforcement Branch to expand the capacity to respond to major fires and other natural and man-made disasters throughout the state. This also includes \$3.7 million to support the Statewide Disaster Program.
- **California Disaster Assistance Act**—An increase of \$30 million General Fund to support local jurisdictions using the California Disaster Assistance Act program. The program supports recovery from all disasters, such as tree mortality, wildfires, earthquakes, floods, and drought.

SEISMIC SAFETY

The Budget includes \$23 million on a one-time basis to improve seismic safety across the state. These new programs will provide safer homes and buildings, and better earthquake alerts.

Significant Adjustments:

- **California Earthquake Early Warning**—An increase of \$10 million General Fund to the Office of Emergency Services to support the implementation of the California Earthquake Early Warning System and Program for a comprehensive and reliable earthquake early warning system statewide. The funding will be used to perform research on necessary technology and other technical aspects that will integrate public and private infrastructure, provide public education, and conduct training.

- California Seismic Safety Capital Access Loan Program—An increase of \$10 million General Fund to the California Pollution Control Financing Authority. This funding will cover losses to banks and financial institutions on qualified loans to participating residential property owners and small businesses for costs related to seismic retrofits.
- Brace and Bolt—An increase of \$3 million General Fund to the Department of Insurance to provide additional funding to the Brace and Bolt Program at the California Residential Mitigation Program. The program provides \$3,000 subsidies for single-family homes and structures with four units or less for the basic anchorage and foundational bolting of these buildings to protect against damage from earthquakes.

PRECISION MEDICINE

The Budget includes \$10 million on a one-time basis to the Office of Planning and Research (OPR) to further the efforts of the California Initiative to Advance Precision Medicine (CIAPM), and build on the \$3 million appropriation made in the 2014 Budget Act. Hosted by the University of California (UC) San Francisco and University of California Health through an interagency agreement with OPR, CIAPM currently funds two demonstration projects: the Kids Cancer Comparison Project, led by UC Santa Cruz, and the Precision Diagnosis of Acute Infectious Disease project, led by UC San Francisco, with both projects representing multi-institution collaboration and in-kind support. The \$10 million augmentation will fund additional demonstration projects in precision medicine over a multi-year period and facilitate additional multi-institution and private-sector partnerships, with a portion of this funding subject to non-state matching funds. Projects will be expected to demonstrate concrete results and findings related to uses of precision medicine within a 24-month period.

DEPARTMENT OF TECHNOLOGY

The Department of Technology is the central information technology (IT) organization for California. It is responsible for the approval and oversight of all statewide IT projects; provides centralized IT services and training to government entities, including project management services; promulgates statewide IT security policies and procedures, and verifies compliance; and has responsibility over telecommunications and IT procurements.

Significant Adjustments:

- Office of Information Security—The Budget includes \$1.6 million from the Technology Services Revolving Fund and 11 positions to audit more departments for information security risk and compliance.
- Statewide IT Project Workload—The Budget includes \$1.7 million from the Technology Services Revolving Fund and 12 positions to support the project approval, oversight, and procurement processes for upcoming IT projects.

FAIR EMPLOYMENT AND HOUSING

The Department of Fair Employment and Housing receives, investigates, conciliates, mediates, and prosecutes alleged violations of the Fair Employment and Housing Act, Unruh Civil Rights Act, Disabled Persons Act, and Ralph Civil Rights Act. The Department has jurisdiction over both private and public entities operating within the State of California, including corporate entities, private sector contracts granted by the State of California, and all state departments and local governments.

Significant Adjustment:

- Enforcement Resources—The Budget includes \$2.5 million General Fund and 28 positions for the Department to meet its fair employment and housing enforcement caseload and respond to the high volume of Public Records Act (PRA) requests. The Department receives approximately 23,000 employment and housing discrimination complaints and 4,500 PRA requests annually. This adjustment should help the Department meet its statutory requirement to investigate all allegations of civil rights violations. The Department will submit a report to the Legislature by March 1, 2019, to evaluate the effectiveness of the new positions on the enforcement caseload.

FARM TO FOOD TAX CREDIT

The Budget includes an extension and expansion of the donated fresh fruits and vegetables tax credit. This credit encourages agricultural producers to donate their extra fruits and vegetables to food banks rather than discarding them. The credit is extended through January 1, 2022. The credit percentage is increased from 10 to 15 percent to provide a larger incentive for donations. The way in which the donations are valued is

also changed to simplify calculations for producers. This tax credit is expected to cost \$600,000 in 2016-17, increasing to \$1.6 million in later years.

SUPPLEMENTAL TRANSFER TO THE RAINY DAY FUND

The Budget includes a \$2 billion transfer from the General Fund to the Budget Stabilization Account in addition to the current projected amounts required by Section 20 of Article XVI of the California Constitution. In total, the \$3.3 billion transfer brings the Rainy Day fund to \$6.7 billion in 2016-17, or 54 percent of its maximum goal. In the event the amounts required to be transferred for 2015-16 and 2016-17 exceed the estimate in the Governor’s Budget (as part of the Proposition 2 “true up” process), this supplemental transfer shall be first applied towards meeting the additional requirement.

EXECUTIVE OFFICE

Michael Cohen
 Director of Finance
 (916) 445-4141

Amy Costa
 Chief Deputy Director, Budget
 (916) 445-9862

Eraina Ortega
 Chief Deputy Director, Policy
 (916) 445-8582

Todd Jerue
 Chief Operating Officer
 (916) 445-4923

Kari Krogseng
 Chief Counsel
 (916) 322-0971

H.D. Palmer
 Deputy Director, External Affairs
 (916) 323-0648

Jacqueline Wong-Hernandez
 Legislative Director
 (916) 445-8610

Diane Cummins
 Special Advisor to the Governor,
 State and Local Realignment
 (916) 445-4141

BUDGET PROGRAM AREAS

Budget Planning and Preparation,
 Cash Management, Statewide Budget Issues,
 and Statewide Accounting Policies and Training

Veronica Chung-Ng, PBM* . . . (916) 445-5332

Corrections and Rehabilitation, Judicial,
 Justice, General Government,
 Business and Consumer Services

Chris Ryan, PBM (916) 445-8913

Education

Jeff Bell, PBM. (916) 445-0328

Employee Relations, State Pension Systems,
 Local Government, Housing, Local Mandates,
 Information Technology Consulting Unit

Justyn Howard, PBM (916) 445-3274

Health and Human Services

Vacant, PBM. (916) 445-6423

Audits and Evaluations,
 Departmental Administration

David Botelho, PBM (916) 445-1546

Natural Resources, Energy, Environment,
 Capital Outlay

Karen Finn, PBM (916) 324-0043

Revenue Forecasting, Economic Projections,
 Demographic Data, Transportation,
 Labor and Workforce Development

Kristin Shelton, PBM. (916) 322-2263

*Program Budget Manager

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