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California State Senate

COMMITTEE
ON
BUDGET AND FISCAL REVIEW

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Agenda June 7, 2012 Room 4203 Upon Adjournment of Session

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0530 California Health and Human Services Agency

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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0530-001-9732 California Health and Human Services Agency

Office of Systems Integration (OSI) and CalHEERS (DOF Issue 100)

2,543
Reimbursement

Staff Recommendation. Conform to action taken by the Assembly.

(1) Approve 16 positions and funding.

Governor proposes 16 positions, trailer bill language, and budget bill language to provide project management services for the CalHEERS Project.

(2) Adopt modified trailer bill language that deletes the following language from Government Code Section 12803.3 that prevents the OSI from managing the CalHEERS project and generally has not been operational: “The California Health and Human Services Agency shall not place or transfer information technology projects in the office, without further legislation authorizing these activities.”

The California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) is the Health Benefit Exchange’s enrollment system to purchase qualified health plans.

(3) Add modified Budget Bill Language to Item 0530-001-9732 Provisions:
X. Of the funds appropriated in this Item, \$2,543,000 is to support the system changes necessary to implement federal health care reform. These funds are not authorized for expenditure until approved by the Director of Finance. The Director of Finance shall provide notification in writing to the Joint Legislative Budget Committee of any expenditure approved under this provision not less than 30 days prior to the effective date of the approval. This 30-day notification shall include a plan for the system changes necessary to implement the requirements of the federal Affordable Care Act.

0530

California Health and Human Services Agency

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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**Office of Systems Integration (OSI) and
CalHEERS (DOF Issue 100)**

X. The Director of Finance may authorize the transfer of expenditure authority from the Department of Health Care Services and/or the Managed Risk Medical Insurance Board to the Office of Systems Integration consistent with the plan for system changes to implement the Affordable Care Act. Any such increases shall occur no sooner than 30 days after notification in writing of the necessity therefor to the Joint Legislative Budget Committee, or not sooner than whatever lesser time after notification the chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

X. The Director of Finance may increase this item consistent with an interagency agreement between the Office of System Integration and the California Health Benefit Exchange for the management, including procurement, design, development, testing, implementation, oversight, maintenance, and any other activities related to the California Healthcare Eligibility, Enrollment, and Retention System project. Any such increases shall occur no sooner than 30 days after notification in writing of the necessity therefor to the Joint Legislative Budget Committee, or not sooner than whatever lesser time after notification the chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

0530

California Health and Human Services Agency

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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Office of Systems Integration (OSI) & Department of Social Services (DSS): Case Management, Information & Payrolling System (CMIPS) II for In-Home Supportive Services (IHSS)

N/A

Assembly Action: The Assembly adopted Supplemental Reporting Language, as below:

OSI shall report to the Budget Committees of the Legislature by February 1, 2013 with:

CMIPS is the automated system that handles payroll functions for IHSS providers. The current vendor (formerly Electronic Data Systems, now Hewlett Packard) has operated the system since its inception in 1979. The state has been in the process of procuring and developing a more modern CMIPS II system since 1997. According to the Department, a recent delay in the project’s scheduled completion was due in part to the vendor’s technical difficulties in getting data to convert accurately. The Administration now plans to roll-out the system to 58 counties and DSS starting this summer, with the last phase going live in June 2013.

- A description of specific performance issues, programmatic challenges, and technical difficulties that led to a CMIPS II development delay in 2011-12, identifying the cause(s) of delay.
- For each cause of a delay, a description of corrective measures, and their components, that were adopted as a result.
- When the issue is associated with the vendor, a description of efforts to resolve the issues, including decisions regarding recoupment of costs (e.g., those associated with damages), adjustment of timelines, and amendments to contract(s).
- An estimate of the costs caused by any and all delays, by fiscal year and over the course of the full contract.

Recommendation: Conform to Assembly action.

1760

Department of General Services

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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1760-001-0666 Department of General Services

Capital Area Development Authority Property Disposition

Governor: The Administration has submitted Trailer Bill Language that would allow for the Department of General Services to dispose of seven state-owned Capital Area Development Authority managed properties that they believe lack any programmatic value to the state.

Assembly has adopted Trailer Bill Language requested by the Administration to dispose of the seven state-owned Capital Area Development Authority managed properties.

Proceeds of any moneys received from the disposition of any of the parcels specified in the Trailer Bill Language could be deposited in either the General Fund or the Deficit Recovery Bond Fund as determined by the Department of Finance.

Staff Recommendation: Adopt proposed Trailer Bill Language.

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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Supplemental Reporting Language on State Mail Expenses

The Assembly adopted Supplemental Reporting Language asking the Department of General Services to examine current state expenditures for mail and postage and report to the Legislature not later than January 1, 2013, the amount of money that could be saved by adopting enterprise-wide mail best practices including but not limited to use of presort mail opportunities to maximize postage discounts, using modern technology to identify lowest rates, depositing postage funds in interest-earning postage accounts, reviewing, and redesigning mailings for postage savings, and assessing potential for digital mail technologies.

California state government currently spends an estimated \$135 million per year in postage, \$17 million per year on express delivery and small parcel shipping, and additional resources on managing mailing address data and printing and inserting mailings into envelopes. As the state looks at various ways to cut costs, it is appropriate to conduct a system wide review of postage processes to determine if there are efficiencies and best practices that could reduce expenditures.

Staff Recommendation: Adopt Supplemental Reporting Language; conform to Assembly action.

1760

Department of General Services

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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Supplemental Reporting Language on Board of Equalization building

The Assembly adopted Supplemental Reporting Language asking the Department of General Services to undertake a preliminary study of the possible relocation and consolidation of the Board of Equalization headquarters and annexes in the Sacramento Region.

The state Board of Equalization (BOE) moved into its headquarters, at 450 N Street, in Sacramento, in 1993 after signing a lease-purchase agreement with the Public Employees Retirement System, which originally built the building. The state purchased the building in 2007 based on analysis that it would save \$30 million in reduced rent payments over the life of the building. The Department of General Services (DGS) provides maintenance for the building and also is responsible for managing the state's building portfolio. Studies show that the building can house 2,200 employees; BOE requires space for 2,900. BOE currently has employees in four other Sacramento-area sites in addition to the N Street building.

Staff Recommendation: Adopt Supplemental Reporting Language; conform to Assembly action.

2660 Department of Transportation

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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2660-001-0042 Department of Transportation

Alternative Roadway Surfaces —“Cool Pavement”

Assembly Action: Assembly Budget Sub 3 heard Caltrans’ presentation regarding its efforts in the area of sustainable pavement surfaces. The effort will result in a report on federal research, material performance and evaluation, gap analysis of available tools, and implementation recommendations. Given that the report will not be available for three to five years, the Assembly adopted supplemental report language requiring an interim report to the Legislature.

NA

Cool pavement is any paving technique, technology, or material that reduces road temperature relative to traditional paving materials. Cool pavement may combat climate change by reflecting more light and heat than conventional roadway surfaces. Caltrans plays a central role in expanding the use of cool pavement in California. The department could develop cool pavement standards, specifications, and guidelines that inform both state and local partners as part of statewide pavement programs.

Staff Recommendation: Adopt supplemental report language and conform to Assembly action.

3110 Special Resources Programs

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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3110-002-0140 Tahoe Regional Planning Agency

Modify Senate Budget Bill Language

Prior Senate Action. The Senate proposed budget bill language requiring the Tahoe Regional Planning Agency, in coordination with other Lake Tahoe Basin agencies, to develop and report on a plan related to environmental threshold standards within the Tahoe basin. The report is proposed to be drafted by the Tahoe Regional Planning Agency with review by the Tahoe Science Consortium.

The Assembly modified the language to allow for the report to include the University of California at Davis as they are co-equal to the report reviewer, the Tahoe Science Consortium. The University was inadvertently omitted from the original Senate proposal.

BBL Staff Recommendation: Approve modified budget bill language:

3110-002-0140

iv) Tahoe Science Consortium (TSC) shall obtain the concurrence of the Terrestrial Environmental Research Center (TERC) at the University of California, Davis, for all reports on Tahoe water clarity, limnology (and data from the TERC database), watershed processes, terrestrial ecology, and numerical water quality monitoring as well as all other areas for which TERC is presently conducting research in the Tahoe Basin.

4260 Department of Health Care Services

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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4260-001-0001 and 4260-101-0001 Department of Health Care Services

CalHEERS and Medi-Cal Integration (DOF Issue 112)

Governor proposes 12 positions and local assistance funding to implement changes to the MEDS system and for Medi-Cal’s share of the CalHEERS costs.

The California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) is the Health Benefit Exchange’s enrollment system to purchase qualified health plans. Recently released proposed federal regulations, require coordination between Exchanges, Medicaid, and Children’s Health Insurance Programs to ensure a seamless, integrated process for individuals seeking health coverage under an Exchange.

Staff Recommendation. Conform to action taken by Assembly.

\$1,400 (1) Approve 12 positions and funding.

(2) Add modified Budget Bill Language to Item 4260-001-0001 Provisions:

X. Of the funds appropriated in this Item, \$224,000 is to support the system changes necessary to implement federal health care reform. Notwithstanding Provision 2 of this item, these funds are not authorized for expenditure until approved by the Director of Finance. The Director of Finance shall provide notification in writing to the Joint Legislative Budget Committee of any expenditure approved under this provision not less than 30 days prior to the effective date of the approval. This 30-day notification shall include a plan for the system changes necessary to implement the requirements of the federal Affordable Care Act.

(3) Add modified Budget Bill Language to Item 4260-101-0001 Provisions:

X Of the funds appropriated in this Item, up to \$1,206,000 is provided to support the system changes necessary to implement federal health care reform. The Director of Finance is authorized to approve current year increases in this item for additional expenditures necessary for implementation of the California Healthcare Eligibility, Enrollment and Retention System project. The Director of Finance shall provide notification in writing to the Joint Legislative Budget Committee of any increased expenditure approved under this provision not less than 30 days prior to the effective date of the approval. This 30-day notification shall include a plan for the system changes necessary to implement the requirements of the federal Affordable Care Act.

4260 Department of Health Care Services

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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4260-101-0001 The Medi-Cal Program, Department of Health Care Services (DHCS)

Shift First 5 California Funding to Medi-Cal (DOF Issue 129)

Governor's May Revision shifts \$40 million in Proposition 10 Funds to offset Medi-Cal expenditures for services for children (aged five and under).

-\$40,000

Staff Recommendation. Approve as budgeted. Conforms to action taken by Assembly.

4265 Department of Public Health

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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4265-001-0001 Department of Public Health

Military Experience and Professional Licensure

The Assembly added supplemental report language for the Department of Public Health to report on which of its professional licensure programs allow military experience to be used to meet professional licensure or certification requirements.

Staff Recommendation. Conform to Assembly. Adopt the following supplemental report language:

The Department of Public Health shall prepare a report describing how professional licensure programs under the jurisdiction of the Department of Public Health address military experience. No later than October 1, 2012, the Department shall report the following:

1. A list of the professional licensure programs that have enacted rules or regulations allowing military experience to be used to meet professional licensure or certification requirements and a description of the rules or regulations, or copies of the rules or regulations.
2. A list of the professional licensure programs that have not enacted rules or regulations allowing military experience to be used to meet professional licensure or certification requirements with an explanation from the professional licensure programs on why they have not enacted rules and regulations.

4265

Department of Public Health

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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**Military Experience and Professional Licensure
(continued)**

3. If the professional licensure program has decided not to accept military experience, an explanation from the professional licensure program about why they do not accept military experience.

4. A description of the Department's actions to direct the professional licensure programs to address military experience, including any memoranda to boards or other evidence of the department's actions.

5. A description of how the Department has interacted with the Department of Veterans Affairs and the Military Department regarding this issue.

6. A description of any other departments or agencies the Department has worked with on this issue, including but not limited to the Department of Consumer Affairs.

4300 Department of Developmental Services (DDS)

Governor's Proposal	2012-13 <small>(\$ in thousands)</small>	Comments
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Early Start Program – Trailer bill language

N/A

The May Revision includes trailer bill language changes for early intervention services intended to ensure that the use of private health insurance or health care service plans to pay for those services does not:

- 1) Count against or result in a loss of benefits due to insurance policy caps;
- 2) Negatively impact the availability of health insurance for the infant or toddler or others covered under the policy; or
- 3) Serve as the basis for increased premiums.

The Department indicates that this language is necessary to conform to new federal regulations.

Recommendation: Approve the proposed language. No issues have been raised.

5175 Department of Child Support Services

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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5175-101-0001 Department of Child Support Services

Budget Bill Language Related to Reduction to Local Child Support Agencies

Senate Budget and Fiscal Review Subcommittee No. 3 took action to make a one-time unallocated reduction of funding for Local Child Support Agencies by a total of \$14.7 million (\$5.0 GF).

The Committee may wish to clarify in Budget Bill Language that the action taken to reduce funding support to Local Child Support Agencies for Budget Year 2012-13 should not result in a reduction to caseworker staffing levels or a reduction in collections. This action would conform with the Assembly's action.

Staff Recommendation: Adopt Proposed Budget Bill Language.

Proposed Budget Bill Language:

"To the extent practicable, the reduction to local child support agencies adopted pursuant to the 2012-2013 budget act, shall not result in a reduction to caseworker staffing levels or collections."

5180 Department of Social Services (DSS)

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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5180-141-0001 (Issue 401)

Automation Expenditures Related to Health Care Reform

The May Revision proposes Budget Bill Language to allow the Director of Finance to augment the DSS budget by up to \$18 million to address any information technology system changes needed to implement the federal Affordable Care Act (health care reform).

The Administration would be required to notify the Joint Legislative Budget Committee not less than 60 days prior to approval of any expenditure approved under this provision. The notice would be required to include a plan for needed system changes.

-18,000

DSS, with project management support from the Office of Systems Integration, is responsible for operation of the county consortia-based Statewide Automated Welfare System (SAWS). SAWS automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties, including CalWORKs, CalFresh (food stamps), Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services. The total 2011-12 maintenance & operations budget for SAWS is \$178 million (\$91 million GF/TANF).

Depending on pending decisions related to the building of the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), changes to SAWS may be needed to implement federal health care reform.

Recommendation: Approve the proposed language. The deadlines for implementing health care reform may necessitate this kind of flexibility, even while more specific plans for system changes are not yet finalized.

5227 Board of State and Community Corrections

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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5227-101-0214 Board of State and Community Corrections

CalGRIP Budget Bill Language

Governor: Proposed budget bill language to allow for the authority needed to administer the California Gang Reduction Intervention and Prevention (CalGRIP) grant.

Senate: No Action.

Assembly: Approved the Administration's proposed language changes and added schedules and provisions included in the 2011 Budget Act.

BBL The administration of CalGRIP funding is being transferred to the BSCC beginning in 2012-13. The California Emergency Management Agency previously administered this funding. The Assembly action will ensure that CalGRIP funding is administered consistent with prior budget acts.

Staff Recommendation: Assembly.

6110 Department of Education

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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6110-001-0001/0890 Department of Education – State Operations

Federal Funds for Mental Health Services Compliance and Monitoring of Out-of-State Residential Facilities (April Letter Issue 645). Governor requests \$1,226,000 in federal Individuals with Disabilities Education Act (IDEA) funds and 3.0 limited-term positions be provided for three years, to provide an adequate level of oversight and monitoring related to the transition of mental health services from counties to schools.

\$1,226 **Staff Recommendation: Approve April Letter.**

Reimbursement Funding for Increased Non-Public Schools and Agencies Certification Workload (April Letter Issue 644). Governor requests additional reimbursements of \$190,000 to cover projected increases in workload relating to the number of non-public schools and agencies (NPS/As) seeking certification to provide individualized education program-based mental health services.

\$190 **Staff Recommendation: Approve April Letter.**

6110 Department of Education

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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6110-488 Department of Education – Local Assistance
6110-602-0001
6110-140-0001

One-Time Proposition 98 Funding for the California Student Information Services (CSIS) (May Revise Issue 323).

-\$150 Staff Recommendation: Approve Governor's May Revise request to reduce \$150,000 in one-time funding for CSIS that is no longer necessary.

Governor requests a reduction of \$150,000 in one-time Proposition 98 General Fund for CSIS operations to reflect the deletion of the independent project oversight consultant (IPOC) for the California Longitudinal Pupil Achievement Data System. Now that the CALPADS development contract is completed, the IPOC is no longer necessary.

7350 Department of Industrial Relations

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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7350-001-0001 Department of Industrial Relations
7350-001-3162
7350-001-3078

Fund 2011 Legislation from Labor and Workforce Development Fund (Issue 205).

Governor: The January budget proposed to fund the implementation of Chapters 661 and 706, Statutes of 2011, from the Labor Enforcement Compliance Fund (LECF). The statutory authority for the LECF will expire on July 1, 2013. The May Revision proposed to shift the fund source to implement these chapters from the LECF to the Labor and Workforce Development Fund (LWDF).

Prior Legislative Action: Both houses approved the May Revision proposal to fund implementation from the LWDF. The Senate approved the positions on a five-year limited term basis and included SRL requiring a report on the implementation of Chapter 706 in January 2017. The Assembly placed no limitations on the positions and adopted SRL requiring a report on the implementation of Chapter 706 in January 2013.

765 (LWDF) (Chp. 661)	Both Chapters 661 and 706 represent new workload for the Department.
1,700 (LWDF) SRL (Chp. 706)	Chapter 661 pertains to prevailing wage violations. The budget request includes four positions in 2012-13, and \$639,000 on-going. Of the requested resources in 2012-13, \$100,000 is for one-time costs to redesign and/or upgrade the existing database system. Chapter 706 pertains to willful misclassification of independent contractors. The budget request includes 13 positions in 2012-13, and \$1.65 million on-going.

Staff Recommendation. Modify the prior Subcommittee action to: (1) approve all positions on a three-year limited-term basis and (2) adopt SRL requiring report on the implementation of Chapter 706 in January 2015.

7980 California Student Aid Commission

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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7980-001-0784 California Student Aid Commission

Student Loan Operating Fund (SLOF) Offset.

Governor: The January budget proposed an offset of \$30 million GF due to surplus funds from the SLOF, which receives proceeds from the federal guaranteed student loan program. The May Revision increased the offset by an additional \$30 million, for a total GF offset of \$60 million in 2012-13.

Prior Legislative Action: The Senate adopted both the January and May Revision proposals. The Assembly adopted the January proposal.

24,600

The California Student Aid Commission now indicates that at least an additional \$24.6 million in SLOF offset is available in 2012-13.

Staff Recommendation: Adopt the additional SLOF offset available in 2012-13.

8940 California Military Department

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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8940-001-0890 California Military Department

Increase Federal Fund expenditure authority for California Military Department to conduct repairs at Camp Roberts

Governor: The Administration has submitted a request to increase the federal fund expenditure authority by \$15 million dollars to conduct federally funded improvement and repair projects at Camp Roberts.

The \$15 million in federal funds will be used to replace antiquated barracks, upgrade electrical systems, flooring, and plumbing and demolish uninhabitable World War II era buildings.

The original expectations were that the federal funds would be expended through the federal procurement process; therefore, no state appropriation would be needed. However, a recent change at the United States Property and Fiscal Office necessitates the use of the state's contracting process, resulting in the department's request for the augmentation in federal fund authority. The department received official notification from the federal government of the change on May 1, 2012 and it was brought to the attention of Finance after the release of the May Revision.

Staff Recommendation: Approve request for increased federal fund expenditure authority by \$15 million to support improvement projects at Camp Roberts.

0250 Judicial Branch

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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0250-101-0932 Judicial Branch

Court User Fees

Governor: Proposed trailer bill language to provide \$50 million for the Trial Court Trust Fund from civil court fee increases. These funds would offset the ongoing impact of reductions in funding for trial court operations contained in previous budget acts. In addition, the trailer bill language would eliminate the sunsets of various fee increases.

Senate: No action.

Assembly: No action.

50,000 TBL The Governor's Budget included \$350 million in previous ongoing reductions to trial courts that had not been allocated. These fee increases will mitigate the impact of these reductions.

A trailer bill associated with the Budget Act of 2010 (SB 857) included six fee increases that sunset on July 1, 2013. If these sunsets are not extended, trial courts will lose \$110 million in revenues.

0250 Judicial Branch

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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0250-001-0001 Judicial Branch

Trial Court Security Language

Governor: Proposed trailer bill language that makes programmatic changes consistent with the realignment of funding responsibility for trial court security from the state to locals.

Senate: No action.

Assembly: No action.

TBL Funding responsibility for trial court security was included in the 2011 Public Safety Realignment. This trailer bill makes the programmatic changes necessary to reflect this shift from a state to local responsibility.

0502 California Technology Agency

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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0502 California Technology Agency

IT Contracts

The Assembly has adopted placeholder trailer bill language that would provide the California Technology Agency with the authority to negotiate IT procurement contracts.

Specifically, Public Contract Code 6611 provides the Department of General Services the authority to utilize a “negotiated process” for new and existing procurements for goods, services, information technology, and telecommunications. The Department of General Services is provided the authority to utilize the “negotiated process” if certain preconditions are met, and the authority is granted to use the procurement mechanism in lieu of existing state procurement procedures.

Studies have found that the majority of the time that the Department of General Services utilized the more flexible section 6611 procurement process was when the Department was negotiating on IT related projects that were at risk of failure. Expanding the use of Public Contract Code 6611 to the California Technology Agency would provide them with an additional mechanism in the future to drive down costs of IT related projects.

0509 Governor's Office on Business and Economic Development

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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0509-001-0001 Governor's Office on Business and Economic Development

Establishment of Governor's Office of Business and Economic Development (GO-Biz)

3,800

In a February 2010 report, the Little Hoover Commission concluded that the State should reestablish a more prominent role of leadership in the area of business development to fill the void created by the 2003 elimination of the Technology, Trade, and Commerce Agency. Governor Schwarzenegger thereafter shifted existing state staff to create such an entity by executive order. The Legislature approved the statutory framework for this organization by passing AB 29 in 2011.

Governors' Proposal: The Governor's January Budget proposed a budget appropriation of \$4.1 million General Fund and 28 positions for the first year of stand-alone budgeting of GO-Biz. The expense is partially offset by reducing the budgets of various departments that had in the past loaned funding and positions for GO-Biz—\$2.9 million special funds, \$418,000 General Fund and 23.3 positions are eliminated from these departments' budgets. The Department of Finance later reduced the funding level by \$299,000, for a total request of \$3.8 million.

Prior Legislative Action: Senate Budget Sub 4 denied the Governor's budget request. The Assembly approved the proposal.

0860 Board of Equalization

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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0860-001-0001 Board of Equalization

State Responsibility Area Fire Prevention Fee Administration

\$6,400

The measure imposing this fee is the subject of some controversy, but the Legislature's decision to enact the fee necessitates activities designed to implement its collection.

Governor's Proposal: The Governor has proposed funding for the collection of the State Responsibility Area Fire Fee, enacted by the Legislature last year. The fee is imposed on owners of habitable structures in state responsibility areas (SRAs). The legislation requires a fee of \$150 per structure to support the fire prevention activities of the California Department of Forestry and Fire Protection. The Board of Equalization (BOE) is assigned the responsibility of collecting the fee. The fee is expected to generate \$50 million in the current fiscal year and \$85 million in the budget year. The Governor's budget includes \$6.4 million in reimbursements and 57 positions in the budget year to administer this program.

1690 Seismic Safety Commission

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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1690-001-0217 Seismic Safety Commission

Continued Funding for the Seismic Safety Commission (DOF Issue 300)

Governor: The Governor's January 2012-13 Budget included a request to fund the Seismic Safety Commission with direct support from the Insurance Fund. However, concerns arose that the funding structure could be interpreted as an assessment and raised constitutional concerns related to Proposition 26.

The Administration has proposed via trailer bill an alternative solution that would have the Department of Insurance calculate an annual assessment (not to exceed \$0.15 on commercial and residential property policy holders) to be collected by insurers. This item was heard on May 24th in Senate Budget Subcommittee No. 4.

The Seismic Safety Commission was originally created in 1975 and was supported by the General Fund. The Commission's mission is to investigate earthquakes, research earthquake related activities and recommend to the Governor and the Legislature policies and programs needed to reduce earthquake risk.

According to Legislative Counsel the proposed trailer bill language does not raise the constitutional concerns referenced above but, in accordance with Proposition 26, is subject to a supermajority vote.

1700 Department of Fair Employment and Housing

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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1700 Department of Fair Employment and Housing

Elimination of the Fair Employment and Housing Commission

Governor: Proposed eliminating the Fair Employment and Housing Commission and transferring the Commission's adjudicatory and regulatory functions to the Department of Fair Employment and Housing resulting in a savings of \$391,000 to the General Fund in 2012-13.

This item was first heard by Subcommittee No. 4 on May 10th, a revised proposal was submitted by the administration on May 16th.

The revised proposal would: capture the same amount of savings; create a Fair Employment and Housing Council within the department; allow the department to file cases directly in court; require all investigated cases to undergo dispute resolution; and would authorize the court to award reasonable attorney's fees.

Awarded legal costs would be deposited into a newly created Special Fund which could either be used to offset General Fund costs to the department or transferred to the General Fund.

However, it is worth noting that moving cases that used to be heard before the Commission to courts will not be subject to the same \$150,000 cap per complainant on employment cases. The Administration has noted that there currently is no cap on employment cases heard in court and it has historically not impacted a party's decision to go to court or not.

2600 California Transportation Commission

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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2600-001-0046 California Transportation Commission

Augmentation Request for Public Private Partnership Program.

Governor's Proposal: The Governor proposes budget bill language that would allow for the augmentation of the California Transportation Commission's (CTC's) budget by up to \$400,000 (from the State Highway Account) to contract out with a financial consultant to assist in the review of proposed projects under the design/build contract method and the public private partnership (P3) program. The request relates to legislation that directs the CTC to establish criteria and review projects for inclusion in the program

BBL This request is tied to the request under Item 2660 Department of Transportation regarding local reimbursements for P3 projects. Only one project has gone through the approval process since the legislation was adopted in 2009.

2660 Department of Transportation

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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2660-001-0042 Department of Transportation

Funding for Public Private Partnerships Program.

Governor's Proposal: The Governor proposes an increase in reimbursement authority of \$2.6 million each year for two years for the Department of Transportation (Caltrans) to receive funding from local governments to review locally-sponsored public private partnership (P3) programs for the state highway system. Caltrans also requests reduction in baseline funding for the program of \$899,000.

2,600 This request is tied to the request under Item 2600 California Transportation Commission for the review of
 -899 P3 projects. P3 projects generally involve construction financed by a private partner, with the cost repaid with new toll revenues. Caltrans indicates that the funds would allow the department to hire fiscal and legal consultants to review projects submitted by local agencies.

2660 Department of Transportation

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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Weight Fee and Special Fund Transfer Trailer Bill

Governor's Proposal: The Governor's Budget included a General Fund solution that shifts truck weight fees to the General Fund to pay for transportation-related debt service. The proposal also clarifies that gasoline excise taxes backfill the State Highway Account for any reduction stemming from the shift in weight fees and directs that excess revenue from the fuel swap resulting from gasoline purchased for off-highway vehicles be used for state highway and local road improvements. The May Revision maintains the weight fee shift and the backfill, and directs the excess revenue from the fuel tax swap to the General Fund.

Prior Legislative Action: Senate Budget Sub 2 adopted the May Revision proposal, but imposed a two-year sunset date. The Assembly approved the proposal.

697,000	Adopting a sunset allows the Legislature to review the policy as a matter of course, but not impinge upon the budget solution. Adding an additional year to the sunset provision is a reasonable means by which to ensure Legislative review and maintain additional flexibility in the out years.
General Fund Solution	
TBL	

3360 California Energy Commission

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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3360-001-0465 Electricity Procurement Investment Charge

Implementation of the Electricity Procurement Investment Charge (EPIC)

2,188+ BBL, TBL Concerns were raised about the legislative oversight and priorities given the new policy direction by the administration to fund programs that were previously authorized under the public goods charge. As a compromise, approving half of the proposal (funding and positions) gives the Legislature time to work with the administration on a final EPIC policy. The budget bill language provides the information necessary to focus the state’s efforts on energy efficiency and climate policy. Trailer bill language to clean up defunct public goods charge authority ensures funding only goes to programs eligible under the new program.

Governor’s Proposal. The May Revision requests nine new positions and \$2.2 million from the EPIC surcharge for the initial year to develop a plan to administer \$127.8 million from off-budget, investor owned utility ratepayer funds under the California Public Utility Commission’s (CPUC) EPIC program. This fund was developed by the CPUC in its rate setting capacity at the direction of the Governor in response to the sunset of the Public Goods Charge.

Prior Senate Action. The Senate approved \$1,000 to move this proposal forward for continued discussion and added budget bill language requiring the LAO to review all funds expended for greenhouse gas reductions, energy efficiency, and AB 32 related activities from all funding sources to determine priorities, overlap, and redundancy.

3480 Department of Conservation

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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3480-001-3046 Division of Oil, Gas and Geothermal Resources (DOGGR)

BBL, TBL—Hydraulic Fracturing Budget Bill and Trailer Bill Language

Governor's Proposal. The Governor's budget requested 18 permanent positions and \$2.5 million for the division. This was approved by both houses. The Governor did not propose budget or trailer bill language.

Prior Senate Action. The Senate approved budget bill language to adopt rules and regulations specific to hydraulic fracturing.

Assembly Action. The Assembly approved trailer bill language to adopt similar rules and regulations specific to hydraulic fracturing as was contained in the Senate proposal.

BBL, TBL Both houses adopted language to provide advance public notice of hydraulic fracturing, contents of substances used in the process, and tracking of waste discharges. Both houses approved the development of a database for public reporting of hydraulic fracturing.

The Assembly version proposes trailer bill language to allow for more than a one-year proposal whereas the Senate version would have sunset after one year.

3500 Department of Resources Recycling and Recovery (CalRecycle)

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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3500-001-0133 California Beverage Container Recycling Fund

TBL—Thirty Day Redemption Fee Payment Schedule

Governor's Proposal. The Governor's May Revision changes the redemption fee payment due date from the last day of the second month following the sale (60 days) to the last day of the first month following the sale (30 days) beginning July 1, 2012, in order to better manage cash flow. The Governor's proposal also included budget bill language extending the General Fund loans which both houses adopted.

Prior Senate Action. The Senate approved a proposal to extend the current 60 day repayment schedule that would otherwise sunset.

TBL The May Revision proposal gives the department more tools to manage cash flow in the Beverage Container Recycling Fund which has been notoriously volatile. This, among other reforms proposed by the department, should allow the fund to remain in balance in the near term as the department develops a long term policy proposal intended to reform the programs.

3790 Department of Parks and Recreation

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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3790-491, 3790-301 Reappropriation of Bond Funds

Reappropriation of Funds for Acquisitions

Governor's Proposal. The Governor's May Revision proposed a series of reappropriations totaling \$32.1 million. This included \$7.4 million for new acquisitions.

Prior Senate Action. The Senate approved this proposal.

Assembly Action. The Assembly denied the reappropriations in order to add to the Senate Sustainable Parks Proposal adopted in large part by both houses.

7,400 Both houses adopted, in large part, the Senate Sustainable Parks Proposal. A key feature of the proposal is to give the department as many tools as possible to increase revenue generation. The Assembly proposal increases the amount available to the department for revenue generating one-time projects, such as installing credit card machines, moving kiosks, and installing iron rangers.

The department supplied a list of acquisitions that would not add costs to the state parks system totaling about \$4.4 million. The remainder is available for revenue generating activities. This is a one-time proposal.

3860 Department of Water Resources

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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3860-001-0995 Reimbursement Authority—Salton Sea Restoration Program, TBL—Salton Sea Restoration Council

Species Conservation Habitat Funding

Governor's Proposal. The Governor's budget proposes \$7 million reimbursement authority in the budget year and \$2 million in following years to continue the Salton Sea Restoration program habitat restoration projects. The Governor also proposed to eliminate the Salton Sea Restoration Council.

Prior Senate Action. The Senate denied both the proposal for Salton Sea Restoration Program and the proposal to eliminate the Salton Sea Restoration Council.

Assembly Action. The Assembly denied the Governor's budget proposal, and approved the elimination of the Salton Sea Restoration Council. The Assembly also approved \$2 million from this item to the Salton Sea Authority for a funding and feasibility study.

9,000 +TBL The Assembly proposal is a good compromise that would allow the Legislature to continue minimal funding to the Salton Sea programs while requiring a clear funding and feasibility plan to be developed for this ongoing and expensive restoration program. Further funding would be evaluated after the report was received. The Salton Sea Restoration Council is no longer required as a part of state government and elimination will not impact future Salton Sea restoration projects.

3940 State Water Resources Control Board

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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3940-001-0193 TBL Reorganization and Consolidation of Regional Water Boards

Per Diem Compensation and Report

Governor's Proposal. The Governor proposed trailer bill language to reduce the number of regional water boards, reduce the number of members on each board, and modify the requirements of board members. Board members would also be appointed by the Governor.

Prior Senate Action. The Senate denied the regional board consolidation, appointment by the Governor, and approved the remainder of the Trailer Bill including a per diem compensation increase and amended conflict of interest rules.

TBL and
BBL

The Assembly took a similar action to the Senate but (1) did not approve the per diem compensation which was proposed to be increased from \$100 to \$500 per day, with an annual increase in the cap from \$13,500 to \$60,000 and, (2) added budget bill language requiring the Administration to submit a new proposal for reducing the number of regional boards, demonstrating increased program efficiencies. This approach mirrors the Senate action and reduces impacts to fee payers.

4260 Department of Health Care Services

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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4260-001-0001 Department of Health Care Services – State Support

New Positions for Dental Managed Care

Governor’s May Revision proposed additional positions at the Department of Managed Health Care (DMHC) to increase oversight of Medi-Cal dental managed care. There was no corresponding proposal for DHCS.

Medi-Cal operates dental health managed care in two geographic areas: Los Angeles and Sacramento.

102 DHCS and DMHC both have an oversight role over the Medi-Cal Dental Managed Care program.

Concerns have been raised regarding significant access and quality of care problems in the dental managed care programs in Sacramento and Los Angeles counties. Increased oversight by both DMHC and DHCS is required to ensure adequate access and quality of care.

4260 Department of Health Care Services

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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4260-101-0001 The Medi-Cal Program, Department of Health Care Services (DHCS)

Default Managed Care Assignment

Governor proposes to add health plan cost as a factor in the default managed care plan algorithm.

Savings would be recognized based on the shift of beneficiaries that would have been defaulted to the higher cost plans under the normal default ratios to lower cost plans.

-2,400 + TBL Currently, the default algorithm defaults beneficiaries into a plan based health plan quality and safety net population factors. This proposal would add health plan cost to the default algorithm.

4260 Department of Health Care Services

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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4260-101-0001 The Medi-Cal Program, Department of Health Care Services (DHCS)

Implement Copay for Non-Emergency ER Usage and Copay for Pharmacy

Governor proposes to implement:

- A \$15 copayment for non-emergency use of the emergency room (ER).
- A \$3.10 copay for non-preferred drugs.

These copays would not apply to those who are in the Family Planning, Access, Care, and Treatment program.

The DHCS estimates that both these copays would be implemented January 1, 2013.

-20,200 + TBL AB 97 (Statutes of 2011) contained mandatory Medi-Cal copays that were not implemented because the state did not receive federal CMS approval.

According to DHCS, given the revised structure as proposed including activities to mitigate beneficiary harm, it believes CMS will be more receptive to this approach and likely to grant approval.

4265 Department of Public Health

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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4265-001-0001 Department of Public Health

Eliminate Public Health Laboratory Training Program

Governor proposes to eliminate General Fund support for the Public Health Laboratory Training Program. This training program prepares county and city public health laboratory directors.

Prior Senate Action. The Senate approved the Governor's proposal and encouraged the department to work with foundations and the local jurisdictions to find alternative funding sources.

-2,200 Federal law requires a public health laboratory director to have an advanced graduate degree and specific training.

The costs to qualify six individuals who are furthest along in this training program to become public health laboratory directors at local labs would be about \$1 million.

4440 Department of Mental Health

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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4440-001-0001 Department of Mental Health

Elimination of State Supplemental Payment for Community Treatment Facilities

Governor proposes to eliminate \$750,000 General Fund as a supplemental rate to Community Treatment Facilities (CTFs).

Prior Senate Action. The Senate approved the Administration's proposal, given that there are only two remaining CTFs in the state and that counties can continue to place children in these facilities but would not receive state funding.

-750 Community Treatment Facilities (CTFs) provide secured residential care for the treatment of children diagnosed as being seriously emotionally disturbed (SED). These are locked facilities and provide intensive treatment.

The \$750,000 supplemental payment was based on three CTFs being opened in the state. The San Francisco Community Alternatives Program is in the process of closing and placing children in community-based services.

5180 Department of Social Services (DSS)

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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**Child Welfare Services Realignment:
Programmatic Trailer Bill Language**

N/A

Assembly Action: Subcommittee #1 adopted the Administration's language as a placeholder, subject to changes, including but not limited to:

The 2011 public safety realignment package included realignment of \$1.6 billion for the state’s child welfare services (CWS), adoptions, and foster care programs. For that first year, no changes were made to state law governing these programs. Leading up to the May Revision of the 2012-13 budget, however, the Administration has proposed extensive programmatic trailer bill language related to the following major themes:

- A. Proposed Flexibilities for Counties
- B. Accountability & Oversight
- C. Needs Assessment & Congregate Care Reforms
- D. Technical Changes

Stakeholders have also expressed interest in increased transparency related to fiscal and outcomes-related reporting to track the impacts of realignment, among other more specific issues.

- A. Revisions to: 1) allow DSS to license *THP-Plus-Foster Care* placements, consistent with other foster care placement types, and 2) leave in place statutory provisions that enable foster youth to access federal *SSI benefits*.
- B. For *CA Child & Family Services Reviews*: 1) clarify that the workgroup in WIC 10601.2 can reconvene as needed, 2) require DSS to consult with counties before establishing performance targets, and 3) include state-defined objectives and outcome measures within new provisions.
- C. A requirement for DSS to annually provide to the Legislature, and publicly post, a *summary of outcome and fiscal data* that allows for tracking of program changes and performance on defined outcome measures.
- D. Inclusion of CWS and foster care programs in superstructure provisions regarding a *transparent, local public process* before a county significantly changes expenditures on optional programs.

5180 Department of Social Services (DSS)

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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5180-001-0001 (Issue 080)

705

**Child Welfare Services Realignment:
DSS Staffing**

The 2011-12 budget included savings of \$6.0 million GF related to state staffing reductions in the wake of realignment of the Agency Adoptions program. The reductions in state staffing result from eleven counties expressing interest in transitioning these programs to the county level (corresponding to the workload associated with 53.5 positions in the Department’s Child and Family Services Division).

The May Revision proposes to reduce the DSS budget by 42 of these positions. The remaining 11.5 positions would instead be retained and repurposed. The Department indicates that these positions are needed because of recent court orders and to ensure implementation of and compliance with recently enacted state and federal legislation.

Assembly Action: As detailed below, Subcommittee #1 approved the Administration’s proposal, including retention of 11.5 positions (but with 9.5 as proposed and two repurposed, consistent with additional shared priorities):

Oversight & Monitoring:

- 1 General Auditor III for Foster Care Audits
- 1 (of 3 requested) Consultants for federal CAPTA compliance
- 2 repurposed positions – to focus on: a) fiscal and outcome-related oversight stemming from trailer bill language related to realignment, and b) policy and program development related to the continuum of care and assessment of children’s needs, which may also include implementation of the *Katie A.* settlement.

Policy & Program Development:

- 1 Analyst for Foster Care Rates, Regulations, and Technical Assistance
- 3.5 limited-term positions for a federal demonstration project
- 3 positions for a federal permanency-related grant

5225 Department of Corrections and Rehabilitation

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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5225-101-0001 Corrections and Rehabilitation

Realignment Implementation

Governor: Proposed trailer bill language necessary to implement the 2011 Public Safety Realignment.

Senate: No action.

Assembly: No action.

TBL Trailer bills associated with the 2011 Budget Act (AB 109 and AB 117) realigned responsibility for certain non-violent, non-serious, non-sex offenders from the state to local jurisdictions. Public safety realignment is the cornerstone of California's solution for reducing the number of inmates in the state's 33 prisons, as ordered by a Three-Judge Court and affirmed by the United States Supreme Court. The proposed trailer bill language makes technical and programmatic changes, consistent with the intent of AB 109 and AB 117, necessary to successfully implement public safety realignment.

5227 Board of State and Community Corrections

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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5227-101-0001 Board of State and Community Corrections

California Community Corrections Performance Incentive Grants

Governor: Proposes trailer bill language to update the California Community Corrections Incentive Grant Program to account for changes related to Public Safety Realignment.

Senate: No Action.

Assembly: No action.

TBL The California Community Corrections Performance Incentive Act of 2009 (SB 678, Leno) provides county probation departments with a share of state savings accrued due to reductions in prison admissions of adult felony probation failures. The Act required counties to implement evidence-based supervision and treatment practices for adult probationers to receive these funds.

6440 University of California

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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6440-001-0001 University of California

Long-Term Funding Plan.

Governor: The January budget proposed a long-term funding plan for UC that included stable and increasing state funding and fiscal incentives to allow UC to better manage its resources. The significant components included: affordability; student success; stable funding; fiscal incentives; and flexibility.

Consistent with the plan, the January budget proposed to shift debt service and certain retiree-related costs to UC's budget. No further adjustments would be provided for these purposes, but the enlarged base budget would be subject to the GF increase. The January budget also proposed removal of earmarks and enrollment targets from UC's budget.

An agreement was never reached between the Administration and UC on a long-term funding plan. Any future GF increases were contingent upon the passage of the Governor's tax initiative in November 2012.

Prior Legislative Action: Both houses heard the specific proposals and the concept of a long-term funding plan. The Senate held all proposals open. The Assembly rejected the elimination of earmarks and enrollment targets and left the remaining proposals open.

BBL Adoption of the major components of the long-term funding plan, as proposed in the January budget, would result in UC's budget assuming certain costs. The Governor's rationale was that UC would be given base increases in the future that it could use to manage its costs. However, the Administration has not presented its long-term funding plan to the Legislature. Therefore, it is unclear how these components work as a stand-alone proposal.

With regard to earmarks and enrollment targets, their elimination was proposed to provide UC with more flexibility. However, given UC's constitutional autonomy and the fact that significant budget authority has already been delegated to UC, these proposals would effectively remove a budgetary tool and it is not clear what, if any, tools would remain that are as effective and would ensure that legislative intent is met. Further, enrollment levels are irrefutably a fundamental building block of higher education budgets. The number of students enrolled is a direct measurement of the "access" provided to higher education.

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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Capital Outlay: Interim Financing Costs Trailer Bill Language.

Governor: The January budget proposed trailer bill language to authorize the Public Works Board (PWB) to provide repayment from state bond proceeds to UC for the interim financing costs of capital outlay projects that have been approved by the Legislature.

Interim financing is the funds used until a bond-funded project is sufficiently far enough along to sell bonds for it. Since the Pooled Money Investment Board stopped authorizing interim financing loans for lease-revenue bond (LRB) financed projects in 2008, the PWB has changed its processes for issuing LRB bonds from selling the bonds near the end of project construction to near the end of design. This results in the need to capitalize the costs of the project until the completion of construction.

Prior Legislative Action: Both houses heard this item and held it open.

TBL The PWB was created by the Legislature to, among other functions, oversee the fiscal matters associated with construction of projects for state agencies. The PWB also issues LRBs.

In recent years, due to concerns about the state indebtedness level as well as market conditions, there have been fiscal years where either no LRBs were sold or a sale was delayed and/or reduced in size. This has impacted state capital outlay generally, as well as the UC specifically. At this time there are four remaining UC capital outlay projects that have been approved by the Legislature and are awaiting a state LRB sale for both design and construction, representing \$118.217 million in funding. The Administration indicates that it plans to include these four projects in the state LRB sale scheduled for fall 2012 but that other variables, such as market appetite and project readiness for sale, could result in all or none of the projects being sold.

The TBL would amend statute to allow UC's interim financing costs to be reimbursable by the PWB. Under current law, reimbursement is limited to only the principal amount financed. With this proposed change, UC would be able to provide interim financing for the list of projects that have been approved by the Legislature, but for which bonds have not been sold, thereby allowing these projects to move forward.

6600 Hastings College of the Law

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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6600-001-0001 Hastings College of the Law-

Long-Term Funding Plan.

Governor: The January budget proposed a long-term funding plan for Hastings that included stable and increasing state funding and fiscal incentives to allow Hastings to better manage its resources. The significant components included: affordability; student success; stable funding; fiscal incentives; and flexibility.

Consistent with the plan, the January budget proposed to shift debt service and certain retiree-related costs to Hastings' budget. No further adjustments would be provided for these purposes, but the enlarged base budget would be subject to the GF increase.

An agreement was never reached between the Administration and Hastings on a long-term funding plan. Any future GF increases were contingent upon the passage of the Governor's tax initiative in November 2012.

Prior Legislative Action: Both houses heard the specific proposals and the concept of a long-term funding plan and held open these items in Hastings' budget.

BBL Adoption of the major components of the long-term funding plan, as proposed in the January budget, would result in Hastings' budget assuming certain costs. The Governor's rationale was that Hastings would be given base increases in the future that it could use to manage its costs. However, the Administration has not presented its long-term funding plan to the Legislature. Therefore, it is unclear how these components work as a stand-alone proposal.

6610 California State University

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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6610-001-0001 California State University

Long-Term Funding Plan.

Governor: The January budget proposed a long-term funding plan for CSU that included stable and increasing state funding and fiscal incentives to allow CSU to better manage its resources. The significant components included: affordability; student success; stable funding; fiscal incentives; and flexibility.

Consistent with the plan, the January budget proposed to shift debt service and certain retirement and retiree-related costs to CSU’s budget. No further adjustments would be provided for these purposes, but the enlarged base budget would be subject to the GF increase. The January budget also proposed removal of earmarks and enrollment targets from CSU’s budget.

An agreement was never reached between the Administration and CSU on a long-term funding plan. Any future GF increases were contingent upon the passage of the Governor’s tax initiative in November 2012.

Prior Legislative Action: Both houses heard the specific proposals and the concept of a long-term funding plan. The Senate held all proposals open. The Assembly rejected the elimination of earmarks, enrollment targets, and employer pension contributions and left the remaining proposals open.

BBL Adoption of the major components of the long-term funding plan, as proposed in the January budget, would result in CSU’s budget assuming certain costs. The Governor’s rationale was that CSU would be given base increases in the future that it could use to manage its costs. However, the Administration has not presented its long-term funding plan to the Legislature. Therefore, it is unclear how these components work as a stand-alone proposal.

With regard to earmarks and enrollment targets, their elimination was proposed to provide CSU with more flexibility. However, given that significant budget authority has already been delegated to CSU, these proposals would effectively remove a budgetary tool and it is not clear what, if any, tools would remain that are as effective and would ensure that legislative intent is met. Further, enrollment levels are irrefutably a fundamental building block of higher education budgets. The number of students enrolled is a direct measurement of the “access” provided to higher education.

Governor’s Proposal	2012-13 (\$ in thousands)	Comments
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Long-Term Funding Plan.

Governor: The January budget proposed a long-term funding plan for the CCCs that included stable and increasing state funding and the following significant components: affordability; student success; stable funding; and flexibility.

With regard to flexibility, the January budget proposed: (1) consolidation of the majority of categorical program funding and no restriction on expenditure of those “flexed” funds and (2) repeal of the statutory FTES apportionment formula; in its place 2012-13 funds will be allocated on the same proportionate share that districts received in 2011-12. However, the CCC Chancellor’s Office may develop an alternative formula subject to approval of the Board of Governors and DOF.

An agreement was never reached between the Administration and the CCCs on a long-term funding plan. Any future GF increases were contingent upon the passage of the Governor’s tax initiative in November 2012.

Prior Legislative Action: Both houses heard the specific proposals and the concept of a long-term funding plan. The Senate held all proposals open. The Assembly rejected both the categorical program and FTES apportionment formula proposals.

BBL TBL The Governor’s categorical flex proposal goes quite a bit farther than the current “flex” item, in that it would flex 90 percent of all of the categorical funds and authorize their expenditure for any purpose. This approach would completely negate current assurances that these dollars will be spent on identified state priorities.

The current statutory FTES apportionment formula was the result of four years of work and in response to un-equalized funding between CCC districts. The Governor’s proposal would effectively result in 2012-13 funding going out on a proportionate basis to what districts received in 2011-12. This approach steps backward to the old model of un-equalized funding; i.e., the funding will be allocated without regard to, for instance, district-level enrollment changes.

While the CCC is a higher education system, the CCC has a K-12 governance structure with 72 local districts, each with its own elected board members. In addition, there are separate statutory requirements that restrict CCC budgetary flexibility. It is not readily clear how this flexibility model can apply without major structural and statutory changes that are not part of the Governor’s budget proposal.

8660 California Public Utilities Commission

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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8660-001-0461 Global Safety and Enforcement Positions

Gas and Rail Safety Positions

3,500 +19
PYs

Governor's Proposal. The Governor proposed 41 positions and \$5.9 million for gas and railroad safety.

Prior Senate Action. The Senate approved 13 positions for gas and railroad safety along with approval of four other gas safety proposals that would fulfill statutory mandates.

The LAO reviewed the proposal and believes that 19 positions are justified on a workload basis for the gas and rail safety program. These positions would be used both for inspection and enforcement efforts to increase gas and rail safety statewide. The six positions not approved by the Senate are related to rail safety. Concerns were raised that approval of these positions would increase fees however upon further review this is not the case. There is sufficient funding in the existing fee authority (without raising fees) to fund these positions.

8885 Commission on State Mandates

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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8885-001-0001 Commission on State Mandates

Suspension of Selected Mandates

-\$375,669

Governor's Proposal. The Governor's Budget proposes suspension of numerous mandates, almost all of which have been suspended in prior years. (The mandates slated for suspension under the Governor's proposal are listed in the handout). Generally, these mandates have been suspended for several years, usually as part of the budget process. In general, mandate suspension has not been subject to a thorough policy review and evaluation of the costs and benefits, but rather has been based on budgetary savings. With suspension, the policy remains in place, with the mandate to be funded once the Legislature determines that it is fiscally feasible.

BBL

Senate Budget Sub 4 took action to fund mandates related to certain public safety issues and those related to the local property tax. In addition, Senate Budget Sub 5 approved suspension of other public safety mandates and approved the funding of, and certain changes to, the mandate regarding crime statistics reports.

Among the mandates to be suspended is the statutory part of the Open Meetings/Brown Act. The core provisions of this policy are not reimbursable mandates. The mandate portion of the policy relates to the posting of an agenda and provisions related to actions taken in closed sessions. This mandate was not funded last year, nor was it suspended by legislative act. The mandate components are part of the Governor's constitutional amendment that will be put before the voters in the fall.

Prior Legislative Action. Senate Budget Sub 4 held this item open. Assembly Budget Sub 4 approved the proposed suspensions.

8955 Department of Veterans Affairs

Governor's Proposal	2012-13 (\$ in thousands)	Comments
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8955-001-0001 Department of Veterans Affairs

County Veteran Service Officers

Senate Budget and Fiscal Review Subcommittee No. 4 took action to provide greater incentives to the County Veteran Service Officers to assist veterans in applying for federal compensation and benefits.

The Assembly has taken a similar action, but have rescinded their action to amend Military and Veterans Code Section 974 due to a chaptering conflict that may arise stemming from pending legislation.

The Committee may wish to take a similar approach and rescind the action to amend Military and Veterans Code Section 974 to avoid any chaptering conflicts that would arise from pending legislation. Also, this would conform to the Assembly action.