



# REPUBLICAN CAUCUS

## California State Senate

### Senate GOP Budget Update: Week of March 24-28

#### Subcommittee #1 (Education)

Block (D-San Diego) Chair, Liu (D-La Canada Flintridge) & Wyland (R-Escondido)

#### ***Panel Considers Higher Education Proposals.***

Senate budget subcommittee #1 discussed a variety of issues relating to higher education, most notably including:

- ***UC and CSU operational budgets.*** The subcommittee heard, but did not act on, the Governor's budget proposal to increase base operational funding for the University of California and California State University by five percent each, contingent on the segments' agreement to hold tuition flat. Republicans believe that given the promises made to voters that Proposition 30 tax increases would be used for education, tuition should be frozen for at least as long as the Proposition 30 taxes are in effect, and enrollment growth should be fully funded.
- ***Innovation awards.*** The subcommittee heard, but did not act on, the Governor's budget proposal to provide \$50 million in incentive grant funding to encourage models of innovation that would 1) increase the number of bachelor's degrees, 2) enable students to earn a bachelor's degree in four years, and 3) ease transfers between UC, CSU, and the community colleges. Given the state's \$15 billion annual investment in higher education, this proposal if successful could yield benefits worth many times its cost.

#### Subcommittee #2 (Resources, Energy, Agriculture & Transportation)

Beall (D-San Jose) Chair, Jackson (D-Santa Barbara) & Nielsen (R-Gerber)

#### **State Ignores Funding Obligations to Counties, Marijuana Cultivation Harming the Environment, and More New "Fees."**

The subcommittee discussed a variety of issues within the Department of Fish and Game, the most notable items include:

- ***State Continues to Ignore Payment Obligations to Counties.*** The state currently owes counties approximately \$19 million in Payment in Lieu of Taxes (PILT) obligations from properties purchased by the Department of Fish and Wildlife for wildlife management areas. The state is supposed to pay the counties these PILT obligations based upon an amount that is equal to the county taxes or assessments levied on the property at the time of state acquisition. According to the department, this amount is estimated at \$2 million per year. The Governor's budget does not include a proposal for PILT. SB 1410 (Nielsen and Wolk) of 2014, includes an appropriation of \$19 million from the General Fund to make payments to counties for outstanding obligations and appropriates \$2 million annually to continue to make payments to counties. ***Senator Nielsen made a motion to appropriate these funds through the budget but his motion was not supported by Legislative Democrats.***

- **Subcommittee Discusses Additional Funding to Crackdown on Marijuana Grower's Devastating Effects on the Environment.** California produces more marijuana from outdoor grows on both public and private land than any other state. The Department of Fish and Wildlife (DFW) estimates that private land marijuana cultivation has grown so much on the North Coast that Coho salmon, a state and federally listed species, may go extinct in the near future because of the associated pollution and environmental damage. The Governor's Budget proposes \$3.3 million in new funding from various sources for DFW and the State Water Resources Control Board to fund a new task force, a new permitting program, and additional enforcement activities to address the environmental damage that is occurring. **Senator Nielsen stated that he strongly supported this proposal and felt it was a good first step in combating this epidemic of pollution on California lands caused by marijuana growers.** Legislative Democrats failed to act, but held the item open for further discussion.
- **Another "Fee" to Fund New Inland Oil Spill Response Program.** The Administration proposed a new fee of 6.5 cents per barrel on all crude oil entering California refineries including oil transported by rail and pipelines. Currently, the Office of Oil Spill Prevention and Response only has authority to regulate prevention of marine spills. The new "fee" on crude oil would generate about \$12 million annually solely for administrative costs and would be focused on spill response from many different sources (e.g., gas spills from trucks), but none of the funding will actually be used for cleaning up spills. Since it's not dedicated only to crude oil spill response, this appears to impose a new **tax** on crude oil producers and is yet another attempt to reduce the amount of crude oil entering the state, which will further increase the high price of gasoline in California. This item was also held open.

Subcommittee #3 (Health & Human Services)  
Corbett (D-Hayward) Chair, Monning (D-Carmel) & Walters (R-Laguna Niguel)

Subcommittee #3 heard various issues related to developmental services programs, which serve individuals with intellectual disabilities such as cerebral palsy, epilepsy, and autism. The Governor's budget would continue to pour millions of dollars needlessly into failing and outdated state developmental centers (DCs), while many community service providers struggle with stagnant payment rates and onerous government mandates. Notable issues discussed include the following:

- **Developmental Center Woes Increase While Costs Remain High.** The Administration continues to overspend on developmental center budgets even as more residents move out. This results in a dramatic increase in **costs per resident that are now expected to reach \$474,000 in 2014-15**, an increase of nearly 14 percent from the previous year. These skyrocketing costs, which far exceed the costs to care for similar individuals in community facilities, are occurring amid grave concerns about the safety and quality of care for DC residents. On top of the loss of millions of dollars in federal funding for Sonoma DC in 2013-14 due to health and safety concerns, three more DCs now face the potential decertification of facilities for similar problems and the loss of \$4 million per month in federal funding. Republicans believe that a faster transition of disabled residents into the community will both improve the lives of those residents and reduce costs.
- **Lanterman DC Closure Overspending Continues.** A budget action taken in 2010-11 began a gradual process of closing down Lanterman DC in Pomona, and the Governor's Budget now projects that all Lanterman residents will transition to community living by December 31, 2014. During the entire closure process for Lanterman, however, the Administration has failed to reduce staffing costs as residents have moved out, and employee-to-resident ratios have now more than doubled, reaching **7.5 state employees per resident** in February 2014 compared to 3.2 four years earlier. The Governor's budget proposes additional dubious staffing costs for 2014-15, including continuing 48 "enhanced staff" positions through December 2014 even as the number of residents drops from 22 to zero.
- **New Labor Mandates Concern Community Providers.** The state minimum wage increase enacted in 2013 and recent federal overtime mandates are concerning community developmental services providers. The minimum wage requirement is budgeted to cost the state \$69 million General Fund in

2014-15 to accommodate the increase from \$8.00 to \$9.00, and it remains unclear whether this proposed level of funding will adequately compensate these providers, many of whom have not received a reimbursement rate increase since 2003. The recent federal overtime requirements are also proving confusing for community service providers because it is unclear when overtime situations would arise when consumers receive services from multiple programs.

Subcommittee #4 (Housing, Veterans Affairs, & General Government)  
Roth (D-Riverside) Chair, Berryhill (R-Twain Harte), & Torres (D-Pomona)

### Local Government Finance

The subcommittee discussed issues relating to local government finance, mandate funding, property tax allocations, and infrastructure financing, most notable include:

- **Ensuring Fair and Uniform Elections.** Since 2011, the Legislature has annually suspended and removed funding for election-related mandates, which were enacted to standardize and govern the state's election process and ensure they are free and fair. In 2013-14, the Legislature suspended nine election-related mandates that govern things such as primary elections, absentee ballots, and voter registration and verification. A bi-partisan action today, led by Senator Berryhill (R-Twain Harte), approved approximately \$100 million General Fund to reactivate these elections-related mandates this year. Funding these mandates would preserve the availability, equality, and integrity of the election process for all Californians, regardless of any financial issues facing counties and their elections officials.
- **Infrastructure Financing Plan Needs a Lot More Work and Transparency.** The subcommittee facilitated a long conversation regarding the Governor's proposal to **decrease the vote threshold** for establishing Infrastructure Financing Districts (IFD) and issuing long-term IFD debt, and to expand the types of projects that can be funded by IFDs. The Legislative Analyst's Office and public comment raised several concerns regarding the Governor's proposal, including (1) the limited value of allowing IFDs to fund retail facilities, (2) the barrier to participation created by requiring cities and counties to drop legal challenges related to the Redevelopment Agency dissolution process (and the financial hit that would be taken by the low-income housing community), (3) the value of this mechanism, or lack thereof, to cities, (4) the potential for litigation related to the constitutionally-established vote threshold for issuing debt, and (5) the lack of eminent domain protections for property owners. Given the critical need for economic development tools at the local level, the multitude of policy issues involved, and the fact that this proposal is not necessary to implement the state's 2014-15 budget, Senator Berryhill (R-Twain Harte) questioned why this item wasn't receiving a full and public vetting through the appropriate policy committee. Majority-vote budget-trailer bills are supposed to be for items necessary to implement the annual budget bill, not to push through unpopular policies with little public scrutiny.

Subcommittee #5 (Revenue, Labor, PERS, STRS, Public Safety, & Judiciary)  
Hancock (D-Berkeley) Chair, Anderson (R-Alpine), Mitchell (D-Los Angeles)

### Drug Use, Prison Staffing

The subcommittee discussed issues related to the Department of Corrections and Rehabilitation (CDCR), the most notable included:

- **Slowing the Street-to-Prison Drug Expressway.** Drug use is a major problem within California's prison system. Somewhere between 50 and 80 percent of the state's inmates have substance abuse problems. How drugs can get into some of the most secure facilities on the planet is difficult to comprehend. Yet in 2013, there were more than 4,400 drug-related incidents in our prisons. In the last eight months, 464 individuals were arrested bringing drugs or other contraband into California prisons,

including 27 CDCR employees, 384 visitors, and 53 vendors and contractors. The subcommittee discussed a Governor's proposal requesting \$26 million and 125 new positions to enhance CDCR's efforts to reduce the flow of drugs into state prisons and provide substance abuse treatment to addicted inmates. The funding would be used to expand the use of drug-sniffing dogs, ion scanners, and video surveillance equipment to identify and stop drug smugglers. It would also make drug treatment programs available at all institutions. No action was taken on the proposal, although the subcommittee is likely to approve some or all of the funding at a later date. Because substance abuse is often a factor when offenders reoffend, addressing this problem in terms of both supply (enforcement) and demand (treatment) could improve public safety and reduce prison costs.

- **Training 3,400 New Prison Guards.** Following the 2011 Public Safety Realignment (AB 109), CDCR assumed that the large reduction in the number of inmates in the state's prisons resulting from the shift of most "lower-level" felons to county jails would lead to an excess of prison guards, eliminating the need to recruit and train new ones in the short term. However, the Department ended up losing more guards in the process than it had projected. Additionally, a large percentage of CDCR's guards are nearing retirement age. Both of these factors are contributing to a high prison guard vacancy rate. The subcommittee discussed a Governor's proposal requesting \$62 million General Fund for CDCR to increase its Basic Correctional Officer Academy from 700 to 3,400 cadets in 2014-15. Prison guard vacancies cause unnecessary overtime and can jeopardize the safety of prison staff and inmates. CDCR currently has a higher-than-average correctional officer vacancy rate of 11 percent, which will increase if steps are not taken to correct the problem. The subcommittee took no action on the proposal, although it will likely be approved in some form at a later date.
- **Balancing Positions and Overtime.** The subcommittee also heard a related proposal requesting \$9 million and 85 positions to increase the number of custody relief officers at each prison. Because many of CDCR's prison guard positions are "posted" assignments, meaning they must be staffed 24 hours per day, 7 days per week, 365 days per year, relief officers are needed to backfill when guards call in sick or are otherwise absent. When relief officers are unavailable, other guards must work longer shifts to cover the absences, incurring overtime costs, or the Department must call in permanent intermittent correctional officers (PICOs). In its analysis of the proposal, the Legislative Analyst's Office (LAO) concluded that CDCR does not effectively manage its use of relief officers, PICOs, and overtime, resulting in an overtime budget that is as much as \$104 million more than is necessary. No action was taken on this proposal, but the subcommittee directed the LAO to work with CDCR and the Department of Finance to reexamine CDCR's overtime budget and report back with better information. The Administration must demonstrate that it has conducted a thorough analysis of its custody relief needs before approval of this proposal is warranted.

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