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## Legislature Adopts First Installment of FY 2016-17 Budget Package

*More Trailer Bills To Be Taken Up Tomorrow; By Right Discussion on August Timeline*

Similar to last year, the Legislature today adopted a partial FY 2016-17 budget package by passing the main budget bill (SB 826) and just five of 17 trailer bills. The remainder of the trailer bills will be taken up in the coming days, but the “by right” proposal is not expected to be one of them. Today’s action allows the Legislature to technically meet the Constitutional budget deadline of June 15 while maintaining their informal policy to have all budget language available to the public for a minimum of 72 hours before a vote. Gov. Jerry Brown has until July 1 to act on the budget and trailer bills.

At \$122.5 billion, the budget adopted today is the largest in California’s 166-year history. While Republicans opposed the budget bill in chief, arguing that it is too big and that the state is not prepared for the next downturn, the debate was good-natured and trailer bills were passed with bipartisan support.

The budget includes many of the Democrats’ priorities: additional funding for childcare and preschool programs; investments to build housing for the homeless (a proposal strongly supported by the League); a repeal of the monetary limit on welfare payments for people who have more children while collecting welfare; and investment in clean drinking water.

The Senate took the opportunity during its debate to recognize Sen. Mark Leno (D-San Francisco), the long-time chair of the Senate Budget Committee, who will term-out of office in November. Sen. Leno was praised for being professional, courteous, and someone everyone can aspire to be. He has become known for his open door policy and ability to guide very difficult discussions in a way that gives everyone an equal voice.

While the Legislature and Governor came to a budget agreement with little conflict this year, they left open several major issues that cities have been following:

- **Cap and Trade Allocations:** The FY 2014-15 budget provided a continuous appropriation for 60 percent of the Cap-and-Trade auction revenues, which will continue uninterrupted. However, the remaining 40 percent must be negotiated annually. With several legal questions pending regarding the program and minimal revenues received at the latest auction, action on the 40 percent was delayed. This budget marks the second in a row that the Legislature has been unable to come to an agreement on how to allocate that 40 percent. Until an agreement is reached, revenues from FY 2015-16 and FY 2016-17 will be reserved in an account. The one exception is funding for staff positions to keep the programs going.
- **Affordable Housing/By Right Proposal:** After the Governor rejected an earlier proposal by Assembly Democrats for \$1.3 billion for affordable housing, he countered in the May Revision with [his proposal](#) to approve certain affordable housing projects “by right.” Since then the Governor has offered \$400 million one-time for affordable housing in exchange for approval of the by right proposal. Labor, environmental groups and cities have opposed the loss of public engagement and environmental review. While discussions continue, the budget sets aside \$400 million in a reserve account that will only be appropriated upon the adoption of future legislation to streamline the approval of projects.

- **Transportation:** [As reported last month](#), the Legislature took action in budget subcommittees to move the transportation funding negotiations to the Extraordinary Session rather than adopting the Governor's budget proposal. While there has been no public movement on the issue since that action, discussions continue behind the scenes. In addition, Senate President Pro tem Kevin de León (D-Los Angeles) said today, during press availability, that with the budget behind them, it is time to focus on transportation funding.

The Legislature has not announced a timeline for acting on any of these major issues, but with the legislative summer break beginning July 1, discussions on these items could be delayed until August.

### **Budget Trailer Bills**

Summaries below include points that may be the most interesting to cities from the bills adopted today. For more details, bill language can be found at [www.cacities.org/billsearch](http://www.cacities.org/billsearch).

**SB 826 (Leno) — Budget Act of 2016 (Main Budget Bill):** New Local Siting Grant Program for Corrections Re-Entry Facilities: \$25 million for this program. See AB 1609/SB 837 below for additional information.

**Local Law Enforcement Grants:** \$20 million for local government law enforcement grants for cities to increase positive outcomes between municipal law enforcement and high-risk populations. These grants must supplement, not supplant, existing funding. Sixty percent will go to departments employing 100 or fewer officers. The allocation schedule must give consideration to jurisdictions with high homeless populations and mental illness rates, departments lacking existing resources for these efforts, jurisdictions who wish to use the funding for co-deployment teams, which consist of peace officers with crisis intervention training and either a county mental health professional or social worker, and jurisdictions funding evidence-based programs that have been proven effective in improving interactions between law enforcement and high-risk populations.

- Funds can be used for: homeless outreach teams; crisis intervention training for officers; gang Resistance Education and Training (GREAT); resources for drug endangered children; outreach to high-risk youth; youth diversion programs; and, gang and violence prevention programs.

**Armed Prohibited Persons System:** \$5 million to contract with local law enforcement agencies to reduce the backlog of individuals who are in the Armed Prohibited Persons System (APPS) and who illegally possess firearms. The program will focus on persons with mental illness and with domestic violence restraining orders.

**SB 827 (Committee on Budget and Fiscal Review) — Budget Act of 2015:** Supplemental Augmentations. Makes allocations to cover shortfalls in various programs in FY 2015-16.

**SB 828 (Committee on Budget and Fiscal Review) — School Finance: Education Omnibus Trailer Bill:** Makes various changes and appropriations to child care, early education, and K-14 education. Includes \$9.5 million from the General Fund to establish a new grant program to improve access to, and the quality of, drinking water on K-12 school properties. The program will be administered by the State Water Resources Control Board in consultation with the State Department of Education. Priority will be given to schools in small disadvantaged communities, defined as "a municipality with a population of 20,000 persons or less, or a reasonably isolated and divisible segment of a larger municipality encompassing 20,000 persons or less, with an annual median household income that is less than 80 percent of the statewide annual median household income."

**SB 833 (Committee on Budget and Fiscal Review) — Health:** Makes various changes to health programs including:

- Requires a report on the impact on Medi-Cal from the termination of a \$4 penalty on vehicle violations to fund the Emergency Medical Air Transportation Act, which will expire on Jan. 1, 2018;

- Establishes a one-time grant program to expand mental health crisis services for children and youth; and
- Requires the Department of Public Health to award funding to local health departments, local government agencies, or on a competitive basis to community-based organizations and regional opioid prevention coalitions, to provide Naloxone to first responders and at-risk opioid users.

**SB 844 (Committee on Budget and Fiscal Review) — Correctional Facilities: Construction: Financing:**

Authorizes \$270 million in lease-revenue bond financing for county jail construction projects designed to improve housing with an emphasis on expanding program and treatment space to manage the adult offender population. Napa County will receive \$20 million of this funding to address repairs needed due to of the 2014 Napa earthquake.

**SB 848 (Committee on Budget and Fiscal Review) — State Employment:** Provides legislative ratification for the memoranda of understanding (MOU) agreed to by the state and bargaining unit (BU) 12 represented exclusively by International Union of Operating Engineers (IUOE) and includes other changes stating employee health benefits, compensation, special salary adjustments, and prefunding of Other Post-Employment Benefits (OPEB).

**Next Steps**

The Legislature will reconvene tomorrow (Thursday) to take up additional trailer bills.