

SENATE RULES COMMITTEE

AB 97

Office of Senate Floor Analyses
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CONFERENCE REPORT NO. 1

Bill No: AB 97
Author: Ting (D)
Proposed: 6/10/17
Vote: 21

CONFERENCE COMMITTEE: 9-1, 6/10/17

AYES: Senator Mitchell, Senator Lara, Senator Moorlach, Senator Roth,
Assemblymember Ting, Assemblymember Chen, Assemblymember McCarty,
Assemblymember Obernolte, and Assemblymember Weber

NOES: Senator Nielsen

SUBJECT: Budget Act of 2017

SOURCE: Author

DIGEST: This bill contains the 2017 Budget Act, as it was reported out by the Conference Committee on the Budget. This bill authorizes General Fund expenditures of \$125.1 billion and assumes \$127.5 billion in total General Fund resources. Under the budget act, there are combined total reserves in the Budget Stabilization Account (BSA) and the Special Fund for Economic Uncertainties (SFEU) of \$10 billion.

Conference Committee Amendments delete the prior version of this bill, which expressed legislative intent to enact the Budget Act of 2017, and instead add the current language.

ANALYSIS: On June 8, 2017, the Budget Conference Committee completed its work to reconcile the Senate and Assembly versions of the 2017-18 budget. The Conference Committee built upon the extensive framework of both the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget in establishing the Legislature's version of the budget. Working from the general framework of the Governor's budget and May Revision, the Legislature incorporated significant and important budgetary and policy changes to the state expenditure plan. The Conference Committee approved various actions on that date that, when combined with the actions

taken in both houses throughout the budget process, comprise the Legislature's 2017-18 state budget plan. The budget carefully balances the need for additional public investment in education, health care, human services and other state programs, with the necessity of maintaining the state's fiscal stability through increasing reserves and continued debt reduction. Overall, this budget is structured such that it:

- Continues to fully fund existing programs and commitments.
- Targets new spending to the most beneficial investments.
- Highlights health access, K-12 education and social services.
- Builds up reserves, pays down debt, and retains the state's fiscal strength.

The budget package will continue the Legislature's ongoing commitment to California's residents by strengthening the state's investments in public programs and services. Last year, the Senate and Assembly advocated for, and were successful in achieving, important measures to restore essential educational, social service, and health programs – especially in childcare where the state made significant investments. In 2017-18, the Legislature continues its emphasis to rebuild state programs and services, which have still not recovered from the deep economic downturn. Earlier this year the Legislature advocated for, and was successful in realizing, a vital package of financial support for California's *physical infrastructure* in the transportation area. With this budget package, the Legislature commits additional funding that addresses the *social infrastructure* of our state – with much needed additional resources for improved access to healthcare services, continued investment in early education, targeted resources for higher education and financial aid, additional funds for the courts, and significant ongoing increases to K-14 education. While making such valuable investments, the budget plan includes increases in the state's reserve funds and reductions in long-term debts of the state.

Budget Framework

The conference version adopts the Administration's revenue estimates for the General Fund, and the Legislative Analyst's property tax estimates. It retains the Administration's aggressive reserve debt pay-down, but adopts an approach that maximizes the state's ability to fund needed improvements in services. The budget is structured in order to relieve General Fund pressure, maximize federal revenues, and use cost-effective means of funding public programs. The General Fund budget summary is as follows:

**Conference Committee Version
2017-18 Budget
General Fund Summary
(Dollars in Millions)**

	<u>2016-17</u>	<u>2017-18</u>
Prior Year Balance	\$4,504*	\$1,622
Revenues and Transfers	<u>118,539</u>	<u>125,889</u>
Total Resources Available	\$123,043	\$127,511
Non-Proposition 98		
Expenditures	70,933	72,460
Proposition 98 Expenditures	<u>50,488</u>	<u>52,631</u>
Total Expenditures	\$121,421	\$125,091
Fund Balance	\$1,622	\$2,420
Reserve for Liquidation of		
Encumbrances	980	980
Special Fund for Economic		
Uncertainties	642	1,440
Budget Stabilization Account	\$6,713	\$8,486

*After prior year adjustments.

The conference version of the budget includes total General Fund expenditures of \$125.1 billion for 2017-18, an expenditure level which is \$1.1 billion higher than under the May Revision. The conference version also includes shifts and repurposing of program expenditures, with additional emphasis on expenditures among programs to address legislative priorities, as well as increasing spending commitments over a multi-year period. The conference version of the budget provides for \$10 billion in general reserves, comprising \$1.4 billion in the SFEU plus \$8.5 billion in the BSA.

Budget Component Highlights

The conference version of the budget incorporates priorities of the Legislature and the Administration and includes funding for the following highlighted initiatives and programs:

Health Care. The budget plan, which includes the accompanying budget vehicles (AB 120 and SB 105), provides a substantial reinvestment in Medi-Cal of \$546 million. This includes \$465 million for physician and dental rate increases, \$50 million for Planned Parenthood, \$27 million for rate increases for intermediate care facilities for those

individuals with developmental disabilities, \$4 million funding to help AIDS patients at home, restoration of full dental services and optical services, and \$48 million for newly qualified immigrants in Medi-Cal. In addition, the budget agreement restores the onetime reductions that the Administration proposed in the current year: \$33 million for Song-Brown medical residencies, \$687 million for mental health treatment facilities and \$17 million for children's mental health crisis beds.

Education. The budget plan includes a significant increase in funding for K-12 education, with \$1.4 billion in additional funding for the Local Control Funding Formula, \$877 million in discretionary money for school districts provided in the 2017-18 fiscal year, and \$50 million increase for after-school programs. In higher education there is a substantial increase in community college funding, including \$25 million for completion grants. For California State University, the budget includes \$20 million to increase enrollment plus \$12.5 million to improve graduation rates. The University of California will receive additional funding for graduate students as well as other programs.

Human Services. The budget plan includes \$400 million for counties for In-Home Supportive Services to deal with the elimination of the Coordinated Care Initiative. It also includes \$25 million for child care eligibility to prevent loss of program services resulting from the minimum wage increase, \$31 million for foster care children, and one-time funds for employment and education services under CalWORKs. The budget also funds food banks expands the Earned Income Tax Credit to include self-employment income and also increases the wage ceiling to include more households.

Other Issues. The budget plan includes \$45 million for immigrant services annually for the next three years, as well as oversight services by the Attorney General regarding immigration and customs enforcement activities. It also includes \$22 million for dependency counsel and \$20 million over two years for equal access legal services. \$111 million is included for flood protection, and \$2.8 billion in transportation funding pursuant to SB 1. The budget also includes \$7.6 million for the California Arts Council to expand programs related to formerly incarcerated individuals and those in juvenile justice facilities.

The conference version represents a balanced approach, both in terms of revenues and expenditures, and with respect to savings and wise reinvestment. It focuses on reducing financial, social, and environmental costs in the future, while ensuring access to social services, health care, higher education, and justice systems. Spending is reasonable, with all new expenditures fully paid for from other budgetary savings and additional analytically-based revenue estimates. Based on revenue estimates of the Administration,

the conference version includes critical and responsible reinvestments and significant reserves. Overall, the conference version is a fiscally responsible approach to continue rebuilding our public programs and saving for the future.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: No

SUPPORT: (Verified 6/14/17)

None received

OPPOSITION: (Verified 6/14/17)

None received

Prepared by: Mark Ibele / B. & F.R. /
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