



May 13, 2016

Honorable Mark Leno, Chair  
Senate Budget and Fiscal Review Committee

Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Control Section 3.60**

It is requested that Control Section 3.60 be amended (see Attachment 1) to capture reductions in state retirement contribution rates adopted by the California Public Employees' Retirement System (CalPERS) Board on April 18, 2016. The reduction is a result of new hires entering the system under lower benefit formulas pursuant to the Public Employees' Pension Reform Act of 2013 and greater than expected contributions to the system.

The newly adopted state employer contribution rates result in total state costs of \$452,835,000, a decrease of \$89,806,000 from the \$542,641,000 included in the 2016-17 Governor's Budget. Of the \$89,806,000 decrease, the General Fund is \$42,952,000, special funds are \$32,784,000, and other nongovernmental cost funds are \$14,070,000. Additionally, it is requested that CalPERS' fourth quarter deferral be reduced by \$7,006,000 General Fund from the Governor's Budget to reflect the changes in retirement rates.

The net effect of these changes on the General Fund is a decrease of \$35,946,000 in fiscal year 2016-17 compared to Governor's Budget.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call David Munoz, Principal Program Budget Analyst, at (916) 445-3274.

MICHAEL COHEN  
Director  
By:

/s/ Amy M. Costa

AMY M. COSTA  
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Ricardo Lara, Chair, Senate Appropriations Committee  
Attention: Mr. Mark McKenzie, Staff Director  
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee  
Attention: Vacant, Appropriations Fiscal Director  
Attention: Mr. Kirk Feely, Budget Fiscal Director  
Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee  
Attention: Mr. Pedro R. Reyes, Chief Consultant  
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Attention: Mr. Eric Swanson, Staff Director  
Honorable Loni Hancock, Chair, Senate Budget and Fiscal Review Subcommittee No. 5  
Honorable Adrin Nazarian, Chair, Assembly Budget Subcommittee No. 4  
Mr. Mac Taylor, Legislative Analyst (4)  
Mr. Craig Cornett, Senate President pro Tempore's Office (2)  
Mr. Christopher W. Woods, Assembly Speaker's Office (2)  
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office  
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office  
Ms. Cheryl Eason, Chief Financial Officer, California Public Employees' Retirement System  
Ms. Rose McAuliffe, Chief, California Public Employees' Retirement System  
Mr. Michael Siu, Budget Manager, California Public Employees' Retirement System  
Ms. Jennifer Osborn, Deputy Secretary, Fiscal Operations, Government Operations Agency

“SEC. 3.60. (a) Notwithstanding any other provision of law, the employers’ retirement contributions for the 2016–17 fiscal year that are chargeable to any item with respect to each state officer and employee who is a member of the Public Employees’ Retirement System (PERS) or the Judges’ Retirement System II and who is in that employment or office shall be the percentage of salaries and wages by state member category, as follows:

Miscellaneous, First Tier .....	<del>27.382%</del>	<u>26.728%</u>
California State University, Miscellaneous, First Tier .....	<del>27.382%</del>	<u>26.728%</u>
Miscellaneous, Second Tier .....	<del>27.689%</del>	<u>26.984%</u>
State Industrial .....	<del>49.884%</del>	<u>19.246%</u>
State Safety .....	<del>49.982%</del>	<u>19.935%</u>
Peace Officer/Firefighter .....	<del>42.047%</del>	<u>41.923%</u>
California State University, Peace Officer/Firefighter .....	<del>42.047%</del>	<u>41.923%</u>
Highway Patrol .....	<del>50.949%</del>	<u>50.038%</u>
Judges’ Retirement System II .....	<del>23.800%</del>	<u>23.185%</u>

The Director of Finance may adjust amounts in any appropriation item, or in any category thereof, as a result of changes from amounts budgeted for employer contributions for 2016–17 fiscal year retirement benefits to achieve the percentages specified in this subdivision. Beginning in the 2013–14 fiscal year, adjustments to the California State University (CSU) rates are applied to the actual pensionable 2013–14 fiscal year payroll, which is \$2,307,876,000, as identified by the Controller. This process establishes pension funding adjustments through this section for CSU, as reflected in provisional language in Item 6610-001-0001. This results in pension funding for CSU of \$584,650,000 (\$584,357,000 General Fund) for the 2015–16 fiscal year. These amounts also will be part of the total appropriation in Item 6610-001-0001 of the Budget Act of 2016.

(b) Notwithstanding any other provision of law, the Director of Finance shall require retirement contributions computed pursuant to subdivision (a) to be offset by the Controller with surplus funds in the Public Employees’ Retirement Fund, employer surplus asset accounts.

(c) Notwithstanding any other provision of law, for purposes of calculating the “appropriations subject to limitation” as defined in Section 8 of Article XIII B of the California Constitution, the appropriations shall be deemed to be the amounts remaining after the adjustments required by subdivisions (a) and (b) are made.

(d) Of the percentage of salaries and wages by state member categories identified in subdivision (a), the following percentages are estimated to be the result of the increased employee contributions pursuant to Chapter 296 of the Statutes of 2012 (AB 340), known as the California Public Employees’ Pension Reform Act of 2013, and will be directed toward the state’s unfunded pension liability:

Miscellaneous, First Tier .....	0.082%
California State University, Miscellaneous, First Tier .....	<u>0.082%</u>

Miscellaneous, Second Tier .....	0.889%
State Industrial .....	0.881%
State Safety .....	1.182%
Peace Officer/Firefighter .....	1.647%
California State University, Peace Officer/Firefighter .....	1.647%
Highway Patrol .....	1.319%

The contributions to the unfunded liability, as a result of the percentages of salaries and wages in this subdivision, are estimated to be \$109,802,000 (\$74,796,000 General Fund) for the 2016–17 fiscal year.

(e) The Director of Finance may adjust the percentage levels of the employers' retirement contributions listed in subdivisions (a) and (d) as a result of rates provided by the Board of Administration of the Public Employees' Retirement System. The Director of Finance shall notify the Controller by executive order of adjustments made pursuant to this subdivision. Within 30 days of making an adjustment pursuant to this subdivision, the Director of Finance shall report the adjustment in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations."



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Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Addition of Budget Bill Control Section 3.63, and Items 9804-001-0001 and 9804-001-0494, Support, Contracts Impacted by Minimum Wage**

It is requested that Control Section 3.63 be added to grant the Director of Finance authority to fund expenditures for personal service contracts, or other personnel costs outside of standard civil service compensation, that are in accordance with Chapter 4, Statutes of 2016 (SB 3) and the result of increasing the State's minimum wage. Proposed Budget Bill language is attached (see Attachment 1).

It is requested that Item 9804-001-0001 be added in the amount of \$2 million and Item 9804-001-0494 be added in the amount of \$500,000 for additional costs related to personal services contracts impacted by the minimum wage increase.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call David Munoz, Principal Program Budget Analyst, at (916) 445-3274.

MICHAEL COHEN  
Director  
By:

/s/ Amy M. Costa

AMY M. COSTA  
Chief Deputy Director

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Attention: Mr. Kirk Feely, Budget Fiscal Director  
Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee  
Attention: Mr. Pedro R. Reyes, Chief Consultant  
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Attention: Mr. Eric Swanson, Staff Director  
Honorable Loni Hancock, Chair, Senate Budget and Fiscal Review Subcommittee No. 5  
Honorable Adrin Nazarian, Chair, Assembly Budget Subcommittee No. 4  
Mr. Mac Taylor, Legislative Analyst (4)  
Mr. Craig Cornett, Senate President pro Tempore's Office (2)  
Mr. Christopher W. Woods, Assembly Speaker's Office (2)  
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office  
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office  
Ms. Jennifer Osborn, Deputy Secretary for Fiscal Policy and Administration, Government  
Operations Agency  
Mr. Richard Gillihan, Director, Department of Human Resources  
Ms. Katie Hagen, Deputy Director of Operations, Department of Human Resources  
Ms. Pam Manwiller, Deputy Director of Labor Relations, Department of Human Resources  
Mr. Anthony Crawford, Chief, Office of Financial Management and Economic Research,  
Department of Human Resources  
Mr. Dave Ide, Manager, Office of Financial Management and Economic Research,  
Department of Human Resources

SEC. 3.63. Notwithstanding any other provision of law, upon approval of the Director of Finance, departmental expenditure authority may be augmented as necessary to fund costs for personal service contracts, or other personnel costs outside of standard civil service compensation, that are in accordance with Chapter 4 of the Statutes of 2016 (SB 3) and the result of increasing the State's minimum wage.



May 13, 2016

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Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Addition of Budget Bill Control Section 4.13**

It is requested that Control Section 4.13 be added to facilitate repayments to counties pursuant to Chapter 24, Statutes of 2013 (AB 85). AB 85 modified the 1991 Realignment Local Revenue Fund distributions to capture and redirect county savings from the implementation of federal health care reform. These savings are reallocated to counties to pay an increased county contribution towards the costs of California Work Opportunity and Responsibility to Kids grants, also known as CalWORKs, which reduces state General Fund expenditures. The state redirected \$300 million in fiscal year 2013-14; however, actual county savings in 2013-14 are lower than previously estimated and the May Revision assumes repayment of \$177.4 million to counties in 2016-17.

Repayments to a county shall be authorized by the Department of Finance once final redirection determinations and appeals are completed for each county. Control Section 4.13 is proposed to be added as follows:

SEC. 4.13. Notwithstanding any other provision of law, items of appropriation in this act may be adjusted, as determined by the Department of Finance, to reflect changes to General Fund expenditures resulting from the final redirection calculation and appeals pursuant to Chapter 24, Statutes of 2013 (AB 85). Upon order of the Department of Finance, any payment to a county based on the AB 85 final reconciliation shall be transferred by the Controller to the health account within the county's local health and welfare trust fund.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Maricris Acon, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN

Director

By:

/s/ Amy M. Costa

AMY M. COSTA

Chief Deputy Director

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Attention: Mr. Kirk Feely, Budget Fiscal Director  
Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee  
Attention: Mr. Pedro R. Reyes, Chief Consultant  
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Attention: Mr. Eric Swanson, Staff Director  
Honorable Holly J. Mitchell, Chair, Senate Budget and Fiscal Review Subcommittee No. 3  
Honorable Tony Thurmond, Chair, Assembly Budget Subcommittee No. 1  
Mr. Mac Taylor, Legislative Analyst (4)  
Mr. Craig Cornett, Senate President pro Tempore's Office (2)  
Mr. Christopher W. Woods, Assembly Speaker's Office (2)  
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office  
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office  
Ms. Jennifer Kent, Director, Department of Health Care Services  
Ms. Mari Cantwell, Chief Deputy Director, Department of Health Care Services  
Ms. Lindy Harrington, Deputy Director, Department of Health Care Services  
Mr. Michael Wilkening, Undersecretary, California Health and Human Services Agency  
Mr. Robert Ducay, Assistant Secretary, California Health and Human Services Agency  
Ms. Michelle Baas, Senate Budget and Fiscal Review Committee  
Ms. Andrea Margolis, Assembly Budget and Fiscal Review Committee



May 13, 2016

Honorable Mark Leno, Chair  
Senate Budget and Fiscal Review Committee

Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Addition of Budget Bill Control Section 11.42, Medical Marijuana Information Technology Projects**

It is requested that Control Section 11.42 be added to give the Director of Finance authority to augment departmental budgets, as necessary, to fund medical marijuana-related information technology projects.

The proposed language for Control Section 11.42 is as follows:

Notwithstanding any other provision of law, the Director of Finance may augment departmental expenditure authority as necessary to fund costs for medical marijuana information technology projects. An approval of an augmentation may be authorized not sooner than 30 days after notification is provided in writing to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Evelyn Suess, Principal Program Budget Analyst, at (916) 445-3274.

MICHAEL COHEN  
Director  
By:

/s/ Amy M. Costa

AMY M. COSTA  
Chief Deputy Director

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Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee  
Attention: Mr. Pedro R. Reyes, Chief Consultant  
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Attention: Mr. Eric Swanson, Staff Director  
Honorable Loni Hancock, Chair, Senate Budget and Fiscal Review Subcommittee No. 5  
Honorable Adrin Nazarian, Chair, Assembly Budget Subcommittee No. 4  
Mr. Mac Taylor, Legislative Analyst (4)  
Mr. Craig Cornett, Senate President pro Tempore's Office (2)  
Mr. Christopher W. Woods, Assembly Speaker's Office (2)  
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office  
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office  
Ms. Jennifer Osborn, Deputy Secretary for Fiscal Policy and Administration, Government  
Operations Agency



DEPARTMENT OF  
**FINANCE**  
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR  
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 13, 2016

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Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Control Section 12.00 (State Appropriations Limit)**

It is requested that Control Section 12.00 be amended to revise the State Appropriations Limit (SAL). Pursuant to Article XIII B of the California Constitution, the fiscal year 2016-17 SAL is estimated to be \$99,787,000,000 at May Revision. The revised limit is the result of applying the growth factor of 5.96 percent. The revised 2016-17 limit is \$950,000,000 above the \$98,837,000,000 estimated in January. Control Section 12.00 is proposed to be amended as follows:

"SEC. 12.00. For the purposes of Article XIII B of the California Constitution, there is hereby established a state "appropriations limit" of ~~\$98,837,000,000~~ \$99,787,000,000 for the 2016-17 fiscal year.

Any judicial action or proceeding to attack, review, set aside, void, or annul the "appropriations limit" for the 2016-17 fiscal year shall be commenced within 45 days of the effective date of this act."

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Bill Steffenhagen, Assistant Program Budget Manager, at (916) 445-5332.

MICHAEL COHEN  
Director  
By:

/s/ Amy M. Costa

AMY M. COSTA  
Chief Deputy Director

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Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee  
Attention: Mr. Pedro R. Reyes, Chief Consultant  
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Attention: Mr. Eric Swanson, Staff Director  
Honorable Richard Roth, Chair, Senate Budget and Fiscal Review Subcommittee No. 4  
Honorable Adrin Nazarian, Chair, Assembly Budget Subcommittee No. 4  
Mr. Mac Taylor, Legislative Analyst (4)  
Mr. Craig Cornett, Senate President pro Tempore's Office (2)  
Mr. Christopher W. Woods, Assembly Speaker's Office (2)  
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office  
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office



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Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Control Section 24.10**

It is requested that Control Section 24.10 be amended to reflect updated revenue estimates (See Attachment 1).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Brendan Murphy, Assistant Program Budget Manager, at (916) 445-8913.

MICHAEL COHEN  
Director  
By:

/s/ Amy M. Costa

AMY M. COSTA  
Chief Deputy Director

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Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Attention: Mr. Eric Swanson, Staff Director  
Honorable Loni Hancock, Chair, Senate Budget and Fiscal Review Subcommittee No. 5  
Honorable Nora Campos, Chair, Assembly Budget Subcommittee No. 5  
Mr. Mac Taylor, Legislative Analyst (4)  
Mr. Craig Cornett, Senate President pro Tempore's Office (2)  
Mr. Christopher W. Woods, Assembly Speaker's Office (2)  
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office  
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office

CONTROL SECTION 24.10

“SEC. 24.10. (a) Notwithstanding Section 1464 of the Penal Code or Section 41304 of the Education Code, the amount reflected in Item 6100-001-0178 of Section 2.00 shall have first priority of the amount received by the Driver Training Penalty Assessment Fund for the 2016–17 fiscal year. The amount retained by the Driver Training Penalty Assessment Fund for the purposes of Item 6100-001-0178 may be adjusted by the Department of Finance for actions pursuant to any section of this act.

(b) After moneys are retained by the Driver Training Penalty Assessment Fund pursuant to subdivision (a), the Controller shall transfer any remaining balances as follows: \$4,121,000 to the Victim-Witness Assistance Fund; \$9,800,000 to the Corrections Training Fund; \$360,000 to the Traumatic Brain Injury Fund; and ~~\$11,000,000~~ \$9,200,000 to the Peace Officers' Training Fund. Any remaining unallocated moneys in the Driver Training Penalty Assessment Fund shall be transferred to the General Fund.

(c) If funding is insufficient to support the special fund transfers in the amounts specified in subdivision (b), the Controller shall transfer to the Peace Officers' Training Fund an amount equal to the total funding received by the Driver Training Penalty Assessment Fund, less the amount of funding necessary to satisfy the requirements of subdivision (a), and less the amounts transferred to the Victim-Witness Assistance Fund, the Corrections Training Fund, and the Traumatic Brain Injury Fund, pursuant to subdivision (b).”



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Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Control Section 35.50 (Budget Stabilization Account)**

It is requested that Control Section 35.50 be amended as follows:

"Sec. 35.50. (a) For purposes of paragraph (1) of subdivision (f) of Section 10, and subdivision (g) of Section 12, of Article IV of the California Constitution, "General Fund revenues" means the total resources available to the General Fund for a fiscal year before any transfer to the Budget Stabilization Account.

(b) For purposes of subdivision (g) of Section 12 of Article IV of the California Constitution, the estimate of General Fund revenues for the 2016-17 fiscal year pursuant to this act, as passed by the Legislature, is ~~\$429,361,000,000~~ \$128,199,000,000.

(c) For purposes of paragraph (2) of subdivision (a) of Section 20 of Article XVI of the California Constitution, "General Fund revenues" shall be defined as revenues and transfers before any transfer to the Budget Stabilization Account.

(d) Pursuant to subdivision (h) of Section 20 of Article XVI of the California Constitution, the following estimates are provided:

(1) For purposes of paragraph (2) of subdivision (a) of Section 20 of Article XVI, the sum equal to 1.5 percent of General Fund revenues for the 2016-17 fiscal year is ~~\$1,863,000,000~~ \$1,851,000,000.

(2) For purposes of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (b) of Section 20 of Article XVI, capital gain revenues that exceed 8 percent of General Fund proceeds of taxes for the 2016-17 fiscal year is ~~\$2,470,000,000~~ \$1,463,000,000.

(3) For purposes of subparagraph (F) of paragraph (1) of subdivision (b) of Section 20 of Article XVI, the amount of transfer to the Budget Stabilization Account in the 2016-17 fiscal year is ~~\$1,556,000,000~~ \$1,292,000,000.

(4) For purposes of clause (ii) of subparagraph (B) of paragraph (2) of subdivision (b) of Section 20 of Article XVI, the updated capital gain revenues that exceed 8 percent of General Fund proceeds of taxes for the 2015-16 fiscal year is ~~\$3,761,000,000~~ \$2,296,000,000.

(5) For purposes of subparagraph (G) of paragraph (2) of subdivision (b) of Section 20 of Article XVI, the additional amount (true up) of transfer to back from the Budget Stabilization Account for the 2015-16 fiscal year is ~~\$995,000,000~~ \$39,000,000."

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Bill Steffenhagen, Assistant Program Budget Manager, at (916) 445-5332.

MICHAEL COHEN

Director

By:

/s/ Amy M. Costa

AMY M. COSTA

Chief Deputy Director

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